SYMPOSIUM

Investing in Cryptocurrencies as a Hedge for Family Office Investors

The Speakers

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In a virtual event hosted by Sharenett and moderated by Diffuse COO Ayla Kremb, **Jared Hutchings (PEER)**, **Nisa Amoils (A100x Ventures)**, and **Ken Nguyen (Insight Capital)** talked about family offices, why they're suddenly entering the crypto space, and how they're doing it.

The Speakers

JARED HUTCHINGS is an entrepreneur and investor. In 2008, he founded PEER Venture Partners, a VC firm that focuses on building all things peer-to-peer.

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NISA AMOILS is a VC, family office investor, and now Managing Partner of A100x, an early-stage fund for crypto, DeFi, NFT, and blockchain companies.

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Event Moderator

AYLA KREMB is COO of Diffuse, with 10 years of emerging tech fundraising, startup commercialization, operator, incubator and manager of alternative asset funds.

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AYLA KREMB: First, we're going to have a round of introductions. Jared, do you want to start off?

JARED HUTCHINGS: Sure. I am an early crypto investor, and I've been in the venture capital space for over 15 years, mostly in Silicon Valley. I was the founding Managing Director of University Venture Fund with backing from Tim Draper, UBS, and Morgan Stanley.

After that, I went on to form PEER Venture Partners with Donald L. Lucas, a seed investor and early chairman of Oracle. PEER is a premier early-stage venture fund focused on crypto startups and tokens, among others. We also host a leading industry event called PEER Summit. We've been investing largely in FinTech, gaming, and NFTs. We've invested in a few interesting projects that I'm sure we'll get to talk about today.

AYLA KREMB: Thanks, Jared. Let's follow that up with Nisa, who is also in the VC space. Nisa, do you want to take over?

NISA AMOILS: Sure. I have a pretty similar background as Jared. I've been in venture capital for the past decade. Prior to that, I was a corporate and securities lawyer, which is very helpful for this space, given Gensler's testimony right now. I'm also playing two roles. I started a venture fund called A100x, which invests in the social impact/enterprise applications of blockchain that are often overlooked for crypto. I'm also part of the team at Dragonfly Capital, which is one of the biggest crypto, NFT, and DeFi funds in the space. I've also done a bunch of media in the space, having written for Forbes Crypto for the past four years, and also hosted a show on Bloomberg called the Digital Asset Report. I'm also on the board of the Global DCA, among other organizations in the sector.

AYLA: Awesome. And we also have Ken, who is at the intersection of the grassroots investment process in the digital asset space, as well as working with large financial institutions. Do you want to share a bit about your background?

KEN NGUYEN: Sure, happy to. I have a little bit of a different background. I started out at Citi doing leveraged finance in the aftermath of 911 and the tech bust. I spent four years in New York City, then in Vietnam and other emerging markets, learning how to pick apart the finances of risky companies and countries. Then, when I came back to the states in 2006, I developed the thesis that the subprime credit bubble would implode.

I didn't want to graduate a second time into another crisis, so I joined Blackstone in the summer of 2007, as the Bear Stearns hedge funds were collapsing. I did special situations for eight years over the course of the global financial crisis, which includes about 50 billion in restructurings, including General Motors Acceptance Corp., Toys R Us, Sears, Kaupthing Bank (which is the largest bank in Iceland), and the LA Dodgers, which I took through bankruptcy and sold for a record price in 2012, which netted the McCourt family about 2 billion in profit.

Then, I later joined the McCourt family office to run their investment program, where we focused on early and growth stage comp investing for about six years. I sat in the shoes of many of the audience members here, and then started investing and incubating blockchain companies in 2017 through the family office, including about 100 million decentralized social network projects, and investments in the trading and foundry companies in the blockchain space.

I left in 2020 to launch Insight Capital, which is a private investment advisory company focused on blockchain and crypto. I'm also a general partner at Off The Chain capital, which is the top performing fund in the HFRI Index for the last four years. I'm also an advisor to Wave Financial and a number of other startups, funds, and family offices that are active in the space.

AYLA: Beautiful. I think the beauty of this panel is that everybody comes with a little bit of a different angle, but I think what we all have in common is that the capital that we've raised does in part come from family offices. In our journey in Diffuse, we've seen that a significant number of family offices were some of the early investors in the crypto space. But now, the second wave of adopters is coming online.

Today's discussion is all about, what has changed for family offices? Why are they starting to get into the crypto space, why are they looking to get exposure, and how does it all fit together into their long-term vision of how they raise capital and generate capital from the assets that they have currently?

Maybe I'll start off with the first question. What are the micro and macro forces that are driving family offices into the arms of crypto? Maybe I'll have Ken kick off on that one.

KEN: Coming from Blackstone, I was very struck by the advantages that the family office structure has across many different asset classes. Family offices have flexible permanent capital, which, if you talk to any institution or asset manager, that's the most coveted capital base you could get. And with the breadth of opportunities in crypto, again, it is well suited for family offices.

So zooming out and looking at some of the macro factors, COVID was a huge accelerant for everything digital. Three to seven years of acceleration even, according to McKinsey. Decentralized market intervention and low yields are pervasive in the minds of market participants.

The U.S. being the largest capital market in the world, but also the last developed market to adopt negative real yields, was an important catalyst. And with yields on Triple C companies at the brink of death, which is pretty close to crypto yields for young growing companies — that's a sign that we're now over the tipping point where crypto has a lot of tailwinds to it.

AYLA: Nisa, do you think that crypto has gotten to the tipping point as well, or are we still pushing a rock up the hill in some respects?

NISA: We're still very early, but I agree that there has been a macro background where the government printed 40% of all dollars ever printed during the pandemic. That's a staggering amount. So with negative yields, inflation, etc, there is a chase for yield that has driven investors into crypto.

Being in New York at the SALT conference yesterday, you can see that this is really the only thing anybody is talking about. That was not the case two years ago, in the midst of crypto winter. I think there have been waves, and there have been early families that have entered the space around 2017 and 2018. And then, there has been a sense of fear of missing out that the other families have come in and said, "Okay, well Paul Tudor Jones said it was okay" in May of 2020. . I think that was a big zero to one move which really made all this happen. Two years ago, people were questioning whether crypto would survive. I don't even think I've had that discussion in two years.

As you can see from what is happening on the regulatory front, we are no longer pushing the rock up the hill. The good and bad news is we are big enough to matter now.

AYLA: Yesterday, we had a chat with Jared and he made a really nice analogy. He said the big kids have shown up on the block and then started to offer the free version and make it available to everybody. Jared, do you want to touch on that from a technology perspective, or product availability perspective? What do you think are some of these shifts that have happened recently that have made family officers more confident and interested in the crypto space?

JARED: Right off the bat, like Nisa was saying, two years ago it was a completely different landscape for everyone to participate. It's still very early. But in terms of even as a GP of a venture fund, having options on institutional grade custody of tokens, fund administration, tax, legal — the boring part of making investments, but also the really important part of making investments, which is the institutional infrastructure — it's all just there now. It's there in a way that wasn't before. It's not to say that there aren't some unknowns and ambiguities, which is why there's still opportunity, but it's much better than it was.

We talked about the playground yesterday when we were talking about this call, and what's happening. I love this analogy in terms of thinking about what's happening. And for me it comes down to when the internet first arrived. It was like a playground where we were all out there experimenting, trying different things, building things we were excited about with these new tools of communication. The possibility felt limitless, and so we experimented. And then, the big kids showed up on the playground, and they looked at what everybody was playing with and said, "Hey, I'll make a free version of everything you're working on." And isn't that wonderful. The kids all cheered. That sounds great.

And after a while, we realized that the playground was fun, but the big kids controlled every aspect of it. They control who won King of the Mountain at recess. They control how all the information flows. They were holding the keys to the playground. So, a few kids left the playground and decided to experiment with a totally new kind of playground, but with that same feeling of hope and limitless possibility.

When they built the new playground, they got so excited because they realized that, "Wow, we built a swing set that's indestructible. You cannot break this swing set. Isn't that amazing? And isn't it also amazing that we can chop this little swing set up and give out these disparate pieces of it so that we all have ownership of it?" The big thing to realize is that the new playground is not as fancy right away, because we're still building it in a new, more sturdy, strong way that belongs to everybody. But it has these qualities that make it really exciting and interesting.

AYLA: I love that analogy. And you also touched on a really important point just before that as well. While the current playground might not be as pretty, six months ago, it was uglier than it is today. It's looking better and better by the minute.

And one of the key bits that has kicked in, which I think makes it easier for family offices to touch on this without being too scared, is that custody solutions are coming in, education is coming in, and there's more research available that is actually easily digestible and not just for tech geeks. There are a lot of things that are happening. These resources, capital, input, both from an intellectual perspective and technology perspective, are coming on board and smoothing the ramp into crypto.

I'd love to hear some of your uses in terms of what resources family offices really need in order to make intelligent investment decisions in this space. Because many parts of it are still the wild, wild west, led by some brave cowboys. Nisa, what are your thoughts on that? What resources do you think family offices still require, or still lean on to make these decisions?

NISA: Most of the family offices I talked to allocate to funds because they don't have the resources to do it themselves. It does require full time monitoring because there are so many different areas now than there were a few years ago. You have an entire ecosystem around NFTs that is booming this year, even though it's been around for three, four years. Or you can spend all your time just in DeFi, for instance.

I think that the best strategy is to allocate to different funds that are specializing in each of those areas. Because it is very hard, unless you're large and you can hire traders and people who are going to play around in Discord and Twitter all day. I don't know many families who can or do it themselves.

Some families have been burned by regulatory and security issues by going direct. Speaking as a lawyer, risk management is important.

AYLA: Kevin, do you also think that allocating funds might be the safest bet for now until simplicity starts kicking in a bit in this ecosystem? What is your analysis of this?

KEN: I think allocating to funds is definitely one approach you can take. I think there's a big range of opportunities and resource requirements that go along with that. On the low maintenance side of the spectrum, you could just do a little work and put some of your portfolio in Bitcoin as a proxy for the entire space, and have a time horizon where you're comfortable holding it. You can also add some Etherium to that to broaden your exposure.

But that's perhaps too low maintenance. You could add passive index exposure to it to get further out the curve. You could also allocate the funds in the middle of the curve, as Nisa was pointing out. Or you could go direct if you have your own in-house investment team, which some of the larger families have. You could invest directly into liquid crypto assets, and you can invest directly into the startups themselves. And at the spiciest end of the spectrum, you can build your own companies, or incorporate blockchain technology into the companies that you already have in your portfolio.

JARED: Just to add one thing. Yeah, I would agree that there are different options, and people should explore the options that are the best fit. But at any level, anyone investing in crypto should go on a little adventure, where they try some of these tools out. I say that because finance is in the process of being modernized in a way that was, in a way, skipped when the internet first arrived. And it's exciting.

I think even if you're investing in a fund, get a Web3 wallet. It doesn't matter how much you put in there, but put something in there and go explore some of these tools, and get to know it firsthand. I think a lot of people first use these tools and think "wow, now I get why the next generation of people who are interacting with financial tools would want to use these tools." In some ways, they're just so much easier for people who simply have a computer and access to the internet because they can now interact with finance in a way that they just couldn't before. It's exciting, and people should give it a try.

AYLA: As a really interesting point, and as one of the bits that we've noticed, is that our best, most committed early investors in the Diffuse funds were family offices that had tried to play with the tools and found them to be just too clunky to operate on a day-to-day basis on their own. And they're like, "glad there's a fund to do this for me."

But you're absolutely right. We're seeing so much change that at some point, they'll come in on these tools as well. It really depends on how exotic the investment strategy is, in terms of the ability to execute, just because there's still so much cowboy tools out there that we have to run with in order to make a single trade. But you made a very good point about getting your hands dirty, even if it's just setting up a MetaMask wallet and moving money between chains. Even that is really, really interesting. Somebody asked, what is a Web3 wallet? Jared, do you want to give a little bit of a Q&A there?

JARED: A Web3 wallet is simple. You mentioned MetaMask. That is an extension that you can put in your browser. MetaMask is a Web3 wallet that allows you to interact with a lot of these tools. For instance, one of the investments we made recently is in a fixed rate lending platform, such that someone can provide liquidity. Traditionally, the distance between borrower and lender has had quite a bit distance. This is a project where the distance between borrower and lender is just a piece of code.

So, how do you interact with this piece of code? You have to have a Web3 wallet. That usually comes in the form of, say, a MetaMask wallet, for instance, as a plugin in your browser that allows you to create a seed phrase. You need to keep that in a safe place.

That's why we're talking about custody solutions for the funds, because there is infrastructure to do that in a safe way at scale. It's really just a wallet to interact with. If you want to purchase an NFT, or a piece of art or a collectible, then you can use a Web3 wallet to do that. And you can also connect it to a hardware solution.

AYLA: Yeah, and then onboarding your currency into that wallet can sometimes be a little bit of a pain. But there's things like Nexo and BlockFi that can act as a fiat on-ramp from which you can then transfer into your metamask wallet, and then make these transactions out of that wallet. If anybody on the call has any further questions, we're happy to chat you through some of that and we've also had a lot of other content talking through how to set these basic things up.

One of the questions that have come up quite a bit is, what is the objective of the family office when they're actually investing in digital assets? Are they doing it to preserve capital, because they're trying to manage impending inflation concerns? Or is it more for capital generation? Nisa, earlier you shared an interesting view about the pre-pandemic and post pandemic mindset shift. Do you want to dig into that a little bit?

NISA: Sure, I think pre-pandemic, a lot of family offices trying to get into crypto was around alpha seeking vs. preservation. The aggressive family offices would allocate one to 2% of their portfolio into crypto. And, as I mentioned, when you had the monetary response to the pandemic, there was a lot more concern on macro. People who had already made some money in this asset class. are driving the NFT boom, as opposed to their traditional allocations because their traditional portfolios weren't performing anymore.

Now I'm seeing family offices allocating up to two to 5% allocations to this asset class, and that's broad. It could be just direct deals, it could be crypto, it could be funds, it could be lots of things. But I think whoever is allocating needs to keep in mind that they have to diversify the exposure within the asset class as well, because now the asset class is bigger and has all these different areas. You could think of it like the cloud, where each area is going to grow in different ways.

AYLA: That's a really interesting observation point. We've seen something similar. The most interesting product that we have looks more like a fixed income product, where people just park their money and actually get a really good return that they wouldn't get by investing in standard products.

Ken, I'd love to hear your view on this, from a corporate, large financial institution point of view. Some of these more capital preservation-slash-fixed income-like products must be of interest to the big boys as well. What kind of shifts have you seen in terms of larger financial institutions looking into the space, and maybe also trying to cater to some of these family offices and these more stable income-generating products that are coming online?

KEN: Yeah, happy to address that. And also, just as a general framework, blockchain and crypto as an asset class should be approached in the same way you invest in any asset class. You start with your mandate that you're trying to get rich or stay rich. Those are generally the two simplistic categories of a family office investment strategy. Then within that, find something that fits your risk tolerance. Then, in the yield category, there is probably a range of about six different categories going up the risk back and forth on their risk and return spectrum.

But generally, the lowest risk types of strategies are to use what are called stable coins, which are pegged to a fiat currency like the U.S. dollar. And those can be lent to borrowers either off-chain through blockchain companies, or on-chain through crypto networks. And they can yield anywhere from low to mid-single digit, to low double digit.

And then, there's lots of other income generating strategies, like using options or market neutral arbitrage, or futures, or spot trading. There is a plethora of funding strategies now that have proliferated to do this on behalf of investors. There's also BlockFi, or Celsius, or Nexo that are centralized companies that will take custody of your crypto and do it on your behalf, which exposes you to different sets of risks. But essentially, there are a lot of different ways to generate competitive yields using digital assets.

AYLA: Absolutely. I 100% agree with that approach, and I love the reference to the risk curve. It really isn't just about wealth preservation, or a "get rich" strategy. There really is a wide spectrum in between.

Jared, in your experience especially from the VC universe perspective, when you're looking at tools that have been created to service this market, how many of them have new products coming out that are more towards preserving wealth, and generating a small amount of yield on a monthly basis on a certain amount of capital, versus things that are supposed to exponentially increase someone's ability to generate capital? What have you seen in your work so far?

JARED: We're seeing all the above. Going back to what Nisa was talking about, at some point you will get exposure to all the different categories of crypto. When I first decided to get into this space in 2017, I was exclusively focused on crypto. I went to some other venture capitalists that I'd known and respected for a lot of years, and I said, "Look, I'm going to focus exclusively on crypto." And they said, "Well, that's way too narrow."

I respected them, and I thought about it. I came back to them, I said, "You know what, I've thought about this, and actually crypto is gigantic. It's way too big. You can in fact just be focused on DeFi, or crypto. You can just focus on a stable coin strategy."

In terms of what we're seeing on the deal flow side of things that we've actually been funding, the two sides of the equation that I can describe are, they're decentralized solutions for companies that will do different strategies on your behalf or make tools on your behalf.

There are other projects that are making it easier and easier for the average person to create a strategy that's directly on-chain. In other words, you're directly interacting with some of these, whether it's a decentralized exchange or a lending platform that some of the companies that Ken described are actually using clients' assets to access.

I think what we're seeing is more and more consumer-friendly tools are being created such that people can access these things directly. And then obviously, the institutions are becoming more savvy. The whole space is maturing, and it's exciting to see.

NISA: I would add that the reason why the traditional venture capitalists missed out on most of the returns is because they had that view. It's the same with the institutions who took so long, and were so dismissive.

JARED: Exactly. They told me to just do a FinTech strategy there, and I'm like, "No, If I just do crypto, I've got so much to choose from. I've got to be very disciplined."

AYLA: That's an interesting one, because Nisa, you mentioned earlier FOMO, which is really kicking hard right now for a lot of these family offices who wish they could have gotten into this six months ago or a year ago, but only knew about DeFi then. They suddenly realized that 10 to 15% aggregate data on all my capital, and just doing some simple strategies would have been phenomenal.

Where do you really think people should get started when they're looking at this space for the first time? It all seems very confusing. There's so many different options and funds available. Where should people kick off in their journey? Ken, what do you think?

KEN: Yeah, I think there is a plethora of different resources to get smart on the space. There are good books, white papers, subscription research, free research, podcasts, newsletters, social media, and even smart funds that provide free education to investors. Also, a lot of the blockchain infrastructure companies all have their own educational programs. That's because education is a component of almost every investment platform's program, because it's so important, and the learning curve can be steep.

I think you want to find resources that will get you smart and allow you to frame the merits of the asset class in a way that resonates with your investment framework and methodology for creating value. And then, in my experience with a family office, you want to find a framework that matches the decision maker's experience creating wealth. If it's a macro lens, they might understand Bitcoin.

If it's more about an entrepreneurial adventure, they might understand Ethereum. If they have more of an asset management and financial services-type DNA, they might understand decentralized finance events. The creative industries, sports, media, and entertainment might be NFTs. If it's public markets, it might be about the uncorrelated nature of digital assets. There's a lot of research to be done.

To play the narrative back to getting conviction, deploying capital to various funds I think is a big first step. And then, just having some exposure, some skin in the game, tends to be the path to learning more and doing more. You need to get off to zero. They say you need to have some allocation just to have a reason to pay attention. And then from there, you start to go deeper as your diligence improves.

AYLA: Yeah, that point about dipping your toes in the water, and then taking large leaps at ease as you get more comfortable makes a lot of sense. Somebody just asked a question about investing in infrastructures. In crypto, one thing in the "one day get rich" bucket of things is investing in crypto infrastructure, which is like selling shovels versus trying to chase gold.

Jared, what investment opportunities do you see that could be easily approached in the infrastructure space? Because there are quite a number of investments within the crypto infrastructure space. From a VC perspective, what are some of the more approachable opportunities within this space?

JARED: We're investing in all kinds of different projects. For instance, one project we just invested in is hyper-focused on institutional custody and management of blockchain solutions, tokenizing, commercial real estate making, making that aspect for institutions easy with consumer-friendly mobile apps that allow people to create a wallet and interact directly with the protocols.

We've talked about this before, but one thing to underline is there is risk everywhere in this asset class. This is a risky asset class. If you ever find a fund manager or a solution where they tell you that there just is no risk, then you might as well just run the other direction.

Because even in some of the stable coins and yield options where the risk is much lower, it doesn't mean that there aren't similar risks in traditional finance. I think one of the things that crypto has done is it opened our eyes to the risk that exists, whether it be monetary, policy, or anything otherwise outside of crypto. I think that's one thing to look at.

Back to the playground analogy. I think the first kids may have gone back to the first playground and said, "hey, you've all been productized by the big kids, and you need to come to the new playground." And nobody really did anything. And then later, they came back and said, "Hey, you can get rich on the new playground." All of a sudden, everybody's trying to pay attention and figure it out.

Figuring that out really is the task at hand because there are so many options, whether they're low yield, safer options, or a higher yield option. What we're really doing is so focused on venture capital that in some ways, it's very similar to traditional venture capital risk. It's riskier than traditional venture capital, but we're investing in equity in companies, as well as directly in tokens. That's maybe less risky in some ways than a strategy that's hyper-focused or exclusively focused on acquiring tokens.

NISA: We have the same strategy actually, and we are very focused on risk management. And regulatory risk is the biggest risk I think in the space right now. Even though people have said stable coins are safe, the U.S. Treasury has a big problem with some stablecoins. And as I mentioned before, Gary Gensler, the head of the SEC, is testifying today about where he wants to extend his reach and regulate more.

The infrastructure bill was also held up a few weeks ago over what taxes were going to be collected from the industry now that it's $2 trillion. But also, they're trying to make software comply with broker reporting requirements, which is not possible. You have legislation being written by people who don't fully understand the technology.

Before that we had only seen legislation by enforcement action, primarily because there is, at least in the U.S., no real clarity as to what is and what isn't security.

AYLA: Phenomenal. That's absolutely 100% right. There is a ton of risk in this environment. And the government is trying to do their best to protect retail investors in whatever way, shape, or form that they know how to.

There is a lot of education required on their part. I think this process is going to be slow and painful, and quite a few people in the middle will get smacked and squeezed, and probably some big boys are going to be made into examples for doing certain things that the government isn't too happy about at the moment. So it will be an interesting journey to watch them and observe these kinds of changes.

One topic that I'm really curious about, and the three of you probably have a very good view on this and where things are headed, is NFTs. Even though the NFTs are three to four years old at the moment, and DeFi is now officially a summer-and-a-half old, what do you see coming up next? What is the next wave of things that we need to pay attention to?

Is it going to be something as differentiated as DeFi or NFTs? Or is it going to be just this whole universe that springs up underneath these two types of investment methodologies? What are you seeing in the future? What do you think is going to come up within the next 18 months?

NISA: NFT's and DEFI are here to stay but there is a Cambrian explosion of innovation. We're already focused on what's next in our investing. A lot of that is, if you think about the world in Ready Player One, that more of our lives are being played out in a digital world than they are in the real world. We will have different digital identities than our physical ones. That is exciting because it eliminates the human need for bias that keeps us unequal. I think the younger generations are very used to this in a gaming environment and that will evolve into the metaverse,. Also, social tokens have been on the rise lately. There are also decentralized autonomous organizations (DAO), which are new ways to organize humans, companies and governance. We are also focused at A100x on the use of blockchain to solve problems in healthcare, climate/c;arbon offsets, supply chains, legal, title, etc. which are often overlooked.

AYLA: Got it. What do you think, Jared? What's your view on the future?

JARED: I was just thinking that Nisa said the same things I was thinking. It's so exciting. Just take gaming for instance. In gaming, there are these giant silos where all the digital goods, characters, and everything else is siloed inside of a game. I think you're going to see that start to break down.

One of the interesting things happening right now is that game avatars and items have become very, very popular. People are starting to create storylines and games where those items can now interact. I think what you're going to see is, instead of a central studio creating a video game that becomes very popular, you may see a truly collaborative, decentralized, popular video game emerge that is built by lots of disparate companies or disparate people. You're going to start to see those walls come down. I believe that's going to happen.

In finance, you're seeing that change right now. The banks are seeing competition from some of these new tools. Also, NFTs are going to continue to be a thing. I think that you are going to see the average number of blockchain transactions done in a year going to continue to go up year-by-year. It's difficult to predict exactly where most of those are going to come from, because the future is just so difficult to predict. But I just think it's going to happen more and more. Even during the crypto winter, the number of addresses and transactions continued to go up. I think that's what we're going to see.

AYLA: That's a really good personal view on the future. Ken, where do you see things moving? Especially on the big boy's table side of things. Where do you see big institutions moving towards? Where do you see some of the trends heading towards?

KEN: Big institutions are utilizing decentralized finance and NFTs. Both asset management firms that are crypto native or traditional have a case for decentralized finance and NFTs, with respect to owners of intellectual property like sports teams, leagues, Disney, so on, and so forth.

In your question about what comes next, there is a time dimension to what you said, which I think you said 12 or 18 months. To me, the lowest friction evolution in technology applies. That is, anything that is already digitally native should get its value creation use case first, and anything that is off-chain, or doesn't exist digitally, will come next.

That's why I agree with a lot of the answers that were just given. All the assets in gaming are already digital. They lend themselves most easily to incorporating the power of crypto. And I'd say, what you're starting to see is the compounding network effects of different technologies that are open and decentralized. That includes gaming, social, and financial services. All of these are in the same use case, and you can see hundreds of millions, even billions of dollars being generated in real value to end users who are already using this technology.

And the fact that you can attach any real-world asset to social networks and financial services instantly raises the value of that asset, relative in the crypto world, relative to if it just existed statically off-chain. That is an extremely powerful set of tailwinds that is kind of fun to think about.

JARED: To build on your thesis and what you were saying, us humans are territorial. We like to own things, and ownership is purely information. Nothing else recognizes us as its owner, or vice versa. It is all purely information. And crypto really is the best thing that we've invented or discovered, where we, as a community, can agree on information as capital “T” true.

I think this migration of basically all ownership information that matters will eventually happen on-chain because it's just the best way that we figured out to agree as a community on information that is accurate and true.

NISA: I think that's very true. When I think about the Metaverse, and I think about traditional nation states, and I think about how they assign us identity based on our eye color, or hair color, or names, etc., Ethereum doesn't care about those things. They care about your digital wallet, and they assign you an identity based on that.

I think that yes, humans want to own things, but they also want to display their identities in different ways. I think that is part of why people are spending exorbitant amounts of money on JPEGs, which you can laugh about, but it's really like a status symbol. In the digital world, it's like owning art, rights, or collecting art. I think that we'll see a lot more of that.

Part of the fun of this job is being a futurist, and thinking about things 10 years in the future. There are so many exciting things that are going to change, and that are really much more disruptive than the internet was.

AYLA: When we talk about disruption, that brings up one of the questions that popped up from the audience. Will crypto have an impact on equalizing wealth and poverty, as it gives access to financial tools that people didn’t have before?

Mobility is disrupting so many parts of the daily lives of individuals in parts of the world such as Southeast Asia and Africa, and very many emerging markets that didn't have access to bank accounts or money transfers, etc. Where do you see the impact angle of crypto coming in?

KEN: I'm happy to take a stab at that. Part of why I got into crypto was, when I took a holistic view of where we are in terms of capital markets, at the margin, we have a value destruction cycle with all the centralized market intervention. Top-down, you have a lot of distortions. You have capital being misallocated across every asset class. You have fundamental valuations decoupling from economic drivers.

Bottom-up, you've basically destroyed the hurdle rate tools that are used to value and allocate assets everywhere. And that props up zombie companies that are underperforming. It rewards bad management over good management and gives existing monopolies almost the sovereign cost of capital to buy out entrepreneurial competitors, and outcompete them. There are just so many things that indicate that that is not a good system. The rich get richer, and most people are left out because they don't have financial assets that rise with the debasement of the monetary base.

And then, you look at crypto. My thesis is that it is the biological free market response to what is happening. And from a first principles basis, driven by this superior technology, crypto actually better coordinates human and financial capital to the highest growth opportunities. That includes rewarding stakeholders that contribute the most value. That could be end users, entrepreneurs, community members, and disadvantaged swaths of the world population, who now have a more level playing field and access to services.

If you even look at wealth transfer in the demographics of traditional markets versus crypto skewing way younger, it's basically the wealth transfer of the few and very wealthy to the many, and the very young and creative. That's how growth should be funded. That's how it should actually work. I think it's tremendously powerful.

There are all types of different use cases that are already lifting up people in emerging markets, from cross border remittance to even gaming, and playing video games to make money that outstrips local wages. There are a lot of things that are very intrinsically motivating about crypto in that way.

AYLA: Beautiful reference to play to earn. Has anyone here in the call heard of this before? We're actually incubating a fund in that space as we speak. It's super popular in Southeast Asia. There's a game called Axie Infinity where players can make around 1,000 to 1,500 US dollars a month. That is three times the average salary of someone who works at a call center.

It's an extraordinary uplift in quality of life that these individuals are playing. Many of them are young adults, up to their 30s, where unemployment rates are through the roof currently, also thanks to COVID. Jared, what are your thoughts on the equalization power that crypto brings?

JARED: I try to be cautious, because there are some aspects of crypto wherein it's the same old players in a new game. There is a concentration of wealth going to already wealthy, tech savvy people all over the world. There are still a lot of people being left out of the wealth creation within crypto. I just want to say that.

But then, I also share the same idealism with Ken. That access to financial services, access to banking, access to property rights that are enduring and have high integrity, and the ability to do something like a play to earn to put food on the table in a way that wasn't possible otherwise, I think has huge potential. Especially those that are adopted in places where there may not be a monetary policy that allows people to protect their wealth or protect their purchasing power.

I think that the power of equalization is tremendous. And that also makes sense to stay eyes wide open about any and all of those things, because there is an aspect of this where it’s the same old thing just with new people.

AYLA: Yeah, that's a very good point. Absolutely. As we see that capital moving into those directions, it will be interesting to see if more of the same old people were getting rich with crypto, that governments would have to ease up on these restrictions. We'll see some of that happen as well. Nisa, what are your thoughts on that?

NISA: There's the promise of what the technology can bring, and then there's the reality. And the reality is that women and minorities are left out of this industry. It's a new technology, and it shouldn't be that way. And so, on our fund, we lowered the minimum for women and minorities to come in and participate in the wealth creation opportunity and to learn. We're trying to diversify this sector, and make sure that it's not a “meet the new boss, same as the old boss” type of situation that we are seeing, where the rich get richer.

There are so many elements of democratization. Part of the reason I got into this was because there were so many systemic barriers in the traditional system. I invested five years ago in the first tokenized Real Estate opportunity, which would never have been available to me. And so, I think that more diverse people need to be involved in this.

Because otherwise, we're just going to build the exact same system as traditional finance and traditional tech. And we know how that has turned out. We want to make sure that we use the tools in the right way. That's why A100x is focused on using blockchain for impact specifically.

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