The Crypto Capitalist Investment Manifesto

The Great Reset is a monetary regime change.

This document outlines the core thesis behind investing in the crypto-currency space and describes a recommended methodology from a portfolio allocation standpoint for doing so.

It's a manifesto of sorts. It's over 20 pages long and w*e aren't even going to talk about the actual companies or the stocks* that we're going to be investing in and owning in here. That's in another document you should have access to once you signed up via [the members section.](#)

But it is absolutely critical that you *read this document first*. Before you read about the portfolio, you need to understand the big picture of why we're in these companies and in this sector. Otherwise, you may as well just save your money and go chase after whatever's hot right now in /r/WallStreetBets (and if that's what you want to do, that's totally fine. Be sure to cancel your trial subscription before the rebill kicks in, or contact support for a refund if you're on the recurring subscription already).

In This Document:

- What the Crypto Capitalist Letter is, and what it isn't
- The macro thesis upon which our conviction is built
- How The Great Reset narrative defines our mental model
  - Hyper-inflation: Can it really happen?
- The economic thesis that provides our framework
- Our methodology for investing in this space
- The role of cash in New Normal
- What is the difference between a CBDC and a crypto-currency?
- What is the Everything Bubble and what does it portend?
- Suggested portfolio allocation and methodology to crypto stocks
- And finally: Investing in crypto stocks, including
  - Why crypto stocks?
  - Why now?
  - What next?

WHAT THE CRYPTO CAPITALIST IS AND ISN'T

What this newsletter isn't is a black box that spits out trades relying heavily on chart formations, algos and buzz.

We approach this as investors. In this methodology we are not buying crypto currencies directly, we are buying the equities of companies in the crypto currency space. We do own crypto currencies seperately, but investing in them is typically outside the scope of this newsletter (My preferred way to obtain Bitcoin and other crypto currencies is to earn them directly via my businesses. If you own a business and would like to begin accumulating Bitcoin through accepting it as a payment method, you can look at **easyCrypto**[1], which is a service my main company, easyDNS provides to enable crypto payments)

This is not daytrading. If you are a day trader then **The Crypto Capitalist** may not be for you. We regard stock ownership as being an owner in the business (because that's what it actually is). We want to own companies that we think have long term merit. The investment horizon is 3 to 5 years and we're trying to own companies based on the underlying quality of the businesses themselves, not the movement of their stock price.

[1] https://easycrypto.com

In order to find quality companies and hold them long term we have to turn over a lot of rocks, kiss a lot of frogs and then when we find something that looks attractive enough to get involved in, we need the most important thing of all: *conviction*.

THE HISTORICAL THESIS UPON WHICH CONVICTION IS BUILT

The crypto space operates at a faster pace than most. Timeframes are compressed. It's like a passage out of an early William Gibson story, which I'll paraphrase here:

"Crypto-currencies are like a deranged experiment in monetary Darwinism, designed by a bored researcher who kept one thumb permanently on the fast-forward button…"

Volatility is more intense. Cryptos can drop 20% overnight. They can 10X in a few months. It is all, in a word, unprecedented. However, there are analogs in history to this period in time and from these analogs we can derive an underlying crypto thesis that describes what is happening.

If we have a coherent mental model that seems to make sense given how events unfold, then we can build *conviction* in our investing thesis. With conviction, we can look through the volatility and use it to our advantage.

Warren Buffet is frequently credited for saying "buy when others are fearful, and sell when others are greedy". He was actually paraphrasing something that was said nearly a century earlier by Jesse Livermore, as quoted by his biographer Edwin Lefevre in the venerable classic "Reminisces of a Stock Operator".

> *"The successful trader has to fight these two deep-seated instincts. He has to reverse what you might call his natural impulses. Instead of hoping he must fear; instead of fearing he must hope."*

Without conviction we are day traders and momentum chasers. We are governed not by our investment objectives as it is subject to our investment process, but by crowd psychology.

Without conviction we'll get shaken out of our positions. It's fine to trim, or to sell upon reaching a prearranged investment objective. But we don't ever want to put ourselves in a position where we panic. More on that in the **"Methodology and Approach"** section below.

So this is absolutely critical: in order to preserve and build wealth by investing into the emerging economy of crypto-assets, we must have conviction (yes, I will belabour this point).

Conviction arises from having a coherent, underlying mental model that answers the question: ***Why crypto?***

HOW THE GREAT RESET NARRATIVE SHAPES OUR MENTAL MODEL

What goes into a mental model?

A mental model, or map has to do at least two things. It must provide a coherent explanation for what is observed to be unfolding, and second it must maintain that coherency in the face of new information and events. As the unknowns of the future come into view and become facts of the present, they must reinforce, or at the very least not negate, our mental map.

For example: If the mental model is "crypto is *replacing* gold as safe haven asset", and then a financial panic occurs in which everybody scrambles for gold and dumps their holdings of crypto, then the mental model has been invalidated. At the very least it requires a comprehensive revision.

> Note: Before we proceed we should acknowledge that you may not agree with The Crypto Capitalist mental model. You may think the macro and historical backdrop we're outlining below is unlikely or exaggerated, and you may turn out to be right.
>
> What *is* important is that you either formulate or glom on to a mental model, an overarching investment thesis, that has you investing in crypto equities *with conviction*. As long as your model calls for a long view strategy involving a business owner mindset toward your investments, then your model and my model will get along fine. If not, then The Crypto Capitalist Letter may not be for you, and you can contact support for a refund.

One of the pillars of the model is this:

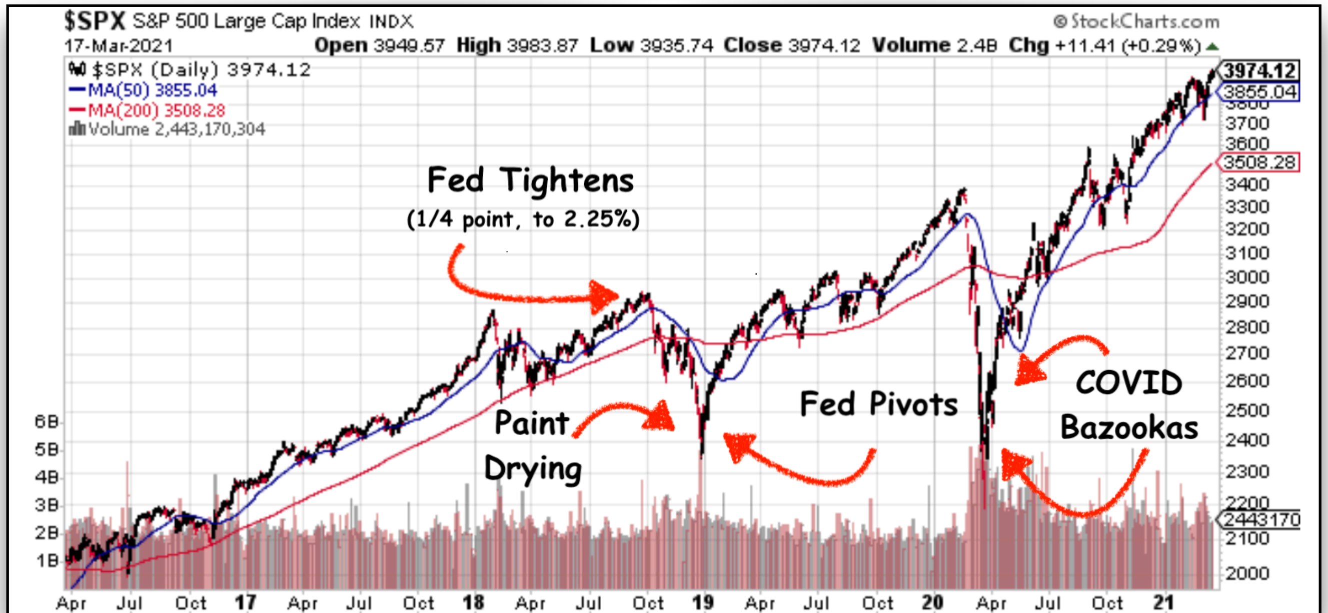
We are not experiencing a massive bull market in crypto, equities, commodities and even real estate (a.k.a an Everything Bubble)[2] as much as we are experiencing a global flight out of fiat currencies and bonds. In other words, we are in the early innings of a global high inflation or possibly even hyper inflationary event which will result in a worldwide monetary reset. Concurrent with that, the global bond super-cycle, which has been in effect since 1981, is at an end.

HYPERINFLATION: CAN IT REALLY HAPPEN?

Until recently, the idea of inflation, let alone hyperinflation was unthinkable. Not because it was too terrible to contemplate, but because it seemed completely detached from reality. This has changed, and the idea of inflation has reentered the lexicon. The stated aim of central banks the world over is explicitly and literally to create inflation, at a rate exceeding 2% per year. They will not tighten monetary policy until inflation has been "achieved" (more accurately, "unleashed") and then the plan

[2] https://bombthrower.com/articles/were-in-a-bubble-thats-too-big-to-fail/

is to softly reign it in once inflation averages above 2%. Does anybody remember what Janet Yellen said about reducing the Fed balance sheet when she was Fed chair? She said it would be "like watching paint dry". Do you remember what happened when Jerome Powell actually tried it?



Events of the pandemic portend a shift from the deflationary doldrums we've been mired in since the GFC. With direct stimulus and fiscal stimulus here, the game has changed so drastically that financial gurus like Russell Napier, who have been deflationists for decades, have revised their outlooks and now see inflation on the rise.[3]

One of the seminal accounts of hyperinflation is Jens O. Parsson's **"Dying of Money: Lessons of the German and American Inflations"**. Physical copies are hard to find and expensive to buy, but it's in the public domain and the Mises Institute provides a PDF copy online for free.[4] I encourage the reader to download a copy and begin reading through the chapters describing the years *leading up* to the high inflation or hyper-inflationary events:

In the years leading up to the hyper-inflationary event there was a classic Austrian School "crack up boom":

> *"The stimulation of the government's easy money spread through virtually all levels of the German economy. The life of the inflation in its ripening stage was a paradox which had its own unmistakable characteristics. One was the great wealth, at least of those favored by the*

[3] https://www.macrovoices.com/938-macrovoices-256-russell-napier-prepare-for-secular-inflation

[4] https://www.mises.org/web/4017

> *boom….Industry and business were going at a fever pitch…Great mansions of the New Rich grew like mushrooms in the suburb.*
>
> *Side by side with the wealth were pockets of poverty. Greater numbers of people remained on the outside of the easy money, looking in but not able to enter…*
>
> *Almost any kind of business could make money. Business failures and bankruptcies became few. The boom suspended the normal processes of natural selection by which the nonessential and ineffective otherwise would have been culled out.* ***Practically all of this vanished after the inflation blew itself out.***
>
> *Concentration of wealth and business was still another characteristic trend…*
>
> *That was how it was in the heyday of the boom, which was the ripening stage of the inflation. Inexorably the inflation began to stalk the boom..."*

Any of that seem eerily familiar?

This period went on for some years, from 1914 to 1922 and then the crack-up boom exhausts itself, and the account of the true hyperinflation starts…

> *The seas of marks which had been stored up... flooded forth and fought to* ***buy into other investments, foreign currencies, tangible goods, almost anything but marks***
>
> *Germany's money printing industry could not turn out enough trillions to keep up. States, towns, and companies got into the act by issuing their own "emergency money"* ***(Notgeld)****. Barter became prevalent. Still money grew scarcer while prices continued to soar."*

This last line is of particular relevance for us. It foretells the same dynamic that is playing out today.

Every hyper-inflationary event creates it's own version of "Notgeld". People taking matters into their own hands and coming up with something else to use for money, even if they know full well it's temporary.

In Zimbabwe it was prepaid gas and phone cards. At my company (easyDNS) we once noticed a customer kept prepaying his account every week and not using any of the credits for his services. By the time he had a few thousand dollars in there I emailed him asking what on earth he was doing. Turns out he was in Argentina. Whenever he got paid he immediately funded his account with us because *prefunding his easyDNS account was a more stable and secure store of value than banking it in Argentinian pesos*. No joke.

Bitcoin in particular and crypto currencies in general are this coming hyper-inflationary event's "Notgeld".

Out of this high inflation or hyper-inflationary crisis, there will emerge a new monetary order entirely. That monetary order may take one of multiple scenarios, which we'll cover in our journey together. But the scenario The Crypto Capitalist feels is most probable in its emergence is the one I call **Mr. Robot.**

The name is taken from the HBO TV series of that name. If you've seen it, you probably watched season 1 thinking the show was a story about a group of rebel hackers who crash the global financial system. It's not until we're unto Season 2 that we realize that it's more than this. It's really about a battle between two competing digital currency systems: A government sponsored digital cash, depicted by "EvilCoin", and the countervailing crypto currency of freedom, portrayed by Bitcoin (in the show it also turns out that EvilCoin's strings are being pulled largely by Chinese Communist Party).

Out here in the real world, we are headed toward a hauntingly similar situation: COVID has been the accelerant which has pulled forward tectonic shifts which would otherwise have taken decades or more to play out. We face a type of hyper inflationary crash, the end of the USD hegemony and a new system which will usher in a two tier society of digital nobility (have's) and Neo-Feudal serfs (have-not's).

The tiers will be defined by two different monetary descendants to fiat currencies of yore. Which of these currencies forms the basis of your economic existence will determine which tier you're in.

The bottom tier will be the underclass of Neo-Serfs and they will be living a hand-to-mouth existence. Owning no assets, being perpetually over-indebted, and subsisting on UBI and stimulus in form of

*"In the future there will be only one occupation, managing one's wealth. And most people are going to be unemployed" - Mark E. Jeftovic **in The Great Bifurcation**.*

government issued digital cash or Central Bank Digital Currencies (CBDCs), the new serfs will exist in a state of Neo-Feudalism. In our Mr. Robot analogy, CBDCs are EvilCoin (a.k.a E-Coin)

The top tier will be comprised of those who possess actual wealth. In Neil Stephenson's Diamond Age, he called the nobility of his near-future world Equity Lords. These are the people who own all the assets, and they will have been able to do so because they preserved and grew their wealth during the The Great Reset.

The Great Reset is not in our immediate future, it has arrived. It is here now.

The future elites may use CBDCs for sundry expenses but they will *not* make CBDCs a part of their financial foundation because CBDCs will be constructed specifically to *preclude* capital formation, savings and wealth.

The "haves" of the future will be that because they will own assets and equity, and they will be the ones making use of crypto-currencies.

They will also own gold and other precious metals, real estate - and certain stocks. But the scope of the The Crypto Capitalist letter at this time is to garner exposure to crypto assets by owning companies who are in the crypto space now, and look positioned to be the leviathans and rails of the crypto and DeFi economy of the future.

The Crypto Capitalist mental model is this:

1. The nature of money has changed and the global monetary regime is about to undergo a radical transformation. The underlying reality captured by narratives such as The Great Reset or The New Normal may manifest outwardly as fallout from the COVID-19 pandemic. But they are really at their core about the collapse of the USD backed fiat money system and a shift into a new, global monetary regime.

2. This New Regime will experience a radical bifurcation across most of societal strata. I have been calling this The Great Bifurcation[5] in my writings for a few years. Before COVID, I envisioned The Great Bifurcation playing out over 20 to 50 years. Because of COVID this has all been accelerated and will occur over the next 3 to 10 years.

3. Money will bifurcate into CBDC's (EvilCoin) and crypto-currencies.

4. The first kind will be Central Bank Digital Currencies (CBDCs). They will be issued directly by central banks, nation states and soon, tech platforms (think Facebook's Libra). They will be the transfer mechanism of social programs such as Universal Basic Income and other entitlement and subsidy programs. These will be distinct from crypto-currencies in that:

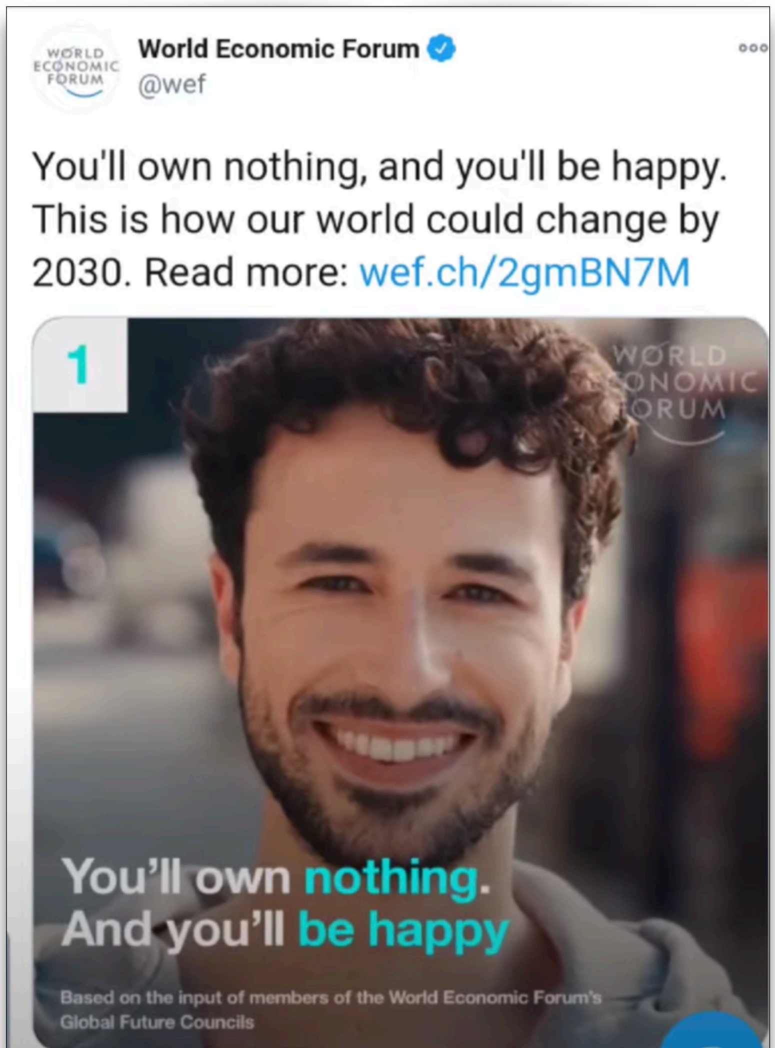
    - They will likely be "use it or lose it" prospects. Money received under these programs will have to be spent in order to bolster money velocity in the economy
    - There will be penalties to saving, either via negative interest rates or other disincentives
    - They will be fully programmable to further social engineering priorities.
    - They will at some point become Chinese Communist Party style social credit frameworks .
    - They will likely not be public/private key pair crypto-currencies. Self-custody will be prohibited.

[5] https://bombthrower.com/articles/jackpot-chronicles-3-the-great-bifurcation/

5. The other kind of currency will be full fledged digital currencies, such as Bitcoin, Ethereum and others that have yet to be invented. These will be the currencies of assets and equity. They will facilitate capital formation, asset ownership and investment returns. Where the previously described CBDCs will be the basis of servitude, crypto-currencies will be the basis of wealth and self-sovereignty.

"YOU WILL OWN NOTHING, AND YOU WILL BE HAPPY".

The messaging coming out of global elites such as the World Economic Forum, The Party at Davos, the International Monetary Fund and even places as disparate as The Vatican and Hollywood are all riffing on the same theme: You, the middle class, the lower class, the masses - are going to have to get used to a lower standard of living.



Real video released by the World Economic Forum. Details here.

The *real* reason why isn't because of climate change, or even COVID. It's because of the debt. The world has finally run out of runway from kicking the can down the road all those times the global economy threatened to backslide into recession or when previous monetary bubbles imploded. All those decades of collectively living beyond our means have finally hit the wall. This is it. We're here.

Governments have spent beyond their means for decades, and now the bills have come due. The only way to pay them will include inflation and austerity. It will resemble a controlled demolition of the the entire middle class. The easiest way to do that will be to turn them into a completely dependant welfare class via endless rolling lockdowns, Universe Basic Income programs and mandatory health passports.

However "The Great Reset" is basically at its core, a monetary reboot. A way to restructure the global debt overhang and turn "money" into technocratic lube for enacting grandiose social engineering projects: *most of them geared toward ratcheting down the standard of living for the masses of the developed world and suppressing the standard of living for the so-called Third World*.

The ultimate objective of The Crypto Capitalist is to help as many people as possible position for the coming two-tier society.

We're heading into a world without a middle class, or a greatly reduced one. It is bleak. It's not fair, neither just nor equitable. If humanity is fortunate then this will be a temporary phase, perhaps lasting less than a generation, no more than two. Eventually the principles of economic liberalism (in the classical sense) will reassert themselves and rebuild a robust, healthy middle class once we get our bearings in this new, technocratic age.[6]

However for that to happen, we're going to need as many crypto capitalists as possible keeping the faith and working tirelessly to reassert those classical liberal values upon which our advanced civilization was built.

Until then, we will not do our families, friends, the people who rely on us, or even society at large any favours by being on the wrong side of this Great Bifurcation, for that is what The Great Reset really is.

[6] on the other side of this, what we understand today as "The Nation State" will be unrecognizable and largely defunct, having been obsoleted by is being recognized in many circles as "The Network State". This is a major area of focus with my co-hosts Charles Hugh Smith and Jesse Hirsh on our AxisOfEasy podcast.

THE ECONOMIC THESIS ON WHICH CRYPTO CONVICTION IS BUILT

As I write this in February 2021, Bitcoin has a total market capitalization globally of approximately $1 Trillion Billion USD while the market cap of all crypto currencies is a little over $1.5 Trillion USD.

The Silver market is around a $1.5 Trillion USD cap, Gold is up around $10 Trillion.

The S&P500 is quite a bit more at $36 Trillion while the total cap of all equities globally is measured around $90 Trillion.

Remember the recent #WallStreetBets and GameStop debacle? All that hysteria was about a (near worthless) stock that got pushed up to $15 Billion market cap. A microscopic sliver of wealth globally.

I mention all this to give the reader a bit of perspective around the comparative size of the asset classes involved and how they relate to the seismic shift that we here at TCC are anticipating and trying to position for ahead of time.

Let's look at a few more numbers, this time away from the assets side of the balance sheet and let's look on the debt side:

The total government debt of the US government was $27 Trillion dollars, *before* the Coronavirus pandemic hit. By Q2 of 2020, when the pandemic was barely underway, US public and private debt hit $80 Trillion.

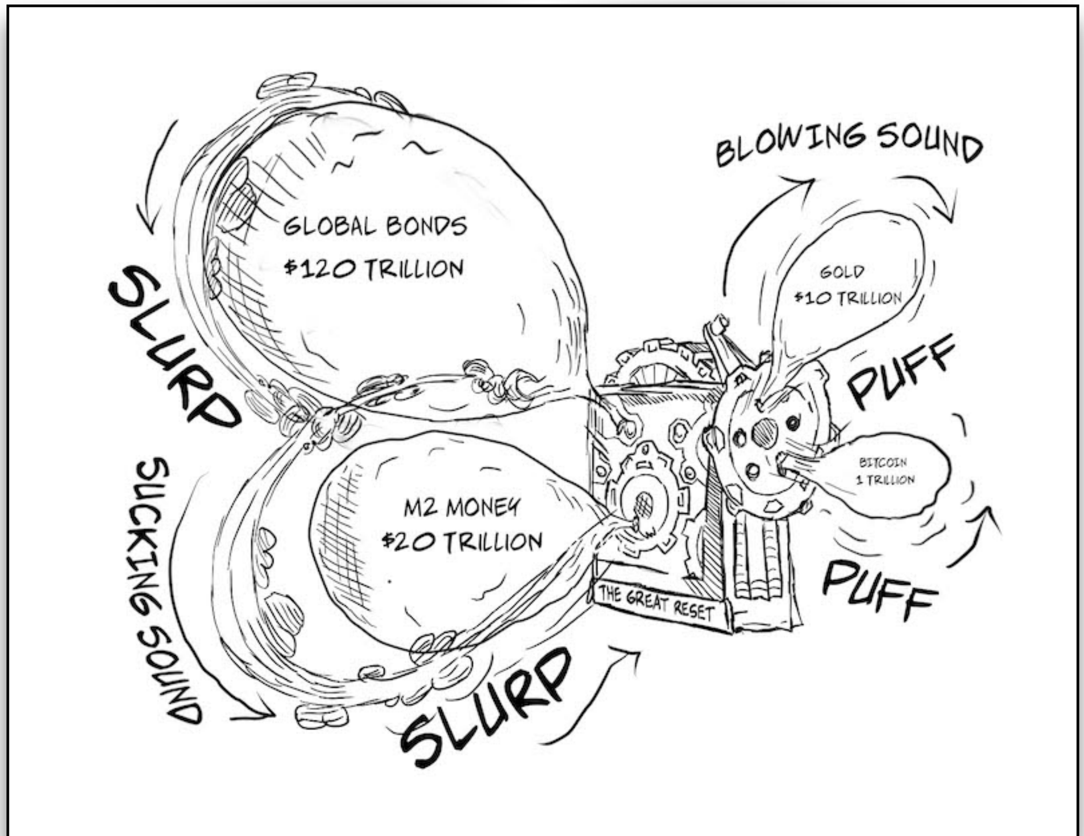
That's not even counting *entitlement* obligations like Social Security and Medicaid, of which numbers vary wildly but could be up around $210 Trillion, again, not counting pandemic emergency spending.

That's just the US. In my home country of Canada the numbers are even worse on a per capita basis, and it's the same story in pretty well every country worldwide.

Suffice it to say, the world is awash in debt and most experts knew that *eventually* this global debt overhang was going to hit some critical mass where it would become unsustainable, and that the entire global financial system built atop the USD as world reserve currency would someday become untenable.

Alongside these truly staggering debt levels, we have the global bond market: $120 Trillion USD (of which close to $20 Trillion actually carries a negative yield) and the M2 supply of fiat money is somewhere in the $20T USD range.

To understand The Great Reset, imagine those $120 Trillion in bonds and all the M2 money supply as huge balloons, whose stems are connected to a steampunk looking contraption that is sucking the air out of those two balloons, and pumping it out the other end into much smaller balloons with names like "Gold" and "Bitcoin". The last part of the analogy is to remember one thing: pay no attention to the numbers on the Bond and M2 balloons. What you really want to keep track on is the airflow from left to right.



This is what we think is happening. Metaphorically.

That airflow is called "purchasing power".

This is the long term objective of The Crypto Capitalist. It is to build wealth and accumulate assets within the expanding balloons on "the right side of the reset". What we are experiencing as massive asset price bubbles probably meet all the definitions of the Austrian School economists' "Crack Up Boom".

What is different, I think, is that this is a global flight out of the balloons on "the wrong" side of the reset. This is, in a word, the early rumblings of a worldwide hyper-inflationary event. One that will afflict all national currencies, upend the global monetary regime, displace the USD's world reserve currency status, eliminate cash and move the entire world into a new monetary order.

If we constantly remember this, if we understand that we are not chasing an asset bubble, but rather fleeing a currency collapse, then we will have *conviction*.

THE ROLE OF CASH NOW AND IN THE NEW NORMAL

Until recently I've always been overweight cash and despite missing out on some investment gains, it's served me well.

Historically when times get tough, either individually, in a business or across a larger sector or economy, it's the companies with the weaker balance sheets, the ones with more debt than cash, that become statistics instead of survivors.

But because of what I see happening with fiat currencies and The Everything Bubble, heading into this New Normal on the other side of The Great Reset, we have to get our heads around the probability that cash will come under pressure on two fronts: **inflation** and **wealth redistribution**.

Inflation & purchasing power:

It's not even contrarian to be worried about inflation anymore. One of the podcasts I listen to regularly[7] that covers macro is having a hard time finding guests with a deflationary outlook.

Ordinarily that would have me inching toward the other side of the boat because I'm generally uncomfortable in crowds.

However there are rare moments in history when some kind of transformative shift is in progress and all bets are off. The entire Crypto Capitalist Thesis posits that this is one of those times.

There are two pieces I wrote about this, especially as it relates to the emergence Bitcoin, on Medium back in 2017. They were called **"This Time is Different"** which everybody knows, including me, that those are the most dangerous four words that can be uttered when thinking about investing.

When I wrote them they put me into the Top 100 writers covering Bitcoin on Medium (I've since stopped publishing there because of the cancel culture on the platform). You can read them on my Bombthrower blog here:

[7] https://www.macrovoices.com/

The Emergence of Bitcoin: The Backstory in Two Parts

Part 1) This Time Is Different: What Bitcoin Isn't.
Systematically debunks most of the criticisms against Bitcoin such as "it's a Ponzi", "it's backed by nothing" and the most egregiously misinformed one of them all "Tulipmania".

Part 2) This Time is Different: What Bitcoin Really Is.
Gets into the meat of the issue of why Bitcoin heralded the emergence of an entirely new, non-State asset class.

Everything I wrote in those two pieces I have even more conviction about today than I did when I wrote them.

We'll revisit inflation and the flight out of fiat when we look at **The Everything Bubble** below.

Wealth redistribution:

Many have covered the various aspects of wealth redistribution from a historical, ideological and economic viewpoint. For our purposes and for the sake of brevity, we will confine our focus of wealth redistribution to the purely tactical considerations of how it affects our risk profile, particularly with respect to *cash*.

By cash I don't mean physical bank notes, other than to say those will be largely a thing of the past within the foreseeable future.

What we mean by cash are bank balances, chequing accounts, *savings accounts* and money market funds. In other words, what economists refer to as "M2 Money".

In addition to having any of your wealth that you've earned and saved held in this form being continually eroded by inflation, you will *also* face the prospect of having it *confiscated* and redistributed under various policy initiatives.

These initiatives will be presented as fairness and equity programs but what they really will be are last ditch Hail Mary's to recapitalize a rapidly imploding financial system.

The prototype for all this was Cyprus in 2013, when the island's banking system became unstable and international creditors, along with the IMF forced a "bail in".

You're probably all too familiar with all these "bail outs" over the years. These are typically controversial maneuvers wherein governments either print money or use taxpayer funds to rescue the creditors and shareholders abjectly incompetent and over-leveraged businesses, then try to dress it up as necessary to save the economy.

Bail-ins are the funhouse mirror flip side. Instead of taxpayer funds being used to rescue corrupt and venial managers of flailing, indebted businesses; the government forcefully seizes the funds of *savers* and use them to recapitalize the banks who over-extended themselves lending to these flailing, indebted companies.

In the case of Cyprus, anybody unlucky enough to have saved more than €100,000 had 10% of those balances seized straight out of their bank accounts. People with balances under €100,000 had 6.9% of their funds seized.[8]

Cyprus: 2013

By the time you're standing in a line like this, you're too late.

Cypriots formed long lines at ATM machines across the island but by the time they figured out their savings were on the menu, it was too late. Also note, the bail-in did not seize funds that were already invested elsewhere, it just confiscated cash balances in the bank.

[8] https://www.bbc.com/news/world-europe-21814325

BUT LOSING 10% OR LESS ISN'T SO BAD, IS IT?

This is usually the justification lawmakers use to enact confiscatory measures. New taxes and wealth redistribution mechanisms (a.k.a theft) are usually introduced at special introductory teaser rates.

They look so low and target people so rich that the majority of the population think it won't affect them. It would be wonderful to be so rich!

When the US Federal Income Tax was made permanent via the 16th Amendment in 1913 (that same year saw the creation of Federal Reserve), it was initially set at 1% of income above $3,000, and 6% above $500,000. Not so bad right?

By 1918 (less than five years later) ***the top tax rate was 77%*** (the graph would look like a Bitcoin chart!). The marginal tax rate came down over the years, but still only settled down around 24%. In World War 2 it was back up at 63%. At no time has the marginal tax rate in the US come back anywhere near that original "special introductory level".

The same will happen with wealth taxes. It'll start out like Elizabeth Warren's "2 cent tax" on "Ultra Millionaires"[9]. Just a 2% levy on those with a net worth above $50,000,000. They can afford it, right?

However, as the legacy financial system unravels more and more citizens will come under fire as the 2 cents becomes 5 cents, 25 cents, "Hey, it's just a buck", while the ceiling at which it comes into effect starts coming down rapidly: $50,000,000 today, then $20,000,000, $10 million, $2 million, $500,000, etc etc.

(All the while, inflation will be running wild as governments worldwide keep printing money and monetizing the debt.)

Apparently enough Cypriots felt their rights had been infringed even at those levels that years later they brought a petition for compensation before the European Court. Unsurprisingly, the action was dismissed by the General Court of the European Union, ruling that:

> *"The Court concludes that the individuals and companies which initiated the actions have not succeeded in demonstrating an infringement of the right to property, of the principle of protection of legitimate expectations, or of the principle of equal treatment,"*[10]

The most important takeaways about Cyprus are that, the rate at which it happens the first time will always seem benign, subsequent events to happen at ever higher levels, and more importantly….

[9] https://2020.elizabethwarren.com/toolkit/umt

[10] https://www.reuters.com/article/us-cyprus-banks-idUSKBN1K3242

Cyprus was a trial balloon

In the opening months of 2013, before the Cyprus bail-in occurred, the price of Bitcoin was around $13 USD/BTC. It began rising steadily as the crisis played out and I was right there saying that Bitcoin's meteoric rise throughout the year was occurring *because* of Cyprus and a growing awareness that the rules of the game were in the process of being changed.[11]

As the bail-in was being planned and executed in March 2013, Eurogroup president Jeroen Dijsselbloem told interviewers that Cyprus would *serve as a template* for future bank restructurings in the euro zone.[12]

The chart above shows the price of Bitcoin as the Cyprus crisis played out. My contention is these events catapulted Bitcoin into wider awareness as the public began to comprehend that the phrase "safe as money in the bank" didn't quite mean what it used to anymore….

In April 2013, the idea of enshrining the framework for bail-ins surfaced in my home country of Canada, with the Conservative Harper government's budget:

[11] http://rebootingcapitalism.com/2013/04/12/understanding-bitcoin-part-2-an-evolutionary-monetary-response-to-calvinball-finance/

[12] https://www.businessinsider.com/dijsselbloem-cyprus-deal-is-a-template-2013-3

> *"The Government proposes to implement a bail-in regime for systemically important banks. This regime will be designed to ensure that, in the unlikely event that a systemically important bank depletes its capital, the bank can be recapitalized and returned to viability through* ***the very rapid conversion of certain bank liabilities into regulatory capital.*** *This will reduce risks for taxpayers. The Government will consult stakeholders on how best to implement a bail- in regime in Canada. Implementation timelines will allow for a smooth transition for affected institutions, investors and other market participants."*[13]

Those following along should realize by now what "certain bank liabilities" are. When you deposit your money into the bank to create savings, they're your asset. And that makes them the bank's liabilities. "Certain bank liabilities" are the depositor's savings. Also note the "very rapid conversion" language.

Once Cyprus was a done deal, Bitcoin had forever levelled up an order of magnitude. It would never see a two digit spot price ever again.

The Cyprus event of March/April 2013 superimposed over the price action of BTC on the entire year (hold that thought).

[13] https://www.budget.gc.ca/2013/doc/plan/budget2013-eng.pdf

The Canadian bail-in language was been preserved in the budget even after the Liberals under Justin Trudeau assumed office in 2015. In 2018 it officially became the The Bank Recapitalization (Bail-in) Conversion Regulations.[14]

In Australia the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill[15] of 2017 gave the Aussie government the power to facilitate bail-in's.

And in case you're wondering, the USA was a front-runner for codifying bail-ins into legislation: the Dodd-Frank Bill that was passed in 2010, ostensibly to reform the banking sector after the Global Financial Crisis contains provisions for "Statutory Bail-Ins" to recapitalize any "systemically important" banks that gets themselves into trouble.[16]

In fact, new *supra-national* bail-in laws took effect across the entire G-20 in 2014.[17]

The EU court ruling, and the subsequent codification into national and supra-national law is indicative. It signals to us everything we need to know about how unaccountable supra-national bodies, not to mention national governments are likely to regard the private, hard-earned savings of its subjects in the future.

All of which brings us right back to crypto and why 2020 saw the commencement of a trend where corporations, large investors and other pools of capital started moving cash on their balance sheets into crypto. This isn't a speculative investment, **these are defensive maneuvers**, and they are now being undertaken by some of the smartest money in the room.

This institutional move into Bitcoin and cryptocurrencies is a reaction against systemic, global financial repression. What the naysayers like Peter Schiff and Nouriel Roubani don't get about where we are in history is this:

If Bitcoin and crypto-currencies didn't exist, we would have to invent them, *right now*.

Fortunately they do exist, and they've enjoyed a spectacular debut onto the world stage and into monetary history. Fortunately proof-of-concept has already occurred. The decentralized crypto ecosystems are ready for prime time, exactly when humanity needed it the most. Necessity really was the mother of invention.

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[14] https://www.mondaq.com/canada/financial-services/747150/canada39s-bail-in-regime-now-in-force

[15] https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd1718a/18bd080

[16] https://infinitebanking.org/banknotes/from-bailouts-to-bail-ins-understanding-the-dodd-frank-act/

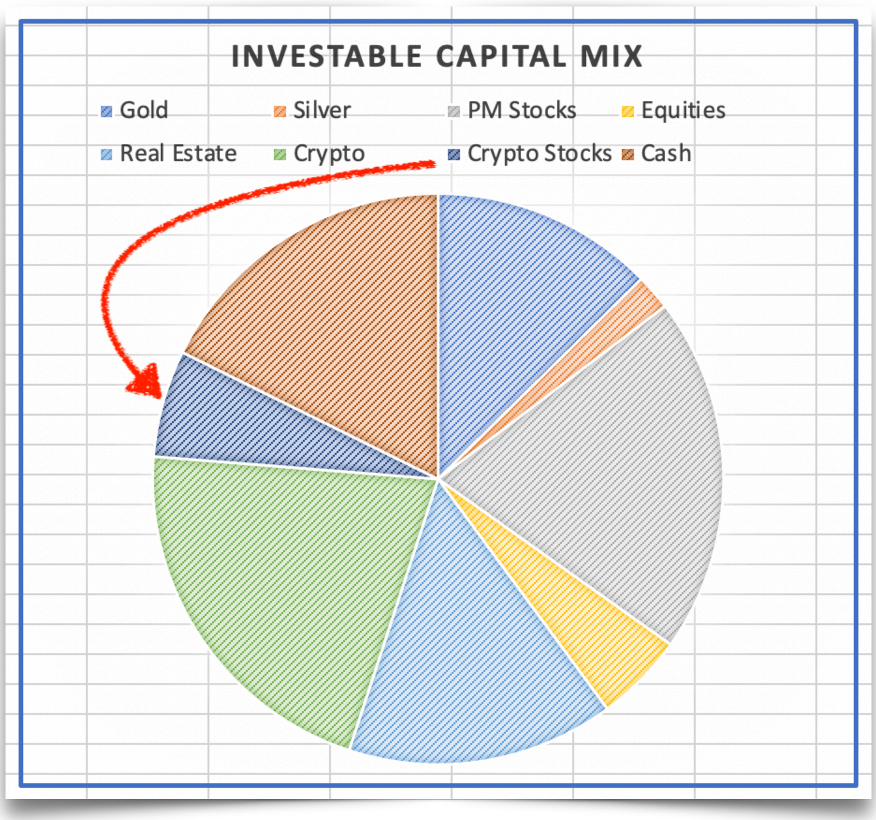
[17] https://sdbullion.com/blog/new-financial-crisis-laws

THE ROLE OF CRYPTO STOCKS IN AN OVERALL PORTFOLIO

Which brings us to our asset allocation in our overall portfolio. Where previously I'd keep upwards of 20% at times nearly 40% of my investible capital in cash, my plan now is to reduce that to under 10% and probably even less, toward the 5% range. Where we're headed, cash is going to be a liability.

Now I'm moving that cash away from the wrong side of the reset and into the right side of the reset.

And since I'm comfortable with most of my other positions like gold and silver, a lot of this drawdown in cash will be headed straight into the crypto stocks bucket.



The most important thing about what I'm about to tell you is that *I'm just a microcosm of a wider phenomenon*. Microstrategy, Square, Tesla, Paul Tudor Jones, the list is getting longer every day, what are they, *we* all doing? We're shrinking our cash and our bonds and moving it into crypto.

A successful foray into crypto equity investing should be as part of an *overall strategy* that includes other assets like precious metals, real estate, income producing businesses and commodities. It shouldn't be *the* overall strategy.

I did a back of the napkin calculation of my total investable capital across all my accounts and entities, and in the case of **The Crypto Capitalist,** it looks like at present, **6%** of my assets are presently invested in the crypto stocks and companies we discuss here.

Against that I'm more overweight in gold and precious metals stocks at **13%** physical gold, **2%** silver and **20%** precious metals equities. My **15%** in real estate is excluding my home, which, as much as I like it, mentally treat as an expense not an asset.

The **5%** in equities are anything non-precious metals and non-crypto. For that my investments fall into roughly two buckets:

1) **Commodities & Energy:** The overall backdrop of the monetary regime change is inflationary, hyper-inflationary and investor preference for stuff not paper.
2) **Digital Transformation:** The New Normal is a digital one. We aren't chasing Silicon Valley unicorns, but looking for mainly microcaps and nanocaps in emerging technologies, things like health tech, Internet of Things and some of the software companies that compliment the resource and commodities sectors (two of my best performing microcaps here create modelling software for the oil industry and drilling technology for gold miners).

In most of the above cases, we aren't going to talk about them much in The Crypto Capitalist. There are people covering those sectors that are far more experienced and knowledgeable in them than I. At some point I will write up an external resources for non-covered sectors for the members area.

The holdings of actual crypto-currencies are a significant **21%,** comprised of Bitcoin, Ethereum and Litecoin. This has been accumulated entirely through the businesses I own that accept crypto as a form of payment.

This is my recommended way of acquiring actual crypto-currency: start accepting it as a payment method in your own business, and then HODL it.

If you don't own a business, start one. A kitchen table business, a side hustle or any other start-up business can be bootstrapped and specifically targeted to acquire payments in Bitcoin. In the environment we're headed into, everybody should own at least one independent business, even if it's a part-time one. If you're looking for an idea of what business to create, you can always start by learning affiliate marketing, and then joining **The Crypto Capitalist Affiliate Program** when it launches.

As discussed earlier, you'll notice that I'm still **18%** in cash. That will be coming down and moving over to "the right side of the reset". Primarily into owning more crypto stocks. With you on board, we'll be investing in these together.

FINALLY: INVESTING IN CRYPTO STOCKS

Why did we take so long to get here? Why such a long preamble and background about historical norms and transformative shifts? Why even reference any asset classes that we *aren't* going to cover in the **The Crypto Capitalist Letter**?

And why, if crypto-currencies are going to be such an important part of the post-reset monetary future, are we not going all-in, 100%?

Let's take that last question first:

I have one investment maxim that I've held over my entire investment life. While my approaches have evolved and my focus has changed over time and with the times, this one maxim has held up and remains today:

Never bet the farm. On anything.

It is true that if you follow the investing gurus, many of the greats espouse *concentrated* portfolios. However that doesn't violate the maxim. The big rule from the value investing school, actually two of them, come straight from the lips of Warren Buffet and they are:

Rule #1: Never lose money
Rule #2: See Rule #1

If you dive deeper into the teachings of Buffet, and the other investing legends you will come to learn that by "not losing money" what they really mean is to not suffer what they call "a permanent loss of capital". Some of these super-investors may spend inordinate amounts of time being under-water on their investments before their thesis is finally vindicated and then they come through with a vengeance. Then there are other times when they must admit defeat and cut some losses after they come to realize that they were just plain wrong about something.

But because they have methodical systems and rules around portfolio allocation and position sizing, *and the discipline to follow them,* they can lose some bets and still not suffer overall capital loss.

This is why, at the most high level allocation - the portion of your total investible capital that you allocate into crypto stocks shouldn't be an amount that will cause you permanent suffering or a change in lifestyle if the entire allocation goes to zero. If ever there was a sector where there was even a theoretical possibility of this happening, it's crypto stocks.

It is critically important that you acknowledge this going in, because if you can't sleep at night, you will not have the *conviction* required to hold your positions through to the culmination of their best case scenario.

We've come full circle and we're back on this.

Conviction is the most important thing to get us through from where we are now to where we need to be on the other side of The Reset[18]. Some of these stocks will be absolute roller coasters. In fact they will all be.

There is a fantastic Twitter thread by Sean Iddings, the co-author of the "Intelligent Fanatics" books on investing. His story is about the discovery of a nanocap stock called $XPEL, which went on a legendary run from under $0.07 to where it is today, somewhere north of $60.

For Iddings it was a 46X return. The entire run took over 9 years (and counting), and very few investors captured the majority of the move.

When you have a moment, go check out the twitter thread Iddings wrote about his experience. Pay special attention to the FUD (Fear Uncertainty Doubt) events that occurred throughout his journey.

For one thing, he almost didn't enter the position at all because it had already gone up 500% by the time he discovered it. He figured he had missed the major move. **In reality, he had arrived on the scene very early.** I think looking back to now from a few years out, the same will be said of crypto stocks today.

Anyway, after a couple of years, Xpel, this tiny, independent company, was hit with a lawsuit from 3M, a juggernaut. The price was more than cut in half and sit sucked all the life out of the stock for over two more years.

[18] Crypto Conviction was one of the candidates for naming this letter but I didn't want to be known as "The Crypto Convict".

But if you read Iddings thread, you'll realize how much work he did on the company which gave him the one thing he needed to ride it through for life-changing profits. You guessed it: *conviction*.

WHY CRYPTO STOCKS?

I got into the internet business in the early 90's and I remember the near frenzied anticipation I felt at the time. This thing that was coming, it was going to be big. I felt certain that it was going to change the world. It was incredible to know that history was unfolding in front of my very eyes and all I had to do was (somehow) break into the business and then hang on for dear life.

Since those early heady days I've seen a lot of new technologies come and go. Things that were also supposed to set the world on fire and be the next "biggest thing since the Internet". All of them fizzled out to the point where I barely remember their names. Pointcast. Segway. E-Gold and digital gold currencies (DGCs), I rather liked that one and had high hopes for it. But nothing came close to that frenetic excitement I remembered sensing around the Internet.

But when Bitcoin came into my awareness, the year was 2013 and it was like getting hit by lightning all over again. That meta-cognition: this changes everything.

Again, I felt that impetus, that *need* to get involved in the space. I started looking for any kind of high signal content I could find about these new crypto currencies. I found the Lets Talk Bitcoin podcast which was putting out long form shows twice a week. While I was listening to my second or third episode I had made contact with Adam B. Levine and Andreas Antonopoulos. By the time their next episode came out easyDNS had become one of their first sponsors and their first non-crypto company sponsor. Within a couple of months easyDNS was the first ICANN domain registrar accepting Bitcoin payments.

One thing was different about Bitcoin however, or rather, one thing was different with respect to how I was situated in my life now that the age of crypto-currencies was coming. When the age of the Internet arrived, I had no business yet and no capital. So I had to watch a lot of the Internet Age unfold without my participation. I didn't really take part in the dot com stock boom, as I was busy trying to get easyDNS off the ground. I wasn't angel investing yet because I didn't have any capital. It was all just sweat equity, going into the business, and whatever I could squirrel away off the table I was investing in gold and gold stocks (which has actually done quite well to date).

But I never got in on the ground floor on the likes of Amazon, PayPal, Google or Apple.

With the recognition around crypto, I was better situated by then, and I was able to start participating in the crypto-economy. But what's so exciting about *now* is that there wasn't really a robust market for crypto currency stocks until relatively recently.

This really is pretty close to the ground floor, and these equities provide an easy way to gain exposure to the crypto economy from the comfort of your existing brokerage account.

The future Amazon's, PayPal's, Google's and Apple's of the crypto-economy? They're nanocaps, microcaps and penny stocks *right now*. And the good news is I think we know which ones (a few at least) that will be the winners of the next age are now entering.

We don't need to "bet the farm" to achieve life changing (or retirement saving) wealth from here. We can get that from much smaller starting positions. It's a proverbial low risk / high return set up. If by following our portfolio allocation model we're risking, say, max 10% of our capital - if crypto is somehow a complete bust and turns to dust before we even have a chance to get out before zero, we're down 10% on that.

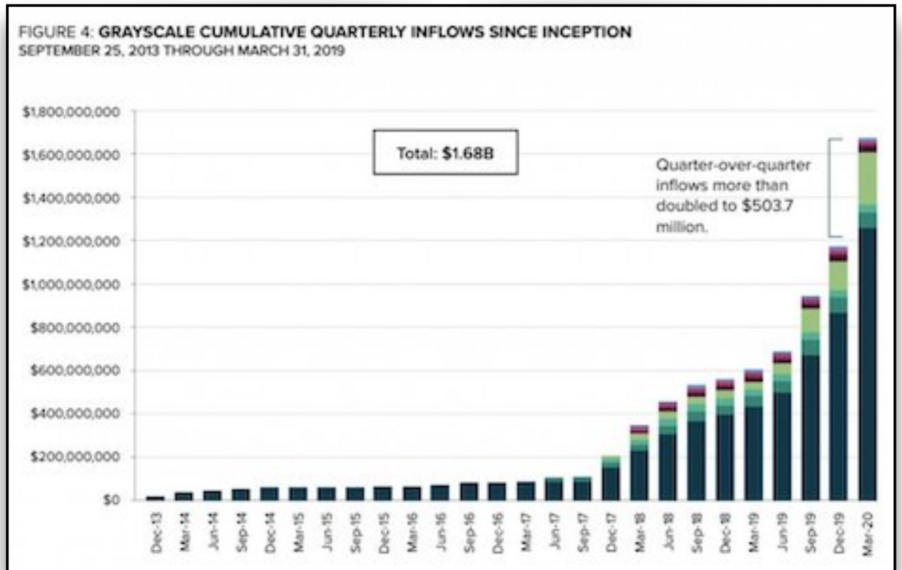
But if we're right, and this is the beginning of a transformative shift to a new monetary regime, where one of the rails of the system will be crypto-currencies - then that 10% will provide outsized returns.

Do you remember the section about Cyprus and the bail-in of 2013? The first chart of that section showed the few months before and after the crisis, and then the second showed where that fit in for the entire year.

This chart shows how 2013 fits into where we are now.

What has happened in this cycle, beginning in 2020 has been the most important development to date in the story of crypto-currency: it was the year that the institutional shift toward Bitcoin commenced.

Once companies started putting it on their balance sheets in place of *cash*, once pension funds and insurance companies began edging toward it (this hasn't really gotten underway yet) and once the likes of PayPal, VISA and Mastercard announced forthcoming adoption for Bitcoin, crypto-currencies crossed the Rubicon. I had known cryptos were here to stay for years, now the wider public and larger establishment know it as well.



Corporate and institutional flows into Bitcoin often occur via instruments like the Grayscale Bitcoin Trust (GBTC)

Ray Dalio, who oversees Bridgewater Capital with over $150 billion USD under management has been a Bitcoin skeptic throughout most of its lifespan. In late 2020 he wondered publicly "if he had missed something Bitcoin[19]". His most recent essay "Our Thoughts on Bitcoin"[20] contained a conciliatory paragraph:

> *"I believe Bitcoin is one hell of an invention.* ***To have invented a new type of money via a system that is programmed into a computer and that has worked for around 10 years and is rapidly gaining popularity as both a type of money and a storehold of wealth is an amazing accomplishment.*** *That, like creating the existing credit-based monetary system, is of course a type of alchemy—i.e., making money out of little or nothing.* ***It, like the making of credit that made bankers rich starting with the Medicis around 1350, is making its inventors and those who got in on it early very rich and has the potential to make many more people very rich and to disrupt the existing monetary system.*** *Those who have built it and supported the dream of making this new kind of money a reality have done a fabulous job of sustaining that dream and moving Bitcoin (by which I mean it and its analogous competitors)* ***into being an alternative gold-like asset****." (Emphasis added).*

The essay contains a workup of what re-allocation out of gold and into Bitcoin looks like, I'll reproduce his table below….

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[19] https://www.bnnbloomberg.ca/ray-dalio-says-he-might-be-missing-something-about-bitcoin-1.1523698

[20] https://www.bridgewater.com/research-and-insights/our-thoughts-on-bitcoin

Hypothetical Bitcoin Price if Private Holders Allocate X% of Current Gold and Bitcoin Holdings to Bitcoin

BTC Share of Current Gold and BTC Holdings	BTC Mkt Cap (USD, Mln)	BTC Price (Mkt Cap/BTC Supply)	BTC Price Chg
20%	$632,000	$34,000	10%
30%	$948,000	$51,000	60%
40%	$1,264,000	$68,000	110%
50%	$1,580,000	$85,000	160%

Status quo case — Bitcoin's market cap is currently just under 20% of gold's privately held market cap, so the Bitcoin price impact of a rise to 20% would be very modest

Assumes a combined gold and BTC market cap of $3.2tln, with $2.56tln in private gold holdings, (ETFs, gold bars) and $0.6tln in BTC holdings, and that BTC supply is equal to the total number of coins mined.

But I think Dalio, and a lot of other people, are missing the point in thinking that Bitcoin will challenge gold for the status of being the goto safe haven asset class. I've remarked numerous times that I've never been a "gold vs Bitcoin" person as such as I've always thought of this in terms of "gold *and* Bitcoin"[21].

So when I look at the future of Bitcoin and from whence I see the future fund flows originating, I'm not even looking at gold. There may be some fund flow from gold to Bitcoin, but overall gold investors and Bitcoin investors have largely overlapping mindsets and many of them are invested in both[22].

Where will those future flows originate? Dalio, a creature of Wall Street and one whom Ben Hunt once described as "a man whose success is underwritten and guaranteed by the Federal Reserve" barely mentions bonds in his latest essay about Bitcoin. Yet, bonds have gone from being the measure of the risk-free rate of return over the course of their history, to becoming in the words of Lacy Hunt, "return free risk".

Of the $120 Trillion USD global bond market, $18 Trillion USD worth are actually negative yielding. That means investors are literally paying the creditor to borrow their own money. The remaining pool of over $100 Trillion in bonds, interest rates are so low that most of them have negative real rates of return (meaning the nominal is lower than the rate of inflation).

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[21] See: https://bombthrower.com/articles/gold-vs-bitcoin-is-stupid/ and https://bombthrower.com/articles/gold-vs-bitcoin-part-2-careful-what-you-wish-for/

[22] Again, there are numerous other resources that provide excellent commentary on the gold and precious metals space, which I'll list in a separate resources document for members only.

This is where I see more inflows coming into Bitcoin from than gold.

In the next section we'll examine the impact on Bitcoin of capital flowing from the bond market into Bitcoin.

HYPOTHETICAL EFFECT OF BOND OUTFLOWS INTO BITCOIN

Let's start with the negative yielding bonds. That alone represents a pool of capital nearly 20X the total market cap of Bitcoin, and its is actually costing the investors to hold. What happens if they start edging toward the door to put even a fraction of that capital into other assets, and of that flow*, Bitcoin only captures a fraction of that?*

In other words, what happens if Bitcoin attracts a fraction of a fraction of outflows from negative yielding bonds?

NIRP	$ 18,000	(in billions USD)		TheCryptoCapitalist.io	
% defection	**% captured by**	**Amount moved**	**BTC Mkt Cap**	**BTC Price**	**Lift**
5%	10%	90	1,090	$ 58,089.72	5%
10%	10%	180	1,180	$ 62,886.12	13%
25%	10%	450	1,450	$ 77,275.32	39%
50%	10%	900	1,900	$ 101,257.31	83%
75%	10%	1350	2,350	$ 125,239.31	126%
100%	10%	1800	2,800	$ 149,221.30	169%

Capturing 10% of a 50% move out of negative bonds would on its own put the price of BTC over $100K USD.

What if, as the likes of Bill Fleckenstein[23] think, the entire monetary End Game involves the central banks losing control over the bond markets? That would push up interest rates (something we saw a taste of only recently), and in my mind, would cause a bit more of a concerted exodus from negative yielding bonds (read: stampede).

[23] https://www.fleckensteincapital.com/home.aspx

In that case I've posited below that as the amount of capital flight out of the negative bonds increases, so does Bitcoin's share of the funds flow, but not by a lot. I just eyeballed widening increments as the percentage of capital flight accelerates.

If Bitcoin doubled its take of a 50% exodus, it would push the price (all else being flat), up to close to $150K USD, and in a total bond rout where negative yielding bonds collapse entirely, if 27% of that moved to Bitcoin, it would on its own move the price north of $300K USD.

NIRP	$ 18,000	(in billions USD)		TheCryptoCapitalist.io	
% defection	**% captured by**	**Amount moved**	**BTC Mkt Cap**	**BTC Price**	**Lift**
5%	10%	90	1,090	$ 58,089.72	5%
10%	13%	234	1,234	$ 65,763.96	19%
25%	15%	675	1,675	$ 89,266.31	61%
50%	20%	1800	2,800	$ 149,221.30	169%
75%	25%	3375	4,375	$ 233,158.28	320%
100%	27%	4860	5,860	$ 312,298.87	463%

And that's just the *negative yielding* bonds. Let's look at the rest of them:

Bonds	$ 102,000	(in billions USD)		TheCryptoCapitalist.io	
% defection	**% captured by**	**Amount moved**	**BTC Mkt Cap**	**BTC Price**	**Lift**
5%	10%	510	1,510	$ 80,472.92	45%
10%	10%	1020	2,020	$ 107,652.51	94%
25%	10%	2550	3,550	$ 189,191.29	241%
50%	10%	5100	6,100	$ 325,089.27	486%

Here I only went up to a 50% exodus from bonds (which would probably mean we're living through the Mad Max prequel) but if Bitcoin gets just 10% of the outflows, it again looks significant.

If we mimic the escalation in Bitcoin's inbound fund flows as the flight from bonds accelerated, it begins to really add up….

Bonds	$ 102,000	(in billions USD)		TheCryptoCapitalist.io	
% defection	**% captured by**	**Amount moved**	**BTC Mkt Cap**	**BTC Price**	**Lift**
5%	10%	510	1,510	$ 80,472.92	45%
10%	13%	1326	2,326	$ 123,960.27	124%
25%	15%	3825	4,825	$ 257,140.28	364%
50%	20%	10200	11,200	$ 596,885.21	976%

Again, these are just linear derivations that ignore all other factors like new Bitcoins being mined (roughly 3%/year) or what the effect of a global bond exodus would have on the market psychology of any destination assets for the capital flight. It would probably accelerate things.

We're not looking for exact price targets, we're trying to get a sense of the trajectory if our macro thesis plays out.

Summary & What's Next

Distilling it all down into bullet points, we can sum the overall Crypto Investing Thesis as the following:

- The nature of The Great Reset is a monetary regime change that will bifurcate the middle class into Neo-Serfs and new nobility.
- Which tier you're in will depend on which form of digital money forms the basis of your economic existence. Government or state issued digital cash (CBDCs) or true decentralized crypto-currencies.
- In the Crypto Capitalist portfolio we seek to gain exposure to the crypto-economy via ownership of the publicly traded companies that are the forerunners of this space.
- Our strategy is long term, business owner mindset. We're not day trading or using chart patterns.
- The crypto portfolio is designed to be a compliment to an overall investment strategy, not *the* strategy.
- The most important aspect of being able to ride out the incessant crypto FUD cycles is *conviction*.

Once you've read this document you may want to sit with it and digest it for awhile. If you see the value in journaling, as I do, put pen to paper and start processing your thoughts around this. There will be a separate resource sheet for members, but I will recommend Daniel Apollo Voss' "The Intuitive Investor" here ("The only rule in investing is to make conscious investment decisions whose benefits exceed costs").

Perhaps grab yourself a brand new, handsomely bound notebook journal and dedicate it exclusively toward writing in it your thoughts, compiling your research and processing your emotions around your foray into the crypto-economy and becoming an investor within that space.

Sometimes when I get going on this stuff my mind just starts racing in so many directions I nearly panic that I won't be able to capture them all. I find writing my thoughts out long-hand forces me to s-l-o-w d-o-w-n and get a grip on myself. It also helps cut through what is extraneous and get to what is relevant, make new, non-linear connections and leaps as you think things through (I will also be writing up a workflow and lifestyle approach document some readers may find of use).

Once you feel that you've adequately digested everything you learned here, it's time to take the next step, and review **The Crypto Capitalist Portfolio,** which is available within [the members' section](#) of the website.

I want to welcome you aboard as a member of **The Crypto Capitalist** advisory and wish you self-actualization and prosperity in the months and years ahead.

Sincerely,

Mark E. Jeftovic <markjr@thecryptocapitalist.io>

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