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# Retail Venture Capital

A systematic approach to maximize the likelihood of  
harvesting 1000X returns

August 2022

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# Overview

1. Investment Thesis for 1000X Returns
2. Why Invest in Crypto?
3. Investment Strategy
4. How to Select Investments

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# Investment Thesis for 1000x Returns

- Conventional investment strategies focus on 2%-20% YOY returns
- The power law of venture capital
- Investment goal: Life-changing returns *while protecting the down-side*

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# Conventional Investment Strategies

## Publicly traded stocks, bonds, ETFs

Expected return: 2%-6% YoY

## Top-10 tokens

“Hope”: 20% - 5X(e.g. BTC, ETH, etc.)

## Trading

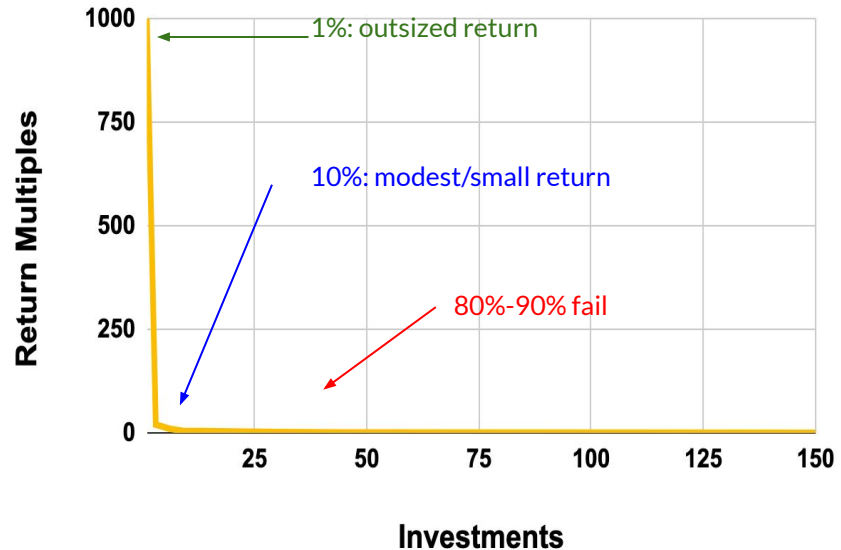
Day-trading / bots: very time consuming and returns are not life-changing but incremental. It basically is a full-time job.

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# The Venture-Capital (Power-)Law

Most investments fail but if you win, you WIN BIG !

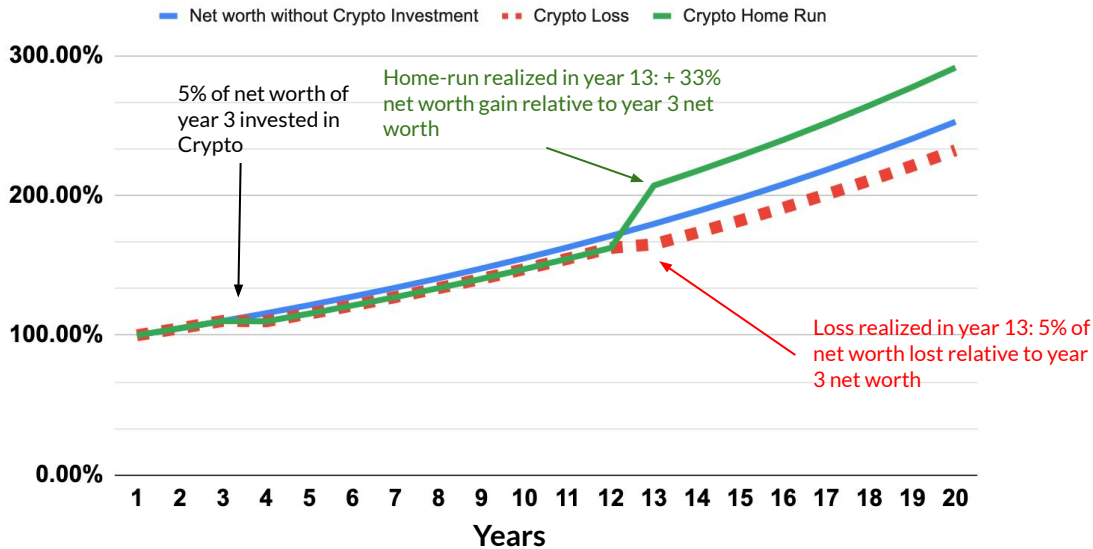
- Every investment needs to have at least a 1000X return potential
- Each investment has the potential to compensate for all your other possible losses and to return “life-changing” gains on top



# Investment Goal: *Life-Changing* Returns

## 5% YoY Growth vs. 1000x Return

### Net Worth



### Assumptions

- 5% of net worth invested in crypto in year 3
- 95% of net worth invested the traditional way (stocks, bonds, ETFs) with 5% YoY returns *on average* over a period of 20 years
- In year 13 (i.e. 10 years after crypto-investment ) either a loss or gain is realized

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# Affordability of Losing “1X”

## Protecting the downside with calculated risk

- Worst-case: You lose 5% of your net worth
- You will most likely compensate the loss with your other “traditional” investments (stocks, bonds, ETFs).

## Potential upside can be life-changing

If you hit a 1000X return you can gain more than 30% of your net worth relative to the year you invested in (c.f. Example on Slide 17).

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# Why Invest in Crypto?

- Invest in the fastest-growing trend of human history
- Invest along top-tier venture capital funds



# Fastest Growing Trend in Human History

## Crypto (“Web3”) adoption

- Regulation will make Crypto accessible to corporations and institutions, which will boost the market cap of currencies.
- Increased developer influx makes Crypto more user- & mainstream friendly, hence more “usable”

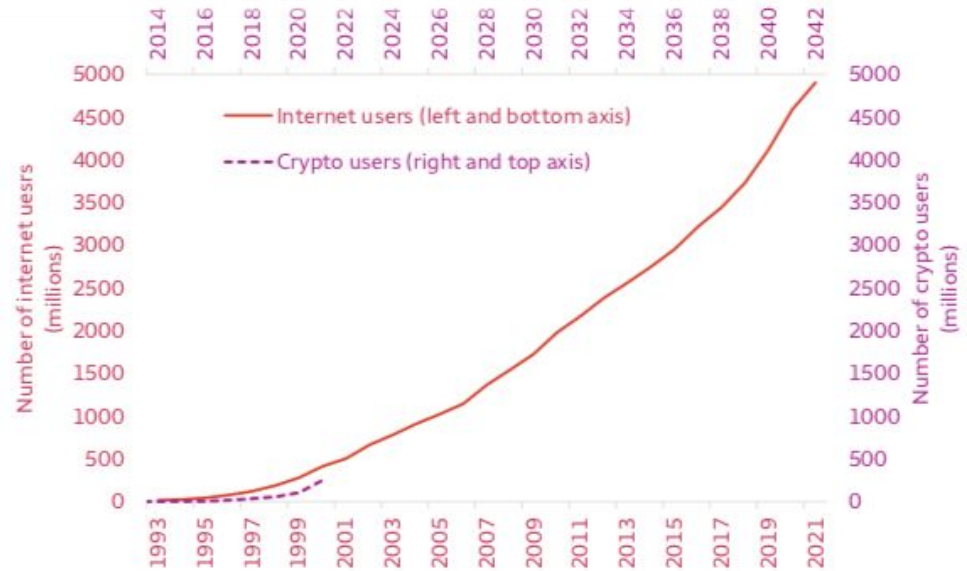


Image source: International Communications Union, our world in data, Crypto.com, Statsita, Bloomberg, Wells Fargo Investment Institute

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# Invest along the best

## Human progress

- Until now, regulation has prohibited most people to invest in game-changing technologies and companies unless you were very wealthy (e.g. high net-worth individual)

## Invest together with the best VCs

- For the first time in history everyone can invest in the same companies & teams as the global top-tier investors do.

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# Investment Strategy

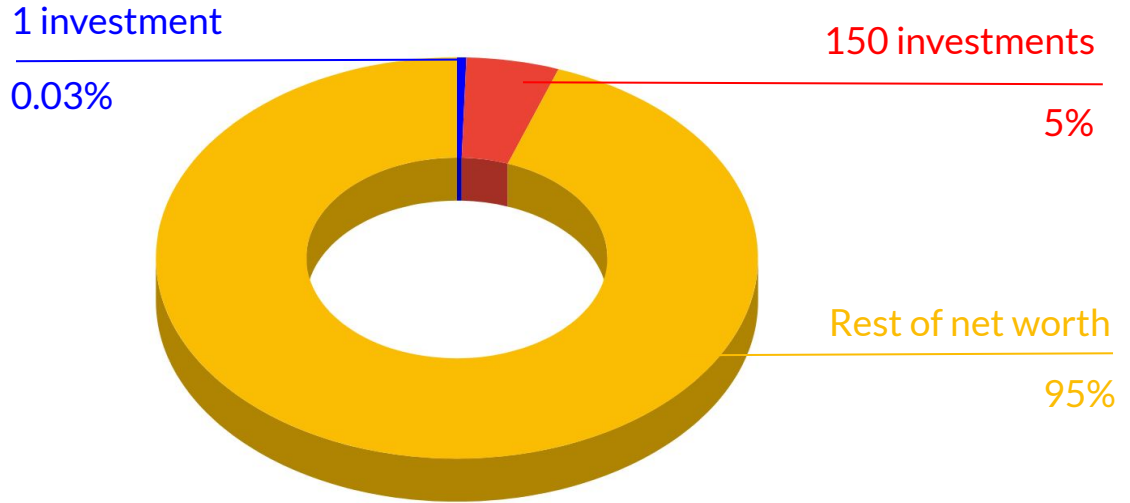
- How many investments to pick?
- Amount per investment?

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# Amount & Number of Investments

## Framework

- Overall invest max. 5% of your liquid net worth (NW)
- Aim for 150 investments over time
- On average 1 investment corresponds to 0.03% of your NW



# Scenario 1: Loss (possible worst-case)

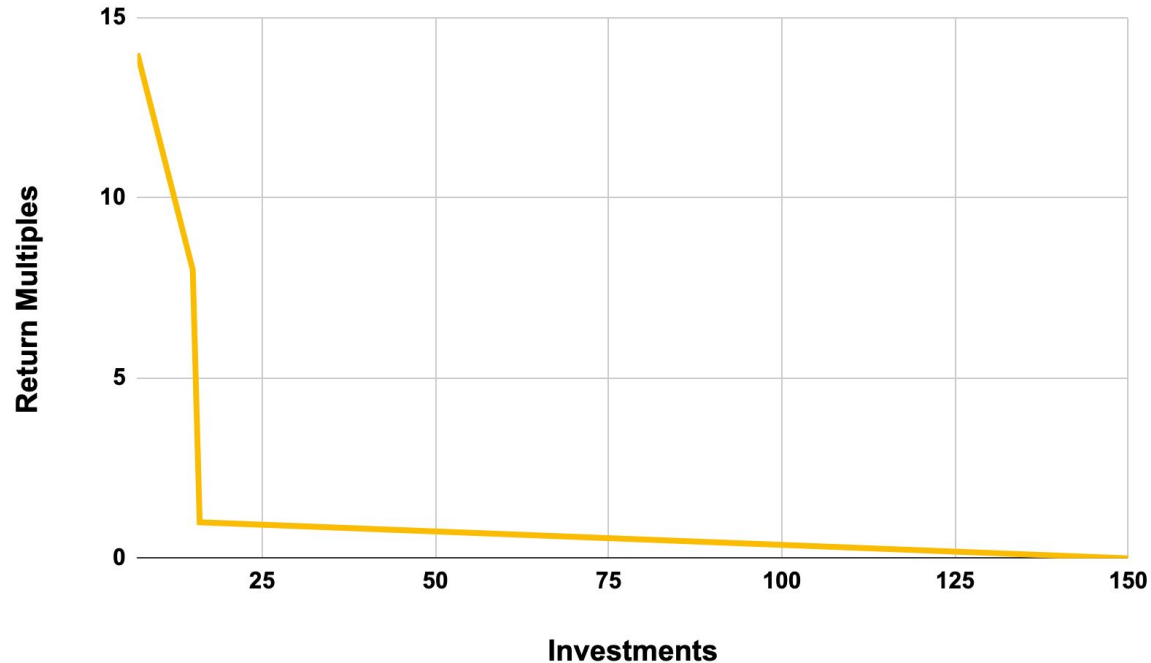
Total 150 Investments: X = 1 Investment

	% of total Investments	Investments	Return Multiple	Total Return Multiple	Profit/Loss	Return in % of Total NW
	90.0%	135	0X	0	-135X	0.00%
	5.3%	8	1X	8	0X	0.27%
	4.7%	7	2X	14	7X	0.47%
<b>Total</b>	<b>100.0%</b>	<b>150</b>		<b>22</b>	<b>-128X</b> <small>(=22-150)</small> <b>-85% ROI</b> <small>(=-128/150)</small>	<b>0.73%</b> <b>=4.27% of NW Loss</b>

The loss is compensated by other “normal” portfolio investments which return 5%+ on average per year over the investment period of 7-10 years. (For simplicity, inflation is not factored in.)

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# Scenario 1: Loss (possible worst-case)



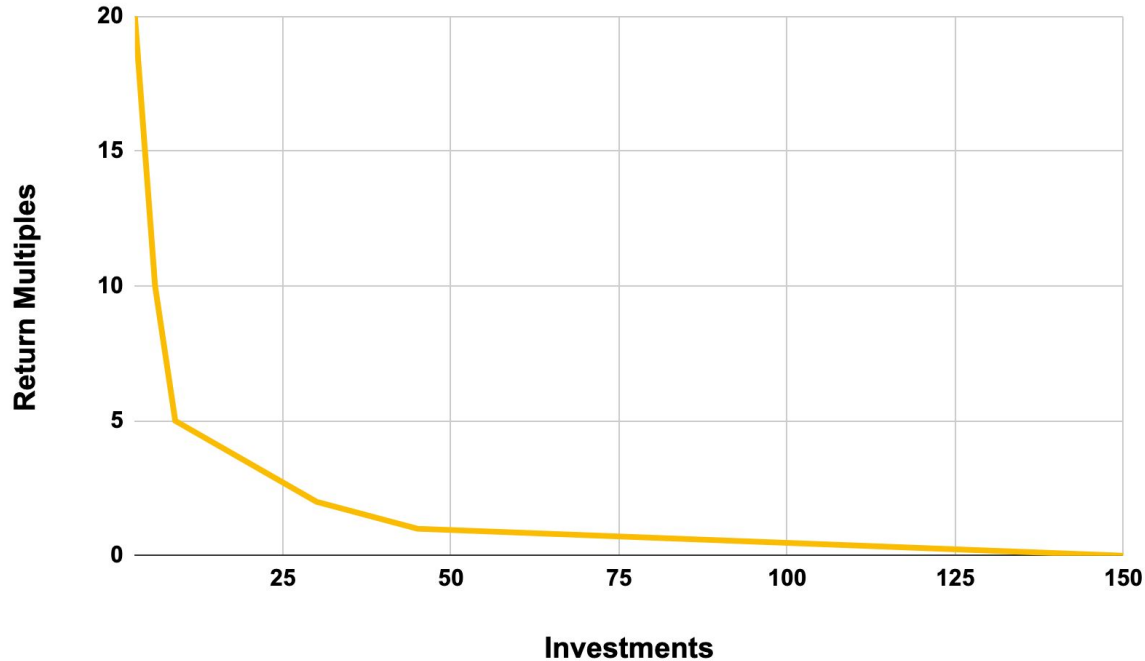
# Scenario 2: Modest Positive Return

Total 150 Investments: X = 1 Investment = 0.03% of Net Worth

% of total Investments	Investments	Return Multiple	Total Return Multiple	Profit/Loss	Return in % of Total NW
70%	105	0X	0	-105X	0%
10%	15	1X	15	0X	0.50%
14%	21	2X	42	21X	1.40%
2%	3	5X	15	12X	0.50%
2%	3	10X	30	27X	1.00%
2%	3	20X	60	57X	2.00%
<b>Total</b>	<b>100%</b>	<b>150</b>	<b>162</b>	<b>12X</b> <small>(=162-150)</small> <b>=8% ROI</b> <small>(=12/150)</small>	<b>5.40%</b> <b>=0.4% NW Profit</b>

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# Scenario 2: Modest Positive Return





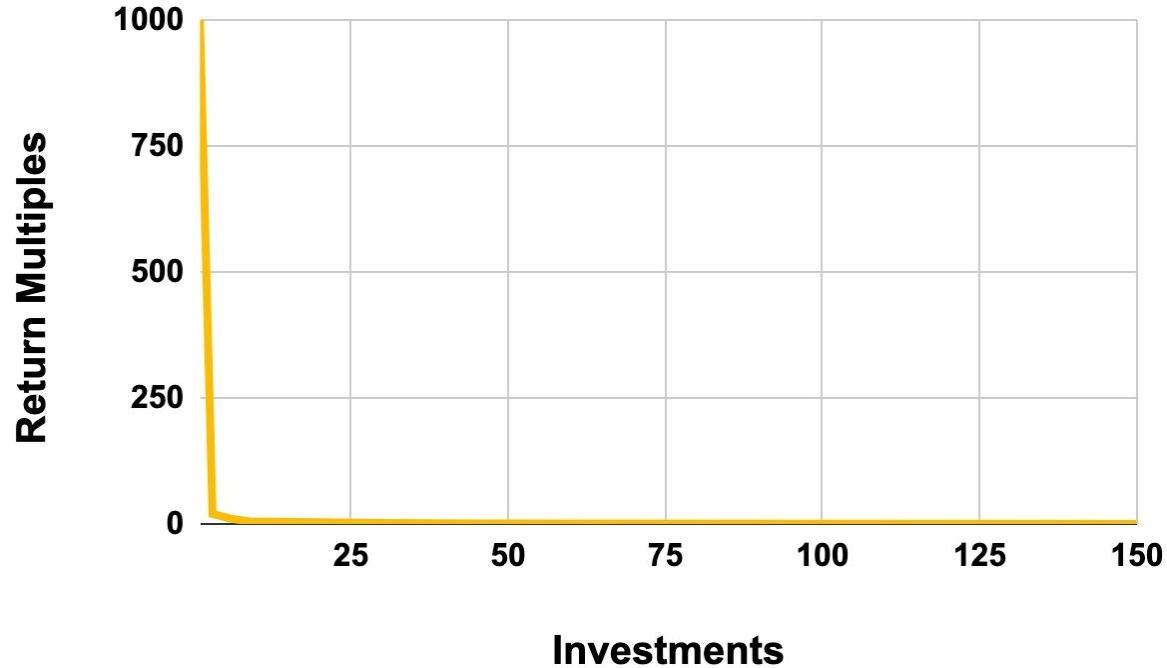
# Scenario 3: Life-Changing ROI

Total 150 Investments: X = 1 Investment

% of total Investments	Investments	Return Multiple	Total Return Multiple	Profit/Loss	Return in % of Total NW
70.0%	105	0X	0	-105X	0.00%
10.0%	15	1X	15	0X	0.50%
14.0%	21	2X	42	21X	1.40%
2.0%	3	5X	15	12X	0.50%
2.0%	3	10X	30	27X	1.00%
1.3%	2	20X	40	38X	1.33%
0.7%	1	1000X	1000	999X	33.33%
<b>Total</b>	<b>100.0%</b>	<b>150</b>	<b>1142</b>	<b>992X</b> <small>(=1142-150)</small> <b>=661% ROI</b> <small>(=992/150)</small>	<b>38.07%</b> <b>=33.07% NW Profit</b>

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# Scenario 3: Life-Changing ROI



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# DCA a.k.a. “Dollar-Cost Averaging”

- **If you are investing more than \$100 per project / token:**

Consider buying over an extended period of time (e.g. over several weeks or months)

→ Fluctuation of tokens can vary more than 20% in a day, potentially more than 50% in a bad week.

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# Timeframe for Investments

150 investments (= 5% net worth) in 3-5 years

→ 30-50 investments per year

→ 2 to 4 investments per month on average

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# Doubling Down on Investments

## If you observe 4X - 10X growth

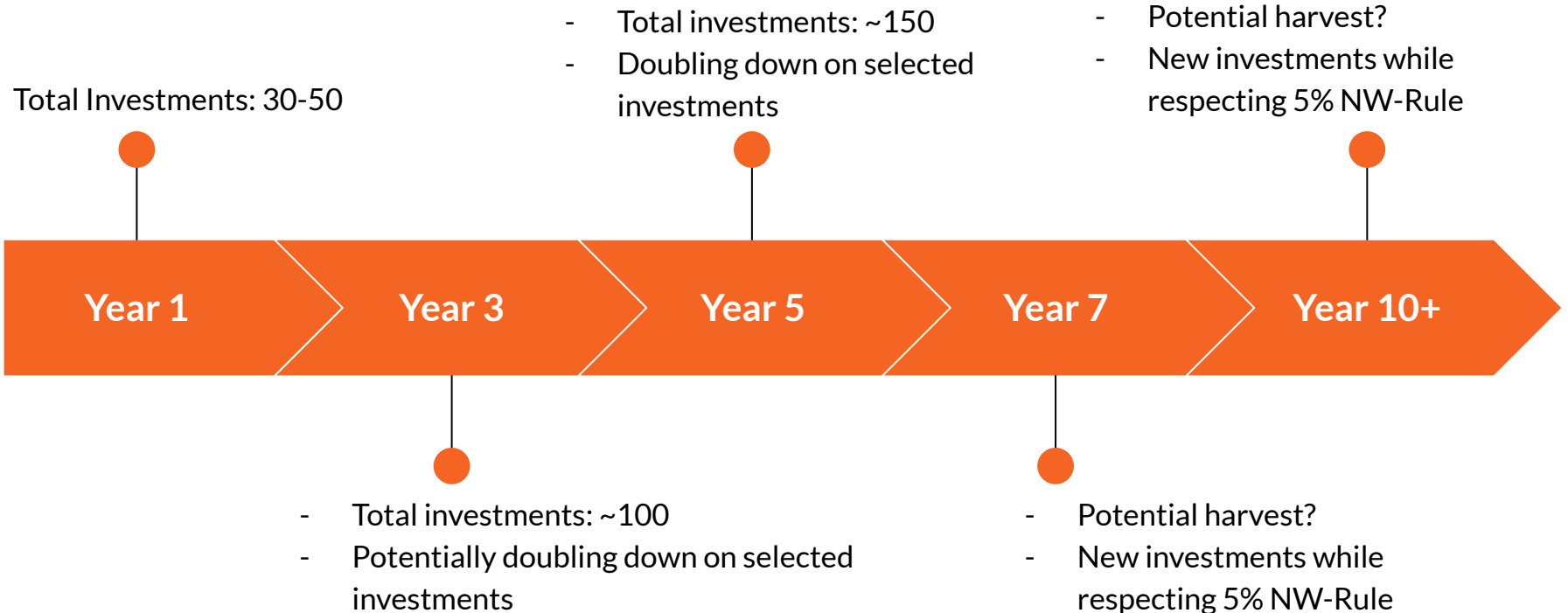
- You might have a promising candidate for high returns
- You might consider to re-invest 4X the initial investment amount

## Possibly dollar-cost-average (DCA) when doubling down

Buy your new investment over a period of time (several weeks or months) to better absorb potential losses immediately after investing.

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# Timeframe to Harvest Returns



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# Regret Minimization

## % NW lost per project

- On average: 0.03% of NW (at time of investment)
- Max. 0.3% of NW invested in 1 project (=10X average investment)

## % NW overall potentially lost

- 5% max: by the time you realized that potential loss, traditional investments have most likely already compensated for it.

## Opportunity cost IRL & % NW

- What would you do otherwise with the 5% NW? Buy new car, iPhone or go on holidays?  
→ Be aware of the sacrifice you are willing to take.

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# Track Mistakes & Learn

## Track your investments

- Price, project evolution, news, noteworthy endorsements

## Track your non-investments

- How do they involve? Should you invest later?

## Track big winners you did not invest in

- These are your losses: why didn't you invest in them when they were small?



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# How to Select Investments?

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# Leverage the work VCs do better than you: → The 3 most important factors for success !

## Market

- VCs have professionals to assess & identify the next potential trillion-\$ markets

## Team

- Quality, experience, know-how, key-hires and advisors, tenacity: VCs assess those aspects in their due diligence process and in-person meetings with the team

## Product

- VCs have the skills to assess quality, usage, risk and potential of an evolving product

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# Market & IRL (= In Real Life) Value

## Industry & vertical

- Can you understand the industry and who the consumers are?

## IRL

- What is the real-life value that the product delivers to its consumers (e.g. gaming, money transfer) and why is it better than what they are using now?

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# Tokenomics

## Market Capitalization

The total value of a cryptocurrency's supply & decisive indicator

- Could this value grow by 1000X? →  
Compare with the market-cap of the "Top 10" coins. Ideally that ratio is at least 100X.
- Reference:
  - Market-cap of Gold is \$11.3 trillion (per 2. Sept 2022)
  - Market-cap of Apple is \$2500 billion (per 2. Sept 2022)

## Trading Volume

- Indicator of how liquid the currency is. Early-stage projects usually have low trading volume with very high volatility.

## Price of Token

- Not a meaningful indicator when purchasing early-stage tokens (only for selling).

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# How to Pick Investments?

## Scan top-tier VCs (Crypto-)Portfolios

- Make a short-list of VC-backed Crypto-projects. Make sure you double-check through the VCs official channels (VC's website, Twitter, LinkedIn).

## Market Cap

- Sort tokens by market cap. Then scan from smallest to largest market cap. Ideally the market cap of a currency is below \$50M when you consider the first investment.

## Fact check

- Check the crypto-projects Website, Twitter channel: is it up to date? Is there something fishy (e.g. outdated website, no Twitter activity for several weeks / months, etc)?

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# Liquid Token Funds vs Equity Investments

## Equity Investments

- VCs buy equity in a company. If that company issues a token and you buy the token you *don't own equity*. However, a VC-backed company's token might still appreciate over time if company becomes a unicorn.

## Liquid Token Funds

- VCs often also create dedicated funds that allow them to directly buy cryptocurrencies; These types of investments are similar to the ones retail investors can participate in.

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# Ethics

## Crypto's infamously bad impact on the environment

By far not all crypto-currencies require massive energy to be mined. In fact, there are many currencies that exactly address this issue by explicitly being energy-efficient or whose purpose is to fight climate-change and the like. Do your own research. Understand. Don't believe everything that has been written somewhere.

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