POD OF JAKE
#93 - KYLE SAMANI
AI-GENERATED TRANSCRIPT

Jake 02:18
Thank you, Kyle, for coming on. And joining me on the show today really appreciate you taking the time it has been looking forward to this conversation for a while now. You are the co founder and Managing Partner of the crypto fund multicoin capital have had a great deal of success over the last few years to put it mildly. And I'm really looking forward to talking to you about that and your story and crypto at large and, and all this stuff. But I think to get started the way I usually started episode and we'd like to do so here is just ask you to sort of tell your story from as early as you're going to start to where you are now what you're doing today and some of the decisions you made along the way for those who aren't familiar with multicoin or yourself.

Kyle Samani 03:00
Sure, Jake, appreciate you having me on the show. It is a pleasure to be here. Ah, so I grew up in Austin, Texas. And that's where i i live today. My mom is a dentist and my dad is a computer scientist. So I was very fortunate to grew up around computers and sort of programming when I was a little kid and maybe 10 or 11 years older. So I ended up going to NYU to study finance, because I thought I was too cool to be a programmer. About a year in college, I realized I was too cool to work in finance. I went right back into programming and tech startups. But during my time at NYU, I did meet Tushar, who is my now my co founder and the managing partner at multicoin. We became very good friends in college bonding over our shared interests that the intersection of finance and software after college to Shara and I both did not go down the wall street career path, which is what most of our peers did. And we decided to launch was that to get into startups instead. This is 2012 2013 timeframe. And at the time, electronic medical records were were pretty hot. We were in the health IT space in May of 2013 to Shara and I launched two different companies basically the same time maybe a week or two apart. And we built a my company was called pristine. We built software for Google Glass for surgeons, and to Shara started a company called Patient finder that build tools to help recruit patients in the clinical trials. A Pristine was I was doing pretty well I ended up raising about 5 million in venture route almost 30 employees we raised got to a few million in revenue. And then Google killed Google Glass which as you

can imagine was a problem for the business. After that happened, I pivoted the company and the company was ultimately acquired. But you can imagine I obviously learned a lot about platform risk and from from my experience with that With Google, and glass in early 2016, I was trying to find something new to do with my life. I was pretty jaded by health care, and decided to decided to go explore other avenues. I discovered Aetherium in March of 2016, and Aetherium was what really pulled me into crypto. I had heard of Bitcoin previously, but just didn't really care about it. But Ethereum intrigued me because I understood the power of being programmable. I understood the power of a censorship resistant development platform, given my experiences working with Google that really resonated with me. And I started to kind of go down the crypto rabbit hole, so to speak over the course of 2016. I do pretty deep into parts of computer science I was not as familiar with so things like distributed systems, cryptography and other kind of related subject matter. And began investing my own capital in the space. By the spring of 2017, I had developed a full time internet hobby, and to Shara and I sat down in May of 17. And said, hey, you know, I think we can do this professionally, not just as like a side hobby. And that's when we made the decision to launch multicoin spent the summer of 2017, trying to figure out how to launch a fund with neither of us which we had to do, and tried to get ready to raise money that we did launch our hedge fund on October 1 2017, and launched it with I don't know, two and a half million in capital or something like that. And kind of got on our way. We added our first venture fund in July of 2018. That was a $17 million venture fund. We raised our second venture fund in November of last year, that was $100 million fund. Today, our businesses is grown a fair bit, we manage billions in aum. And across this various hedge funds and venture funds, we have a team of 15. And we're all over the world. And it will probably be at 20 or so by the end of q1. And we're having a ton of fun investing in all things crypto, we invest all the way from the seed stage all the way through Bitcoin and everything in between. And we invest kind of all categories in sectors we invest in, in tech, kind of deep Tech, we invest in middleware, we invest in consumer applications. We invest in anything that smells like crypto.

Jake 07:26

Awesome. Well, I appreciate the story there and definitely want to dig into a few different pieces. Maybe we can start with the early days of you getting into crypto, I understand you. I think you first discovered Bitcoin while you're actually in Argentina studying abroad during a currency crisis. So pretty unique environment in which to stumble upon Bitcoin and start to realize, hey, this might be something value. I noticed on like your personal blog, you wrote about it once in I think 2015. And you wrote about it mostly in the context of how it could like add efficiencies around working capital management, which I think is true, but maybe just a piece of sort of the broader picture that you later came to appreciate. But you mentioned you didn't really get excited until Aetherium 2016. And then by 2017, you ever fund walk me through like, you know, sort of hearing about Bitcoin, not super interested if Aetherium really captivates you. You're not writing about this on your blog, which you are maintaining at the time. But like in the background, there's got to be a lot of I don't know if it's active investing or just digging really deep into these different protocols, which at the time was much fewer obviously than it is now. But relatively quick turnaround from like getting really interested to starting a fun curious, sort of the the lifecycle there.

Kyle Samani 08:44
Yeah, so I was not paying attention to the crypto space at all until 2016. in any meaningful way, obviously heard of Bitcoin as far back as 2011. Around the time, I had a study abroad trip to Argentina, in 2011. So I heard about there and it blew up on Slashdot around the same time. And I read about it there but but I wasn't just you know, liberty, the Libertarian ideals around Bitcoin didn't speak to me. I never identified as a libertarian, although I would say I've started to embrace some limits, some libertarian ideas, you know, in the last few years as a function of my job. I don't I don't think I identify as one still. So all that stuff never spoke to me. I was never like a macro monetary policy guy that I've ever cared about central banks and money printing. That's just a function of the fact that I grew up in United States and didn't really have to think about those things. So I realized that's a privilege. But none of that stuff ever spoke to me. So I thought about Bitcoin is just kind of like a dumb thing on the internet that nerds talked about. And didn't didn't appreciate it for

much more than that. It took until 2016 For me to appreciate these things with Aetherium. And the US are kind of going down the rabbit hole from there. In terms of you know, old writings, yeah, so I actually made a new year. is resolution in going into 2013, I knew I wanted to start a company, I had no idea what I was going to start. But I knew I was frustrated. Where was that previously. And at the time, I've been following a lot of the large blogs, Fred Wilson and Mark susur, and Andreessen Horowitz blog and all the blogs on the major VCs. And I kind of just had like a sense of like, monkey see, monkey do. Just just copy what the other guys do that I look up to and, and just see where that goes. And so I made a New Year's resolution in 2013, to write three blog posts per week. I did it I wrote 156 blog posts in 2013. My blog is no longer up. This is a function of I've been too lazy to maintain it. I've moved some DNS settings around them, and just never fixed it. Although I do intend to do that at some point. But you know, I wrote a lot. And certainly writing taught me a lot from that experience. And it helped me understand how to think more concisely, but also just how to the power of the internet as a distribution channel for my own thinking. And all that kind of ended up culminating in a pretty interesting way. And multicoin. As we got started with multicoin, in the fall of 2017, we became pretty well known quite quickly for our our blog, and for our writing. And that really helped kind of propel our business and get it off the ground. So very glad that we did that. And it was it was very important strategic decision.

Jake 11:33
Yeah, so actually rewinding a little bit more even before we go forward. You mentioned being in your first job and knowing you wanted to start a company, but not knowing quite what understanding that like you quit that job, without total clarity on like, what you were going to do next, just sort of trusting the process a little bit. You know, I'm a big believer that like, these decisions you make along the way, you know, you could have been on a very different path, had you not made them, even if they were early and like seemingly not that big of a deal at the time maybe, or looking back, at least at the time was probably a big deal. But quitting your first job without any real conviction. And what's next, how do you reflect on that decision? Now? I don't know, maybe you don't think about it much anymore. But I'm

just curious, because I think a lot of people are sort of hesitant to take a bold step like that early on in their careers.

Kyle Samani 12:24
Yeah, I would say most people don't take enough risk. In fact, I believe that quite firmly. early in your career, you can afford to be 100%. Wrong. When you have kids, it's a lot harder to be 100% Wrong. When you only have yourself to feed and when your analyze expenses are 50k or 75k, or whatever, it's pretty easy to afford to be wrong, your max total downside is 50k, or 75k, or whatever. So I encourage everyone at a young age to take as much risk as possible. The other really good thing about doing that is even if you do fail, you learn so much about really about individual responsibility. Understanding your limits in in trying to solve a set of unsolved, trying to solve a set of problems that you would another otherwise tried to solve. And that's like everything from recruiting to managing a budget, to marketing and messaging, depending of website, building a product, as a founder, you obviously have to deal with all of the above, in the earliest days. And you you will learn a tremendous amount about a lot of things, both about yourself and about how the world works going through that process. So I strongly encourage people to, if not become founders, to at least like not work at Google and Facebook, or Goldman Sachs and JP Morgan, and to instead go join just a much earlier stage company.

Jake 13:49
Yeah, I tend to agree with you. I think taking I think oftentimes when you're young, there's a higher level of perceived risk than actual risk. And like you said, failure can often be beneficial, even if it's like, you know, you failed with your company. But in the end, it works out. And that was certainly the case for you, your company. I mean, not that it failed, but you raise some money. Google sort of pulled the plug on glass, and you had to figure out what to do sounds like you got yourself out of a sticky situation there with some reasonable success. And then, you know, during this time as when you're wrapping up on on crypto, you decided to found multicoin with your best friend. When you were doing that, you know, that's another thing where you're dealing with a lot of unknown, you mentioned, like figuring out how to even start a fund was a foreign territory for you. What was that

process? Like? Like really? Day one multicoin, figuring out like, how do we even start a fund especially in crypto where it's very international? It's in terms of regulation. It's sort of ambiguous and complex in the US historically, you know, people have been concerned that the US may not be friendly in the future. There's public markets, private markets. How was that experience? And then looking back now, is there anything you realized, in retrospect, you wish you had done differently, you're glad you did this and that, in terms of like, sort of the fun structure and day one starting up?

Kyle Samani 15:13
Yeah, so um, you know, we didn't have the luxury of thinking very hard, both meaning at the time, there was a lot less ambiguity around all of these things you just alluded to. And also, we didn't have the money to afford the big expensive law firm. We, you know, to get started, we knew that we couldn't afford a KPMG, or Goodwin or any of these big law firms. And we asked our all of our friend, we're very fortunate that I went to NYU, a bunch of my friends worked at small hedge funds, and other small investment firms. So we just asked our friend group, you know, from NYU, and said, Hey, guys, do you know anyone, like any lawyers that, you know, we're not going to be too expensive, that can help us set up a fund. And we got introduced to a gentleman named Simon rivulis, who's based in New York, and he was really good to us. He was very affordable. We were definitely budget conscious at the time. And he helped us set up set up funds. We, you know, the only stuff we really thought about in terms of domestic versus International was just do we have the ability to take on international investors, yes or no. And we did set up a few feeder structure, we ended up changing structures around later. But we set up a lightweight structure, so we could take capital from both of us and from abroad. And we got going, we ended up getting a bigger law firm later and revising some things. But that's just kind of natural course of business. Whenever you launch a new fund, the mechanics of it are not easy. But it's a lot easier now than it was then. Today, there's enough other crypto fund managers that you can just ask and say, hey, you know, how do you recommend I set this thing up, and other people have done it now that it's pretty easy to get referrals. In June of 2017. There was like three funds, it was like poly chain and meta

stable and coin fund, like the only other funds that existed. So it was a little bit more difficult for us to get started back then.

Jake 17:14
Right. And speaking of, you know, only a few funds existing at the time, like you guys in the scheme of crypto only funds are really early and pre 2017, hype cycle, or at least arguably so you know, starting to tick up from like 1000 to a few 1000. Maybe in in that time, like summer of 2017. But it didn't go four to 20k Until very end of the year, and then the subsequent crash. What was it like sort of raising in the midst of, you know, starting the fund in the midst of that hype cycle? Did you sort of feel it coming in like a short term thing I know a lot of people are hesitant to make like short term bets, but certainly pretty good timing there. But then, you know, subsequently the crash looks like you were able to sort of double down and, you know, raise the venture fund in 2018, with some big names. David Sachs like Gil a16z, Chris Dixon. So I guess two questions there one, like what is it like, you raise the script Dovan. And like sort of the Wild West, no one else is really doing it. And suddenly, you know, everything pops off, and then crashes down and within your first year, and then secondarily, you go and you start to get these big name investors on board. But love, just hear about sort of the experience there.

Kyle Samani 18:27
Yeah, so I think we were extremely lucky with the timing of our launch. Kind of we launched even three or four months later, there's a chance we would not be where we are today. The fact that we were able to launch and use the excitement around the bull market to bring more capital in allowed us to accumulate more capital and allow that capital to grow and compound to the market. And that made a huge difference for us in our ability to then have enough of a capital base to survive the bear market. I know a lot of funds launched January 1, February 1, march 1 2018. And they they really struggled to survive through the bear market. So we're fortunate to just have that little bit of a leg up on them, and then making a pretty big difference. At the time, I didn't appreciate the magnitude of that. But certainly in hindsight, that made a huge difference for us. Fundraising, we also were lucky that we just launched into a hot market and that people

were excited to give us money. I remember previously, you know, building software for Google Glass. A lot of people thought glass was weird and stupid and you know, not consumer friendly and privacy violations and whatever. And raising money for that was hard. It was not not a fun experience. Raising money in a bull market is pretty enjoyable. People want to be invested in the market. And, you know, again, very, very lucky on timing there. By the End of 2017, we had started develop a brand for ourselves primarily through our blog into our writing. And, you know, our stuff start to get circulated pretty widely in Silicon Valley, among other investors and builders in the space, I was fortunate to get introduced to Chris Dixon and David Sachs. Around that time. David Sachs, his his venture fund, Kraft ventures ended up investing with us pretty early on. And then Chris Dixon and Marc Andreessen invested with us personally, betting a lot Gil around the same time, as well as all these guys came in. And then Union Square Ventures came in a couple months later. So we were just very lucky that, you know, our writings were pretty widely circulated. People liked them and thought that we were thoughtful, and said, Hey, how can I work more closely with these guys. And so we're very, very, very fortunate to build relationships with kind of all of these folks through that process. And obviously, you know, their legitimacy helped us be at least appear to be more legit, in the eyes of other investors. And that certainly did help quite a bit along the way.

Jake 21:06
Were there any writings in particular, or ideas in particular, or sort of skill sets that you and your co founder had, that you think, you know, you heard repetitively from these, you know, backers, that, that those were the things that stood out to them that those are the things that pulled them in or was really just like an aggregate, the writing was impressive, your guys background was impressive, etc.

Kyle Samani 21:29
Um, I think they were attracted to kind of a combination of a few things. One thing, they like the thoughtfulness and the analysis, and the writings, too, I think they liked that we were both repeat entrepreneurs. But also, neither of our previous startups was terribly successful. And so we had this chip on our shoulders. And three, we were just like, hungry and aggressive. And I think most of that most

people who become investors typically tend to be the less aggressive type, the more aggressive types tend to become builders. And I think that that kind of stood out to them saying, hey, these guys, these guys are really hustling and, you know, made us different and appealing to a lot of folks.

Jake 22:10
So to that point on, like hungry people tending to go and build versus invest. I think I've certainly seen some examples of, you know, obviously, there's tons of entrepreneurs going and investing now, but investing used to be sort of like a little bit more of a passive career. And it seems like there's people applying, like the entrepreneurial work style to investing these days. How is your investing? And maybe your investing sort of lifestyle has changed over the last, you know, three years or so? But how has it overall these three years compared to your days as an entrepreneur back with pristine?

Kyle Samani 22:48
Yeah, certainly. I mean, I don't, you know, in the early days, we were very budget conscious, that means I was staying in crappy hotels, I was flying, you know, Coach, and, you know, I'm a tall guy, I'm six, one, when these are pressed up against the seats behind me, was stay far away from venue, hotel venues, you know, venues where events were to save money on hotel costs. I mean, it was it was pretty standard startup things. We were quote unquote, investors. And but you know, we were not exactly totally comfortable in doing any of that stuff, I mean, to Shara and I would, you know, share hotel rooms all the time and get two queen beds. We don't anymore. But you know, that was that was pretty commonplace back then. So certainly, we're very budget conscious. Because we just didn't have enough management fees to support ourselves. But also just like sheer travel, you know, in 2018, and 2019, I was on the road for about 100 100 and 120 230 days, each of those two years. And the vast majority of that was was work of, you know, under 10% of that was leisure. And so, you know, I just was everywhere. And that meant both fundraising. And that also meant crypto events, and meeting the community. One thing I feel very fortunate about was that I launched before COVID. And I got to go to all these events and meet all these people. Launching of funds now is

actually seems harder because you just can't put a face to the name. And, you know, it's important that you show up and that people meet you and that they know you're a person and not just a Twitter figure. And we were on the road and we hustled aggressively, when you need to build a name for yourself and a brand for yourself in a in an ecosystem. There's nothing more impactful than showing up. And we certainly did that in with force really throughout 1718 and 19. I think the other thing is we're, you know, just like our I mean, just work ethic, like I was working 80 plus hours a week through at least the first Three years of multicoin, probably not at that level right now, but still working 60 or 70 hours a week. And, you know, it's it's a, that's what it takes to get a new company off the ground, whether you're quote unquote, an investor, or whether you're a builder, meeting with all of the LPs, figuring out that side of your business, and then meeting with entrepreneurs, and then also running a firm, and figuring out strategies of how to invest, you know, that, that there's a lot of stuff to be doing. And it takes a lot of time to do it. Well.

Jake 25:33
Yeah, that's super useful and appreciate the perspective there, you certainly I imagine, you don't have to share hotel rooms with with the two queen beds anymore, you guys have had tremendous success over these first few years. So I'd love to dig into that a little bit and talk about some of the principles you bring to investing and maybe a few investments in particular that have been, you know, enormously successful, obviously, you know, to the point on principles, like positions change over time, even theses change over time. But there's some foundational things that maybe you don't have them, but I would imagine you have some, like sort of foundational beliefs are principles that have sort of remained the same or maybe iterated slightly? Since, you know, whenever it was 2016, I guess, when you started paying attention to crypto, and maybe even from before then, you know, outside of crypto things that go across from, you know, investing in companies or things like that, or even just generally investing, you know, even time in life, I'm curious, like, from the most sort of fundamental place that you can, you can start from how you think about investing? And maybe it's not even crypto specific. But, you know, we talked we alluded to earlier, like, taking high risk

as a young person is a wise investment. Curious, any sort of guiding principles that you have around investing?

Kyle Samani 26:55
Yeah, I mean, we've certainly learned a lot over the few years, we've been doing this now with, I think, probably the most important thing we have had to learn is, what is our strength, and what is our weakness, and then make sure we are playing to our strengths. We definitely had a, we tried to be too many things in the first kind of two to three years of our firm, and started realizing two to three year and a half, two years ago, that we needed to stop trying to be good at so many things, and just try and be exceptionally good at a small number of things. So being very, very, very clear with yourself, Where is your alpha, if you are making a decision, and if you are not convinced that you are the smartest person doing whatever it is that you know, making that decision, you're probably you should probably shouldn't be making that decision. And it took us some pretty painful mistakes, to realize, to realize that. So, you know, we, we have to learn, where's our alpha, and be really, really clear about that. I think the most difficult part of that is a focus on time horizon, ah, we've just kind of come to the conclusion that we don't want to do anything. If whatever we buy, we plan to hold it for less than 10 years. Now, obviously, we may buy things and we may lose interest, things may not work out, we may sell in 12 months, or whatever if that happens, but at the time we enter a position, our holding period needs to be indefinite in a plan holding period, and we've kind of just set that bar for ourselves. And it forces us to miss some things. And you just have to be okay with that. But by setting a bar, then that also allows us to really focus and then think really hard about hey, do we really want to hold this for 10 years and try and make the bull case? I find people are too quick to to say no to ideas and don't spend enough time saying, Well, what if they go right? You know, how big can they get? How much can they compound. And it turns out, compounding on the upside is much more important than screwing up on the downside, the most you can lose is 1x. But you can make 10,000 Next. And so I think it's very, very important to really be clear with yourself, you know, what is your edge? And what is your time time horizon?

Jake 29:24

So in that sort of experience early on trying to do everything and realizing you know, learning from that experience what what is your alpha? What did you determine your edge to be where your strengths that you double down? And you know, on the other side of that what were some of the weaknesses less interested in the second party or but what what was like something you were trying to do that was just sort of out of your wheelhouse that you sort of said hey, we don't really need to try to do something more. Let's focus on the strengths.

Kyle Samani 29:51
Yeah, I mean, we we tried to time the market and trade data. And we were doing really well on that. until we weren't, and when we did really badly. And after that really bad moment, we decided never do it again. So we don't time the market at all, I do not look at prices whatsoever. Price is not an input into any of my decision making. I don't care. And by knowing the prices, I think that really frees up my head and clears up my head. So that I can think about the long term. That was definitely our the big mistake we made in terms of what we've realized our edges. It's, I mean, just we know, Can we can we form a thesis that is really concise that I can write down in two or three sentences? And that if the thesis is generally correct, can I expect it to still compound over the next 10 years. And we've determined that we are pretty good at that. And so that's what we want to focus on is making investments where the thesis is super concise. And if we're right, we can hold it for at least 10 years.

Jake 31:01
So tell me about the current version of your thesis and how or if it may have changed from when you guys started multicoin.

Kyle Samani 31:09
Yes, we have kind of three, what we call mega theses that that guide our thinking and our investments. And they're on our website, we published them there a few years ago. The first is we call open finance, which is really a superset of defy includes both defi protocols. And that includes applications that build on top of these protocols, and make, you know, finance and financial access more open to people. The second is what we broadly call web three. Web three is really about taking the core ideas of defy, which is really about

sovereignty of money, and extending it to sovereignty of other technology systems, whether that's software data, compute, bandwidth, whatever, but really kind of about sovereignty of ownership of data on these things. And then the third major thesis that guides our thinking and our investments is the opportunity for non Sovereign Money. The simplest way to think about that as kind of digital gold, which will kind of the Bitcoin people talk about all the time. I think the case for non Sovereign Money is calling that digital gold I think understates the case for it. I think what layer one blockchains like Ethereum and Salon I've demonstrated to the world is that you can combine two things that previously were separate concepts into one, they used to be you had gold, and you had tech, and those were separate things. And in crypto, those are now the same thing. And I think the opportunity, it's not a one plus one equals 1.7 kind of situation. I think it's one plus one equals 25 kind of a situation. And if that if that theory is right, then the opportunity for layer one blockchains like Ceylon and Ethereum is going to be a very large superset of the market cap of gold today.

Jake 33:00
Right? And can we talk about that a little bit more because like, I myself was introduced to crypto through Bitcoin, and first couple times didn't really click for me, it wasn't such a big thing. And then, finally, I was watching a video by Andreas Antonopoulos. And suddenly, for whatever reason, you know, camel straw on the camel's back, like just, I was like, Alright, I got this, like, I'm all the way and then started, like digging deep. I understood at that point, the argument for investing in Bitcoin, why it was important from like, a philosophical perspective, why it was harder for me to understand as an American than it would be for someone in Argentina, for example, and a number of other things, but it was basically around like the digital gold narrative, right? Like, you know, from here, we still have what 10x to digital gold market cap for Bitcoin. At the time, it sort of clicked for me it was, whatever it was 50x or something like that. And that was enough. For me, it's like you said earlier, you know, your downside is you lose 1x, your upside is, in this case, 50x, digital gold. And if you think that it has potential beyond that, then even more, and that's a wise investment to make with some percentage of your money, you know, arguably 1% arguably 80%, whatever you want

to do, it's, it's up to you. It's a personal thing. But it became interesting for me at that point. And then, of course, you know, you spend enough time in crypto, you start getting interested in things like Aetherium and Falon, other layer ones, some of the applications being built on top of it. But I've had a difficult time, frankly, and you know, like I'm all over crypto reading about this stuff every day. But I think a lot of people like skip some of the most fundamental points, one of which for me is like how these different protocols or, you know, coins, tokens, etc. Actually, why they're actually valuable. And I think part of your argument is that there's a monetary premium, more than for just Bitcoin but across for, you know, Aetherium cilona, a number of the other layer ones and you're really Like a post on this, how, you know, they are ones capture value, how they are TOS capture value, but I'd like to hear like, your fundamental description of why, you know, there's Bitcoin which is like digital gold, maybe the whole thing can go way beyond digital gold that I personally think it can for some of the reasons you mentioned, but why are these things valuable? Like if you know, think of like, my grandma's listening or you know, a 12 year olds listening or whatever, like, how do you describe in the simplest terms possible? Why beyond like the This is money use case, some of these Kryptos are, are, you know, have the potential to become immensely valuable.

Kyle Samani 35:39
Yeah, so, um, there are two kinds of assets in the world, broadly speaking, there are capital assets and their commodity assets. So, capital assets are things that have some sort of yield or exogenous cash flows. So, equities are capital assets, real estate's capital, asset, bonds, or capital asset, etc. Real Estate always happens to be a commodity in the sense that it's obviously useful and you can live in it or print it out or whatever. Crypto is interesting, because the two largest asset really, I guess, like three now, Bitcoin, Aetherium, and soul are commodity assets. But like, basically everything that's not a layer one is a capital asset, and not a commodity asset. So there's this weird mental map problem of like, people think about learn about crypto learn about Bitcoin and eath. And they're like, Okay, they are all just commodities, and therefore, that there's no cash flows. And they kind of understand the case for Bitcoin, they maybe understand the case for eath, and soul on smart contracts. And

everything else starts to feel just like arbitrary. And that's why you see people call them the coins and you know, like, right, you hear the Kryptos? And like, those kinds of comments. And they're kind of implicitly saying, why are there so many non sovereign monies is kind of implicitly what they're saying, because it's actually value destructive for society as a whole. They have too many non sovereign monies, or do you have too many monies period. This is just confusing, and yet exchange rates and volatility and all other things. But the thing is that the capital assets, is basically everything that's built on top of the layer ones connected, they can produce cash flows, not all of them necessarily produce cash flows today, but they all have reasonable models by which they can. So one example of this would be like urine, for example, or the ticker is Wi Fi, right? Like, it's literally just a yield aggregator, and like, they just charge a fee for using the protocol. And that fee is diverted back to token holders, it's a pretty straightforward, like, you can value it like you would an equity and there's you can build a DCF for it. Um, if you look at I mean, like the graph is another example where the graph is not strictly a defy protocol, it has an off chain indexing and querying service. And the graph is, you know, the graph is, as a system where the people who want to the developers who build applications that want to be queried have to pay per query to, you know, to note operators, and you can value grt is kind of a function of those cash flows. So, with all these other assets exists out there, I'm capitalized, that's pretty easy to value, it's just a function of growth rates and discount rates, and you can come up with a terminal value for these things. Um, the commodity assets are a little trickier. You know, the simplest comp is gold than the Bitcoin thing. But again, I just think that that's kind of a understating it a generally true statement with the internet has been when you make something digital, you increase the amount of total consumption of that thing. And you also change how its consumed and who consumes it. Right. So like, it used to be sit down with your morning coffee and have your newspaper delivered. Obviously, the content itself was was kind of guaranteed to be at least 12 hours old, because of printing and delivery cycles. Um, and you know, today, like right journalist find information I tweeted out, and it's five seconds later, it's like on the internet, and it goes viral in a matter of minutes. And so those kinds of time cycles have have pretty substantially changed and

it's changed how information is produced and consumed. When I think about you know, payments in value store. It again, I think we'll have a similar set of things happen. All of the layer ones whether it's Bitcoin ether soul, have is token. This token is effectively a non sovereign store of wealth. They all using the same general cryptographic primitives, like the they're using the same curves they're using similar types of consensus algorithms there. And they have similar types of civil resistance mechanisms, whether it's proof of work or proof of stake. And the end goal of them is that, you know, the higher the value of the native token, the more secure the system is to third party attack. So all of these isms here share the same general traits. They differ in obviously, programming models, they differ in the exact inflation schedules of their various assets and such, but like they all are acting as non Sovereign Money in some form or fashion. I find it very strange that Bitcoin maximalists have such high conviction that the only variable that matters is the 21 million meme or the fixed supply meme at the expense of all other optimizations in the system. It actually strikes me as like, fairly obvious that that is almost certainly the wrong optimization to make. Because it often it forgoes so much utility, and so much accessibility and usability by normal humans, to optimize strictly around 21 million and maximum number of nodes. And I just think it's, you know, as, as these systems get adopted by a billion or 2 billion people, and they're used every single day, and Bitcoin has over a year, and it's just your pet rock, and it does nothing. It just strikes me that, like, people will just give up on the old thing and say, Okay, this is where all the action is, and they're gonna treat the new thing, whether it's ether soul or something else, as that non Sovereign Money, because it does share 98% of the same kind of monetary type properties and general technical properties. Yeah, and so it'll, the narratives around these things will change.

Jake 41:44
Right? Yeah, I think that's a really useful description. I liked it the first time I'm excited to go back and actually listen to it again. Because it's it's an interesting question that I think for you know, everyone's got their money in crypto and excited about this project and that project, but I think it's very under articulated, like why these various, you know, Bitcoin theory on and then all the way salon

all the way down the line, why each one actually has value. And I like the commodity verse, capital sort of split and the descriptions of each. So that's really helpful. I appreciate you sharing for Well, let's let's go on to salon a little bit. I know we're coming up on time, but that was obviously one of the most successful investments to put any, like criteria on it, basically, ever. Uh huh. You guys led rounds at four cents 20 cents, 22 cents salon is now trading high hundreds, it was up to like 260, I think, for a while. And slano was sort of a contrarian take, I think, you know, how to launch a crypto, a lot of people disregarded and ignored it. And, you know, alluding to your point earlier on, like, a lot of people are sort of quick to say no, and won't use their imagination to see how something could work and think about the consequences if it does work. What was it that enabled you to identify slano Early days where most people just sort of wrote it off?

Kyle Samani 43:11
Yeah, I think the most important thing was not getting too stuck in the ideologies. Well, I should say, questioning the ideologies that that guided this space. You know, Bitcoin is certainly the most decentralized of all of the crypto assets across many dimensions, that the coin distribution, the number of nodes running it, the governance of the code base, and all these other kinds of things. And the set of trade offs that it makes our I would say quite extreme. And, but it's very rigid in its thinking. Ethereum is not quite as rigid as Bitcoin, and is not quite as inflexible, and not quite as decentralized, but it's actually pretty close on all of the above, to Bitcoin. And it always struck me that that was just wrong. Like that degree of of diffusion was unnecessary. There are different kinds of decentralization out there. People use the word decentralized, and, and there's different ways to measure it quantitatively. But there's also just different axes on which to think about it entirely. So the metallic are two really good blog post probably four or five years ago. And he outlines kind of three vectors of centralization. One is architectural D, central centralization or decentralization. Two is political, and three is logical. And it always struck me that what you really want to optimize for Navy systems is maintaining the most the most simplicity around logical centralization as you scale a system while maintaining a real reasonable degree of architectural and

political decentralization. And, and I remember reading a blog post and thinking it was a representative, some very good insight and kind of first order understanding of the world, and how these systems worked. What bothered me was that the Ethereum crowd seemed to just continue to fight physics and say, no, no, we're gonna find ways to scale the system via roll ups and whatever else. But they explicitly forgot that all of the methodologies they were proposing broke logical centralization. On top of that, they also end up breaking composability and some other things as well. And I remember just thinking, you know, guys, you're forgetting the intended purpose of the system, and you're forgetting the intended abstraction layers. And I tried to get a voice these concerns and was just just like people didn't even acknowledge them as legitimate. That just kind of said, This is crazy. Doesn't doesn't make sense. And I was pretty sure that my concerns were valid. And so I started to kind of look for alternative approaches. And the Slotta team really was the most unique in its alternative approach, from a theorems where they, you know, that the use case that Anatoly really optimized the system for was around building a decentralized order book. And if you want to build that use case, you have to maintain logical centralization, you have to have a single coherent logical pool of orders on the order book, so that people can know where they're crossing bids and asks and such. And I remember that that degree of clarity struck me is quite important. The degree of focus on use case struck me is very important. And it totally was like I'm going to build a trading system. And that's what he wanted to build. And made all of the design decisions accordingly to optimize around the trading system. And if you still look today, I mean, even despite a lot of success, the theory people today still, when they talk about scaling systems, they don't even acknowledge the use cases, they just talk in abstract terms about throughput and scaling. Without with actually an explicit failure to acknowledge this is how people use the systems, this is how capital flows through them. And that, and therefore, based on our understanding of how these systems are used, we should make different design decisions. The Etherium core research team is completely removed from that those kinds of questions. And that, again, like if you look at the history of software development, that strikes me is rather strange. And that kind of confluence of things over you know, the court, you know, I started to identify these trends in the

Etherium community in 2017. And by 2018, I started to get quite frustrated, and made the decision kind of around the time to start really exploring alternative approaches. And when I met Anatolian Raj in April of 2018, that really kind of struck me that their approach was was correct. And so we ended up leading all three private rounds of financing in SWANA. Over the course of 2018, and 2019.

Jake 48:05
Right? Well, again, you know, congrats on that investment, awesome that you identified the problem, and then sort of had your your ears up. So when the solution came around, you're able to identify it a bunch of other great investments, you guys have made audience helium near live peer of the graph, we don't have time to deep dive on all of them today. But you know, maybe some other time. In the meantime, I want to know, you know, you said you sort of identified the problem in 2017 started being on the lookout and 2018. Now, I think you've got your ears up on sort of another, maybe not thesis, but theme. You spoke about the other day, that's composability. For the near term, what are you looking for, in terms of these technologies that are going to be leveraging existing primitives sort of cutting edge primitives to offer experiences that weren't previously possible? What does that look like to you? And what have you seen thus far, that is sort of the closest to resembling something along those lines?

Kyle Samani 49:02
Yeah, so I mean, kind of related to my point on logical centralization, is the the point of these crypto networks is the state. Right? Like, it's not just about having transactions that the system can process. It's it's, you get some rich notion of state. And that state is really who has how many coins in very simple terms. And different kinds of coins have different kinds of relationships to each other. That was a function of price, obviously, but also a function of things like leverage and collateral, and AMS now and other kinds of these systems. And so there's actually value in the state, and then also parts of the state are mathematically related to other parts of the state. Right? And that's what these systems are as a whole. When you start breaking them up into more and more fragmented pieces, whether it's your roll ups or via shards, Those pieces have become increasingly disconnected. And that's not to say they're like,

outright completely fully disconnected. But now you introduce some notion of latency, and some additional developer overhead to kind of connect those pieces back together. And that the ability to just have everything work together magically, is really what I would call composability. If you can just take the different pieces of state and build on top of them. And without thinking, you know about the underlying pieces. That's, that's really the magic of composability. And so we think that that kind of, again, the single shard scaling approach that slide provides is the optimal way to do that. And you can see the kind of power of that if you look at just a theory and layer one today, where you have all these tokens, you have all these ammc, all these bar LEM things, you have all these leverage platforms, and they all work together, and they all work together, excluding gas fees, they all work together actually remarkably well. Although gases was pretty horrible. And, you know, it strikes me as like, we should want to maintain that user experience that developer experience. And so, you know, as we start to look ahead about, you know, what are the new kinds of things we think composability is gonna unlock, it certainly is going to have applications in defy today, the high kind of highest order use of UC of composability. And defy is basically levering up to trade. So it's like post an asset as collateral, borrow something and then go trade it for something else. And kind of sort of all of the theory of defy is basically just some variation of that. We're going to start to see more and more advanced events, examples of composability. So in my talk I just gave a couple weeks ago at the multienzyme. And I highlighted one, which is called the USD, which is just a it's a trait as a stable coin that's produced as a function of the basis trade between spot markets and pretzels markets. And the other one is, even the more robust version is basically the opportunity for prime brokerage, if you're going to build a definative prime brokerage, you'd have to hook into all these various trading, trading liquidity venues, and, and futures and derivatives markets. And you have to make it all work magically together as a single interface. And all that stuff is kind of happening today on SWANA. Despite the fact that the slot ecosystem is substantially younger than the theorem ecosystem, I can already today point at both live examples and examples of teams building things that are not yet live, that already more ambitious in kind of technical scope and undertaking than anything on Aetherium. And I think that really speaks to the power of

composability. Those developers realize that they need to maintain that in order to build in order to build the future that they want to see. But I think opportunities composability kind of go beyond just just defy, and you can start to compose things in other interesting ways. And that's okay, like, you know, today you have your, your wallet, and you obviously have assets in there primarily. And now those assets also act as a list of what you own. And that's most fungible tokens and non fungible tokens. And there's a whole bunch of really interesting things to do. If, if what you own or at least some subset of what you own, is exposed on a public blockchain. I think one of those interesting sets of opportunities is around messaging. And so we're investing in this thing called dialect, which kind of enables you to basically message people on chain, the use cases not like to displace telegram or WhatsApp, or iMessage, or signal or whatever. But that's not at all the use case. The point is, hey, is there a reason to broadcast the message to some set of users on the blockchain based on their current state, or the current or even historical state what they have owned in the past, and be able to communicate with them, and that there's a lot of power in that. I think you're gonna start to see creators, especially musicians experiment with the stuff in very deep ways. And, you know, musicians today, like they produce songs or songs about YouTube, Spotify, Apple Music, they have no idea who their listeners are, what their interests are. And then then, like, try and sell T shirts online or whatever. And like, it's, it's a very uncompromising experience. And I can totally see a world in which, you know, if artists can know, hey, this person is listened to, you know, five of my songs five times in the last three weeks, they should have priority access to whenever my next NFT drop happens, or whenever I'm going to have concerts, you know, they have first access to tickets. And I know that they liked my video, they're my super fans because they've been listening to my stuff, right, the ability to have more rich, dynamic engagement between creators and listeners. I think we'll be enabled by kind of public datasets on blockchains I think you can take a lot of these ideas and extend them with sports betting with creators on Instagram and tick tock and Twitch and such I think we're just at the very beginnings of that kind of very rich design space. And so that's the stuff that we're very excited about. And I think the key unlock for all of that is really composability. You just need all of these pieces, fungible tokens, NF t's on chain, messages,

analytics. All this stuff just has to work together to make it to make these actual consumer experiences possible.

Jake 55:25
Awesome. Well, look, I know we're coming up on time. But thank you again, so much kafir for coming on. I appreciate you. Taking the time and sharing your perspective. I learned a ton I'm sure everyone will. And I look forward to listening to this back myself. Where can people go and follow you? And multicoin online Twitter website and the like?

Kyle Samani 55:45
Sure. So multiclient website is multicoin capital. And if you want we have an email newsletter we publish from time to time. Just throw your email in our little email box. I'm on Twitter, you can find me it's at Kyle Somani KY Le S A. M A and I, my DMs are open so feel free to shoot me a message anytime