In the current landscape of crypto, after a year of huge value gains for Bitcoin, it’s time for Ethereum to follow the same upward path. I expect the second-place brand in crypto to reach 70% of the value of Bitcoin in this cycle. It’s at 23.5% today.

Today’s subhead is brought to you by Hunter S. Thompson. It’s a key passage in Fear and Loathing in Las Vegas.

But it was the Beastie Boys, in their 2004 song “Right Right Now Now,” who said, “Trajectories from the past are taking their toll, and what we do now is future molding.”

That’s a pretty good explanation – the title and the lyric – of how we want to take action, knowing that 20th century institutions are eroding, looking squarely to tomorrow.

The “old school” is giving way to something new, and it’s looking more and more like “crypto” is what’s coming.

This is a story that goes well beyond Bitcoin. Media of exchange, stores of value, the grease for the still-emerging digital economy: All that stuff is basically true.

But we’re also talking about “smart contracts” and other blockchain-based decentralized applications.

“Cryptocurrencies” is too limiting a term. We’re talking now about “cryptoassets.”

What I have in mind this month is an “ether binge” of a completely different sort...stuff that’s not really so rotten...and that may confer upon you empowering, impressive, and flattering profits.

Fear and Loathing at the Dawn of the Crypto Era

“The only thing that really worried me was the ether. There is nothing in the world more helpless and irresponsible and depraved than a man in the depths of an ether binge. And I knew we’d get into that rotten stuff pretty soon.”

By Howard Lindzon

Inside This Issue: The Heights of an Ether Binge...Pg. 3 • Let’s Go Crazy...And Kill Ethereum?...Pg. 6 • 8 to 80 Update...Pg. 10
that’s led the world to the edge of a new and beautiful blockchain era.

There’s actually doubt about that part too: whether what we’re seeing is indeed a giant leap or just a small step.

As “Downtown” Josh Brown put it, “Blockchain technology may have just permanently disrupted traditional currencies. It’s obvious to me that even if this is true, we will not know it for sure until decades have gone by.”

And there are those who question the ability of the crypto community to effectively self-govern, as “initial coin offerings” proliferate with absolute impunity and absolutely no norms of insider behavior.

Bitcoin solved/solves a lot of problems, many of them to do with trust...or, rather, the erosion thereof, specifically in a six-centuries-old system of banking.

Indeed, some have called it “one of the most important innovations in the history of finance,” a disruption based on blockchain technology, sure, but maybe more so on “the global decentralized currency also called Bitcoin.”

“The currency ‘Bitcoin’,” writes Brian Kelly, the founder of digital currency-focused investment firm BKCM LLC, for Forbes.com, “is the incentive for anyone in the world to run the software that changes the way the financial system works.”

Kelly notes that “banks love blockchain because they get to continue to maintain the ledger of transactions by running the software on their own computers.” Bitcoin, on the other hand, “creates competition for the banks in the form of anyone with a computer and an internet connection.”

Here’s a “bold” stance: I don’t know. My sense, informed mostly by my personal network – those thought leaders, venture capitalists, company founders, and engineers – is that Bitcoin and blockchain technology do represent something profound.

Right now it’s mostly potential, and I find it rests on not just the “currency” aspect but the “decentralized applications” factor – probably more on the latter, what we’ll soon be calling “Dapps.”

Here’s the best way I can put it: “Decentralized” is the new “centralized.” But the revolution won’t happen overnight. (And it sure won’t be “televised”...maybe live-streamed, though.)

Adam Ludwin, the founder of cryptographic ledger builder Chain, recently wrote an open letter to JPMorgan Chase & Co. (NYSE: JPM) Chairman and CEO Jamie Dimon, a high-profile Bitcoin skeptic. Here’s Adam:

*It’s easy to believe cryptocurrencies have no inherent value. Or that governments will crush them.*

*It’s also becoming fashionable to believe the opposite: that they will disrupt banks, governments, and Silicon Valley giants once and for all.*

*Neither extreme is true.*

*The reality is nuanced and important.*

Albert Wenger of the VC firm Union Square Ventures, in a recent post headlined The Unknown Path to a Decentralized Future, put it this way:

*Most startups that have come into the
crosshairs of one of the large centralized players (Google, Facebook, Amazon, Apple and maybe a few others) have experienced how difficult it has become to grow a new offering. The new incumbents are aggressively managed, have nearly limitless financial resources and most importantly leverage their existing network effects to keep potential competition at bay.

Along come blockchains and crypto currencies. Here is a new technology that represents a foundational breakthrough: the ability to build decentralized networks that have consistent data without being controlled by a corporate or government entity. It is a technology that is potentially disruptive to the large players, exactly because it goes against the core of their existing businesses, which is the control and rent extraction from networks.

I’m long Amazon and have benefitted as a shareholder from its ability to increase market cap, run a breakeven business, and pay no taxes.

The government may not be able to stop Bezos – or even slow him down – but decentralization just might.

What a time to be alive!

In 2014 Facebook Inc. (NYSE: FB) paid $19 billion for WhatsApp, which, at the time of the deal, had, like, 50 employees. It was insane.

WhatsApp was all about focus. Its founder, Jan Koum, was born in Ukraine, when it was still part of the Soviet Union. Growing up in a totalitarian state made him appreciate the value of communication that was not bugged or taped, as TechCrunch.com reported in February 2014.

He came to the U.S. in 1992, at age 16, and wanted to maintain contact with friends and family in Russia and Ukraine. So, eventually, along with Brian Acton, a colleague from Ernst & Young and then Yahoo, he built a “focused messaging experience.”

Real-world experience, crazy engineering talent, and clear execution drove growth to 450 million users – all with a marketing budget of zero dollars. It was all word-of-mouth.

Experience, engineering, execution: These are the three key ingredients of Bitcoin, too.

Someone working under the name “Satoshi Nakamoto” wrote a paper – Bitcoin – describing a decentralized application for payments at the bottom of the Great Financial Crisis, when trust in institutions was hitting new lows too.

One guy, basically, is responsible for something that, today, has a market value of about $114.5 billion. “Satoshi” is worth probably $5 billion.

...Ethereum!

Adam Ludwin’s letter to Jamie Dimon includes the best breakdown of the emerging “crypto” economy I’ve read. “Cryptocurrencies are a new asset class that enable decentralized applications” is the basic definition he proposes.

From here we should begin to think in terms of “cryptoassets.”

As Adam notes, “Think about other asset classes and what form of organization they serve. Corporate equities serve companies. Government bonds serve nations, states, and municipalities. Mortgages serve property owners. And, now, cryptoassets serve decentralized applications.”

The “currency” part can’t be ignored, though. The Bitcoin paradigm incentivizes “miners” to validate transactions registered on the ledger with payment in the digital token known as bitcoin (BTC).

It’s exactly as Adam Smith described: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest.”

“Cryptoassets” are, according to Adam, “the invisible hand of the internet.”

Crypto is capitalism. This Fred Wilson piece really does an excellent job of explaining how Bitcoin has
quickly gone from a payment system to a store of value. Fred’s bottom line: “You can’t keep spending something that goes up as much as Bitcoin has.”

If Bitcoin is the defining cryptocurrency, Ethereum is the defining cryptoasset.

Ethereum, too, was initially described in a white paper written by a then-19-year-old programmer who was working on the Bitcoin project. Vitalik Buterin wanted to build in a scripting language to support application development.

In other words, Ethereum was engineered with the purpose of building decentralized applications, based on a more general programming language that supported scalability.

It is the machinery of “smart contracts,” the concept that makes blockchain technology agile well beyond payments and the financial system.

Smart contracts are self-executing and autonomous. That means they eliminate third parties from transactions. That includes payments and cryptocurrencies and settling deals in capital markets. Those are the reasons banksters like Lloyd Blankfein are starting to show some interest.

They’re trying to get in front of a wave described by Balaji Srinivasan, the CEO of 21.co and a board partner at Andreessen Horowitz:

The rise of all these tokens and public blockchains means that the internet, in the long term, will become the biggest stock market just as it has become the largest library.

But there are also almost limitless applications in insurance, the way we manage intellectual property, even healthcare and government – anywhere there’s an exchange of money, property, shares, or anything of value.

It’s transparent, conflict-free, and it avoids the services of middlemen.

Smart contracts are built on the following elements:
- Pre-written logic in the form of computer code
- Stored and replicated on the blockchain
- Executed and run by the network of computers running the blockchain
- Can result in updates to accounts on the ledger (i.e. payment for an executed contract)

Right now the biggest blockchain platform for smart contracts is Ethereum.

Speculate

Yes, much of what’s happening in markets today makes no sense. But it is happening. And we have to expand our minds – and our imaginations – along with that action.

The most important thing right now, for you and me, is to get closer to the system.

It’s beyond time to wonder whether we’ve missed the big move. There will be plenty of big moves ahead – up as well as down.

We’re in a learning stage. And the best way to learn “crypto” is to own it.

Our “on ramp” to the blockchain is Ethereum, like Bitcoin an open-source, blockchain-based software. Ethereum is different from Bitcoin in that its distributed computing platform incorporates “smart contract” functionality.

Ethereum’s cryptocurrency is ether (ETH). Ether is what fuels Ethereum’s smart contracts, the digital token used as payment for the computing power needed to process them.
Are you ready for an ether binge?

Consider the results of a recent survey conducted by LendEDU. In September the online student loan refinancing company asked 1,000 Americans a series of questions about Bitcoin as an investment opportunity and as a currency.

“We found,” wrote Jeff Gitlen on the LendEDU blog, “that the vast majority of Americans have heard of Bitcoin and many are interested in investing in Bitcoin as an asset class. However, we found that a number of Americans believed owning Bitcoin could be illegal and older Americans are less interested in backing Bitcoin.”

LendEDU followed up in October with another cryptocurrency poll. This time it asked 1,000 Americans a series of questions related to Ethereum, Ripple, and initial coin offerings.

The same concerns about legality surfaced, and, again, older Americans were more hesitant to get in the game. But consider the following:

- 31.6% of Americans have heard of Ethereum,
- and 18.2% of Americans are planning to invest in Ether (ETH).

That’s a lot of people, a lot of potential demand, a lot of pent-up FOMO.

Don’t let “fear of missing out” grip you.

One of the best analogies for the current state of play in the crypto market comes from Damien Walter, a tech writer for The Guardian, Wired, the BBC, The Independent, iO9, and other major online and print media: “Ethereum is the Adidas of crypto.”

Writes Damien:

*Coke and Pepsi. Microsoft and Apple. Canon and Nikon. Visa and Mastercard. Look at any consumer marketing niche and you find the same pattern. A half dozen competing brands, and just two giants, selling near identical products, at almost identical prices.*

*Now we have a new niche in the global marketing landscape. Cryptocurrencies. Even in these early days the major brands in the niche are defining their values. Bitcoin was first in and has grabbed the number one spot. It’s the Coke of crypto and, as long as cryptos exist, it will always be.*

*But the niche needs a second giant, and anybody looking is likely to agree it’s Ethereum. To anybody who knows anything about the technology of crypto, Ethereum is a more interesting product, in much the same way that Apple has always made a more interesting computer than Microsoft.*

Damien then sets out the Bitcoin/Nike-Ethereum/Adidas paradigm. It’s interesting. But the money quote – almost literally – is this:

*In the current landscape of crypto, after a year of huge value gains for Bitcoin, it’s time for Ethereum to follow the same upward path. I expect the second place brand in crypto to reach 70% of the value of Bitcoin in this cycle.*

The total market value of bitcoins in circulation is $114.5 billion. All the ether in the world is valued at $27.6 billion, or about 23.5% of all the bitcoin.

*If ETH is going to make a catch-up move on BTC, we want to be part of it.*
Accumulate

It’s also going to experience some serious panic-selling, but dips will be bought; there are still a lot of people out there waiting on the sidelines.

Embrace the volatility. Buy the dip.

Millions are on-boarding via Coinbase and other crypto exchanges and wallet providers.

ETH is trading around $287 as of November 2, 2017. On November 3, 2016, it was $10.97. That means it’s up 2,520% over the past year.

It also means it’s down about 27% from its all-time closing high of $394.66 on June 12, 2017. It’s actually been down as much as 61% from that peak, sliding to a close of $155.42 on July 12 amid a broader selloff of cryptocurrencies.

It’s been up as high as $391.42 on September 1, back down to $223.14 on September 14, and back up to $336.83 on October 13.

During the summer I wrote on my blog about buying back some Ethereum amid a mini-panic in the crypto space. The digital currencies were coming back to me. I scaled in as Ethereum slid to $140, where it hadn’t traded since May.

And then, over the next couple days, as it rallied to $240, I got out.

It’s going to be volatile.

Participate

Here’s the first step to take: Open a Coinbase account. It’s a simple process.

If you use your bank’s online interface, you’ll simply provide your existing username and password to link your account to your Coinbase account. You can also link a credit or debit card, again using your existing username/password credentials for the method of payment you choose.

Action to Take: Open a Coinbase account.

Fund it with $100, or however much you feel comfortable committing to a speculative, high-risk, high-reward proposition.

Ethereum was $287.41 as of November 2. But you don’t have to buy “round lots.” A c-note will get you about 0.32319069 ETH right now.

Also, consider buying in $10 increments on behalf of your children and/or grandchildren. It’s highly likely they know at least as much – and probably more – than you do about cryptoassets, including Ethereum.

Action to Take: Buy ETH at the market and on any dips.

And it’s highly probably they’ll transact with Ethereum – and/or Bitcoin, and/or Litecoin, and/or a cryptocurrency to be named later – on a regular basis in coming months, years, and decades.

Let’s take another look at that LendEDU survey. Here’s a breakdown of answers to the question, “Have you heard of Ethereum (Ether/ETH)?” by age segments:

- 18-24: 58.49% Yes, 41.51% No
- 25-34: 50.46% Yes, 49.54% No
- 35-44: 44.74% Yes, 55.26% No
- 45-54: 21.9% Yes, 78.1% No
- 55+: 12.71% Yes, 87.29% No

It’s another way to invest in their future.

It’s another way to invest in the future.
Let’s Go Crazy… And Kill Ethereum?

For simplicity’s sake let’s call Bitcoin “the currency” and Ethereum “the platform.”

The latter improves on the former in terms of scalability, and scalability is what will drive the emergence of a decentralized system.

Now, on what basis will form the next stage in crypto-evolution?

It’s gotta be the speed.

Let’s be super clear about this month’s recommendation: Opening a Coinbase account and buying ETH is an aggressive move. But it’s regular-aggressive.

Opening a Kraken account and buying some EOS? That’s super-aggressive.

If Bitcoin is Nike and Ethereum is Adidas, EOS is, like, Reebok, Converse, Puma, and Under Armour, all wrapped in one. More than Litecoin, it looks to be the main challenger for No. 3.

And its potential far outweighs any ever flashed by any one of those athletic footwear/clothing brands at any time.

Here’s why.

Like Ethereum, Block.one – the company backing the EOS blockchain – offers both platform and currency. And it’s scalable.

And, omigod, is it fast – faster than Ethereum by a factor of 333. That’s why they call it “an Ethereum killer.”

Here’s what Michael Kimani reported for CryptoVest.com on October 31:

While Ethereum can only handle 30 TPS at best, CTO Dan Larimer has confirmed EOS’ internal tests are already clocking 10K TPS capacity on a single thread alone. Dan is confident even with Ethereum’s planned scalability and performance upgrades like metropolis and a hybrid proof of stake,

EOS’ complete redesign from the ground up will prove superior to Ethereum

“TPS” is short for “terabytes per second.”

As of November 2 EOS is trading at $1.16 on Kraken.com.

Block.one CEO Brendan Blumer appears to pack gear similar to Jay Trotter from the underappreciated comedy classic “Let It Ride”: There are all kinds of b**s, and one of his is crystal.

Here’s Brendan, distinguishing his project from others: “Where other projects use the incoming capital from tokens to burn electricity, block.one will show the strength of leveraging capital up and driving it back down to the entrepreneurs taking this space forward with real innovation.”

Opening an account with Kraken is more complicated than getting started at Coinbase. You’ll have to go at three “tiers” deep in the process, and you’ll have to submit properly formatted digital versions of identification-validating documents.

Action to Take: Open a Kraken account.

Action to Take: Buy EOS at the market and on any dips.

You should be comfortable with cryptoassets as a concept. And you should be, as I said, super-aggressive.

I don’t mean you should put half your retirement assets on the line here. God, please no, don’t. I mean you should be an adventurous sort willing to fight through some serious, bocage-like barriers to entry if only to maybe lose your $100 EOS stake entirely.

That is the nature of this beast right now.

That applies, in fact, to the crypto-scape at large. It’s wild. It’s a mania. Its being fed by all of us. And it’s highly risky – it’ll probably be the riskiest position you’ve ever taken should you choose to get closer to the system.

There are no legal rules and there are no social norms applying to founding teams, influencers, promoters, and venture capitalists about how they disclose their advisory roles and/or their investment
positions in the crypto space.

At the same time, as one entrepreneur and angel investor put it in a recent post to Medium.com, “I don’t think there is an absence of ethics or long-termism in this industry. Instead, there truly are unique structural issues that hold back progress.”

TwoBitIdiot, a member of founding teams at Digital Currency Group and CoinDesk, identifies three issues:

- Low integrity, dispersed, and unstructured information.
- Faster time to liquidity creates hard problems for funds and venture backed companies.
- Tokens are not claims on assets of the organizations that issue them. There is no precedent for how to manage liquidations.

Hunter S. Thompson also wrote, in The Proud Highway: Saga of a Desperate Southern Gentleman, 1955-1967, “Life should not be a journey to the grave with the intention of arriving safely in a pretty and well-preserved body, but rather to skid in broadside in a cloud of smoke, thoroughly used up, totally worn out, and loudly proclaiming, ‘Wow!’”

I can do without the “thoroughly used up, totally worn out” stuff (right now).

But I’m all in on the “Wow!”

This is a “Wow!” moment.

There is no reason to think it’ll stop rising. There are no rules here. Think about that WhatsApp valuation. Think about Instagram.

Think about Satoshi.

It’s an opportunity to speculate, to accumulate, to participate.

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**Portfolio Update**

**Shopify Inc. (NYSE: SHOP)** reported third-quarter revenue of $171.5 million, up 72% year over year, as Subscription Solutions revenue grew by 65% to $82.4 million. Second-quarter 2017 revenue was $151.7 million, a 75% year-over-year increase.

And that’s probably the rub: Growth slowed from 75% to 72%. As one analyst put it, “They beat numbers but beat them by less than they had been beating them.”

Founder and CEO Tobias Lütke, meanwhile, probably didn’t go far enough over the bar he set with a couple tweets responding to “get rich quick” charges leveled by Citron Research Founder and Managing Editor Andrew Left.

During the company’s conference call Lütke did label Left’s October 4 presentation a set of “preposterous claims” issued by a “short-selling troll.”

And, more importantly, Lütke disclosed that his company has had no inquiries from the Federal Trade Commission. He also noted that outside counsel retained by Shopify determined that Left’s claims are unsubstantiated.

What Shopify didn’t do was provide specific data on how many customers leave the platform each quarter. Chief Financial Officer Russ Jones said the company
plans to provide the merchant count at the end of the year.

Shopify stock sold off hard after the announcement. From an after-hours peak above $112, SHOP fell to $94.51 before recovering to close at $99.49. It ticked up at the open on Wednesday before sliding to $96.20 at the end of the regular trading session.

On Thursday the stock opened lower, at $95.05, before buyers stepped in and took SHOP as high as $100.11. It was trading around $99 as of midday November 2.

Meanwhile, third-quarter numbers were solid. And Shopify is still on track to do $1 billion in sales by 2019.

Lütke explained that services revenue – generated by merchants using Shopify’s payments and shipping tools – accounted for half of total revenue. That’s an indication of real, sustainable sales activity.

As for Left’s contention that Shopify’s marketing tactics amount to pie-in-the-sky “get rich quick” pabulum, Lütke countered, “We do not promise merchant success, far from it. In fact, most of our content is about how hard entrepreneurship is, because it is hard.”

Jones also noted that Shopify is “a long way from” the point where its growth begins to slow down. “If anything,” he added, “the opportunity in front of us continues to grow. We still think we have lots of momentum there.”

Monthly recurring revenue (MRR) is management’s preferred metric for measuring the long-term value of Shopify’s relationships with merchants. It’s the number of merchants who have subscription plans at the end of a quarter multiplied by the average monthly subscription plan fee in effect at the time.

MRR as of September 30, 2017, was $26.8 million, up 65% compared with $16.3 million as of September 30, 2016. MRR grew by 64% from June 2016 to June 2017.

Gross merchandise volume (GMV) is the total dollar value of orders processed directly through Shopify’s platform in a given period, minus refunds but including shipping and handling costs as well as duties and taxes.

It’s not “revenue,” but it does paint a picture of the transaction volume on its platform and the success of its merchants.

GMV for the third quarter was $6.4 billion, an increase of $2.6 billion, or 69% over the third quarter of 2016. GMV was up 71% from June 2016 to June 2017.

Management forecast fourth-quarter revenue of $206 million to $208 million. At the midpoint that’d be about 57% year-over-year growth. The company is tracking to a full-year range of $656 million to $658 million.
Shopify generated revenue of $105 million in 2014, doubling its 2013 sales. Revenue grew by 95% in 2015 to $205.2 million and 90% in 2016 to $389.3 million.

**Zendesk Inc. (NYSE: ZEN)** drifted lower Wednesday ahead of its post-market-close earnings announcement. After management reported third-quarter revenue of $112.8 million, beating a consensus forecast of $109 million, the stock climbed as high as $32 in after-hours trading from a regular-session close of $30.61.

And then, on Thursday, the stock popped hard to the upside, gapping at the open to $33.27, hitting $35, and trading consistently around $34.50 for most of the morning.

The $35 mark represents new 52-week and all-time highs for ZEN. It’s the quintessential “good reaction to good news.”

Quarterly revenue was up 40% compared to the three months ended September 30, 2016. Management reported a non-GAAP net loss of $0.02 per share, smaller than the $0.04 of a year ago and much better than a consensus expectation of $0.06.

Management forecast revenue of $118 million to $120 million for the fourth quarter, with a full-year range of $425 million to $427 million.

**Charles Schwab Corp. (NYSE: SCHW)** reported third-quarter earnings of $0.42 per share, up 20% from $0.35 a year ago, versus analyst expectations of $0.41. Revenue was up 13.6% to $2.17 billion, but analysts expected $2.9 billion.

Net interest revenue was up 28%.

The discount broker added more than 100,000 new accounts during all three months of the quarter, making it 10 straight months with additions in excess of 100,000. SCHW added $136.7 billion in “core net new assets” during the first nine months of 2017.

*The Financial Times* reported on October 22 that SCHW held takeover talks earlier this year with online lending giant SoFi. SoFi, a six-year-old startup focused on student loan refinancing, mortgages, and personal loans, recently raised $500 million in a funding round that valued the company at more than $4 billion.

SCHW is very much like an “8 to 80” stock in that it’s a widely recognized brand with a strong, healthy moat. Right now it’s also enjoying the momentum that’s carrying financials to new post-crisis highs.

As of November 2 the stock was trading within 2.5% of its 52-week high of $46.21, which it actually reached the day we issued our initial recommendation, October 6, 2017.

We don’t want to chase SCHW. Ideally, we’ll see a pullback that allows us to establish new positions.

**Noah Holdings Ltd. (NYSE: NOAH),** the second half of our October “two-fer” trade on the financial revolution, will report third-quarter results in mid-November.

The fast-growing China-based asset management firm pushed out to a new 52-week high on October 12 but has backed off since, last trading at $39.44 on November 2.

NOAH is a high-growth, high-potential financial services play with incredibly favorable demographics behind it.

If you haven’t already established a position, let’s be patient and wait for it to slip near the $35 to $36 range.

### 8 to 80 Update

Here’s the easy way to say it: Starbucks Corp. (Nasdaq: SBUX) is the only member of the 8 to 80 Watch List not to have made a new 52-week high since publication of the October issue of *Peloton* on October 6.

Alibaba Group Holding Ltd. (NYSE: BABA), FedEx Corp. (NYSE: FDX), Mastercard Inc. (NYSE: MA), Match Group Inc. (Nasdaq: MTCI), Microsoft Corp. (Nasdaq: MSFT), Netflix Inc. (Nasdaq: NFLX), Tencent Holdings Ltd. (OTC: TCEHY), and Visa Inc. (NYSE: V) all earned orange numbers in the table for the second straight issue.

Alphabet Inc. (Nasdaq: GOOGL), Amazon.com Inc. (Nasdaq: AMZN), Apple Inc. (Nasdaq: AAPL), Facebook Inc. (NYSE: FB), and Johnson & Johnson (NYSE: JNJ) joined the party this month on the
strength of strong financial and operating results and continuing investor confidence.

What Is “Public Venture Capital”?  

_The following is an edited version of the October 26, 2017, Weekly Update._

“Public venture capital” is another way of thinking about how to find the next 1,000% stock. There’s added risk, but the potential reward is also really high.

The key is to understand you and your emotions. Can you tolerate the downside? Can you tolerate the upside?

A “crash,” a big “drawdown,” a “correction”: Whatever phrase you choose, they all happen, to markets, to stocks.

Meanwhile, what happens when you do find a 1,000% stock? When will you know it? Will you have the patience to find out?

Thinking about what we do as “public venture capital” is a way of managing expectations, of building in preparation for ups and downs.

With my public venture capital ideas, I’m willing to give positions a much wider loss range of 40% to 60% (that hasn’t happened yet, thank goodness), and my first buys will likely be early and possibly wrong.

Here’s another way to think about public venture capital.

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### 8 to 80 Watch List

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Current Price</th>
<th>52-Week High</th>
<th>% From High</th>
<th>52-Week Low</th>
<th>% From Low</th>
<th>YTD Performace</th>
<th>Comment</th>
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<tbody>
<tr>
<td>Alibaba Group Holding Ltd.</td>
<td>BABA</td>
<td>$184.81</td>
<td>$191.22</td>
<td>3.47%</td>
<td>$86.01</td>
<td>114.87%</td>
<td>110.47%</td>
<td>Chinese counterpart to AMZN owns Asia.</td>
</tr>
<tr>
<td>Alphabet Inc.</td>
<td>GOOGL</td>
<td>$1,042.97</td>
<td>$1,063.62</td>
<td>1.98%</td>
<td>$743.59</td>
<td>40.26%</td>
<td>31.61%</td>
<td>Cash machine is a technology ETF unto itself.</td>
</tr>
<tr>
<td>Amazon.com Inc.</td>
<td>AMZN</td>
<td>$1,094.22</td>
<td>$1,122.79</td>
<td>2.61%</td>
<td>$710.10</td>
<td>54.09%</td>
<td>45.92%</td>
<td>Multiple competencies = massive moat.</td>
</tr>
<tr>
<td>Apple Inc.</td>
<td>AAPL</td>
<td>$168.11</td>
<td>$169.94</td>
<td>1.09%</td>
<td>$102.53</td>
<td>63.96%</td>
<td>45.15%</td>
<td>Retail strategy a stroke of branding genius.</td>
</tr>
<tr>
<td>Facebook Inc.</td>
<td>FB</td>
<td>$178.92</td>
<td>$182.90</td>
<td>2.22%</td>
<td>$113.55</td>
<td>57.57%</td>
<td>55.51%</td>
<td>How many “Likes” did you have today?</td>
</tr>
<tr>
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<td>FDX</td>
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<td>$231.35</td>
<td>2.69%</td>
<td>$213.78</td>
<td>5.39%</td>
<td>21.00%</td>
<td>E-commerce boom a boon for logistics master.</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>JNJ</td>
<td>$139.93</td>
<td>$144.35</td>
<td>3.16%</td>
<td>$109.32</td>
<td>28.00%</td>
<td>21.46%</td>
<td>Consumer staple is old-school “8 to 80.”</td>
</tr>
<tr>
<td>Mastercard Inc.</td>
<td>MA</td>
<td>$148.25</td>
<td>$152.00</td>
<td>2.53%</td>
<td>$96.51</td>
<td>36.31%</td>
<td>43.58%</td>
<td>The “cash-less” society started here.</td>
</tr>
<tr>
<td>Match Group Inc.</td>
<td>MTCH</td>
<td>$27.57</td>
<td>$27.64</td>
<td>0.25%</td>
<td>$18.38</td>
<td>50.00%</td>
<td>61.23%</td>
<td>It’s how you’ll find your (next) significant other.</td>
</tr>
<tr>
<td>Microsoft Corp.</td>
<td>MSFT</td>
<td>$84.05</td>
<td>$86.20</td>
<td>2.56%</td>
<td>$55.61</td>
<td>51.14%</td>
<td>35.26%</td>
<td>Reinvented under tech-savvy CEO Nadella.</td>
</tr>
<tr>
<td>Netflix Inc.</td>
<td>NFLX</td>
<td>$199.32</td>
<td>$204.38</td>
<td>2.54%</td>
<td>$93.26</td>
<td>113.73%</td>
<td>61.00%</td>
<td>Innovative content for happy cord-cutters.</td>
</tr>
<tr>
<td>Starbucks Corp.</td>
<td>SBUX</td>
<td>$54.87</td>
<td>$64.87</td>
<td>18.22%</td>
<td>$50.84</td>
<td>7.93%</td>
<td>-1.17%</td>
<td>It’s where Millennials have “experiences.”</td>
</tr>
<tr>
<td>Tencent Holdings Ltd.</td>
<td>TCEHY</td>
<td>$46.54</td>
<td>$46.61</td>
<td>0.15%</td>
<td>$23.00</td>
<td>102.35%</td>
<td>92.16%</td>
<td>Dominates Chinese mobile, payments markets.</td>
</tr>
<tr>
<td>Visa Inc.</td>
<td>V</td>
<td>$110.98</td>
<td>$111.40</td>
<td>0.38%</td>
<td>$75.17</td>
<td>47.64%</td>
<td>42.25%</td>
<td>Great way to own the e-commerce megatrend.</td>
</tr>
</tbody>
</table>

*Prices as of November 2, 2017. Orange indicates a new 52-week high since last issue.*
I’ll likely never invest in startups in China and India. But owning leaders in certain industries is my way of being a venture capitalist in these markets. I get the added benefit of liquidity if I change my mind.

I don’t have deep enough pockets to argue with the markets or the people that can move them.

Some days you wake up and just take lumps. The question is this: What do you do next?

Of course losing money is brutal. I’ve invested through some major cycles over the last 30 years, so for you Adderall-chewing, avocado-eating millennials believing “TTID” (“this time it’s different”), please cherish these good times.

Losses will happen. Hopefully you know enough about you that you’ll be able to stay in the game to find the next wins.

I can’t control the markets, but I can control my attitude.