

On the Couch with Daniel Pickering from Bitcoin Fund managers Listed Reserve

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SPEAKERS

Daniel Pickering, Henry Jennings

Henry Jennings 00:00

You are listening to the on the couch podcast, a series of interviews and informal chats with selective CEOs and fund managers. Together with the odd market analyst on all things investment, whether it is hearing from a CEO or getting insights from a leading fund manager, Marcus Today is the place to go to for all these insights. And for more in depth analysis of what's happening in the market on a daily basis, you can sign up for a free trial of the Marcus Today daily stock market newsletter, no credit card required, get access to the entire newsletter, including stock recommendations, investment strategy, opinion pieces, education articles and investor tools, not only on the big stocks, but also on the little stocks and the emerging technologies. You can find the trial sign up link in the podcast description or head on over to our website marcustoday.com.au. And we look forward to welcoming you on board as part of the Marcus Today community.

Henry Jennings 01:07

Welcome to another episode of on the couch with myself, Henry Jennings from Marcus Today. And this week, I'm delighted to be joined on the virtual couch by the CIO of a listed reserve, which is a crypto fund. Mr. Daniel Pickering has joining me on the couch today. And it's an absolute delight to meet you, Daniel. This fund specialises in Bitcoin. And it's been going for the last five years. And I have to say the results are pretty impressive in terms of their performance, and aims to provide investors with high quality investment funds to access digital currency through a trusted transparent and liquid investment vehicle. That's a big mouthful from the website. But Daniel has been the CIO since the launch of the

fund in 2018. Then he was also from my old country. And he's held various senior finance roles in London before moving to Australia, and was previously the CFO of William Hill, Australia. So welcome, Daniel, pleasure to have you on the show. Thanks for having me, Henry. Great to be it's, it's really great to meet you, I got to say, and I'm really looking forward to being educated, because I'm a bit of a crypto novice. But before we kick off the podcast, just a small disclaimer, as always, this is general advice only. So please contact your own financial advisor regarding any other thoughts, ideas or insights in this podcast. It is general advice only. So Daniel, first up being a crypto novice. Why should I be investing in crypto currencies? What's What's the attraction for me as a complete novice?

Daniel Pickering 02:45

We generally distinguish for investors between Bitcoin and then everything else and perhaps everything else, you could categorise as crypto. So if I start with Bitcoin, first of all, because that's the sort of easiest thing for people to understand that and really, the thesis of our fund is that the current financial systems probably broken in our view. And if you look at fear currencies around the world, first world countries, I'm not talking second world countries here. So Australia, in the UK, the US, the money supply roughly doubles every six years. And that's been happening since the mid 70s. And it's becoming increasingly difficult for that, you know, basis of value assessment to work, we don't think it does work. And we think that technology has provided a better solution in Bitcoin as a reference point for value. So we see in bitcoins, the largest part of our fund, but we see capturing tremendous value over the next decade. And by simply being the reference point against which other assets are measured. I'll give me an example. Right? There's no point a fund manager, say coming up to me and say, Look, I've beaten the US dollar by 20%. This year, when when you know, 40% of all US dollars were printed in the last 12 months, you know, it's not a good, and it's not a good reference point. And we really think that bitcoins going to capture a great deal of value in that area. So that that's number one, I think, as a store of value, we think it's got tremendous prospects, we think those prospects have been born out and it's performance. And then you've got in our view, everything else. And this is where people talk about crypto. So if something has some aspect of cryptocurrency, embedded in it, it's probably captured by crypto. And I think in those categories, there are some excellent pieces of software that are going to capture a lot of value and give you another example. But finance again lends itself tremendously to software and software is brilliant at settling transactions is brilliant in sort of behaving in a specific way. If you look at, say, stable coins, so those digital representations of fiat currencies, they've exploded over the last four years went out to \$200 billion in, in stable coins in circulation. And that number almost never goes down. Once a Fiat dollar becomes a stable coin, it almost never comes out. So we don't see the market cap of stable coins, even during this sort of crisis in cryptocurrency, it never goes down. And that's because these digital representations of the dollar are just more useful than the original version, right? It's much easier to send a digital dollar from one person to another, especially internationally than it is to use a bank. And so we just think, in the end of the financial infrastructure, I've just given you one example in a stable coin, but all the financial infrastructure is up for grabs, and via this technology, and we think the whole plumbing will be rewritten. And all of the value that's represented in that sector, is going to be captured by software and cryptocurrency. So I think I mean, there's two examples there of why I think it's a highly investable asset class. And it's obviously new, it's obviously volatile. And you know, we're familiar with the Husam. Those ups and downs over the sort of four and a half years, we've been doing it.

Henry Jennings 06:19

Now, Daniel, just to go back a step for fiat currencies are ones that basically are created by central banks, with paper money, effectively, and you can print as much as you like, as we have seen, in the last few years. As you rightly point out, I remember when I was a young man growing up in the late 70s 80s. UK, there was an absolute addiction to money supply. And the M three and the m two was possibly the most focused on kind of economic number that we I've ever seen at the time. But it was it was more than CPI, it was more than GDP, it was quite extraordinary. But it cares to me, I guess that you know, we're talking about fiat currencies that are created out of out of nothing by Central Bank's printing money. Isn't that the same with digital currencies? Aren't you creating something out of just ones and zeros with a digital currency? Well, what's the real difference there?

Daniel Pickering 07:15

What I think as far as Bitcoin is concerned, you know exactly how many of those there will be at all points in history. So I can tell you the exact supply curve of Bitcoin from now until we get to 21 million coins in the year 2421 40. Right. So we're 120 years away from 21 million coins. We're currently at about 18 and a half million. Okay, so I know the exact supply curve, and everybody in the market knows the exact supply curve. And at any point in time, I can query my own node, it will tell me exactly how many Bitcoins are out there right. Now. Try doing that with the US dollar. Quite how many? How many are out there? I mean, nobody actually knows because it's, you know, you've got Euro dollars, you've got dollars issued by the Federal Reserve. It's an enormous number that goes up every single day, right? So that the problem that Bitcoin is solved is in terms of provable scarcity, right? That's actually the solution. And then it's providing, we know, at all points in time, how many of them there are, and we know at all points in time also in history, how many there will be at any given point in time? That's, that's all it's done. It's as simple as that. And that's very different to affiliate currency. And fear, obviously, what is Latin for by decree? Right? It's money because I say it's money. And there's a big difference between the two. And you hinted, they're also sort of this backed by nothing. And which we often face that question from investors, you know, what bitcoins just, you know, as you say, it's ones and zeros, and it's backed by nothing. In fact, that's not correct it. There's a tremendous cost to the production of Bitcoin, right? It costs an enormous amount in energy to produce a Bitcoin. And that's its backing, I know, when I receive a Bitcoin that someone's spent a fortune and mining it, it's tremendously expensive to do, which is why every 10 minutes the block reward to a miner, these days, around quarter of a million US dollars every 10 minutes. It's extremely expensive to produce.

Henry Jennings 09:24

I was reading somewhere and you can probably correct me if I'm wrong, but if bitcoin mining was a country, it would be the 30/33 largest energy user out of all the countries on the planet?

Daniel Pickering 09:37

Yep and I think that I think that's right and it's often presented as a negative yet people say well, it just uses too much energy and that's the missed the point but the energy consumption is the value proposition right? That's what's backing it it's tremendously costly to produce because I'm you go back to when people used gold, right? They knew gold was hard to find it to A lot of energy to find it a lot of energy to mine it and it still does. And that's why it's viewed as valuable, you know that there are shiny things and gold, and there are heavier things than gold. It's just that it's extremely costly to produce.

And the cost of production is really, really important to Bitcoin. It's the basis of the security model. It's the basis of the value proposition. And, you know, we often face the environmental question, well, if it's going to use as much energy as a currency in the country, that surely that is bad. But it actually if you look at Bitcoin, there's no more environmentally friendly industry than Bitcoin mining, right? More than 50% of the energy it uses is renewable. There isn't an industry in the world, anywhere near that benchmark. Indeed, there aren't many countries near that benchmark. There's a few in Scandinavia, that are sort of puppet sort of 80% renewable, because they're sort of you know, they're built on volcanoes. But generally, most countries are down in the sort of 2030s, bitcoins over 50 and rising. And so I don't shy away from the energy production, the energy consumption, I should say, it's really it's crucial, it absolutely goes to the heart of the value proposition.

Henry Jennings 11:17

So given that, imagine that with the energy prices going up that that should be naturally playing into the Bitcoin going up kind of argument as well as oil price rises, as energy rises, Bitcoin should rise as well. Is that Is that true?

Daniel Pickering 11:33

Well, it isn't, it isn't. Right. The trick to Bitcoin mining is to find the cheapest source of electricity, right? If you're a bitcoin miner, the vectors that you're concerned about is processor speed, because you're trying to solve a problem. That's what mining is, and then the price of energy. And the beauty of Bitcoin is that the Bitcoin miners are out there trying to find the lowest cost source of energy, which generally you'll find is renewable. Because if you own a hydroelectric plant, and it's producing electricity at three o'clock in the morning, nobody wants it, right? You've got you've got grids all over the world, including in Australia, where there are times when energy prices go negative. And it's great for Bitcoin miners to go there and put their equipment in there and stabilise the grid, right. So that they're, they're actually doing a tremendous job of equalising the energy price around the world. Because wherever energy prices are sort of suppressed, or cheap relative to somewhere else, you'll find Bitcoin miners turning up. And they're providing tremendous support for renewable energy as well. Because what you find with renewables, it produces a lot of energy, but not always, when you want it. So where's the demand come from, and these guys are providing a lot of that demand, which they can turn on and off at will, which is, which is helpful? I don't necessarily think that rising energy prices correlate with rising Bitcoin prices, because actually, the protocols a bit more sophisticated than that, because if energy prices doubled, you'd find Bitcoin difficulty fail and mining would get easier, but nonetheless, you know, they're intrinsically linked energy and Bitcoin.

Henry Jennings 13:08

So given the Bitcoin as, I guess, an investment what does it use for in the real world? Or what where's that being used at the moment in the real world people actually transacting with it for for big things or even little things?

Daniel Pickering 13:26

Well, I mean, if you if you look at turnover on a daily basis, right, so you know, bitcoins daily turnover would be about four or five times what the ASX trades, right. So there's huge liquidity which is actually quite important for our fund, because and you know, liquidity is our number one component before we

put something in the fund. So there's huge trade in Bitcoin daily. Now, a lot of that is just pure trade, like you'd see in FX, then you've got the the people that are actually using Bitcoin, in anger. So for transactions, good examples, you may have seen El Salvador's adopted it as a currency, you've got a lot of people using it, they're on the second layer on the Lightning Network, to transact all the time. And I think the majority of people that own Bitcoin are holding it, and they're holding it because it's a scarce resource, and finding scarce resources that are easily accessible and easy to store at low cost. That's not that easy, right? Gold's a problem where you put it, people can steal it, you can't take it with you overseas, if you're if you need to. So it provides, you know, a very good basis for people to store their wealth. So I think you'll find the majority of people are using it for that. And increasingly, in some countries, particularly low income countries, it's used for trade because it's a much better currency than say, the Argentine peso or we see it used a lot in Africa as well, and where currencies tend to be tend to be weaker and more prone to debasement. So I think you'll find in terms of adoption, you'll find it start and weakest currencies first, and it will slowly make its way up the value chain of currencies.

Henry Jennings 15:10

It was, I must admit, people talk about Bitcoin, when they're talking about it in terms of like a digital gold, it's the 21st century equivalent of gold, it's a hedge against inflation, all that sort of stuff. It hasn't really made you not gold hasn't either really performed, as you would have expected with all this geopolitical risk the Ukraine, energy prices, uncertainty, higher interest rates, etc. Is that something that is now going to kind of be debunked by the investment community that is this hedge against inflation? Because we haven't really seen that it actually predicated inflation by you know, had a massive run before we had inflation is, do you see it as a hedge against inflation?

Daniel Pickering 15:51

Well, I think that's right. I think a lot of people front run what they saw coming in inflation last year. So if you look at the big private wealth firms at the end of last year, so certainly Credit Suisse and UBS and Europe, were advising their clients, this is end of 2020, you know, get an allocation in this asset class. And that's when we really started to see it move, sort of 14 months ago, to front run, and really the situation that we now find ourselves in, I don't really think so let's say in the last six months, when the inflation has really come to fruition in the US, not, apparently not yet in Australia, but I'm sure it's here where bitcoins gone down, right, and so people are making this this connection, well, you know, inflation's gone from 2% to 7%, and bitcoins gone down, it's not a hedge, I think you've got to zoom out a little bit and go Well, you know, people have been onto this for quite a long time now, like two to three years. And indeed, the Bitcoin community has been talking about inflation for a lot longer than that, since day one, right. And its performance over that period has been tremendous. So I think as an inflation hedge, but Well, let's put it this way, every single currency is lost 99% of its value against Bitcoin more than once. So I'd say it's going okay. And it's just a matter of the time.

Henry Jennings 17:15

That now your fund has done extraordinarily well. I've got to say you look at the the performance of the fund since inception is up 67%. The ASX200 adds up 8.4 and gold..

17:27

670%, actually, I think, is it.

Henry Jennings 17:31

I'm taking this from your website.

Daniel Pickering 17:32

6.7 times you'll find the fund is up

Henry Jennings 17:37

You might need to adjust your website. But according to the website, 67.57% Since inception, per annum.

Daniel Pickering 17:45

Per annum, that is correct. Yes. Yes.

Henry Jennings 17:48

All right. Well, so you've been going, what, five years? Yeah. Excellent. So what's what's if I'm, if I want to get involved in investing in Bitcoin through your fund, what's the process? Do I go through the web? Is it open to retail investors? Or is it just sophisticated investors?

Daniel Pickering 18:04

Sophisticated investors only. So we were a wholesale fund. So we have our own AFSL, obviously, and yet, we were quite, you know, the process is quite simple, you reach out to us send out an application form. And, you know, I say to all investors that invest in the Fund, it is a volatile sector. And you should expect, you know, to be to be in the Fund for sort of four to five years. And you should expect over that the course of that journey to be at some point down sort of 50%, from where you were at some other points. But so I'll make that clear to everyone that comes in, it is volatile, the performance has been tremendous, as you point out, but you know, prepare for that sort of drawdown, they always come we've had three of them. We're currently in the middle of one, we're sort of 35%, down from where we were in October last year. And so you know, and that's quite important for clients to think about, when you think about position size, what do I what do I put in the fund? And you know, you've got to be you've got to be comfortable that there's going to be volatility along the way. But yeah, I mean, we're obviously very proud of the way that the funds performed.

Henry Jennings 19:13

No. So it should be, it does appear as an outsider looking at this occasionally. The lot of retail money, especially in the US has been has been chasing this higher, I guess it falls into the whole meme, kind of the Gamestop and all that sort of stuff that we saw from all the guys sitting at home with their stimulus money and punting the markets it does seem to have got sort of caught up in this as well. Do you think that's going to ensure that we get more regulation in this space? Are we heading for a far more regulated market in Bitcoin?

Daniel Pickering 19:47

Well, I think in cryptocurrency, generally I think you're going to find and we've already seen it this year, the SEC taking action against some of the defy providers, so the decentralised finance coins Unlike

block phi, who was sort of paying interest on people's cryptocurrency holdings, and essentially they were issuing securities, and the SEC, find them \$50 million, and we're, you know quite hard on them about not accepting American clients, I think we're gonna see a lot more of that. And the vast majority of assets in this class are securities and have not followed securities law. That's a fact. Bitcoin is not one of those things, we know that Bitcoin is not a security, no money was ever raised, no money was ever distributed from the, you know, the person or people who started it. And, you know, we know it's pretty immune to that kind of regulatory hit. So I think regulation is going to benefit some of the assets in the class, I think it's going to take some of the other assets to zero. And I think some other people are probably going to jail. So it's going to be quite an interesting, and so they should, you know, there's been a lot of fraud in the sector. And it's been, it's something that we as a fund have to overcome. And because, you know, I see those guys working against all our interests. And there's a lot of people doing the right thing, and investing in assets in the right way. And there's a lot of people that aren't. So, you know, I welcome the regulation that's coming, I think, ultimately be helpful for the whole sector, I think helpful for our fund. And definitely in that retail space, that there's need for better protection and education. And, you know, I would say, you know, 90% of the assets that are out there, if you look through that market cap table, and their destinies zero.

Henry Jennings 21:39

There's, there's a lovely clip on I'm sure you've seen this on CNBC, where they're talking crypto and the the anchor us a lady, you know that Dogecoin was started as a joke. And she looks and goes, well, yes, of course, I did. As if you know, you're complete idiots. But But does the things like Dogecoin really sort of add the negativity to the whole space? Does that do you no good at all?

Daniel Pickering 22:04

Well, actually, Dogecoin is an interesting example. Because it was started as a joke, right? So essentially, what the guys that started that they copied the Bitcoin software, called the Dogecoin. continued running it on their own computer, so it doesn't have anywhere near the mining capacity, security of Bitcoin or whatever else, right? But it proved something, you can't just copy the software, and it be successful, right? You'll never get a decentralised network if you do that. And that's the reason that don't Deutsche go and look in 12 months since whatever, like last year is down 85% from where it was right? Because so I actually think they're valuable proofs for the Bitcoin argument that people say, well, I'll just copy the software and do it myself. And there'll be 22 million of mine and it will be better. It doesn't work like that. You can't build decentralised networks that way. So sort of, I view them as sort of attacks on Bitcoin, but they're great tests. And they're, they're, they're great test cases, because they prove the point. And the point is, it's not replicable. And if you invest in something claiming to be a replica, you're going to lose your money. And everybody that bought Dogecoin last year has lost their money.

Henry Jennings 23:17

Is it Dogecoin? Or I always call it dodgy coin.

Daniel Pickering 23:20

I think that's a better characterization. I think officially doge coin but yeah, dodgy is better.

Henry Jennings 23:28

I think dodgy is worse for me. Now, Daniel, our listeners can't see this. But I can and behind you in the studio, where you're talking. You have you have the Bitcoin formula as your backdrop. And I know that if you go to the listed reserve website and sign up for the, for the updates, that pops up as well, that fascinated me, it looks fantastic. I've got to say.

Daniel Pickering 23:51

Yeah, that means a copy of the Genesis block. So yeah, you'll see on the website, so in in the Genesis block. So this is the first block ever produced on Bitcoin, and Satoshi Nakamoto embedded a headline from the times that year, which is the Chancellor's on the brink of second bailout, back in 2009. And they are sort of part of his thesis for building Bitcoin but he embedded that headline in what's known as the Genesis block. So it became a very famous string of numbers and yet we use it underneath our underneath our banner. So yeah, it's there on the on the website. And yeah, I think it will become even more famous as time time goes on.

Henry Jennings 24:31

It's great, isn't it? It's like E M equals MC squared for crypto nerds.

Daniel Pickering 24:37

Well, yeah, all your crypto nerds will recognise what it is and other people that think it's a I think it's a bit off but yeah, I'm I'm glad you're intrigued by it.

Henry Jennings 24:45

I was I gotta say, I didn't recognise it. I am not in the nerd category, or even a crypto category but I did I was fascinated by it. Especially when I saw on your website The first time I thought all that looks interesting.

Daniel Pickering 24:58

Yeah, it's it's good. We're, we're we're quite, we're quite pleased with that banner. It's got a good story behind it.

Henry Jennings 25:05

Yeah. And now one of the things I guess that people, not maybe with Bitcoin, but in other cryptocurrencies talking about is the ease of transaction, especially for, you know, Blockchain transactions. The ASX is pushing ahead with its blockchain, although they do seem to be getting further and further behind with that one. But when you look at apps like wise, where you can transfer money to from one bank account to another, they talk about 20 seconds, and I've used it for my son when he's run out of money and far off climes of London or Berlin or whatever. And it's almost instantaneous. I can send money to him, thankfully. And the same with CBA apps, does that make crypto? Not redundant, but as that that a problem with crypto, that it's not as easy to transact sometimes as those things are?

Daniel Pickering 25:55

But I think in the case that we'll get to that you've given it CBA works beautifully in Australia. So you and I, you know, on CBA app, especially now that we've got instant instant payments in Australia, it works very well. And now internationally, again, as you say, why is this good? Once you've got your account set up sending money to other people, is relatively straightforward. But we're sort of, I suppose, financially sophisticated people compared to the rest of the world, right, you've got a bank account, your son's got a bank account, wherever he is. And it's no big deal for the two of you to transact using those things, you've obviously gone to the trouble of opening those accounts, which takes time you've maintained them, you've KYC them, and all the rest of it. Now, in the case of I'll give you an example, we've got somebody that does it for those people on our newsletter, we always lead with a with a piece of artwork, or sort of cartoon, a meme, something like that. So the person that does these we found found them on social media, and we pay them every week. In Bitcoin right? Now, we don't even know if it's a man or a woman. We've never met them. We don't know what country they're in. And we've never asked, right, we just send them we want these drawings back they come and they send us an invoice on lightning and we pay them. Right. I don't know, they could be in the jungles of Brazil, we don't know. But Bitcoin works anywhere. Everywhere. It's agnostic, it doesn't, you know, you don't need a bank account, and you can participate in the economy, whoever you are. That's the whole that's the whole point. And, you know, so there are lots of circumstances where it's tremendously useful. And I don't dispute that there are alternatives in traditional finance that work well. I just don't think they work as well as cryptocurrency.

Henry Jennings 27:49

I guess, part of that attraction you're talking about in that anonymity and the fact that you can use it all over the place without it being traced to some extent, it's part of its its reputation, and from days gone by in terms of the dark web drug dealers. Now we've got, you know, the Russians could be circumventing sanctions by using Bitcoin or that sort of stuff, that that probably has given it a bit of a, a bad rap, at least for some of the people like myself, who are pretty new to this, this investment category. Is that fair to say?

Daniel Pickering 28:19

Yeah, you know, look, it's absolutely true that Russians can use Bitcoin. It's also absolutely true that Ukrainians can use it. And they absolutely have during this sort of recent conflict, they raised a lot of money with cryptocurrency when the banks were down. So as I say, this software, it doesn't discriminate, but and that's the whole point. If you look at the US dollar, which has essentially been weaponized through Swift, that's not going to happen with this software. And that's going to have good consequences. Because the people that we consider good and will use it, and the people we consider bad will use it, use it to write it doesn't make a judgement. That's the point. Now, people think that's unfortunate, and bad. But in fact, you can't have a currency where every person in the world can participate without barrier, and then insist on apart from this case, I'd like a barrier for this case, it doesn't work like that. It's either open source and everyone can use it, or it's not. And you've got to take the negative consequence with the court and it overwhelmingly is good, but I don't dispute that there are people that use cryptocurrencies in a nefarious way, but but the number one transaction mechanism that matters, nefarious remains the US dollar.

Henry Jennings 29:40

I was gonna say I've seen enough movies in my time where people have got a suitcase full of cash or there's the money laundering aspect or the drug cartel that's just got money that doesn't know what to do with its, you know, so fiat money for sure, is used for many, many nefarious purposes as well as you rightly point out.

Daniel Pickering 29:59

I mean, if you look if you look at Bitcoin, right, it's a terrible, terrible thing to use for crime, because every transaction is linked to the its predecessors. Right. So now, the FBI will love it if people use Bitcoin because they can just trace transactions all the way back to where they originally came from, to the point that someone bought on an exchange, it's really easy for them to identify who's who, which is exactly how the Silk Road collapsed in the end, right. That's how they caught Ross O'Brien so. So it's not actually a good idea to use Bitcoin, if you are doing something you will not see. Right. I think there's a greater awareness of that out. And certainly, you know, law enforcement has found Bitcoin to be tremendously helpful.

Henry Jennings 30:48

That's good to know, when I'm doing something that I shouldn't be other will not pay in Bitcoin. Definitely, definitely not. Not now, Daniel, do you think there's, um, you know, bitcoins obviously come a long way since inception. And you've been involved with Bitcoin for since? How long? You've been involved in it?

Daniel Pickering 31:06

Well, yeah. 2014 2015.

Henry Jennings 31:08

So you're, you're a veteran, really, in this very new space? I guess. Do you think there's kind of watershed moments coming up? Or has been watershed moments where, you know, the general public that the people that don't understand crypto that don't understand Bitcoin? It will go more mainstream, it will just become so much more part of the investment conversation? Do you think there's something on the horizon that will change this?

Daniel Pickering 31:32

It definitely. And I think that thing is the ETFs, right. So I think when we get a proper we have a futures ETF in, in the US, we don't have a spot ETF, which I find extraordinary. But nonetheless, when we get that Bitcoin ETF in America, and when we get a Bitcoin ETF in Australia, it will be hugely more straightforward for people to participate because they can participate from their brokerage account. I think it will give advisors a lot more comfort that the asset class is here to say, and they can interact with things that they understand and platforms that they understand. And I think that will come in Australia, I expect it to come this year. And I'm not so sure that it will come in the US this year. And but I think once we get that and we get that Bitcoin ETF and something else is happening in Australia this year, the Commonwealth Bank is going to start selling Bitcoin in their banking app, not their concept app, which I'm interested to see how that plays out. Once you start seeing it hit the mainstream in that way, I think we'll start to see a shift in people's in people's thinking. I think we're already there in the it's here to stay conversation. I think people accept that out it but it's here to stay. And then we're still facing

that question. And how do I buy it? Right? Yeah. And there aren't that, you know, there aren't easy mechanisms for people to buy it, you go to an exchange? And do you know, if you're buying Bitcoin? Yeah, what do you get so, and people don't know how to validate the assets that they're buying, which is one of the sort of value propositions of our fund, because we obviously check that what we buy is, in fact, Bitcoin. And so yeah, I think when you see those V Bitcoin inside vehicles that people are familiar with, which would be the ETFs, I think you'll see sort of moving to the next stratosphere.

Henry Jennings 33:20

Yeah, it's funny, because you see on the side of buses, you know, buy bitcoin today, in some shopping centres, there's a machine you can actually buy bitcoin on. I mean, what are you getting in with those machines? What? It's not like a little coin drops out? The bottom of the thing is,

Daniel Pickering 33:35

no, no, it spits out a QR code. And then when you scan the QR code, it'll put the bitcoins in your in your wallet, right? Yes, they're called Bitcoin ATMs. And yeah, that I don't recommend them, actually, because they're extremely expensive to use. So you'd be paying somewhere from seven to 10%, to use an ATM. Wow. So I wouldn't recommend it. And actually, on the exchanges in Australia, you can pay some sort of crazy fees in terms of spread and all the rest of it, you know, you'd be paying somewhere from five to 7%. Again, we buy all our assets over the counter. So we don't really engage with that kind of what I consider price gouging. So what you Yeah, what you really want to see is highly liquid vehicles available to the to the public on a credible listed exchange, and then you know, you know, you're going to be getting in at the right price, a good price, and you can get out again safely.

Henry Jennings 34:28

And what do you think's holding the US, you're talking to Australia getting an ETF this year? What do you think's holding the US back? These guys are usually at the forefront of technological changes, and certainly, in the ETF market, they've got 1000s and 1000s of the things.

Daniel Pickering 34:41

Yeah, and so well, they're in my view, extraordinary claim is that they believe that there's too much manipulation of the Bitcoin price, and for there to be an ETF. Now they then went and approved a Bitcoin futures ETF right. But of course, as you know, the futures price is derived From the spot price, not the other way around. So it's extraordinary that you could approve a futures product or not a spot product. And, you know, to me, the purest market of all is the Bitcoin market, it trades 24/7 There's never any intervention, right? So if it falls 30% in a day, nobody steps in and says, right, the exchange is now closed. Like, nickel last week,

Henry Jennings 35:28

I was gonna say the LMA lit nickel market, I mean, 145 year old institution, what a debacle?

Daniel Pickering 35:35

Oh, it's embarrassing, right? And then of course, you can you have metals ETFs. Of course you can and yet huge intervention in those markets. And they're not. I don't consider them pure markets. I think they're manipulated. And yet, it's okay. On that hands, I think bitcoins held to a very high standard,

which ultimately will benefit us that holds us back a little bit at the moment. And in the end, the Americans, they're going to have to relent, because ETFs are popping up is one in Canada, one in the UK, there's one in Germany, you know, can America really go last with a Bitcoin ETF? I think it's embarrassing, so they're gonna have to move soon. And they're certainly gonna have to move before 2024 When the supply of Bitcoin drops by half again, and the supply pressure continues to build, you certainly wouldn't want to throw a US ETF onto the market at that point. Because the price would likely explode. So I think they'll move before 2024. And but I don't think it will be this year.

Henry Jennings 36:35

Right. Going back to the LMA, I remember when I was a young man starting out in finance, I used to go down to the elemi rings with a major minor and I'd go on the floor and watch them trade for the five minutes of go through the zinc market and the lead market and the nickel market. It was fascinating. But and they still do it. It's antiquated. I just, it just seems crazy that they're still doing open outcry, five minute trading in commodities that are so important around the world.

Daniel Pickering 37:01

No, it's insane, and clearly can't handle and modern geopolitical conditions, right? No, it just cannot. And, and I think again, and the people stood in the pit, they're shouting, you're going to be replaced by software before too long.

Henry Jennings 37:19

Yeah, I must admit, I know that the enemy has electronic pricing as well in the ring is kind of more theatre than anything else. But one thing I will ask you before we go, when you talk about this having Yes. How does that work? Can you run me through that? Because I always sort of scratched my head about that one.

Daniel Pickering 37:37

Yeah, so and the way the Bitcoin supply curve works. In the beginning, there were 50 bitcoins every 10 minutes, okay. And then every four years, the reward to miners is cut in half. So roughly from 2009 to 2013, there were 50 bitcoins every 10 minutes, then it halved to 25, then it have to 12 and a half, then it have to 6.25, which is where we are today. And that is the way that we ultimately get to the 21 million, right so that the supply curve goes up very steeply to begin with. So we get to 18 million, actually, quite quickly, in the sort of 11 years we've been going. And then we go from 18 million to 21 million coins over the next sort of 115 years, right. So the supply curve slows down very, very steeply, which is essentially what's what's what's pushing the price up. And the next harvest is in 2024, we'll be down to three and a quarter of coins every 10 minutes and things will will get interesting.

Henry Jennings 38:47

Right? Okay. 2024. It's in my diary. Now, Daniel, before we go, I've got to ask you this because there's many high profile commentators that make pronouncements about how high Bitcoin can go I guess Cathy wood is one of those and we've seen many people talk about it, where do you see Bitcoin in five years time? It's not go short term as this is talking about five years time, what sort of price could we see Bitcoin?

Daniel Pickering 39:14

Well, I think I mean, big one bitcoins always gonna be worth one Bitcoin, right? What's actually happening is that fear currencies are going to zero because their destiny, right? Every fear currency in history has gone to zero. And all the ones we have today are going to zero, right? Right. And all hard assets are going to go up in fear currency terms. Now, the speed at which that happens depends on their relative scarcity of time. I think Bitcoin is probably one of the more scarce assets out there. And so I'm, you know, circling your question without giving you an answer.

Henry Jennings 39:50

You are. Very well, you are doing very well with it.

Daniel Pickering 39:55

I am I you know, I try and resist making predictions for things about what's going to happen to the bitcoin price, I think what people should really do is convince themselves just how scarce bitcoin is, and just how much more scarce it's going to become, and that its supply curve is defined, it's never going to change, they can prove for themselves and they should make their own judgement. I think the best I can do for you is that in five years, it will be higher.

Henry Jennings 40:22

I think that's a very diplomatic answer and a very intelligent answer, rather than the pronouncements that you hear from the talking heads on TV from time to time, who usually are pushing their own boat, because they're, they're long to the gunnels of Bitcoin, and, and hoping more than anything else, that it will be \$500,000 or \$200,000, or whatever they think it's going to be.

Daniel Pickering 40:44

But I think, you know, we, we were I mean, I was in a group, I can't remember what it was, what year it would have been now, but it was sort of 2016 I remember a long, long discussion about getting to the to the sort of \$1,000 Mark, and, you know, how sort of amazing would that be? And then, you know, will it get to \$10,000? And, you know, and all those hurdles have been crossed, right, these order of magnitude shifts, it's not like, we hope that they all happen, they have happened. And I think they'll continue to happen. It's just a matter of time.

Henry Jennings 41:21

It's funny as well, at the moment, bitcoins been very stable. It's been very steady. Oh, no, it's come off a lot from those heady heights of about 65 67,000 bucks. But, you know, through all this turmoil that we're seeing in the tragic events in Ukraine, it has been relatively stable.

Daniel Pickering 41:41

You look at it year over year, it's basically flat right now. What else is flat here over here? On the NASDAQ sweet down 20%? Facebook's down 50%. You know, there's all sorts of things that have come crashing down to earth, including bonds I might add. And so yeah, I mean, it's done. The more you zoom out, the better it performs.

Henry Jennings 42:00

Yeah, no, it's certainly, it's been a fantastic conversation. Daniel, I really, really appreciate your time today. And you've cleared up a lot of the questions that I had, and I'm sure a lot of questions that that many of our listeners will have as well. So thank you, once again, for being on the show today. Really, really do appreciate. I think we're gonna have to have you back on because it's such a massive subject that maybe we're gonna have to catch up in six months or whatever, and talk again.

Daniel Pickering 42:26

Yeah, I'd love to come back. And thank you so much for having me, mate.

Henry Jennings 42:30

It's been a pleasure and lovely to meet you. And good luck with the fund. I don't think you need my luck because you're doing so well all by yourself. Thank you very much. Great. Thanks, Daniel.

Daniel Pickering 42:38

Bye now.