LISTEDRESERVE

MoneyBits

A visitor

It is August 2022. A young man comes to visit our office to talk about bitcoin mining. He has a job in finance but also appears to have deep knowledge of the economics of bitcoin. I categorise bitcoin knowledge like this:

The visitor understands the energy link and I consider myself in that category too. We discuss mining options across Australia, he shares some useful information and contacts, I give him a book and we part ways.

Fast forward nine months. It is March 2023 and he contacts me. He is organising a Bitcoin-only conference in Sydney, full ticketed event, worldwide speakers, thinks he can do it, invites me to speak and I agree. Although, I am reluctant. Mostly because I have a hangover from conferences in the corporate world which were soul destroying attempts by a company to imbue employees with a set of values that a halfwit in the HR department has copied from the internet.

To my surprise, when I got there on Saturday it was completely packed. The whole thing was a massive success, a good chunk of the speakers were absolutely excellent. They will be back next year with a two-day event which promises to be even better.

The visitor prefers to remain anonymous because he has a normal job where not everyone loves bitcoin. In itself, that should say something to you about how much upside remains over the next decade in this asset. People have to do things under cover and on weekends in case they are demonised for their investment choices.

What a world.

Do not do this

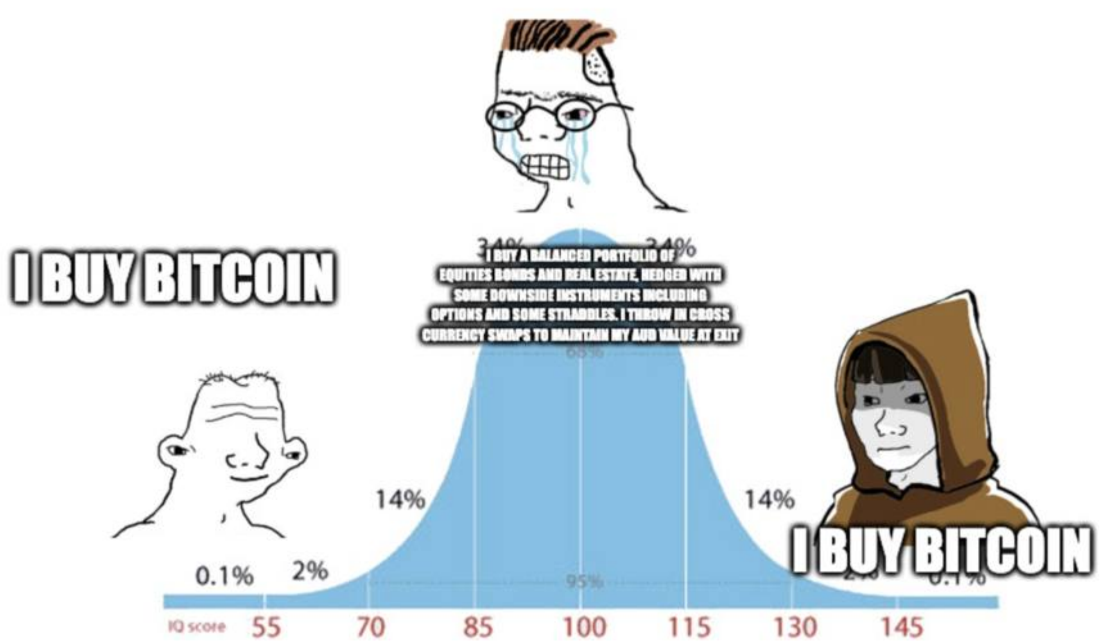
Someone else was walking the walk on Saturday. Tucked away on a side stage, he gave a presentation on Bitcoin and superannuation. To be clear, I do not recommend his allocation, which is 100% of his super fund invested in bitcoin. Last year that fund would have been down over 50% at times and that is a lot to stomach. Furthermore, he is sufficiently successful that should the fund blow up, he won't be that bothered. So, do not allocate like this, it is only presented for interest.

Aside from the technical aspects of how it could be done he had some interesting points to make about the current state of superannuation investments.

Firstly, they are not as safe as everyone thinks. Last October, many UK pension funds were on the verge of complete collapse until the Bank of England stepped in and saved them.

In Australia, our super funds are very large investors in commercial real estate; a sector that has yet to have its day of reckoning. But they can hold off on their revaluations for only so long. The write downs are only just starting and when they come, there will be a slew of them because pension funds move in herds and they all will want to perform badly in the same year (so they aren't an outlier). Expect a competitive gallop towards who can write down the most.

He also made the point that Bitcoin is extremely volatile and his superannuation auditor had pointed this out. His response: There is no better platform for volatile but high-performing assets than through superannuation. The long-term view is essentially a mandatory component of super investing. I suppose it's a bit like this:



His method is laid out here on his website.

It's crazy stuff to be honest but I was so impressed. As a listener in the audience you want to hear from someone who has actually done it; not some person who is making money from doing the presentation.

"I'm not interested in your opinion or your recommendations, just tell me where you have put your money"

In this case all his money is in Bitcoin. He built a website (which is free) explaining exactly how he did it. He took time out on a Saturday to explain to people how and why he did it. I'm still laughing about it because his presentation was so frank and honest it was refreshing.

As a matter of interest, I will be comparing the performance of (and we will call it this) "The Insane Bitcoin Super Fund" to Verve Super. Not for any particular reason but as a counterpoint to bitcoin, it was the best one I could find: having read their investment strategy, they almost certainly will not be buying bitcoin.

Performance period	Returns
1 Month	0.37%
3 Months	4.21%
6 Months	7.06%
1 Year	-2.45%
3 Years	5.53%
Since inception	5.32%

By way of footnote, Verve Super launched in December 2018. We were six months into running our Managed Fund at that point and were *down* 40%. Even so we are 5.2x since inception, they are 1.25x. To be fair though, Verve investors would have had fewer sleepless nights.

IMF

Remember them? Back in 2013 an academic called Nicholas Plassaras wrote a paper for the IMF which unbelievably recommended they buy bitcoin while it was cheap. This would prevent the possibility of bitcoin becoming an international currency that might challenge not just the currency of the IMF (known as Special Drawing Rights, SDR) but also the United States Dollar. The idea was that the IMF would own so much of it they could crush it whenever they wanted by dumping it on the market.

> to increase. As their value increases, so does the expense that the IMF has to incur in order to obtain them. Because having a supply of Bitcoins is necessary to effectively counter a speculative attack, the sooner the IMF can acquire a supply of Bitcoins, the cheaper counteracting such an attack will be.

The paper itself is still very good, particularly given its age (though it contains some misunderstandings about the bitcoin supply curve). The IMF did not take his advice even though it would have been trivial for them to do so in 2013. A mere rounding error in their reserves, so small it would not have required disclosure. Naturally they didn't do it.

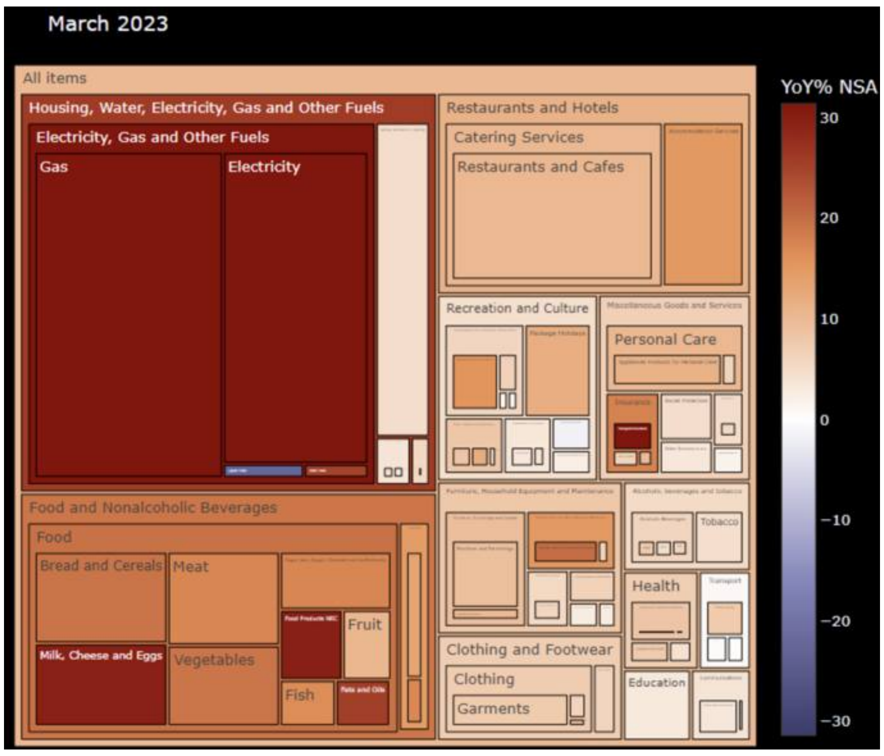
Bitcoin's market capitalisation now exceeds that of the IMF's Special Drawing Rights. I would argue that it is now strategically more important since it is widely accepted while SDRs are not. It also creates jobs and skills, which SDRs do not.

Its strategic importance has not gone unnoticed either. Former US Secretary of State and Presidential loser, Hillary Clinton, was at the Bloomberg Economic Forum this week. She explained how bitcoin could destabilise nations. Plassaras predicted it for them a decade ago, but they chose to ignore him.

If you listen to the clip, her tone is interesting. The supremacy of the US dollar is sacrosanct it seems. Americans just cannot perceive a world where they are not number one – that itself is the primary weakness of the US. As always, getting to the top is easier than staying there.

UK

The travails of the United Kingdom continued this week when their inflation print came in over 10%, again. The chart shows the hot areas of inflation are energy and food.



The Bank of England will now increase rates, increasing unemployment and generally reducing the overall level of demand. All because the price of power and food went up.

It's not as though everyone in the UK has gone mad and started eating loads of cheese in their kitchen with the thermostat set to "Dubai Runway". Most people have gone about their lives quietly and the government made a dog's breakfast of energy policy as they are doing nearly everywhere. Now you need to lose your job and concern yourself with making your mortgage payments because "inflation".

As with last week, I repeat, central banking is simply a form of witchcraft. An era that will be looked back upon as a historical anomaly. They have absolutely no idea what they are doing. They claim victory when things 'go right' and that even more must be done when things 'go wrong'. The market sets the price of money in the end, and despite them moving heaven and earth; it will ultimately do so.

I'm equally unsure why every commentator in the world doesn't know what the solution to the problem is.

I do. I have known all along; we need more access to cheap power. Lot's more power. I will refer you again to the Kardashev Scale of progress. We command the unlimited energy of the universe to our will as we expand through the galaxy.

If we think big, it's easy. If we micromanage to a random number like 2%, it's a disaster.

Euro-Trash

Frank is a Director of the European Central Bank. His quiz attempts to explain why the European Central Bank believes that it should be expending huge resources pursuing climate goals. For all their faults you almost never hear this from the Federal Reserve, who pursue stable prices and full employment as their mandated tasks. The ECB has *only one goal,* stable prices, so it should be even less inclined than the Fed to talk about anything else.

This quiz emerged the same week Germany closed its last three nuclear power stations. Nuclear power, which has zero carbon footprint. Almost instantly Europe's largest energy provider EDF increased electricity prices by 30% in Germany. It's insane; completely insane.

This map of energy generation across Europe on the weekend illustrates the issue. Green means low carbon footprint. France, which is bursting with nuclear power, is green. Germany, which has to burn coal to compensate for the lack of nuclear power, had one of the worst carbon footprints in Europe because there was no wind. (To Germany's right is Poland where most energy is coal generated).

If you have an energy crisis and you have nuclear power plants that work well, why would you turn them off? It instantly has the effect of increasing prices and causing inflation. It's particularly mad when the capital cost of constructing these power stations is already sunk.

Germany is the paymaster for all of Europe; if they start struggling there will be no more bailouts for Greece and Italy. Frank's quiz will look increasingly ridiculous. I'll launch my own quiz which will be called: why is Frank's retirement home so cold and why do his grandchildren have no food?