**[00:00:00] Fred Pye:** And we're so early in this stage, you know, of what we do, like all bond trading, all equity trading will be done on the blockchain. This idea of an exchange, it will disappear.

I'll give you a good example. We did a, between a major Canadian chartered bank and a major global asset manager, we created digital wallets for both of them. One had 4 million tokenized bond position. The other had 4 million acute CAD. We had 68 people in the room. This is five years ago, 68 people in the room.

We said, okay, everybody blink. They blinked. And the 4 million was in the other wallet. The 4 million in bonds was in that other wallet. We said, we just did a 4 million bond trade in T+ under two seconds. And we go on the *Ethereum* blockchain, *Etherscan*. So that cost us two tenths of a penny to trade 4 million dollars in two seconds. Why the heck are we paying 330 basis points to an advisor who's like, I'll respect all my advisors who are all my good friends and trade bonds as long as you can. But, you know, the world is changing and this is all digital assets. It's all blockchain. It's all *Bitcoin.* It's, you can't deny it. It doesn't go away.

**[00:01:23] Mike Philbrick:** All right, welcome everybody to another ReSolve Riffs. Today we I think, have a very timely guest in an exciting field. We've got Fred Pye joining us, the founder of *3iQ Digital Assets.* And not many people know, but Canada was on the cutting edge of providing Exchange Traded products to individual investors for access to the digital space, long before the popularized BTC ETFs have been launched in the United States.

Fred, it's great to have you here. I think it's a fantastic and timely discussion. Welcome.

**[00:02:00] Fred Pye:** Great to see you, Mike, again, and thank you, Rod, for both of you, for having me on your call.

**[00:02:05] Rodrigo Gordillo:** Great to have you.

**[00:02:06] Mike Philbrick:** So why don't you take us back through a walk down memory lane over the last nine years. Pre-call we were reminiscing about getting together nine years ago at the ETF conference and at the fledgling beginnings of both of our firms, and you entering the digital asset space, as us entering the multi-asset space, and you know, having lots of hope and dreams in our eyes.

And your business obviously is absolutely caught a massive wave and there's been corporate developments on your side that are quite exciting too. So why don't you bring everybody up to speed on your journey for the last nine years, and then we can get into some more recent content.

**[00:02:51] Fred Pye:** Yeah, well, you're right, Mike. I was, you go back to, you know, 2012 to 2014-15, I was managing a multi-asset momentum portfolio with a group at Landry Investment Management, Jean Luc Landry, and we were just using price momentum, which is really simple for investment advisors that say, you know, we look at 16 asset class and we say, well, we just own the best seven, all the time. Like it's very simple, nothing complicated. That's what we do. And you presented what you were doing at ReSolve, which was such a dynamic and creative and next level on top of what we were doing at Landry.

And then I said, well, what about *Bitcoin?* And you go, yeah, we're not there yet. And in fact, there was no way for regulated or a public fund to invest in Bitcoin back in that decade. And with our friends at ARK Invest, uh, Chris Berniski, Jack Tatar, Cathy Wood and everybody else, we said, well, let's write a prospectus and let's list the first *Bitcoin* fund in the world. And we started that in 2015 when we met in Florida and that was the beginning of a…

It's a four and a half year, and 5 million venture to litigate, and take the OSC to a public hearing. And on October 31st, 2019, we became the first regulated *Bitcoin* fund in the world on a major exchange. And that was very exciting. We went from zero to four and a half billion in the next 12 months, even through COVID, and everything else like that was success, but, you know, we've just come through a really big crypto winter and, uh, you know, I'm not at my prime years anymore.

So I actually, you were talking about corporate developments. We've just sold 51 percent of 3iQ to a very powerful group out of Japan called *Monex Group* that owns *Coincheck* Trade Station in the United States. They own *Monex Brokerage* in Japan. They also have operations in obviously Singapore or Hong Kong, you know, and other places in the world. But they're also partially owned by *NTT DoCoMo*. So what I look at for the next few years of my company growing is, I have 1.9 million potential customers in Japan and the United States, and I have a hundred million cell phone users at NTT. So, it's kind of working with an audience that is clearly useful and dynamic and are looking for next generation investment-type ideas like Bitcoin.

**[00:05:37] Mike Philbrick:** Amazing. So the sort of, the global adoption, how would you characterize that? So you're on the cutting edge. You worked with the regulators, it was challenging at times, but you finally came to a successful outcome. How have you, how have you seen that as you sort of

trotted the globe and become involved in other areas of the world, with respect to digital currency adoption, and maybe you can speculate on why it took the United States so long to come around to adopting some sort of more public opportunity for investors to participate in this asset class.

**[00:06:22] Fred Pye:** Yeah, well, I'm going to be pretty blunt. I think the U.S. that studied it for 10 years, and very good friends at VanEck and obviously Fidelity, which is my pedigree, and ARK Invest and the rest of these amazing people that I've worked, fund producers got it right, by going in the front door and trying to file for an ETF, which should have been approved many years ago.

But you had this big black hole, which was *Grayscale*, that raised 50 billion or 30 to 50 billion plus or minus, you know, on a non-regulated platform, that all of a sudden magically became regulated and regulated, you know, it became a reg… converted into a regulated ETF, which I think everybody in the U.S. should have been put on the same scale.

Everybody starts at zero and move forward with the regulated. What they do with the non-regulated products should have been their own decision. So I'm a little controversial when I say, you know, the U.S. got it right by approving ETFs. I think they got it wrong by allowing a magical conversion, but having said that, all early adopters in the world bought *GBTC*, which was one of the only products available for many, many years on a platform that was tradable in the United States. Their structure of closed end funds was different than the structure that we opened up in Canada. Canada's closed-end funds always had a redemption feature, a monthly and an annual redemption feature, uh, redemption at net asset value. So you always knew that you could get out, if not getting in, but *GBTC* did not, and their only hope was a conversion at the end.

So that happened in the U.S. and, but I think our experience in Canada, Mike, as you would know, when we won our court case, the court said, we are, the OSC is not the only gatekeeper. You know, one of the points the OSC says is, oh, every grandmother and aunt and uncle and poor kid's going to be buying *Bitcoin*, and the OSC said, we're pretty sure we're not the only gatekeeper. We have to rule in your favor because you have legally constituted a proper product.

It's up to the investment dealers and the investment distributors to determine whether it fits within the requirements of a client's portfolio. And in Canada, with one exception, investment advisors have not been able to put *Bitcoin* ETFs into their discretionary portfolios. Having said that, that's why with 4 billion in Canada, we've looked offshore, we've looked into Europe, the Middle East, the Far East, and that's where our business will build. We can't grow a massive business in Canada, and

in the U.S. you have too many competitors, and you know, we can go into that later on, but the reality is, as a Canadian company, we've really got to go global.

But it's the same in the United States. Just because the ETFs have been approved, you can't buy them, or an investment advisor running discretionary books cannot buy a *Bitcoin* ETF for the discretionary clients. The best way for most investors to get access through discretionary accounts is to buy a fund that participates in *Bitcoin* or in *Ethereum*, or anything along those lines. That way, through their diversification of those investment pools, they get their exposure to digital assets, as opposed to buying it themselves.

**[00:10:06] Mike Philbrick:** Yeah, pretty exciting opportunities for diversification in the portfolio, as well from the standpoint of adding the assets, high-vol asset, but also being a hybrid high return asset. Is there any other sort of areas of the world that have been particularly friendly on a regulatory perspective, besides maybe Canada? Have you, that you've…

**[00:10:29] Fred Pye:** Not really. I mean, Australia has, but Australia embraced it kind of right at the bottom and they couldn't get, they didn't get a lot of momentum into it. Europe has always had what are called *exchange traded products*, ETPs, which aren't necessarily backed by *Bitcoin*, but they're backed by a debt instrument, and whatever supports that debt instrument adds another layer of risk on top of already risky assets.

So we, ETFs are better in North America than the ETPs in Europe, but having said that we're still at the early adopter stage. I just spent a month in Switzerland and the Swiss family offices and the major Swiss dealers aren't looking for sophisticated digital asset products. There's still saying, explain to me again why I should have *Bitcoin* exposure for my client. So when people say, when's the top of the market? Well, it's when the taxi driver and everybody you know owns *Bitcoin*, and every pension fund has it, and everybody is, we're nowhere close to being at what we consider maximum capacity of buyers into *Bitcoin*. The interesting thing about our asset class is, the fixed supply. And here you are, you bring in a day like today, two and a half billion dollars of buyers of *Bitcoin*. Only $80 million to $120 million of *Bitcoin* was created today. So you have to find somebody that's going to sell you $2 billion worth of *Bitcoin* and there are no more buyers.

That's why in, you know, when the U.S. ETFs came out. Sorry, I like to ramble. When the U.S. ETFs came out, *Bitcoin* was 49.5 and they all came out and *Bitcoin* fell promptly to 39.5 and everybody said oh, that's typical. Buy on rumors, sell on the news. That's not what happened. What happened was you got a billion dollars of buyer, but you had 5 billion of redemptions coming out of *Grayscale*.

So the sellers outweighed the buyers. And then once those initial sellers came out of *Grayscale*, all of a sudden, *Grayscale* yesterday had $20 million for redemptions, or $200 million, whatever the number was, small. But you had now $3 billion of buyers. So now *Bitcoin's* gone from 39 to 62, 61, you know, in the last couple of weeks.

So if this continues and FOMO comes in, I'm not going to make a price prediction, but you know, we're a bit over here. So I, I think we've got, especially with having a supply growth rate, I think *Bitcoin* looks really good.

**[00:13:23] Mike Philbrick:** And I mean, in comparison to, you know, gold as an asset class, that's been considered a store of value for a few thousand years. You're probably one tenth the size, I think, approximately of gold as an asset class. So if it's going to rival that as being maybe the new digital gold, which is potentially an arguable way to look at it, it's got some upside. Plus you've got, as you say, and I don't think people understand how locked up people were in *GBTC* at a massive discount for so many years. You know, I think the year before, that discount was 30% or 40%. So if you wanted out and you wanted to sell on the open market, you were taking a discount to the net asset value of that ETF of a third or more, of your portfolio. So there's, that gap closed. There was a lot of pent up demand for money, and whether those folks recycled it, or just wanted some of their potential returns back that they had been sort of trapped in, is a source of flows a little bit, but that seems to, as you say, attenuated, and now you've got a couple billion in flows.

It's a, now we're in this positive, reflexive situation where upside begets more FOMO, begets more buyers, begets less supply and so on. So it is an interesting thing for *Bitcoin*. And how do you think that bleeds into the rest of the ecosystem?

**[00:14:53] Fred Pye:** Well, first of all, I'll add one more point to *Bitcoin*. Bitcoin is a store of wealth, versus gold. And I'm a big believer by gold, by *Bitcoin*, because I'm not a fan of the stock market given these debts, and interest rate potential. And, you know, it's just been, Mike, we've had what, a 25 year bull market. Like it can't be, you know, your RSP can't be happier with its global diversified equity funds it's owned, and everybody's trying to figure out how do we make more money with less risk?

Well, I know buying stocks is more risk and probably less money, you know, in the future. But when you talk about store of wealth, store of wealth boils down to the scarcity of the commodity. Gold grows at 4 percent per year, meaning gold at 2000, 2100, 2200 has a 4 percent increase in the supply of gold per year. *Bitcoin* right now is at 2 percent per year, which is twice as scarce as gold, but at

the end of April, it goes to 1 percent per year of growth. So arguably *Bitcoin* is 75 percent more scarce going forward, than gold is, and arguably it's more portable. Arguably it's, uh….

And everybody says, what backs *Bitcoin*? Well, *Bitcoin's* backed by the single largest, most powerful, secure computer network in the world. When somebody says that's worth zero, I just say, yeah, knock yourself out. But you can't have a hundred million plus computers using 4 percent of the world's energy, running a program that's worth zero, right?

I mean, any *Cloud* guy would be excited to have something to power *Bitcoin*. But your question is, where does it run into the next of the ecosystem? There were so many people in the early days of *Bitcoin*. They say, well, I love Blockchain because I understand the technology, but I don't like *Bitcoin*. Well, that obviously isn't our… but having said that, we've seen massive developments in *Ethereum*, and *Ethereum* going from a proof of work to a proof of stake, now pays a yield.

And obviously both our *Ethereum* products, both the ETF and the closed-end fund pay a yield, which means, why would you buy an ETF that doesn't stake in Ethereum when you actually get paid to hold *Ethereum* in any of our products? So that puts the whole management fee argument in another bucket, but, you know, *Ethereum* has been great, but now you've got what they call, try and call the *Ethereum Killers*, which are, you know, the *Solanas*, the *Avalanches*, the *Cardanos*, the *Tezos*, the *Stellars*, the *Polkadots*, the rest of these companies.

So we invest a lot of time and effort and research into researching what will be those powerful blockchains. So what are the use cases for those powerful blockchains? Because the difference between the internet and blockchain is, you can't own the Internet. Your only way to get access to ownership of the Internet is by Google, Amazon, Uber, and everybody else, Meta, anything along those lines. Whereas, all of the applications that are built on top of a blockchain is coding. There's no competitive value, but you have to pay to use that secure internet and you can actually own the secure internet when people realize that it's the single largest technological advancement of our lifetime. We think we have a long way to go.

**[00:18:39] Mike Philbrick:** Yeah, I'm always, I'm continually perplexed by the banking system, by the banks holding my money, charging me for it, and providing a service that arguably is far less easily integrated, and far more costly than transferring value via blockchain.

**[00:19:01] Fred Pye:** Mm Hmm.

**[00:19:01] Mike Philbrick:** It's an interesting set of circumstances that as you get into it. You're kind of, your head tilts, but it's like anything, you've got to have adoption.

The first fax machine wasn't worth much, but when the fax machine is ubiquitous and everyone's doing it and that's kind of happening probably one death at a time, as it usually does, I don't know if you, you heard that Piper … survey from a year ago, but, they survey sort of kids in that, in their teens and early twenties. And they survey them about a whole bunch of things, different products that they're using, whether they be athletic products or makeup or whatever. What was interesting is almost a quarter of these kids in this age cohort owned some sort of cryptocurrency. All right. So the cohort, they didn't own Vanguard's S&P 500, and their parents didn't give this to them, right?

The kids from 12 to I think it's 21 or 22 years of age, a quarter of them own some form of blockchain. That is mind --, to me, that's mind blowing. That is like, that's, who is getting a year older every single year and has already adopted this. And can you imagine when some 12 or 14 year old from two years ago turns 18 and gets his bank account and starts to look at, wait a second.

You want me to pay you to send money somewhere and you're going to hold my money for me. And this is how it's all going to work. They're going to be like, what are you talking about? That's the most insane thing I've ever heard. The question on that, honestly is, what percentage of those children turn into, from gambling on FTX and these coins that nobody knows about, to the recognition that they need to maintain their money and that a *EthRock* may not be as valuable as something that's more robust. Like, there's going to be a transition of these younger kids to something hopefully more robust.

**[00:21:01] Rodrigo Gordillo:** I mean, they're going to start putting their money into financial assets as well.

**[00:21:05] Fred Pye:** I think Rod, you're right. Think about it for one quick second, right? Not every 25 year old has an offshore bank account in the Cayman Islands. However, every 25 year old starting an RRSP and starting a TFSA, they're not going to go on to FTX. And that's one reason we won our court case, was the Quadriga CX disaster in Canada. And we told the regulators, it's your job to protect these 180,000 Canadians that lost $250 million, and stand up and regulate. And that's why we won. But I like your train of thought Rod, continue…

**[00:21:39] Rodrigo Gordillo:** So, I mean, the question is, you know, what is real and what is value? These kids under 20 are going to have to start doing their homework and realize it because right

now, YOLO wing, on an asset that's going up and you're buying it because the price is going up, versus truly understanding the fundamental reasons why it might be a reasonable crypto coin.

I mean, what is the education that needs to go on there, both from a regulatory standpoint, protecting the investors from the education that they need to know what the difference is between an *EthRock* and Bitcoin. Like how is the industry moving that forward?

**[00:22:11] Fred Pye:** Well, you're going to laugh at this because, my son, when he was 15 years old in 2014, got a scholarship to go to a nice university, college, sorry, prep school in the United States called Andover and he went to Andover and his allowance was $200 U.S. per month. So the first month I wire him $200 U.S. and the phone rings and he goes, dad, I thought my allowance was $200.

I said, it is. He says, well, I only got 160. I said, well, let me look at this. Oh yeah. CIBC took 25 and Bank of America took 15. So you get 160. He goes, no dad, that's not how it works. I go, well, kid, that's exactly how it works. He goes, oh. What did we do about this? And I said, well, open up a wallet over at my friends at Coinbase.

And next month, I send him one *Bitcoin* for 200 bucks, send him one *Bitcoin*. So he goes, *bing*, he goes, wow, that was easy. Next month, you know, *Bitcoin* goes up a little bit, so I send him 0.9 Bitcoins and he calls me up. He goes, Dad, you only sent me 0.9 *Bitcoin*. He says, you're supposed to send me one *Bitcoin*. I said, no, *Bitcoin* went up. So I get 0.9. He says, no, dad, that's not how it works. I go, yeah, son, that's exactly how it works.

Anyways, you think about this kid in 2014, kept two years of $200 a month in *Bitcoin.* Put in your mind. At 60,000 per *Bitcoin*. What is that kid worth? What's that kid worth now at 25 years old, right? Buy a house, period.

And would he spend his *Bitcoin*? No. He…

**[00:23:58] Rodrigo Gordillo:** I mean, you could have made a lot more money in many other, I would…

**[00:24:02] Mike Philbrick:** Oh, I don't think you could make more money than that.

**[00:24:05] Rodrigo Gordillo:** I think you, I think you could if there were other use cases like GMO, what's it called, The GameStop, and other…

**[00:24:12] Fred Pye:** No, no. You trade. He does not. He does not. You are talking about what this youth do. Youth does not spend Bitcoin. I am the dumbest guy on the planet because I spent 2012, 2015 showing people you could spend Bitcoin everywhere.

**[00:24:29] Rodrigo Gordillo:** You went around and…

**[00:24:30] Fred Pye:** On dinner. I've got, I've got, I've got one *Bitcoin* sweatshirts, t shirts, one Bitcoin running shoes. Like it's so ridiculous. It's $60,000. It's nuts, right?

**[00:24:42] Mike Philbrick:** The other interesting thing, the one, that rot is how many of those kids right now, like just to counter your point, right, you can buy stocks. You can get in trouble in stocks. There's, stocks have been around for a lot longer. There's, there's talk about AMC, talk about, uh, Bre-X, talk about the great financial crisis and the financial engineering that nearly bankrupted the whole global economy.

It doesn't matter if you're a kid or an older person, you can screw things up majorly. The difference is in my mind, what blows my mind on the paper … is, They don't own stocks, nor did the generation before them. Go 10 years before, go 20 years before. How many kids owned a stock? How many kids owned the S&P 500?

A very, very, very vanishingly small group of people were even aware that there were financial instruments of any kind out there. So now you have a group of a generation who somehow, of their own volition, with their own money, whether it's via the video game world where there has been this fungibility of things on certain platforms, where they've been into digital space and been early adopters.

And they're going to have 10 years under their belt of being in this digital space, 10 years of learning hard knocks and things like that, that they have no idea of, and they're going to have experiences like Fred and his son where they're like, I sent you 200 and you got 160.

**[00:26:14] Rodrigo Gordillo:** Okay. So Fred, here's a question. How do you disaggregate the world of crypto between *Bitcoin*, *Ethereum*, and everything else? Do you think that everything is as valid as *Bitcoin*, *Ethereum*, but it's just years behind? Like where, where do you stand between those two?

**[00:26:29] Fred Pye:** Yeah. It's, first of all, I don't think anybody over 30 has the brain power to understand what these kids are talking about. They talk about like, when I look at the list of research

stuff that my kids are looking at, you know, we've got, you know, compound *RADx*, you know, all of these kinds of things going, yeah, what are you talking about?

And as the lead portfolio manager of a research group, I just smile, listen to these guys and I say, how could I have put together such a brilliant group of young people? And that started back in 2014, 15, where I had a bunch of kids in my basement at university going, okay, we've got *Bitcoin*, we know *Ethereum,* what's going to be the next best thing?

And Francis Pouliot always said, in crypto, because it's open source, the next best thing is going to be the next one that was created, because they know how the last one was created. So they're always going to create something better and smarter. And for all intents and purposes, when *Solana* came out, there were already 2000 different cryptos, but they made it faster and cheaper and a higher yield and, and cleaner and, and everything along those lines.

It all got caught up in the hype of FTX because it was at the same time of FTX. So you end up with two groups. You end up with a bunch of fraudsters, the lending guys, the overstretched guys, the leverage guys, all of that kind of stuff. You know, they get wiped out and all of a sudden *Solana* gets carried down in that, because everybody was buying it on FTX, and it all got seized and everybody's going, what happened to *Solana*? But *Solana* is such a powerful future blockchain of future use cases. So what we actually do is we look at the use cases. Why does somebody use *Stellar*? Why do they use *Tezos*? Why do they use *Polkadot*? Why do they use *Cardano* or *Ethereum*? Or what about the *ZRC20* tokens? Or what about the Meta? Like the number of things that we look at, how many money managers in the world are doing what we do right now. Like they can't even start, but most of the graduates that want to do their CFA are trying to figure out, how do I turn my CFA into a proper analysis of the fastest growing asset class in the world, and that's dealing with digital assets, and *stablecoins* changes the whole game.

Because when people talk about *stablecoins*, they say, Oh, it's crypto. You know, that *stablecoin* is worth a dollar U.S., or it's worth a dollar Canada. So we have the Canadian dollar. We have something called *QCAD*. So I can send you 10,000 of *QCAD* right now from my phone to your phone. You're done. We've just done a transaction. Not three days, not two days, not banking, not letters of credit.

Who's, what account is it going through? It's my wallet to your wallet. I give you 10,000 Canadian because I lost it on a golf bet because Mike's a better golfer than I am. Um, so, so…

**[00:29:37] Mike Philbrick:** So many things wrong with that statement, I can't even start, but good enough.

**[00:29:42] Fred Pye:** But anyway, but the reality is, moving money around the world, which is arguably at $4 trillion a day, the single largest industry in the world. Now, how do you create a *stablecoin*? You create it on the *Ethereum* blockchain, or the *Stellar* blockchain, or the *Solana* blockchain, or the *Polkadot* blockchain, or you create it on those blockchains, and when those blockchains are creating and minting these dollars that are being moved around the world at some point in time, at the tune of a trillion dollars a day, it's all going back to, that transaction cost is going to the owners of that blockchain, so if you own *Bitcoin,* you own *Bitcoin*, you own *Bitcoin*.

Or you own *Ethereum*, or you own *Solana*, or *Tesla,* or *Avalanche*, or *Algorand*, or whatever. You're going to own those. So we have to analyze which blockchains are moving the future processes online faster than the others. And that's what we do for a living. And again, my hedge fund that I created, I think you probably own it.

It, you know, it's been around for five years. It's got a five year, 57 percent compounded annual rate of return for after expenses, and all the legal jumble that I have to put in there. It's spectacular, and there's nothing in the traditional TradFi world that comes anywhere close to what we're doing in digital assets right now.

**[00:31:07] Mike Philbrick:** I just self declare, yes, I do own that.

**[00:31:12] Fred Pye:** Yeah.

**[00:31:13] Mike Philbrick:** So, uh, yes, it's, uh, it has been a wonderful contribution.

**[00:31:17] Rodrigo Gordillo:** Sorry to interrupt, but I did want to take a quick second to remind listeners that while we do absolutely love providing our audience with world class guests and weekly investment insights, we wanted to remind you that we actually do our best work outside of this podcast. And we try to do this by providing cutting edge, globally diversified, and systematic investment strategies that are designed to be broadly non-correlated to traditional equity and bond portfolios.

So we actually manage private and public funds as well as bespoke, separately managed accounts for investors that seek the potential to smooth out portfolio returns in the long run. So if you do

want to see that theory that we've been talking about put into practice, please do go ahead and check us out at *www.investresolve.com*. Now back to the podcast.

And so those use cases that you mentioned happen to be in the kind of, in the financial world, right? You're making money based on the amount of volume that, as you're moving money around the world, reducing the frictions, making it easier for people all around the world to be able to transact and do business globally. Have you seen any use cases outside of finance that really speak to you?

**[00:32:23] Fred Pye:** Yeah, let me give you one perfect, and Rod, this is a great way and a great segue. First of all, full disclosure again. *3iQ* owns 30 some odd percent of a company called *Stablecorp*, which creates the digital assets, their partnership with *Mavenet*. And I invested, and we work for a company, we own a company called *Neoflow*. So think about this, and it's seven years ago. The Department of Homeland Security comes to me, to *Mavenet*, say we have a problem. Canada exports X million barrels of oil out of the United States. The United States imports X million barrels of oil from Canada. Those two numbers don't match, so where's Canada sending all that extra oil? Well, if you're a Department of Homeland Security, you're concerned. Where are we sending it to? Like, where? Where are we sending it to?

So they said, is that a distributed ledger/blockchain potential solution? It was seven years ago. Over five years of development, *Neoflow* now has the oil and gas passport, oil passport, between Canada and the United States, where all importers and all exporters have to track their trade on a blockchain. Okay. Now they said, well, it worked for oil, does it work for gas, and can we include Mexico? And while you're at it, can you look at lumber, wheat, steel, copper, every other commodity that kind of trades with the United States. And can you maybe think, can we do this with China and Hong Kong and Japan and the rest of Europe? So all global trade one day will be tracked, not by any one government lying, which they all do. It's going to be tracked by one immutable blockchain, which is a ledger. It's, all of this is a ledger that nobody can change. Once the data is inputted, it's there, and it can be used.

**[00:34:22] Rodrigo Gordillo:** Can I just double click on that, because I want the audience to understand the value there. So, first of all, what you're saying is that there is a ledger, but there's a Canadian, before this coin, there was a ledger where there's a Canadian ledger, there's an American ledger, and they didn't match up.

There were two single entities, governing bodies, that claimed to know the truth. And yet, there was no way to tell what the truth actually was. Now, in a distributive ledger, you have the idea as a

network where everybody in that network has to agree that this is a real number. So how do you go from, you know, you're still having to gather data from somewhere. Well, how did they build that bridge, the solution of getting enough players to create a distributed network to pull the correct numbers and come up with a, with the correct amount of trade happening at…

**[00:35:14] Fred Pye:** Yeah,

**[00:35:14] Rodrigo Gordillo:** … time,

**[00:35:15] Fred Pye:** There is a website that explains all of this, but let me give you an example. The best example is, you're an exporter of oil, exporting millions of dollars and hundreds of millions of dollars worth of oil. And you're going to get an X percent discount in your tariff rates and your trade rates, because you're putting it on the ledger. Of course, everything goes on the ledger and everybody has to, and few companies that don't put their exports and imports on the ledger are going to get penalized. So there are incentives for the major people. So whether we're talking about ConocoPhillips or Suncor or any of the biggest oil companies in this country, they're going to support this kind of initiative, but again, it crosses commodities across this.

Now, where does *Neoflow* make their money? Well, apparently we own the blockchain and we get a piece of the fees that are going across on every barrel of oil that's traded. Now that's not a big number. It's 0.000 something, but that 0.000 something on every barrel of oil will add up, especially if you start now including every country in the world, and then start including…

Now, this isn't going to happen, certainly, and I'm an old guy, so maybe not in my lifetime. You guys are young, so maybe yours, but, you know, these are the kind of global changing applications that are going to happen. And the same with property or real estate. If all the real estate in Ukraine was listed on the blockchain, and you would always know what you own because it's in an immutable ledger, and Russia can steal the property, but they can't necessarily take it because you are the owner.

Now, City Hall there with your records that you bought and own that property, that's gone. City Hall's disappeared, it's burned and it's gone, right? So who knows who has the data of all the real estate owned in Ukraine? Well, if it's a block, if it's on the blockchain, can't take it away from somebody. It's immutable. It's there forever. And I think these are the kind of things that when you just start to peel back the onion, it just goes on and on and on. And we're so early in this stage, you

know, of what we do. Like, all bond trading, all equity trading will be done on the blockchain. This idea of an exchange, it will disappear.

I'll give you a good example. We did a, between a major Canadian chartered bank and a major global asset manager, we created digital wallets for both of them. One had $4 million tokenized bond position. The other had $4 million acute CAD. We had 68 people in the room. This is five years ago, 68 people in the room.

We said, okay, everybody blink. They blinked. And the $4 million was in the other wallet. The $4 million in bonds was in that other wallet. We said, we just did a $4 million bond trade in T+ under two seconds. And we go on the *Ethereum* blockchain, *Etherscan*. So that cost us two tenths of a penny to trade 4 million dollars in two seconds. Why the heck are we paying 330 basis points to an advisor who's like, I'll respect all my advisors who are all my good friends, and trade bonds as long as you can, but, you know, the world is changing and this is all digital assets. It's all blockchain. It's all *Bitcoin*. It's, you can't deny it. It doesn't go away.

**[00:38:43] Rodrigo Gordillo:** You know, one of the things that I found, I find interesting about the space is that what you mentioned is, when you are dealing directly with the blockchain, those are the types of things that you can do. And I can see institutional, like large governments and institutions dealing directly with that. But we have these intermediaries. That, these *Coinbases*, the FTXs, that act as a broker/dealer to take a commission that, you know, you're still paying big fees when you want to send money out and in. Maybe not as big as the large banks, but the intermediaries take it back to the old school, versus going directly into on the blockchain. So what's the role in the ecosystem? And I mean, a lot of the claims of benefits from blockchain kind of go back a little bit when we're doing, when we're using these intermediaries.

**[00:39:37] Fred Pye:** Well, and this leads up to my good friend, Michael Saylor. I call him my good friend. I've met him once at dinner, but like I have, like, he's my idol. He's awesome. Four years under my junior, but, uh, you know, I think he's one of the most remarkable human beings I've known. If you ever know Michael, Michael says, yeah, he can get access to *Bitcoin* through buying micro strategies. You can buy Fred's ETF, you can buy it on a wallet and *Coinbase*, or you can directly buy it and keep it on a ledger or a treasurer and everything else. He says, do you notice that I don't tell people how to buy *Bitcoin*, or what they should do? He says, all I say is just buy *Bitcoin*.

There are different reasons that different people, even at *3iQ*, we have a closed end fund and we have an ETF. And the number of people that can't figure out why should I buy the ETF, or why should

I buy the closed end fund? It's very simple. If you want to trade it and be actively getting in and out, use an ETF. If you're a *hodler* and you want to buy *Bitcoin* every quarter or every month or every year for the rest of your lives, you buy the closed end fund because there's no activity. The costs are very, very low.

You can always get out once a year at NEV if you want to get out, but you're also buying it today at 3 percent discount. So you're saving, at 30 basis points, you're having 10 years of management fees off an ETF, because you're buying it at a 3 percent discount. So this argument about fees and everything has more to do with how you should be getting access to this product.

So I'm a big believer in what Michael says. I think people need access to this space. We hope that we have, you know, the proper product line for the space. And, you know, Rod, we've talked about this before. People like Julius Baer in Switzerland, or, you know, it will be JP Morgan, believe it or not, and some of the other things, you're going to be able to buy it in your regular brokerage account and not even buy an ETF. You'll be able to just buy *Bitcoin* and you, you can, at *Wealthsimple* in Canada, for example.

So, there are different ways, cost effectiveness and everything, cost effective on something that's up, what, 160 percent a year. We're like, like 0.5 or whatever it's costing you to do it. We used to pay 3 percent commission on buying a stock, right? So, it's so much more important on what stock you buy and what time of the day did you buy it? But your commission, your 50 commission went in or went out. It's using the advice. We like to say we fought the hard fight in Canada and we think people should dance with the girl that brought them to the dance. And we brought Canadians to the dance. We think we should be your natural choice of saying, we fought the hard fight.

We spent all the money. We took all the risk. You know, we'd like you to support us in Canada. But again, there's many choices right now. And that's great. I want to see the industry at trillions. I, you know, my market share will be my market share, which I'll arm wrestle for, and scratch and grovel for. I've been groveling for assets for 45 years.

**[00:43:06] Mike Philbrick:** Dance monkey dance. I hear you, man.

**[00:43:08] Fred Pye:** Yeah.

**[00:43:11] Mike Philbrick:** So what, thinking through, so *Bitcoin*, obviously pervasive, lots of exchange traded products, getting more and more access points. How do you think that trickles

down in the U.S. to products that will be legitimized by the regulators? Let's say for *Ethereum*. Do you think that the U.S. is going to allow the sort of *staking strategy* that you've executed in Canada and then beyond that, what, when are we going to get to a market cap weighted ETF of coins, and maybe some active management that's, and I know you maybe lay out, do that…

**[00:43:46] Fred Pye:** Yeah. We obviously do that already, but the chance, so here's our battle with the regulators right now. Right? The regulators in the U.S. are trying to decide whether *Bitcoin's* a good thing or a bad thing. That's the wrong decision for a regulator. A regulator's decision - is this properly constituted as an investment vehicle under the laws that currently exist? That's why we won, because the answer was yes. When the regulators approve a prospectus for a gold mine, and all they have is dirt, they're saying they think there's gold in the ground. It's not up to the regulator to say, Hey, we don't believe there's any gold in the ground there. We think you've just got dirt, right?

When the regulators start to decide, oh, we're the decision makers, or we're the asset managers, we're going, no, no, no, you're wrong. If we properly constitute, it's not your decision on whether *Bitcoin's* better than *Ethereum,* better than *Solana* or *Cardano,* or everything else like that. Now, do the regulators, should they approve what we call *privacy coins*, *Monero,* made by drug dealers for drug dealers? And they didn't mean that facetiously. There are *privacy coins* that can be used for reason. When everybody says *Bitcoin* is used for money laundering and for criminal activity, that is so small right now, because *Bitcoin* is 100 percent traceable. So only stupid criminals use *Bitcoin*.

There are 15 other coins you can direct people to, that'll do them like, do I want coins? Am I going to list coins with pet names or anything else like that? No, I'm the asset manager, creating stuff, you know, I'm looking at reputational risk here. Like, I'm not going to be the issuer of shit, excuse the technical, financial term. We really look really hard, and as I said, when you see the next slew of products that come out of *3iQ*, you're going to go, well, this has been really well thought out. It's, we're not the first, and we're looking at the game and saying this has a better chance of being very successful over the long run, which is what our investors and our institutions should be looking at.

**[00:46:02] Rodrigo Gordillo:** So when you think about *Bitcoin* in the, we're talking about a hundred plus trillion dollar market, a market that tends to lean towards indexing, your equity, your bonds, you know, the market capitalization weighting, when you're asked what percentage of your portfolio should be in *Bitcoin*, *Ethereum* and whatnot, how do you think about that problem?

**[00:46:29] Fred Pye:** A hundred percent. Why would you buy stocks? Sorry.

**[00:46:35] Rodrigo Gordillo:** All right.

**[00:46:36] Mike Philbrick:** Well, you got to talk your book. I mean, I can't blame you for that.

**[00:46:39] Fred Pye:** No, no, no. It's, you know…

**[00:46:42] Rodrigo Gordillo:** Well, I mean…

**[00:46:43] Fred Pye:** … thing about *3iQ,* all we do is digital assets. So to get me to think that what's, what do I think is better in the next five years, the S&P 500 or *Bitcoin*? Well, I'm going to say *Bitcoin*, but apart from that, all financial advice comes from your investment advisor, your investment advisor that originally bought 1 percent that went to 2, that's now 5, it's up to 7. He's going to say, let's peel back, and go back down to 3 percent of *Bitcoin*. We're going to put 2 percent in *Ethereum*. And then all of a sudden they're going to say, maybe we should include *Solana* because we've added, we've doubled the total return of our portfolio in the last five years by including digital assets as an asset class, with a minimum of 3 percent position exposure.

So, when Mike, as he said at the beginning, it's a volatile asset class, yes, but it's non-correlated volatility. Where do we think interest rates are going? We don't know, but *Bitcoin's* interesting because it's both a risk-on asset and a risk-off asset, right? Is it a store of wealth or is it a speculative, you know, digital asset commodity. It's both. So I think the risk is having zero exposure to digital assets when people are still in denial that it's a trillion dollar asset and it's a real asset and it doesn't go away. All it is, is an internet protocol, like live streaming, but you can own it. How much has live streaming grown in the last five years since we've known it? I get all these live streaming. Everybody wants 10 bucks a month for Hulu and for every live streaming thing, right? But you're paying for that. Where is, you know, the secure value transfer protocol is like, the BitTorrent protocol was the precursor to live streaming. It's an internet protocol, voiceover and internet protocol.

These are all free protocols. Email, they're all protocols. The value transfer protocol is also known as the blockchain and *Bitcoin*, but you get to own this protocol. So now you actually get to own the most powerful protocol of all in the evolution of the internet. And people will continue to be in denial that it's an internet protocol, but that's all it is. We get to transfer money around the world for free. That's crazy. Of course I'm a bank and I'm saying, oh, you can't do that. Well, you can actually, you know, it's, of course they're going to say, no, that's dumb. That's a dumb idea. Of course you are, so, you know, we've got to step out a little bit and say, are we a hundred percent wrong? I

doubt it. You know, are we 2 percent right? Maybe. So put 2 percent in and get off zero. *Hashtag get off zero.*

**[00:49:35] Rodrigo Gordillo:** The *get off zero* is the big one there, right? If, even if you don't know, if it is something liquid, it is in the world space, it seems to provide a non-correlated return stream, is the question, is the answer is zero. Is the answer a hundred percent, Fred? I don't know. I don't know about that hundred percent.

**[00:49:57] Fred Pye:** I know that was not…

**[00:49:59] Rodrigo Gordillo:** … something there. You want to. It's …

**[00:50:02] Fred Pye:** But I do have a grin when it goes up $5,000 in a day.

**[00:50:08] Rodrigo Gordillo:** Pascal's …

**[00:50:08] Fred Pye:** I know, I want to ask Mike a question. I think I saw his beautiful face on BNN in Canada, and he was making his recommendation. I think he turned the switch on to *Ethereum* about nine months ago, or six months ago, or one of our, one of our closeout funds. And I think that he, I don't know what your other…

**[00:50:30] Rodrigo Gordillo:** … ego more…

**[00:50:30] Fred Pye:** … at the time. I don't remember, but I think we've done okay.

**[00:50:34] Mike Philbrick:** So, you've always done okay. I mentioned it when there was rumors of the ETF coming and it was winter. I was on in January of ’23, I said, you know, *get off zero*. That's exactly the same thing. I said, it's an asset class, whether it's 1 percent or 3 percent or 5%, whatever that is, and rebalance, like, just rebalance. Don't let the tail wag the dog if you're nervous about it. I think investing in crypto assets is no different than investing in other assets, whether it was the tech bubble, whether it's the current AI boom, you know, you have to preserve your gray matter, and can you take a period of time where you go down 70, 80, 90 percent and suffer those kinds of consequences in your portfolio.

And if you can, and you have the time to do that, that's great. If you can't, you remember just, you know, the gray matter in between your ears is the most important thing that you should be

preserving in any investment endeavor. So, you know, write down what your rules might be. And if it doubles, are you going to have it, or are you going to *sin a little,* as Asness says, or I think it's Ardent or Asness, but *sin a little*. Maybe let, maybe just under-rebalance a bit or let it be a little bit more, as things go on. You know, they're all approaches, and I think Michael Saylor's onto something. You know, it's not for me to tell you how to buy it.

I mean, you know, *getting off zero* is probably some pretty good advice. And what percentage *off of zero* that is, is going to be a very personal choice based on your investment preferences. So that's where you either take that on yourself, or you're going to involve an investment professional in making those decisions.

**[00:52:17] Rodrigo Gordillo:** So, for one other question with regard to the…

**[00:52:20] Fred Pye:** Go ahead.

**[00:52:22] Rodrigo Gordillo:** … global movement of *Bitcoin* to help you transact globally. If you have a counterparty that's willing to take *Stablecoin* or *Bitcoin*, that sounds great. But I haven't been following this at all in the last few years. How do you then, how much easier has it gotten to transfer and convert those crypto assets into real currency, to the traditional finance, banking system, because last…

**[00:52:50] Fred Pye:** … easy now.

**[00:52:51] Rodrigo Gordillo:** … year it was very, very difficult. Was it *Silvergate*? And…

**[00:52:54] Fred Pye:** No, again, you don't need any of these fancy banks or anything. You go to *PayPal*, you go to any of the Canadian exchanges, any of the money service providers, you Interac e-transfer into your crypto account, and then you cash it out and you e-transfer it back to your bank.

It's all traceable. It's all taxable. You're going to get the tax slips, you're going to have to do everything. It's so above board now, you know, you can onboard it. I think *Stellar* had an amazing agreement with check cashing, the instantaneous check cashing people around the world, whatever, you know.

But you know, people like, all the big global money transfer people, they don't want to, they still charge like they were using SWIFT, but they're all using *Bitcoin,* or crypto payment rails, whether it's

*Ripple* or whether it's another payment rail to move money around, because we just move it around so easily and so free.

Now I'm renting a boat up in Antigua the next couple of weeks and you know, trying to get 15,000 U.S. to a guy in the U.S. in Antigua is impossible. Like, it's just ridiculous. And what *PayPal* charged him, because he didn't have a digital wallet, it's silly, whereas I can say I'm renting the boat, bing, there's 15k U.S., you're done. Watch Stablecoins. Stablecoins are really going to be the leader on how that, how this all happens. And it's going to be Q Japanese Yen, Q USD, Q CAD, it's going to be Q Euro. Money is going to move around really fast on Stablecoins. Now, understand the Stablecoin's what we call a Layer 2. That Layer 2 is built on a Layer 1. So that stable coin is getting minted on *Ethereum* or *Bitcoin* or *Stellar* or any of the other ones. So you have to be, so you still look down into what's going, you know, what's going on.

You know, one bubble that came up really quick was the *Metaverse*, for example. *Metaverse*, there was an awful lot of enthusiasm. It's going to take a while for that to go back because there's too many real world solutions now, real world assets, tokenization of real estate, tokenization of cashflow streams, of any kind of royalty payments,. All of this tokenization means we can do it quicker, faster, and cheaper, and it gets done properly.

So there's a lot, a long way to go, Rod. We haven't even started.

**[00:55:31] Rodrigo Gordillo:** Yeah, beautiful.

**[00:55:34] Mike Philbrick:** What an amazing, it feels like a reasonable place to end. We, it's been a, is there anything we haven't covered Fred, that you wanted to make sure that we did, I think we covered a little bit of the *staking*. We didn't get too deep into the *staking* process, but I think you guys have got some good information on the *3iQ* sites, on how you guys are doing that and that sort of thing. If people are interested in that and getting a yield on…

**[00:56:00] Fred Pye:** Yeah, to let me just articulate that a little better.

So the *Bitcoin* blockchain is protected by something called *proof of work*, which is why there are things called *Bitcoin miners*. So *Bitcoin miners* power and protect the *Bitcoin* network to make sure every transaction is validated. On *Ethereum*, there used to be a mining used for *Ethereum,* but *Ethereum* went to proof of stake.

So the people that currently own *Ethereum* can stake that or post that *Ethereum* as a validator. So if you're going to use my *Ethereum*, if I've got a thousand *Ethereum*, and my *Ethereum* is with what we call a *validator* that's approving all the transactions at a very high rate, I'm going to get paid 5 percent or 4 percent for staking that Ethereum to power and protect the network. All the major blockchains after that are staking. So whether you're talking about *Solana* or *Polkadot* or whatever, you actually get paid to own the network because you're powering and securing the network at the same time as owning the asset. And I think that that's a real good way to look at it. When we do come up with a new product, something such as *Solana*, we'd love to go into the details of why *Solana* was a choice of *3iQ*, to create a product or *Polkadot*, or any of the others.

**[00:57:43] Mike Philbrick:** Whatever it…

**[00:57:44] Fred Pye:** I don't want to get, I don't want to get too deep in the weeds.

**[00:57:46] Mike Philbrick:** Yeah but, and you have *Ethereum* already. And really, when you explain it like that, it makes sense. You don't want to have your *Ethereum* sitting in cold storage. It doesn't actually do the *Ethereum* network any good either. So you're kind of not really contributing to the ecosystem if you're not at least having some of your holdings actually out there, *staking* and securing the network, benefiting from that. Is there some of these transactions that don't go through, where you lose your stake? Is that what happens in this *staking* environment? How, what, what's the risk to the *staking* on behalf of those things? Just to, if there is one on the other side of

**[00:58:28] Fred Pye:** No, the risk is getting out of your *staking*. Like if you say, okay, I want to sell my *Ethereum*. You have to remove it from the *staking* validator, and then you have to redeem it. So a closed-end fund that has an annual redemption can stake 95 to 99 percent of its assets because its asset base is stable.

So you're going to get a 4 to 5 percent yield on that one gross yield. The, an ETF that has a potential of 30, 40, 50 percent redemption and a black swan event can only stake half of that. So the yield, the gross yield on an ETF is lower than the gross yield on a closed-end fund, yet people are still buying an ETF that has no *staking* and paying a management fee on it. That kind of falls into the, yeah, they don't get it yet, right? They don't understand that concept. So that's kind of how we look at it. And we'll continue to educate and push things forward. You know, we're not going to be the biggest. We hope we're the best, but we're not going to be the biggest. But, you know, we just want to work with people and teach them and hashtag *get off zero*.

**[00:59:45] Mike Philbrick:** Awesome. Awesome. And lots of interesting stuff happening with the Japan connection too. That's very exciting.

**[00:59:53] Fred Pye:** It is. *Monex* is controlled by a company called NTT, or not controlled, but 49 percent owned by *NTT DoCoMo*, which is probably one of the most powerful balance sheets in the world. So …

**[01:00:07] Mike Philbrick:** Amazing.

**[01:00:08] Fred Pye:** Really, we're really excited about that.

**[01:00:10] Mike Philbrick:** So where can people find you? What's the *3iQ* website? All that good stuff?

**[01:00:14] Fred Pye:** Yeah, *3iQ.ca* or *3iQ.io*, because now we're a global company, so we've migrated from ca. to. Io, and then they can come see us in the Cayman Islands when I stop by to have a pina colada with you.

**[01:00:31] Rodrigo Gordillo:** Love it.

**[01:00:32] Mike Philbrick:** Looking forward to that. Do you have any personal address on Twitter or anything like that that you use? Or are you a behind the scenes kind of guy?

**[01:00:38] Fred Pye:** Fred Pye can be found on LinkedIn. FredPye@3iQ.

**[01:00:43] Mike Philbrick:** Beautiful. Well, thanks for taking the time with us, Fred. It was very insightful and pulling back the curtains a little bit for us. That's great.

**[01:00:51] Fred Pye:** Thank you. My pleasure, Mike and Rod. It's good to see you both.

**[01:00:55] Rodrigo Gordillo:** Thanks Fred.

**[01:00:56] Fred Pye:** Take care.

**[01:00:57] Rodrigo Gordillo:** Sorry to interrupt, but I did want to take a quick second to remind our listeners that the team works really hard on these podcasts. We spend a lot of hours trying to get

the right guests and we do a lot of prep work to make sure that we're asking the right questions. So if you do have a second, just do hit that Subscribe button, hit that Like button, and Share with friends if you find what we're doing useful.

Thanks again.