The Art of Cryptocurrency

INVESTMENT THESIS

Choose better investments and become more profitable

First Edition

BE AN INFORMED INVESTOR.

Being an informed investor is the number one way to increase your likelihood of making a successful investment. Whether it's purchasing a company's stock, investing in a new startup, or buying cryptocurrencies, it is incredibly important to minimize speculation and capitalize on concrete information. An informed investor will carry out these same strategic steps before investing any sum of funds no matter the size of opportunity.

This is done through a standardized analysis known as an *investment thesis.*

Following these steps in your investment thesis is also known as doing your due-diligence. Although it's usually helpful, the results don't have to be written in a document, and the process could be done mentally. The key aspect is to create a definite statement of reasons why a particular investment would be profitable for the investor.

Investment theses are normally similarly structured, however, depending on the industry, size, or economy, they may be adjusted. And sometimes, they're wrong. That becomes an issue when investments fail. Usually failed investments are because of an acquisition or purchase due to "strategic" reasons. Investing for strategic reasons *usually* isn't enough. A credibly strong investment thesis needs to provide a complete concrete benefit rather than a vague strategic value.

This thesis was written with one goal: ***to help you be a smarter and more profitable investor.***

We can't guarantee that by following this guide you'll be able to turn your thousand dollars into one-hundred thousand dollars, however, we can guarantee by following this guide you be more likely to not lose all your money in a failed investment. The following thesis is not investment advice, but a detailed procedure to make smarter investments in the cryptocurrency market.

So what are you waiting for? Let's get started.

The team is the key foundation of any company.

Without a solid team, even a business with a great product will eventually fail. If solid information cannot be found about the team members, it's a red flag. Successful cryptocurrencies will have team members who are actively involved in the larger community, transparent about their accomplishments and education, and are passionate and invested in their own product.

There's no definite size of a solid team. However, usually a team with more than three co-founders is a bad sign, likewise with one only founder. There are always exceptions to the rule, for example, Ethereum had four co-founders — Vitalik Buterin, Joseph Lubin, Charles Hoskinson, and Anthony Diiorio — but shortly thereafter two left the organization due to differing opinions on the foundation's direction. A talented executive leads a team with action-backed words, encourages a strong sense of company identity, and implements a sound system for the future that doesn't require that executive to be at the forefront and allows a new person to take the reigns.

The team should be resourceful, open to criticism (plus able to defend itself), mission-based, and easy to work with. It's difficult to determine these qualities from online resources, however, intelligent investors will personally reach out to the team in an effort to schedule an in-person meeting or even just an email response. This goes against the key trait of being actively involved in the community. Also, if their contact information is not readily available, again a red flag, but a general rule of thumb is that most team members email addresses are firstnamelastname@company.com or firstname@company.com.

Social media networks are important resources to gather team information. LinkedIn, Crunchbase, and Twitter are all valuable websites to get a general idea of past professional experience, community involvement and engagement, education level and alma mater, and contact information. This social media researching step provides the necessary concrete facts that doesn't rely on your own interpretation. Either the information is there or it isn't.

Every business needs a solid plan.

Luckily, in the cryptocurrency space, most companies make this roadmap public in their whitepaper. However, because most companies all have a generalized white paper filled with superfluous buzz words, it's hard to distinguish those with legitimacy. After reading dozens of white papers, it becomes more obvious which companies have a working product with potential.

Some key determinants are finding and verifying their partnerships through your own research. Also, take a look at the road map and confirm that they have completed the stated projects or goals on time. A company that explains missed deadlines with excuses is a huge red flag. Once in a while it's acceptable, however, a team that's not accountable for their failures is a team that you probably shouldn't invest in.

In more general situations, companies should have modest goals in mind. A new startup isn't going to be able to overtake a dominating company in a industry all at once. If a market is large enough, they should have a set goal to take a feasible percent of market share. The only issue is that in the blockchain and cryptocurrency industry, new and unheard of technologies continue to appear each day, each satisfying an entirely new need. Projects should be ambitious, however, their ambition should still be grounded with a proper timeline and necessary resources. If a company is able to satisfy a niche market, which most in this domain do, they would also be poised for growth in a larger market.

A company should be constanting A/B testing with a solid group of core testers. Without repetitive testing, products can be launched prematurely and devastate a company's reputation if something is to go wrong. It's a good sign to see in the roadmap ample testing cycles, with increasingly larger groups of testers.

Finally, as important as it is to dominate one solid niche, growth is important. How is the company going to scale? Successful businesses die when they do not have a solid scaling plan. But it is also important to keep in mind that a company should try to not outgrow its dominant niche by trying to do everything. Too much diversification dilutes the original goal and obfuscates the mission of the company. This over-diversification is a hidden killer in the business world.

After the team, having a solid product is the next most essential element.

Luckily in this space, most emerging blockchain startups will already be ten times better than the current technology in the field. It's a general rule that a disruptive technology should be over ten times better than what is currently available. That number seems arbitrary, and in some ways it is. That value comes from a definition of innovation and revolutionary products. It's ultimately your interpretation if a company satisfies that rule, however, setting a threshold of ten times eliminates most of the uncertainty when investing in a product that isn't overwhelmingly better than what already exists.

Next, get your hands dirty. Test the project and see what you like or dislike. Without personal hands-on experience, it's hard to determine if a company will be able to attract users and gain traction. If things feel unnatural, confusing, or buggy, take note. If there is an incredibly friendly UI or other notable good experiences, take note. It's advantageous to accumulate as much data as possible to develop feedback about everything from small bug fixes to issues that would be devastating to the entire experience.

This is where the team comes back into play. A talented team of software engineers and specialize project managers will be better equipped to handle the issues that arise in the project and solve them with creative solutions.

In small companies, metrics are the least important.

Usually, they aren't profitable and don't have sound data to backup their claims. In this space, decentralized architecture leads to most companies developing a platform independent of their company with no revenue generation planned. Their profitability for investors comes with increase of value in their tokens caused by a parallel increase with the value their platform offers. For larger startups, metrics are very important, however, in this space, these quantitative values are usually based on speculation and aren't a good representation of how successful a company will be.

The cryptocurrency market is heavily oversaturated.

There just aren't enough legitimate applications for the thousands of companies that are appearing out of thin air. Everyone is trying to capitalize on the "cryptocurrency craze". This leads to many business with the exact same goals and vision. It's your job to distinguish which company is better.

This is easier said than done. Some good sources include the company's website, CBInsights, DataFox, Mattermark, along with others. Sometimes, companies have great websites, venture-backed capital, and overall a solid looking foundation, but another company might be more poised for success. This is why this step is last. The above steps should be repeated for each company. Yes. Each one. It's tiresome but it is the final, and most important, step. How are you able to compare a good investment to a bad one if there is no baseline to compare to? Any company can seem good on paper, especially if it's not compared to others in the same domain.

So, identify what makes each company different. It should stand out. Their differentiating factor is important for its long-term growth. Possibly, the ideal demographic is different, or there might be a different implementation of a similar vision. It all depends on how you rank and compare the business structures. Study the steps of their model. Is one taking shortcuts? Are there some patterns in the industry? Analyze if poor decisions are plaguing a particular business and see if there's a company that doesn't seem as successful on the outside, but might have a solid growth plan to surpass its competitors in a definite time-frame.

This investment thesis isn't over-encompassing.

It is a generalized, baseline approach to getting started. So use it as encouragement to develop your own thesis based on this one. Add new sections or weigh less/more value to the previous sections. It's up to you.

But you should always follow a certain series of steps before every making an investment. Don't blindly take someone's random hot-stock pick. Decide for yourself it you think it is a good investment. We know, this will help make you a better and more informed investor.

"An investment in knowledge pays the best interest." — Benjamin Franklin