Lowenstein's Tech Group Podcast: Crypto Innovators

Episode 14 – Portfolio Investments in Web3: A Discussion with Collider Founder Adam Benayoun

By Ethan Silver, Adam Benayoun

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Ethan Silver: Welcome to the Crypto Innovators Podcast, presented by Lowenstein Crypto, where we speak with the most innovative investors, founders and operators in Web3 to shine light on the technologies that fascinate us all. Today, we welcome Adam Benayoun, founding partner from Collider Ventures based in Israel. Great to have you on, Adam.

Adam Benayoun: Thank you, Ethan, for inviting me.

Ethan Silver: Yeah, we're thrilled to have you on, and excited for the next 45 minutes of discussion. Let's just start with telling the listeners a little about yourself, your background and journey up to finding Collider Ventures.

Adam Benayoun: Yeah, thank you. My journey started, I would say, a long time ago when I was a 22, 23-year-old. I started by being an entrepreneur for about 15 years. I started a couple of companies, and then at some point in 2015, after selling my last company, I decided to join 500 Startups, which is a seed fund and accelerator based out of San Francisco. I joined them becoming their first Israeli partner in Israel. I made about 24, 25 investments during three years, three and a half years. And then end of 2018, I decided to leave them, to start Collider.

I would say this is basically the traditional side of my life, entrepreneur turned into traditional VC. It's boring, it's nice, but it's Web2, and not really attractive, at least not to me today. On the other side, I would say that I've been attracted... I've been exposed to crypto somewhere between 2012, 2013, when a friend of mine told me about Bitcoin. I have to say that the first time I heard about Bitcoin, I was not completely sold on it. I thought it was a nice experiment. I started mining a little bit of it. I started changing, and then at some point, I forgot about it, and even lost all of my Bitcoin at some point. Because it was on my hard drive or something like that.

But I keep telling that story because it's a sexier story than telling someone that I've sold all of my Bitcoin when it hits $200 or something like that. And it was in 2016 when I was already at 500 Startups, I became an investor. I started thinking about my investment thesis, what I'm going spend the next 10, 20 years investing. And it was pretty clear to me that I wanted to invest in open-source and development tools because this was the area that I was kind of investing in and also building in for the past 15 years.

And then I read an article somewhere about the DAO, which was the first VC being built on a blockchain, which later on got hacked, and then led to the folk of Ethereum and Ethereum Classic. And I remember when I heard about it, I was like, "Hmm, that's interesting." I mean, I heard about Ethereum, and obviously I knew about Bitcoin, but I didn't know there was a big industry out there building innovative, decentralized network with tokens and assets.

And I just thought about crypto, this is Bitcoin last experiment, you can send asset from each other. And then in 2016, when I heard about that, I started reading the white paper of Ethereum and then the white paper of Bitcoin, usually you do it in the other order. And then I started interviewing a lot of the entrepreneur in the space and I was like, "Hmm, that thing crypto is pretty interesting, because now with Ethereum you can basically build a lot of different innovative decentralized network. And the more I was reading about it, the more I was captivated, and it kind of went into the rabbit hole after a couple of weeks. So a month and a half, I basically came back to 500 Startups, and I told them, "We should be investing in this thing. I remember that we had a discussion, and they said, "Okay, we're going to go and try to find out what we can do in this space."

They came back to me pretty fast and said, "You know what? We won't be able to invest in crypto mainly because it requires us to kind of change the LPA because crypto is basically classified as assets and the LPA only allow us to invest in security. But on the other hand, we also don't know what the stance of the regulator, is it a security? Is it an asset?" So they gave me a waiver, which I think was a really smart thing to do, to basically invest personally.

And so I started becoming an angel investor around 2016, 2017. Did a lot of investment personally. At the same time, I was investing on behalf of 500 Startups into different equity company. And the only thing that they requested that I wouldn't invest in equity company in the space, that I would not invest in tokens from company that they invest in equity. Fast-forward, after making about 30, 35 investment personally, I basically came to the conclusion that I was completely sold into the future of what crypto back then and today, I call it Web3 would be. And I basically decided to leave 500 Startups, and basically set up my own firm, and dedicating my own time 24/7, 365 days a year into Web3 because I think this is the future.

And today when I talk to investor, and talk to founder, I talk to people or even limited partner in the space, I tell them that either you're a 100% into Web3, you do nothing else, or you do nothing. Because it's really like a world where you have to be very, very focused on this thing, and not do other stuff. Because it's a paradigm shift, it's a different, you need to think outside of the box. There's so many things that are different with this new world that you need to be completely focused on that and do nothing else. And so I basically decided to start Collider when I left 500 Startups.

Ethan Silver: And so what year was that, roughly?

Adam Benayoun: So I decided to leave end of 2018... Well, actually mid-2018, and then I actually left completely end of 2018. And then we did the first close of the first fund in March in 2019. But we started talking to LPs and limited partners around end of 2018. And many of those LPs were also co-investor with me as an angel investor. So I had a pretty big circle of people that I've been co-investing with in the last two years. 2017, 2018, I went to the bear market. We still joke inside the firm that whenever we decide to start raising a new fund, we're a leading indicator for the bear market. We start raising when a bear market is around the corner.

Ethan Silver: Great. And now the size of Collider, how have you grown it?

Adam Benayoun: So the first fund in 2019 was a little bit less than 10 million, so it was about 10 million. When we initially started raising it, we had self-commitment of about 50 million, and then you all remember what happened to the 2018. And so a lot of those investors who wanted to invest with us, were kind of broke, I would say, or had less money. And so it kind of impacted. We're pretty happy with the fact that most of those investors actually invested. They just invested a smaller sum across the board.

Actually, in retrospect, that was great because investing 10 million during the bear market was okay. I don't know if I had known how to invest 50 million or 40 million across the board during that time. We then raised a smaller funds, smaller vehicle as kind of an experiment called Collider Labs, which we can expand on later on. But basically, it was some sort of a, I would say a crossroad between an incubator and an accelerator.

We wanted to invest in 15 company, do an experiment and see how it goes. And then we decided to raise last year a third fund, which would be Collider Venture 2, and we're basically targeting 80 million. We've already closed 60 million, and we're in talk with limited partner to close the remainder of the 20 million.

Ethan Silver: And so that's deployed into how many companies?

Adam Benayoun: So usually we invest in, I would say the portfolio size is between 30 to 40 company in a fund. The new thing that we've done with Collider Venture 2 is to basically bring on board and together under the same umbrella, Collider Labs 2 and Collider Venture 2. So we initially wanted to set up another fund, which was Collider Labs 2, and then another fund for Collider Venture 2. And we decided to do 30, 40 company for Collider Labs 2, which is doubling the number of companies we have done in a previous investment fund.

And we wanted to also have about 30, 35 company in the venture fund. Now that we're putting both under the same umbrella, we're basically targeting double the team, a size of, I would say 70 company. It's a pretty big portfolio on one end, but we need to understand that, for example, with the Collider Labs, what we're doing is we're investing so early, that the risk is pretty high. And so we expect a graduation rate of about 50% of the company to go on and raise a subsequent round, and then become a venture fund company. And so we expect a lot of this company to die at some point.

And also, we have a model about the fund, that only works if we invest above 50 company. The VC asset class is pretty rough with many VC funds not returning enough money to the LPs and having very low IRR. And we've done a lot of work around that. And also, I would say that when I was in 500 Startups, we invested in more than 2,000 companies. So we had this, a lot of people would call this spray and pray approach. And so when 500 Startups started this in 2010, lots of people were very skeptical by the fact that you could invest in 100, 200 or 500 startup, which it derived its name from 500 Startups.

But actually, there's a good correlation between the amount of company that you invest in and the likelihood of you being able to return more fund and having a higher TVPI. And so we didn't go the route of investing in 500 company because I think it's too crazy, and we would not have the team for that. But we decided to have a larger portfolio than a usual traditional VC firm that would want to concentrate investment in 30 company, 25 company.

So the name of the game here, because it's Web3 in crypto, and it's riskier, is to actually diversify across more company, diversify across more category and diversify across more approach because there's a more, I would say an experimental approach to investing in the space, as opposed to traditional fund in Web2 businesses where everything is kind of, you know everything, how to do the go-to market strategy, the distribution, the category are pretty defined. And so there's less likelihood to invest in a company that would not make it as opposed to Web3.

Ethan Silver: Got it. I know we share a real passion for technology to evolve the technological hurdles to be solved, in order to help Web3 scale. What are you really most excited about? Is that speed, is that UX? Taken from the cyber perspective, tell our developer listeners at home building things, what a VC thinks about with respect to investing in Web3 companies?

Adam Benayoun: Yeah, that's a really good question. I think that as a customer, as a potential consumer, I would say user experience is very, very interesting. And so we definitely like to invest in developer, we're very aware of how it is to use crypto or Web3 today. But by itself, I wouldn't say it is a category that we like to invest in. I mean, it's not a product by itself. What we like to invest in, and we have an investment thesis, is part of the investment thesis is basically the safety stack. It's basically investing company that make crypto safer. So it's cybersecurity. And within cybersecurity, you have monitoring, prevention, you have many, many type of company that could potentially help you make you build better and safer protocol, safer application. It's also insurance, which is very important, especially with the immutability of blockchains. You want to be able to have some sort of peace of mind when you do an investment, when you do a certain action.

And because all the data is out there in this blockchain, it's open. Actually, building an insurance is easier I would say, because you can take all that data, and build that statistical model, and do a better underwriting. It's also about risk management, it's also about compliance, and legal tech, and regulation tech. And so all of that is within a category that we really like to invest. And we also believe that Israel has a very strong market fit with that type of company. And so in very short, I call this the three or the four billion opportunity, although it's a bigger opportunity. We've basically looked at how much money have been stolen the last year. In 2022, if I remember correctly, we're talking about $3.9 billion have been hacked. I mean, it's just hacks. If you take into consideration scams, and rat pool, and other stuff, and investing in something that doesn't prove itself or whatever, it's even higher.

And so this immediate money at stake that shows to cybersecurity and safety stack company, that is actual money that could profit. I mean, a lot of people I talked to, usually tell me, "Yeah, there's no money in crypto, there's no revenue. It's a lot of speculation." And I tell them otherwise. "Well, actually it's not true because if you're an insurance company, there's actually, you can target big market with a lot of revenue. And if you're a cybersecurity company, there's a lot of money to be made, at least in a very short term." And now we are entering an era that the market of turbulent and there's more emphasis on the company to get to product-market fit, and to show some sort of traction, it's going to be harder to raise money. And so I think that as a fund, we really want to invest and focus on those categories where, you can get to product-market fit pretty fast, and then grow alongside the market and the other participants.

Ethan Silver: I would love to hear more about Nexus Mutual and the graph and making it possible for institutions to approach the Web3 space in a risk-adjusted, analytical and disciplined way. I think the problem is even bigger than you think, or everyone thinks.

Adam Benayoun: Yeah, thank you. It's not just us, it's several other investors as well, and especially the founders who are doing all the heavy lifting, right? We just invest, and support on the sideline, and try to open up new opportunity for the company. But the thing is, you're completely right. And I think the problem is even bigger than you think, or everyone thinks. The problem with crypto, and I would say crypto in general and Web3 is that, there are more risks involved in everything that you do that you imagine. There's a regulatory risk, there's a smart contract risk, sometimes there's a stablecoin risk.

There's so many areas of risk that you don't know about, that you only scratch the surface and you know about one risk. But then you find out there's something else because crypto is interpretable, and composable. And so you basically build upon layers of layers of layers. And so you could invest, for example, in the token of a specific protocol, or you could stake into a certain protocol, but then a new protocol that get added later on that is interpretable with the protocol that you just staked, now open up a new vector of attack that you didn't know about, or anything else. So there's so many risks that you don't know about. And I think right now, there's a lot of paralysis among not just institution, almost any participant, because what we've seen last year, right? With FTX, and with Celsius, and with Luna. And so many institution are crumbling. And again, so many hacks and so many things.

And so the idea is, one, is making sure that there are certain type of products, certain type of things that can mitigate and prevent those risks. Though you won't be able to mitigate all the risk, but just being aware of the risk, and just being able to mitigate the one that could potentially make you a big loss is seriously very important. And Nexus Mutual, by the way, is one of them.

So when we invest in Nexus Mutual, they was in the seed round. So Nexus Mutual is not an insurance company, it's an alternative to insurance company. It's important to understand that because it's a protocol that give an alternative to insurance. There's a discretionary approach in Nexus Mutual because the claim assessor basically go to the claim, and then they assess whether to accept it or not. As opposed to an insurance that is regulated. And there's always someone that you can go and sue. But I found this approach of Nexus Mutual to be even better than regular regulated insurance company.

Because in the past, when someone stole a bike from me, a long time ago, and I basically approached my insurance provider. So told them, "Okay, someone stole my bag, and now I want my money back and everything. And they sent claim assessor to kind of look at all the stocks, and everything. And they were trying to negotiate really hard to underpay me. I mean, I should have received like 90% of the value of the bike, and they wanted to pay 50%. And said, "Well, we could actually argue that you did not safeguard the bike, and et cetera at the time, so we want to pay you 50% or 40%. You can accept now, or you can go through a lengthy process to court and everything.

And the fact that with Nexus Mutual, it's a blockchain involved, it's a lot of claim assessor and exactly what would be the output, giving you even more assurances that you're going to get paid, because the money's there. And you can see in the blockchain, in the capital pool that the money is actually there waiting for you to claim it. And so I find Nexus Mutual, I find Web3 and blockchain in general to be better approaches, because you don't need to trust someone, you just trust the system, you trust the math to make a decision. And the decision would always be the same output, as opposed to human being who have discretion, and could potentially, every time there is an output, just decide something else.

So yeah, Nexus Mutual is definitely one of the companies that we backed, and we knew that in order for institution to start staking and start doing things in the space, they will need to basically purchase insurance. We are happy to see more and more regulatory insurance company coming into this industry, and trying to do things together either with Nexus Mutual or other incumbent that are trying to build things in the space. But definitely you need insurance, you definitely need another cyber product. For example, we invested in Forta, which is doing monitoring in a decentralized way. We invested in a company called Ironblocks. They basically prevent and they monitor cyber-attacks on protocol layers.

We've invested in a company that do the same, but for wallets. And so yeah, we're trying to think about the different places that consumer or institutions will need to purchase either an insurance or a cyber product in order to stay safe. Because we also think that down the road, the regulator will actually aspirate. And we think that regulation will come, and once we'll be a regulated industry, that institution will be more inclined to participate.

Ethan Silver: Can you explain further the distinction between a Param Mutual product and a traditional insurance product? And why you guys are so excited about the parimutuel products generally.

Adam Benayoun: Yeah, so it's a good question. Nexus Mutual was definitely ahead of its time, because I remember when we looked at Nexus Mutual, the whole DeFi space was very small, minuscule. And I remember when we put together the due diligence team, we put together a spreadsheet, kind of a understanding how big the DeFi space could be. We actually underestimated it by 50%, and we did the calculation over five years. So we thought that the DeFi space would become, if I remember correctly, at some point it was a 100 billion or even more than 150 billion. If you count all the layer one and all the TVL across everything. So it was like 150 billion TVL. I remember we were very, very conservative and we thought that maybe the DeFi space would get to 60 or 50 billion after three, or four, or five years. Because we came from the traditional space, and we didn't account for reflexivity both ways.

And the price also are increasing. And so it kind of affect also the TVL. And so when we invested, we said, well, in order to get to the 50 or 60 billion, we definitely need something like an insurance product. And we went and talked to many regulated insurance company, and none of them were open to even write such insurance because, one, they have no idea what risks are involved with smart contract. They don't even understand the smart contract risk. And I think there's maybe one company today that's underwrite maybe DNO in crypto for example. But I mean, no one else is doing smart contract in a regulated way.

By the way, Nexus Mutual is going this route as well. And so in the future, you'll be able to purchase also regulated insurance on top of Nexus Mutual through various broker, et cetera. So that was very important. I think over time, what Nexus Mutual proved is that it was a needed product, and they hit product-market fit pretty fast. And at some point, I think at the peak, there was about 1.2, $1.5 billion of active policy underwritten. Which is huge, and obviously all that premium goes back to the capital pool. And so the difference between them and a regulated entity is that, their capital provided into Nexus Mutual is provided by investor, by the mutual. So it's a mutual, it's basically capital pool with a lot of people pooling their resources together, and basically deciding to underwrite risk as opposed to a company that could derive their capital from either the float, or the premium sold, or maybe the raise money or other stuff. And so it's a different product.

What I like about the mutual in Nexus Mutual is that the people who have invested, investor, and were holding the token at different role within the mutual. They could be investor and being completely passive, and then they basically earn indirectly fees within the Nexus Mutual, because 50% of the fees goes to the captain pool. And so the capital pool appreciate over time in value as well. They could also decide to take their token, and then instead of just pawning them, stake them. And by staking them, they basically underwrite new type of policy. They could basically signal, "Oh, we would like this compound, this protocol to be underwritten, and we would like this... have it to be underwritten."

And so the more you stake, you basically signal to the network that you trust a certain protocol. And the more you stake, the more capacity you open, and you drive the price of the present policy down. And so at the end, when something happened to a protocol and it's breached, then both the capital pool and the staker will basically stake and signal to the rest of the mutual and to everyone that a certain protocol is safe, both of them have to pay a price, and so they participate in paying the claim as well.

And then other role that you can take within this mutual is you can also take your token and lock them, and then also assess claim. And by assessing claim and voting on claims, you basically earn a fee. And so just like Nexus Mutual is kind of opening up like a market for underwriter, a market for claim assessor, and also market for just people providing capital to the mutual. And so it's really a big market, and that's the DeFi space. And not just DeFi, there's several new type of policy and product that Nexus Mutual as a protocol is building, and is going to offer. As this evolve, basically there's going to be more and more people employed, and there's actually real revenue growing through the mutual right now. This is great to observe, and I'm very bullish on the prospect of Nexus Mutual. And not just Nexus Mutual, but any alternative to insurance being built right now for Web3.

Ethan Silver: I’d like to hear more about what is driving some of the best Web3 projects to come from Israel? What is behind this Israeli dominance as a tech hub?

Adam Benayoun: So I will try to speak more about the Web3 or the crypto dominance that is kind of forming, but it's still under the early phase, because I think everyone heard about Israel being the startup nation. But I think I'm going to make a prediction, I think in the next 10 years, Israel is going to become one of the top ecosystems in crypto/Web3. Probably becoming even top two or top three. And that stems from the fact that Israel has been funding both cyber and cryptography in the last few decades, out of national security requirements. So for example, in the Army, we've been investing a lot of money in the past couple of decades, in trying to break encryption, in trying to encrypt things, in doing a lot of very advanced cryptography stuff.

And we've also invested in cybersecurity. We need to both be very proactive, and do things, to other countries obviously. But we also need to make sure that all of our assets within the country and outside of the country, but safe and secure. And so there's a lot of soldiers while basically they're going through the Army, and they're for a couple of years, they not only learn the stuff, they also work within the industry. And so they get that practical experience. Units, intelligence unit like 8200 and 81, and the CSC and others are basically minting thousands of engineers every year in the field. And those folks would go in the past decades, working in cybersecurity company or starting new startups in the cybersecurity company, I think in the last couple of years what happened, it's just as a shift of these started working into crypto, and starting company into crypto and Web3.

And the fact is, when you look at crypto, you look at blockchain technology and Web3 in general, it's been built on top of security and cryptography. And so you find out that there are thousands or ten thousands of people who have went through the Army, and they have practical experience, and they have a lot of knowledge within that segment. And so they have immediate market fit with the required skill set to build into this. And obviously what happened in 2017 also happened in 2021, because crypto prices sold, and there was a lot of hype around crypto, so a lot of people kind of took attention, and basically, they started looking at the industry.

And so there's a lot of these folks, very smart and experienced folks coming into the industry and trying to build something. And those folks usually come with very deep technological experience. And so they're building infrastructure, cybersecurity. If you look at Fireblocks, and you look at StarkWare, the really amazing company that's built something substantial, and we're going to see more and more company coming out of Israel in that realm. And so we're not very good at content, building a games, or NFT stuff, or just doing content in general. But when it comes to infrastructure, middleware, building this very deep NPC, zero-knowledge proof, that type of stuff, we're very good. That's one side of the equation.

Usually, across the Army, where even in the US, you see that, there's also the academia. There's a lot of professors who are basically starting with by writing all kind of different paper, they're doing a lot of research, they basically write about what could be done theoretically, usually a couple of years or sometime even a couple of decades before. Someone comes in and say, "Hey, we would like to use this paper or license from the university in the IP, in order to build a practical startup on top of it." And so sometimes they're funded by the academia, and by the licenses, and all the royalties in the IP. But at the end of the day, if you have both the academia, those professors. In the field of professor for example, you have Professor Shafi Goldwasser, you have Professor Eli Ben-Sasson who started StarkWare, and doing ZK-STARK & ZK-SNARK.

You have even Professor Moni Naor, who basically wrote about proof of work long time before Bitcoin started using this type of consensus. So there's so many professors that are coming from Israel or are Israeli abroad, that have really started writing a lot of this paper, research paper. And now they're kind of converging together with a lot of entrepreneurs, building startup in the space. So we have a strong academia that have been doing a lot of work within the security and the cryptography space. We have a very strong technological unit that are minting amazing engineers who are coming with practical experience in this field. And together with funding, find Israel to become a very prominent space, and a sandbox for this great company. And hopefully in the next five to 10 years, we'll become one of the top country or nation in minting amazing startup per capita. And you'll remember us not just as a startup nation, but also as a Web3 nation.

Ethan Silver: So as part of Collider, you have an incubator, and you take a really hands-on approach with your cohorts since the earliest days. Has that affected your Web3 VC thesis generally? And have you managed to build the necessary network? And how has that helped you to build the necessary network to help your cohorts thrive?

Adam Benayoun: Yeah, so it's essential to kind of tell the story of how Collider Labs started. For us, it was an experiment that ended up being a very, very successful experiment, both for us and for the company that we invested in, especially for our limited partners who are very happy with the results. So we were making investment from the main fund. The first fund, if you remember, was $10 million fund. We would write half a million to 750K checks. And at some point, there was a bail back, and then there was a summer, where we call it the DeFi summer, where new founders were trying to build new type of project. It was not very clear if there would be a company or not. But if you remember in 2017, there were a lot of company that would go and try to raise money just with the white paper.

So two founder with white paper could raise 20, 30 million. And I remember after we went through 2017, '19, I said, "No more. I mean, I'm not going to invest in two founders who just have a white paper, but don't show me how they actually build a product to have some sort of traction, whatever." And then we ended up seeing a lot of founders, and at some point, we started seeing founders coming to us and saying, we don't have a product yet, but we're starting in a space, we're thinking about building something like that. And we said, "Well, you know, you guys are too early for us. We're not going to be able to invest in your product yet, but go and build something, and then come back to us in a month, two months or three months, and then we'll be able to write you your large check, maybe even in the round or whatever."

And there was a very specific moment in time, where those founders would start raising money right ahead. They would go out, and then within two or three weeks, we would hear that they raise a full round. And so the things about crypto Web3 is that everything could cool down in a minute. But everything can kind of warm up pretty fast in a minute as well. It's very reflexive in both ways. As I remember, we sat down, we said, "Well, we need to change the way our invest. If we cannot write a half a million to 750K check into things that are too early, we know we're basically missing out on the best opportunity. And then when they raise again, they are too advanced, too far invest for us, then maybe we need to invest at the earlier stage." In order to do that, we basically said we need to write a smaller check.

We need to take some sort of equity or ownership into the company that is substantially more than if you had a product and some traction or whatever, because the risk is higher. But then we need to give them something more because they need guidance. And I remember we sat down here, and I took this also for 500 Startups also being an operator before that. As an entrepreneur, I remember the thing that really made an impact on my company where investor will help me with validating the idea or getting to product-market fit, how does product-market fit look like? And then how did you raise the next round?

So we decided to set up an entity that would write a 100K check, no more than that, no less than that. And we said, we'll take 5% of the company, but instead of doing an ATO with a core to the bat, we actually said we're going to do it with one company every time, and then we'll do it evergreen.

So whenever we meet a company that we like, we'll invest in it and we'll start the program like a tailor, custom-made program for that company. And then what we'll do is we'll help them ideate, validate the idea by connecting them to potential customers or potential partners. Then we'll help them with the narrative and building a story around what they're building once they get some more traction. And then we'll help them with raising their first institutional round, which in that case, we would also write a large check from the main fund. So in a way, the Labs was conceived in order to increase the pipeline, and to see more company at the earlier stage, and basically build alongside and walk alongside those founders. And by building with them, and by walking with them, and by being very close to them, we also de-risk a lot. Because by the time we want to raise the next round, the seed round, we can either preempt or we can put more money into the next round, but we already know those founders well enough to know if we want to write you checks or not.

And so we anticipated, like I said earlier, we anticipated the 50% graduation rate. We ended up with a 95% graduation rate. I don't know if it was because of timing, and there was a bull market, and now everyone wanted to invest in this company. But we ended up investing in 14 company, the 15th one didn't mentor our life because we started raising the next one, but we ended up investing in 14 company, if I remember correctly, 13 of these actually raised a next round, and are still operating. There's one company who's still operating but has not raised any money since then. Actually, I think it's like a zombie startup. But yeah, it was pretty successful.

And how did it affect our VC thesis, we view ourselves as investing as early as possible. We like to invest when there's significant risk, because as a VC, we like when there's a lot of risk because it also means there's a lot of upside. And crypto is really like this place where it is very asymmetric, upside to downside ratio. You can only lose all of your money, but you could potentially make within five to seven years, an amount of upside that is kind of seen in a space. And because we're way too early, there's many risk.

And because we're way too early, one thing that we also set ourselves to do a lot is basically to learn alongside the founders. I like this phrase, that say... Plato used to say that, "I know that I know nothing." And it's really kind of a modus operandi for me when I come into this space by saying, "I know that I know nothing, and so I'm going to learn, I'm going to read and I'm going to listen and ask a lot of question in order to soak myself with information." But also, I'm ready to forget and delete everything, and then start from scratch in six months because the market and everything came so fast, that you really need to adapt yourself to those very fast iteration.

Regulation may come in a couple of months in a certain industry, and then completely wipe a certain type of industry or a certain type of category. Or maybe kind of push some sort of company outside of a geo to another geo.

And so there's so many changes, so many things, crypto is 24/7. And so I used to joke that the cycle that we see in crypto that take a year, takes four years or two years in the real world. And so we're basically seeing a bull and a bear market cycle every two years, every four years. In the real world, we're seeing it every 10 to 15 years. This is crazy. And I think working along cycles fund thoroughly seeing their struggle, but also seeing the way that they sometimes get to win really help us also understand how to adapt ourselves faster. Because as a fund, I feel myself as a startup founder, more as a fund manager, we're building something that is very, very different from traditional VC.

Ethan Silver: We really appreciate you coming on, and thank you so much for joining us, and for educating the listeners, Adam, we really look forward to having you on again soon.

Adam Benayoun: Yeah, thank you Ethan for inviting me. Always a pleasure to speak with like-minded folks. And yeah, happy to come back again in the year, and see how the space has evolved in the year. I can bet you, and I will make a prediction that we'll find out that the space has matured and has changed so much, that it hasn't been a year, probably a decade of changes.

Ethan Silver: Yeah, totally. I really appreciate your time. This was great.

Adam Benayoun: Thank you.

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