

Why You Don't Want to Finish Last in the Race to Zero

Marko Papic

Marko incorporates politics and geopolitics in investing.

In 1488, the king of Portugal couldn't feed his people. So he created a shipping fleet away from Europe to catch cod.

At the same time, China and Europe cut trade. And technologies were created in the finishing industry in Portugal. Turns out, this turned Portugal into a thriving country from a civilization that was starving.

Marko's point is this is how important geopolitics are... And how it can create new investment opportunities.

Today, we are coming off the industrial revolution. Railway growth by country took off. This enabled countries to scale production of everything. It became all about serving the median consumer from literacy to food and energy.

This is the race to scale... We are now in the race for zero.

We have technologies to focus on customizing service. 3D printing is an example of localized production. You can have a car, TV, etc printed.

Another example is health care. Today, you take aspirin for a headache as a blanket solution. Soon you will be able to customize the exact medicine you need based on your genetics or DNA.

The cost of sequencing a human genome has plummeted. The same is true for the cost of semiconductors, energy, and more are falling dramatically.

The price of batteries over the past 10 years has fallen 88%.

Now, you shouldn't invest in a technology just because it is getting cheap. But you also want to see the geopolitics creating a tailwind for this technology use.

Today, climate change is driving politics in favor of these new energies. That's true for batteries, solar, electric vehicles, and more.

The same is true for geopolitics. In just the last 10 years, China has become addicted to middle east oil. Today, U.S. taxes are helping China get their oil.

So if they take Taiwan, then the U.S. can cut off China's oil supply. This makes China turn to clean energy.

If China becomes an expert in storing energy in batteries, America is falling behind. The director of national security under Trump wrote an op-ed piece calling batteries "the new missiles."

About 70% of all batteries are made in China. China also leads in patents regarding batteries.

Today, Marko wants to split his portfolio between 50% new energy and 50% dirty energy.

To start this energy revolution, we need cobalt, copper, oil, etc. That's not going to change overnight. We will need fossil fuels for the next 20 years!

Demand is high but nobody wants to invest in traditional energy. The truth is we are going to need so much of everything to make this energy shift.

Marko points out that we are in a bubble in clean energy. But he compares an energy index rally to the Nasdaq 2000 boom. By that comparison, the bubble could get larger before it eventually pops.

His best way to profit from this is through U.S. energy and industrials. He likes to profit from this trend through private companies. Companies can get capital outside the public markets and stay private for longer.

If you don't believe in this, Marko points out how "dumb" it was to go to the moon. We spent a lot of money to say we were the first ones. But the reality is that one event led to tons of technologies we might not have otherwise.

Questions for Marko

What do you think about the digitization of money?

Answer: You've got to be careful. We are looking through this keyhole to get the big picture. He's not necessarily excited about crypto. But the metaverse is what he is excited about.