THE UNCHAINED PROFITS MANIFESTO

HOW TO PROFIT FROM THE FOUNDATIONAL TECHNOLOGY BEHIND WEB 3.0
It was out of complete necessity.

With the invention of the microprocessor and the rapid proliferation of large computers around the world, they needed a way to communicate.

The communication method couldn’t be like sending mail through a postal service. After all, everyone’s handwriting is different. The ink we use, the color of the envelopes, and the size and shape can all be different for each piece of mail.

But in a world of digital communications, irregularities like that simply wouldn’t work. The world needed a standard method of communication – protocols – so information could be packetized, sent, routed, and ultimately received at the desired location in its intended format.

And in 1974, Vint Cerf and Bob Kahn authored a paper called “A Protocol for Packet Network Intercommunication” while they were working at the Defense Advanced Research Projects Agency (DARPA).

The paper contained the details of transmission control protocol (TCP) and internet protocol (IP). Combined, these technologies became the foundation for every email, text message, file transfer, and phone call that we send or receive.

Then, in the mid-1980s, researchers from the University of California, Berkeley and the Stanford Research Institute developed the foundation for what is called the domain name system (DNS). The DNS is a foundational technology that simplified the use of the internet by translating numerical internet protocol (IP) addresses into domain names.

DNS enables us to type “amazon.com” into our browser instead of something like “https://99.84.77.60.” Put simply, it allows us to find websites using characters for website addresses instead of a long series of numbers.
And then in 1989, Tim Berners-Lee proposed what became the World Wide Web as we know it while working at the European Organization for Nuclear Research (CERN).

Berners-Lee outlined a protocol called hypertext transfer protocol (HTTP), which enabled text to be displayed on a computer screen with references to other text through the use of hyperlinks. This allows us to click on a “linked” image or bits of text and be taken to another web page. Anyone who has a computer or mobile phone uses this technology every day.

These were the fundamental building blocks of the modern internet, a technology that would usher in transformational change. It would change our lives in subtle and profound ways. How we work, shop, communicate, entertain ourselves, and even invest has changed because of internet technology.

Today, we are in the early stages of a new generation of internet technology, a long-overdue upgrade. And the goal of this research service will be to profile and recommend the companies and projects ushering in this revolutionary new technology.

**Welcome To Unchained Profits**

Welcome to *Unchained Profits*. My name is Jeff Brown, and I will be your editor.

For readers who don’t know, I spent nearly three decades as a technology executive for firms like Qualcomm, NXP Semiconductors, and Juniper Networks.

I’ve earned degrees from Purdue University and the London Business School. I’ve also received professional certificates from MIT, Stanford, and most recently the University of California, Berkeley, School of Law. And I am an alumnus of Yale University’s School of Management.

I’m also an active angel investor in early stage technology companies. I’ve invested in over 200 private deals.

I don’t tell you all this to brag. But with so many so-called technology experts out there, readers must know that I’m truly committed to the world of bleeding-edge technology.

As readers know, the goal of *Unchained Profits* is to profile and recommend the companies, projects, and public companies ushering in the next generation of internet technology... What I refer to simply as “Web 3.0.”

The technology underpinning Web 3.0 is blockchain technology. And our portfolio will be composed of digital assets – what most people refer to simply as “cryptos” – as well as public companies that are ushering in Web 3.0.

The goal of this Manifesto is to provide investors with a foundation for understanding this technology and to outline our investment philosophy for the months and years ahead.

But before we can appreciate the significance of Web 3.0, we must understand where the internet started, how it evolved, its faults, and how its original vision can now be realized.
The Building Blocks Came Together

When Berners-Lee first proposed his protocols, only a handful of people actually understood the technology and knew how to use it. And the “internet” back then, if we could call it that, was largely decentralized with no major chokepoints or centralized organizations.

It wasn’t until 1993 that what we all know as the first generation of the internet – or Web 1.0 – was born. That’s when Marc Andreessen and Eric Bina developed the Mosaic web browser at the National Center for Supercomputing Applications (NCSA) at the University of Illinois at Urbana-Champaign.

1993 NCSA Mosaic Web Browser

The browser brought all of the pieces together into a graphic user interface that just about anyone could use. The web browser made the first generation of the internet possible... An internet that normal consumers could use to learn, interact, communicate, socialize, and transact.

How much are these protocols worth? If I had to take a guess, I’d probably venture more than $100 billion. So how much do we think Cerf, Kahn, and Berners-Lee made from developing the foundational technologies and fundamental protocols of the internet?

This will probably come as a surprise... But the answer is absolutely nothing.

These protocols were developed at government-backed organizations and were “given” to the technology community free of royalties or license fees.
In 2005, Cerf and Kahn both won the Presidential Medal of Freedom, among many other accolades. Berners-Lee was knighted in 2004 and received a long list of other honors as well. Sure, the careers of these three gentlemen flourished because of their involvement in developing these protocols. But the money was made elsewhere.

The reality was that without the protocols, the opportunity to make money off the internet simply didn’t exist. But there were a few that knew what it was all worth.

## The Move to Monetize the Internet

Some who were involved in these early technological developments went on to found some of the most iconic internet companies in history. Marc Andreessen was one of them. He founded Netscape in 1994 to commercialize the web browser.

In just a few years, AOL bought Netscape in 1999 for $10 billion, an incredible sum at the time.

And from there, some of the largest, most successful, and profitable companies were built on the backs of these invaluable protocols.

For example, Netflix essentially became the most successful multichannel pay-TV operator in the world with 213 million subscribers and a $234 billion valuation as of this writing. And Meta (formerly Facebook) has a suite of applications that generates tens of billions of dollars in revenue every year. The company is now valued at more than $820 billion.

Google became the world’s largest advertising company, valued at more than $1.5 trillion. And Amazon is the world’s largest distributor of goods. The company’s market capitalization is more than $1.6 trillion.

Taken together, these companies – and a host of several more – helped to create what we know today as the modern internet. But I simply refer to it as “Web 2.0.”

And what do all these companies have in common?

They are all applications that run on top of these fundamental protocols underlying the modern internet. The technology companies that built these applications captured all the value from those internet protocols.

These companies’ executives and the early investors made life-changing sums... Generational wealth. But the creators of these revolutionary protocols captured nothing at all. Without a licensing or royalty structure, they had no way to capture value from the success of these key internet protocols.

Instead, the corporations were the ones that monetized the value of the underlying technology.

## The Rapid Shift To Centralize

But something strange happened after the internet bubble popped.
Companies that emerged from the rubble managed to survive the crash and continue to build their businesses.

And many entrepreneurs who were lucky enough to have well-timed exits from acquisitions, or cashed out of some or all of their initial public offering (IPO) equity, went on to become venture capitalists and the builders of the next wave of internet-related companies.

Only this time, the focus wasn’t on decentralization and the development of open protocols that everyone could use freely. It was all about proprietary technology, centralized control, money, and yes... power.

Companies hid behind catchphrases like “Don’t be evil,” while wrestling as much control over the internet as they could. The financial rewards were simply too massive. Billionaires became the modern version of multimillionaires.

And online e-commerce company Amazon became a category-defining company, though not in the way that we might think.

In 2002, Amazon launched Amazon(.com) Web Services (AWS), which leased computing power and storage to web developers. The company had been running its own massive data centers to support its e-commerce business, and it figured that others might benefit from its expertise.

That was an understatement.

The business took off. Andy Jassy, now the CEO of Amazon, took over the business in the summer of 2003, and the rest is history. Amazon Web Services, as it became known, became a secret weapon for Amazon.

While the company was dealing with razor-thin margins in its e-commerce business, AWS continued to throw off cash... Which fueled Amazon’s e-commerce business as well as new product development.

In 2013, Amazon finally broke out its revenues for AWS at $3.1 billion. It was an incredible number at the time.

The business was generating strong gross margins and billions in free cash flow. And AWS was not only a strategic asset, but it was also leaps and bounds ahead of the industry... A great embarrassment to companies like Google, which should have been there first.

As of last year, that $3.1 billion in annual revenue has now grown to more than $45 billion in 2020. Facebook, Amazon, Netflix, and Google (part of the original FAANG stocks) all have similar stories.

Netflix, because of the internet infrastructure that the first-gen protocols enabled, then experienced the exponential growth of subscribers and subscription revenue. As a result, Netflix was able to spend $15 billion on programming in 2019. On average, Netflix increases its programming budget by 34% every year.
The numbers are just incredible. No traditional studio or CATV channel comes anywhere close. Even major players like HBO Max only came in at $3.5 billion in 2019. Disney spent $2.5 billion.

Likewise, Facebook has grown to 2.8 billion monthly active users on its platform and is now worth about $820 billion. It generates revenues at 80% gross margins, which will result in an incredible $35 billion in free cash flow this year.

And Google is estimated to control 90% of the ad server market. This means Google reaps about 31.6% of the total digital ad market, with Facebook coming in at a close second around 23.4%.

Combined, these giants control over 55% of the total digital ad market, which already makes up more than half of the entire advertising market (which includes print, broadcast, and of course, online).

What does this all mean?

We’ve seen a massive migration to giant corporations hosting cloud-based services in highly centralized architectures. And this structure has become the antithesis of the foundations of the internet.

The internet was meant to be decentralized – open, free, and resistant to censorship. It was a place where anyone and everyone could share their thoughts and opinions. The internet was also intended to democratize economic power and influence. The goal was to provide everyone unfettered access to the world wide web and information.

But the opposite has happened.

**Power and Influence**

Power and influence gravitated toward Facebook, Google, and Amazon.


Facebook and Google surveil and collect our data daily, whether we know it or not. It is nearly impossible to protect against, and these companies monetize that information daily without any benefit to us consumers.

Both companies feed us information to influence how we think, how we vote, what we consume, and how we should feel about important issues.

This isn’t speculation. The companies have admitted as much. In 2018, *The Verge* reported on an internal video produced at Google. The video speaks of a “selfish ledger” and details how large troves of user data can be leveraged to “nudge” users to make the “correct” decisions.

While these simple truths may not be widely known to many consumers, they are well understood by millions who believe in the original goals set forth by those who built the internet.
And these “faults” of the second generation of the internet are the catalyst for the third generation – or Web 3.0 – which has been under development for the last decade and in earnest for the last seven or eight years.

**The Next Generation of the Internet**

Just like wireless communications technology upgrades every 10 years or so, the internet goes through a similar process as well... Just not as often.

Back in the ’80s, before the internet had even taken off, the first generation of wireless communications had already been deployed. And just like the first generation of the internet, it wasn’t yet a mass-market service.

By the 2000s, wireless communications evolved into the third generation (3G) as the second generation of the internet was in its infancy. And just as wireless technology has now evolved into one of the most explosive technology trends of our lifetimes – 5G – the internet is being flipped upside down.

The migration from one generation of the internet to another happens far less frequently than successive generations of wireless technology. But each generation of the internet is far more profound.

Longtime readers will know how excited I am for the rollout of 5G wireless technology. I’ve said that the transition from 4G to 5G will be a “revolution.” But the transition from Web 2.0 to Web 3.0 will be far more profound. If 5G is a “revolution,” then Web 3.0 is an existential sea change.

Web 3.0 is not only a wildly different technological architecture but also a completely different philosophical approach to solving very complex problems.

It has been 50 years of reflection since the original transmission control protocol (TCP) and internet protocol (IP) were created. In that time, the industry has developed a profound technology. It incorporates the fundamental protocols and open specifications with the monetary incentives that rewarded a limited number of people in the second generation of the internet.

I’m, of course, speaking of blockchain technology... Which is a distributed, decentralized, permissionless, immutable, and highly secure internet technology. What is happening right now is a once-in-a-generation opportunity for savvy investors to get in at the ground floor of the next generation of the internet.

It’s not just about investing in the next Google, Amazon, Facebook, or Netflix – although that will certainly be possible. It’s about taking a stake in the protocols – the cornerstone technology – that will give rise to the next group of trillion-dollar technology giants.

There is no other way to put it.

The technology being built today will be used for the next two or three decades. Our opportunity is now.
The Unique Structure of Blockchain Economics

Blockchain technology projects are often decentralized, usually open, and almost always community-driven. They are very rarely controlled by single corporations. And even if there is one entity in charge, there are typically foundations that guide the project’s technical direction and research and development spending.

In other words, Web 3.0 and blockchain technology aim to return to the true mission of the internet. These developments will deliver on the promise of a truly open, decentralized internet. And they will wrest control away from the Googles and Facebooks of the world.

What makes blockchain projects unique is that they issue a digital asset, typically referred to as a cryptocurrency, as a critical representation of the value of the network that they are looking to build.

We can think of these assets, cryptocurrencies, or tokens as something that is required to be an active economic participant in a specific network.

Put simply, this is how we, as consumers or businesses, transact using blockchain technology.

Blockchain economics is unique. There are no IPOs. In the world of blockchain, there are two major events: an initial coin offering (ICO) – often referred to as a token sale – and the day when a blockchain project lists on one or more major exchanges.

The economic structure of a typical blockchain-related project might look like this:

An Example of Blockchain Economics


A large percentage of the digital assets that are produced are allocated to investors. The funds raised from investors are used to fund the technological development of the blockchain project.
Another percentage, usually around 20%, is allocated for the community that is contributing to the blockchain project. A smaller percentage, usually 10–15%, is typically allocated for future distribution to employees and advisors.

And there tends to be a reserve of tokens or digital assets that are held back with the intention of eventually releasing those into the ecosystem for future token sales.

Each project has variations on this theme, but there is always an economic structure in place to incentivize investors, employees, contributors, industry partners, and ultimately, the users of any given blockchain network.

Investing in a blockchain project is not like investing in a publicly traded equity that is only available during market hours on days when the market is open. Digital assets trade 24/7, are completely liquid and have value driven by network economics.

We are gaining access to the value created from the most powerful exponential growth dynamic – the network effect.

**Utility Drives the Network Effect**

Think about the first telephones. When there were only two telephones, only two people could call one another.

When there were five telephones, there were 10 different combinations of calls that could take place. Today, that number is in the tens of billions.

This concept of the network effect became popularized by Metcalfe’s Law. Bob Metcalfe was one of the inventors of Ethernet technology and a co-founder of the famous internet networking company 3Com.

Metcalfe’s Law stated two simple things:

- The cost of a network is directly proportional to the number of Ethernet cards installed.
- The value of a network is proportional to the square of its users.

While Metcalfe developed his law specifically for internet networking purposes, it couldn’t be truer for valuing cryptocurrencies. More specifically, the concept is that the value of a network is proportional to the square of the number of its users.

As an example, let’s have a look at the chart on the next page of the price of bitcoin – the cryptocurrency of the bitcoin blockchain – and network users from August 2011 to August 2021.

During this stretch, bitcoin has risen more than 675,000%. (Note: The exact returns may have changed by the time you read this research.) Meanwhile, the number of wallet holdings in bitcoin is up 8,797% since then. This is a simple way to measure users on the network.
The takeaway is clear. The dramatic rise in price is directly related to the network effect. As there are more users on the network, and a larger number of transactions, the value of the network increases.

And we’re just getting started.

The value of the network is directly related to the value of its cryptocurrency. And the reason the bitcoin blockchain network has grown so quickly is simple... utility. The more utility that any blockchain technology enables, the more value will be represented in the underlying digital asset price.

The bitcoin blockchain enabled something that was not available to the world ever before. And the creators, early developers, and early participants of the bitcoin blockchain protocol are now millionaires... Some are even billionaires.

And I have wonderful news: It is not too late.

**The Blockchain Revolution Is Just Getting Started**

If you are reading this now, I can tell you that we are still in the early stages of the development of the third generation of the internet and blockchain technology.

Basic infrastructure is still being built out. I can’t tell you how many times I have had discussions with friends and colleagues who have been entrenched in the space where we still talk about how early we are. This is just the beginning.

As evidence, there are currently over 38.7 million digital wallets in existence that hold the largest cryptocurrency asset, bitcoin. Furthermore, most users who hold cryptocurrencies have multiple wallets. I would speculate that there are far fewer individuals actively participating in this market.
There are 7.9 billion people on the planet and more than one billion credit card users... In short, we have a long way to go.

And with the right timing, many more millionaires – and even billionaires – will be minted with well-placed investments in blockchain technologies that provide utility for transactions of value.

Where are the investment opportunities?

They are anywhere second-generation internet technology is being disrupted by third-generation, blockchain-based tech. Here are some examples:

- Internet browsers – Chrome → Brave
- File storage – Google, Dropbox, Box → Filecoin, Storj, SiaCoin, IPFS
- Electronic voting systems – Dominion → Voatz
- Domain Name Systems – DNS → Handshake
- Identity – Okta, OneLogin → Civic, uPort
- Social Media – Facebook, Snap → Steemit, Akasha
- Video/audio chat – Skype, Zoom → Experty, Status
- Network computation – AWS, Google → Dfinity, Sonim, Golem

I could go on and on. Nearly every single aspect of the second generation of the internet is being completely disrupted. And every blockchain-enabled, third-generation technology is capable of performing the same tasks better, faster, and cheaper.

One of the easiest places to see this is the financial services industry. This market segment is being stripped down, dissected, and empowered with blockchain technology. This is typically referred to as the DeFi, or decentralized finance, movement.

- Interested in collateralized margin trading? – Consider dy/dx
- Want exposure to collateralized stablecoins? – Look to tether, U.S.D Coin, or TrueU.S.D
- Curious about bilateral swap contracts? – ox is the place to be
- Automated market makers are explosive right now? – UniSwap and Bancor are solving this problem
- Prediction markets? – Augur and Gnosis are hot
- Uncollateralized lending? – Look to Aave or Marble
- Identity (know your customer)? – Civic is where it’s at
- Decentralized Autonomous Governance Frameworks? – Aragon was a trailblazer
Some of these topics may not sound familiar. They might not even make sense to those who don’t come from the finance industry. But these technologies are disrupting a multitrillion-dollar market.

And they are all critical parts of the world of financial services. They are being designed in the construct of the third generation of the internet. And each of these protocols, each of these technologies, has its own digital asset that we can invest in to take advantage of the exponential growth that comes from the network effect.

Imagine what it would be worth to invest in transmission control protocol (TCP) and internet protocol (IP) back in the late 1970s. Or what about Microsoft’s operating system in the ’90s?

These are the types of investments that produce generational wealth. And personally, they have been some of my most lucrative investments. As an active angel investor, I am an early investor in several blockchain projects:

- **Ripple Labs**: The company behind XRP, the seventh-largest digital asset by market capitalization
- **Filecoin**: A project looking to disrupt remote file-sharing companies like Dropbox
- **Abra**: A popular exchange to buy and sell digital assets
- **Brave**: The decentralized web browser looking to replace Google’s Chrome
- **ShapeShift**: A blockchain pioneer that allows users to “swap” assets without converting to fiat currency
- **Coinbase**: The world’s most popular exchange and a public company with an enterprise value of over $45 billion

These investments have changed my life. And they have all but guaranteed that my family will be happy and secure in the decades to come. A handful of smart investments in Web 3.0 companies can do the same for your family.

**Now Is the Time**

Longtime readers may be wondering, why now?

After all, bitcoin is now more than 11 years old. I first profiled the cryptocurrency in 2015, when it was trading for $240.

The truth is, I’ve been patiently waiting for the right time in the market when the infrastructure and ease of use would be well established enough for my subscribers.

It wasn’t too long ago that investing in the digital asset space felt a lot like the Wild West. I can’t tell you how many times I sent my bitcoin or ether off to someone else who would invest those funds into another blockchain project. The truth is, I never knew if I would see those funds again. Everything was based on my own network of trust.
Those days are finally over.

The industry is now well established, and some great platforms and exchanges remove that kind of complexity and risk from investing in digital assets. And I’m thrilled to be able to open the doors on blockchain technology and digital assets. These are some of the most explosive investment opportunities on the planet.

To be clear, our goal with Unchained Profits is not just to find the “next hot crypto,” regardless of whether or not it’s a solid project. This type of blind speculation can be exciting, but it won’t be our guiding principle.

Instead, we are investing for the longer term in the foundational technology behind Web 3.0. The goal of our new research product will be to invest in the protocols, projects, and even the public companies powering Web 3.0.

Members can expect to receive research and recommendations on:

- **Protocols:** We’ll invest in the projects creating the foundational technology for new networks to flourish. Imagine investing in the protocols of Web 1.0 that gave rise to Amazon, Facebook, and Google. That is the opportunity.

- **Cryptocurrencies:** We will look for quality digital assets that allow users to send, receive, and transact across a distributed network.

- **Blockchain Stocks:** There are a handful of public companies supporting the efforts of Web 3.0. We will profile and recommend the best enterprises powering this movement forward.

As the industry continues to develop, I expect we will also invest in:

- **Security Tokens:** A digital version of real-world assets. Imagine owning a portion of a natural gas refinery or a percentage of a residential real estate building. This is the promise of security tokens. And we will be watching this area closely.

- **NFT:** Non-fungible tokens are in their infancy right now. These digital representations of art promise to disrupt the fine art and collectibles space. As the industry matures, we may have the chance to purchase our own digital art or invest in the companies empowering this exciting sector of Web 3.0.

I’m thrilled to welcome all new members to this exciting endeavor.

As I said, the time is now. And we have so much to look forward to.

Regards,

Jeff Brown
Editor, *Unchained Profits*