


How Blockchain and Cryptocurrencies Investment Firm blufolio Aligns Itself Directly with ESG Investment Principles



blufolio is a Swiss-based investment management firm promoting itself as a hub for investments in new companies and other opportunities at the intersection of blockchain technology, digital transformation, and sustainability. The firm's three founders boast a global advisor and investor network that is sourcing deals and investments for investors ranging from foundations and funds to the more institutional size family offices as well as for the typical HNW private client investor. The premise is that enterprise blockchain adoption is evolving rapidly into a multi-trillion-dollar opportunity, as digital assets and cryptocurrencies are crossing into the mainstream, while decentralised finance, non-fungible tokens and tokenisation have emerged as truly viable investment options over the past two years roughly. UK-born James Dougall is one of the three founders of the firm, with a background in institutional technology investment. We 'met' with him in late 2021 to follow up on an earlier recent discussion we had enjoyed with fellow founder Christian Kranicke. James took the opportunity to expand on two key areas for the business, ESG and blockchain, and how those interplay as the big picture investment facilitation missions of the firm.

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blufolio headquarters itself

headquarters itself in Switzerland, right in the heart of what is perhaps the world's foremost pool of private investment wealth and a centre of both innovation and sustainability. James explains that for the purposes of this conversation, he would focus on how blufolio invests in blockchain-related companies that support and express those ESG investment principles.

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Setting the scene

Operating from that deep reservoir of capital and expertise in Switzerland, blufolio has three core activities. The first is a lighter-touch segment, where blufolio offers its Active Liquid Crypto Portfolio, a Swiss vehicle using proven technical trading signals to drive outperformance. It provides diversified exposure to a selection of the largest and most liquid digital tokens and coins, with exposure to their

preferred sectors (such as NFT-based gaming).

Blufolio launched that vehicle in August of 2021, with the deal sold out within days due to high demand. It is a professionally managed, actively traded portfolio of 12 to 18 of the largest, most liquid Altcoins using the Kraken platform and powered by Secure Wealth Management (SWM).

The second vehicle is a blockchain venture capital fund in the form of a Reserved Alternative Investment Fund (RAIF) domiciled in Luxembourg. The fund focuses on VC equity investments in early-stage companies that are active

in blockchain-based initiatives, as well as on decentralised finance and digital transformation.

Gaining momentum

In this second category of investment options, blufolio offers the opportunity to invest directly through the advisory company, which is blufolio itself in Switzerland. This route gives investors access to the exact same type of companies that the fund itself invests in, but without the lockup period and with a greater degree of liquidity and flexibility in terms of entering and exiting. Participation via blufolio is offered in the form of CHF10 million co-

investment capital, structured as a Convertible Loan Agreement (CLA) under Swiss law.

Reeling off the deals

Examples of deals concluded thus far include the early-stage investment in October 2021 of Israeli digital assets pioneer Simetria, joining fellow investors including Algorand, CoinIX Capital, Consensus Capital and Draper Goren Holm. Simetria was founded by a highly experienced team of finance, regulatory and technology professionals.

Together they have developed a blockchain-based tokenisation and exchange platform powered by Algorand, enabling private companies to digitise and trade non-bankable securities. Simetria is thereby opening the doors to all sorts of assets and asset classes in digital form via tokenisation, helping enable start-ups and unlisted firms to compete for talent with public companies on a more level footing.

And in September 2021, blufolio announced its participation in Securitize's recent oversubscribed Series B funding round, which raised USD 48 million from new and existing investors across North America, Europe and Asia Pacific. Founded in 2017, Securitize is a global pioneer in transitioning securities to the blockchain, reinventing paper-based private capital markets via end-to-end digital solutions spanning capital formation, asset servicing and secondary trading.

The third main area for blufolio is the ETF portfolios, where they offer various multi-asset and single asset ETF portfolios, a business James started back in 2009 under the previous branding of SWM and that now resides under the blufolio umbrella. He had founded SWM



JAMES DOUGALL
blufolio

during the aftermath of the global financial crisis after accumulating 15 years of experience as a technology and telecoms analyst with leading names such as UBS and Deutsche Bank in London.

Expressing the E, S & G

Returning directly to the theme of ESG, James then addresses the 'E' of ESG, where there has been a lot of negative press around Bitcoin mining, which the media has characterised as destroying the planet. "Actually," he says, "the reality is very different, and the record needs to be set straight. There is today close to 70% renewable energy usage in Bitcoin mining, according to a recent Bitcoin Mining Council report, and actually, Bitcoin has been a real driver for renewable energy investment and usage."

He explains that originally, Bitcoin was mined mostly in China, powered by coal-fired energy, but such mining was banned in China in 2021 and the mining has since migrated to a variety of locations worldwide, often and increasingly where there is a drive to renewable energy and other green initiatives.

Getting Personal with James Dougall

James hails from Sussex, where he attended school in Seven Oaks and later studied for his honours at the European Business School in Germany, before going on to complete his Master's in Business in Paris, Oxford and Berlin, spending a year in each in each city. "Germany and Europe were natural for me, as my mother is of German origin and I used to spend lot of time with my grandparents there," he reports. "And it was also fun to study in French language in Paris as well, those were three wonderful years."

He then began work in 1995 in London at what was SG Warburg, back in the days of merchant banking and, after a variety of roles, ended up heading the global telecoms research team for UBS Investment Bank in London.

When the global financial crisis hit, he decided to branch out on his own, moving to Asia to established Secure Wealth Management in 2009, focusing on developing and selling ETFs, building that through to 2017, when he and his two partners founded blufolio, the idea being to bring the two offerings together under one roof.

"When I lived in Phuket, I was busy also playing the guitar, and being a part-time DJ," he reports. "Music is central to my being". Then I came to Switzerland in 2015, and spend most of my spare time in nature, either by the lake or up in the mountains in summer. I windsurf on Lake Geneva from March to October, and I even swim for a few minutes sometimes in the depths of winter. At home, I love reading, I like to write poetry and I also play piano, reasonably well I believe, as I trained as a classical pianist when I was growing up."

He likes to go to France, to Morzine and Avoriaz, for skiing. "I often go with the children and my ex-wife, as we remain good friends. It's a good life!" he says, closing the conversation.

"There are some key facts to note here," he states. "For example, Bitcoin mining in a year uses less than 0.1% of global electricity, considerably less than the effect of Christmas lights around the planet, and dramatically less than the power used to charge electric cars, much of which is from coal-fired generation. And the

global financial sector's usage of electricity totally dwarfs the impact of Bitcoin mining."

Putting money behind movements

Moreover, he reports there is a great deal of innovation taking place to drive 'greener' energy, including less environmentally

damaging mining. “We have invested in two start-ups that actively use blockchain technology to make energy supply more efficient, especially with regard to Bitcoin mining, so there is an argument that this whole area can actually foster technological development and increase usage of renewable energy,” he comments. “And there are other E, S or G drivers for our investments where blockchain innovations can align with and further enhance these important concerns for us all.”

Offsetting emissions

Directly in this field, in November last year, blufolio announced its early-stage investment in environmental DeFi pioneer Enrex, which James reports is building the first DeFi gateway to the untapped multi-billion dollar environmental and carbon markets. The company plans to launch the first exchange on Solana for CO2 allowances and renewable energy certificates.

“The Enrex platform will act as a bridge to unlock digital asset services by combining the features of real-world assets and modern cryptocurrencies with speed, security and cost-savings for market participants,” he reports. “They will buy, sell and use government mandated renewable energy certificates and CO2 allowances directly by means of crypto technology, making crypto transactions and mining CO2 neutral or based on renewable energy, and at the same time offsetting emissions directly with the \$ENRX utility token.”

Blockchain socialisation

He then offers more insight on the ‘S’ of ESG, pointing to Play-to-Earn and Metaverse, where those ideas and concepts went

global overnight. “Everywhere you now look, everything’s Metaverse, non-fungible tokens, Play-to-Earn and so on,” he observes. “We have invested in blockchain gaming for some time, it is a core part of our portfolio, and there will be a huge amount of value creation in that space in the coming few years.”

He explains that one of the key mechanisms for this is what’s known as Play-to-Earn, so the more expert a player becomes, the more tokens, or NFTs, they obtain, and they can then trade globally. It is a skills-based reward system, it is not gambling but instead directly rewarding skills, participation and engagement in the network, which is social by nature, as this involves the players in a global network or community.

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Social and financial inclusion

“This is all pretty new, and we only got involved in the second quarter of 2021, through a game called Axie Infinity, where there are numerous players, many of them earning decent money,” he reports. “They might be playing for a few hours every day, and in some countries, for example the Philippines, some of them are feeding their families

this way, or supplementing other income. In our privileged first world environment, we often hear people saying how this is creating a world of zombies in front of screens and smartphones, but for us this is all a luxury, whereas in some poorer countries this can be a means of survival. So, we feel that basically, in one go, this can massively uplift the social inclusion element and financial inclusion, all powered by the blockchain.”

Values also exist on the blockchain

He then addresses the ‘G’ of ESG, explaining that different consensus mechanisms on blockchain can combine to help democratise governance

of networks. “Historically we’ve always focused on the governance of companies, but this is shifting to the governance of the network in blockchain because the value resides there,” he reports. “That is why many investment companies, us included, now incline to straightaway buy tokens of projects we’re looking at rather than old-style equity in the company, because the value now



is transferring very rapidly to be almost entirely contained within the network in blockchain.”

Accordingly, he says governance has now been made a lot more democratic through the introduction of proof of stake consensus mechanism. That, he says, means in non-Bitcoin and non-proof of work consensus mechanisms, the validation mechanism required to create the next block in a blockchain for example Ethereum, Solana, Polkadot is a mechanism called Proof of Stake.

The democratisation of governance

“As the name suggests, that simply means that the more tokens you earn, each of which has one vote per token, the higher your voting power in the network, and because tokens can be owned fractionally and are distributed globally by the internet, there’s no need for share certificates, and it is therefore instantaneous, and it’s global,” he elucidates. “You’re still getting a huge democratisation of governance in blockchain and in network-based projects, which we also very much like.”

He steps back somewhat from the new age technological aspects to reiterate that blufolio and those involved in the firm have a deep philosophical commitment to ESG. “We feel that blockchain can go at least some way to providing genuine innovative solutions, which are going to completely bypass all the broken legacy systems, whether it’s voted in governments, or the banking system, or old-style legal contracts done physically with lawyers and all that stuff,” he says.

Changing society for the better

James observes that the disintermediation that the blockchain is going to offer will massively change every level of society in the economy, and for the better.

“And this is exactly where our commercial drive aligns,” he says. “The capital that we are channelling towards these start-up companies through our VC Fund is of course seeking high returns, that is the primary goal,” he elaborates, “and they are indeed achieving exactly that in very short time frames.”

Value creation on steroids

He goes further, stating that he sees this current period as perhaps the greatest phase of value creation that humanity has ever known.

“The value creation that the blockchain has now started to drive, and that will continue for many years, is going to dwarf even the internet revolution, so we see ourselves in today’s 1990s, right at the start of the curve,” he enthuses. “Accordingly, just from a return perspective, the average person can make colossal returns. And to be part of the ESG drive at the same time is perfect for our overall investment philosophy. In short, everyone should have exposure in this space.”

Join the revolution

He concludes these observations by stating that blufolio is the ideal vehicle, as it offers a conduit to professionally managed exposure to this phenomenal growth. “Whether it is the crypto fund that we have, or the blockchain VC, we are all seasoned professionals

in the space, and we have a large network of technology advisors, we have the experience and we are a regulated entity in Switzerland.”

Avoiding the many pitfalls

He also cautions that the space is an absolute minefield potentially. “If people go off and start to do their own crypto investing, there are so many pitfalls, so many scammers and rip-off merchants, and there is no recourse,” he warns. “If you

invest in the wrong situations, if you get hacked and you lose everything from your browser wallet, there is absolutely no legal recourse.”

He closes his commentary by explaining that investors can enter the expanding array of blufolio-sourced investments through bona fide avenues, for example banks or brokerages, and that, for example in the cryptos fund, there is plentiful liquidity to trade in and out daily if the investor wants.

“Investors working through blufolio have the comfort that the products are professionally managed, and also have institutional custody, which is extremely important,” he concludes. “All these important elements of the equation will give the right level of comfort to those who want to build some exposure, but who do not have the expertise or inclination to venture in themselves.” ■

