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LAUREN FOSTER: Hello, and welcome to the Take 15 podcast from CFA Institute. I am Lauren Foster, and this is the show where we bring you short conversations with some of the world's most interesting and accomplished people. Today's guest has been called a prophet of alternative assets, the crypto whisperer, and an investing guru. He is Mark Yusko, founder, CEO, and Chief Investment Officer of Morgan Creek Capital Management.

Mark is a frequent speaker at investment conferences and honed his skill as an investor running the endowment at the University of North Carolina at Chapel Hill. We talked about a lot of things, asset allocation, manager selection, his aha moment about blockchain, investing in innovation, and the idea of conviction. I had a lot of fun, and I hope you enjoy the conversation. Mark Yusko, welcome.

MARK YUSKO: Oh, thanks for having me. I look forward to the conversation.

LAUREN FOSTER: Yes. I'm very excited to have you today. So you're actually joining us from California, although home normally is, I guess, North Carolina, right?

MARK YUSKO: North Carolina. And in fact, today is our last day in Santa Monica. We've been here for about 3 and 1/2 weeks. We came out a little early to help my daughter and her husband get ready for baby number two. So baby number two arrived on Friday, and we are departing today and handing over to the other set of in-laws. So they'll have lots of help, but very exciting times here in California.

LAUREN FOSTER: Yes. Well, congratulations on the new baby. So you embarked on this great American road trip, and I'm really interested in hearing, tell us how many weeks you were on the road, where you went, and I'm also very curious to find out, what was the biggest eye opener on your travels?

MARK YUSKO: Yeah, so this is week six. It's actually the longest I've been away from home just about ever, and we left six weeks ago from North Carolina. We went across eight states to get here. Traveled across Route 40, hung out in Oklahoma for a little bit of time to see my father-in-law's 84th birthday, and then stopped in the Grand Canyon.

The biggest takeaway was actually a little bit scary. This idea that the economy is recovering? No way. No way, no how. The stuff we saw was really scary at best and actually pretty terrifying at worst.

I mean, Santa Fe, New Mexico was the worst. One out of three businesses in downtown Santa Fe boarded up. The two shopkeepers we were able to interact with both said they were closing at the end of the month. No chance of coming back. People camped out on the governor's mansion, calling for her impeachment. They hate her. Say she's killing New Mexico one small business at a time.

So and the homelessness issue everywhere. Nashville, Tennessee. Everybody thinks that it's a boomtown. Never seen so many police cars around the hotel we were staying in downtown. Lots and lots of homeless. A big problem there. They're trying to decriminalize homelessness in Nashville.

And then here in Santa Monica, wow. I mean, they just erected a seven foot tall statue in the middle of town kind of to bring the public awareness of homelessness. So I don't know. I think the lasting effects of this lockdown to the virus have been really underestimated, and I think it's going to cause a lot of stress.

And so we're heading back on Highway 10. So we're going to see another eight states on the way back, and I think it's going to be eye-opening as we head through Louisiana, Mississippi, Alabama, Georgia. Amarillo, Texas. Oh my gosh. Total ghost town. Total ghost town.

And the Grand Canyon, right? Maybe 25ish% of normal volumes. At the lodge we stayed, two cars.

So again, just-- and there's this great quote about travel is great because it separates what you think things are from what they actually are when you actually see things and observe things. And so it's really been a gift to have this six weeks on the road, to really have this eye-opening experience about what is really going on on Main Street. And yes, stocks were, past tense, making record highs, but there are no record highs on Main Street as far as I can see.

LAUREN FOSTER: So did the road trip change your expectations about economic recovery or really just affirm them?

MARK YUSKO: It changed them completely. I said, I was horrified. I mean, I thought things were less robust, but I had no idea how bad and just how much pain there is. And just seeing it face-to-face, right?

And sure. There are plenty people doing great, right? There are plenty of Teslas driving around here in Santa Monica, and there are plenty of Range Rovers all over Tulsa, Oklahoma. But boy, there is serious pain, and you see it in people's eyes.

And it's when you talk to people. You go to a restaurant, and there's no one there. I mean, we went to a restaurant in Santa Fe to ourselves. We were the only people there. And you talk to the innkeeper-- I mean, the restaurant head, and he's like, look, I don't think I can make it. I don't think I can stay open.

And I think people forget that small business is what drives America. Big business is great, and it's splashy, and it makes the headlines, but small business creates most of the jobs. And I think there's a big fallacy, and I think it's going to come out.

There's this thing in the Bureau of Labor statistics, the BLS data, on job creation. And they use a model. And it basically says when you're this far into an economic expansion, this many companies should be being born and this many should be dying, and therefore, the birth-death ratio should create this many jobs. And it's an estimate, right? They don't actually observe the jobs.

Well, that number is wrong. I'm here to tell you, it's wrong. And the number of people who are out of work, who have no prospect of going back to work and who are really going to be struggling for a while I think is just much, much bigger than we all think. And it's not a pleasant reality, but it's, again, it's the reality I've seen with my own two eyes.

LAUREN FOSTER: Yeah, it's really heartbreaking to hear, and I'm sure even more difficult to actually see it firsthand. So I'm going to sort of rewind the clock a little bit to where we're in the present to start with, and we're now we're going to step back in time a little bit. I want to go to where it all began, and that is where you started your career, your alma mater, the University of Notre Dame.

I've heard you say that when you were there, you had a career epiphany, and that was that investing is more than just picking stocks and bonds. It's all about asset allocation. I have also heard you talk about, what I'll call out, the three legs of the stool, asset allocation, manager selection, and then portfolio construction. So let's start with the asset allocation. How are you thinking about asset allocation today?

MARK YUSKO: Yeah. Look, well, one, I appreciate you doing some homework, and there's nothing better, actually, than having a conversation with an intelligent host who has really done their homework and asks great questions. So I really appreciate that. And yeah, I did have this epiphany, and I mean, it really was almost spiritual in the sense that I grew up in the investment business. I worked for an insurance company and then an asset manager, and I thought, oh, I'm a stock picker. I'm a bond manager.

And then I get to Notre Dame, and I realized that the bulk of the returns are whether you're in stocks or bonds or real estate or commodities or venture capital. The big decisions like, do I go to Japan or Europe or the US or emerging markets dwarf should I own Ford or GM. And that epiphany led me to really spend a lot of time focused on asset allocation. And one of the things that it led to it at Notre Dame, and has continued today, is that Notre Dame is one of these elite schools that enjoys this great performance over the long term because they allocated capital away from the public markets to the private markets, particularly to venture capital, where all the innovation and wealth creation is created. And it's just been phenomenal.

So again, that big picture asset allocation decision to move out of overvalued public markets into undervalued private markets was a boon to them and to Yale and Princeton and Stanford and others. And that has stayed with me throughout my career. And investing is all about cycles, right? There are cycles related to the business cycle, to the interest rate cycle, to economic expansion contraction liquidity, expansion and contraction.

Well, all of that leads us to where we are today. And I think there's never been a more important time to think about asset allocation because we financialized the world. Everything now is all about stocks.

Heck, it's not even about stocks anymore. It's about tickers. It's about four letter symbols, and people buy them just because they're moving. And they don't care about the valuation. They don't care about price. They're just like, oh, well, the market opportunity is so big, and this is such a great company.

Well, look, there's a huge difference in a great company and a great stock. I mean, Microsoft was a great company in 2000. But for the next 20 years, you had a negative return. Just let that sink in, right? You bought Cisco or Microsoft or Intel in 2000 at these crazy devaluations, and for 20 years you had a negative return.

And I think we're there again. So when I think about asset allocation, those three pillars, asset allocation, manager selection, portfolio construction, we spend most of our time thinking about asset allocation. Stocks, bonds, international, domestic, emerging markets, developed markets. Then we go down and say, OK. Once we say OK, we should be overweight emerging markets versus submerging markets, as I like to call the developing markets.

And why are the developing markets submerging? It's because they have bad demographics. Too many people 65 to 85. 10,000 people every single day turn 65 in this country for the next 17 years, same thing in Europe. It's not that 65 to 85-year-old people aren't nice people, they are, they're just not very productive, and they don't spend as much. So economic growth tends to fall.

Second problem we have is debt. And every empire finds itself with excess debt, and excess debt is a drag on productivity and a drag on economic growth. And that's where we are today. And so the only way out is to devalue your currency. So we are devaluing the dollar, they're devaluing the euro, they're devaluing the yen.

And that devaluation leads to this problem with money illusion, where the nominal value of assets goes up, but the value of real money, like gold or ultimately maybe even Bitcoin is digital gold, but gold, if you look at the S&P over the last two years, it's up a little bit. It's up like 7, 8% a year. But if you denominate it in gold instead of dollars, it's actually down 44%. Because we're devaluing. I say we, meaning the Fed and the central banks around the world are devaluing. So you have this problem in that assets are less attractive all around the world because of this devaluation. So as you look to better places to allocate capital, there's really only three or four areas that we see today that are attractive.

One is the private markets, particularly venture capital, which is where the innovation is occurring, and the disruption is massive today across all aspects of digital innovation as we go from analog and electronic world to a digital world. The second is in the emerging markets, the developing markets, where they actually do have demographic boon. They have lots of young people, and they have the opportunity to get real economic growth going forward.

A third area that we think is interesting really is very specific to China. Everyone hates China right now. It's very easy to bash on China. You've got the Cold War 2.0 from Washington DC. But the reality is, China is going to transition from a manufacturing economy to a consumer economy the same way the United States did post-World War II, and we had a 40-year run of just phenomenal opportunities in innovation, wealth creation, public markets. And I think the same thing's going to happen in China.

And then the last thing is this idea that stores of value. Real assets. Gold, silver, and ultimately Bitcoin, anything that can store value and protect you against this devaluation of currency I think is going to be critically important. So those are where we see the bull markets and then maybe one last one is alternative energy.

One of things I saw going across country, I'd never seen so many windmills. Thousands of windmills. Huge solar farms. And I think that trend is durable, and there's probably lots of opportunity there.

LAUREN FOSTER: So I'm glad you brought up Bitcoin because I'd love to spend a few minutes on that. I was reading before our conversation that you used to be a skeptic of Bitcoin and the underlying blockchain technology that it's built on. But now you believe that Bitcoin is one of the biggest wealth creators, and you've even said that every investor should hold some Bitcoin. So I'm curious what's changed your mind, first of all, and then how are you allocating in this area, and how should other investors be thinking of in terms of percentage-wise for a hedge like Bitcoin?

MARK YUSKO: Yeah, the aha moment for me, literally the eureka moment, came in Eureka, California, of all places, actually. I couldn't make that up, right? I was in a RV, driving around Eureka with the family.

And I had this literal epiphany where it was like, wait a minute. It's an operating system. So blockchain technology is essentially triple-entry accounting. That's really all it is.

If you think about the old days of single-entry accounting, I would write down, if I lent you money, I would write down that you owed me money, and then you would have to rely on me being honest and writing down the right amount. Then we went to dual-entry accounting in the 1200s, 1300s, and the Medicis created this whole banking cabal that we live with today. And the bank played that independent role.

So if I want to transfer value to you, I have to have a bank account. You have to have a bank account. I transfer the money, and we both rely on the bank to be the arbiter of truth. And what blockchain technology does, it says, we don't need that intermediary, that trusted third party because they could cheat.

Think about playing Monopoly. If we assign someone to be the banker, the banker could actually slip themselves some extra money under the table. We'd never know. But if all the money is on top of the table, fully transparent, and that's what blockchain technology is, it's a transparent ledger, triple-entry accounting, that does away for the need of that rent-seeking middleman.

And so that aha moment, it's like wait, this is an operating system for a technological evolution, not revolution, for a technological evolution that's been going on every 14 years. Actually, I haven't figured out why it's every 14 years. But every 14 years since the 50s, 1954 with the mainframe, '68 with the microchip, '82 with the personal computer, '96 with the internet, 2010 with the mobile net, and 2024 with the trust net, or the internet of value. And if you think about it, every one of those eras has an operating system.

Back in the old days of the IBM mainframe, there was Fortran and COBOL operating systems. Then we went to Intel and the Sun SPARCstations. Then we went to '82 with the personal computer. We had DOS, Disk Operating System, or Windows.

Then with the internet we had TCP/IP, which is what everybody runs on today. It's invisible. And then we had the mobile net, so we have iOS and Android, and with blockchain technology, that creates this operating system for exchanging all things of value. So every stock, every bond, every currency, every commodity, every private business, every piece of value in the world will ultimately be digitized. So it'll be a digital asset instead of electronic or analog asset, and we'll exchange it using this computer network blockchain, this operating system.

And that protocol, which Bitcoin is the first protocol application, just like TCP/IP. When the internet was founded, there were 80 protocols, 8 0. Today, we have five. We have TCP/IP, we have FTP, we have HTTP, we have SMTP, and we have www. Those are the five protocols.

The same thing will be true going forward for the protocols in blockchain. Bitcoin was the first. Bitcoin also has this nifty feature of being a digital store of value. It's a better form of gold. It's more divisible.

I always tell the story, there's this movie I watch a lot called*Knight's Tale.* Heath Ledger movie about jousting, and he wins this tournament. And he gets this gold calf. And he literally, his page gets busted for doing some bad stuff, and has to pay off the debt. He literally bangs the thing on the table and breaks off a leg and says, go do what you do. That's a really bad way to try to divide gold.

Well, with Bitcoin, I can divide to 8 decimal points. It can be very precise. It's very portable. Gold's very heavy, very hard to transport.

So Bitcoin, I believe everyone should have 1% to 3% allocation because it is that anchor to windward. It is that store of value. And if you, again, think about the S&P denominated in Bitcoin over the last couple of years, it's down a lot. Like a lot a lot. And so that's because Bitcoin, like gold, is acting as a currency that's appreciating in value as the value of paper currencies depreciates.

LAUREN FOSTER: Interesting. So as an investor, you love to-- well, you say you love to buy things today before most people understand and believe them.

MARK YUSKO: Yes.

LAUREN FOSTER: So where are you seeing some pockets of innovation that get you excited today?

MARK YUSKO: Yeah, look, it's actually my pinned tweet on Twitter. So if anybody cares, I'm @MarkYusko. And I talk about this, that the biggest wealth, the greatest wealth, is always from investing in things that you believe in before others even understand.

And that goes back to on our first investment at Notre Dame in this little company called Google, which at the time I thought was really stupid. There were 21 search engines. We didn't need number 22. Turned out, we did need it. And they had a disruptive innovation in the form of indexing search. Rather than search the whole world, they would search a piece of the world, and they made search faster, and they could charge more for it.

So there are so many innovations today. So many disruptions. We see it in consumer-facing technology. We see it in fintech. Financial services are ripe for disruption, particularly using blockchain technology.

There's tremendous innovation in logistics all around the world. E-commerce is an area we've spent a lot of time. And people forget that it's not just about the FANG stocks, the Facebook, Amazon, Microsoft, or Netflix, and Google. It's all around the world.

Sea Limited, which is a e-commerce company that focuses on Southeast Asia, they have a much bigger marketplace than the United States. Because Indonesia alone has 265 million people. People are like, what do you mean? That's 265 million people. It's a big place.

And so if you have a marketplace that is bigger and growing, lots of young people, look at India with 1.4 billion people, China with 1.2 billion, Southeast Asia suddenly looks really interesting. And the balance of power is shifting to Southeast Asia. So the other two areas that we're really focused on, again, why we're excited about China, are 5G and AI. If you think about those two technologies, they're going to drive all of the innovation around telecommunications, around media, and all of that is being driven by the fact that China decided many years ago that they were going to graduate lots of engineers.

So we became, 10 years ago, the leaders in social media. We are awesome at Facebook and Instagram. Yeah, well, I would have rather been the leader in AI and 5G, which is where China is, which is why we get all upset in the United States about China having better technology. It's not that they steal technology. 20 years ago, they definitely stole technology. Today, we'd actually like to steal it from them because they have better technology because they graduate 10 times as many engineers.

So innovation around anything that takes out that rent-seeking middleman, really important. Anything that facilitates the transfer of goods and services, really important. Anything that globalizes-- we have this anti-global rhetoric that's going around, a nationalism, a populism.

Well, the internet and the applications of the internet through the trust net through blockchain take that to a different level. It's borderless. Bitcoin is a borderless currency. It can be used anywhere by anybody. Frictionless, costless.

And that idea that the whole world is one big nation instead of individual nations competing for resources is really interesting, a little mind-blowing, actually, and it is going to create tremendous opportunities for investors going forward. So lots of great stuff. Now, all that said, you want to avoid investing in the places where you're paying too much today for a dollar of earnings. And there are plenty of examples in enlisted companies. So playing in smaller cap names, international names that are undiscovered and unloved, and maybe even some private market opportunities, if you can get access to them, is a really good place to go.

LAUREN FOSTER: So I'd love to spend a few minutes on that second pillar. So we did asset allocation first, and there's manager selection. You've spent your career finding good talent in the industry. What is your process for evaluating managers, and what characteristics are you looking for?

MARK YUSKO: You know, I've just been truly blessed. I say I have the best job in the world. I get paid to talk to the smartest people in the world about investing. And if you can't pick up a nugget or two along the way, talking to the smartest people in the world, then there's something wrong. And I've also been blessed in that I just lucked out.

Now, I always say my life's a series of happy accidents. And I lucked out. I went to University of North Carolina after Notre Dame, and Julian Robertson happened to be one of their biggest alums and managers, and he befriended me, took me under his wing, became a mentor. And it turns out that Julian is the greatest identifier, trainer, and backer of talent the investment business I think has ever seen. And so I got to know all these guys and gals that worked for Julian that went out to start new firms, and I've just been blessed to observe what made them great.

Julian has this great test he gives people. It's an intelligence test and a personality test and a competitiveness test. And there's a book actually written by Kathy Burton called *Hedge Hunters,* where she interviewed Julian and a couple of the other guys like Lee Ainslie and others who worked for Julian, and she asked me to write the foreword. And she said, what do you look for when you are looking for individuals? And I say, the big thing is we flip the four Ps on its head.

Most people look at performance. They chase the hot dot. They want to hire whoever is doing well. We look at performance last. Performance is a symptom.

Performance is created by people, philosophy, and process. So we spend all of our time getting to know people, understanding people, and we look for certain things. One of the things I look for is competitiveness. And that's one of the things Julian taught me.

Is somebody competitive? Whether it's golf, tennis, Tiddlywinks, doesn't really matter. Are they super, super competitive? Honesty and integrity, very, very important. If someone-- like you play golf with someone, and they cheat? If they cheat at golf, they'll cheat on you. If they cheat on their spouse, they'll cheat on you.

So people who aren't honest, who don't have integrity, no time. No arrogance. Confidence is great. Arrogance is bad. So humility is-- I tweet about this. I tweet the #edge, and I tweet about things that I think give people an edge.

And one of them, maybe the most important thing to me, is humility. Because in this business, you're wrong all the time. The legends, Julian, George, Michael, and once you're known by your first name, you're a legend. That's the way it works. So I don't say their last name. No one ever knows who I'm talking about.

Those people are right 58% of the time. So that means they are wrong a lot. But if you're wrong, and you can't deal with being wrong, and you always have to be right, you're going to be terrible at this business. And so being wrong, you learn from those mistakes, and you gain knowledge and experience and then you get better at decision-making going forward.

But that ability-- so there's two quotes from basketball that I'll use here. So one is from Coach Smith at North Carolina, and he said, with mistakes. And look, if you're going to be in investing, you're going to make lots of mistakes. You got a CFA, you understand this. Everyone's going to make mistakes.

And you have to RALF. You have to Recognize it, Admit it, hardest thing, Learn from it, and Forget it. And the forgetting is critical because now Coach K, on the other side of town, people don't like when I talk about him, but he is an amazing coach, and Duke's a pretty good team too. Even though I lean light blue.

But Coach K said-- I got to meet him, and I got to spend time with him, and he said, look, you know what separates the great players from the average players? Or the great investors from the average investors? He says, the average player, average investor, always focuses on the last play. The great player, investor, always focuses on the next play.

So we're watching the NBA playoffs right now, down from Disney World. And how many times do you see somebody miss a shot and go down and commit a stupid foul? Because they're thinking about the last play. They're thinking about missing that shot. A great player doesn't even remember taking the shot. It's instantly erased, and they go back, play a good defense, steal the ball, and make a layup.

And Michael Jordan talks about this. One of the greatest players that ever lived. He said, I've taken thousands of shots with the game on the line. Hundreds of shots that I missed. I don't even remember taking them because everything is about the next opportunity.

Or Babe Ruth said, someone asked him, how do you feel? You just struck out three times. Like, it's awesome. I'm that much closer to my next home run.

The past is the past. Focus on the future. And I think the same is true with investing. Is we're going to make mistakes, but you've got to not be burdened by them. You have to learn from them, like coach Smith said, but then you have to forget them.

And you have to move on, and you have to-- here's the thing. The greatest investors make way more mistakes and are wrong way more than bad investors. People say no, that's not possible.

No, no, it is because the average person doesn't make decisions. They're so petrified of being wrong, they just don't make decisions. They don't make investments. They just stay out of the game.

Great investors, they make lots of investments. When they're wrong, they cut quickly, cut your losers quickly, and the key that separates the best from the rest, and it's so hard to do, and I've been fortunate. I said I've interviewed every person just about that ever worked for Julian. And I asked them one question. What made him so great?

And a lot would say, oh, he could do the numbers in his head or he is a person of the highest integrity I've ever met. All of them said the same thing. Had an uncanny ability to double up. To press his winners harder. And that's the opposite of most people.

Most people, they double down on their losers because they want to be right, and they trim their winners as soon as they have a little bit of profit because they're scared of losing their profit. Winners win. And one of my favorite players, Pat Connaughton, Notre Dame guy, plays on the Bucks now, there's this great scene where they were playing Kentucky in the NCAAs. And everybody thought Kentucky was going to win. And Kentucky had just taken the lead.

There was only a few seconds left, and he's in the huddle, and the camera came in, and he said, guys, it's not over. We're going to win. And everybody's like, are you kidding me? Didn't you see what just happened? There's no way we're going to win.

Sure enough, they won. Why? Because, he said, my dad taught me, winners win. And if you think like a loser, you're going to lose. If you think like a winner, you're going to win. Now, you don't win every time. And it would be a different story if they didn't win, but winners win. So.

LAUREN FOSTER: What role do you think conviction plays in that? When you talk about doubling up, does that take real conviction to double up?

MARK YUSKO: It's all about conviction. And again, tying it all back to the CFA. What does a CFA teach you?

It teaches you about fundamental analysis. It teaches you about doing the work. It teaches about research. It teaches about relationships. It teaches about seeking alternative points of view, to challenge your own.

Conviction, if you don't have conviction, you'll fold. You'll fold. You won't press a winner. You'll immediately change your mind, whereas having conviction is critically important. And people say, but what if you get arrogant? What if you won't change your mind when you're wrong?

Conviction is critical, but it's strong opinions loosely held. As my wife reminds me, she says frequently wrong. I say occasionally wrong. Always never in doubt, never in doubt. And yes, I speak with conviction.

I speak with author-- and people say, last week you said this and now. Yeah, I changed my mind. When the facts changed-- Lord Keynes said, when the facts change, I change my mind. What do you do?

And this idea that you should be meek and not have conviction because you want to be politically correct, baloney. If you believe something, if you've done the work, believe it. And have the conviction, and go big. But as soon as you're proven wrong or new information comes up, change your mind. Nothing wrong with changing your mind. Nothing wrong with being wrong.

I don't remember who said it. It was a famous trader. I wish I could remember his name. He's super famous. Chicago Mercantile Exchange trader, and he said, being wrong, no shame. Staying wrong, bad.

LAUREN FOSTER: Yep.

MARK YUSKO: Nothing wrong with being wrong. A lot wrong with staying wrong.

LAUREN FOSTER: Right. So speaking about mistakes, the last time we chatted, you were about to get off the call and hop on to, I guess, a seminar or some other discussion with a bunch of guys, and you were going to discuss, I'll use the polite language, your biggest mistakes. So you left me hanging there and I'm so curious. What--

MARK YUSKO: It was awesome. So--

LAUREN FOSTER: --was your biggest mistake?

MARK YUSKO: --three of my favorite guys in the business, Raoul Paul, who runs a firm called Real Vision, Kyle Bass, who infamously made a lot of money in subprime and is very vocal in the media. Everybody knows. And then this guy, Hugh Hendry, who is a kind of really iconoclastic investor from London. Worked with Chris [? Benotti. ?]

And basically, they had a panel, and I was the moderator for Your Biggest Eff Up in Your Career. And it was awesome. And because once you use that vernacular, it kind of lowers the bar and everybody's kind of relaxed and casual, and it was amazing. In three out of three cases for them, they were all related to post-global financial crisis, not realizing quickly enough that the world had changed. That central banks had found a way to create something out of nothing and to levitate the nominal value of assets, despite the fact that the fundamentals were still bad.

Kyle was lamenting, look, I did the work. The numbers. And this company was bankrupt, and I stayed short. It just didn't matter anymore because the central bank was going to bail out even the bad companies. And I think the epiphany for all three of them was, when the game changes, when things change, you have to say, ah, OK, a fundamental analysis is great, but there are these other issues, like liquidity, like technicals, like other investors, like day traders, and the like. So it was interesting.

But it's interesting too in that we all tend to-- because I turned it around at the end of the panel, and I said, OK, it's great to talk about your mistakes, and we're supposed to recognize, admit, learn, forget, and you're supposed to focus on the next play. But you actually learn as much, if not more, analyzing your successes. And nobody does that. And it's weird.

We have this culture like, if you have a kid, and they come home with four As and a D, what do we all do? Oh my gosh. We have to get you a tutor, and you have to spend all your time on the D. What should you do? Drop the class with the D, and spend all your time on the four As.

You don't have to be good at everything. But we have this culture that doesn't allow failure. I call it the participation trophy culture. And failure is OK. And failure teaches us.

Like Thomas Edison said, I never failed. I found 10,000 ways not to make a light bulb. And that attitude of resilience-- Number one. Forget confidence, forget humility. Number one most important thing that I look for in people is resilience. That ability to bounce back from mistakes, to bounce back from failures, to bounce back from setbacks and to constantly take what you learned, apply it, and do something bigger and better and greater.

LAUREN FOSTER: What was your greatest learning moment?

MARK YUSKO: Too many to name. So I have one on both sides. So the one where I left the most on the table, so I didn't lose a lot of money, but I missed it, was seven years ago.

Dan Moorhead, my friend, introduced me to what he was going to do. He was basically shutting down his hedge fund, going to spend the rest of his career focused on blockchain technology and Bitcoin. Just starting two funds, a Bitcoin fund and a blockchain infrastructure fund. Look, seven years ago, I was not dealing drugs on Silk Road. I was not a cryptography student. I didn't really get what Bitcoin was.

But blockchain Infrastructure? Got that. Immediately got that. That first fund of his, up 11x. No one's complaining.

But I should have put all the money in the Bitcoin fund. It's up 150x. Best growing hedge fund in history. That was a mistake. So plenty of other big mistakes.

Post-global financial crisis, I too, like Raoul, and I think anyone who was trained classically as a fundamental analyst, really struggled in 2009, '10, '11. Because we just didn't get that a central bank printing money and buying bonds could actually find its way into equity valuations. It was nonsensical to me. So I had made a bunch of mistakes related to that.

But I said the nice thing about this business is there's so many opportunities to learn, it's a euphemism for making mistakes or being wrong. And I say all the time that wrong is just early-- I'm sorry, is just a euphemism for wrong. And I was early. And I was definitely going to be right later, but I was early. No, you're wrong.

And so many examples of that. Right now, I'm going through this one where I have high level of conviction that oil and energy got really, really cheap in March, and it was a great buy. And we looked really smart for three months. And now we're not looking so smart. It's given back most of that gain.

And we actually had a conversation this morning at our investment committee. Are we wrong? Did we misinterpret the data? Is there something going on? Because oil is off 8% or something today.

And no. I still, at least right now, don't think it's a mistake, but it might turn out to be. So here's one where I have a firm or strong opinion loosely held and more loose than yesterday.

LAUREN FOSTER: So my last question, and this is what I've been doing, I guess, in the COVID era, quote "the ray of sunshine" question. I try to end with something positive. So what do you think is the most positive change that will come out of COVID? And for you, what are you most excited about?

MARK YUSKO: Yeah, so I'm going to preface it with a dark part that I hope doesn't happen because it's really important to me. And I've been saying it to anyone who will listen, and no one really cares. But I hate the term social distancing. It's the opposite of what we need.

We do not need social distancing. We need social hugging. I'm going to be arrested for assault with a deadly weapon because I'm going to hug people in a post-COVID world. And people are going to look at me funny, but I'm going to do it because we need social embracing. We don't need social distancing.

Maybe physical distancing, but we don't even need that. What we need is community protection. The vulnerable people, we need to protect them. But the rest of us? The 99.96% of people that are never going to get the virus, don't have the virus, we don't need to isolate them.

We don't need to make-- so that one makes me crazy. And if we go down this path of isolation, we're going to have more suicides, we're going to have more failed businesses, we're going to have more depression. It's just going to be ugly, so I'm hoping that doesn't happen.

So the flip side of that, the ray of sunshine, is the acceleration of digital trends. For me to be gone from my home in my office for six weeks and to be able to interact with people and function, so the kind of work from anywhere, is awesome. The adoption of digital. The adoption of moving to a digital world, a digital first world where we can get rid of the old antiquated analog and electronic shackles that bind us I think has been accelerated by three or four years and is going to unlock incredible upside potential.

So I'm actually-- it's funny. I have this reputation. Oh, Mark's a bear. I'm like, I'm not a bull. I'm not a bear. I'm a realist.

I just like to look at data, and I like to make conclusions based on data. And the data is telling me that public stuff is pretty unattractive, and it might have really bad outcomes, stocks and bonds, but private markets and innovation and small cap tech and emerging market tech and all the places where all of these trends that have been accelerated by this COVID ridiculous lockdown.

We've been dealing with viruses for thousands of years. This is no different than any other virus we've dealt with as a human species. For some reason, we've lost our minds, and we think we have to act differently than we did over the last 2000 years. It makes no sense to me, but it does have dramatic, potentially draconian implications for business and for life, and I am hopeful that we get past this.

We go back to normal, and we go back to-- I was walking home last night late. We were overseeing the baby, and this young woman came down the stairs, and she literally jumped back because it was another human. Like, no, no, stop. It should be, hey, how are you doing? How was your day? Do you know where you're going? Can I help you?

No. Not the oh, I'm afraid of everybody. The presumption of sick is wrong. The average person is healthy. The average person is great.

You and I having this conv-- we should be able to do this in person, we should have coffee, we should hug, we should shake hands. The presumption of sick is wrong. The presumption of progress, that presumption of everything's going to be great in the future, that's where we should start. So that's my ray of sunshine is it is all going to get better. We can make this better, but it's got to be this collective effort to not do what they're telling us to do but to protect the vulnerable communities, embrace change that's coming out our way, and be collaborative and positive and do more stuff like this.

LAUREN FOSTER: Well, Mark, it's been tremendous fun chatting with you. Good luck and safe travels for your trip home.

MARK YUSKO: Thank you.

LAUREN FOSTER: And thank you so much.

MARK YUSKO: All right, thanks.

LAUREN FOSTER: Take care.

MARK YUSKO: I really appreciate it. It was a lot of fun, and I hope we do it again sometime.

LAUREN FOSTER: I hope so. Take care.

[MUSIC PLAYING]

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