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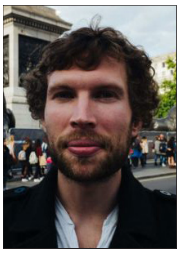
Issue IX: ranking VeChain

Harry Hamburg, Editor



Well, last month I left you with the question of if you'd like me to rank VeChain. The answer was an overwhelming yes.

I received 84 responses, 81 of whom wanted to see VeChain ranked.

That's a pretty strong yes, if ever I've heard one.

This ranking took me a lot of time and effort and it is very in-depth. Up until now, as I said last month, I haven't done much research into VeChain. So I was pretty much starting from scratch.

I think it took me longer to do this one than all of the first four.

I went into it with an open mind, followed my ranking methodology and went where the research took me.

You can see for yourself exactly what I concluded below. But to give you a summary, it seems VeChain is a very good project with a very vocal community behind it.

The main caveats come from its China connection. But this connection also provides many of its strengths.

After I ranked VeChain I also had a look over all my previous ranking and adjusted them according to new the developments I have seen.

At the end of this month's issue I'm also presenting an updates list of all my rankings.

So it's a bit of a different issue for this month. Less crypto news and philosophy and more crypto analysis. I hope you enjoy it.

Now on with the ranking.

VeChain ranked
Scope

As I said in last month's issue, VeChain is pretty difficult to get you head around.

It started off as a supply chain management solution, and has since evolved into something more akin to a platform crypto.

Still, its main aim seems to still be supply chain.

We saw in last month's issue that supply chain is an area of industry in dire need of better technology. Supply chain demands reliable, immutable, accessible records, and this is something blockchain excels at.

On the surface of it, supply chain and blockchain are the perfect match. And this is why the biggest name in supply chain – Maersk – has already set about implementing its own solution.

However, as we also saw, other players in the industry didn't like the idea of giving the biggest player in the game even more power. Other shipping companies are reluctant to sign up to Maersk's blockchain solution because the IP rights belong to IBM and Maersk.

So, although it is clear blockchain is well-suited to supply chain, it is also clear that the system the industry eventually settles on needs to be impartial.

This then leads us on to platforms like VeChain, which is run by a not-for-profit foundation based in Singapore.

An impartial provider like VeChain has a better chance of getting different parties on board because by doing so these businesses are not simply helping their competitors.

Given that supply chain is integrated in, well, every product in the world, the scope of VeChain is massive.

Not only is VeChain taking care of the software side of things, it also supplies RFID tags that manufacturers can put on their products to prove their origin.

This is great for the luxury goods market, which VeChain has been targeting. (I'll get more into that in the partnerships section.)

And for any industry that has a counterfeit problem.

Think clothing, jewellery, electronics, cosmetics, medicine, etc.

These tags can be customised and can included things like temperature and accelerometer data, which can be used in pharmaceutical and food shipments.

Manufacturers can ensure their foods and medicine have been handled with appropriate care throughout the shipping process.

When we add to this the fact that VeChain is now also promoting itself as a platform crypto with smart contracts, fast transactions and low costs – we can see that VeChain has just as much scope as Ethereum, Neo or any other platform crypto.

So for scope, VeChain gets a 10.

Scope: 10/10.

Team and partnerships

As I alluded to in the scope section, VeChain has some impressive partnerships. And a few in particular really stand out.

PwC

In May this year "big four" financial firm PwC announced it was partnering with VeChain.

From Yahoo! Finance:

> *In an official announcement, PwC Hong Kong and PwC Singapore revealed that as a part of a larger strategic partnership, the two subsidiaries of PwC bought an ownership interest in VeChain mainly to utilize the Internet of Things (IoT) network of VeChain to assist large-scale businesses.*
>
> *According to the PwC Hong Kong team, the company has entered discussions with the VEN team to provide trust-based services on the VeChain platform. The statement of the company noted that VeChain tokens, also known as VEN, are needed to access and perform transactions on the VeChain network, implying that PwC has bought ownership interest in VEN to actually utilize VEN in collaboration with large conglomerates and corporations.*

BMW

Unlike the PwC partnership, VeChain's involvement with BMW is more controversial.

Although many people claim VeChain is partnered with BMW, it doesn't seem to be in the same way you might expect.

After a lot of online argument, BMW clarified its relationship with VeChain in the following tweet.

So BMW is working with VeChain through one of its startup programmes. It's not really a full partnership, but it is working with VeChain nonetheless. Albeit in what seems like a very minor way.

It's things like this that make me slightly wary about VeChain. As I said, it has a massive following online and a big army of shills.

So a lot of its benefits and "partnerships" are amplified by these voices and then repeated and amplified again and again.

However, there is definitely a lot of substance here and not just noise. As referenced by what I think is VeChain's most impressive partnership, BYD.

BYD

BYD stands for Build Your Dreams. It's likely you've never heard of it. Most people haven't, but it is a major player in the electric cars and buses sector.

That's right, electric buses. It is the global leader in electric buses and one of the biggest carmakers in China.

It's basically China's Tesla, only it does electric buses, too.

I wrote about BYD in *Exponential Investor* back in May. Have a look at my article for some background on just how big BYD could become.

But for those of you who'd rather not click away, here's a summary:

BYD and its electric buses were seen as a joke seven years ago. But no one is laughing now.

According to Bloomberg, China had about 99% of the 385,000 electric buses on the roads worldwide in 2017.

And every five weeks Chinese cities add 9,500 more electric buses – that's the equivalent of London's entire fleet.

Bloomberg even calculated that electric buses are reducing oil demand by 233,000 barrels a day.

And that's not even counting BYD's electric cars.

So it's fair to say BYD is a big name.

BYD will be using VeChain to track carbon credits and to begin with VeChain will be used in 500,000 of BYD's cars.

Here's what Shu Youxing, president of BYD Automotive Intelligent Ecological Research Institute, had to say on the deal:

> *"This technology not only improves our current offering but allows us to create completely new markets. The unique aspects that VeChain provide will empower carbon monitoring development and sustainable ecosystems. This solution is a glimpse into what we think we can achieve through this partnership."*

The Chinese government

Since 2012, China has been building a smart city called Gui'an New Area, and VeChain was chosen as the blockchain to run it all.

From VeChain:

> *The New Area will house major data centers of industry leaders, for example, China Telecom has invested 7 billion RMB, China Mobile has invested 2 billion RMB, and China Unicom has invested 5 billion RMB in building their own data center inside Gui'an New Area. Microsoft and Apple have both invested over $1billion while IBM, Huawei, Tencent, Foxcom will be building significant data centers in Gui'an New Area as well.*
>
> *As one of the most important national level data center clusters in China, Gui'an New Area was chosen to:*
>
> *1. Become the new test zone for utilizing high and innovative technology to help improve Chinese government administrative management efficiency.*
>
> *2. Set a pilot program for all of China for true Smart-City development and provide analysis as to what the benefits for the stakeholders of Smart-Cities might be.*
>
> *3. When the technology and the implementation process streamlines are well tested, it is expected that this process will be rolled out throughout the entire region of China.*
>
> *VeChain is mandated to be the blockchain technology partner of the government of Gui'an to plan, design and implement such processes.*

That is a very big deal, and a very big endorsement at a state level. People talk about Neo having state connections in China, but VeChain's integration surpasses anything I've seen from Neo.

Of course, given US-China relations at the minute, this kind of state-endorsement could also be taken as a negative, but I'll cover that in the caveats section.

As for the team, the CEO is called Sunny Lu and he is the former CIO of Louis Vuitton China.

This is how VeChain has managed to secure another high-profile partnership with LVMH, which stands for Moët Hennessy Louis Vuitton. This luxury goods conglomerate has a revenue of £38.5 billion.

Now, again the actual partnerships with LVMH are a little murky. I can see VeChain was a runner-up for the LVMH innovation award in May.

And at the end of VeChain's article on this award it states at the end:

> *VeChain continues to work hand in hand with multiple LVMH brands to bring a collaborative and trustless ecosystem to some of the worlds (sic) most innovative companies.*

Clearly it does work with LVMH, but I'm not sure how deep the partnership really goes. However, given VeChain's CEO is the former CIO of Louis Vuitton, it's fair to say they are very well integrated.

Luxury goods is also an ideal market for VeChain's technology, as it can be used to prove these expensive items are not fakes.

This also works in the opposite way, VeChain can be used to prove a fake is a fake in the same way it can prove a real item is real. No RFID chip with an authenticity record on the blockchain? Then it's clearly a fake.

I forget what this kind of logic is called, but I know it has a name.

It's easy to see why luxury goods, which have a massive forgery problem, are eager to work with VeChain.

In a YouTube AMA back in January, Sunny Lu also stated that VeChain has around 40 developers and this team "is growing by the day".

Another notable team member is CFO Jay Zhang, who has worked for PwC in the past, and was likely instrumental in VeChain's PwC partnership.

It's fair to say VeChain has some very promising partnerships and what looks to be a good team.

However, neither are on the level of Ethereum, BAT or IOTA's. And as I said, many of VeChain's partnerships end up being overhyped.

When you look into these partnerships, many turn out not to really be partnerships at all. And even the ones that are don't seem to be very deeply integrated into their partner's company.

VeChain also has many other partnerships I have not listed here, such as with the world's "largest global freight forwarder" Kuehne + Nagel. However, that partnership was announced back in 2016, and since then it's hard to find any details.

Adding to this is the fact that Kuehne + Nagel has announced it is to launch its own blockchain, with no mention of VeChain being involved. And searching Kuehne + Nagel's website for VeChain brings up no hits.

I found a number of reported partnerships like the Kuehne + Nagel one while researching VeChain.

I'm sure VeChain is working with these companies on some level, but it also seems that most of the time that level is a relatively superficial one.

So, given all this, I can't really score VeChain a perfect 10.

There is just too much murkiness to many of its partnerships. And its team's industry connections, although good, are not very broad. They basically consist of LVMH and PwC from what I can see.

However, those are good connections to have, and as you can see above, it does have a number of compelling partnerships with world-leading companies.

And to be fair, it is working directly with the Chinese government.

So, for team and partnerships VeChain gets a 9.

Team and partnerships: 9/10.

Why the tokens have value

Just like Neo, Ethereum, IOTA and NAS, VeChain is a platform crypto.

This means it can launch ICOs, it can carry out smart contracts and it can serve as the building blocks of many other services.

It is probably most similar to Neo's vison, in that there are two tokens in its model.

The VeChain token (VET) is like Neo. Over time it generates another token that is used to interact with the blockchain – execute smart contracts, move VET around, etc.

This generated token is called Thor Power (VeThor) and basically acts like Gas in Neo's system.

(I don't know why so many cryptos insist on using ridiculous names for their products, but there you go, Thor Power it is...).

This also means you can generate a passive income simply by holding VET and selling VeThor on as you generate it. But I'll get into that in the next section.

In terms of crypto, a value proposition doesn't really get a lot stronger than this. And so, like all the other platform cryptos, VeChain gets a 10.

Why the tokens have value: 10/10.

Passive income potential

As I already stated, simply by holding VeChain, you can generate a passive income. However, the amount you can generate is less than you can with Neo.

According to a VeChain insider, the Thor Power generation rate is "currently set to 0.000432 Thor generated per 1 vet held per day. This number might increase in the future, but not decrease."

One VET is currently worth £0.0029. So £1,000 would get you 344,827 VET.

This would get you 144.8 VeThor per day, which, according to thorcalculator.com would give you 52,862 VeThor per year, taking into account compounding.

This, according to the Thor Calculator, works out at a 1.7% ROI.

However, the way VeChain's staking system works is you get higher ROIs if you invest 1 million plus, 5 million plus and 15 million plus. If you have 25 million plus, you can run a master node.

These amounts bring you different status levels:

1 million = Strength, with a 2.15 ROI

5 million = Thunder, with a 2.61% ROI

15 million = Mjolnir, with a 2.92% ROI

You can also become an authority node if you have 250 million plus VET, but that is fairly complicated.

(As an aside, Proof of Authority is how VeChain's consensus mechanism works. VeChain states this gives it all the advantages of being decentralised *and* all the advantages of being centralised.

I'm not quite so sure it works out like that in reality, but it is an interesting consensus model nonetheless, and much more environmentally friendly and efficient than a Proof of Work one like bitcoin's.)

Basically you're looking at around 2-3% a year in passive income.

This is slightly less than Neo's ROI, which is currently around 3.74% for any amount, but it's still good. And, just like Neo, you don't even have to do anything to get it.

Given all the above, VeChain gets full marks for passive income potential.

Passive income potential: 5/5.

Competition

In the supply chain space, some of VeChain's main competition comes from IBM. As you'll remember, IBM has teamed up with Maersk and Walmart to provide blockchain supply chain solutions.

There are also a number of other cryptos that are designed specifically to work as supply chain solutions. This is a big part of IOTA's vision and it already has major manufacturers like Fujitsu on board.

Waltonchain is another crypto that is specifically targeting supply chain. But Waltonchain has had its share of scandals in 2018 and it seems like VeChain is far superior in both management team and product.

Other cryptos like Ethereum can be used for supply chain, but in its current state, Ethereum is expensive to use for this task. And VeChain has the advantage of providing its own hardware for manufacturers.

In terms of its competition from IOTA and IBM, VeChain has the advantage that it is based in China, and so can tap into Chinese and other Asian markets much easier than IOTA or IBM can. This is evidenced by its Chinese government partnership.

So although in the West it may have very stiff competition, in the East it has very little, from what I can see.

And given how many products originate out in China, this could give VeChain a clear advantage.

A couple of weeks ago a number of videos went viral within the crypto space of people using the VeChain app in H&M stores to verify the authenticity of wool hats.

It turns out VeChain has been working with Arket, which is a subsidiary of H&M, on supply chain solutions. Basically implementing tags that prove an item's authenticity.

From The Next Web:

> *"Arket has done a small*

Proof of Concept (POC) through a pilot testing with VeChain to use blockchain technology to secure product data traceability in the value chain," the spokesperson told Hard Fork. "The test was made on a wool beanie from the autumn 2018 collection."

It seems a VeChain fan found out about this and went to test it out. Given VeChain's massive following, this then spurred others to do the same.

You can see it working in the video in this tweet. As a bonus, I think that's a London H&M store.

I thought this was a great example of an actual use case for blockchain, and a company actually using it. A massive company at that – even if it was just a test pilot.

VeChain has also expanded into more than just supply chain solutions, and is now a fully-fledged platform crypto, so it has many additional use cases.

And it is also already capable of many transactions per second (TPS).

VeChain's CEO stated in his AMA that VeChain has been tested up to 10,000 TPS. Although they are keeping it at 50 TPS until the network is more established.

In addition, each transaction can have multiple clauses – up to 500 per transaction – so in theory VeChain could have TPS in the millions.

This gives it an advantage over many of the more established cryptos out there – at least in their current states.

VeChain is up against stiff competition, but it is certainly holding its own. Taking all this into account, it gets a 4 for competition.

Competition: 4/5.

Ease of use

VeChain is available on all the big exchanges and you can store it on a Ledger hardware wallet. Its mobile wallet is also highly regarded.

Adding to this, VeChain has made tracing items' authenticity incredibly simple. As you can see in the H&M video, its VeChain Pro app is great. Download it, scan a code and trace an items authenticity in seconds. It's as simple as that.

However, it is still not as easy to buy as Ethereum or BAT, given that they can be bought and stored through Coinbase.

You still need to buy Ethereum with fiat, transfer that to another exchange, exchange that for VeChain and then send that to your VeChain wallet to store it safely. And this process is not exactly simple if you don't know what you're doing.

So I can't give it a perfect score here. Which means for ease of use, VeChain gets a 4.

Ease of use: 4/5.

Caveats

Just as with Neo, one of VeChain's biggest selling points is also its main area of concern.

VeChain is based in China, so it is at the whims of the Chinese government. And historically it has been very fickle when it comes to its feelings about blockchain.

And now we have the ongoing trade war between the US and China. As a result of this, many Western nations are refusing to let Chinese companies build communications networks for them.

Huawei is a major player in the 5G rollout, but the US has refused to let it build any of its networks and has urged other "five eyes" nations to do the same. Most have complied.

How much will the US and its "five eyes" underlings want a Chinese company underpinning the supply chain of the Western world? My guess is not very much at all.

There is also the problem of VeChain's army of online shills.

This can be a good and a bad thing. As I said with the H&M video, they got the word out fast. But, as I said in the partnerships section, they are eager to hype up news which may not really deserve to be hyped up.

However, it could just be a few loud voices giving an otherwise great community a bad name. From what I see online, many VeChain supporters are very knowledgeable and not in any way hostile.

They seem to want blockchain in general to succeed and not just VeChain. And what would a company like Apple be without its super fans? VeChain has these kind of followers in spades.

It is mainly the China connection that gives me pause, which is a real shame, because as I said, this is also VeChain's biggest strength. But given the geopolitical situation at present, I can't really overlook it.

So for caveats, VeChain gets the same score as Neo, a -7.

Caveats: -7/-10.

Total

This gives VeChain a total of 35/45.

And a (rounded) score of 78%.

This puts it into third place on my ranking list, ahead of Nebulas, Neo, and BAT.

It is only one point behind IOTA, and two behind Ethereum. Although I am going to give an update on IOTA's ranking at the end of this issue. Spoiler alert: it's now my top-ranked crypto.

Current market cap and what that means

VeChain is currently in 25th place on CoinMarketCap. It has a market cap of $211.2 million.

The price of one VET is $0.0036, which is a staggering 99.96% down from its all-time high of $8.46 set on 20 January 2018.

However, these numbers are actually false.

VeChain had its mainnet launch earlier this year (going from the Ethereum blockchain to its own) and athcoinindex.com is using the pre-mainnet tokens to base this calculation on.

When the mainnet launched there was a token swap and you got 100 VET for every VEN token you held.

So, in reality VeChain's all-time high price was not $8.46 but $0.0846.

So it is not 99.96% down, but 95.5% down, which, to be fair, is still a staggering amount.

I would say that given what I've learned about VeChain, it deserves to be a lot higher than 25th place by market cap. I'd say somewhere around 10th place would be more apt.

At today's prices, this would mean about a four-time price increase from where it is at now.

Or, if VeChain regained its all-time high price, you would be looking at a 2,000% plus return on your investment.

BUT, and this is a big, giant but. That doesn't really mean anything given the ever long bear market we're currently in at the moment.

Right now, it seems far more likely that the market will drop by another 50% than one good crypto will rise 4x – even if it does deserve to.

And the chance of it regaining its all-time high price without another bull run is essentially zero.

And that brings me on to the next section.

Trigger points

At this stage in the crypto markets, the only triggers that matter are ones that will affect the market as a whole.

Even if one crypto gets great news, because crypto prices are so interdependent, it just gets dragged back down by the general market malaise.

As we've seen, VeChain looks to be one of the best crypto projects out there. But right now that doesn't matter.

Until the market recovers, it is highly unlikely you will make any money investing in VeChain.

However, when the crypto market does recover, I expect VeChain to be one of the biggest risers in the pack.

And I do believe the market will blow past its previous all-time highs. I just don't know if it will take months or years to do so.

If you're read this far, you are probably of a similar opinion.

Conclusion

When I began researching this crypto I didn't really know how I felt about it.

I had seen a lot about it online. A lot of shilling and a lot of anti-shilling backlash. As I said in last month's issue, though, sometimes things are shilled for a reason.

And I believe that is the case in VeChain. From all I can see, this is a very good crypto.

However, the China caveat is a big one. So although VeChain has achieved a high ranking, I would stress that it is also a risky play.

But then, all of crypto is a risky play. And if you're investing money you're not happy to lose, you are going to have a bad time with crypto.

I have stressed this point over and over again since before I even launched *Crypto Wire*. But it bears repeating.

All this being said, if you're still in crypto, then it doesn't really do you any harm to switch-up your holdings.

You're not putting any more fiat money into the system, you're simply moving your holdings into more promising projects.

There is also another advantage of doing this. When you trade cryptos it is a taxable event – as I explained in my "Beginner's guide to investing in crypto".

This works both ways.

So, let's say you invested £3,000 into crypto X. And in the bear market the value of your crypto X holdings have dropped to £300.

Ouch.

However, if you trade that £300 of crypto X for VeChain, you have realised a loss of £2,700. And this loss can be offset against future capital gains.

That is so long as you don't buy back into crypto X within 30 days. The "bed and breakfasting" tax laws were made to stop people doing that.

And I must stress here that I am not an accountant and cannot give out tax advice. So, before you think about doing this to offset your capital gains, you should contact an accountant to get the lowdown.

Here is the relevant page on bed and breakfasting on HMRC's website if you want to know more.

And, if you're interested in what I am doing with the market in its current state. Well, I am still buying. I put some money into Ethereum, IOTA and BAT a couple of weeks ago. And I intend to put some more into VET, Neo, IOTA and Ethereum before Christmas.

The way I see it, if you really believe that crypto will eventually flourish, as I do, now is the time to dollar-cost average in.

We're now approaching the prices that I first bought in at. So for me, I'm getting the same excitement as I first did when buying into crypto and imagining the possibilities.

However, I would again stress that I am only putting in money that I am perfectly happy to lose if things don't pan out. For me, the risks right now are well worth the potential rewards.

VeChain resources

White paper

Website

Official Medium blog

Binance, where you can trade Ethereum for VeChain

Reddit

CoinMarketCap page

Ranking updates – IOTA takes #1

When I did my first rankings back in *Crypto Wire* issue one, I said if IOTA sorted out its wallet I would reassess its ease of use score.

Well, as you know, it has done. And it is now integrated with Ledger hardware wallets.

Its new mobile and desktop wallets are also extremely easy to use, and so, I'm upping its ease of use score from a 2/5 to a 4/5, the same as Neo, Ethereum and VeChain.

This now gives IOTA a total of 38/45, putting it one point above Ethereum.

I am also changing Nebulas' score.

Nebulas' switchover to its mainnet was a disaster for token holders. It gave people around five days in total to swap their tokens. And the new Nebulas tokens are still not supported by Ledger.

So, when you swap your tokens, you can no longer hold them in a hardware wallet, which brings up big security risks.

If you have any Nebulas tokens and have not taken part in the token swap, you can still do so, but not through Nebulas.

You need to make an account on Gate.io or Huobi.pro and deposit your tokens there.

The exchange will then instantly change them for Nebulas mainnet tokens and you can then withdraw them to a Nebulas wallet – available on Android and Apple – or transfer them to a different exchange like Binance (which doesn't support the swap, so don't send your ERC20 tokens there).

You need to do this as soon as possible because there is no word on when these two exchanges will stop performing this service for Nebulas.

Given this, and wider questions the Nebulas community is raising about its developers and management, I am increasing its caveats from a -3 to a -8.

This gives it a new total of 29/45 and a (rounded) 64%.

So, here are the new rankings, from best to worst.

IOTA 38/45 – 84%
Ethereum 37/45 – 82%
VeChain 35/45 – 78%
BAT 34/45 – 76%
Neo 33/45 – 73%
Nebulas 29/45 – 64%

Once Ethereum gets its Proof of Stake consensus mechanism up and running, and can provide you with a passive income, I'll take another look at these rankings. When that happens, I imagine Ethereum will regain its crown.

And, as it's the end of the year, I'd like to ask you to write in with any feedback you have on *Crypto Wire* – good or bad.

It would also be great if you wrote in with any suggestions of cryptos you'd like ranked or topics you'd like me to dedicate an issue to.

If I get an overwhelming response for any particular crypto or area, I will definitely cover it in 2019.

Here's the email address you can write to me on: harry@southbankresearch.com. Okay, that's all for today, and for this year.Happy Christmas, and here's to a better 2019 for crypto prices.

Until next time,

Harry Hamburg
Editor, *Crypto Wire*