



# The Perch Pod Episode 33

## Investment, Macro-Finance and Geopolitics from 20,000 Meters

Jacob Shapiro:

You're listening to the Perch Pod from Perch Perspective. Hello listeners, and welcome to another episode of the Perch Pod. As usual, I'm your host, I'm Jacob Shapiro. I'm also the founder and chief strategist of Perch Perspectives, which is a human-centric business and political consulting firm. Let me introduce this week's guest. Sune Sorenson was good enough to come on the podcast and talk to us. Sune wears many hats. He's an advisory board member and an independent asset manager at BFI Capital, he is also the managing director at The Strategic Funds. I also actually am a global macro advisor at The strategic Funds, so if you're interested in global macro or particularly in crypto, check out The Strategic Funds, a lot of interesting things going on there. And lastly, Sune is a partner at the Malmgren Strategic Institute.

Jacob Shapiro:

Sune and I have known each other, have been friends now for well over a couple of years. We bonded initially over our shared curiosity and love of geography and history and the big macro forces that really shaped the world around us. Sune's a particularly knowledgeable and sharp thinker when it comes to how those forces are affecting the world of finance and investments, and we had a great conversation teasing out not just what's happening in geopolitics, but how these things are intersecting with finance at a macro level. So I hope you enjoy this podcast. As always, if you want to get in touch, anything about the podcast, or Perch, or anything else on your mind, email us at [info@perchperspectives.com](mailto:info@perchperspectives.com).

Jacob Shapiro:

Last, but not least: We recorded this podcast on Tuesday, June 1st. So I don't think too much crazy in the world is going to happen before then, but if anything does crazy, just keep in mind you're literally listening to history here as we recorded about a week or a week and a half ago. Okay, without any further ado, take care, be good to each other, and let's talk to Sune.

Jacob Shapiro:

So we just roll. Sune, I've been trying to get you on the podcast for a while now, man, and you're finally here. It's good to have you.

Sune Sorenson:



Jacob, my friend. Pleasure. Big fan of the program, longtime listener, happy to be a voice on it today.

Jacob Shapiro:

We're just going to freestyle a little bit. I didn't prepare as well as I normally prepare for podcasts. I probably should admit that, but you and I go back ways and I figured that we could just cross-pollinate our mental energies and things would go well. I'm off to a great start there. But listen, I wanted to start off with a relatively... Well, it'll sound like a simple question, but it'll probably be more complex, but when you first introduced yourself to me, you always talked about yourself as a macro thinker, and I wanted to throw at you: What is macro? When listeners are listening to you talk, and we're going to talk a lot about macro and geopolitics and all these other things, what should they take from you saying that you're somebody who focuses on the macro side of issues?

Sune Sorenson:

Good question there. Always good to clarify these terms because they mean different things to different people and within different industries, but so commonly macro is basically just that you come from, let's say, 10,000 feet at a subject matter, and the subject matter of choice for myself has been the world of investing for a couple of decades now. So that tend to be looking at big major trends from a big picture perspective, trying to understand how they all potentially fit together, what potential outcomes they may lead to, and then basically to drill down on those areas and try and develop investible ideas if I'm working on that side of the table or highlighting potential risks for other side of that work. And again, if you're trying to understand more how societies interacting more maybe in a political sense, again, same kind of perspective, trying to understand it from a top-down perspective as opposed to getting into the nitty-gritty of the granular to start with, so I started the higher perspective. So that for me is what macro really indicates when I use that word.

Jacob Shapiro:

Do you feel like macro has been sort of the black sheep of the investment world for a long time, and it's coming back into vogue, or do you feel like there's always been a niche of people who focused on these top-down points of views, and were able to generate alpha and generate returns for their investors based on those insights?

Sune Sorenson:

Yeah, so the financial industry loves to kind of put labels on things and use terms for very specific narrow concepts. And again, the term macro has been associated with a type of investing that has not been particularly well performing or popular for, let's say, the last couple of decades. Though, again for me, that's a bit of an oxymoron in the sense that for me, macro means big picture, and you can't really look at any particular investment, even if you go granular, whether you go to venture capital or a specific industry, it is within a larger context and therefore you got to understand the larger context. So again, back to kind of the complexity of



the question that you started with, I think the macro applies to all types of investing and therefore you can't just sort of pin it on one particular trend. But I would say that obviously, from the investment side related to macro, you would think about people like Druckenmiller, Soros when you're looking at big schisms in things like currency markets or commodity markets or major kind of global events.

Sune Sorenson:

And again, we certainly have had plenty of those. It's just not been so pronounced in investible market, certainly not in the last couple of decades since we've had, some would say, injections of liquidity at regular intervals that are more driven by a central bank set of priorities than maybe just the free flow of markets between nations or regions. So how to express a macro investment theme has maybe been less obvious to some, but I do think that whether you go back to 2008 and 7, I certainly see that as macro investing around that, while obviously some people were making money in very exoteric areas or very narrow niche areas, like mortgage backed securities or what has been. But again, the context was a larger one. So for me, macro investing is what I've been doing for two decades. If you ask me, I'm not sure it fits within that particular category, the people who want to kind of use for categorizing different styles of investing.

Jacob Shapiro:

Mm-hmm (affirmative). Do you feel like, well specifically your macro perspective, has it gotten easier or harder in the last 20 or 30 years as the digital age as advanced, and as knowledge and information seems to be democratized and there's a lot more of it than there used to be? It used to be, I think, you had a relatively small number of insights that you'd be generating a thesis from. Does just the more information and the more people are on networks help when you're trying to generate macro insights, does it hurt or it is just different?

Sune Sorenson:

Well, I think it's always hard because you're trying to look into the future. I don't think anyone who says that is easy is maybe in the best state of mind. So always difficult. As you highlight, obviously probably a lot more noise than there was a while back in terms of the inputs or where you can kind of source data insights, ideas. So with that comes a specific challenge to it. I would stick to the answer that it has always been difficult and I think it will always be difficult. I think you can more easily get dragged into a lot of noise than maybe you could a while back, but on the flip side of that, you do also on the positive have access to information globally, and it's been up to you to kind of take that data or information and distill it into actual insights, and try and make a meaning of it that ideally can inform new opinions and how you go about positioning transactions in terms of investing, for example.

Sune Sorenson:

I will also say it's a personal journey. So a lot of the time when you're young and you start out in something, you think that is very simple, you take the complex and just distill it very easily into something and you think you've figured it all out, and then



life has a habit of kind of coming back and teaching you that you know very little, and then you start again with maybe another layer of humility, and I've certainly gone through that journey. I'll probably say that maybe two decades ago, I probably thought it was a lot easier, but maybe that was just the optimism of youth, and maybe now I'm a bit more long in the tooth and a few more gray hairs, so I'll probably come to the realization that trying to figure out what's going on in the world in any timescale outwards forward is difficult, and there should be a certain level of margin for error build into anything that you're trying to do, and humility is probably a good tool to bring with you on that journey.

Jacob Shapiro:

Yeah, I couldn't have said that better myself. You mentioned a little bit about this, so I just want to ask about your background for a few moments, and I think maybe... Although, you'll correct me if I'm wrong. So I should say to the listeners, so Sune and I through the magic of the digital age, we're talking right now, recording this podcast, but I'm in New Orleans, he's in Switzerland. Do you feel like you're living in Switzerland gives you a unique point of view from that perspective because you're sort of at the center of things happening in Europe, but it's not quite Europe because you have that strange relationship with the EU. You get to sit on lots of different things without being parts of them. There's obviously a long history of political neutrality and democracy in Switzerland that is also fascinating. So I just wondered, do you feel your environment allows you to see things that others don't, does it influence your worldview in ways that are subtle that people may not pick on? How does that affect how you're seeing the world?

Sune Sorenson:

That's a good one. Number one, to clarify, I'm obviously not Swiss. I come from the windswept rainy plains of Northern Europe, Denmark, very flat, not like Switzerland, but when I was... So to your question, I've traveled. When I was 18, I moved away from those windswept plains and took me around the world in some different locations. I've lived around the place, and I would say that informs my view more than any particular one of those places, but each of them has obviously helped shaped my understanding of that part of the world and the perspective from that space, and maybe in itself, that gives you maybe an understanding that you need to try and see the world through different people's eyes and from different positions around the map, so to speak, and that that can help inform your understanding of your global trends, for example. Switzerland, it's a great point, and I've been fascinated by Switzerland for well over a decade now, and ended up moving here more recently in a couple of years ago, but I've always had a connection to the place in the certainly last decade in terms of the work I do.

Sune Sorenson:

There is something about the centrality, landlocked country up in the mountains, so there's a natural kind of mountain people mentality, a sense of independence that is definitely a... When you want to be at 10,000 feet, you are literally certainly far above sea level, so you're naturally getting that kind of look upon the world from



here. Obviously, well documented that for century plus, you've had a global financial industry here, which has been built more about what I would call macro investing or global investing, kind of very pragmatic long-term perspective, which is kind of what attracted me to the place from a work perspective initially.

Sune Sorenson:

It was really that approach to investing where you're kind of taking a long-term view, and you're trying to understand globally what's going on, because the space here is obviously quite small, so you generally have kind of an interesting mix of an out-looking mentality to the world, but also quite an insular mountain type kind of mentality to your regional area, and I think that is an interesting dynamics that I read about it, I followed it, but until you live here, you don't really get the sense of it. Lucky to say I have good Swiss friends who are from here, and again, they obviously have been able to show me some of their perspectives on the place and on the world in general.

Jacob Shapiro:

So for listeners who don't know, we're recording this June 1st, this podcast will come out in a week, week and a half or so, but I don't think anything crazy is going to happen in the meantime. But I feel like one of the big headlines of the last week is the EU and Switzerland breaking off talks about updating the various treaties that define their relationship, the EU obviously wants a more comprehensive agreement that is representative of current times rather than, I think what, going back to 1972 is the first treaty, the legislation. And I mean, it's kind of a big deal. I mean, we talked about Brexit. God, we're still talking about Brexit for how long, but I feel like the Swiss issue has gone under the radar, and even I read something today about the Swiss hoarding medical devices because they're worried about some agreement lapsing that's not going to allow them to export/import medical devices in the EU supply chain, but I don't want to get too far into that.

Jacob Shapiro:

But I just want to ask, how does that affect you? Does it affect you? I mean, obviously, London and the UK in general are facing huge headwinds because they've had their own changes and problems and their relationships with the rest of Europe and with the rest of Brussels. Do you feel like Switzerland is on that path, and does that affect that position that you have there at the center of everything? Does it isolate the Swiss in their mountain fortress, or are you not so worried about that?

Sune Sorenson:

I'm not so worried about that. I think there's an interesting bigger picture that maybe you can broaden out and have a general conversation about in terms of governance, in terms of the reality of individuals. So again, from having traveled around the world... And I don't have the answers to it, but I ponder it often is that we have this digital reality, which is very global in nature, hence our conversation from New Orleans to Switzerland today. Most people, certainly in the West, tend to



live in a global world in many ways, whether it's our cultural aspects, whether it's our friends and contacts and our businesses, but we also are very regional in the sense of where we live. So again, most people will have a deep interest maybe in their local sports team, their schools if they have children, if they have a business that is an actual retail type business, their local community in that sense. They may be active in a number of ways regionally, but what is maybe starting to disappear a little bit...

Sune Sorenson:

And this is where the conflict maybe between the kind of analog governance systems that we have are built around the nation states, and obviously, in Europe, you're dialing back hundreds and hundreds of years, whereas in other parts of the world, maybe those borders are more recent on that map or the lines on the map, but I do think that there is a general global situation that I think will play out over the next couple of decades, specifically with the younger generations who are certainly that global digital reality is more true for them than it is for me. So I've had children from the ages of seven to 16. So I see their worlds a little bit through their eyes, and they're certainly how much the nation state is of importance to them beyond some certain aspects, and they're much more regional in terms of what they're doing, and then they have a global outlook, I think.

Sune Sorenson:

And I think when you look at Switzerland, Switzerland while obviously geographically at the center of Europe, most exports and business does have relations to Europe. There's some reliance obviously on Europe for imports on some aspects, but it is a very global innovative economy that has a footprint around the world. It's kind of like a tiny little place that really out punches its size in terms of its global presence, in terms of the financial industry, in terms of the types of exports that it has, which is generally high level innovation type manufacturing. Obviously on the flip side, tourism inverts. So there's kind of a link to the world that maybe goes beyond the scale of the geography here.

Sune Sorenson:

I think when you look a little bit at Swiss history, and this maybe comes down to the European question that you asked me initially, Switzerland is a mountainous country, it's not an easy place to have lived when you try and think. When you drive around this place, and from someone who grew up in a relatively flat part of the world, you can't help but be kind of be in awe of the mountains as you travel through it, when you drive around or whether you're on the great trains here, you're seeing how much they basically had to adapt into this natural, to inhabit it, to build this very advanced nation in a beautiful but hard place to kind of build the society at scale, certainly. So when I speak with my children about what we see out the window on the train, it is very much about how you can make the most out of little, how you can take adversity and turn it into a strength.

Sune Sorenson:



If you look at agriculture here, if not naturally to think that this will be a place that would be great to have a lot of cows and do dairy, but again, if you turn that milk into very high-end chocolate, suddenly you've got a profit margin that you can compete in the world. So you basically create a product by taking your adversity and turning it into something that gives you a better business than maybe you would have if you just had huge flatlands to have all the cows running around on. And I think that goes for everything here. So again, if you don't have billions of people in your population, you're probably not going to help manufacturer anyone in terms of scale, but then again, if you highly educate those people and build a system that basically focus on continuous innovation and high level of education, then you can basically have things like a high level pharmaceutical industry, you can have high level engineering, and I think there's a footprint in that that is very Swiss, and that they really value.

Sune Sorenson:

So to your question about the European Union, I don't think that these are very pragmatic people. I think they see themselves as European to some degree, and they certainly understand the business of Europe and wanting to be a part of it, but I do think that they are concerns at the core, are really about whether they can have the level of governance, because again, Switzerland is unique in many ways. In terms of governance, it is a direct democracy. So that means the people here, they vote in their local regional Canton. So even within this tiny country, there's essentially all these tiny little countries that are all kind of agreed on some big picture stuff they do together, and then please leave us alone to be what we need to do regionally. And they stand very strongly on that.

Sune Sorenson:

And again, when you look at the European Union, as someone who's from the European brotherhood, if you like, from the outside in when coming to visit here, I could perhaps risk that the European Union would take some of the lessons applied here and use them more broadly because I do believe that we need to get down to a regional granular kind of self-governance within the European Union, but that we also need to leverage the scale for those matters, where it actually is important, whether that's defense or just the global footprint of some things like business, for example. While some of the things within the European Union that would probably frustrate a Swiss person to sit and look at and think, "I don't want to be part of that," is maybe where we are making centralized decisions about what is truly regional matters as opposed to the other way around.

Jacob Shapiro:

That's a fascinating point, and this is why we freestyle, Sune. It's funny, I was thinking about Hungary this morning when I was reading about all the Swiss/EU stuff because in some ways, it seems to me that the EU should be harder on Hungary than it should be on Switzerland because Hungary is directly assaulting some of the legitimacy and I think the authority of Brussels. Whether right or wrong, we're not going to go into that here. It's just I think Hungary really is



challenging the EU, and in some ways calling the EU's bluff saying, "You don't have the power to enforce this. We don't want whatever directives are coming out of Brussels, so we're going to do our own thing, and that's how it's going forward."

Jacob Shapiro:

And the EU, I think, led by Germany for various historical reasons and cultural reasons, doesn't want to come down hard on Hungary or Poland, or some of these other states in the periphery, wants to build the happy European brotherhood that you alluded to, but that also makes the EU kind of weak and unable to assert itself. Whereas you just talked about how Switzerland is able to combine these things, is able to have a coherent national identity and policy, and yet still have a very strong sense of regional and even local identity and governance. So I mean, what things... If I was von der Leyen, or if I was one of the European Commission folks just sitting here and talking to you, what are one or two key lessons that you would tell them that they absolutely should learn from Switzerland that maybe they haven't learned if they want the EU to go forward in this digital era that you talked about?

Sune Sorenson:

Well, so one, I would say direct democracy is probably something they need to try and build into the system. And by that, I mean, they would have to challenge the idea that we have regionals setups and then we have national setups and then we have European setups, and I think obviously, as currently constructed, you're getting that friction where the national governments outside of maybe Germany and France are not in reality... And you can highlight things like Hungary, but that often is the politics that's using the noise around challenging Europe for basically means at home to stay in power, to explain away faults at a national level. I think that's something that you would need to overcome, and that means that somehow, probably over a decade, and decade and a half, we have to get to a regional and European sense of community as opposed to some of these constructs.

Sune Sorenson:

And even within Europe, for historic matters, we probably don't have time for today, but just look at things like Scotland or Catalonia, for example. You're having very powerful economic regions with hundreds of years of history, but because of some nation state things that were done three or 400 years ago, you're just going to have a break on what I would say is the true path for Europe if it's going to be successful going forward, because you're having to consider all these different levels of lots of historical in context, and that you can't really deal with this. And I think until we kind of clear some of that out, it's very difficult to say, "Here's the plan to..."

Sune Sorenson:

Let's say, a place like Switzerland, who I do think want to be part of the of this bigger project, but if you can't come and say to them, "Look, we understand that right now, we're working through some difficult issues as a community within and within some of these nation states, and here's our path forward to basically





becoming a giant Switzerland in the sense where there can be representation at local level about things that should be handled locally, while we can still leverage the bigger for bigger things." It's kind of hard to sell that right now in the current. So if you have one really difficult conversation right now to say, "Here's our blueprint to how we get there, and you should come and join," and I think that is where I'm watching Europe, and my question mark is really, "Do they find a path to something that gradually takes us there, or do we continue this sort of two step forward one step backward kind of path?"

Jacob Shapiro:

Well, what do you think is the answer? I'm not sure there's a bigger macro investment question, right? I mean, maybe China is up there, but I think the future of the EU is probably, at least from my perspective, the biggest geopolitical and macro question of the decade ahead, whether the EU really can pivot and do what you're talking about there, or whether it's bound to fracture apart. So do you have a position on that, and to take it one step further, how do you start to begin thinking about how to invest around whatever your thesis is there, or around the uncertainty that you have there?

Sune Sorenson:

I know the conversation's really popular this year of break apart and all these things. I don't really think that's maybe that interesting. I don't actually think that happens because geographically, it cannot. So even people say, "Brexit," well, Great Britain has not been dragged closer to the American landmass. It's still sitting not so far from there. I lived 11 years in the UK, I have family and friends there, and they're certainly part of the European geography and culture and reality in many ways. So it's just whether what kind of governance system is there on this landmass, if you want, what is superimposed upon it, and what essentially is an organic outgrowth of how this hundreds and hundreds of years of collective business cultural awareness and exchanging of ideas and movement of people, what shape that it takes place under.

Sune Sorenson:

Maybe from an investment perspective, I'm not really sure that's that interesting to sit and figure out whether it's going to break up or not, because I don't think it will. I think it'll be a gradual. Either it'll be very slow moving as a collective, and it'll be sub-optimal path forward, or they will figure it out and it could be that they could be a larger part of the world community in some ways. But I think from an investment perspective, I think it's very important to forget about that and just look at what is actually going on this continent, and I think I'm a long-term investor in the place. You feel that there's great companies.

Sune Sorenson:

Whether that's here in Switzerland, in the engineering space, there's a highly educated population that is very wealthy comparative to the rest of the world. Demographically, they're getting older, but that's not necessarily such a problem in



the world we live in today, and there is some very interesting smaller nations, I would say. So I'm not maybe so interested in France or some of the bigger places, but if you look at a place like Estonia, whether it's on governance, or whether it's a place like the Netherlands or Switzerland, which I mentioned, which have really high level engineering. Some of the Scandinavian countries, great innovation in these places. And where it maybe differs from the US besides market valuation currently, so that's in itself an interesting area, is maybe that there's a different culture around business, which has been more of a long-term one.

Sune Sorenson:

Again, in the US, you have a wonderful dynamic system that is more based around equity and equity holder mentality or shareholder mentality. Most of the companies are financed that way to some degree, whereas in Europe, you're taking generally a longer-term view, so it's more bank lending, it's more bond market, it's less leverage and generally kind of a slower but sometimes more resilient format of business. And again, you can probably find good in both, which I certainly see. So for me, Europe is a constant area of innovation and investing, and it doesn't mean I don't look at Asia or the North American space, certainly not, as the idea is to look globally and express your ideas where they can best be deployed.

Jacob Shapiro:

Yeah, I feel like one of the themes you constantly return to is find innovation and around innovation, you will find significant opportunities. Touching on that and about something you said earlier, you were talking about sort of the global outlook of Switzerland in particular, but in general, I wanted to zoom out and ask you what your thoughts are right now on where globalization is trending, because on the one hand, we're all more connected than we ever were before, and then on the other hand, it does seem like there is this slow emergence of regional blocs that maybe are going to be exclusive from each other, and you have a lot of nation states, I would say, interfering in the course of everyday commerce for national security concerns, political concerns, really using these things to legitimize themselves at home. And that's true in the democracies, it's true in authoritarian countries like Russia and China as well. So do you feel like we're moving towards a more globalized world? Do you feel like we're actually breaking apart? Are both things happening at once? How do you tackle globalization going forward, especially after the pandemic?

Sune Sorenson:

Again, certainly if you look at, let's say, the last 100 years, you certainly have had an expansion of... So globalization, again, complex term that maybe needs to be broken down a little bit. In current context, globalization is all about good trade and US, China. For me, globalization is much bigger than that. So it is obviously trade of goods, services. It's a flow of data, so the digital reality we discussed. It is at the very kind of fundamental level, and historically, there's more of an exchange of ideas and people moving around, in my view. So if you're taking those different...



And financial matters, obviously. So then you got financial flows, which should not be underestimated either.

Sune Sorenson:

When you look at that, I think certainly in terms of goods, I think there is a trend towards wanting to bring manufacturing back home, probably automated more, and there's some logical longer-term trends around that one being demographic, one being the fact that we for a while had this great Asian factory that is now getting older and more expensive to use, so that maybe it makes sense to have things closer to home. There's a wish for resiliency in the system. So I can see that trend. I don't think that means the end of globalization because I think maybe on the other fronts, whether it's the flow of data, even though that has some constraints to it currently, but even things like ideas flowing back and forth, even cultural aspects, I actually see that being quite a fast track then expanding. So I think there may be some pullback, which I think maybe we've seen the pendulum swing a little far to some sides where we got out to a place where maybe it wasn't sustainable, maybe on, for example, goods.

Sune Sorenson:

I think there's also just from this whole context of climate risk and thinking about how we build things better. I think there's maybe a thinking that going to Brazil and digging up a lot of stuff out of the ground, putting it on a boat and sailing and all the way to Asia and then making something out of it, and then putting that onto a container and then shipping that off to you down in New Orleans so that you can drive around some wonderful car, that model may not make a whole lot of sense if you're thinking about sustainability and just thinking about best practices. And so there's some things that I think that underlies, but again, makes it very sensible to look locally. The idea that we are suddenly shutting down into these different blocs, I just don't really see that beyond a lot of the social media and maybe some politics here and there.

Sune Sorenson:

When you go and look at and speak to someone who runs a business, even if it's a small to mid-size business and ask him whether that he has a global reality around them, he will say, "Yes." If you speak to my school kids about what they interested in, well, they will be into K-Pop or they'll be into the NBA or they will be into some other obscure thing that I haven't heard about because I'm not quite as hip anymore. So again, ideas, cultural aspects, data flows, and even if you look at financial flows. Obviously, after the 2007 crisis, there was a tendency from regulators to kind of say, "Look, financial industry, you've been bad. Now you stay at home. We can keep an eye on you."

Sune Sorenson:

And that may have happened, but if you look in terms of investing, investing of capital is still flowing around the world. If you look at some of the biggest companies in the world today, many of them American, but again, they're American



by where they maybe were founded, but in the sense of their business, whether it's Nike or Apple or any of these guys, they are globally businesses and they live very much in a global economy. And again to your point, are we pulling back from that? Well, I think there's very powerful interest, economic and otherwise, that have no interest in that happening, and I think even if you do break it down into the consumer level, I'm not really sure we are that interested in really going away from that. There's some things that on a political post that looks good that you can talk about, but I think the reality of the system that is here, we don't really want to be changing that too much.

Jacob Shapiro:

Yeah, I just want to emphasize that point because I think it's incredibly important, and it's... The whole thing about fracturing into different blocks or globalization taking over, those are both nice pithy headlines that can fit in a 200 word summary of an article that has to go on the front page of a newspaper, but to your point, when you actually pull back, it's much more complicated. There are forces that are pushing for globalization, there are forces that are against globalization. There are companies in the world that have more in common with other than they necessarily do with their governments. Great example of this is Huawei and China, and say, Ericsson and Sweden. I would say Ericsson and Huawei probably have more in common in terms of their long-term interest, certainly than Sweden and China do, but even more so than Ericsson and Sweden do together, and Huawei and China do together. There are ecosystems built up.

Jacob Shapiro:

And the deeper story there, I think, is the way that politics has shifted, I'd call it in the last 10 years. It's really accelerated since the pandemic, but you've got political tropes that are emerging, where folks are trying to take all of those global interests of the economic interests and use them for their own political point of view, to sell newspapers, I think that's reflected in the global media landscape right now, all of that is happening, and it's one of the reasons we're doing this podcast, because I think it's important to have these sorts of complicated conversations, and for the listeners who are willing to take an hour of their time and actually listen to two people talk about the complexities rather than thinking you're going to get one answer come out of it. I just think that's really important going forward.

Sune Sorenson:

You raised some good points there. It's interesting when people... You get these questions like, "Is this good for the US, or is it good for China? Is it good for Switzerland?" You can't really address it like that because in your mind, what is the US, for example? Is the US big global businesses that are there, is it the guy living in Iowa, or is it the guy living in New York City? Are we talking which industry, which side of the aisle. So all of these things will have different implications. When you, again, just putting that label of this nation state onto it, it doesn't really project what is actually below that surface. And again, there can be more. It is always much more complex than that. And when you start digging into it like that, you start



realizing that some things are good for certain parts of this, whether it's an industry or grouping geographically. It just is. The change will be happening. I think, again, how you position politically around that is interesting.

Sune Sorenson:

I think it brings maybe a bigger interesting aspect that I see now as a trend, and I think this is one to definitely watch, and I see this as a risk, which is basically, anyone who studies history for a period of time, and I'm not talking about hundreds of hours spent, but just generally, if you have a curiosity about history, I think you realize that the foundations of what the human experiment has kind of taught us is that there's some foundational pieces to what is a successful prosperous society. Forget about the nation state level. One of them is democracy in its true form, the idea that you have a say. I think the rule of law versus the rule of man has proven inherently to be a better for the mass of the people on whatever that geography is. And then I think capitalism and free markets, in its true sense, has been part of why we are prosperous today.

Sune Sorenson:

I think those are our foundations, but if you look today, each of those are kind of like a cornerstone. It's nice to go and look at it and say, "Okay, I understand the basic principles of that," but it has always then been a kind of an experiment on top of that, how do you build a system, a conduit that spreads this into the everyday life of every person in this society? And that may be where we've had some real strength, but we are having some issues now. So I think in terms of governance, I think we drifted away from the best possible systems to express these cornerstones into the average person's outcomes of their life, and then the best certainty, okay? Now you're seeing politics, you're seeing individuals blaming these cornerstones for why the outcomes are not as optimal as they would want them to be, where maybe what is really needed is a reassessment of the systems that are expressing these cornerstones into the everyday outcome of people, and until we can have a conversation about those...

Sune Sorenson:

So whether it's amendment to some of these rules that we build over the last three, 400 years, upon these cornerstones, until we can have actual conversations about that in a pragmatic way, saying, "Look, maybe 200 years ago, this was a great way to express this particular democracy concept, but maybe the way we do voting right now does not really allow for the best possible way for a citizen to participate in this society, and maybe we need to use some technology for that, and maybe we need to update that." Maybe there's some things around how capitalism works. Maybe we drifted into something called crony capitalism, where blaming the idea of trade and free markets upon the financial outcomes that we're seeing today I think is probably false. So again, there we might need to go back and look at the system.

Sune Sorenson:



Maybe some of these stakeholders of these systems need to look at themselves and say, "Yes, I have benefited and I've taken that position to a level of almost monopoly, if not monopoly, and maybe if I want the system to continue to be there beyond myself, then I'm going to need to address maybe some of the wrongs that has come." So again, when we begin when we look at industry, there's been a debasement, I think, of values and of culture, where we become shareholder-focused. So we chase price instead of building value.

Sune Sorenson:

I think there's been a shift, certainly in North American business a lot, but also in other parts of the world, from focusing on engineering to financial engineering. So it's not really so much about what the company does anymore, it's really about what the share price does, and it's all really short-term thinking versus long-term thinking, and I think these are things that we're going to have to try and come to some kind of... We have to come through that. I think there is a schism right now, and I think the next decade will be quite telling in the West whether we find a way to navigate this onto something better, or whether we start tearing the very fabric that basically got us to where we are today.

Jacob Shapiro:

Yeah, and I mean to your point, you called out democracy of the rule of law and free markets as the sort of three cornerstones of prosperous and peaceful society, but the dynamic that you're pointing out here, I think, creates a sort of negative feedback loop in that first pillar, which is democracy, because if you get this short-term thinking and if you get stakeholders taking advantage, or crony capitalism asserting itself in the system, eventually the democracy component will rebel, and it will rebel at the ballot box through electing populist figures who don't care about democracy in the first place, it will rebel in the form of authoritarians getting legitimacy and being able to rule as dictators in whatever countries that they're ruling in, and I know that this is one of the things... I would call this one of the risks that you're probably focusing most on in terms of your investment horizon going forward, how that push and pull, and how democracy is probably going to affect things. You want to go a little bit more into that, and some of the things you're up to on trying to manage those risks for clients?

Sune Sorenson:

Sure. So I think in all those for you, there's a level of trust and a level of commitment to the whole by the individual, and if you start tearing away at that trust, it's quite a delicate flower. So once it's broken, it's really difficult to put back together, and that's maybe where I see the risk. So again, if we start tearing at free markets and business, which I think we have had financial repression back to the central bankers. So while I understand their mandate and what they're trying to do, I do think that maybe they're doing themselves a disservice longer-term or the societies they serve. So that's one area of risk. I do think within business, we have to get back to, in the West certainly, actually making and manufacturing things and



become engineering geniuses again, as opposed to financial engineering geniuses. I do think in terms of our democracy, I think governance has to move with the times.

Sune Sorenson:

So if you look at the digital reality that we talked about before, in pretty much every segment of your life, it is pretty prevailing now that we've taken some of the best application of technology, some for the better, some for the worse, and some we're still kind of figuring out how to use properly. But some of the areas we're not doing it is in terms of government and the kind of governance structure, and I think that has to kind of catch up. Again, there's places where this is happening. So if you look at a place like Estonia. I've been watching that place. They have this E-government, very advanced in terms of how you can use it. I think the European Union is pushing in this direction now. You can see it here in Switzerland, you can see it in some places, smaller generally, like let's say Singapore, or some other places where very successfully you created this framework where you can actually govern at a lot lower cost, you can have much more of an interaction between the stakeholders of society.

Sune Sorenson:

Just like any other thing, technology is a tool. So it can be used for good and for bad. It can be the hammer that builds the house, or it can be the hammer that destroys the house, depends kind of on the hands and the motivations of the one using it, but generally speaking, technology is what's led us to having longer and better lives, and all the prosperity we see today. So generally, if we figure out how to use it in the right way. So to the question of how to position the investment-wise, it's pretty clear to me that in the West certainly, US specifically, we have some major challenges at all these three levels.

Sune Sorenson:

I think the historic lesson is probably that more debt, more fiscal spending, a lot of that probably malinvested, but some of it ideally falls into the right pockets of industry, and they come out the other side and build the next paradigm. And that's obviously what we're going to look for. I think in the meantime, you would be concerned about inflation, debasement of currency, because again, as a politician, it's kind of hard to say, "We're cutting back." It's easier to say, "We're expanding fiscal measures," and once they're in place, then you got to do more and more of it. Then you can't really default on your currency. You don't need to if you're European Union or United States, and not Argentina. So that probably means that you try and boil the frog as slowly as possible, and that means inflation is a real risk.

Sune Sorenson:

So again, that's a risk to manage. It's also an opportunity on the other side, so two specific investment type things. Certainly, I like real assets. Again, goes kind of with the Swiss mentality in some ways. I'm looking for things that have permanence, I'm looking for things that would probably benefit from that type of development. I think on the other side of it, and that maybe brings us to the other side of it, if



you're looking again, a decade out, I want to be in the spaces of real innovation in core economic sectors, and right now, I think we are sitting at a very interesting space where you're seeing... I think how we produce things will be changing dramatically. So I've done some work on additive manufacturing, material sciences, automation, I think that's a really interesting kind of connection of all these layers of innovation that comes together and create something much bigger than any of the parts, which is one of those kind of thrusts that you really want to look at from an investment perspective.

Sune Sorenson:

I think there's areas like our energy transition, our transportation transition, and I think there's some demographic areas you can look at, and I think there's some areas like let's say agriculture, fresh water related obviously, which I also think is very much in need of innovation, and again, historically, if you can align yourself with the individuals or companies that are finding the solutions to some of these bottlenecks, less barriers, then that generally turns out well for you if you have the time horizon. And again, the thing with the kind of market valuation levels we had currently, you're going to be buying at pretty high prices.

Sune Sorenson:

So if you're going to do that, you want to try and find companies that are basically going to be able to become much bigger than they are today in terms of the revenue they can create for themselves and their shareholders. Again, that tends to be very innovative companies that maybe today is doing something narrowly, but then it has a much broader application in a decade out, and therefore I can afford to pay the price that they charge me today to buy a share of their company, so that I may be part of that much bigger opportunity set that they have in the future. Real assets and innovation.

Jacob Shapiro:

Yeah, and I wanted to also give you a chance. Where does crypto fall in this thing? And listeners, if you missed our episode on the Crypto 101 course, it's a couple episodes ago, so maybe go back and listen to it if you need to refresh yourself on crypto. By the way, it's amazing how many people... It's strange. I would say 10 to 20% of people that I talk to these days, obsessed with crypto, trading crypto, all they want to talk about is crypto, and then there's another 70% or so who are just like, "Yeah, this is a fraud. It's all terrible. This is the decline of Western civilization."

Jacob Shapiro:

I mean literally, these are the things people are saying, and there's a very small 5% in between that don't know what to make of it. We're trying to talk to those 5%, and I would count myself in those 5% as well. So I know you're doing some exciting stuff in the crypto space via Strategic Funds. So just talk to us a little bit about whether crypto is a real asset, is it innovation, is it both, and how are you attacking that investment opportunity or risk?





Sune Sorenson:

Yeah, so very interesting. Number one, I would encourage people to go and listen to that pod that you referenced. I listened to it, I thought it was excellent. Yeah, so crypto for me is kind of like a FinTech 2.0 place. So I've been for the last two decades, we've had this online digital reality branched out, and it certainly is coming to the financial industry, which I inhabit, and it's realized a lot of value, a lot of opportunity. I like that space. So when I started looking at crypto maybe a decade back, I first came across some noises about it. It wasn't that interesting to me in the sense that at that time, it was really very much about creating some kind of sovereign coin or doing a financial system outside the financial system, and while I was sympathetic to some of that coming out in 2007, I was kind of quite happy owning gold, and that kind of did that for me.

Sune Sorenson:

So fast forward a bit, I could start seeing that something is going on. You start seeing the kind of ideas growing in the space, you're starting to see those ideas and the people that attracts, and I became curious about it in a private sense, and just generally following kind of technology. Some of the people I really valued their opinions and the work they were doing in technology started talking to me about it, so again, not being a technologist, I started kind of keeping an eye on what they had to share with me on it. For me, it basically is an innovation play. For me, it's interesting. Just in the last, whatever, let's say, decade, we've gone from it being a currency, which I think is actually a mislabeling. I don't think there's any of them besides you could argue stable coins that actually form any form of a currency, and then it was a payment system and we're just talking Bitcoin here because that's kind of the main expression of this space, the main noise framework, I would say in the space.

Sune Sorenson:

Then it was realized that the system was not great to be a payment system, there were some trying to innovate around the edges of it, but again, they were kind of was what it was, which is kind of like a digital gold, if you want, in the sense of how it's created. For me, not that interesting. I can see other assets that are far more interesting, but what did interest me was the innovation around the infrastructure and the place, so that's more down to the blockchain smart contract aspects of it. I can see the applications of that still being figured out in some industries, but I do think in the financial industry, it has big applications. I actually think in governance, it has some applications around the blockchain and smart contracts. I think around the financial industry, which is obviously a multi-trillion dollar industry, global in nature, certainly has some layers that could probably do a shake up and decentralization of some of that.

Sune Sorenson:

Again, back to our conversation about monopolies and getting back to true capitalism, I do actually think that there's some of those key inputs that are there, but it's very early. Again, when people are talking about crypto in the West,



certainly in the media, it's all very much about Bitcoin this or meme that or it's kind of like a speculative story, whereas actually, where I think it's much more interesting is if you look in the emerging markets, if you look around the younger generations maybe in the West, it is really more about an infrastructure for the next layer of maybe what financial services is. I think that's very interesting. That I definitely want to invest into, and that again for me is that longer-term horizon.

Sune Sorenson:

So from an investment perspective, I do not see Bitcoin as gold. There's two very different things to me. I see the whole space as kind of a venture capital style thing that you may want to allocate to if you can handle the risk and you can manage that. If you can't, maybe find someone who understands the space and can manage risk effectively and get them to look after it for you. It's not a space you want to have 120% of your wealth in. It's maybe a space where depending on your age and your objectives, you want to have two, three, 4% percent of your wealth in. But again, I think there's a host of very interesting innovative areas of the economy that you want to look at, definitely think the digital application in the financial industry is one that you should be a part of, if you invest in for the decade out.

Sune Sorenson:

And the work we've been doing is really about how can an investor position themselves thinking about the longer-term, trying to harness the broader concept as opposed to just Bitcoin or any one particular token, accepting this as an early stage investment, so you want to try and capture a broad segment and you may want to try and have some ways of managing risk activity, so you're not just sitting long only, and then you may want to be looking at ways that you can use some of the things within the infrastructure that may allow you to create yield if you are going to be holding these assets for multiple years. And that's kind of what we come up with in terms of some of the work we've done in this space.

Jacob Shapiro:

Great. Sune, before I let you go, let's just do five quick minutes of basketball here. And guys, if you're not interested in basketball, you can turn off right now. You might not want to be interested in basketball because the last time we addressed basketball on this podcast, Marko Papic and I were talking about how the Brooklyn Nets were going to be terrible, and the James Harden trade was never going to work, and boy, I think we should stick to our day jobs apparently in geopolitics and investing. So what are your takeaways from the playoff so far?

Sune Sorenson:

I'm enjoying it, number one. Again, huge NBA fan. My son plays basketball, and-

Jacob Shapiro:

I just want to say right there. He says his son plays... A lot of people say their sons play basketball. Suen's son plays basketball. He's a baller. You send me some of his



videos sometime. I'm waiting for him to... I don't know if he's going to make it to the US, but I feel like he's he's got some game.

Sune Sorenson:

Step-by-step, but he's getting there. He's got the size now. Before, he was undersized for a while so he had to develop the skills. Yeah, definitely fingers crossed. That would be a great thing for me. I'm looking forward to that side of it. Right now, I'm just paying for all the basketball shoes and what have you. So NBA may be more interesting for the audience though at this stage. So my takeaways is it's really open obviously you can see, which I actually enjoy. Very unpredictable. Obviously I'm a big Jokić fan, and this is again... I first came across Jokić when... So full disclosure, I ended up somehow becoming a New York Knicks fan, which is for my sins I suppose, mainly because we used to visit New York a lot, and it was one of the first teams that I used to go and see with my son, and that kind of became my team. He didn't really buy into too much quite quickly when he figured out what basketball really should be about.

Sune Sorenson:

But long story short, we went to watch one game. We were going to see Porziņģis and I thought that was really exciting, and then this other dude turned up, some another big European guy and he basically destroyed Porziņģis and the New York Knicks, and that was Jokić. So since then, kind of followed his path and just really enjoy the way he plays basketball and his general kind of outlook. And we're also big Luka Dončić fans obviously, from again, European perspective. So I'm hoping they come free, but I do think they're a bit hobbled on both sides there. So we're going to have to wait and see. I really like the box this year, I think. I'm a big Jrue Holiday fan. Again, my son plays point guard, so I kind of try and see if you can shape him into a mix of Jrue Holiday and Dončić, which will be kind of the ultimate point in my book. So I'm kind of looking at the boxes, maybe a sneaky outsider, but you can't really get away from Brooklyn looking devastating on offense at least.

Jacob Shapiro:

Yeah, it's been distressing, but I've come to think that... I think Milwaukee is the best hope we have for Brooklyn, not just winning the whole thing, because it doesn't look like the Lakers are going to be healthy, and I mean, you talked about Jokić, but with Murray out, I just don't think they have the firepower they need. The Sixers, I don't think you can trust the Sixers. So I think Yanis is going to have to hold the line or we're going to deal with a whole off-season of these Brooklyn guys talking about how great they are. It's going to be completely insufferable.

Sune Sorenson:

Well, at least they don't have a lot of fans you're going to have to deal with it, unless they all jump on the bandwagon now, so I'm not sure. I've certainly been in New York, I don't see a lot of Brooklyn shirts, and I'm not really sure how much of a



parade they're going to be able to put up, but they may be able to pay some people to come up.

Jacob Shapiro:

Yeah, that's a good point actually, man. I lived in Brooklyn for a year, year and a half, and that was right when the Nets moved to Brooklyn, and it was very weird. I mean, it was kind of obvious that they had no natural fans. You had the hipsters and the trendy folks that were gentrifying Brooklyn. They'd go to the game at Barclays and go to Shake Shack afterwards or whatever, but there wasn't... You juxtapose it with New York, which the Knicks, obviously, in the center of Manhattan, but just a rabid fan base and a really diverse fan base. I guess, maybe the Nets will get there eventually. I mean, stick around in Brooklyn for 40 years, check the macro perspective, and maybe they'll be able to build that sort of thing, but it's not there right now.

Sune Sorenson:

No, we're going to have to see on that one. It's a bit like the Clippers in Los Angeles. Again, they also seem to be staking out, taking over the town, but again, from anyone I know in the area, that seems to be a very long shot. So we're going to have to wait to see. They're going to have to play great basketball for, as you say, four decades and then maybe people will start swinging that way.

Jacob Shapiro:

Okay. Well, Sune, thank you so much. We're going to have you back on again soon hopefully, and talk to you later, man.

Sune Sorenson:

Absolutely. great pleasure.

Jacob Shapiro:

Thanks for listening to the latest episode of the Perch Pod. If you haven't signed up for our free newsletter at [perchperspective.com](http://perchperspective.com), what are you waiting for? Please check out the website. We put out a nice weekly summation of what's going on in the world. You can also find more information on our website about geopolitical consulting services that we offer clients. If you're unsure about whether you could use those consulting services, aren't sure whether you need help when it comes to geopolitical risk, why not err on the side of caution, send us an email at [info@perchperspective.com](mailto:info@perchperspective.com)? We're happy to set up an introductory phone call and talk about what we can do for you. You'd probably be surprised at the way geopolitics is affecting what you're doing, especially in today's multipolar and competitive world.

Jacob Shapiro:

Second of all, if you need more Perch in your life, and you're not interested in a full-on consulting arrangement, you should check out [latampolitik.com](http://latampolitik.com). That's L-A-T-A-



M-P-O-L-I-T-I-K.com. That's our collaboration with VisualPolitik, which is a YouTube channel that has millions of subscribers and viewers around the world. Three times a week, it gives you an in-depth look at the geopolitics of Latin America, which I think is a really underserved area when it comes to reporting and when it comes to analysis. I've been particularly proud of how at LatamPolitik, we've done some great work on what's been happening in Peru lately. Some major elections coming up in Peru, there was an attack by the Shining Path last week, a really grisly attack which says disturbing things about Peru's future. And honestly, there is nobody either in the English language or in the Spanish language I think that is taking this approach towards Latin America geopolitics.

Jacob Shapiro:

So for the price of a cup of coffee, albeit a fancy cup of coffee every month or a beer a month, whatever you want to say it as, five bucks a month gets you three of those geopolitical updates on Latin America week. Feel free to check it out or sign up for the free trial. Last but not least, if you like this podcast and you're not interested in all the other stuff, there's one favor you can do for me, or really two favors, I guess I should say. First, whatever platform you're listening to this podcast on, leave us a review or leave us a rating. It's a really small thing. It takes five seconds out of your day, but it's immensely helpful to us. And if you really liked the podcast, consider sharing us with your friend, with your uncle, with anybody else that you think might be interested in this content.

Jacob Shapiro:

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