



May 2018
Da Vinci, Newton, Buffett &
the Evolution of the Global
Economy
Accredited Investors Only

“If I have seen further, it is by standing on the shoulder of giants.”

-Sir Isaac Newton

At the heart of the Blockchain is complex mathematics. Cryptography is what lies at the core of the distributed ledger technology that provides trust, which, in turn, allows transaction to be completed and recorded. To understand cryptography, one needs to have the tools and the ability to understand complex mathematics, which is beyond the scope of the average investor. The inability to navigate this roadblock leads many investors to incorrectly conclude that the Blockchain is nothing more than rat poison to the global economy. Forgetting the theory of mathematics for a moment, we thought it would be helpful to research the core technology of this innovation. Through doing so, it was concluded that the distributed ledger technology is the digital manifestation of double entry bookkeeping accounting. Too few realize that the history and evolution of accounting is tied to the history of global trade and therefore, the history of human progress. Accounting is an extremely important influential innovation that gets taken for granted. Its digitization will have profound effects on the recording, transaction, and record keeping that play a central role in our global economic, legal, and political systems. In addition to the establishment of identity and governing interactions among nations, industries, political organizations, health care institutions, businesses, and individuals, the Blockchain allows the global economy to evolve into its true native digital state. Hardly, rat poison.

Since the 1950's, the global economy has been slowly evolving from an analogue world (where process is controlled by humans and paper), to a digital world. However, to truly understand how profound this innovation is, shrouded in complex mathematics, we need to go back to the 1400's and the Italian Renaissance. It has been well documented and researched that the history of human progress can be explained through a narrative, with a focus on global trade and the history of accounting. Commerce connects countries, industries, businesses, and the citizens of the world. This connection, in many cases, has long been facilitated through double entry bookkeeping, accounting and banking.

Modern banking is over 700 years old. It was invented in the early Italian Renaissance, first modelled by the “Medici Bank” in Florence, Italy. In 1474, a Franciscan Monk named Fra Luca Bartolomeo de Pacioli (the tutor of Leonardo da Vinci) published the first major work on double entry bookkeeping accounting. With his findings, the recording of transactions was introduced into the world of commerce and trade, thus becoming a core business process. From the 1400's until today, the recording of transactions and transferring of property rights has been done with an analogue process. Simply put, the process has not evolved. This fact has slowed the evolution of the global economy and society from an analogue world to a world in its true native digital state.

Our thesis is the combination of mathematics, economic incentives, and digital ledger technology (to solve the double spend problem), which creates the innovation necessary to replace the analogue aspects of accounting theory that has been hindering the evolution of the global economy. History reveals the power of an innovation mostly ignored by society. There could be no double entry bookkeeping accounting without the invention of the number zero. Without accounting, there would be no corporations, financial markets, global trade, and no financial theory, everything used by those who refer to this new technology as rat poison (Mr. Buffett). To get to this conclusion, one must leave behind the basics of mathematics, have an open mind, and ask the question: “What would the world be like if transactions took place in a pure digital state, where the databases were decentralized, security was ensured and no human intervention was needed?” The answer? An economy with lower transaction cost, less friction, and less fraud, where individuals control their identities - an economy in its true native digital state. For many, the complex mathematics at the foundation of the Blockchain will deter investment. Others realize that the technology is a digital advancement to a process started in the Italian Renaissance and a method by which the global economy can evolve. To paraphrase Sir Isaac Newton, we are able to see further by standing on the shoulder of the giants that came before us.

Dr. James E. Thorne
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FUND DETAILS

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Management Fee	1.25%	RRSP Eligible	Yes
Performance Fee*	20%	Auditor	Deloitte LLP
Subscriptions	Monthly	Legal Counsel	McCarthy Tetrault LLP
Liquidity	Monthly	Administrator	SGGG Fund Services
Minimum Investment	\$10,000	Custodian	Caldwell Securities Ltd.

*Based on perpetual high watermark using series accounting, no reset, no hurdle rate.

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Dr. James E. Thorne is the Chief Capital Market Strategist and Senior Portfolio Manager at Caldwell Investment Management Ltd. He is also a member of Caldwell's Investment Risk Committee.

From February 2001 to September 2014, he held various senior investment management positions at M&T Bank and its wholly owned subsidiary, Wilmington Trust Investment Advisors, Inc. in the U.S., including Chief Investment Officer of Equities, Managing Director and Chief Capital Market Strategist. During his tenure, he was responsible for the management of approximately \$23 billion in assets and developed small, mid and large-capitalization investment strategies which employed a combination of quantitative and qualitative analysis and achieved top-quartile performance.

Dr. Thorne received a Ph.D. in Economics in the fields of Finance and Industrial Organization from York University in June 1993 and was subsequently employed as a Professor of Economics and Finance at the Schulich School of Business and at Bishop's University.

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