

To the Social Capital EM Program committee.

Let me preface my application by saying that I am not a serial investor, just a regular twenty-four-year-old from Barcelona. I work as a software engineer for Skyscanner and manage a small portfolio of just under \$20k that corresponds to what I have managed to modestly save. I am applying because I have strong views on how society ought to be and I think I can contribute to create a positive change in the status quo.

Before working as a software engineer, I had a job in Madrid in the global HQ compliance department of Santander's bank, making sure the bank adhered to the post-2008 liquidity standards of the SRB. I quickly realized it was not what I was looking for and planned to move to London or Berlin, where some exciting projects are being built. However, all that ground to a halt the day my dad suffered an extremely severe domestic accident. My views on life were changed instantly and permanently, and I started questioning all my assumptions on them. I ended up quickly relocating to Barcelona to be close to my family and picked up a job as a backend software engineer at Skyscanner. From then on, I decided to pick up again my quest for an examined life, and once more started asking myself all these questions kids ask adults about the ultimate truths in life. Unsurprisingly, I did not come up with a clear response, but found a strengthened my justification to search for progress, for something bigger than one person. If there are answers to our most latent questions they are probably embedded in the fabric of the universe, and if not, there are probably better questions to be discovered. As Sagan said, we are a way for the Cosmos to know itself, and I believe to reach for that truth should be our moral duty.

So far, the best way to drive sustained long-term progress has been through free markets and the preservation of liberal Western values. Capital allocation is the skill that guides these free markets, but it often goes unappreciated and is in some cases even treated with contempt. The root cause for this could very likely lie in the branch of Western mentality that has its roots in Christianity. Growing up in a Catholic environment one often gets the feeling that capital is something dirty and tainted. After all, Jesus states in the Gospel of Luke, "Blessed are you who are poor, for yours is the kingdom of God". The rejection of economic interest explains why the Jews were the creditors of medieval Christian empires, and why the Medici had to be strategic when setting up their banking business in the Renaissance. For all the greediness money might portray in the Bible, in my eyes it is also an equally powerful tool for change. I regard sensible capital allocators, of a reasonable size, the guardians of society and orchestrators of progress, and as people with a superior moral responsibility to steer mankind in the right direction. Under given incentives, these people must allocate enormous amounts of resources that have the power to decide the fate of our species. The efficiency of free markets tends to end up rewarding those who add sustainable compounding value, so they can keep allocating more. Developing these skills requires concise and calculated action, backed by long hours of deep reflection and reading, and a cool head in the face of uncertainty. The weight of this strategic, moral and intellectual responsibility is why this application is of utmost importance to me, and the reason I have devoted countless hours to it.

Macroeconomic Climate

Investing in today's economic markets requires a good read on current trends and their interrelated traits. The US Treasury and Federal Reserve are fully involved in them and are the main agents driving it. Zero interest rates policies have made investing gains stemming from fixed income securities negligible and the equities market is getting flooded with capital. Moreover, debtors' credibility is not being sufficiently tested and everyone is in a state of euphoria. An add-on to this type of policies is the looming danger of liquidity traps, deflation and a 90s Japan-like scenario. All of this will force long-term investors to be more precise and meticulous than usual. In opposition to the uncertain future of these policies, there is a chance

to revive America's middle class, drive progress, and offer a better quality of life to its citizens. The large stimulus package, soon to be in the works, combined with low rates can help drive capital intensive initiatives to reorganise America over the next decade. The same way low interest rates pose a danger, they also show a way towards rebuilding a stronger economy.

This attempt at value creation could likely result in the regulation of FAANG. These corporations initially added significantly large value to global society, but lately, they have been raking in gargantuan profits that have been used to optimize for clicks. This is in part due to the lack of economic incentives and a struggle to innovate efficiently at scale. It is crucial America finds a way to implement incentives and work to ramp up stalling productivity growth. There is evidence that this can be done when one looks at the rate of progress and productivity Tesla has been able to achieve. Science as a discipline is another strong example. After experiencing diminishing returns on investment for decades, it has managed to deliver a COVID vaccine in record time. Flooding the market with US dollars can work in the short term, but progress will be demanded in the end. The confidence in the greenback was built on the back of the Model T, General Electric or the iPhone, and this must not be forgotten. A reserve currency's demise is swift independently of how dominant the power holding it. For example, despite controlling the 60% of the silver European supply through Potosí, the Spanish escudo fell to the more entrepreneurial Dutch guilder within a century. Initiatives of value creation prevail in the long term.

In addition to this domestic landscape, attitudes to China seem to be shifting. It has long been a nefarious actor that has profited from asymmetric market opportunities to gain leverage over the Western economies. They have gone from being a massive manufacturing sweatshop to one of the biggest lenders in the global markets. With trouble in emerging economies they will face their fair share of trouble, but they have become the main rival, so I would not expect tariffs levied by Trump to be scrapped by the Biden administration. Moreover, during the pandemic the Western world has realized the importance of supply chain resilience and the ever-vaster wealth inequality gap. Countries with a strong industrial tradition have seen they are not building as efficiently as they did in the past, and that they greatly depend on external agents to supply their societies with basic needs. The consequences of past offshoring are also felt in the wealth gap that is reaching worrying levels for a democracy to work. Given this situation, I would expect the US to bring some renewed form of manufacturing back to the country, tax big corporations and promote investment in the domestic markets, through the aforementioned stimulus package.

The conflation of all these realities should incentivize America's top allocators to push the boundaries in many areas. Most importantly, energy generation, distribution and storage are entering a transformational phase that will force the US to restructure its raw materials supply chains, mining operations, chemical plants and manufacturing. Energy efficiency has long driven civilizational advance and with the Paris Agreement goals within reach, it seems we will move to a sustainable model based on decentralization and battery storage. New infrastructure will be created around this energy model with new ways of approaching energy ownership that will likely also affect population distribution. Other changes should be expected in the ways human connections are established. With the progressive elimination of information intermediaries and the arrival of remote work, new ways to create communities and deep meaningful relationships need to arise. Also, from the hand of companies like Apeel, agricultural logistics will be made more efficient minimizing agricultural footprint and reducing fruit's prices. Space is also starting to be accessible at reasonable prices, so I would expect space tourism to kick off and would not discard the creation of space manufacturing companies over the next decade. Microgravity offers ideal conditions to make optical fibre or metal alloys. Funnily, these systems will have to rely mainly on thermodynamic variations due to the virtual absence of downwards force. All in all, America is going to transition into a decade of increased government spending to rethink the building blocks of its economy.

Investment Strategy

Once described how I view the current macroeconomic climate, I will explain how I plan to invest within it. As previously mentioned, long-term investing is getting hard in these conditions and an investor will need to be careful and selective. Any false move now could be costly down the road and to attain outsized returns my intention is to hold a concentrated portfolio. I do not know what will happen with interest rates, but I see many so-called growth SaaS companies with insane valuations that are involved, in what I call, S&M wars. This sort of stocks is on the rise despite lacking a good profitability horizon and in my mind, should be avoided. I expect companies in the public markets to have achieved a quite noticeable customer base so what I am looking for is a distinguishable product. A real good product often comes with strong current or future cash flow potential, a clear capacity to eliminate debt and a good executive team that continually allocates profits for future growth. Another factor in my decisions will be to look for companies for their ability to affect society positively, in an intense and extensive manner, coupled with the likelihood that they can bring it to fruition.

Although the market might be different by the time the program starts, there are certain equities I am looking at. I believe Palantir, both with Foundry and Gotham, has amazing products with growing margins, and a huge potential to modernize America's industries and services. Having worked in a massive corporate structure and having to get data from a million sources on a daily basis one learns to wish for good data integration. Markets are focused on Snowflake but as I see it, they are no match for Foundry. On the government side, Gotham's market is secure after the code 2377 hearings and will keep building their relationships throughout the federal structure. The fact that Karp, Thiel and Cohen retain majority vote is encouraging for the future and I trust their judgement. There has been a lot of talk about Palantir Gotham breeding a Hobbesian Leviathan, but they are asking philosophical questions of the authorities that have been publicly avoided for a long time.

Another investment I like even though publicly regarded as overrated is Tesla. I do not think folks understand what Elon is setting in motion. He is going to control a decentralized mode of generation and storage of sustainable energy coupled with a state-of-the-art transportation system. Lately, it has been going upstream in the battery fabrication process which will allow them to innovate, have huge margins and control the supply chains. Tesla is a strategic bet for the US, and the American company of the end of this decade and the 2030s, the same way Apple has been in the 2010s. They have plenty of demand, are at the bottom of their growth curve and their debt although large is showing signs of declining. There could be some dips and beta in the short-mid run, but in the long run they will accelerate the energy transition and give outsized returns.

Regarding smaller companies, I aim for sound investments in the video games, 3D printing and space sectors, which I believe will profit hugely over the next decade. As for healthcare and biotech, I would prefer to first learn properly the biological fundamentals driving the revolution to feel more secure when investing. For investments in even smaller companies, I would wait until I had more capital. Small companies rely more heavily on their executives and I would like to see for myself how their businesses operate and what are their future intentions. Over the long-term, I would expect to have a good part of it allocated in small companies with good balance sheets and a strong leadership that believed in compounding investments. Lastly, I will hedge my portfolio with Bitcoin and Quantumscape. My view is that Bitcoin is more than a hedge and it truly is a store of value. But I will only hold a small amount of it because I do not believe it can play a major role in this attempt to evolve America's capabilities. In fact, I see more potential in the blockchain to organize democracies and scale dissent with authorities than as a monetary system. Concerning Quantumscape, their quest to find a solid-state lithium battery could revolutionize the whole battery sector. Plus, endorsements from JB Straubel and Stanley Whittingham add a signalling effect to the business worth paying attention to. It is a small hedge to a blind spot in academic-level knowledge of batteries.