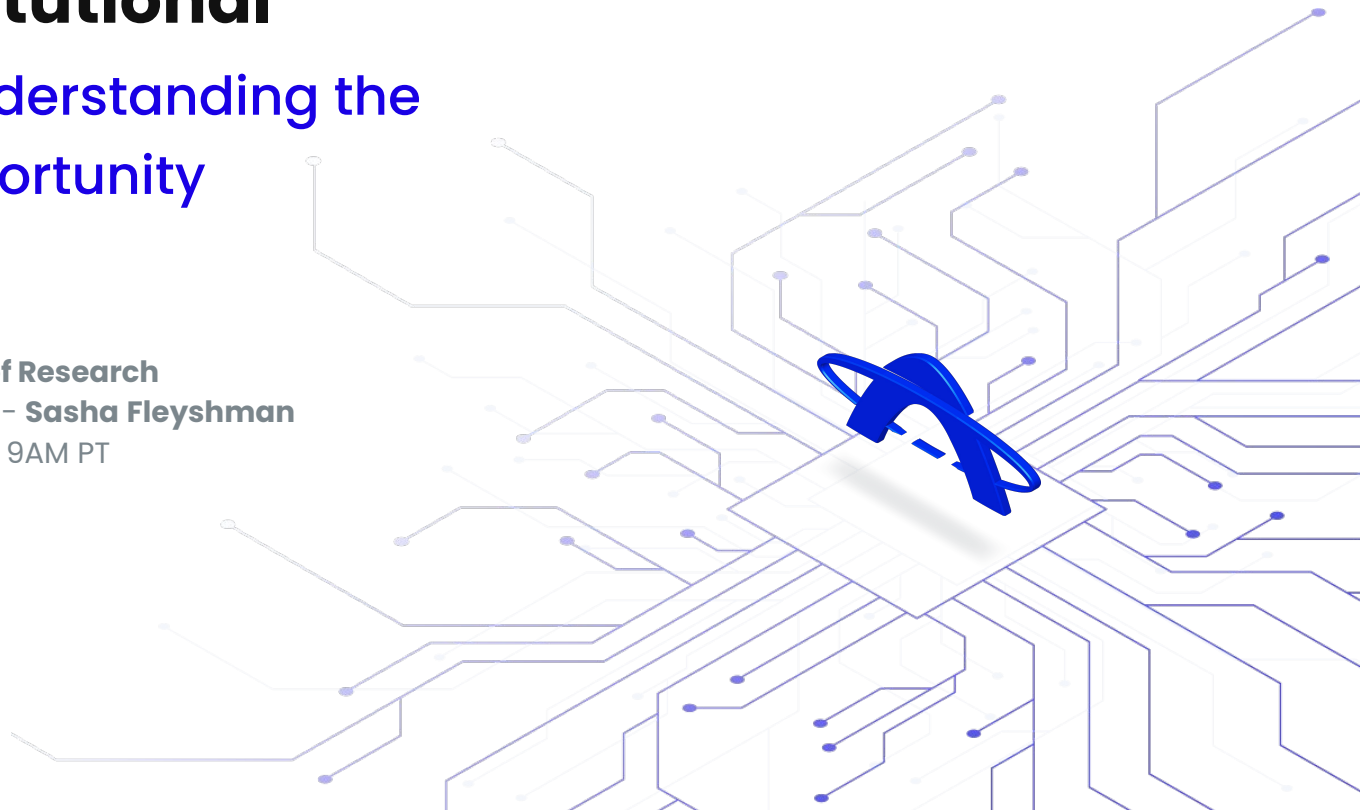


NFTs for Institutional Investors: Understanding the Investment Opportunity

Host: **Katie Talati, Director of Research**
Featuring Arca NFT Fund PM – **Sasha Fleishman**
February 15, 2022 – 12PM ET / 9AM PT



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What is an **NFT**?

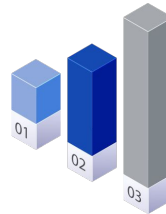
Most things in the physical world are non-fungible.



A “**wrapper**” similar to the ETF structure that can include new digital assets or traditional real-world assets



Two methods of NFT origination – asset creation and migration



NFTs are a market rather than a sector



Understanding NFTs in the broader digital asset universe

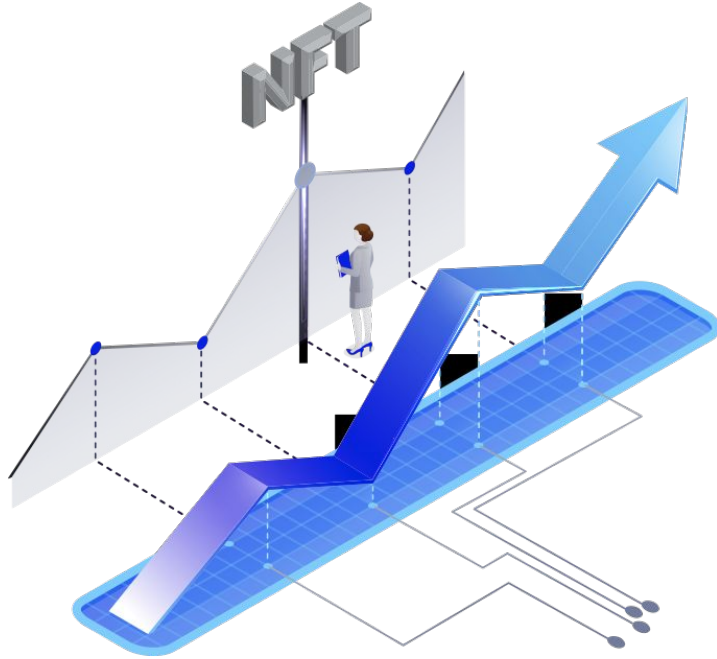
We believe that digital assets are not a separate asset class, and blockchain technology will underpin all assets in the future.

NFT Adoption and Growth in 2021

Last year, we saw a rise in and shift of onramps into digital assets. Investors moved away from Bitcoin and entered the ecosystem with **DeFi**, **NFTs**, **stablecoins**, or **gaming apps**.

- 1 **NFTs generated \$23 billion in trading volume** - [Fortune](#)
- 2 Lightspeed Ventures, FTX, and Solana [announced](#) a \$100M joint gaming initiative
- 3 Recur, metaverse investment platform, raised [\\$50M Series A](#) round, led by Steve Cohen's family office
- 4 [Adidas](#) and [Nike](#) entered the metaverse





How Do **NFTs** Drive Value?

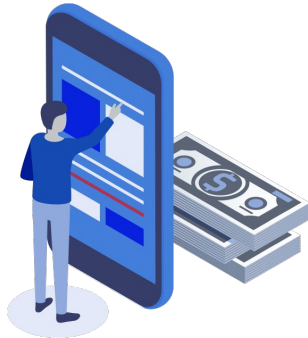
Motivation, incentives, and monetization fuel and power the perception and realization of value.

- Perceived Value – scarcity, status, patronage, and entertainment
- Intrinsic Value – identification, education
- Functional Value:
 - Utility: allowing owners to do things in the digital space and physical world
 - Liquidity: market creation for untapped investment opportunities
 - Compatibility: allowing previously sequestered assets to plug in to the overall stack (house deed for DeFi loan example)

Revenue Streams Derived From NFT Issuance

The ownership economy has the potential to unlock tremendous value as people are migrating more and more towards a fully digital universe.

PASSIVE



programmable royalties,
renting, and staking

ACTIVE



gaming, governance,
participation, training,
iteration, etc.

OTHER



brand deals, licensing,
collaborations, hosting, etc

Democratizing Investments with the Convergence of NFTs, Web 3.0, and DeFi

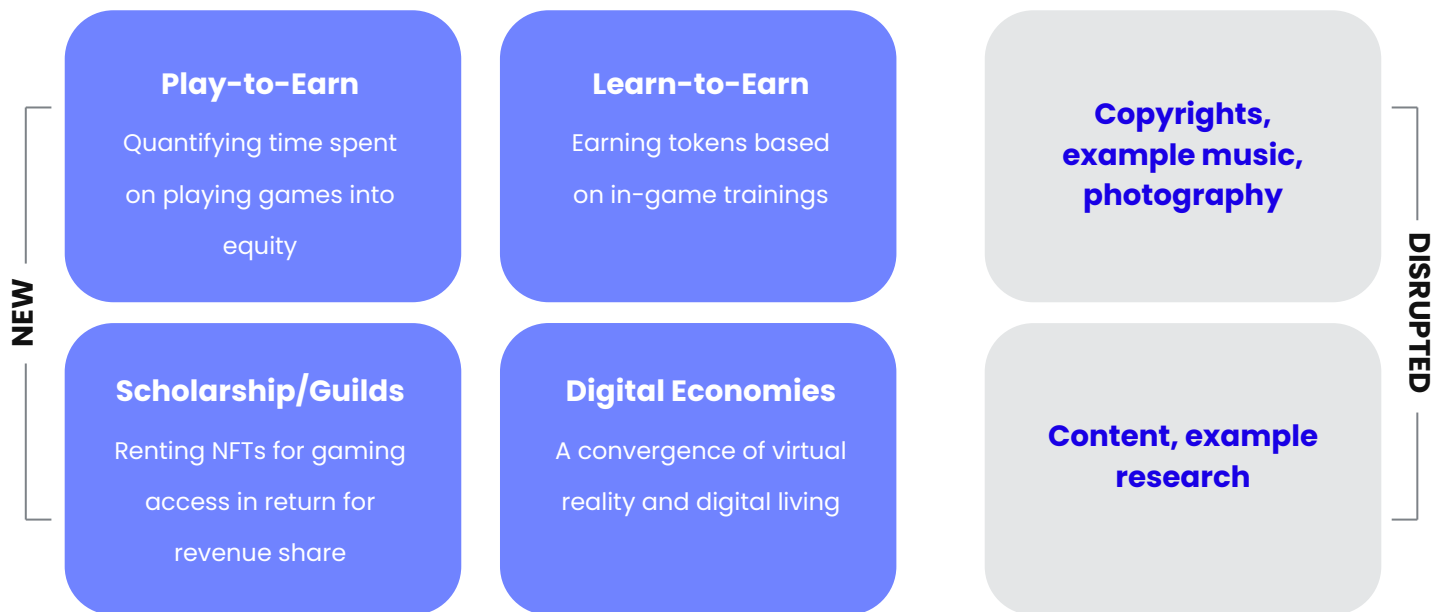
Gaming trickles into DeFi and then the broader ecosystem – porting millions, if not billions, of users into crypto.

Leveraging decentralized networks to transform old financial products into trustless, transparent protocols that facilitate digital value creation and disseminate intermediaries.

- 1 Accessibility
- 2 Frictionless interoperability
- 3 Shared ownership
- 4 Merging of users and investors
- 5 Fractionalization (of business models for targeted investing)

The Creation and Improvement of Businesses with **NFTs**

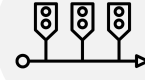
NFTs are creating opportunities by driving ownership capabilities through blockchain technology.



Why Professional Investors Are Interested in **NFTs**



Very early, high
growth market



Significant adoption in
short timeframe



Information
asymmetry

THE **NFT** USE CASES

The growth of NFTs has empowered artists, skilled professionals, and entrepreneurs to encapsulate innovation in a tokenized form.



Intellectual Property

on-chain provenance --> frictionless
IP protection



Digital Identity

KYC → DIDs, example Equifax



Collateral

asset-backed loans, real estate



Utility

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ar.ca



info@arc.ca



@arca



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