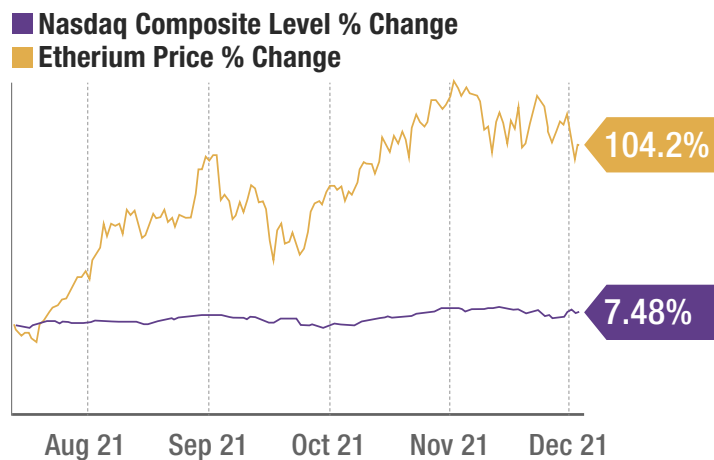


HAS THE METAVERSE GONE CORPORATE?

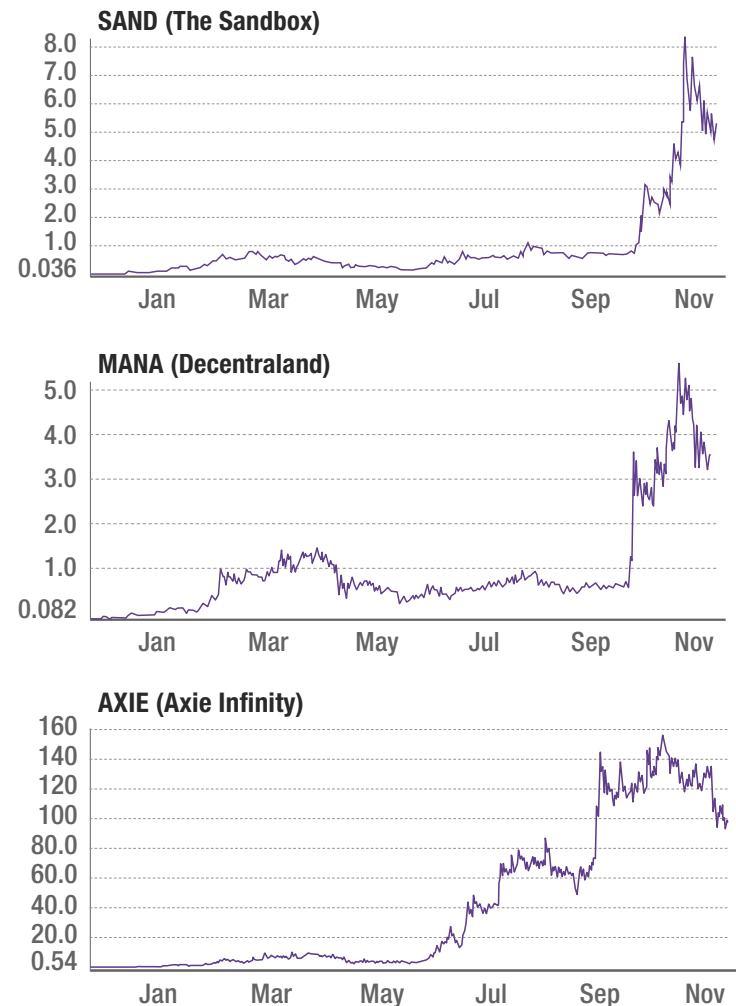
The metaverse has gone full corporate already and I cannot decide whether that's good or bad. What started the year as an exciting crypto-native fringe idea is now basically mainstream corporate jargon. What in the world just happened?

For whatever reason, the idea of the metaverse has absolutely captivated our society. People cannot get enough of it. Just consider for a second the data from my own little world. Over the past year I've posted many of my Profit articles on Medium and my original "Investing in the Metaverse" piece literally has 20x the number of "reads" as my next most widely read article. Admittedly, this might be a small sample in the grand scheme of things but it's something!

A lot has happened since we first discussed the metaverse. Fortunately, our Ethereum as a proxy trade has done really well:



As have the projects that I identified as worthy of keeping a close eye-on:



Of course, digital land prices have soared across all these worlds.

Indeed, if you follow the market even casually, you'll soon realize that there's this steady stream of interesting and bullish news about transactions and developments in the metaverse. A set of parcels in Decentraland recently sold for \$2.4M, setting a record. Shortly thereafter, that record was shattered by a \$4.3M transaction in the Sandbox involving Republic Realm and Adidas. A digital Gucci bag sold on Roblox for \$4k, i.e. more than the actual bag cost in the real world! A digital mega-yacht NFT in Republic Realm's Sandbox Fantasy Island project sold for a 149 Ethereum. And let's not forget about Snoop Dogg. He's reportedly developing a digital mega mansion in Republic's Fantasy Island and investors are racing to scoop up adjacent digital parcels to be Snoop's neighbor, digitally of course. The big video game companies are involved as well. Ubisoft just announced a new in-game NFT program and Roblox announced a partnership with Ralph Lauren to bring digital clothing and winter experiences to the game.

By the way, this is just a small sampling. I could go on and on and on. There are eye-popping digital transactions happening every single day. The market is even attracting the attention of residential real estate brokers. Two high-profile agents from Douglas Elliman have teamed up with Republic Realm to build and sell an "architecturally significant master-planned community" in the metaverse and are positioning themselves to be the first residential agents for digital properties. Smart move!

All of this hasn't gone unnoticed by Wall Street and the big corporates. They have been paying very close attention and are busy positioning themselves in various ways to go after the opportunities of the metaverse.

Facebook, now Meta, even went so far as to rebrand their entire company around the idea. I think this rather sudden rebranding is a very important signal and it's probably more about fear than they care to admit. Crypto-native metaverse projects are a huge threat to "old-school" social networking and Facebook has this ever-growing public relations problem that could quickly become existential for them. Remember how fast MySpace went down.

Then there's Apple, which you can never safely ignore. While it's unclear exactly what their plan is, it's clear they are going after the metaverse as well. They are uniquely positioned as a fairly vertically integrated technology and media company and produce without question the best consumer products in the world.

Microsoft, of course, is in the mix too and positioning itself (almost as desperately as Meta) to be the leader of the remote work / corporate metaverse with its Mesh product. Although I haven't tried it, the product demos make it look kind of cool and useful.

There's even a metaverse ETF (META) already with backing from Matthew Ball, the most respected and well-known of the metaverse experts. What's interesting here is that the top 10 holdings of META are about as mainstream as you can get!

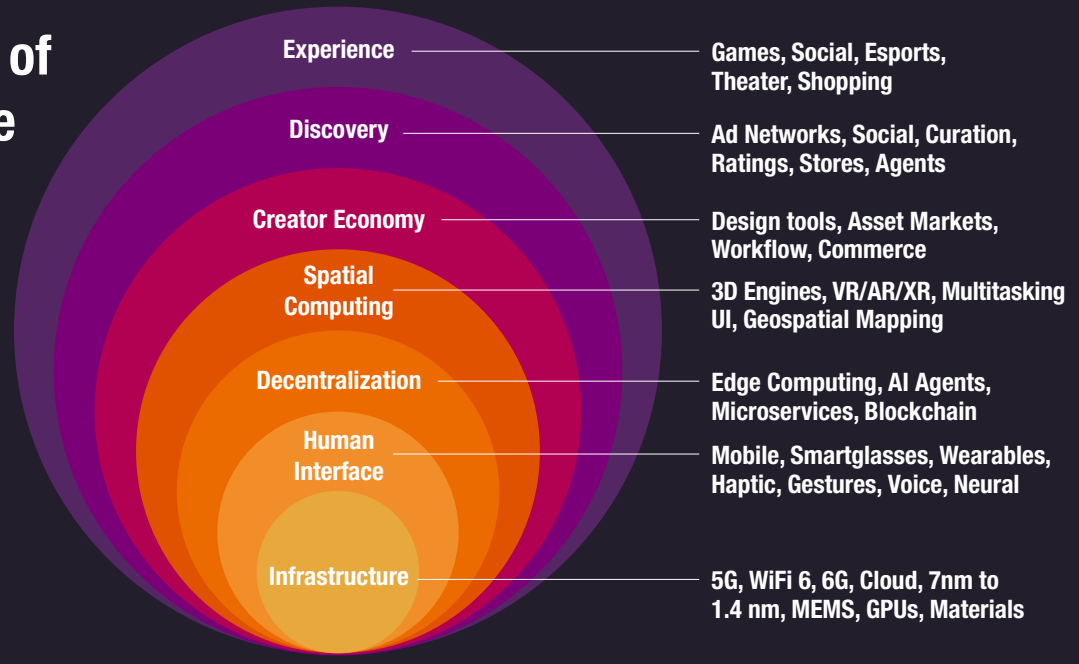
Ticker	Name	EFT Weight	Shares
NVDA	NVIDIA Corp.	11.35%	302,357
RBLX	Roblox Corp.	9.76%	726,804
MSFT	Microsoft Corp.	7.43%	191,573
FB	Meta Platforms Inc.	5.97%	159,625
U	Unity Software Inc.	5.22%	293,644
AMZN	Amazon Com Inc.	4.09%	10,022
AAPL	Apple Inc.	3.91%	197,416
ADSK	Autodesk Inc.	3.89%	121,544
QCOM	Qualcomm Inc.	3.80%	178,865
TSM	Taiwan Semiconductor MFG	3.74%	263,805

Even big banks, which function more like government agencies these days (compare your last trip to the DMV with your last trip to a bank branch), cannot stay away. A high-profile analyst at Bank of America came out recently with a very bullish stance on the metaverse.

All this has me thinking that the metaverse has gone corporate! To be fair, there might not be anything "wrong" with that. These companies are incredibly powerful and some have fortress balance sheets. And if they cannot innovate like they used to, they certainly have the financial wherewithal to innovate via acquisition. In some sense, it's hard to bet against them. But are these companies really going to be the big winners of the metaverse?

The question of the metaverse is ultimately this: to what extent will people be content to live a digital life. Maybe we'll all voluntarily go full Matrix mode and plug ourselves in to VR headsets and suits all day long. Or maybe not. Maybe we'll revolt completely against digital life. In my mind, it all comes down to the technology. In my research this month I came across a very interesting metaverse writer named Jon Radoff. Anyone interested in this topic should follow Jon and read everything he puts out. His framework for understanding the metaverse is super useful:

Seven Layers of the Metaverse



Here's my summary of this framework: for the metaverse to work, the user experience has to be right. And to get to a good user experience a whole bunch of other technologies have to evolve and improve significantly.

By the way, don't let yourself get too overwhelmed about what the metaverse is or isn't. Basically, it's just the next

evolution of the internet and the main idea behind it is that new technologies are going to open possibilities for a different kind of digital engagement. We're going to move beyond the 2-dimensional screen and keyboard-based interfaces into something else. Indeed, much of the race to capture the metaverse is about developing this new infrastructure. Radoff has a brilliant chart on this.

Metaverse Market Map



This market map shows perfectly how big of a challenge the metaverse opportunity presents. Not only is it about both hardware and software but also content, bandwidth and computing power. If you want people to engage digitally in things like work, commerce and entertainment, the quality of that experience becomes paramount. I've tried virtual reality gaming before and walked away feeling like the technology just wasn't quite ready for widespread adoption. I don't mean to pick too much on Meta but I cannot help but laugh at all the Oculus Billboards around town suggesting that working out with a VR headset would be fun.



What makes investing in the metaverse today difficult is that it is evolving in several directions at the same time. There's the remote work opportunity (think Microsoft Mesh), there's traditional social networking (think Facebook, now Meta), there's crypto-native DAO-based decentralized¹ social networking (think Friends with Benefits), there's the

traditional gaming world (think Fortnite or Roblox) and then there's the crypto-native world (think Decentraland, Sandbox and Axie Infinity). There is no one, single metaverse and there might never be. The Utopian dream of technologists is that the metaverse will evolve into this one completely interoperable digital world but it's not necessarily going to evolve that way. For a while, it might end-up looking very much like the walled gardens of Web 2.0

By the way, there's another important point worth noting. It's naïve to think that the problems we see today on the internet and in social media won't also manifest in the metaverse. Digital worlds tend to quickly evolve to look like...well, like the real world. The problems we see manifesting in our real lives won't suddenly go away because we are engaging virtually. In fact, there's good reason to believe actually that things might be worse. Just look at the comment sections of a blog to see how embolden people are to show their true colors when protected by a digital interface or consider Facebook and Instagram's problems. The same stuff is going to show-up in the metaverse no matter how it evolves.

Anyway, what does this all mean? Is there a good takeaway here? I think it's important to understand that the race for the metaverse is on and it's on in a big way. There's an enormous amount of capital coming to the space and no clear winners just yet. I'm personally much more optimistic about the crypto-native projects than I am the corporate ones. Perhaps my viewpoint is a bit too biased but I just cannot get myself to see how these mostly boomer-led corporations are going to design and innovate in the right direction. Time will tell though. For now, I'm content to bet on the crypto teams. □

¹ These are different from the virtual worlds like Decentraland in that they are decentralized digital organizations designed to bring people together in the actual physical world.