PETER LYNCH & CHRIS KUIPER:
Understanding the Changing World of Investing

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TRANSCRIPT

SPEAKERS:

Peter Lynch   Chris Kuiper   Ally Donnelly

Mary Kay Leydon: Welcome, Fidelity Rewards Plus members and invited guests. We are pleased to be able to offer you this exclusive conversation available only to you Rewards Plus members. My name is Mary Kay Leydon. I'm part of the educational events team here at Fidelity Investments.

Today's webinar is an exciting addition to the Rewards Plus Inspiring Voices series. In just a few moments, we'll be talking about the changing world of investing. And we have the right people here to inspire us.

Before we start, I want to mention that Fidelity does not give tax or legal or investment advice. And nothing we discuss today should be taken as such. The information we provide is going to be general in nature, and it may not apply to your situation. If you have a question about your specific situation, we encourage you to talk to your advisor or attorney.

Now I'd like to introduce our moderator, Ally Donnelly. Ally is an award-winning former journalist and the editorial lead for digital content delivery here at Fidelity Investments. Ally.

Ally Donnelly: Mary Kay, thank you. And welcome to all of you. We have two phenomenal guests to talk about what has and will impact the world of personal investing. What can the past teach us about the present? How is the present ever evolving? And of course—hot topic—what the market may have in store for us.

Peter Lynch is vice chairman of Fidelity Investments. He is considered one of the most successful money managers in Wall Street history. Beginning in 1970, he managed the Magellan Fund at Fidelity, which beat the market by over 14% a year for 13 years.

In 1983, it became the largest equity fund in the world, and for the next seven years beat 99% of all stock funds in the market. No other mutual fund manager has ever achieved that level of success. In fact, one in every 100 Americans participated in the success of Fidelity Magellan Fund, which delivered absolute and relative outperformance. That's remarkable. Peter, welcome.

Peter Lynch: Oh, thank you, Ally. Very kind.

ALLY: We are also thrilled to have Chris Kuiper join the conversation. He's the director of research with Fidelity Digital Assets. He, too, is part of the forces of change in the investing world with a focus on cryptocurrency and related assets. Chris, welcome to you.

Christopher Kuiper: Thank you. Pleasure and honor to be here.

ALLY: This is a conversation between two change agents in the markets. Peter, you flipped the model on how everyday people engage with personal investing. And Chris, you stand at the precipice of yet another seismic shift in the landscape. We're excited to learn from you both, see what you might take from each other, and how it could broaden the conversation on both investing and cryptocurrency for folks tuning in. So let's get started.

Peter, I want to start with you. You retired in 1990 when you were just 46 years old. Nice work, if you can get it. You wanted to spend more time with your family, which you've done. And you're a grandfather now, which is wonderful. You've also mentored young investors and helped communities in need.

But tell us about your role at Fidelity right now. Do you still look at companies that seem attractive to you?

PETER: So I work with young analysts and associates, same people that I worked with 40, 50 years ago. And we'd go over companies. I look at what I'm looking at. And I'm also member of the board of trustees. I'm trustee advisor. We meet 9, 10 times a year. I help them as well. And so that's been great fun.

And the fund managers—every now and then we meet and talk over. So it's a great relationship. We always talk about stocks. And that's what I love.

ALLY: Excellent. So we're not letting you go ever. You're just part of our fabric.

PETER: I love looking at companies.

ALLY: Excellent. Chris, we're bringing what some might consider two worlds together here, traditional stock investing and the world of digital assets. Level set for us a bit. What does it mean to be the director of research for digital assets at Fidelity? And I just want to ask for clarification, can we use digital assets and crypto or cryptocurrency interchangeably for the sake of this conversation?

CHRISTOPHER: Yeah. So Fidelity Digital Assets is part of Fidelity. One of our core products is custody of digital assets and execution to help institutional investors buy and store their digital assets.

We do use the term digital assets as kind of a broader term that encompasses all of these things. But quite frankly, in regular parlance people use crypto, cryptocurrencies all interchangeably. So that's fine if we do that today as well.

ALLY: Excellent. All right, we're going to dig into digital assets, crypto, in just a minute. But Peter, first let me ask you, it's a pretty unsettling time for investors. And I want to get your take on what's happening in the markets right now. We just got news from the Fed this week. And the markets are reacting.

Tell us what's going through you. I've heard you say the most important organ for investors is their stomach. Why?

PETER: Well, the amazing thing is, I've talked to groups of 10 and 20 and sometimes thousands. And I'll always ask, how many long term investors are there? Everybody raises their arm. I've never met a short term investor.

But when things get grim, we've had—I think you're nice about the 13 years I ran Magellan. But I had a perfect record. The market went down over 10%, I think, nine times in that period. I went down more than 10% every time. So when the market goes down, I go down. When it comes back, hopefully I do better.

So I don't worry about the market going up and down. A year ago, people weren't worried about recession. Now they start worrying about recession. I think we've had nine recessions since World War II. And economists had predicted 36 of the last nine recessions. Their record's not been that great.

So I don't worry about that. I just deal with what companies are doing well now, what company's getting better. And obviously, I look at the balance sheet. Will this company survive the next 12, 24 months in case things get grim? That's always important. That's what I try to advise people.

ALLY: Yeah. What are your thoughts on—obviously there's just news out of the Fed raising interest rates again and news that this will likely be sustained for a bit. How long do you think this volatility could last?

PETER: Well, I think at some point, people look forward. Right now, forward doesn't look so good. So that's why they're kind of scared.

At some point, they'll say, the average consumer's house—63% people in their house. That's gone up the last three or four years. This time they haven't got a home improvement loan, and got a second mortgage and bought a boat with it. So consumers are in very good shape.

So maybe we're going to have a recession, maybe not. But stock market, I think, is already anticipating one. So it's a question whether it's a class 1 hurricane or class 5. I'm hoping it's a class 1.

ALLY: You talked about the ups and downs. Give us some historical perspective on things you've lived through, like '08, '09.

PETER: I would '08, '09 was—going back 50 years investing, was the scariest period I saw. We didn't know whether the consumer—I really misread how bad—people were flipping houses from prison. People working waitresses were buying and selling houses. I had no idea how badly the housing market was overdone. I read the book Big Short. I wish I'd read it a little bit earlier.

So I've now looked at the condition of the consumer—their bank account, their credit cards. They're in much better shape this time. And the housing market is in better shape. I'm talking about existing housing, not this—I think there's 10 existing homes sold for every new one. New housing prices probably are going down. But that's not a major part of the economy. So I think we're solid.

ALLY: Well, so taking that into account—we're getting a lot of questions from viewers. And thank you all so much.

But some of the questions were, what does bottom look like? And I'm going to give you a side question. One viewer wrote, quote, "looking for inspiration." So what does bottom look like for you, do you think? And how do you find inspiration in an environment like this?

PETER: Well, you have to enjoy—you have to say, the company I own right now at 8, I really like it. It's down from 12, or it's down from 16. If it goes to 6, I'm going to buy more.

If you don't understand what they do, what their balance sheet looks like—I've tried calling the psychic hotline. It didn't do much good. So you better understand what you own. You better know what kind of fund you own. Do you own a Chinese fund, or do you own a European fund? Do you own a high growth fund? Do you own a consumer fund? Do you own a fund that's—like equity income fund as a yield, conservative stocks? What flavor ice cream do you own?

And do you need the money? Do your kids start college in a year? Do you have a major wedding in a year? If you need the money in a year, you're not a good term investor. You can't add to it. So is your horizon 5, 10 years? You're a better investor.

ALLY: Yeah. You talk a lot about, invest in what you know. Magellan, early investor in Dunkin' Donuts, La Quinta Motor Inns, Taco Bell. One story I love is your wife Carolyn, who I think is pictured behind you, coming home from the supermarket with a plastic egg. Inside were Legs Pantyhose. And for the younger generation, those are nylons.

Had you seen them before? And what happened when she brought home that egg?

PETER: Well, she was very excited about it. And I did a little research. I called the company. It turns out that 95% of hosiery is being sold in the department stores and women's specialty stores. The stuff in the supermarkets was junk.

They made a high quality product. And they only stressed fit. They didn't stress fight. It was a little heavier denier. It just fit better. And there's right up there—and it was very profitable for the supermarket. They don't make anything on milk, nothing on bread. It was a good margin for the supermarket. So they put it right up front.

And then a little while later, a bigger company came along with a competitive product, Kayser-Roth. And I bought 50 pairs of different colors and shapes and passed out to everybody at the office and said, give me some response to the products. Not any better. In fact, it's worse. So I kept on, held on. And it was a real big home run.

ALLY: Yeah, it was. I don't know that every company is taking everybody's call. We're not all Peter Lynch. So what are some of the top things investors should do when they're researching a company if they're just the average bear, so to speak.

PETER: Well, if they don't understand what Nvidia does or one of these complicated biotechnology companies, if it goes down, how can they buy more? Where is your edge?

There's a fireman in Western Massachusetts. He put money into Tampax and into a Friendly Ice Cream. He said, I'm going to keep putting $1,000 in every year until they stop hiring people. When they stop hiring people, I'm going to sell. He did very well with that.

So you have to understand the company. Does it make sense? When I bought Taco Bell, they were in Southern California. They're going to Central California. You can buy Walmart. 25 years after Walmart was a company, 15 years after they're public, they're in 18% of the United States in small towns. Then they went to 19. They went to 20 before Sam's Wholesale Club.

They just kept going and going. They just kept doing it from that. It went up 50-fold after that. After going up 10-fold, it went up 50-fold. They went from 18% of the United States to the whole country.

So you have to say, in baseball analogy, what inning of the ballgame are we in? Are we in the ninth inning? When Limited and Gap were in every single mall, where could they go? They tried overseas. Didn't work. You were in the eighth and ninth inning of the game. I don't want to be there.

ALLY: So we talk about two investing worlds today. Give us your reaction, or what do you think of digital assets or crypto?

PETER: Well, just coincidentally, Ally, I like to look at growth companies in their early—I can hold for 5, 10 years. I also look at down and out groups like the automobile companies. I've looked recently in the last couple of years at oil and gas companies, service companies, companies that make ships, companies that move oil, move tankers.

And just by luck in the last year or two, I've looked at crypto. It went from 70,000 to 20. I'm looking not at the currency, but the miners, the people that actually produce crypto. They actually make Bitcoin.

What's their cost? The computers are the same. It's all your power cost. They're high quality computers in the last three or four years. No labor costs. It's all your power costs. You have hydro. You have low cost power or high cost power.

And what is your financial condition? Crypto has gone from 70 to 20. If it goes to 15, are you gone? I don't own those guys.

So I am researching miners I think will survive. And it's been interesting that the price of Bitcoin—market's gone down. It's been flat around this $20,000 for the well here. Even down days, it stays there. It did drop, and a few people went bankrupt. That was good for me. A few miners went away.

So I'm surprised. I thought I had more of a correlation. I've had some really terrible days the last few days. And Bitcoin didn't go down, which kind of surprised me. I thought it would respond like the meme stocks, like those crazy meme stocks. It doesn't seem to be in a meme group.

ALLY: All right. So let me bring Chris Kuiper back in. Chris, crypto isn't a car I'm driving. It's not a coffee shop I can pop into or a hotel I might have stayed in and liked. You're steeped in the world more than anyone here, I suspect. So what is it that gets you so excited?

CHRISTOPHER: Yeah. So for me, I didn't learn about it until 2012. And I actually learned about it through a technology magazine, not through finance, even though I was working in the financial industry.

And at first, I played around with it. And I kind of had a few aha moments. So like you said, you can't touch it or feel it. It's kind of ephemeral. You can't go and try it out like pantyhose, right.

But you can use it. You can download an app. You can get some Bitcoin. You can send it to your friend. And I think for a lot of people, that's a big aha moment, kind of like the first email you sent or the first time you got onto the internet, this big aha moment of, look what you can do. Look at the possibilities here.

To me, personally, what gets me excited is that I think we have a generational leap in technology here. And what I mean by that is for the first time in history you can now send things of value digitally. You can now have digital scarcity. So the digital revolution was obviously amazing. I mean, we're talking here over Zoom. Thanks to that, everything is digitalized. The marginal cost of so many things come down with the process of digitization.

But the flip side is, there's no scarcity. And so until digital assets were invented, with the first one being Bitcoin, we did not have that digital scarcity yet. And now we do. And I think you could see a whole plethora of industries and businesses built on top of the technology.

And so maybe this is just me personally, but I often tell my friends and family that I think looking back on this, this is such a key innovation that it's going to go down on par with the internet, the mobile phone, maybe even the printing press.

ALLY: Oh, those are big words. So even mentioning the first internet dial ups, I'm having flashbacks. But I understand the internet. I understand the telephone or the printing press. So maybe it makes sense here to ask you to give us a brief primer.

Digital assets has its own language that may not be as familiar as traditional investing terms—Bitcoin, blockchain. For those of us who are crypto curious—I love that expression—but perhaps not yet fluent, give us a quick lesson on the basics.

CHRISTOPHER: Yeah. If you allow me to do maybe a three or four minute crash course here. So I'll start with Bitcoin rather than digital assets, which can encompass all kinds of things you've heard of like NFTs and decentralized finance. We won't go there. We'll just start with Bitcoin.

And I encourage everyone else to start with Bitcoin. Not saying it's the best or anything like that, but just saying it makes sense to start there because that was the first one. And a lot of the technology is easier to understand at that level.

So one of the first confusing things you'll find is the word Bitcoin refers to two different but intimately related things. And so I like to pull these apart because they also have different investment theses. And Peter talked about this himself.

So you have Bitcoin. Often we say Bitcoin the network, or we capitalize it to distinguish it. And so these are just a bunch of computers all running the same code. They all talk to each other. And together, they make up a decentralized network. So kind of like how the internet is a decentralized network, this is also a decentralized network. But rather than passing information about web pages around, it passes information around about transactions. So it makes up a decentralized payment network.

Now, a lot of people, especially in our Western developed world, when I talk about this, they say, so what? I don't get it. We have Venmo, PayPal, Mastercard, Visa, ACH for banks, Western Union. That is true.

But one point to that is that that is the exception, rather than the norm. Close to 40% of the world's population does not have access to a bank. But they do have access to a mobile phone. So you potentially have a global payment system that anyone can plug into. Anyone can have a bank account. Anyone can have access to money and these financial services.

And the other thing is this industry is ripe for disruption. Let's take Western Union. I used to be an equity analyst. I covered Western Union. They were started over 100 years ago. You gave your money to someone. They put it on the back of a horse. They rode it across the country. Took three to five days. And they charged you 5% or more.

Fast forward to today. Western Union still takes your money, takes three to five days to send it across the country or the world. And they take 5% or more. That is ripe for disruption with Bitcoin, the payment network. You can send money instantly. Final settlement within 10 minutes or so for a fraction of the cost, a fraction of the percent.

So that's Bitcoin, big B. And then there's bitcoin, little B, which is the token. And so this is a digitally native token. It only lives on the Bitcoin network. You can't withdraw it off the network. You can't hold it in your hand.

And this is the thing that people are increasingly treating as a digital store of value. Or sometimes you hear it referred to as digital gold. Or an increasingly emerging monetary good. And so I think there's a lot of interesting things that we could talk about there as well.

But two separate but related things—and then I'll just end on one thing too. I think we had a viewer question come in about mining. Peter mentioned it. What is mining? What are they actually mining? How do you mine a Bitcoin?

It's kind of a euphemism because the process is similar, in that to mine a Bitcoin, you have to expend a lot of energy. And then you get a Bitcoin. And just like you spend a lot of energy to get an ounce of gold—anyone can look at that ounce of gold, and they can tell that a lot of energy went in to get that gold out of the ground, to purify it, to melt it down.

Similar with Bitcoin. I can look at a Bitcoin, and I know a massive amount of energy went into mine that Bitcoin. But what these miners are really doing is they're helping secure the network. They're helping the network come to a consensus because it's decentralized. No one controls it. No one dictates what happens. There's no CEO or company.

And so for that service, for providing these services to the network, these miners are rewarded new Bitcoin. And so that's why they do it. So it aligns these economic incentives, which is absolutely fascinating of how this all came together. It incentivizes people to act honestly, rather than trying to punish or keep bad actors out of the system.

ALLY: That is a great, really clear explanation. Thank you. Peter has long championed the amateur investor, saying they hold advantages over the professional. And you wrote a whole book, One Up on Wall Street. They're drinking Dunkin' coffee, or their grandkids say Crocs are all the rage.

How does that strike you? And do you think digital assets are or could be a one up on Wall Street moment?

CHRISTOPHER: Absolutely. It was, for me, personally—I think it is for everyone else. If you just look at how Bitcoin emerged, it started in 2008. Just a few days ago, we had the anniversary of the white paper. This person or persons—we still don't know who they are or he-she was—Satoshi Nakamoto published a paper that laid out this system.

And the paper didn't go to the halls of academia. It didn't go to Wall Street. It circulated on these dusty corners of the internet with a bunch of nerds that liked cryptography and these computer systems. And eventually, it turned into kind of a collectible. People traded it and passed it around just for fun.

More than a year later, it didn't even have a price until someone offered to buy two pizzas for 10,000 Bitcoin. And then even later than that, it finally had a price at a couple of cents per Bitcoin.

As I said before, I heard about it in 2012. I bought my first Bitcoin in early 2013 for $44. And so to me, it's the perfect movie of One Up on Wall Street. It's these people who are in the industry figuring this out, learning about it well before it even reached the boardrooms of Wall Street or any other money managers out there.

ALLY: That movie opens with a tight shot on pizza. Peter, I know you don't have any particular deep dive skills into crypto, as you say. But for investors who are listening now who are interested, how would you tell them about going about their research on crypto? Do the same steps apply that you use for stock investing?

PETER: Well, Exxon and Shell are both oil producers. I think there was a Bitcoin—there was a fraud, like this Dogecoin. And I mean, you have to make sure you're in the right coin. I mean, maybe Chris could comment on Dogecoin or some of these other ones. There's a limit. I think there's 20 million bitcoins out there. There's only ever going to be 21. It's the real thing. I don't know whether it's going to go from $20,000 to $12,000 to $100,000. But there's a limit to it.

So maybe Chris can advise on some of these other ones. There's Ethereum. I forget all the flavors of blockchain there is.

CHRISTOPHER: Yeah, absolutely. You're right. There's one called Dogecoin, a meme. Kind of like the meme stocks, we had meme coins. But to your point, Peter, you're right. You have to do the homework. You have to know what makes this special.

So for example, I think you hit the nail on the head with Bitcoin. The key foundational thing with Bitcoin if you're looking at it, perhaps, as an investment, is that there's a hard cap. There will only ever be 21 million. And there's a little over 19 million today. And that supply continues to decrease, how much come out.

So Peter, if I could, I'd be curious to hear maybe if there's some parallels to what you saw during the dotcom boom and bust. A lot of froth, a lot of high expectations. There's real technology there, but there is also a lot of these classic pets.com that, kind of like the Dogecoin, fizzled out.

PETER: Well, I wish I'd done more work during the dotcom—when they collapsed. Because there was a major collapse in '02 and '03. And then there's been a huge recovery. So sometimes you have to stay patient. Don't give up on it. And stay with it.

We've had a collapse. What was Bitcoin, $70,000 a year ago? It's now 20. So it has had a decline. And maybe the next $5,000 is down. Maybe the next $10,000 is down. So you have to say, what am I going to do if Bitcoin goes for 15 or 10? Am I going to say, I'm never going to do that again?

I mean, you really have to make conviction and write down the reasons why you like this. You ought to be able to write three reasons—are they still valid—on a piece of paper.

ALLY: Well, let me ask you, Chris. You know, like you've just referenced, both of you, you can't talk about crypto without talking about the fluctuations. So what do you make of its most recent history? And then I'll ask Peter to weigh in.

CHRISTOPHER: Yeah, sure. So let's just take Bitcoin again for an example. But a lot of these things move together for all practical purposes.

Bitcoin is down about 70% right now at $20,000, 70% from its last all-time high, which was last November, about a year ago. Inflation was starting to heat up. Bitcoin hit $69,000 per coin. And so that went down 70%.

But I always say zoom out. Look at it on a log chart. We've been here before. This is the fourth drawdown of Bitcoin of 70%, even 80%, 85%, it's had in its history. And so each drawdown is significant, but it draws down to a higher place than it was before.

And so what you see is these cycles and these waves of adoption. And I also point out this is not that dissimilar from other stocks. If you've been an investor in Netflix—just as an example, not a recommendation—but Netflix is also down 70% more. And it's also in its fourth drawdown of that much. Yet, it's up thousands and thousands of percent from its IPO.

So again, it's the market at work. And Peter could talk about this a lot better than me of how it goes through these cycles, these periods of excess, but then comes back to some fundamentals. And although something like Bitcoin doesn't have the same fundamentals and cash flow as a stock, there are still some fundamentals there that we believe. And to Peter's point, putting down those three things of your investment thesis of why you believe this and what you expect to see—going back to that thesis and checking it even in times of really high volatility like today.

PETER: And Chris, you might bring up that point of how many come out every minute and having this can happen. So we don't have to get into hex hash. But we don't get too technical.

CHRISTOPHER: No, it's a good point and something I know you've been researching with the miners, Peter. It's very pertinent to that space as well. So what we're talking about here is the supply of Bitcoin. Remember we talked about miners are rewarded newly minted Bitcoin for their services.

Well, there's a set supply. It doesn't just randomly come out. There's a supply code programmed into the base code of the network. And it started out as a reward of 50 Bitcoin every 10 minutes. And then every four years, the code says that gets cut in half. So it went from 50 to 25 to 12.5. And we're currently at 6.25. So only 6.25 Bitcoin come out every 10 minutes.

And so we have a pre-programmed monetary schedule here. And so when you hear people talking about the halvening or the halving, depending on how you want to say it, they're talking about that four year point where that reward gets cut in half. And why is that important? Well, it kind of gets back to those cycles. We've seen these cycles and these drawdowns match pretty closely with these halvenings.

Now, that's obviously not to say that will continue in the future. Past performance is no indication of future performance. But it is interesting to think about it from a supply and demand dynamic. And this is where Bitcoin differs from commodities like oil and gold. If the price of other commodities go up, that incentivizes more production. More people go out and find more oil that was previously uneconomical, kind of like we saw with the fracking boom. But that can't happen with Bitcoin. The price could go up, and it still is stuck on that preprogrammed supply schedule.

PETER: There's another happening in two years, right?

CHRISTOPHER: Right, yeah. We're two years in and about two years away from another one.

ALLY: So Peter, knowing that the supply and demand issues, obviously—and you've experienced a lot of fluctuation as a portfolio manager. What do you make, Peter Lynch, of the volatility in crypto?

PETER: It seems normal for a very speculative group. You're not going to put your retirement fund in this thing or put your mother-in-law in this. That would be a big mistake. Unless you like them on the line. So I think the—which is normal.

So I think this is something you have to do some work on. And I think you have to understand the volatility. And I may not buy Bitcoin. I'm on the fence. But I am researching the people that produce them, the ones that make money if it drops to 15, if it drops to 12. They get the staying power. And that really worked well in automobiles, worked well in copper, worked well in nickel, worked well in electronics. And when there's a wipeout, the survivors win.

So I'm not there yet, but that's where I'm researching.

CHRISTOPHER: Yeah. And Peter, if I could ask you for someone thinking about this as a potential investment, even though you're not into Bitcoin as deep, you've obviously researched other things that have some of the same characteristics in terms of that asymmetric potential reward versus the downside risk or the really high volatility. How would you approach this just from a traditional finance perspective of something with these characteristics like you do with biotechs or other things? Is it just about position sizing? Or is it about other things to manage that risk?

PETER: Well, since last November we've had a really dramatic decline in a lot of companies. Some stocks are down 90%, some down 50%, some down 70%. I think Facebook changed their name to Meta. Since they changed their name to Meta, stock is down 75%. And they have a beautiful balance sheet.

So there's lots of opportunities there to look at companies right now. So there's a lot of depressed areas. I'm looking at ones that are depressed where they have good balance sheets and a future. And these companies that produce Bitcoin fit that formula.

ALLY: Interesting. So you know, Chris, I know you wanted to talk to Peter about his career as a stock picker, and doing that research, and doing that homework, and thinking the company was at a good price, but what next?

CHRISTOPHER: Yeah. So one question I had on that as well is, you've obviously seen some of your investments where you've done the homework. You've got the reasons. You think you've got something there to go off of, but the stock goes down 70% or 80% or more. How do you know when the market's getting it wrong, and you think you'll eventually be proved right, or whether you think it's time to pack it in, and you miss something?

And I'm speaking here personally myself, looking at Bitcoin being 70% down. I've had some pretty interesting conversations with myself of whether I've missed something here as well.

PETER: So I have owned copper companies in the past. I've owned nickel companies. I've owned oil companies. I've never bought the commodity copper. I've never bought zinc. I've never bought nickel. I bought the companies that produce it when I thought they were the best with the lowest cost. And when things get better, they get better. That's my philosophy.

So I have never owned steel itself. I've owned steel companies. I don't think I ever made money on any of those. But I have made money in down out groups. And I've owned old cars. And Chrysler was one of my best stocks ever as a turnaround.

CHRISTOPHER: Yeah, absolutely. Yeah. It's a narrative we explore as well in terms of Bitcoin. We've got a report called Bitcoin First where we compare gold to Bitcoin. Like you said, a lot of similar characteristics. But even some differences, hence the digital gold moniker, perhaps, where Bitcoin is like it, gold, in that it's scarce. But it's more portable. It's more transferable. It's little more easily verifiable because it's all electronic.

But like you said, it depends on what happens with inflation and some of these other things as well.

ALLY: Chris, you've been listening to Peter as he talks about how he virtually changed the approach to—and, importantly, acceptance of investing for Americans over the last 40 years. I mean, we're hearing from some viewers today that say they've been with Peter for decades.

So what have you heard from Peter that informs or inspires your thoughts on Fidelity's approach to crypto? And is crypto really in Fidelity's DNA?

CHRISTOPHER: Yeah, that's a great question. So speaking with Peter today, one thing I'm reminded that I've definitely come to appreciate about Fidelity is risk management is in its blood. You do the work. We're not here for the short term gain. We're here for the long term.

And that's the same approach that we in Fidelity Digital Assets takes as well. We're looking at this from a multi-year, multi-decade perspective of what can happen, and making sure we're looking at all the different risks, all the different things that could happen or could come up with this.

And the other thing that I think is interesting with Fidelity and its DNA with crypto and digital assets, and one thing that drew me to this, is they've been here a long time. I've worked in the traditional finance industry for a long time. And Fidelity is the only one that—I would say years and years ahead of everyone else. We started Bitcoin mining back in 2012. It still continues today. Fidelity learned about Bitcoin, obviously, before that. But of course, they wanted to get their hands dirty. They wanted to figure this out on a base level.

Finally Digital Assets was launched in 2018, well before anyone else. I mean, we're still hearing news today of different traditional financial firms finally coming around and launching some of their own solutions or services. And so I think it is in the DNA. And I think that comes back to doing the work, doing the homework, looking years ahead, and saying this is going to take a lot of resources and a lot of time and money. But we're here to stay. And we have a firm conviction that we have to change with technology and continue to adapt rather than be disrupted.

ALLY: Peter, what's your reaction to that? I mean, you have been with Fidelity forever, so to speak. Do you think it's in Fidelity's DNA? Or where do you think it stands? And well, I'll ask you a multipart. Go ahead and answer that one.

PETER: Well, I think we want to help people. When I came to Fidelity, we didn't have a brokerage company. We didn't hold people's assets. It was held by intermediaries.

So we want to do everything to make people happy, make them content. Do it low cost. We want to provide a low cost, effective vehicle. If people want to be involved in blockchain and Bitcoin, that's up to them. But we want to provide it for them as a service. I don't think we're going to wind up competing with Uber or Lyft. But it's a financial product. It makes sense for us.

ALLY: Yeah, yeah. Chris, what do you see as you look down the road for crypto?

CHRISTOPHER: Yeah, I mean, in the intermediate term, I continue to see building going on. Even though if you look at the price you'd say, oh, this is alarming. This might be on its way out or something like that.

But that's just price. Behind the scenes, all the infrastructure is continuing to be built. So here at Fidelity, obviously, we continue to build out our solutions and our technology and our products around it. But you see it across the financial industry. And you're starting to see it move into other industries as well, whether it's helping to monetize content around the web. Again, the internet was built, and it was amazing. But it had no native financial currency to it, which is why you have all of these different intermediaries today and kind of a mess of a system.

So looking further ahead, I'm really excited to see where this goes. I think you could have a future where—it's going to sound silly looking back that we ever thought this way. But in the future, it should be just as easy to send money or payments as it is to send an email. And people will look back and say, well, of course it should have been. But if you look at it today, it's not. It's a huge mess.

And so I see a lot of different businesses being built on top of this just like we saw—Peter mentioned Uber and Lyft. No one would have thought about Uber and Lyft when the first internet enabled phone was born. It took someone to take those pieces together.

They didn't invent taxi cabs, Uber didn't. They didn't invent the phone. They didn't invent GPS. They didn't invent maps. But it took someone to put them all together and create an entirely new business model. And so I think that's something you could see as well, which I think is really exciting.

ALLY: So Peter, hearing all that—and I want to dig into some kind of traditional stock investing questions, too, after this. But what words of wisdom do you have—I know you've sprinkled them throughout. But now that you've listened to Chris. And now that you've—you've obviously done your own homework. But what words of wisdom do you have for folks who are like, oh, maybe I'll check out that crypto.

PETER: Well, I'd love to know Chris's advice for the beginner or somebody in high school. Where would they research this? Where can they get information that's reliable, that's not judgmental.

I mean, I can look at any report. I get the balance sheet. I look at the company's record, investor presentations. I can see what their costs are. So where is the best information in crypto if people want to say, I want to spend a lot of time on this. I want to put part of my assets in it. How do I do that? I know how to do that with public companies.

CHRISTOPHER: Yeah, absolutely. I mean, I'll plug our own company and site, FidelityDigitalAssets.com. And you can click on Research. So we've written a number of reports starting with those basics.

What's interesting about this industry only coming about in the last few years is that everyone starts at the same level. Whether you're a multibillion dollar fund manager or whether you're a retail investor, you all have to start at the same level of, what is Bitcoin? What are digital assets? What's the core technology that allows this stuff to work?

And I encourage people to do this. It's not as scary as it seems. To draw an analogy back to technology investing, I don't know exactly how my phone works, or how the internet works, or how my email works. But I have to know how to use it. And if I'm going to invest in companies like Amazon or Meta or anything else, I have to know at a base level what they do. Getting back to Peter's core principles of, what do they do? What service do they provide? You can do that with these digital assets. What's the core value proposition?

And you can do that with our website. We have primers. We have stuff going up to the more intermediate level. But there's, of course, a lot of other good research out there as well.

And I'd really encourage people to just read some of these great books on it. There's one called Inventing Bitcoin by Jan Pritzker. It's a very no-nonsense, no technical guide to just how the technology itself works. There are speakers like Andreas Antonopoulos who does tons of YouTube videos to tell people about the technology as well.

And so similar to stock investing and research, as you pick out the people who are really presenting the facts and genuine research versus some of the more, shall we say, speculative people or people who have an agenda, you can start to do that in the same way with digital assets as well.

And that's why Fidelity is here. Fidelity has always been a voice of providing unbiased and very well-researched reports. And so we hope to bring that same level of research to the digital asset space as well.

ALLY: Terrific. Peter, I asked Chris what he saw coming down the road for crypto. I'll ask you the same for the markets. We've heard from people today who are—some are listening as an older investor with a 20-something grandchild or child. What do you see coming down the pike for the market in the weeks and months to come? And what words of wisdom do you have for investors further down the path and who might just be starting out?

PETER: Well, Ally, we've had an amazing change. Literally a year and a half ago, you're making one basis point on your account at a bank or any at Fidelity. In 100 years, you'd make 1%. Now that's 4%. I mean, it's going higher. I mean, we've had a dramatic change.

So you have to decide, how do I want to invest? Fidelity has government bond funds. We have high yield bond funds. We have blue chip growth funds. We have high quality equity income funds. We have companies that—small cap growth, small cap value.

You have to decide what flavor of ice cream you want. And what's your tolerance? How much of my money do I want to put into assets I think are going to do well over time? And maybe Bitcoin is one of them.

And maybe you want to say 100% in a money market fund as rates go up. That's up to you. We just want to provide everything. But you ought to make the decision.

You ought to talk to our people. We have offices all over the country. You own the phones. You have a question. And we have good data available that you can study when you're not at home or at night. We have a lot of information to make it easier for people to make their decision.

And I think it's a rough time right now. I mean, right now we could have a major recession, a small recession, sometime next year. I mean, the Fed wants to slow down inflation. We haven't had inflation like this since 1981, '82. I remember we had a 20% inflation, double digit unemployment, double digit inflation. It was really ugly in '80, '81. I mean, it got better in '82, '83. That was a terrible environment. But we got out of it.

ALLY: You talk about getting out of it. And I'm going to go back to a viewer question from earlier. In your mind, in this current environment, what does bottom look like?

PETER: Well, I would say it doesn't remind me at all of when President Carter was debating President Reagan. President Carter debated Reagan in 1980. And we had to boost rates to 15%, 1–5, to deal with double digit inflation. We had double digit unemployment.

And we were really worried about the Japanese then. We worried about Cannon, Toyota, Fujitsu, Matsushita. The theory was America can't compete with the Japanese. We're hopeless. There was a lot of depression.

We've really shown how strong our country is. Companies—Oracle, digital, Tesla. On and on. These are—Google. These are strong US companies that have done really well. And look how well TJ Maxx—that's been a great stock in my portfolio. They have Marshalls and TJ Maxx and HomeGoods. It's a local company. I think it's up 100-fold. I mean, they've done a really great job. These are US companies.

So that's what I like. I think US companies will surprise. I think we'll continue to surprise.

ALLY: Excellent. Excellent. Well, I want to thank you, Peter, and you, Chris, both so much for being with us. And thank you to our Rewards Plus members and invited guests. Don't forget to complete the survey that is part of this experience. Your feedback is really valuable to us.

We look forward to seeing you at our next Rewards Inspiring Voices program.

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