Hey, everyone, I'm Alex Lieberman, co-founder and executive chairman of Morning Brew. This is season two of Fresh Invest, your favorite investing podcast sponsored by Fidelity Investments and powered by Morning Brew. Today's topic is a big one. We are diving headfirst into cryptocurrency. Crypto is one of the buzziest topics in sectors from finance to tech, and geographies from Europe to San Francisco. Lots of people think it's the future of money. Others disagree or agree, but have concerns about how that future will look.

In this episode, we'll briefly review the basics of crypto with Matt Horne, VP of Sales and Relationship Management for Fidelity Digital Funds, summarize the evolution it's undergone as an industry, and discuss where we, in the laser eyes community, find ourselves now. Then next week, we'll get into the nuts and bolts of how to incorporate crypto in your portfolio. Ready? Hold on tight. We're taking off.

Welcome, Matt. Really excited to have you here.

Matt Horne, VP of Sales and Relationship Management for Fidelity Digital Funds
Thanks for having me, Alex. Pleasure to be here.

So, I want to start by learning a little bit more about you. Can you explain who you are and what it is that you do at Fidelity Investments?

Sure. So, Matt Horne. I'm head of business development for Fidelity Digital Funds. Think of it as a startup or an emerging business that's building out investment solutions in this emerging digital asset space. I've been here about nine years, mainly on the exchange traded fund side of our business. I fell down the crypto rabbit hole personally in 2017. Fidelity being in the space for a number of years and, look, taking a long-term view here, we built out a few commercial offerings. And I was fortunate enough to turn my career in this direction in late 2019 and helped build out Fidelity Digital Funds.

So, you've spent four and change years in crypto. So, at this point you are, like, in the 99.9 percentile of understanding kind of this Wild West. But, for a lot of retail investors and just people, they're just getting used to the terminology, understanding the asset class. So I'd love for you to just start with the basics. Can you just summarize what the basic value of cryptocurrency is for investors and for consumers — to have people just have an entree into this space.

Matt For sure. So, it's going to depend on which digital asset you're talking about. So let's just kind of start Bitcoin. So Bitcoin, generally speaking, it's a decentralized way to store and transfer value globally nearly instantaneously without the reliance on a trusted third party, which is quite disruptive. It also sort of brought to the forefront the idea of digital scarcity, which really wasn't conceivable until Bitcoin came around.

Generally speaking, digital assets are open source protocol, so anyone can participate. Very low barriers to entry, which I think is incredibly exciting. I mean, they're global. So you have these networks up and running with global participation. So I think it's very exciting to see what's getting built on these various blockchains. So, I think something like Bitcoin, I would think of it, you know, digital store value, transfer value, digital scarcity.
Matt Then something like Ethereum is a little bit different, different use case, where essentially think of that as like the Lego building blocks of a potential decentralized financial system. And I think that's where you're seeing a lot of excitement in that space right now.

Alex Yeah. And I mean, to that point, like, understanding the distinction of many cryptocurrencies is so important because a lot of them just serve wildly different functions. You could probably spend multiple years studying each one of them, like you have. Like, you could go deep in Bitcoin and really understand what is this digital gold potential, new digital medium of exchange look like?

Alex Or you could spend time on Ethereum, which is effectively building an entire new economy built on top of blockchain technology. It's interesting because you've spent now four years in this, but I feel like every month feels like a year in itself. So you've basically been in this thing for like 40 years. So can you just catch people up — what has the last year been like in the world of crypto? And then we'll start there. And I would actually love to hear after that, kind of your perspective on what this four-year journey has been like for you also. But let's talk about the last year.

Matt It's been wild. So, here at Fidelity, I'd say it's just been all about momentum on the client engagement side. I think in Q4 last year is when I recognized the inflection point, especially with the advisor community and institutional community, where I think folks began to really accept this as an asset class and have it on their radar. So I think, you know, the price action, the continued network adoption sort of hit a tipping point, I'd say, around Q4 of last year. And this really hasn't turned down.

Matt Even with the volatility, we still see tremendous interest in folks exploring this asset class. Now it's a journey for every investor, right? It's not simply you read a blog about Bitcoin and then go and buy it if you're a big pension fund. It's quite a journey, right? So there's a lot of things that investors have to go through in their due diligence process.

Matt And that's why Fidelity is here. We're here to help educate and really handhold to a degree as investors want to enter this asset class. So a lot of my time is spent on the education front, just helping folks get from zero to one on understanding the space. And it tends to start with Bitcoin. That tends to be the gateway asset class, as you'd imagine, given it was the first digital asset, it was the first blockchain. It's the largest by market cap.

Matt It sort of has that proven use case of digital store value, whereas there's thousands of other tokens out there where the use case may not be as prevalent. So Bitcoin tends to be the most I talk about. But we are seeing Ethereum come up more often given the growth we're seeing and things like decentralized finance as well as NFTs.

Alex Yep. So just paint a picture for a second. When you stepped into this in 2017, what was the space like?

Matt Super-early, and it's all self-taught. So there is no Ph.D. or undergrad degree in crypto, and that's the beauty of it. It is totally democratized where if you want to do the work and become an expert on the space, you can easily do it through things like podcasts, Twitter, medium posts. There's a handful of books out there that are great as well. But it's all out there, and it's all accessible.
Matt So it's again, a low barrier to entry. It was early days. It was honestly a hobby for a lot of us, where we would do our day job during the day. You know, I'd be talking about ETFs during the day and on my walk home from the office in Manhattan at the time I was living [chuckles], I'd listen to podcasts and it was a great way to kind of get up the curve. And I tell folks, if you do 50 to 100 hours of your own research and self-teaching here, you could be easily in the 95th percentile of knowledge. It may be higher in crypto, because it's all out there. It's just about doing the work, I'd say.

Alex Totally. And one other question that I just find really interesting, because you have a longer experience in the space than most people do, is what was the moment it clicked for you? Not whether Bitcoin will go up in value or down in value in the short term, but in kind of the fundamental value that it offers retail investors or institutional investors — what made it click for you that you were, like, OK, there is something here?

Matt The key feature of Bitcoin that clicked for me — and it wasn't when I first saw it — it was around this idea of digital scarcity, the idea that you can have value stored on the internet that essentially can't be copied. Because everyone assumes digital things can just be copy-pasted away, and there's no sort of scarcity or value there.

Matt However, with the blockchain technology that Bitcoin operates on, you do have this idea of digital scarcity. Now, I'm one of these people where Bitcoin hit my radar back in 2013. I kind of dismissed it, of course. You know, my background — economics major in college. I was a nuclear submarine officer for a few years in the Navy, which is really multidisciplinary in a way. And I think that prepared me well for Bitcoin [chuckles] in an odd way, because I didn't know a lot about engineering, various systems, chemistry, nuclear physics, everything.

Matt And you come to Bitcoin and it's sort of this multidisciplinary asset class where you have computer science, game theory, economics — it's all there. That's what's captivating about it — is that you can never stop learning about this, the more you decompose this. So I would say the key feature of Bitcoin, especially given my economics background, was that digital scarcity. Sort of digital store value, like a digital version of gold, essentially.

Alex Awesome. So, another just added layer of complexity to this entire equation is stablecoins. Stablecoins have risen sharply in demand. And honestly, for a while, it took me a long time to understand what was the value prop. Why would I put any money in stablecoins versus in Bitcoin or Ethereum? So just explain for our listeners what stablecoins are and what's driving this rapid increase in demand for them.

Matt Yeah, so fundamentally, a stablecoin is using blockchain technology to issue a digital asset that is backed by a fiat currency. Most common, the U.S. dollar. And so backing that digital asset, one to one, is exposure to the U.S. dollar. Now, there's other things in there based on which stablecoin you're talking about, but generally speaking, they're backed by a dollar or short-term Treasuries. So essentially, you're taking a stable value in the dollar, but kind of transforming it into a digital world, which you can now move around on blockchains in various platforms nearly instantaneously.

Matt So I think when folks start to use that technology, when they're used to things like the Fedwire system or the ACH system, it's pretty mind-blowing. It's sort of one of those moments you have in life. It's like, wow, things could be changing here. So I think that's why you're seeing tremendous growth in the space. It's gone from, I think, 5 billion kind of
market cap last year, up to 120 billion this year. So the growth has been tremendous in the [indistinct] space.

**Matt** And I think it's just taking frictions out of the system. Frictions that you and I, Alex, have dealt [chuckles] with for years. We kind of just say, oh, well, that's just the system where we kind of operate in. Well, this technology is sort of saying maybe there's a different path here. We're still using the fiat currency, dollar backing this. However, the rails are different. It's a much newer framework, newer rails on blockchain technology.

**Alex** And yeah, and this is when I think, like, you were kind of mentioning before that learning about crypto has been entirely democratized because you're not going to go get your degree in Bitcoin from some university. But if you want to do the work, you'll learn a lot about it. And what this makes me just think of is it's very much like an explorer's world in crypto, where the more you just explore and try things and get your hands dirty, the more you'll truly, like, just learn about the space and become pretty smart about it pretty quick.

**Alex** And so stablecoins come to mind here where, like, even just testing small transactions with stablecoins could be a really interesting way to truly appreciate the frictions we've had to deal with our entire lives as it relates to financial transaction through, like you said, the Fedwire system or ACH, but like actually going through a transaction via a stablecoin may open your eyes to understanding just how much we've gotten used to, just a unnecessarily slow way of doing things.

**Matt** It's crazy. Even things like streaming payments, you know, people are exploring with. It's kind of mind melting what could be done with this technology that you could not do, as you said, with kind of the legacy systems.

**Alex** So let's talk about this trend of businesses of all sizes — small businesses, large businesses accepting bitcoin and other crypto as a form of payment. I think I literally saw the other day someone — it may have been in San Francisco or another major city — someone was paying for their parking meter using Ethereum.

**Alex** What do you think is prompting businesses to accept bitcoin as payment? Do you think others will follow suit? And I think this is really the undercurrent of this question — is really asking, do you think Bitcoin or any other form of crypto is going to go from being, especially in the case of Bitcoin, go from being a store of value or digital gold to a true medium of exchange?

**Matt** Yes, it's a great question. So I think you're seeing businesses turn on digital asset payments of various forms because it is customer-driven. So I think forward-thinking businesses want to cater to where their clients expectations are going and you're seeing some of them start to experiment with offering various forms of digital asset payments.

**Matt** Even things like Dogecoin, I think, a few NBA teams were accepting at one point. I would not expect this trend to stop. I think you're seeing more and more legacy financial systems start to integrate this technology for their customers. I just think as time goes on, it becomes more sort of ingrained in the system, which is great because we're about 12 years in from the Bitcoin protocol going live in January of ’09.

**Matt** And look how far it's come in just 12 years. Here we are with thousands of digital assets. Folks are accepting payments, et cetera. The general use case for Bitcoin right
now is storing value. So if you ask a true Bitcoiner, they might say, I don't want to pay with my Bitcoin because I want to hold it. It's what I want to store my value in.

**Matt** But that being said, you and I right now can go ahead and spend your bitcoin. The question is, do you want to? Because there are considerations there. You lose your bitcoin if you spend it. You, of course, potentially have a tax consequence based on when you bought the bitcoin. So there is some sort of clarity needed on the tax side for some of these smaller transactions, where otherwise it wouldn't make sense.

**Matt** I think Bitcoin potentially could become like a prime collateral or prime reserve asset in a decentralized financial system through which you and I could borrow against it, just like people borrow against assets now, like real estate, et cetera. Maybe Bitcoin becomes that in the future. I don't know. And you never really have to sell it because you're just using it as collateral because it is a sort of scarce store value.

**Alex** So now I want to leave listeners with some tactical stuff from you. What I mean by that is, for people who want to be the next Matt Horne and they are listening to you, they listen to the level of depth you have in this space — you've spent four years in it, basically, spending all of your time on it. But crypto is super-daunting for people.

**Alex** While there's a lot of content out there, a lot of it can be complex. There's a lot of outside content that shouts with commentary and opinion versus what is fact. From your experience of going through this journey of learning about Bitcoin and other cryptocurrencies and, if there's fundamental value for users with them, what have you learned to be the best place to go to learn more and get — let's call it, like, your best return on time spent?

**Matt** So hands down, it's going to be Twitter. The crypto space sort of lives on Twitter for better or worse at times. But you're seeing some of the most cutting-edge research put out on Twitter for free every day. It really does, at times, melt my mind [chuckles] as to how some of this is just free sitting out there. It's top-notch.

**Matt** I think, if you think of, like, the sort of the legacy financial system and the way firms sort of, you know, kind of kept their best research for the best sort of clients who was sort of behind a paywall, you're not really seeing that in crypto. It's the opposite, where it's totally transparent. Folks will put their convicted ideas out there and let people critique it and help improve it.

**Matt** And I think you've seen that over the last 18, 24 months with various valuations, frameworks like start the flow and other things, and people have improved upon this. So I think it's great, honestly, for the ecosystem. But if I was starting out, I would just honestly just Google something like "top 20 crypto people to follow on Twitter" and just follow them. And, of course, the way Twitter works is they'll be retweeting stuff from other posters and it sort of becomes a network effect at that point.

**Matt** But I think best bang for your buck is, honestly, get on Twitter, drop into some of those chats folks have now. And second would be podcasting. Honestly, there's so many free podcasts out there that are just really good.

**Alex** Curated list of Twitter and podcasts. That's where you can go to go deeper in the space. Matt, one more question for you from our listeners. One of our listeners asked, how can I be more involved in my investments in cryptocurrency?
Yeah, so it's obviously going to vary based on everyone's situation and their risk tolerance and their portfolio goals. But step one is hands-down, just start to learn about this. You know, get your hands dirty, start to research it. You get a mental model for what this is and where you think it might be going.

And based on that, in your portfolio goals, that's when I would say to start engage with the asset classes. You know, various investments, what makes sense. But step one, obviously, is understand your situation and then have some early research into what this could be. And then I think you'll feel more confident entering the space if it makes sense for you.

Love it. Matt Horne, thank you so much for joining the show. Really appreciate it.

Thanks, Alex. Appreciate the time.

Thank you so much for listening today. I hope you all got a stronger sense of where crypto as an asset class stands right now. It is a fascinating new field and there's just a wealth of info out there. But while crypto has definitely gained mainstream momentum, there's still some uncertainty in the space. The best thing you can do if you're interested is to read a lot and hear from folks like Matt Horne and the team at Fidelity Digital Assets who spend a lot of time thinking about crypto.

If nothing else, crypto is a fascinating thought experiment. It's fun to contemplate questions like what counts as an investment or even what is money. Next week's episode, we'll be digging into how to think of crypto as a part of an investing strategy. See you then.

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Erica See you next time.

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