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An Investor's Guide to Non-Fungible Tokens (NFTs)

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Non-fungible tokens (NFTs) are the latest segment of the crypto space to undergo exponential growth. Investors looking to emulate Bitcoin-like returns are making their bets accordingly.

Billionaires like Elon Musk have recently issued billion-plus-dollar endorsements of crypto. This is good news for Bitcoin investors, and the crypto space as a whole. Still, some investors are looking for vehicles with more growth potential than Bitcoin offers.

Investments with similar (though non-identical) fundamentals to Bitcoin are a natural progression for those looking for a high-yield investment.

Enter: non-fungible tokens.

What are NFTs, and how do they work?

Non-fungible tokens are not identical to one another in the same way that Bitcoins are. Rather, they are an asset class composed of completely unique assets. Think of NFTs as a box of trading cards. Every trading card in a pack is a trading card at its core, but each is unique in its appearance and value.

These differences between individual tokens are what make NFTs “non-fungible”. That is, they aren’t equally valuable and therefore can’t be exchanged on a one-for-one basis.

So what’s the point of these tokens?

NFTs can represent either tangible or intangible assets (or, in some cases, both). Assets represented by NFTs can include:

- Virtual currency for gaming
- Digital artwork
- [Luxury clothing and accessories](#)
- In-game assets (skins, avatars, digital real estate, and other game-specific collectibles)

Many of the most successful NFTs to-date are gamified. Some games, like CryptoKitties, allow users to “breed” their digital Kitties and unlock “rare” traits—thereby enhancing the value of their collection.

Other NFT-linked assets remain static. The hope is that with time, increased demand, and a static supply, these assets’ value will rise.

Traits of NFTs that investors may find attractive include:

- Scarcity, one of the features which has made Bitcoin a valuable investment to date
- Indivisibility, which means that you and you alone own 100% of the asset (*note: fractional NFTs are an exception to this indivisibility)
- Blockchain-powered ledgers, which provide an immutable ownership record preventing duplication or destruction of NFTs
- A [strong track record of value appreciation](#) (though this varies between NFTs)

NFTs are fundamentally different from Bitcoin and other traditional cryptos. They’re non-fungible, which makes them less liquid than fungible tokens like Bitcoin. Therefore, users also tend to interact with NFTs much differently from other digital assets like Bitcoin.

However, like Bitcoin, NFTs have garnered tremendous recent investments from the likes of [Mark Cuban](#) and the Winklevoss Twins. Also, like Bitcoin, NFTs offer the intrinsic value of blockchain-powered assets.

NFTs are scarce – and, as increasing investment shows, there is demand for them. When all is said and done, demand makes or breaks a given NFT.

Consider the following NFT projects, which are among the most proven revenue-generators for investors in the NFT space.

Ten NFTs and NFT Marketplaces for Investors to Watch

If you're investing in NFTs, odds are you're dedicating a modest share of your portfolio to them. You might be looking for a high-upside investment with a unique twist. A fun-vestment, if you will. NFTs are perfect for this sort of approach.

The following collection consists of some of the most interesting, and most established, NFT projects in the crypto landscape.

Sorare



[Sorare](#) is a digital card trading game linked to the performance of professional soccer (*futbol*, if you please) players. Users own digital player cards, and can compete with other card owners in fantasy soccer-style tournaments. The game aspect of Sorare is called SO5.

Users who own at least 5 player collectibles (cards) can enter into tournaments, which have no entry fee. Tournament winners are credited with either more collectibles or [ETH](#).

Sorare was founded in 2018 on the Ethereum blockchain. It received \$4 million in seed funding in June 2020. At the time of writing, 126 professional clubs had a licensing agreement with Sorare.

Investors may note Sorare's growth in sales volume. Between December 2019 and June 2020, those [volumes grew from \\$30,000 to \\$350,000](#). The value of each player card is tied to that player's real-world performance.

CryptoPunks



Dynamic investors understand that a stock's prime comes and goes. What was once a growth stock may today be a relic. With this in mind, consider [CryptoPunks](#) a growth NFT.

CryptoPunks are uniquely-generated digital artworks with an immutable chain of ownership on the Ethereum blockchain. At last account, [CryptoPunks boasted the highest seven-day trading volume of any NFT](#).

At first, CryptoPunks were issued for free. A robust market has since developed, and a single [CryptoPunk sold for more than \\$761,000 in January 2021](#). That same Punk is worth more than \$1 million today thanks to the rising price of Ethereum.

CryptoKitties



[CryptoKitties](#) is the all-time trade volume leader for NFTs at the time of writing.

Users can purchase, collect, and even breed digital “kitties”. In line with the NFT premise, each CryptoKitty is 100% unique and cannot be duplicated or destroyed.

Users can purchase CryptoKitties with Ethereum. If you breed Kitties that others find desirable (you can create unique traits by breeding multiple CryptoKitties), then you may end up making a nice return on your initial investment.

CryptoKitties remains one of the soundest, most popular NFT investments available, even if other NFTs boast higher seven-day volumes. [The most expensive CryptoKitty once sold for 600 ETH](#). Today, that transaction would net the seller more than \$1 million.

What can you say about that return other than...meow?

[Alpaca City](#) is a similar concept to CryptoKitties. It was launched in November 2020.

Decentraland (LAND)



[Decentraland](#) is “the first ever virtual world owned by its users”. Users can create worlds tailored to virtual reality technology. Users can purchase LAND (the non-fungible token of the Decentraland environment) within the Decentraland landscape.

Once a user purchases LAND, they can customize that environment. The supply of LAND is limited, and users can purchase LAND using the fungible token MANA. Your investment in the Decentraland ecosystem is as valuable as you can make the user experience on your LAND.

At the time of writing, [Decentraland has the third-largest all-time trading volume of any NFT token or ecosystem](#). All transactions are underpinned by the Ethereum blockchain.

Other NFT token platforms like [The Sandbox](#) allow users to create, purchase, and sell assets for their LAND. While these are technically competing “metaverses”, it appears that there is enough demand for digital LAND to sustain these competing NFT projects.

SuperRare



[SuperRare](#) is a digital art marketplace. The digital artworks function as non-fungible tokens which can be purchased and resold but not exchanged directly for one another.

Artists authenticate their work by creating a tokenized certificate. They then set an asking price and allow prospective buyers to bid on their work. The investment aspect of SuperRare lies in its secondary marketplace. Anyone can re-sell their purchased work of art, just as they would at a physical auction house.

Individual works on SuperRare have sold for more than \$175,000 and \$80,000, respectively. Several other works have sold for prices between \$15,000 and \$45,000. At the time of writing, [SuperRare has the fourth-highest seven-day trading volume of all NFT tokens and marketplaces](#).

Ethernity



NFT project [Ethernity](#) has celebrity appeal that few other NFT projects offer. This alone may be reason for some investors to take a leap of faith. Star power isn't Ethernity's only appeal, though.

At its core, Ethernity is an art collective. Every work of art issued on the platform is represented by a non-fungible token. Maintaining the celebrity-as-a-differentiator theme, [each work of art comes with an "endorsement" from a celebrity](#). A portion of each sale goes to a charitable cause.

The idea is to digitize art investment while simultaneously promoting charitable causes and art for the sake of art. A professional sports owner, the Winklevoss Twins, Swedish DJ Alesso, and former professional soccer players are among those backing Ethernity.

Rarible



[Rarible](#) is a marketplace for non-fungible tokens, and it has one of the highest trading volumes of any NFT marketplace today. Using the native token RARI, artists can create and sell their works on the Rarible marketplace.

Collectors can purchase digital artwork and collectibles on Rarible. A unique feature of the platform is the ability for artists to collect royalties each time their work is re-sold.

Mark Cuban minted his own non-fungible token using the Rarible marketplace, which [one user purchased the token for an at-the-time price of \\$81,000](#). Rarible has proven to be one of the most popular platforms for investing in NFTs in the form of digital art and collectibles.

Hashmasks



Yes, you're noticing an abundance of digital art marketplaces on this list. Digital art and collectibles have proven to be an ideal vessel for the purchase and sale of non-fungible tokens.

[Hashmasks](#) is yet another success story at the intersection of NFTs and digital art. Several artists work on a single Hashmask, of which there are 16,384 in total. The idea is that, with each artist's contribution, the piece becomes increasingly rare. The buyer contributes the final touch by naming the Hashmask.

It is a new concept, as the Hashmasks were first issued in last January 2021. [The first four days of sales resulted in \\$10 million in Hashmask sales.](#)

Axie Infinity



[Axie Infinity](#) is a virtual world full of fierce, adorable pets called Axies. Axies can be battled, collected, and even used to earn cryptocurrencies with real value.

On the surface Axie might seem similar to Pokemon, Tamogochi, or even animal crossing; the difference is that the markets for in-game resources are open and controlled by players.

Axie Infinity made waves when [one user purchased 9 "Genesis Plots" \(the digital land in the game\) for \\$1.5 million](#). This was [the largest single transaction in the history of non-fungible tokens](#). If user participation is an indication of a NFT project's potential longevity, then Axie Infinity is absolutely worth paying attention to.

NBA Top Shot



[NBA Top Shot](#) is an NFT with massive mainstream backing. To some investors, the partnership with a major American sports league may be appealing. Strong to-date sales won't hurt, either.

NBA Top Shot's concept is digital basketball trading cards. Instead of static player images, though, the NBA Top Shot cards contain video highlight clips from past games. Each clip is a non-fungible token that is one-of-its-kind. As of early February 2021, NBA Top Shot had amassed \$43 million in sales.

With [renewed consumer interest in physical sports cards that some believe has yet to reach its fever pitch](#), NBA Top Shot could be a sound investment for our cultural moment..

Closing

Opportunistic investors put aside any skepticism towards crypto long ago. Now, looking for the comparatively undiscovered gems in the crypto space, brand names and investing whales are focusing their attention on non-fungible tokens.

NFTs come in many forms. Investors will need to determine which sort of NFT makes sense for their portfolio, risk tolerance, and willingness to engage with the NFT. Those who want to buy and hold may find digital art appealing, while investors with time on their hands may find gamified NFTs more appealing.

NFTs offer something for a variety of investors. The sports-loving investor, art investor, and gamer-investor are among the classes we've considered with our list.

More generally, NFTs serve the investor who values the scarcity that blockchain provides, as well as its other benefits like immutable ownership. NFTs present an opportunity for investors who want to get in (still relatively) early on the next growth sector in the blockchain space.

Thank you.

info@crossangle.io

<http://xangle.io>