



## What's an NFT and How Can You Invest in One?

### Description

Non-fungible tokens, or NFTs, have captured several headlines over the past few weeks. Celebrities and major sports leagues have already generated millions from selling these obscure digital instruments. Early adopters seem to have nearly as much.

So what exactly is this new segment of the cryptocurrency industry? Should retail investors get involved? Here's everything you need to know about NFTs and how you can bet on them through regular stocks and funds.

### What *is* an NFT?

NFTs are the latest frontier of the cryptocurrency sector. Essentially, these are easy-to-create digital tokens for digital content. You can create one yourself and sell a blogpost, piece of music or image on the blockchain.

Think of these as digital trading cards or collectible books with the author's signature on them. Jack Dorsey recently sold his first Tweet for US\$2.5 million (C\$3.2 million).

The best real-world example of how NFTs are used is the Top Shot marketplace set up by the National Basketball Association (NBA). The NBA now allows you to buy video clips and special moments from the latest games. You can trade these moments on the NBA's marketplace. The NBA's involvement is a green flag for the sector.

Other corporations are thinking about ways to use this technology to sell tickets to virtual events, limited edition songs or special access to celebrities. The possibilities are endless. The market for NFTs is worth \$315 million already and could grow rapidly as more people learn about this nascent sector.

### How to bet on NFTs

Investors can bet on the rise of NFTs simply by investing in the underlying network: Ethereum. All NFTs are currently built on Ethereum technology. The Ethereum blockchain becomes more useful (and

thus more valuable) as NFTs grow.

Canadian investors can add Ether to their accounts directly through some brokers such as [Wealthsimple](#). However, if you're looking for a regulated and listed security, the **Ether Fund** (TSX:QETH.U) is a better option.

The Ether Fund is a fund that tracks the value of ETH. Each unit represents 0.01766634 ETH tokens. As the market value of ETH appreciates, this fund should surge alongside it.

I prefer this fund over other options because it's tax-efficient. You can hold your [Ether Fund](#) units in a tax-free savings account (TFSA) or registered retirement savings plan (RRSP) just like any other fund or stock. If NFTs and the Ethereum network deliver tremendous appreciation in the years ahead, you can shield all your capital gains from the taxman.

## Bottom line

NFTs are an interesting experiment in digital rarity. Can you create a digital piece of art or content and limit its consumption to just a few people who bid for access? So far, it seems the answer is yes as long as you use blockchain technology.

Investors can bet on the rise of this technology by investing in Ethereum. The Ether Fund is a top choice.

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