



**Season One: Episode Three**  
***Crypto: How Are Artists Leveraging NFTs?***  
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**Dawn Harflinger:** The queen is a fascinating person. She actually wrote a book. I invite everyone to read it because it's in her words and it's her journey. And in the book, she talks about growing up as a native Hawaiian. The elite and high ranking members of society sent their kids to this royal school and she learned English and she learned music. And that's one of the places where she really developed a fondness for writing music, for playing instruments. She is the most prolific songwriter in Hawaiian history.

**Luke Charest:** I'm Luke Charest at Cambridge Associates and I'm talking with Dawn Harflinger, President and CEO of The Lili'uokalani Trust. LT -- as it's also called -- was founded in 1909 by Queen Lili'uokalani. The Queen designated her estate to support vulnerable Native Hawaiian children. Today, the trust still serves thousands of children annually through its own programs and partnerships with other organizations. Queen Lili'uokalani was the last ruling monarch of Hawaii and she lived for a long time at a home called Washington Place...

**Dawn:** It was it was next door to a school. And so she would often kind of she would often go to the fence that they she shared between Washington place in the school and she would talk to the kids and spend some time with them. She loved listening to them sing and laugh. And so, she talks a lot about that in her writing about the joy that she felt when spending time with kids.

**Luke:** Dawn says she likes to think of the Queen as a bit of an investor too.

**Dawn:** Think about this, this is like the late eighteen hundreds, so she started a bank that was led by women for women with women deposits and she did micro lending to fund their business ideas. And so, she definitely dabbled in finance. She managed her

affairs quite well. She was a landlord. She rented out her property. She bought property, sold property...

**Luke:** Queen Lili'uokalani was doing this all during a time when there was persistent conflict between native Hawaiians and the United States; she was even imprisoned for attempting to keep Hawaii from being annexed by the U.S.

**Dawn:** She then has a quote saying, "I am no longer the woman of leisure I once was," and so, ultimately served as queen until the overthrow of the Hawaiian government.

**Luke:** The Queen was a trained artist, a businessperson, and a dedicated monarch. And the financial trust she created over 100 years ago perpetuates her dedication to native Hawaiian children by supporting them in the present and preparing them for a future that may look very different from today.

[THEME MUSIC]

**Luke:** This is Unseen Upside from Cambridge Associates -- it's investments beyond the returns. This season we're meeting the people who take risks on the technology that will change the way we live -- and hear why they're doing it.

LT's main office is in Honolulu, and they have 12 other offices statewide, which allows them to be closer to the communities of young people they serve.

**Dawn:** I should say that minorities and indigenous people tend to be overrepresented in the sort of negative statistics in the world, whether it is drug use, incarceration, poverty, teenage pregnancy, homelessness—and native Hawaiians are not spared that fate, or at least currently. They are overrepresented in these sorts of metrics. That's what drives me in our work and in our portfolio management because the way that we think about it is, the more money that we can make as a private foundation, then the more money we have to fund current and future mission work. And that is what drives all of my teammates here at LT and certainly puts fuel in my tank to bring me to work to do my best every day.

**Luke:** And while LT's portfolio has investments in traditional asset classes like real estate and stocks, they also have investments in a space that not a lot of foundations have tried yet: crypto.

Now, a lot of institutional investors and your peers in this world have been slower to embrace crypto, and that hasn't been the case with you at LT. So, I'm curious, how did you get comfortable investing in the space? And what advice do you have for those who are maybe sitting on the sidelines today?

**Dawn:** The risks involved are not lost on us. We've mitigated those risks by diversifying our approach. We've scrubbed the universe and spoken to anyone who'll talk to us about it. So we did extensive, extensive research and extensive due diligence, but at the end of the day, we knew that we wanted to be a part of it, but we just had to mitigate the risk somehow. So how we did that was to size it correctly and then to also diversify

our relationships. So, the thought was to just start small and diversify a lot. And so that strategy has worked.

**Luke:** And as Dawn said, LT's investments help them perpetuate the trust and continue to support Native Hawaiian children. LT serves children ages zero to twenty-six through programs focusing on different areas.

**Dawn:** We have four distinct pathways here that the youth can explore and one is an art—any kind of art. That's a very expansive term. Sports—also very expansive. And then tech and entrepreneurship.

**Luke:** The tech programs include classes on coding and other skills to get young people ready for the workforce.

**Dawn:** Potentially you could imagine a kid who doesn't want to leave home wherever they are in their remote area of the islands. And if they have a passion for tech, you no longer have to leave the island as they once would. It's something that you can export and import very readily.

**Luke:** Just as future-focused as LT is with their investments, they also have programs for kids within the tech and entrepreneurship pathways that focus on crypto and blockchain.

**Dawn:** How do you prepare children who are now maybe first graders or second graders or maybe they're a little older—but how do you prepare them for a world where block chain will be the norm? They at least need to be somewhat fluent in it, and so at a minimum, they should know sort of basics like what the block chain is and what the various cryptocurrency is and NFTs and how does this all work and things like that. So, there's a fluency, a fluency goal there. And then the second goal is to think about how we might help our native Hawaiian children explore their passions in the block chain, whether that's coding or mining or whatever they might have an interest in.

**Luke:** They're planning programs that will teach kids how to create NFTs -- which are digital assets such as art or music that you can sell online. (We'll explain how this works soon.)

And teaching kids to sell their own art gives them a chance at being in a more powerful position.

**Dawn:** And this goes into the sort of overall movement that the power centers are moving away from institutions and into the hands of the individual. And that's very profound when you think about it in terms of folks who were sort of not a part of that institutional world, right? And primarily, this goes back to the conversation about disproportionate deficits in native Hawaiians. But when you think about disintermediating institutional folks, whether it's your art dealer or the fact that you can even buy or share your art and there's not a middleman taking a cut of whatever it is that you're creating. Someone first has to make that determination of if that art that you

are creating or that thing that you're creating has any value to it and that has a whole bunch of biases associated with it.

**Luke:** You know, there's something really interesting to me about, you know, 112 year old institution, I think you mentioned, with such a rich history, embracing such new and futuristic technology like Blockchain and NFTs and all of these things. From your own personal standpoint in stewarding an institution like LT, how do you think about that tension between history and the future?

**Dawn:** I love that question because I think about that question every single day here at LT, and there's a great responsibility and in the Hawaiian language, we would call that Kuleana. It implies that you have a real deep sense of responsibility to care for something. The queen was very thoughtful in setting up her trust. And LT today takes that responsibility very seriously. She wanted to care for current and future native Hawaiian children. And we think about how do we serve current generations and future generations? We can't just go all in to the current or all into the future, and so it's a balancing act.

*[Music]*

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**Luke:** Okay, before we keep going, I have to stop and define a few things as we know people come with different levels of knowledge on this topic. We hope to open up the world of crypto as much as one can in an episode of Unseen Upside, and make it feel less daunting.

So here we go:

Crypto is short for “cryptoassets” which we use as a catch-all term to describe cryptocurrencies, crypto tokens, crypto commodities, and all other blockchain applications. You probably have heard of Bitcoin or Ethereum.

Blockchain is a distributed ledger of all the transactions for a specific cryptoasset -- think of it like a giant database where anyone can see all the transactions in real time.

NFTs are non-fungible tokens. For those of us who haven't used the word *fungible* in years -- if ever -- it means replaceable. So a non-fungible token is something that can't be replaced as it's unique, and NFTs on blockchains are great because they prove ownership of something digital, like a photograph or a song. They are bought and sold on sites like OpenSea, which is a marketplace of NFTs.

The most famous NFT example to date is that of the artist Beeple, who sold his NFT visual art piece entitled “Everydays - The First 5000 Days” for 69 million dollars in March 2021.

This is great -- but what about the creators whose art doesn't sell for millions? They can take advantage of this system, too, which we'll get into shortly.

Ok, back to our guests...

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**Luke:** Because investing in crypto is still relatively new, it can feel like a small world sometimes. Dawn also knows my colleague Joe Marena, who leads Cambridge Associates' coverage of the crypto space.

**Dawn:** We have a lot of interesting conversations and we don't think the same, which is the best compliment ever, because, as you know, in investments, you don't want to have a bunch of people in the room thinking the same darn thing.

**Luke:** And for Joe, crypto investing has a lot of unique qualities.

**Joe Marena:** One of the more interesting aspects of crypto is it crosses many different types of investment styles and strategies, and you have both long only, you have hedge fund structures, you have venture structures, and there are some passive options that are in development.

**Luke:** If this all sounds like a lot, another colleague, Kenneth Tom, acknowledges that there's a learning curve with crypto.

**Kenneth Tom:** There was this whole jargon behind social media and there is a whole jargon behind crypto. The technology itself is complex to understand. It came from a retail first bottom-up fueled awareness, and it was adopted by very forward-thinking tinkerers, as well as people who had things to hide. So, you know, the first things you hear when I mention Bitcoin is well, only drug dealers and money launderers use that.

**Joe:** And it's only in the last really two years that we've seen crypto meaningfully enter the broader investment world. We have traditional ETF managers now offering bitcoin funds, for example. Hedge funds are actively participating in series B and series C crypto venture backed entities. We have crypto exposure in a lot of client portfolios. I think when we've done a couple of look throughs of client portfolios that have meaningful venture portfolios, they'll have two to three percent of their venture portfolio will actually be in crypto oriented investments. So, it has exploded in popularity.

**Luke:** Crypto investments are one thing, then there are the NFTs we're focusing on. It's still relatively complicated to buy and store an NFT.

**Joe:** There are a lot of projects underway to make this extremely simple. And quite frankly, I think within a year or so, it'll be very, very simple to purchase NFT art and to have, you know, essentially a way to display it and a way to hold it. I think that for the most part today, most of the big investors or owners of NFT art are people that are already in the crypto block chain space because they already have the technological expertise required to actually do the transactions and they probably already own ethereum or whatever other token they're using to pay for it with.

**Luke:** That kind of leads me my next question, which is, you know, if I'm an institutional investor or if I'm a pension plan or an endowment or foundation, why should I care about NFTs?

**Joe:** Blockchain is economic change. NFTs are a major threat and opportunity to the creator economy, whether it is publishing or art or music or fashion. And so any time you see major potential disruptions in established industries, as an institutional investor, I want to pay attention and I want to understand what that means for my portfolio. It could mean, on the one hand, that I have a way to, you know, create more value in my portfolio by investing with managers that focus on this area or investing in these things, but it's also a threat to my portfolio. If I own, you know, in my portfolio I have music royalties or if I have record labels or record publishers or fashion companies or book publishers or magazine publishers and newspaper publishers, whatever it is, if I owned the equity of those companies, they are directly threatened by NFTs.

**Luke:** A writer could, for example, sell their work directly to the people who want to read it, and bypass a publisher entirely.

**Joe:** I'm an art museum or I'm a philharmonia—NFTs create ways for me to deepen my engagement with donors, and it's not just the local donors that might be able to go to my museum or listen to my music, my philharmonia. It's now a global platform, and so NFTs are a very rich way to build deeper relationships with your existing customer base, your existing donor base, but also capture new donors and new members to your institution.

**Luke:** And it's a chance for donors own a bit of creativity. For example...

**Joe:** And if you donate enough money, you can basically populate your own virtual wing of a museum that other people can visit.

**Luke:** For Joe and Kenneth, this early stage shows so much potential.

**Kenneth:** I can imagine supporting musicians or artists that really speak to me and being able to directly support them through NFTs.

**Joe:** This is really the next iteration of that. NFTs basically free them from the confines of using Instagram or Facebook, for example, to build a brand. Right now, if I post something that turns out to be the most forwarded post in all of history on Facebook, you know, Facebook is the one that gets all the ad revenue. And, you know, I am just the dummy that wrote it. But in the case of an NFT, I actually get to receive the value of that. So there's a whole other layer of the economy and economic freedom that will be created.

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[Scene Change]

**Cooper Ray:** I really I love being from this place, but it drives me crazy at the same time.

**Luke:** This is Cooper Ray. He's a photographer who in the last year or so, has benefited from the economic freedom Joe was just talking about. Cooper has created and sold NFTs of his photographs of New York City, and agreed to talk about his experience with us -- an experience that could become more common as knowledge and access to NFTs expands.

Cooper has videos of himself online, weaving in and out of traffic, that make my palms sweat just watching them. He grew up in Manhattan and became a bicycle courier in his teens.

**Luke:** What's that journey like for you on and do you do you enjoy it? It looks like you do.

**Cooper:** Riding is like the ultimate freedom in New York. I operate in the negative space between the cars. It's almost like you slow down time. By riding a bike with no brakes, you're forced to pay just an incredible amount of attention to what's going on around you.

**Luke:** Being so familiar with the City makes it the perfect subject for Cooper's genesis NFT series called, "City Blocks." He uses real film, focuses on architecture, and plays with artistic elements like light, weather, shadow, and depth of field.

**Cooper:** I've always wanted to create a visual encyclopedia of New York and create this just experience where you can look by neighborhood and see the city from all different perspectives and see the lineage of these buildings going up as like an architectural record in a place and time in New York.

**Luke:** I asked Cooper if he could describe one of his favorite photos in the series.

**Cooper:** There's one where there's my hand and you can see a watch and that's from the pinnacle of the Woolworth Building, which was the tallest building in the world in 1913. And then in the in the distance, you can see the city service tower, which was the last building built of the skyscraper race of the roaring 20s into the 30s. And it got built into the Great Depression. I think there's a lot of architectural subtlety within my collection of photographs, as well as touching on some, some deeper themes of just of tension, of how challenging New York can be, you know, and how isolating it can be as well for people.

**Luke:** And these photographs -- 44 of them in the City Blocks series -- were offered individually as NFTs on OpenSea. Why 44 photos?

**Cooper:** Well, I chose 44 as a starting point because I didn't want to have too much supply. I really wanted to make, uh, something that would be like a really valuable token over time and something that's exclusive. You know, something with NFTs that's interesting is creating like a sense of scarcity with an asset.

**Luke:** The success of his first NFT project gave him a view of what controlling your own art can be like without the traditional power centers like galleries or auction houses involved.

**Cooper:** Now I'm completely obsessed because you don't have to deal with the middleman. You know, for the first time ever, you're in a position to where you can interact directly with a potential collector. Yeah, and you can tokenize your artwork and have it trade freely on an open, decentralized marketplace. I mean, there's no one that can stop it. It's all trustless action on the blockchain that's a public ledger.

**Luke:** Even someone successful in this space like Cooper acknowledges that what he just said can sound a bunch of 'mumbo jumbo' but he's trying to close the gap.

One of the things I've noticed following you for a little while here is you're really generous with your time, and that feels like something that's kind of really organic to the crypto culture and the NFT scene. I guess what's your motivation to spend time like helping other artists like get familiar with this space?

**Cooper:** So I got really deeply involved in in April of 2020, and I was kind of like a laggard in that regard where, you know, I saw the Bepple sale and I started getting involved and just learning more about NFTs. And I was like, what about photography in this space? And I saw none of it and I was just floored. The first thing I noticed when I was starting to crawl around and just starting to learn more—I quickly realized that, you know, Twitter is the main place where people come together and talk about their ideas within Web3 and crypto. And the first thing I noticed is how just incredibly open it is—the amount of access is completely unprecedented, especially coming from the web 2 environment where there's a lot of gatekeeping.

**Luke:** This is part of the democratizing appeal of NFTs for artists: sharing knowledge and avoiding the middleman by selling directly to people on the internet. And Cooper made enough money from his City Blocks sale that he can focus even more on his photography.

The primary sales of city blocks have kind of provided you some economic freedom to allow you to focus on your art kind of full time. I'm curious what that's been like.

**Cooper:** You know, it's just incredible. It's still quite surreal to be honest. I've never in my life been able to really commit full time to being creative. And I'm really unlocking this new self. You know, it's photography for me has always been there. It'll never leave me. It's a way that I process the world, but what this experience has allowed me is to really I'm able to just focus on this for the first time ever in my life.

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**Luke:** How can success like Cooper's as an artist become more common? We need to continue building out infrastructure, tools, and protocols in the crypto ecosystem. And



for that to happen, we need venture capital firms to take risks and invest in innovative new projects.

**Maria Shen:** So my name's Maria Shen and I'm on the investment team at a crypto-focused venture capital firm called Electric Capital.

**Luke:** Maria has a master's in computer science and started her own supply chain company where she encountered problems that being able to "write rules on top of money," could've solved. And her interest in blockchain took off.

Where she is now, Electric Capital, is a venture capital firm that focuses on the crypto space.

**Maria:** I'm working very closely with our early-stage companies and a lot of these are also protocols and so you're actually participating in their ecosystem. You're helping them. You're thinking about features. For Electric specifically, when you think about crypto VCs, they're solving problems that are taken for granted in other VC firms. For example, even something as simple as custody.

**Luke:** Electric Capital was founded in 2018, by a duo of entrepreneurs - Avichal Garg and Curtis Spencer - who formerly founded and sold their own companies. So when the Electric Team works with founders, they understand the questions founders face. But unlike others, they are also spending time creating resources that bring value to the larger crypto ecosystem.

**Maria:** One of the pieces of infrastructure we've built to do that is we've crawled almost the entirety of GitHub at this point to identify all of the open-source crypto repositories. And that allows us to see how many developers are in Bitcoin, how many developers are in Ethereum, how many developers joined in the last four months versus how many of them have been churning away code for the past five years. And we basically aggregate all of that information, all of that data into a report that is kind of the industry standard for measuring the amount of developer activity in a lot of these protocols. And that's really important because as a protocol, you need developers to build the sort of applications or infrastructure that's going to bring users into the crypto space.

**Luke:** That infrastructure can help artists or the average person who are new to the crypto space learn the basics.

**Maria:** I did a lot of interviews with NFT artists back in April to understand who were the people creating this. I did a small survey and so about thirty-three percent of them have never used crypto. I think the majority of them have come from, you know, the kind of the art space. And they got into this because they realized that all of a sudden they can monetize things that they haven't been able to monetize before, that they were posting for free on Instagram. And so now we've gotten to the point where there are a lot of NFTs and it's a question of how NFTs can be used going forward.

**Luke:** Something that is exciting to Maria, like Kenneth mentioned as well, are the possibilities around music culture.

**Maria:** One example here would be, you know, imagine if all of Taylor Swift's fans, rather than her music being sold to a private equity firm, imagine if all of her fans got together, contributed three hundred dollars, one hundred dollars, but was able to raise a couple of hundred million dollars to purchase her music rights. And again, pooled those rights and created NFTs from them. And now whenever music is streamed or used, the people who own a share of that NFT pool can suddenly start earning streaming revenue or receiving dividends for the rights that they own. I think all of these things will become so normal in maybe just a couple of years.

**Luke:** You recently wrote a piece on a medium entitled, *Five New Frontiers of NFTs*, and you just gave a ton of great examples through some of the things that you raised in there. There was one thing that really caught my eye around kind of financialization of NFTs and you link it to kind of charitable fundraising. That was super interesting to me. I wonder if you could share more about that.

**Maria:** Yeah absolutely. So one great example of this happening is UC Berkeley actually selling an NFT that represents Nobel Prize winning research that was done by their faculty.

**Luke:** The university auctioned off two patent disclosure forms for the two award-winning achievements: one in cancer immunotherapy and the other in CRISPR gene editing. The buyers then get to own something symbolic of award-winning science, while the university retains the actual patents.

**Maria:** And the reason why NFTs are great for fundraising is because A, usually it's fundraised through kind of an auction mechanism, so there's the whole process of announcing to your community that there will be an NFT, which is already exciting. So you're kind of already creating this marketing opportunity and obviously you do get this income stream from the NFT when it's sold. But now, again, every single time this NFT is sold in perpetuity, effectively, you get to perpetually receive some of the revenue.

**Luke:** I was excited to find out that true to the generous nature that crypto communities can have, Dawn at LT met the Electric Capital team while reaching out to learn more about this space.

**Dawn:** We scoured the earth talking to anybody and everybody that would talk to us about Blockchain. What is it? Explain to me. To their credit and a few others to they really spent the time with no promise of capital to sit down and explain and really played an almost educational role for us.

**Luke:** True to Queen Liliuokalani, who so valued education, the leaders and staff running her trust take educating *themselves* as seriously as how they support the next generations.

**Dawn:** We do we do take the job seriously of preparing kids for the future. And so as a result, we spend a lot of time thinking very deeply about the future that we're preparing our children for. That leads us to thinking of things not just in block chain. Block chain is yes, very important, very cool and groovy. But, we also think about things like climate

change. We think about things like, you know, about food insecurity and declining populations. We think about birth rates and infertility. And so there's a lot of these things in the future that we spend a great deal of time, or at least I spend a great deal of time thinking about, because at the end of the day, we're preparing these kids for this future. So we got to know what we're preparing them for.

[CREDITS]

**Luke:** If you want to learn more about crypto and NFTs, please visit our website: [cambridgeassociates.com/unseenupside](https://cambridgeassociates.com/unseenupside) or check out the show notes. Stay tuned for more upcoming episodes of Unseen Upside. If you like what you are hearing, leave us a review and tell your friends and colleagues.

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Before you go, one of my colleagues has an important message about the contents of this podcast.

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