

# Trading the virtual world of the future: Top 10 metaverse stocks to watch

The metaverse is set to be the world's big technology platform of the future, with many investors pouring in to speculate which companies will be the leaders of the next generation of the internet. In this report, we introduce the metaverse ecosystem, compile a list of the leading players – from online game makers to social networks – and provide steps to start trading stocks in the space



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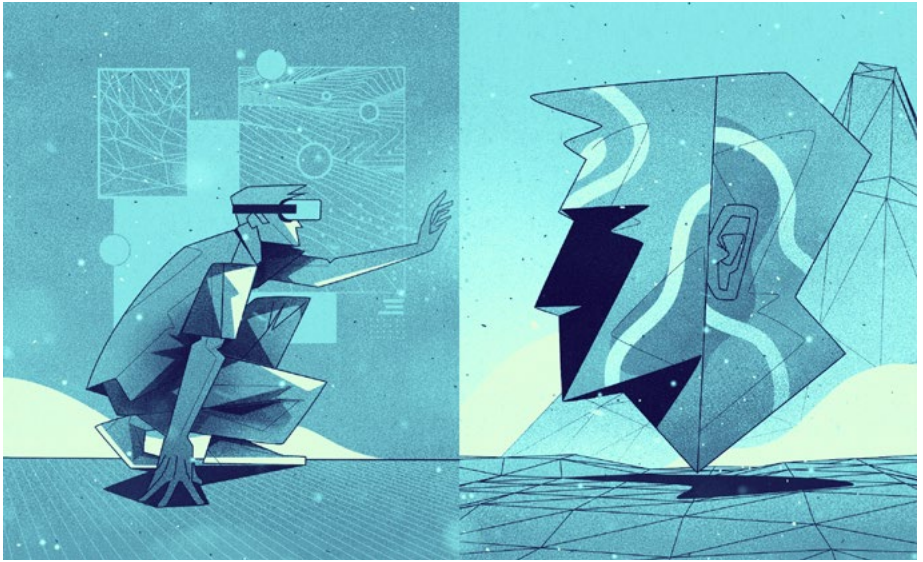
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– Alessa Berg, founder and CEO of Top Tier Impact



## CHAPTER 1

# An introduction to the metaverse

The possibilities of the metaverse have taken the market by storm, sparking a rush of excitement about what the virtual worlds of the future will look like and which companies will be at the forefront of it.

Essentially, the metaverse is the idea of a digitally simulated environment that mimics the real world. Big tech CEOs, such as Meta Platforms' Mark Zuckerberg and Microsoft's Satya Nadella, describe it as the next generation of the internet.

The technologies that underpin the metaverse are rooted in social media and gaming platforms. The metaverse utilises augmented reality (AR), where computer-generated content is superimposed over the real world; virtual reality (VR), which involves digitally simulated experiences accessed using hardware; and mixed reality (MR), which combines real-world

and virtual-world elements to create an immersive environment. These technologies don't so much help us use the internet as place us right inside it. The idea is that we'll soon be able to live, work and play in a connected, immersive virtual world.

It sounds like science fiction, but the building blocks for the metaverse ecosystem are already here. No one knows for sure exactly what this brave new world will look like, but the key players in making that vision a (virtual) reality will be companies in software development – such as social media, gaming, avatars and artificial intelligence (AI) – as well as those involved in infrastructure, connectivity, hardware such as semiconductors, and online finance.

“It's an environment that reproduces a lot of the characteristics of the physical world, with the purpose of creating interactions,” Alessa Berg, founder and CEO of global ESG, climate and sustainability corporate advisers Top Tier Impact, says. “Ultimately, we will be looking at metaverses with its own super-powered economies and crypto market values.”

## Inside the metaverse ecosystem

If the metaverse sounds like a real-life video game, then that's not too far off the mark. The gaming industry is likely to be the cornerstone of the metaverse as it expands. Gamers already have experience of immersion in virtual worlds, with an estimated 78 million players watching the singer Ariana Grande perform a virtual concert experience within the game Fortnite in August 2021. Many titles also already offer in-game purchasing (also known as microtransactions) for virtual items, which could form the basis for a metaverse monetary system.

"In a game you can create an economy because you can upgrade your avatar, which costs X," Berg explains. "X is a certain token that develops a value in the real world because it's traded on crypto markets and can go up and down in value. People will be paying in the metaverse for what kind of experience they want to have and what kind of life they want. That will create an entire decentralised economy of companies offering different things."

Outside of gaming, other potential use cases of the technology include retailers, which could give shoppers the experience of, for example, standing in their living room and using a VR headset to summon a 3D sofa to inspect before potentially purchasing the item. In business communications, the metaverse could connect global teams in virtual meetings.

The metaverse will see increased collaboration between tech industries, including payment processors, non-fungible tokens (NFT), cloud services and AI firms. For example, VR specialist companies such as DAZ 3D will be essential to building partnerships with user interface experts like Samsung and Logitech. All of these are vital cogs in the machinery that will make the metaverse work.

Shouting the loudest are the tech giants. Facebook has changed its name to the

future-facing Meta Platforms and, along with fellow behemoths Microsoft and Nvidia, has unveiled the outline of its virtual world.

It's a world that brings challenges. Like the internet, the metaverse has the potential to benefit or harm those who use it. Moderating this seemingly infinite virtual universe will be an obstacle, as will privacy concerns, personal safety, secure payments, proof of identity, national border security, data protection and even legality. How and in what form will virtual jurisdictions exist? If AI has created something, then who owns the intellectual property rights? All of these concerns may feed sceptics' doubts and slow down or even halt the rise of the metaverse. "Just as in the real world, there will be illegal companies, legal companies and hybrids," says Berg. "Ethics may be as big a challenge as regulation."

With so much uncertainty over exactly what the metaverse will look like, no one really knows for sure if it will be the biggest change to our society since the smartphone or a dotcom-type bubble full of empty promise. In Berg's opinion, it might not take us as long as we think to find out. "I think we'll see it taking shape in five years," she says. "Tech moves so fast that five years is the new 10 years, and the big tech companies are targeting these timelines to make it a reality."

### TAKEAWAY

There are many technologies that are expected to power the metaverse. At its core, the virtual worlds of the future will require a foundation in internet technology. Like social media and gaming platforms, fast connectivity will be essential but accessing these cyberspaces will also require sophisticated hardware, such as next generation chips and VR/AR headsets.



## CHAPTER 2

# 10 stocks powering the next generation of the internet

As the latest trend in tech, the metaverse has many companies in the sector already preparing the foundations for what will be the ecosystem of the market. From social media and software to gaming and hardware, we compile a list of 10 of the leading companies in the space.

## SOCIAL MEDIA

### 1. Meta Platforms [FB]

When Facebook changed its name to Meta Platforms in November 2021, its strategic pivot made the company one of the highest-profile metaverse stocks. The company's subsidiary Oculus, which it acquired in 2014, has a real-time, virtual round-the-table meeting platform called Horizon Workrooms. It also developed Quest headsets to allow wearers to join friends at concerts and other social events. In addition, Meta partnered with RayBan Stories to launch a set of smart glasses that provide augmented, recordable reality. These are the headlines in a whole infrastructure of innovative technologies. The company's unprecedented investment in its Reality Labs metaverse technology accounted almost exclusively for a \$10bn loss in the year of Meta's rebrand. However, the loss only underlined Zuckerberg's enormous confidence that the 2 billion customers who have already signed up for Reality Labs will make the journey with him.

## SOFTWARE

### 2. Microsoft [MSFT]

Microsoft sees gaming as “the building blocks for the metaverse”. The company’s proposed \$68.7bn acquisition of gaming software leader Activision Blizzard is its biggest ever, dwarfing Meta’s \$10bn investment in the space. Indeed, Activision’s World of Warcraft and Call of Duty titles and Microsoft’s Minecraft have been immersing players for years. Given each title’s history and experience in building virtual worlds, combined with Microsoft’s HoloLens VR headsets and CEO Satya Nadella’s commitment to inclusivity, the metaverse will be a key springboard to creating what he calls “a river of entertainment where the content and commerce flow freely”. The company is also developing immersive workspaces. Microsoft Mesh will layer the productivity tools of Teams with mixed reality, allowing workers to join “collaborative and holographic experiences”.

### 3. Matterport [MTTR]

“A Matterport digital twin is the most accurate virtual 3D model of a real place,” says the company’s website. Matterport manages more than 6 million virtual spaces – larger than 100 times the rest of the market combined. Its Capture technology provides 3D and 360-degree cameras, a smartphone app and software, which combine to create a digital twin of the space with capability to layer on AR features. Its biggest hits to date have been in real estate, hospitality and construction, with a client base that includes 13% of Fortune 100 companies, such as Hyatt Hotels and Airbnb. Matterport’s acquisition of geospatial analytics company Enview is also expected to broaden its scope to outdoor spaces. But perhaps most eye-catching is a collaboration that sees Matterport’s AI system Cortex use its vast data store to train Meta’s Habitat AI, which is a simulation platform for training agents in photo-

realistic reconstructions of environments. The partnership will see Matterport analyse digital models of real-world environments to create brand new virtual spaces.

### 4. Immersion Corporation [IMMR]

Haptic technology – the power to touch and move virtual objects – is essential for the true metaverse experience. Immersion’s TouchSense Force feedback technology enables users to lift, carry, push, pull, feel vibration and a host of other sensations. While other major metaverse players are also working on this, Immersion’s specialty in the field makes it a pioneer. It holds more than 1,700 issued or pending patents. The company’s operating model to license its tech and software development kits (SDKs) to manufacturers has also resulted in Immersion’s software being used by big tech firms including Apple, Nintendo, Google and Samsung. One of the biggest potential use cases for Immersion’s haptic technology is medical training, putting it at the heart of healthcare MR. Its stated goal is to allow customers to experience “touch everywhere in the digital world”.

### 5. Autodesk [ADSK]

As a cloud software firm with its core business in designing programs for architects and engineers to imagine buildings, Autodesk’s next logical move is the metaverse. Despite a pedigree that includes modelling for the One World Trade Center and Tesla cars, it’s not yet a household name, and with 70% of its income typically from the construction industry, it might sneak under the metaverse radar. However, its AutoCAD 2D/3D design program and Revit building information modelling software has extended its VR, AR and MR reach from office blocks into gaming worlds. In 2018, the company also launched a media and entertainment division, creating

software for visual effects, colour grading, animation and design visualisation, which could expand into metaverse services.

## **GAMING**

### **6. Roblox [RBLX]**

Even before the metaverse became a buzzword, Roblox was a leader in building immersive worlds within worlds. Essentially a gaming and social platform populated by children under 13 years old, it's committed to expanding into 'aged-up' events aimed at older users, which will create a pipeline of players who stay loyal to the brand as they grow older. The plan is to attract more adult participants with targeted events including immersive virtual concerts by David Guetta, Ava Max and Twenty One Pilots. But, perhaps crucially, Roblox was also quick to see the potential of its own virtual economy. A deal with leisurewear giant Vans led to the launch of Vans World, which enabled players to spend in-game currency 'robux' on Vans clothing for their avatars. It also has a partnership with the National Football League (NFL) to offer an immersive in-game American football experience. With other deals likely, Roblox has clearly demonstrated its value and appeal to retailers and service providers wanting a presence in the metaverse.

### **7. Unity Software [U]**

Unity underpins much of the gaming industry's immersive world successes, providing 'game engine' tools for designers, artists, architects and engineers to develop real-time 3D interactive content. Its products are estimated to have been used to create approximately 60% of the world's AR and VR content and half of all mobile games. The company's software is also a core component of Apple's iOS, Google's Android, Microsoft's Xbox and HoloLens, Sony's PlayStation and Meta's Oculus Quest.

Revenue shares from its Create Solutions (subscriptions) and Operate Solutions are likely to boom as the metaverse opens up to yet more creators, fulfilling Unity's own goal of 'democratising' virtual world creation. Beyond gaming, Unity is keen to demonstrate other reasons why it will be a major metaverse player. Additional applications include partnering with eBay to give shoppers 360-degree views and more realistic 3D images.

## **HARDWARE**

### **8. Nvidia [NVDA]**

Nvidia is a king of computer hardware. It invented the graphics processing unit at the core of mobile phones, computers and games consoles and was the first semiconductor company to reach \$1bn revenue. A former Forbes company of the year, its deep learning and AI innovations include Iray VR, which simulates light and materials to create interactive, photo-realistic virtual environments. Its metaverse aspirations rest on Nvidia Omniverse, a platform for connecting 3D worlds into a shared virtual universe. As well as constructing immersive worlds and simulations of real-world objects, known as 'digital twins', its CloudXR includes software for streaming extended reality content from OpenVR (a software development kit and application program) applications to Android and Windows devices. Many early adopters sharing its virtual space include architects, town planners and car manufacturers. Nvidia also highlights the omniverse as an ideal training ground for robots.

### **9. Intel Corporation [INTC]**

Intel's senior vice-president Raja Koduri famously said that the metaverse would need a 1,000-fold increase in collective computing capacity for it to work. None of the virtual worlds or the gadgets that gateway them will work without computers and servers of a power not

yet even dreamed of. But Intel, the world's largest semiconductor manufacturer, will probably be a huge stepping stone to getting there. 2022 marks the start of a five-year high-performance graphics rollout, backed up with CPUs, GPUs and cloud processing systems. The company believes its algorithms and AI software will make up the gap. Intel has an initial advantage over its competitors as the world's hardware of choice.

## CONNECTIVITY

### 10. Verizon [VZ]

The metaverse will require fast and reliable network connection to support real-time immersive worlds, and Verizon leads the field here. It showed its potential capability at a number of metaverse PR events, such as using 5G labs in five US cities for a treasure hunt that set up QR codes for players to overlay digital imagery over real world surroundings, demonstrating holographic medical imaging, and creating a virtual 5G stadium at the 2021 Super Bowl that enabled fans to interact with the players. The business enabling this is Verizon's ultra-wideband 5G network, its edge cloud computing service developed with Amazon Web Services (AWS) and Microsoft, and its \$45.5bn commitment to license airwaves for its higher speed service. It outbid AT&T and T-Mobile at a US government auction to secure more than half of the midrange bandwidth spectrum rights and is almost certain to be at the forefront when 5G eventually makes way for 6G.

#### TAKEAWAY

If you're looking to start trading metaverse stocks, there are several different ways to approach the space. From trading individual shares in a company to buying an exchange-traded fund (ETF) that offers diversified exposure to a group of stocks, there are plenty of ways to be part of this nascent market.



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If you're located in the UK or Ireland, you may be eligible to open a spread betting account to trade on leverage and avoid paying capital gains tax\*, commissions, and market data fees on share spread bets. If you're outside the UK and Ireland, or if you already have a spread betting account, you may be eligible to open a contracts for difference (CFD) trading account. This would enable you to trade on leverage, go long or short and avoid paying commission (other fees may apply) on financial instruments (except shares CFDs and ETFs).

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69% of retail investor accounts lose money when spread betting and/or trading CFDs with this provider. You should consider whether you understand how spread bets and CFDs work and whether you can afford to take the high risk of losing your money (January-March 2022).





## CHAPTER 3

# The future of the cyberspace and virtual worlds

While there is much hype and excitement surrounding concepts of the metaverse, bringing these visions into reality is still in its very early stages. No one's sure what the future of the internet will look like, when virtual worlds will arrive and what exactly it will all mean. The next generation of the internet will need a range of technologies to support the virtual worlds of the future, enabled with unprecedented data speed and connectivity and some of the most powerful computer systems.

But it's coming and is likely to change the world in the same way that the internet did in the 1970s. Analysts and market experts differ on how big a market the metaverse will create, with Goldman Sachs estimating it as an \$8trn opportunity. Bloomberg, meanwhile, valued it at \$800bn by 2024 and Kinetic Consulting expects it

to be worth \$1.6trn by 2030. Investors are already buying and selling digital land with NFT tokens in both virtual gaming and business worlds for the equivalent of thousands of dollars per square foot, with many expecting to rent the space to businesses and retail brands looking for places to lay down virtual roots. But are they worth that much? As with any real estate, buying at the bottom of the curve could either be an expensive folly, or it could be a life-changing bargain if the metaverse takes off.

The metaverse's success and value will ultimately depend on mass adoption. It almost certainly will be here in some form by 2030, but people's level and interest in immersion will differ. "Some will use it only to fulfil work or educational obligations," observed Melanie Subin, a director at New York's The Future Today Institute. "Others will live the majority of their waking hours 'jacked in'."

The message is to be as prepared as possible for literally anything. "Whatever happens, every company is facing an imagination exercise," Berg says. "As the technology evolves, they will be forced to answer an increasingly relevant question: 'How do you envisage yourself in the virtual space of the metaverse?'"

### TAKEAWAY

Growing excitement surrounding the potential of the metaverse has investors keen to bet on which companies will be leading the race in the development of it. Many experts believe that the metaverse could be akin to the early days of the internet. However, there are skeptics, making it a speculative play that's attracting a lot of attention.

# How to get started trading metaverse stocks

Now you know a little about the metaverse, it's easy to get started trading stocks that are expected to be part of building the next generation of the internet. If you've never traded before, it can seem daunting, so often the best way to begin is to open a demo account. This is a free, no-risk account offered by many trading platforms and funded with simulated money, enabling you to experiment with your trading strategies and styles to gain



confidence. When you're ready, you can then set up a live trading account to start investing in metaverse stocks.

If you're located in the UK or Ireland, you're eligible to open a **spread betting demo account** to practise your trading style. A demo account gives you the opportunity to learn how to trade with no financial risk. Try out strategies and make refinements to improve your results by regularly reviewing your trades, noting what you did well and what could be done better. Some metaverse technology will advance very quickly, meaning some stocks could be quite volatile, soaring one day and falling the next, but the accelerating appetite for these new virtual worlds, and the time they will take to become a new (virtual) reality suggests some may climb – or fall – more steadily. Experienced traders are likely to keep a close eye on the market and the news to spot any announcements or emerging trends early.

When you're ready, you can open a live account and then fund the account to start trading. Remember, there are no commissions and no capital gains tax to pay on spread betting profits\*. If you're located outside the UK, you can **open a CFD demo account** to hone your trading skills before risking real capital.

Use the demo account to learn about trading the metaverse market and which trading style suits your personality, lifestyle and goals. There are no commissions (except on share and ETF CFDs) or market data fees (except for share CFDs). Set up the platform to suit your trading style, then place your first trade with the help of our platform guides.

## FIVE THINGS YOU SHOULD CONSIDER BEFORE CHOOSING A BROKER

This is an important trading decision. A broker should be fair, transparent and stable. The criteria below for choosing a broker are based on common questions asked by clients.

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### 1 Are they regulated?

Reputable brokers are regulated, meaning they are subject to the rules and requirements set out by a governing body. CMC Markets is regulated in the UK by the Financial Conduct Authority (FCA) and is regulated in multiple other countries. CMC Markets is also listed on the **London Stock Exchange (LSE)**. Client funds are held in a segregated account. This means deposited funds are not owned by CMC Markets, but by the clients. In the unlikely event that CMC Markets were to be liquidated, clients' funds would be returned to them. Shortfalls in the fund may be compensated under the **Financial Services Compensation Scheme (FSCS)\*\***.

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### 2 Do they have a strong reputation in the industry?

An established broker is generally preferable to a newer one that is untested through a longer period of time and various market conditions. CMC Markets provides clients products and services based on more than 30 years of financial market experience. CMC Markets also has a greater than 4 stars (out of 5) ranking on Trustpilot, based on thousands of client reviews.

### 3 Will they support me on my trading journey?

When a client contacts their broker, they want to know they can get the help they need. Traders generally also prefer a broker that provides them with high-quality market research, analysis and educational resources. CMC Markets provides UK-based client support via phone and email, as well as online chat within the trading platform. With CMC Markets, you'll have access to professional news and market analysis from **Reuters** and **Morningstar**, directly from the trading platform. Plus, enjoy educational resources and content, such as:

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  - **Opto Sessions** podcasts (listen on **Apple** or **Spotify**) for discussions with successful traders
  - **Breaking news and analysis** for the latest market-moving commentary
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Avoid brokers with hidden costs. At CMC Markets, our prices are electronically generated by the platform and sourced from industry leading data vendors, or directly from our liquidity providers. Our automated pricing engine collates and checks thousands of prices per second from these data sources. Trading costs are displayed on the website and within the platform when making trades. This way, traders always know the potential costs of a trade.

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A trading platform is your direct link to the markets, so you need one that is intuitive, reliable and provides a suite of analysis tools. CMC Markets' award-winning web-based trading platform and app<sup>^</sup> provides a fully intuitive trading experience. There are more than 115 indicators and drawing tools to help you analyse the markets, along with a host of other features and tools to equip traders with a wealth of technical and fundamental information. Start spread betting or CFD trading on more than 11,500 financial instruments with a risk-free demo account and £10,000 of virtual funds. Learn more about the trading platform [here](#), or get started with a [free demo account](#).

\*Tax treatment depends on individual circumstances and can change or may differ in a jurisdiction other than the UK.

\*\*Eligibility conditions apply. Please contact the FSCS for further information.

<sup>^</sup>Awarded No.1 Platform Technology & No.1 Most Currency Pairs, ForexBrokers.com Awards 2022; No.1 Web-Based Platform, ForexBrokers.com Awards 2021; Best In-House Analysts, Professional Trader Awards 2021; Best Telephone Customer Service, Best Email Customer Service & Best Education Materials/Programmes, based on highest user satisfaction among spread betters, CFD and FX traders, Investment Trends 2020 UK Leverage Trading Report; Best Overall Satisfaction, Best Platform Features, Best Mobile/ Tablet App, Rated Highest for Charting, Investment Trends Report 2019.

### ● KEY TAKEAWAY

Trading or investing for the first time can be a daunting experience, but we're here to help guide you through it. Look for a broker that's regulated, reputable, supportive, transparent and reliable. Once you've opened an account with CMC Markets, we'll create the space you need to hone your skills and build your metaverse trading strategy.

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