FABRIC VENTURES

Fabric Ventures,
From Open Web to
Open Economy.

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Introduction

The Internet has become too pervasive and interwoven with the very fabric of our lives for there to be any risk of corruption. Its rise has created platforms and digital corporations that provide essential services for our livelihood and wellbeing: navigation, banking, shopping, health, communication, entertainment.
These platforms and digital corporations have the power to grant, or suspend, an individual's' access to essential financial services, their job seeking experience, their digital presence and their communities. Although we quite like it when some people are. To a large extent it also determines our perspective on the world and the decisions we make: how we move around, on what we spend our money, for whom we vote.

Furthermore, in building these digital identities and enriching them with our personal data, there is growing 'platform risk'. Here platform risk is not just developers potentially losing access to data and APIs, jeopardising their entire businesses. It is not simply the personal affront that our data might be incorporated into these platforms less as valued participants and more as the product. It is mostly about the fact that original data and further insights generated from this data becomes trapped in these closed information networks solely for the use of the incumbent enterprise. At this point the platform starts working against the needs of the user and whilst some platforms have begun at least with the intention to not 'be evil' and to regulate against evil, the best path forward is to shift wholesale to a software architecture and business model where these fundamental platforms 'can't be evil'.

Resource consumption is too great not to seek improvements in efficiency: computation, process automation, data sharing. We have the capacity to cure rare brain cancers and stop global warming, what we need is an approach that is open but at the same time private.

"Participation in information networks is inescapable. Yet In the West we are the product and in the East we are the proletariat. There is a third way, where we are the proprietors." Richard Muirhead, 2020
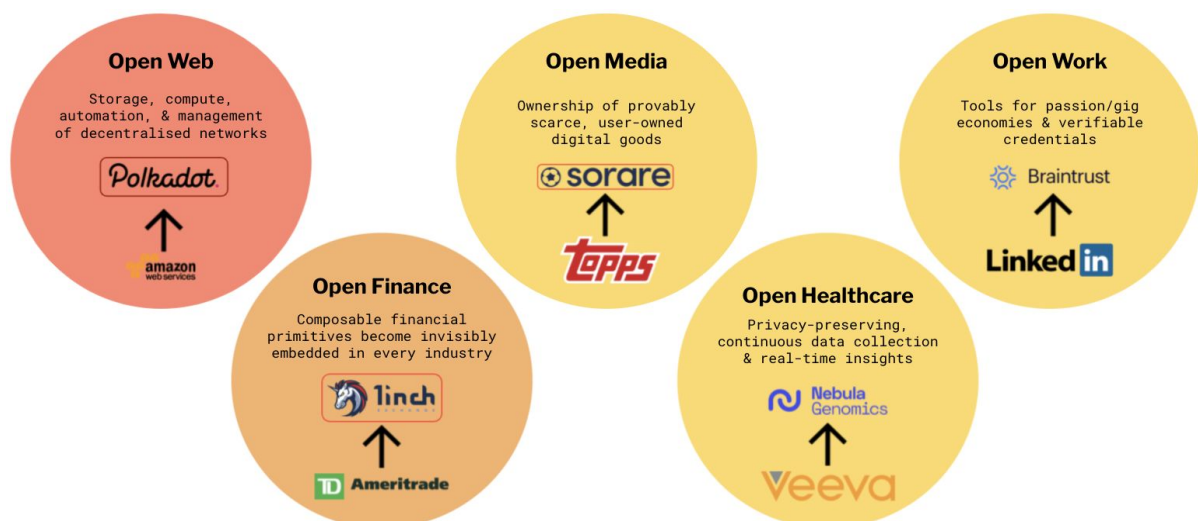
The new software architecture being built embeds encryption into everything we do and can independently make and keep financial commitments and execute on software logic independently of a trusted third party.

The Open Economy

This makes possible what we at Fabric call 'the ownership revolution'. Individuals can now once more own & manage their identities, own & control their personal data and own & benefit from digital assets native to a new generation of more open, equitable and powerful digital information networks. Even simple social incentives made available to participants can drive powerful emergent properties in information networks, sophisticated programmable economic incentives have immense potential to coordinate solutions to humanity's historically intractable problems.

A 'closed economy' is historically defined as one that seeks to be self-supporting economically, with no physical imports or exports. The results observable in the global economy suggest that this route is short-termist and ultimately doomed to atrophy. In the digital realm today's closed Web2 platforms and their economies are similarly destined for decline as soon as they fall short of servicing and protecting their users and innovation in the name of the users will atrophy drastically over time. The ownership revolution is here to provide an alternative path, one where participants are proprietors and open these new information networks shall arise the open economy.

In the following pages, we give a brief overview of the infrastructure, platforms, and applications that we see powering the Open Economy.

Whilst progress tends to be iterative we see this order to be approximately the sequence in which it will unfold. Whilst these are the areas in which we focusare focused our study they are not intended to be our exclusive focus but rather to prepare our minds to recognise opportunities and pitfalls when we come across. them. Ultimately it is the founders' magic that identifies the problem spaces; the product designs and go-to-market strategies that deliver the positive and enduring successes we all seek.

Open Web: Re-decentralise The Internet

Our investments into the Open Web3 Stack are investments into the infrastructure and new softwares being developed to rebuild and reinvent the archaic Web2 architecture we know so well. The internet is still running on decades old infrastructure, not only is it inefficient, causing packet loss and latency, but it does not provide privacy or security and uses as little as 0.5% of the data produced. Why now? It's urgent to capitalise on the abundance of data produced by today's systems by shifting to a composable software architecture. The potential for combinatorial innovation to address today's challenges and opportunities is to great to squander.

Our 2017 portfolio companies include [Orchid](#) which provides a decentralised and privacy preserving VPN service. [The Graph](#) is an indexing protocol for querying decentralised networks, essentially the "Google" service for these networks and their participants. [NEAR](#) and [Polkadot](#) provide sharded Proof of Stake layer 1 blockchain and sharded Nominated Proof of Stake layer 1 blockchains respectively. These are networks upon which new applications of the Web3 can be built, akin to the Mobile Web2's VMware, AWS, Azure, and Google Cloud. The Open Web will have the important distinction that data is no longer siloed in its initial application but tangible to all developers in a privacy-preserving way, fuelling network effects of further innovation.

Open Finance: Inclusive, Equitable, and Invisible Finance

Smart contracts enable software to be weaponised with the ability to make financial commitments, a feature that was left out in the early development of the Web in the 1970s and led to advertising becoming the dominant model. This technology also removes reliance on trusted third party (middle men), allowing for more efficient executions with little to no counterparty risk.

Trading assets is a basic activity that is being revolutionised by the removal of counterparty risk. Our portfolio company 1inch is a smart order router for Open Finance, connected to every decentralised trading venue as well as private market makers, allowing traders to always have the best execution with zero counterparty risk (instant settlement). It routes trades, for example, through 0xprotocol, one of our earlier investments and the first protocol for peer-to-peer trading on Ethereum.

In most supply chains, traditional financing is only available to large enterprises, hindering SMEs' capacity to operate or hamstringing them with an extortionate cost of capital. With Centrifuge, a Fabric Ventures Fund 2017 portfolio company, entire supply chains will be able to easily access working capital by leveraging the creditworthiness of their creditor, without revealing any sensitive information about the supply chain. Creating liquidity options on an unimagined scale in a cyber secure manner without intermediaries.

These smart contracts are laying the groundwork for a new financial infrastructure, openly accessible by anyone and which diminishes the need for intermediaries as trust is encoded into the software.

Open Media: Circular, Entertainment & Collectible Economies

Digital scarcity is a fundamental feature of the next wave of the Web, it enables the digitisation of a variety of physical world assets and creates a new form of consumerism within the digital world.

This is a result of the switch from expenditure on centralised platforms to investment in provably scarce, user-owned digital goods. This can be seen in our 2017 portfolio company [Sorare](#) which has revolutionised the world of fantasy football by switching from a purely expenditure state-of-play to allowing investments in players **and** the ability to play against other users. Having grown from €30k in monthly revenue at the start of the year to €1m in monthly sales in a year with a queue of real world teams ready to sign onto the game, it is clear that football is not the only sport this will revolutionise. The new type of consumerism is affecting how we engage with media as well, our 2017 portfolio company [Roll](#) provides the mechanism for investing in our favourite media personalities, bands, and brands allowing early fans and adopters to benefit from their success.

Scarce, real world assets can now be digitised, reaching a wider audience and attracting consumers globally. From rare, digital art listings at [Christie's](#) and branded IP coming in the form of sports teams ([football leagues](#), [MLB](#), [NBA](#)), fashion brands ([Nike](#), [Gucci](#), [Louis Vuitton](#)), and TV ([Netflix, Top Gun](#)).

Open Healthcare:
Personalised,
Privacy-preserving,
and Patient-centric

Healthcare data is sensitive and the way the previous iterations of the web handle sensitive information is to silo it, making curing the hardest to treat diseases impossible for researchers. New software architecture enables continuous, privacy-preserving data collection, transparency, and real-time insights.

For example, digital consent management is a non-trivial requirement for handling health data but if done correctly, could open up endless possibilities in disease treatment, understanding and cures. Longenesis uses new software architecture to privately and securely timestamp consent transactions whilst Fabric's 2017 portfolio company Ocean Protocol is a data exchange protocol that lets people share and monetize data whilst preserving privacy through federated learning. By allowing researchers to access more data, this can correct misdiagnosis of patients, further research and understand better the side effects, causes, and aftermath of diseases we both know and new ones that may appear in the future.

Open [L]earning: Digitising and Decentralising Education & Careers

As the world moves towards remote and decentralised teams, privacy and security are paramount. The fundamental nature of the privacy-preserving and secure Open Web3 have never been more important. The portfolio investments in the Open Web3 infrastructure will be a catalyst for this change.

Deep Job Platforms and credentialed Digital Identities are two transformative movements in improving hiring processes. Together, they can create deep and liquid job markets that optimise the job matching process by matching employers and employees for long-term relationships, on deeper and more vast criteria, and improving the cost/time of hiring. Braintrust is a Silicon Valley favourite Deep Job Platform connecting highly skilled technical talents with organizations using a unique incentive structure. The Decentralised Identity Foundation recently undertook trials to create a credentialed Digital Identity to sit behind LinkedIn profiles.

Fabric portfolio company Fairmint allows any company to issue programmatic equity. Equity is one of the most powerful coordination tools to align investors and early employees to over-deliver towards a common vision. This can be also used to incentivise the growing gig Economy to become engaged and loyal promoters of the brands they work for and compensate for their early support.

Conclusions

The revolution we are seeing now is hidden in plain sight. Users are able to engage with better products & services, use primitives in a private & secure way, and foster active relationships with the brands, personalities, and media they love and consume. This is all enabled by fundamentally new technologies and the software architectures they unlock, but the best applications will wrap these innovations in a delicious user experience and allow users to benefit from these new technologies without knowing that they are using them.

However, the infrastructure of these opportunities needs to be built first and the exciting thing is that they build on each other and together. The power of combinatorial innovation as these stateful, open web services are composed into rich applications has only just been unleashed. By supporting ecosystems in the new, Open Web, Fabric benefits from the network effects of its growth, adoption, and scale.

Applications of the Open Web are being explored relentlessly and the obstacles to mass adoption, such as scalability, are close to being removed. The co-ordinating power of these new decentralised information networks is so great that it is simply a question of time and the rising tide of activity suggests not much time at all. When the threshold/tipping point is reached, the distribution can piggy-back off today's Web and growth will be faster. The result: data-driven, delicious new products that are easy to love.

If you are building one or want to help build one. Be in touch!

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