

Crypto Hedge Funds Give Up Gains

Stockholm (HedgeNordic) – Hedge funds investing in cryptocurrencies and blockchain technologies lost 9.2% in the first month of 2018, but the gains earned by these vehicles in 2017 make the nearly double-digit loss seem ridiculously small. Cryptocurrency hedge funds, as measured by the HFR Cryptocurrency Index, gained a whopping 2,022% in 2017.

In mid-December, hedge fund data provider HFR announced the launch of two indices aimed at tracking the performance of hedge funds investing in the cryptocurrency space. The Blockchain Composite Index tracks the performances of funds that invest directly in blockchain technology, cryptocurrency or other blockchain innovations. The HFR Cryptocurrency Index represents a sub-category of the just-mentioned index and includes all funds that invest and trade in cryptocurrencies directly.

Interestingly enough, cryptocurrency hedge funds lost a mere 9.2% last month when most, if not all, cryptocurrencies have plummeted in price during January, perhaps serving as a small piece of evidence that these vehicles are employing hedge fund-like investment styles rather than making speculative bets. Bitcoin, the largest digital currency in market capitalisation, lost more than a quarter of its value in January alone and saw its value nosedive from a peak of nearly \$20,000 in late December to under \$6,000 at the beginning of this week.

Various sources seem to suggest that most hedge funds in this space employ venture capital-style investment strategies by investing in so-called initial coin offerings. There are also funds that take only long positions in digital currencies, quantitative investment vehicles, as well as managers who seek to capitalise on arbitrage opportunities arising in the still-immature cryptocurrency markets.

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