More Managers Rush Into Crypto Markets

Stockholm (HedgeNordic) – The number of funds that trade cryptocurrencies more than doubled between October last year and February this year, according to data collected by fintech analytics firm Autonomous NEXT. An estimated 226 crypto funds are currently operating, with these funds collectively managing between $3.5 billion and $5.0 billion in capital.

Of the 226 funds, 167 funds launched in 2017, 20 this year, and the remaining 39 before 2016. A total of 110 crypto funds were running in mid-October 2017.

Autonomous NEXT categorises all these funds into six main groups:

1. Venture capital investment funds investing in tokens;
2. Cryptocurrency traders and former hedge fund managers;
3. Artificial intelligence-driven and automated bot funds;
4. Funds of funds;
5. Token baskets, which raise money by issuing their own tokens to invest in other cryptocurrencies;
6. Passive crypto-related indices.

While most sources citing Autonomous NEXT's data refer to these 226 funds as crypto hedge funds, there is good reason to believe that the number of traditional hedge funds trading cryptocurrencies is smaller than the abovementioned figure. After all, passive crypto-related indices and venture capital investment funds can hardly pass as hedge funds. Regardless of whether these crypto-focused funds belong to hedge funds or not, there is little doubt that more money managers are joining the cryptocurrency arena.

The massive surge in the number of funds trading digital currencies came at a time of extremely high volatility in cryptocurrency markets. As a case in point, bitcoin, the largest digital currency by market capitalisation, saw its value plunge from a peak nearly $20,000 in late December to 2018's low of $5,920 in early February. From this year's low, the bitcoin price has surged by more than 80 percent.