

Yale's Endowment Invests in Crypto Hedge Fund

Stockholm (HedgeNordic) – Yale University's endowment managed by David F. Swensen has invested in a cryptocurrency hedge fund called Paradigm that raised \$400 million, according to Bloomberg. The hedge fund was launched by a co-founder of crypto exchange Coinbase (Fred Ehrasm), a former partner at venture capital firm Sequoia Capital (Matt Huang), and an ex-employee at crypto fund Pantera Capital (Charles Noyes). Paradigm plans to invest in early-stage projects focused on cryptocurrencies, blockchains, and exchanges.

This piece of news is like a breath of fresh air for the cryptocurrency community. After all, we are talking about renowned investor David Swensen, a pioneer in institutional investing, getting into cryptocurrency markets. Swenson has managed the Yale endowment since 1988 using a strategy that combines traditional investments in equities and fixed-income instruments with alternatives such as hedge funds, private equity, real estate, timber, and other alternative asset classes. Given Swensen's track record of pouring capital into asset classes endowments and pension funds previously used to avoid because of high riskiness or illiquidity, the Yale endowment's investment in Paradigm may not come as a surprise. For those aware of his deep knowledge of financial markets and each particular asset class, the investment in Paradigm might come as an endorsement of cryptocurrencies.

Although the size of Yale endowment's investment in the cryptocurrency hedge fund is not yet known, the capital outlay should account for a small portion of the school endowment's assets. The Yale endowment had \$27.2 billion in assets at the end of last year, so even a \$400 million-investment would account for less than one-and-a-half percent of the portfolio. The Yale endowment had 14.2 percent of assets allocated to leveraged buyouts at the end of June, whereas real estate and venture capital accounted for 10.9 percent and 17.1 percent of assets, correspondingly. Since 60 percent of Yale's endowment funds are targeted for alternative asset classes such as venture capital, hedge funds and leveraged buyouts in fiscal 2019, the investment in Paradigm could be part of the endowment's plans to increase exposure to alternatives.

Paradigm joins an expanding list of cryptocurrency hedge funds, the majority of which suffered sharp losses year-to-date as a result of the recent slump in cryptocurrency prices. The EurekaHedge Crypto-Currency Hedge Fund Index, which tracks the performance of 17 crypto hedge funds, is down 54.5 percent year-to-date through September.

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