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Europe's first bitcoin mutual fund launched by Tobam

Cryptocurrencies push deeper into mainstream investment world



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Peter Smith in London

A small Paris-based asset manager has launched Europe's first bitcoin mutual fund in a move intended to draw institutional investor interest in the volatile cryptocurrency that has surged from \$1,000 to more than \$8,300 this year.

The unregulated Tobam bitcoin fund is the latest evidence that cryptocurrencies are pushing deeper into the mainstream, and comes ahead of the Chicago Mercantile Exchange's plans to start listing bitcoin futures with a centralised clearing mechanism.

There are significant regulatory hurdles for asset managers to buy bitcoin and other cryptocurrencies, which are often associated with money-laundering and cyber theft. Unlike other currencies, bitcoins are strings of computer code, not securities. This means they are not regulated by many financial watchdogs, including the US Securities and Exchange Commission and the UK's Financial

Conduct Authority, and cannot be held by traditional mutual funds or most exchange traded funds.

Tobam's fund is classified as an alternative investment fund, is not traded on an exchange and does not fall under the European mutual fund structure known as Ucits. However, it has daily liquidity based on market closing prices, as is the case in most Ucits mutual funds. Tobam said it required the approval of France's financial regulator, the Autorité des Marchés Financiers, to launch the fund.

Yves Choueifaty, the founder of Tobam, said the \$10bn asset manager had to convince the AMF that the bitcoin fund's "framework is protective of investors". PwC is the fund's auditor and Caceis, Crédit Agricole's asset-servicing banking group, is its custodian.

"How to run the money and invest in cryptocurrencies is quite elaborate," he said. "We found some investors to launch the fund and we have had a lot of interest from an intellectual point of view."

Mr Choueifaty said he would be disappointed if the bitcoin fund had not grown to a size of more than \$400m in the next two to three years.

Adrian Lowcock, investment director at Architas, the multi-manager investor, said the bitcoin fund as well as investment trusts invested in the cryptocurrency underlined interest from mainstream investors. "Obviously there is an appetite for this type of investment," he said.

Boudewijn Rooseboom, a co-founder of Cyber Capital, a specialist in cryptocurrency investment, said there was a lot of confusion about the nature of cryptocurrencies.

"But from a portfolio diversification perspective, cryptocurrencies could be an interesting proposition for institutional investors," he said.

Trading in bitcoin remains hugely volatile. The currency crashed 27 per cent in the first three weeks of September, down from \$4,950 to \$3,612 for one bitcoin, only to go on to trade above \$5,000 by mid-October, figures on Coindesk, the website providing news about digital currencies, show.

"More and more cryptocurrencies have been created in recent years, with bitcoin gaining the largest market capitalisation and the longest record, while also being the most liquid," Mr Choueifaty said. "Despite growing interest for

the digital currency, the current solutions available to access bitcoin pose numerous difficulties for investors.”

He added: “While bitcoin is prone to significant risks, including a very high level of volatility, it also provides diversification benefits.”

Mainstream portfolio managers and financial advisers have said recently that most institutional investors are far from considering bitcoin investments