



Paris-based asset management firm TOBAM announced last week the opening of its Bitcoin mutual fund, known simply as the TOBAM Bitcoin Fund. Not only is the fund the first of its kind, but it all began with an abundance of research and a personal push from the firm's president, Yves Choueifaty.

"Last year, I decided not only to invest as a person but thought that TOBAM should invest in research around this subject," he told *CIO*.

Over the course of a year, TOBAM researched volatility, risk, and the fundamentals of the asset class. Rather than research Bitcoin broadly, Choueifaty and his team decided to approach the cryptocurrency from three points of view.

"The first point of view is discretion. Our presentation starts with a disclaimer that cryptocurrency is a very, very risky investment. That is very bad news. The good news is that investors are risk takers, which means it is not relevant to look at the risk chart when you look at the investment case. In our mind, the risk should determine the size of the investment, not whether the investment is relevant or not," he said.

For the second point of view, TOBAM examined the investment case, which was done from three sub-views. The first was the fundamental qualities of Bitcoin, which it concluded carried qualities that could give the crypto-coin the potential to become a standard.

"One of the qualities that a standard should hold is that [it] could not be manipulated, and technically the bitcoin is not something you can manipulate—no one will ever be able to mine more than 25 million bitcoins. It is something you cannot falsify, you cannot manipulate, you cannot alter. It is really the three main merits of a standard."

The final of TOBAM's three points of view was whether investing in Bitcoin was possible from a liquidity point of view and the depths of its markets, which Choueifaty agrees is the case.

“We believe at TOBAM that the market of the Bitcoin is reaching today the qualities of depths and liquidity that makes it available for the typical clients of TOBAM,” he said.

While he is aware of the fierce criticism surrounding Bitcoin and its volatility, which, depending on the comment, Choueifaty sorts into passionate, ideological, and actuating categories. However, TOBAM’s president feels that once a financial layer exists between investors and blockchain technology, many of these judgments will fade.

“We at TOBAM believe that most of those criticisms will disappear when a financial layer exists between the risk takers and the blockchain itself,” he said. “If you want to buy gold these days, it’s going to be very difficult to buy physical gold. But if you want to buy gold in the 21<sup>st</sup> Century, you want to buy a fund. This layer does not exist between the risk takers and the Bitcoin. TOBAM contributes to the building of this layer.”

The first-of-its-kind fund is available on a private-placement basis to eligible investors, allowing them to gain exposure to the class via a safe and more convenient vehicle. Not only will it integrate the management of potential forks and mitigate the loss of risk and theft, but TOBAM’s cybersecurity systems will also back the fund’s structure and function.

“If you want to buy Bitcoin you have three ways. either you buy it directly, [where] you have to store it at centers, and for individuals, it’s difficult. For institutions, it’s almost impossible because it will bring you challenges in the organization which are very unusual to solve for institutions,” Choueifaty said.

The other two ways to buy the asset is to buy a note or to invest in a platform to store the coins, which Choueifaty said offers additional problems, with creditors being the most important issue.

“Whenever you put your money in a platform or buy a note, you have a credit risk which maybe you don’t intend to take. In addition, you have a legal risk, because you know when you invest a note which is indexed on the Bitcoin, you need to be very careful about the note, how the contract deals with the forks, etc. Some platforms have not always been very responsive in delivering the corporate operations, which are the forks,” he said. “It is the same kind of thing if you buy a note on the S&P on how the dividends are paid. The most-tsted structure to own a portfolio in my mind is either you own it directly or you own it via funds.”

Choueifaty argues that a fund is indeed the best way to allocate to Bitcoin.

“Because a fund is organized with segregation of duties in terms of custody, in terms of valuation, [and] in terms of management, you have [an] auditor which audits not only the valuation in the accounts, but also the structure of the organization,” he said. “The best in terms of holding assets is probably via funds, and this was missing for the Bitcoin in a highly regulated country, and we have been able to launch that in a highly regulated country — probably the most regulated country in the world—which is France.”

By [Chris Butera](#)