Ex-Goldman bankers launch crypto fund for rich US investors

Crescent claims tracker will offer secure exposure to 20 coins

Bobby Axelrod • yesterday

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Ben McLannahan in New York and **Chloe Cornish** in San Francisco

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Three former Goldman Sachs employees are launching a fund tracking cryptocurrencies, claiming to be the first to offer wealthy US investors secure, passive exposure to 20 of the hottest coins.

Crescent Crypto Asset Management will launch an index fund on January 1 aimed at "accredited investors", or those with annual salaries above $200,000 or with net worth of at least $1m, excluding housing.

The fund will buy the top 20 coins that meet certain standards of market capitalisation, liquidity and security, rebalancing every quarter.

According to Ali Hassan, one of three co-founders, the aim is to do for cryptocurrencies what SPY, the popular exchange-traded fund tracking the S&P 500, did for US equities. He is aiming for $50m at launch, perhaps rising to a cap of $500m in 2019.

"This is as close to an ETF as one could get in the crypto space," said Mr Hassan, 26. "We've built out a product that mirrors the market to a high degree of correlation, without having to buy every currency in the market."

The launch comes after an extraordinary year for bitcoin prices, which have risen from less than $1,000 in January to highs of $19,000 this month.

Other digital "alt-coins", like Litecoin and Dash, have also appreciated rapidly. While these dramatic price rises have stoked fears of a bubble, many investors have clamoured to join the gravy train.

Mr Hassan, a graduate of the elite High Tech High School of North Bergen, New Jersey, said he started buying bitcoin in 2013, when it was trading at about $300, using his sign-on bonus for joining Goldman's private wealth management unit.

Another co-founder and Goldman colleague, Michael Kazley, had coins at MtGox, the Tokyo-based platform which froze in February 2014 saying it had lost track of 850,000 coins stored online in "hot wallets".

That incident, and others like it, prompted the trio to invest in so-called "cold wallet" facilities at an undisclosed location in New Jersey. By holding coins offline, protected by random codes known as mnemonic seeds, Crescent claims it can minimise the risk of theft.

That makes it distinct from another bitcoin fund aimed at wealthy individuals — the "Hold 10" index fund, launched this month by Bitwise Asset Management, which outsources security to a custodian, Kingdom Trust.

The Crescent 20 Index Fund will charge investors 1 per cent of assets under management and 10 per cent of gains. That is reasonable, said Mr Hassan, given the high cost of safe storage and the wide spreads quoted on high-volume exchanges such as Coinbase.

Mr Hassan and his co-founders do not believe the rise of cryptocurrencies has much to do with a broad collapse of faith in paper currencies, following the explosion of central-bank balance sheets since the crisis.

This is simply an asset akin to gold, he said, noting that the metal has been seen as valuable over centuries because "we assume it has some sort of value".

"That's what's happening with bitcoin. It has very little utility value, it is expensive to transact in, and it's not as fast as it used to be. But it's becoming *de facto* digital gold."