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Bitcoin Hedge Funds Multiply As Big Money Sees Opportunity

[Editor's Note: A just-released Money Morning exclusive interview reveals details of how missing gold that was once "hiding" from the world's central bankers is now in plain sight. This video explains what this means for you. [Click here.](#)]

By [DAVID ZEILER](#), Associate Editor, Money Morning · July 24, 2014 · [Print](#) | [Email](#)

The recent proliferation of [Bitcoin hedge funds](#) is a powerful indication that expert investors think they've found the Next Big Thing.

About a half dozen [Bitcoin](#) hedge funds have launched just this year alone. That means the people who spend most of their time looking for the best places to put large amounts of money to deliver maximum returns see a hugely profitable future in Bitcoin.



The latest Bitcoin hedge fund, which is expected to launch officially Aug. 1, is the creation of a former JPMorgan Chase & Co. (NYSE: [JPM](#)) commodities trader, Daniel Masters (yes, that's the ex-husband of JPMorgan's former head of global commodities, [Blythe Masters](#)).

These days the 50-year-old Masters is the co-principal of commodity trading firm Global Advisors Jersey Ltd., which trades up to \$2 billion of energy and equities annually.

His Bitcoin hedge fund is called the Global Advisors Bitcoin Investment Fund (GABI), and like most hedge funds is only available to well-heeled, accredited investors. (Retail investors in the U.S. will need to wait for the regulatory approval of the [Winklevoss Bitcoin Trust](#), a [Bitcoin ETF](#) that will trade on the Nasdaq under the symbol [COIN](#), or SecondMarket's [Bitcoin Investment Trust](#).)

GABI is based on the island of Jersey, a British crown dependency which sits off the French coast and is a well-known tax haven.

For now that means even wealthy U.S. investors won't be able to buy into GABI - initially the fund will be targeted to U.K., European, and Middle Eastern investors. But Masters has plans to eventually launch a companion U.S. [Bitcoin hedge fund](#).

"The way I see it, Bitcoin is just another commodity, like oil," Masters told *Newsweek*. "The state of Bitcoin is a lot like the state of the oil market 25 years ago, where you had a lot of these transactions happening merchant to merchant, this product that everyone wanted and could use but whose prices were very, very volatile, very shaky."

And Masters has set an ambitious rollout, anticipating that GABI will attain \$200 million in [Bitcoin investment](#) in its first six months alone.

Masters believes that as the Bitcoin ecosystem matures and adoption spreads, the Bitcoin price could rise to \$2,000 or more. That's a modest prediction compared to other top Bitcoin enthusiasts, some of whom have estimated the [Bitcoin price](#) could reach \$40,000, \$100,000 or even, eventually, \$1 million.

It's the vast and unknown potential of Bitcoin that has attracted the attention of the hedge fund crowd.

No wonder the GABI fund is just one of several Bitcoin hedge funds that have sprung up in recent months...

The Year of the Bitcoin Hedge Fund

With several new funds popping up in such a brief span of time, 2014 has in some ways become the Year of the Bitcoin Hedge Fund.

Here's a quick look at the other Bitcoin hedge funds that have launched this year:

- **Coin Capital Partners:** Coin Capital is another fresh Bitcoin hedge fund, having just launched in May. Based in New York, Coin Capital lays claim to being the first institutional-grade hedge fund dedicated to Bitcoin. Managing partner Samuel Cahn says the fund will employ a "buy-and-hold" strategy on the assumption that mass adoption of Bitcoin will drive the price much higher. The company has not disclosed its fund size.
- **Pantera Capital:** San Francisco-based Pantera was founded in 2003, but shifted to Bitcoin and other digital currencies around the beginning of the year. The fund buys Bitcoin as an asset, but also dabbles in venture capital financing to Bitcoin startups. The Pantera Bitcoin fund got a shot in the arm [in March when institutional investors Fortress Investment Group, Benchmark Capital, and Ribbit Capital all bought stakes](#) in it. The fund size is about \$150 million.
- **Falcon Global Capital:** Falcon Global Capital launched in March and invests entirely in Bitcoin. The San Diego-based operation functions like a gold hedge fund, purchasing and storing bitcoins ranging in value from \$25,000 to \$10,000,000 on behalf of investors. Founder and Chief Executive Officer Brett Stapper has set a fund size goal of \$100 million by the end of the year. Stapper also made news in late May when he announced that [Falcon Global had filed paperwork to send a lobbyist - himself - to Washington](#).
- **Binary Financial:** Another San Francisco-based Bitcoin hedge fund, Binary Financial was founded Jan. 1 and says it's "focused on providing superior returns for its clients and partners in the digital asset space." But Binary doesn't just trade Bitcoin, it also invests in Bitcoin startups, such as [Bitcoin mining hardware maker BitFury](#). The company has not revealed its fund size.
- **Bitcoins Reserve:** This unusual Bitcoin hedge fund is based in Melbourne, Australia. Its idea is to use arbitrage to capitalize on the Bitcoin price differences at the various Bitcoin exchanges. Bitcoins Reserve plans to use proprietary software to help it buy low on one site and sell high on another. While it officially launched last year, Bitcoins Reserve is very small and trying to grow. The company has a fund size goal of \$5 million by the end of 2014.

What do you make of the wave of Bitcoin hedge funds this year? Do you plan on investing in Bitcoin yourself? Share your opinions on Twitter [@moneymorning](#) or [Facebook](#).

UP NEXT: A tsunami of disruption -- courtesy of Bitcoin -- is headed directly for several sectors of the financial services industry. Yes, some companies will adapt. But most are likely to struggle, or even disappear, unless they start to make serious changes - and soon. This is what a \$3.4 trillion disruption to the U.S. economy looks like...

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