

FAIR ALPHA securitises AugmentX's crypto strategy

Luxembourg, 08 February 2022 – The demand for crypto-related investments keeps growing, particularly among institutional investors. FAIR ALPHA has now securitised the successful crypto strategy of Swiss finance professionals AugmentX AG to make it investable. "Instead of cumbersome trading processes, we are now offering institutional investors a security that can be purchased through their banks", said Daniel Knoblach, Board Member at FAIR ALPHA.

Although the crypto sector presents immense growth opportunities, it had only been widely accepted as an asset class in its own right some two years ago. "That is why the range of products offered is comparatively limited, especially for institutional investors", Knoblach highlighted. "Instead, these investors, just like retail clients, have to deal with crypto processing, which continues to be fairly complex."

Securitisation is a lot simpler. It also eliminates the need for investors to hold crypto assets in custody or to deal with pricing and valuations. The AugmentX strategy not only focuses on buying and holding cryptocurrencies such as Bitcoin & Co. "The approach is of a more holistic nature, exploring the opportunities of blockchain technology and rendering them investable", Knoblach explained.

This also involves the issue of which of the now more than 17,000 cryptocurrencies meet institutional investors' expectations. "The Ethereum network, with Ether (ETH) as the second largest cryptocurrency, has now become heavily used, and prices for transactions on the Ethereum blockchain are very high", Knoblach said. "This is where second layer chains are interesting, such as Polygon, which are built on top of Ethereum but are more scalable." Given the rapidly growing demand for transactions, these could turn out to be better long-term solutions. In terms of strategy, this would mean that instead of ETH, it would be preferable to add Matic, Polygon's cryptocurrency, to the portfolio.

The securitisation of AugmentX's strategy offers numerous advantages for investors: hedge funds, for example, are complicated and frequently launched in unfavourable and non-transparent locations. "As regards classic investment funds, on the other hand, there is often a lack of fund company experience and standardised market practice – combined with downstream settlement obstacles and extensive regulations, a major disadvantage", Knoblach pointed out.

Securitisation under Luxembourg law, on the other hand, allows investors to participate in the crypto strategy performance without being weighed down by intransparency or processing complexity. "Investors are holding a security with an ISIN that can be deposited and cleared. In addition, the expertise comes from AugmentX AG, which also provides the consulting services. FAIR ALPHA adds reporting and administration services and computes the updated NAV", said Knoblach.

For additional information visit www.fair-alpha.org.

About FAIR ALPHA

FAIR ALPHA offers financial market solutions for (semi)-institutional investors and asset managers through its subsidiaries. Investment ideas and trading strategies are implemented in investable and custodial securities. In addition, the company pursues digital approaches, which focus on creating and issuing crypto assets (tokens) that are held in specific wallets. With the help of customised issuance vehicles, structures are created that exclude issuer risk. In each case, FAIR ALPHA assumes the entire value creation process ranging from product set-up to administration and ongoing life cycle management.

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