FAIR ALPHA

New crypto ideas: SAFTs and Private Sales

Luxembourg, 21 June 2022 – Once again, the sharp drops in cryptocurrency prices are making many an investor aware of the risks of crypto investments – in addition to the opportunities. While accumulating may be a good tactic, it does not change the fundamental risk-reward ratio. New products offer considerably more in-depth options, investing in crypto assets at very early stages and diversifying investments. "Some approaches are more similar to venture capital funds", said Daniel Knoblach, Board Member at FAIR ALPHA. "This allows for new strategies with potential for high returns."

Bitcoin & Co. continue to be in the crypto winter's grip. "Big drops are not unusual for cryptocurrencies and are part of the risk profile", Knoblach pointed out. It is now becoming apparent, however, that crypto as an asset class is performing very similarly to tech stocks, for example. "Both react very strongly to the market's perception of risk, which is why both asset classes are suffering at the moment", Knoblach added. But there are also many other parallels.

"Ultimately, many tokens or coins can be considered start-ups", according to Knoblach. "Just like with young businesses, an idea and, ideally, a benefit stand behind every crypto project." This allows ever new business models to be created, some of which are based exclusively on the blockchain. Similar to start-ups, crypto projects are also characterised by the fact that an early entry can be highly rewarding, while the risk of suffering a total loss is also the greatest.

"Here, again, it pays to spread the risk", Knoblach cautioned. "Project initiators are currently taking this path." It involves collecting funds from investors via securitisation, which are then invested in young, new crypto projects. A simple agreement for future tokens (SAFT), for example, is basically a business plan that will only show in the future whether it is working. With the tokens not yet created, it is a venture investment in cryptos.

Private sales use a similar approach in that tokens are only issued to a small group of investors. Chances of above-average increases in value are high if the underlying project is working out and achieves a breakthrough. "In that respect, these investments are very similar to the classic venture capital market", Knoblach explained. "Only that they are crypto-based and with the corresponding premiums for risk and return."

It can be optimal to invest such strategies in the form of securitisations. "Compared to investment funds, for example, the time to market is considerably shorter", Knoblach said. "They are also eligible for custody, transparent and subject to an established securitisation law from a regulatory point of view – at least if they are launched in a market such as Luxembourg."

Such strategies are frequently complemented by comparatively safer crypto investments, such as by staking parts of cryptocurrencies or buying undervalued crypto assets. "This requires a great deal of expertise", Knoblach pointed out. "By launching a product, significantly more investors are therefore able to benefit from this expertise than if they were to try it on their own."

Mehr unter 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.

FAIR ALPHA Services SA
17, Rue de Flaxweiler
6776 Grevenmacher
Luxemburg
Tel.: +352 27 48 77 590
E-Mail: presse@fair-alpha.org
Web: www.fair-alpha.org