

On the Performance of Cryptocurrency Funds^{*}

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Abstract

We investigate the performance of funds that specialise in cryptocurrency markets. In doing so, we contribute to a growing literature that aims to understand the role of digital assets as an investment. Methodologically, we implement a novel bootstrap approach that samples jointly the cross-sectional distribution of alphas and controls for the non-normality of fund returns and their within-strategy correlations. Empirically, we find that a sizable minority of managers are able to cover their costs and generate large alphas. However, there is weak statistical evidence of managers' skills once within-strategy common variation in returns is taken into account.

Keywords: Cryptocurrency, Investments, Active Management, Alternative Investments, Boot-strap Methods, Bitcoin.

JEL codes: G12, G17, E44, C58

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