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Headline: New Crypto Hedge Fund Says Don't Be Fooled by Digital Asset Rout

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The collapse in digital asset values this year is obscuring the growing use of cryptocurrencies among consumers and investors.

That's the view of the four founders of Circuit Capital, a new cryptocurrency hedge fund based in San Francisco and Singapore that will launch by January. The group of two Silicon Valley venture capitalists, a former Deutsche Bank AG trader and a private-equity analyst, have developed an index to track the take up of digital assets.

"Despite what is happening with prices, we're seeing adoption growing and a lot of people are looking to scale crypto businesses," said Circuit partner Eugene Ng. "We are starting to see talent moving into this space and institutional infrastructure developing."

The speculative fervor that fueled Bitcoin's rally last year has now fizzled out with the largest cryptocurrency and its many smaller relatives falling back to earth in 2018. That has hurt many investors and prompted questions over the longevity of the crypto phenomenon.

Ng, an ex-Deutsche Bank derivatives trader, will oversee the fund's Asian business with former Tikehau Capital analyst Aaron Tay. Circuit's U.S. operations are run by two former technology stock analysts turned venture capital investors: Bo Nam and Richard Jahnke.

Circuit plans to raise \$30 million by its launch in the first quarter and grow assets to over \$100 million, said Nam. While that is a fraction of the assets held by macro hedge funds, it's an ambitious amount for the crypto market, he said.

Circuit has developed an index that measures mainstream adoption of the blockchain technology that supports digital assets. The benchmark is based on more than 10 data points including the number of active crypto wallets, transaction volumes, the hash rate — the speed at which digital currency mining machines make computations — as well as web searches for articles on crypto and hiring of technology and financial professionals in the industry.

The index currently shows crypto adoption is on an upward trajectory, even though prices have been heading in the opposite direction, said Nam.