

Swiss Investment Firm blufolio Builds a Sustainable Crypto and Blockchain Investment Hub & Portfolio

blufolio is a Swiss-based investment management firm promoting itself as a hub for investments in new companies and other opportunities at the intersection of blockchain technology, digital transformation and sustainability. The three founders believe that the pandemic has accelerated both digital transformation and the pace of sustainability endeavours, opening up what they see as a plethora of exponential growth opportunities. Together, these founders boast a global advisor and investor network that is sourcing deals and investments for investors ranging from foundations and funds, to the more institutional size family offices as well as for the typical HNW private client investor. The premise is that enterprise blockchain adoption is at a tipping point, with the firm citing Gartner Group forecasts of a more than USD3trn market by 2030. At the same time, digital assets and cryptocurrencies are now crossing into the mainstream, while decentralised finance, non-fungible tokens and tokenisation have emerged as truly viable investment options over the past 18 months. Christian Kranicke is one of the three founders of the firm, with a background as a seasoned entrepreneur and many years of experience as a strategic advisor and venture investor in the technology sector. We had the opportunity of 'meeting' virtually with him recently to hear just what the proposition is, to learn more of the opportunities they are putting in front of wealthy and institutional investors and how and where they are funding their rapid expansion.

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Blufolio headquarters

itself in Switzerland in the heart of what Christian says is the world's foremost pool of private investment wealth and a centre of both innovation and sustainability. To put the business in more context, he explains that blufolio offers access to investment opportunities in sustainable crypto and blockchain portfolios on three levels:

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from the high-end institutional flagship venture capital fund - a Luxembourg-listed RAIIF structure already on its second fund-raising - through to simpler light-touch and liquid instruments for investors with smaller allocations and shorter time horizons. Blufolio also offers direct and simplified investor access to curated, early-stage opportunities by means of a co-investment vehicle at the advisory level.

In all these areas, blufolio is identifying and presenting opportunities that Christian says are at the intersection of digital technology and sustainability, driven by the opportunities thrown up by the exponential growth in digital transformation and sustainability projects catalysed by the Covid-19 pandemic.

"We look to really exploit the full range of opportunities in this space, both by taking direct equity investments in companies that

are developing new business propositions, using blockchain technology, and by offering an array of more liquid instruments that are easier to access, particularly for investors who may not have the possibility to commit to long term lock-ups," he reports.

The founder triumvirate

The three founding partners of blufolio, Christian Kranicke,

Mark Browne and James Dougall, combine their diverse backgrounds into a dynamic approach to new investment opportunities. Mark Browne has over 20 years of experience in public and private markets across multiple industry sectors, notably technology, life-sciences and financial institutions while James Dougall, an entrepreneur in asset management, comes from a background in institutional technology investment.

Christian himself is from the US but has lived and worked for many years in Switzerland, largely concentrating on the emerging capital markets of the Central and Eastern Europe, the former Soviet Union and Sub-Saharan Africa. As a direct result of his broad experience in developing markets, he founded Leading Edge Advisors Switzerland in 2015, an investment firm focussed on building value in companies that work in digital

banking, direct lending, alternative payment systems and other FinTech segments.

"Change and innovation took place incredibly rapidly in those markets. Due in large part to an incredibly basic infrastructure, change was driven by necessity but was also accelerated by technology. Items that we would consider to be very basic tasks often presented extreme challenges for the local population," he recalls. "I saw first-hand the impact of the internet and mobile phones on the delivery and consumption of financial services in those markets and it was astounding. Witnessing that change up close inspired me to devote myself to what I saw as a paradigm shift taking shape in front of us. Those were early days when the phrase FinTech did not even exist!" I took that chance to shift my focus and resources to investment and the development of early-stage companies in FinTech and I've never looked back. It is an ongoing and fascinating process that has led me through the natural progression of technological innovation into blockchain and to all that we are working on at blufolio today."

Leveraging the network

He explains that the combined expertise and networks of the three blufolio founders allow them to target early-stage companies in their core business areas. He says they have eyes and ears throughout this ecosystem thanks to their highly developed network, including other VCs and investment firms, blufolio partners and investors, the senior advisor team to blufolio, university start-up centres such as Lausanne, Zurich and Fribourg, sustainability think- and do-tanks such as Geneva



CHRISTIAN KRANICKE
blufolio

Macro Labs, blockchain4humanity, SingularityNET, the blockchain and digital conference circuit and a host of other avenues.

A rigorous process and sharp focus

And Christian explains that blufolio employs an institutional-level investment process when screening all of its investments. "Our core geography is Switzerland, which has proven itself as a global digital technology, blockchain and sustainability pacesetter with established support at government and regulatory level," he reports. "We also actively source deals in other jurisdictions across Europe and in the United States. Additionally, we are looking in Singapore and potentially further afield in Asia, and have completed one deal already in Israel, another centre at the heart of today's technological evolution."

The institutional level access

Expanding on the three types of categories of investment opportunities blufolio generates, he says in the first category, the institutional level access, blufolio is already

Getting Personal with Christian Kranicke

Christian is originally from Chicago, in the United States, and was educated there at the University of Chicago. "Later on, I came to Switzerland simply to visit friends, but ended up staying because there was quite a lot of opportunity here," he reports.

Christian is married and lives with his three children near Geneva. He enjoys skiing, hiking and boating on the lake. "The Lake Geneva area, like many places in Switzerland, is a place of spectacular, natural beauty. It is a unique place, where urban life and modern infrastructure are situated amidst mountain ranges and stunning natural vistas. I've always appreciated the singular aspects of this region, which is likely the reason why I've been here as long as I have."

on its second Luxembourg-listed vehicle, the blufolio Blockchain Venture Capital Fund II SCSp SICAV-RAIF. This fund, a Reserved Alternative Investment Fund listed in Luxembourg has recently been opened for capital commitments.

The Fund will raise EUR200 million, in an institutional-grade structure, in order to make direct equity investments in the most promising companies deploying blockchain technology.

"As a regulated venture capital investment vehicle, this is targeted primarily for professional and institutional type investors," Christian reports. "It requires a significant lock-up period of approximately ten years, and whilst we do have some individuals who are willing to commit their funds to become a limited partner, more commonly this type of vehicle is earmarked for banks, pension funds, insurance companies and family offices; in short, for those with capital that can be committed over the long-term."

The fund focuses on equity investments in early-stage companies

active in blockchain-based initiatives, decentralised finance and digital transformation, with blufolio leveraging its global advisor, investor and deal-flow network. "The fund is targeting a plethora of emerging growth opportunities," Christian explains. "The background to this and our other endeavours is that we saw the pandemic had significantly accelerated awareness and adoption of both digital technologies and sustainability initiatives. This dovetails well with the fact that digital assets and decentralised models are simultaneously coming of age."

Lighter-touch access

He also explains that blufolio's second category of opportunities brings lighter-touch access for those investors looking for smaller and shorter-term commitments, as well as more flexibility in terms of liquidity. For example, blufolio offers certificates (AMCs) which either track the performance of the Luxembourg-listed VC fund itself or offer exposure to cryptocurrencies, without having to do all the technical work to



Key priorities

"The key mission right now is to ensure that we take advantage of the opportunities that we see in a very fast-moving space, and that we maximise the access points to that sector for our investors," Christian reports. "Our services and approach are ideal for people who either do not have the time, or the expertise to address their particular interests in crypto and blockchain. We gather information about a range of opportunities, vet the list of options and then make selections. In this way, we offer an expertly curated selection of investor opportunities in the blockchain and crypto sector to our clients."

He says that this access can be via lighter-touch entry points, such as the OTC instruments, or through core investment at the advisory level. "Either way," he explains, "we want to make sure that in the next 12 months we maximise our ability to take advantage of the opportunities that are here now. The speed of change is incredible – one or two months in the crypto world is an eternity, in blockchain as well. So, our priority is to make sure that we are on top of each one of the opportunities that are in our pipeline right now and that we disseminate them to our investor base in as facilitated a manner as possible."

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enter the main fund or go through the process of setting up accounts at various exchanges.

In this lighter-touch segment, he points to the Active Liquid Crypto Portfolio, a Swiss vehicle using proven technical trading signals to drive outperformance. It provides diversified exposure to a selection of the largest digital tokens and coins, with exposure to their preferred sectors (such as NFT-based gaming). "In keeping with our ESG investment ethos, the strategy currently excludes all exposure

to Proof-of-Work consensus mechanisms," Christian reports. Blufolio launched this vehicle in August of 2021 and the closing of the primary market took place within days due to high demand.

"It is a professionally managed, actively-traded portfolio of 12 to 18 of the largest, most liquid Altcoins using the Kraken platform, managed by partner firm Secure Wealth Management Ltd (SWM). There is institutional custody with best-in-class provider Copper and a Swiss ISIN, meaning that investor

exposure to cryptocurrencies is possible simply by purchasing this instrument via any bank or broker, including Swissquote. Other key features include daily liquidity, a low minimum investment of USD 10,000, and the use of SWM's tried-and-tested technical trading signals, which have generated outstanding outperformance over 12 years for their core ESG portfolio offering using ETFs. "This is an exciting development for simple and easy access to the rapidly-growing crypto universe," Christian states.

Access through blufolio directly

In the third category of investment options, which he describes as a very important level, blufolio offers the opportunity to invest directly through the advisory company, which is blufolio itself in Switzerland. This method, in gives investors access to the exact same type of companies that the fund itself invests in, but without the lockup period and with a greater degree of liquidity and flexibility in terms of entering and exiting. Participation via blufolio is offered in the form of CHF10 million co-investment capital, structured as a Convertible Loan Agreement (CLA) under Swiss law.

"We are offering investors access and exposure to the wide range of remarkable, sometimes exponential, growth opportunities that we are currently seeing via our global network - across the full spectrum of crypto assets, digital tokens, DeFi protocols, NFTs, and early-stage blockchain ventures," Christian elucidates. "Such opportunities are often time-limited and require swift action. Taking decisive action at the Advisory level ensures that Blufolio

does not miss out on any of those opportunities. Together with the VC fund and our other instruments, engagement at the Advisory level allows us to capture the full scope of opportunity regardless of its nature or timing."

Simetria from Israel

Recent examples of deals include the early-stage investment in October of Israeli digital assets pioneer Simetria, joining fellow investors including Algorand, CoinIX Capital, Consensus Capital and Draper Goren Holm. Simetria was founded by a highly experienced team of finance, regulatory and technology professionals. Together they have developed a blockchain-based tokenisation and exchange platform powered by Algorand, enabling private companies to digitise and trade non-bankable securities.

"Simetria is all about opening the floodgates to all sorts of assets and asset classes in digital form via tokenisation," Christian explains. "These can then be made available to investors globally, providing novel access to exciting investment opportunities, while enabling start-ups and unlisted firms to compete for talent with public companies on a more level footing."

And in September, blufolio announced its participation in Securitize's recent oversubscribed Series B funding round, which raised USD 48 million from new and existing investors across North America, Europe and Asia Pacific. Founded in 2017, Securitize is a global pioneer in transitioning securities to the blockchain, reinventing paper-based private capital markets via end-to-end digital solutions spanning capital formation, asset servicing and secondary trading.



A global sea change in the making

The basic premise for all these initiatives is that the blufolio founders believe that the blockchain represents a sea change in the way people and companies will go about their business in the coming years.

"The internet began as a means of simple communication, but then expanded over time into what it is today," Christian comments. "So too, blockchain technology itself presages the digitisation of nearly every aspect of our personal and corporate lives by providing a secure and direct way to exchange all types of assets without the involvement of intermediaries like banks, governments and other third-party entities. There has been some value creation so far in the blockchain and crypto spaces, but the next 10 years will be extraordinary, with an estimated USD 3 trillion of value creation anticipated by 2030. Investors can gain access to this value creation via blufolio directly or through blufolio's product offering which includes OTC instruments and its fund of curated portfolio companies."

Debunking the myths

He also addresses the caution many traditional financial institutions have regarding crypto and digital assets, remarking that most of them simply do not have the infrastructure or capacity to handle digital assets. "We are at the very

early stages in all this, but think back to the introduction of the PC and the internet itself; it all took considerable time to become what it is today. There is no doubt though that is the wave of the future and it is unstoppable."

He does concede that in terms of the infrastructure, it is fair to point out that both on the individual level and the corporate level, many processes not yet entirely user-friendly. "But that is not a reason to shy away from this incredibly dynamic space," he asserts. "There are numerous service providers that are coming online right now that offer institutional grade security to solve issues such as the safekeeping of digital assets, and other key elements that are linked to the concerns of traditional finance. And yes, there is volatility in crypto prices, but look at the share price of Amazon in its early days; it was also volatile; if you were to chart the price histories, there are similarities to Bitcoin!"

The core links to sustainability

Christian also expands on the concept of investing at the confluence of blockchain and sustainability, maintaining that blockchain and the innovations that are taking place in that space are driving many sustainability initiatives. "Some of the concerns that were raised of late, for example with regard to the amount of energy that is used in crypto mining, are

exactly the type of events which fuel innovation in other areas such as the development of block-chain protocols that do not rely on energy-intensive consensus models," he says. "Accordingly, we believe that across the board in all sectors, there is an ESG component to be developed in the blockchain space."

Asia in blufolio's sights

Christian closes his comments by explaining that Asia is a market of immense interest to blufolio, both in terms of capital procurement and target-investment opportunities. "Our base is in Europe, so naturally many of our first deals have come from that region. But blufolio, and its Blockchain Venture Capital Fund, have a global remit and our goal is to identify value across key centres of innovation. Those include Israel, Dubai and, of course, the enormous potential that we see Asia. We have solid partnerships with firms in Asia with which we will develop investment targets. With regard to capital procurement from Asia, there are numerous HNW and UHNW investors, family offices and others who could be interested in blufolio's approach and product offering. We intend to work with key players in the Asian wealth management sector to tap these sources. There is a growing universe of new opportunities out there, and growth in the years ahead will be truly explosive." ■