The Journal of Alternative Investments

VOLUME 21, NUMBER 4 SPRING 2019

This special issue of *The Journal of Alternative Investments* covers one of the most recent developments in the area of alternative investments: token sales and initial coin offerings (ICOs). I am grateful to Paul Momtaz for serving as the editor of this special issue and providing us with an excellent collection of papers.

Tokens and ICOs represent one of the most important applications of blockchain technology. Venture capital (VC) is the alternative asset class most associated with start-ups. Traditionally, if a start-up wants to raise capital, it would rely on angel investors to provide the seed capital and then approach venture capital firms for additional funding. However, the VC funding route is not available to most start-ups, and when it is, the cost of raising capital through VC funds could be high (e.g., loss of control). The development of blockchain, smart contracts, and cryptocurrencies have created an alternative to the traditional VC model of funding for start-ups. This new source of funding allows start-ups to tap a global community of small and large investors, and unlike the VC method of funding, this new model allows start-ups to connect directly to their potential customers and therefore improve many aspects of their production and distribution.

The use of tokens and ICOs can help VC funds to reduce their risks and hold a more diversified portfolio of start-ups. Compared to other investors, VC funds hold more concentrated portfolios of companies. This lack of diversification leads VC funds to demand a high premium for their investments. Tokens and ICOs enable VC funds, even small ones, to hold a highly diversified portfolio of companies, reducing the risk premium required for making investments in start-ups. Also, it allows VC funds from around the globe to fund start-ups in countries that may not be accessible through traditional channels.

The introductory article by Paul Momtaz goes deeper into this new method of financing. The article by Cerchiello, Tasca, and Toma uses textual and statistical analyses to identify the riskiest projects that could be funded with tokens. An, Duan, Hou, and Xu focus on the role of the founders on the success of the ICO method of financing a start-up. Drobetz, Momtaz, and Schröder use data on crypto-specific market sentiment derived from traditional news and social media to investigate how investor sentiment affects the cryptocurrencies market. Li and Yi provide evidence for the presence of a factor structure in the expected returns to cryptocurrencies. Boreiko and Vidusso examine the role of platforms that list and compare ICOs in reducing information asymmetry and the resulting moral hazard and adverse selection in the

ICO market. Dobrauz-Saldapenna and Klebeck discuss challenges pertaining to the regulation of ICOs. Finally, Arrieta and Liew provide a non-technical discussion about the ICO market and the underlying blockchain technology.

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