MONEY | Thu Jan 26, 2017 | 11:19am EST

# Startup LendingRobot launches automated hedge fund investing in loans

By **Anna Irrera** | NEW YORK

Seattle-based financial technology startup LendingRobot is launching an automated hedge fund that will invest exclusively in loans originated on peer-to-peer (P2P) lending platforms, the company said on Thursday.

Similarly to online investment startups known as "robo-advisors," the new fund will use algorithms to automatically buy and sell assets on behalf of its clients without the need for human investment advisors.

While many robo-advisors have emerged over the past few years, the vast majority focus on investing in equities through low-cost exchange traded funds, rather than illiquid alternative assets such as P2P loans.

LendingRobot said the new service, which will invest in loans on platforms such as LendingClub Corp, Prosper Marketplace and Funding Circle, will enable investors to more easily and cheaply diversify their investments across different platforms and loans. Investors who currently lend on P2P platforms have to open an account with each provider.

P2P lending platforms, which first emerged following the financial crisis, connect small businesses and consumers looking for a loans with individual or institutional investors.

The sector has expanded significantly since its inception, but has recently faced some growing pains, with some investors concerned about the quality of loans.

"Alternative lending proved to return excellent performance and with new origination platforms growing quickly comes the opportunity to diversify further," said Emmanuel



TRENDING STORIES

Marot, chief executive of LendingRobot. "But fragmentation makes investing even more complex for individual investors."

Traditional hedge funds have been active buyers of loans on P2P lending platforms, with some, such as London-based Marshall Wace LLP launching funds dedicated only to the emerging asset class.

The new service is the latest example of a fintech company targeting a lucrative market in finance by using automation to increase efficiency and lower costs.

LendingRobot said its use of technology enables it to charge lower fees than traditional hedge funds. It will charge clients a fee of 1 percent of assets under management and cap fund expenses at 0.59 percent. Hedge funds typically charge 2 percent of assets under management and 20 percent of investment gains.

LendingRobot will also offer more transparency on the investments by using distributed database technology blockchain to keep track of its transactions.

Blockchain, which first emerged as the system underpinning cryptocurrency bitcoin, is a tamper-proof distributed record of data that is maintained by a network of computers on the internet without the need for a centralized authority.

(Editing by Bernadette Baum)

ALSO IN MONEY

**Fed to stop mortgage reinvestments in 2018: Morgan Stanley**

**Trump Cabinet's First World problem: omitting a few million here and there**

1 **Green card holders included in Trump ban: Homeland Security**

2 **Trump immigrant curbs cause chaos, panic, anger worldwide**

3 **Trump bars door to refugees, visitors from seven mainly Muslim nations**

4 **Trump's immigration order affects green card holders: U.S. official**

5 **Iran says to ban U.S. visitors in retaliation to Trump move**

NEXT IN MONEY →

**Peng Zhao replaces Kevin Turner atop Citadel Securities**

NEW YORK Kevin Turner has departed Ken Griffin's Citadel LLC less than a year after he joined as chief executive officer of the firm's market-making division, a spokesman said on Friday.

**UBS hopes Trump policies will boost wealth management**

ZURICH UBS hopes optimism surrounding new U.S. President Donald Trump's proposed policies will boost its core wealth management business, the Swiss bank said on Friday, after reporting a sharp fall in profits.

MORE FROM **REUTERS**

**Philadelphia Fox affiliate suspends TV host for Conway remark: media**

**Ackman's fund mum on names of latest investments**

SPONSORED **CONTENT**

**PICTURES**

**How Russia sold its oil jewel: without saying who bought it**

**Stock research moves past PDFs as customers demand more for their money**

**Saudi Aramco's oil reserves confirmed by external audit: sources**



REUTERS

**Photos of the week**