

CIO Monthly Review

February marks the fifth month in a row with falling prices. Bitcoin falls by -14%, closing at 67,000 €, while ETH falls -19%. The fund closes at -10.5%, +4.1% better than the CCI30 index's -14.6%. Our smaller-cap-token fund outperforms the CCI30 index, BTC and ETH at the same time. We expect significant upside potential in rising markets; adding outperformance in down markets is exceptional.



Paul Otto
Chief Investment Officer

Market Assessment

The world is watching the Middle East. Since the middle of January, military observers have reported US troop and equipment movements; during February's State of the Union address by President Trump a possible attack was hinted at.

On Feb 27th, Geneva talks ended without a deal. By Feb 28th, rockets were launched from Israel and US forces, killing Iran's Supreme Leader Ali Khamenei. Since then, the conflict is only escalating. Unsurprisingly, oil shot up +8% over the weekend at the end of February and continued climbing, a barrel of Brent being up +53% since the start of the year until March 6th. Meanwhile, the S&P500 is largely flat year-to-date (-2%) and in February (-1%).

As purported safe-haven asset, gold would be expected to do well in geopolitical turmoil. As purported digital gold, Bitcoin would be expected to mirror gold. In practice, neither happened. From Feb 28th to March 6th, gold was down -2% while Bitcoin was up +2%. In February, gold was up +8% while BTC was down -14%, showing no strong trend for gold and continued negative correlation between the two.

Following gold's erratic movements in January, order isn't and shouldn't be expected. In such volatile times, it is our view that the best strategy is to focus on long-term fundamentals. These will bear fruit, regardless of the curveballs thrown by short-term price action.

Industry Overview

A popular metric, trying to capture crypto market sentiment on a scale from 0 to 100, is the Greed &

Fear Index. As measured by Alternative.me, the index hit an all-time low on Feb 12th at '5 - Extreme Fear'.

During the crash of the Terra/Luna protocol in May 2022, the index reached a low of '8'; later in June it reached '6'. By comparison, the insolvency of FTX in November 2022 saw a low of only '20'.

While no one can reliably and precisely time the bottom, we believe current prices are very attractive. On the qualitative side, the continued sell-off for five consecutive down months has devastated the sentiment of many a crypto investor. Selling pressure may be exhausted. On the quantitative side, valuations for successful crypto projects are exceptionally low. Multiples below 10 are unlikely to persist once professional investors begin to re-price these assets.

Crypto exchange giant Coinbase operates an ETH layer-2 blockchain 'Base Chain'. Base has seen success, with around 5 bn USD in stablecoins bridged and revenue earned by their centralised sequencer ranging between 50 m USD and 100 m USD per month since 2024. Base is built using Optimism (OP), one of the two leading layer-2 implementations. Base has an agreement in place with OP to remit 15% of net revenue with the OP foundation.

On Feb 18th, somewhat surprisingly, Base announced it would transition away from the OP tech stack. As Base was the most successful L2 on the Optimism stack - by some measures the most successful L2 overall - the OP token sold off, falling -47% in February.

It is now trading at 0.12 USD; our F5 Crypto fund sold its OP position long ago, in May 2025, at 0.69 USD.

Fund Activities

Our best-performing position is SKY, up +13% in an otherwise difficult month. Due to its outperformance, Sky has now reached a 20% weight in our fund.

We continue to use favourable valuations to increase positions in smaller protocols, especially those that are already profitable, like Sky. We believe the market, in a bear-market environment, is placing a premium on already proven rather than emerging crypto protocols.

In January, we decreased Solana in favour of smaller tokens. In February we continue: the Solana weight was reduced by another 4% in favour of Jupiter and Marinade, both native on the Solana protocol, and both already profitable.

We also reduced our ETH position by 10%. The proceeds increased our position in the highly profitable Hyperliquid.

Hyperliquid is in the process of setting up a lobbying effort in Washington DC, their Policy Center. It aims to advance DeFi. The CEO will be US crypto policy lawyer Jake Chervinsky and Policy Director will be Salah Ghazzal, who helped shape the GENIUS Act.

Our core fund position AAVE has performed in line with the market recently. The lack of outperformance stems in part from the disagreements between Aave Labs and the Aave DAO (See our fund report from December). The conflict marks an important moment. It highlights the unresolved question of token-holder rights. For crypto tokens to become as investable as stocks, shareholder-type rights must be guaranteed, ideally enforced onchain by intelligent token design.

The conflict has now led to a new governance proposal. Having received majority support in early March, it declares that all revenue streams from Aave-related services, onchain and offchain, flow to the DAO. The DAO then funds projects, including Aave Labs, a key operating entity.

We believe the time to invest in crypto tokens which capture the value their protocols provide is now. A good handful of crypto projects have proven product market fit. They generate recurring and stable revenues, produce profits, and share those profits with their respective tokens. These tokens are attractively valued and, in our opinion, present a compelling opportunity for our fund investors.

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