

CIO Monthly Review

March's stable crypto returns mask a far less stable real economy. Bitcoin closes at 59,000 €, up +4.6 %, ETH is up +10.0 % and the CCI30 index is up +4.2 %. Our fund closes up at comparable +3.5 %. The relatively calm returns in an environment of escalating war in the Middle East may indicate that crypto prices have reached a bottom.



Paul Otto
Chief Investment Officer

Market Assessment

Since the last day of February, the conflict in the Middle East has evolved into a diffuse, multi-party war. Rockets struck targets across the entire region, not only in Israel and Iran. In particular, the Gulf countries faced heavy fire, as did vessels trying to cross the Strait of Hormuz without Iran's consent.

The effects of such a large-scale conflict range far. Of course there is oil, where the sudden cut-off of a fifth of global supply is driving price spikes and shortages that are felt globally. For example Air India was forced to cancel flights due to fuel shortages. But there is more, e.g., helium from Qatar, which is unable to reach semiconductor plants that need it for cooling. This will likely lead to disruptions in chip production and delay the AI build-out.

The volatile markets attract speculators and professional traders alike, and the Hyperliquid blockchain aims to serve them: After activating HIP3, perpetual oil futures trading is now available globally 24/7 and has reached substantial volumes. Our thesis that crypto infrastructure is superior to the traditional one and will absorb and extend volume is playing out.

Most importantly, despite crypto being viewed as a risk-on asset class which is expected to re-

act sharply to global geopolitical crises, during this unfolding crisis prices have remained largely stable. While, for example, during the Covid pandemic Bitcoin fell -54 % from 8,000 € at the end of February 2020 to a low of 3,670 € in March, March 2026 has seen most crypto prices trend slightly *up*. This may signal the bottom has been reached. Following the continued sell-off since October of last year, few short-term investors remain.

Industry Overview

A question on the TV show 'Who wants to be a Millionaire' recently asked a contestant of what there will only ever be a maximum of 21 million. The correct answer advanced the contestant to the 32,000 € level. In March, the milestone of the 20 millionth Bitcoin was reached. Less than 5 % of all Bitcoin remain to be mined.

The cost of mining Bitcoin is economically bounded on both sides by Bitcoin's price. As the emission schedule is fixed, mining capacity grows and shrinks with price. The two false narratives of ever-increasing energy consumption and of a mining death-spiral both stem from the same misunderstanding of this basic feature of Bitcoin's mining economics. Bitcoin now operates for more than 18 years with unchanged rules.

Trading of derivatives, such as oil futures, is happening at scale onchain. A key ingredient is stablecoins, allowing cash settlement of positions. To trade underlyings, such as equities, the actual shares must be tokenised to enable voting rights, dividend payments and other corporate actions onchain. The industry is moving at a rapid pace to make this a reality.

In March, crypto exchange Kraken (MiCAR-compliant and an F5 Crypto partner) announced a partnership with stock exchange Nasdaq. Stocks will be able to move freely between traditional venues and onchain token representation, connecting the two ecosystems. Kraken already offers tokenised US stocks and ETFs through its xStocks platform. These stock tokens are fully backed but do not confer shareholder rights, similar to cash-settled trackers, as delivery is currently not possible.

Fund Activities

Our best performer is HYPE at 15% fund weight, up +20.6%. The onchain perpetual trading giant is now exploring prediction markets, underlining how quickly the team is reacting to new trends. Solana all-rounder and fund position Jupiter, now at 14% weight, has already added prediction markets.

We increased our Jupiter position twice in March. The fundamentals keep improving but are not yet reflected in the token price. Similarly, we have increased our position in the Solana LST protocol *Marinade*, albeit to a smaller extent, as the project is smaller and less liquid.

We fully exited our positions in both Bitcoin and Ethereum. Smaller tokens, especially those with product-market fit which are already profitable, are available at very attractive valuations. Bitcoin was a minor position; Ethereum, on the other hand, represented a large re-allocation of almost 20% of the fund. Part of the capital stayed within the Ethereum ecosystem through the large and established *Uniswap* and the smaller successful protocol *Pendle*, and part was reallocated to Solana's Jupiter.

Just as we have seen stablecoins grow month after month irrespective of crypto token prices, we expect regulated stock tokens to grow once the legalities are settled. With growing financial activity onchain, protocols offering financial services will grow their revenues. As such, we view all of our fund positions as 'growth'. The current valuations of profitable onchain protocols, with many profit-to-marketcap multiples ranging from 7 to 15, appear highly attractive. Based on these low multiples we expect high future returns for fund investors.

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