

CIO Monthly Review

After the flash crash in October and subsequent swift recovery, November saw an extended sell-off, with Bitcoin briefly traded as low as 69,953 € (80,659 USD). Altcoins, predictably, fell more. We closed the month with Bitcoin declining -17.5%, Ether -22.2% and the fund -22.8%.

Fundamentals remain unchanged. Crypto is as strong as ever with adoption continuing to grow. Our conviction that revenue generating DeFi applications are undervalued only grows stronger, as demonstrated by Uniswap this month. November's correction presents an opportunity to increase positions at favourable prices.



Paul Otto
Chief Investment Officer

Overview

Somewhat unexpectedly, markets dropped significantly after the recovery in late October and early November.

A major factor was a broader market scare triggered by doubts about AI-company valuation. While perceptions of AI technology range between 'just a convenient new app' and 'replace most of the workforce', prices are largely driven by sentiment. As AI and crypto are both viewed as tech by the market, negative sentiment in AI spills over into crypto too, even if there is no fundamental change in crypto.

Within crypto's DeFi sector, where our fund invests, no protocol experienced issues on October 10th or the following days. It bears repeating: crypto fundamentals are strong.

The top performers in November were privacy-related tokens. In October, old coin ZCash more than quadrupled in price. In November, the catch-up trade in other privacy-focused projects such as Monero, Dash and Starknet led to these tokens outperforming the market.

Fund Activities

We used the price drawdown to rotate out of top-15 Chainlink into smaller DeFi projects on Solana.

We also increased our position in MEV protocol Jito. Jito provides core infrastructure for Solana, distributing validator MEV to liquid-staking users. Fee generation from block auctions is has been

consistently strong. Since the fees are driven by MEV rewards rather than SOL inflationary issuance, Jito benefits directly from increasing network activity. Jito's auction system and staking pool are best in class.

We also increased our position in liquid staking protocol Marinade. We actively use the protocol's mSOL token to capture maximum staking yields for our Solana fund position. The leading staking providers are Jito, Marinade and Jupiter; all three are fund positions. Marinade is working overtime to become the staking provider for Solana ETFs. We view their protocol token as significantly undervalued.

Market Assessment

ICOs are back. New Layer-1 Monad completed a token sale for their new token MON in a fully regulated process using Coinbase. The sale, accessible only to Coinbase users with KYC-verified accounts, raised 269 m USD for +7% of the protocol tokens, valuing the the project at 3 bn USD placing it swiftly in the top 40.

Uniswap, the leading DEX, offers around the clock global liquidity. Until now, trading fees did accrue to its UNI token. On November 9th, the 'fee switch' proposal was introduced to let holders of the UNI token benefit from trading fees. Concretely, 5 bps of the 30 bps trading fees charged will be channelled to UNI holders via buyback and burn. The proposal, while not yet implemented, was met with widespread approval and caused the UNI price to surge +53.8% within 2 days.

Quantum computing posing risks for crypto security has been front-page news in November. Bitcoin rests on two cryptographic tenets: the discrete-log problem securing the signature scheme and hash functions securing mining, block ordering and addresses. Both may be at risk once sufficiently capable quantum computers become operational.

Upgrading Bitcoin before this becomes reality raises two difficult questions: How quickly will quantum technology reach practical deployment and can Bitcoin be upgraded? In case the answers were 'quickly' and 'not upgradable', Bitcoin would be in serious trouble. In our view, however, these risks are minimal.

First, the potential of quantum computing is overstated. Much like in AI, quantum companies often make bold claims to attract funding. Useful results, so far, are lacking. While judging timelines is difficult, the optimism of the kind Elon Musk expresses for autonomous driving (predicting full self-driving next year, every year, since 2019) is prevalent in the quantum narrative, too.

Second, while Bitcoin prides itself on not changing (e.g., the 21-million coin limit has never and likely will never be changed), this does not mean that upgrades never happen. Segwit and Taproot are two major upgrades in the last years. How to transition to a quantum-safe signature scheme is being actively discussed with e.g., BIP360. How to deal with old Bitcoin, including Satoshi's coins which likely won't actively migrate to a new scheme, however, remains hotly debated.

Industry Overview

On the 10th, the US Treasury clarified that ETFs may stake their PoS crypto holdings; rewards may be passed on to investors. This removes a regulatory barrier. The Bitwise Solana Staking ETF is the first ETF to capture staking yields for its investors.

Stablecoin giant Tether received a rating of '5 - weak' by S&P global, the lowest possible score within their stablecoin rating framework. A reason for the downgrade from previously '4' was an increase in backing by higher-risk assets. Tether, as opposed to Genius-compliant stablecoins, doesn't back its USDT tokens exclusively with bonds; it employs a basket of bonds, loans, and even gold and Bitcoin. Meanwhile, Genius-compliant USDC is rated as '2 - strong'.

Western Union announced a new stablecoin on Solana for 2026. The global money-transfer company is taking its first step onto blockchain rails. As we predicted, the favourable regulatory climate contributes to finance gradually moving onchain.

President Trump nominated Michael Selig to be the new chair of the CFTC. Selig will move from his position as the chief counsel for the crypto task force at the SEC. The CFTC oversees derivatives markets, including the important futures markets for Bitcoin. This nomination follows the trend of putting people in charge who can create sensible crypto regulation.

We maintain a positive outlook with crypto fundamentals stronger than ever.

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