

## CIO Monthly Review

The fund performed strongly in May, closing at 14.9 %, on the back of Ethereum's 40.7 % and AAVE's 50.2 % phenomenal performances. Bitcoin closed at 10.8 %, reaching a new all-time high in USD at 112k USD – still well below its EUR peak of 106k€ from January, with a May high just below 100k€.



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Chief Investment Officer

### Overview

Bitcoin reached a new all-time-high of 111,970.17 USD (Coinmarketcap). Due to the Euro strengthening against the USD, the previous high of 105,882.79€ from January remains unbroken.

Despite the incredible recovery of 47.0 % from April's lows to May's highs, market sentiment remains far from euphoric. News outlets and financial commentators who covered Bitcoin's 'crash' in March and April have gone quiet. We believe this is the kind of environment where higher highs can form.

Microstrategy, famous for issuing debt instruments to acquire Bitcoin, now holds over 580,000 Bitcoins, valued at over 60 b USD. Interestingly, its stock trades at a significant premium to its main balance sheet asset by a factor of 1.63 to 1.99 in May. This premium to NAV attracts copy cats.

Beyond Bitcoin, there is SharpLink, a public company looking to raise capital to purchase ETH. Their share price skyrocketed 402 % following the announcement. SolStrategies, a publicly traded Canadian firm, is seeking to raise funds to acquire Solana.

Given investors' appetite for crypto wrapped in public companies, we expect more corporate balance sheets to include crypto. Although this may not be a sustainable source of demand, we welcome the integration of crypto into the traditional financial system.

### Fund Activities

Last month, we exited our small position in PYTH due to upcoming unlocks. In May, following the

unlocks, PYTH fell -20.1 %. We are considering re-entering next month.

We increased our allocation to mSOL to enhance staking reward capture within the fund.

Our position in the leading Ethereum layer-2 solution Optimism has been terminated. We continue to view OP as a successful project, gaining EVM market share through the many L2s using their tech, e.g., Coinbase's BASE, Uniswap's Uni-chain and Worldcoin's World Chain. However, due to the highly unfavourable token distribution and unlock schedule, we believe a price equilibrium and rally is unlikely at the current valuation.

We opened a new position in the emerging DeFi protocol Pendle. Built atop DeFi behemoths like MKR, AAVE and ENA – the former two being fund positions – Pendle separates yield-bearing tokens into a yield and a no-yield component, making them independently tradeable. Long-term investors are able to plan with fixed yields, while speculators are able to trade yields directly with unprecedented leverage. Pendle has reached product-market-fit after two rough years of building and we believe their growth trajectory is only beginning.

### Market Assessment

We believe stablecoins – alongside store of value and DeFi – are the third crypto use case enjoying product-market fit and are thus poised for immense growth in the coming years. The stablecoin market has been dominated by Tether. Circle is now beginning to close the gap. After rejecting take-overs from both Coinbase and Ripple, Circle has filed for an IPO. Ripple's offer of approximately 5 b USD was too low. We expect their market valuation, once listed, to exceed the offer.

Trump followed through on his promise to invite holders of his Memecoin **TRUMP** to an exclusive dinner. We do not consider the issuance of presidential tokens prudent, nor the idea of purchasing access and potential influence through a public token. The event received mixed feedback. Meanwhile, Democratic lawmakers are considering legislation banning presidents from issuing tokens.

The up-and-coming **SUI**, like **Aptos**, is a fast blockchain originating from Facebook's failed **Libra/Diem** project. Now it suffered a major hack. Attackers stole 220 m USD from its leading **DEX Cetus**. This incident reinforces our fund's strategy of storing assets in cold storage, rather than deploying them in DeFi pools – and of avoiding investments in brand new projects.

### Industry Overview

Leading crypto exchange **Coinbase** suffered a data breach. Stored customer data, including residential addresses and phone numbers, have been extracted through rogue employees. **Coinbase** claims the incident affected a small subset of customers, however, successful social engineering at-

tacks on users have already been reported. This incident will likely lead to lawsuits from affected customers and potentially a DOJ investigation. As all financial companies are required to store sensitive customer data, hacks and leaks remain a threat for everyone. **F5 Crypto** uses secure storage systems and tight access rules for its data.

An increasing number of US states are exploring strategic Bitcoin reserves. One of the first states to go ahead might, unsurprisingly, be **Texas**. The Strategic Bitcoin Reserve bill, **Texas House Bill 1598**, has passed the vote. A true milestone! Bitcoin is on its way to becoming established in the near future.

Returning to stablecoins: the **GENIUS Act** failed its Senate vote, with 48 in favour and 49 against. However, later this month, a revised version passed with a clear majority of 69 votes in favour. The law includes sensible provisions, e.g., that dollar-tokens must be fully backed by reserves, and that issuers must be regulated. Notably, the law prohibits the payment of interest to token holders. This clause – likely influenced by the banking lobby – creates an opening for DeFi stablecoins outside US regulation, such as our fund position **MKR**, to retain market share through paying interest.

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