

CIO Monthly Review: September 2023

September concludes with a mild upward trend, continuing into early October. Bitcoin and Ethereum gained +6.6% and +4.1% respectively. The strongest altcoin in the portfolio, AAVE, closed at +24.7%. Overall the fund achieved +6.7%.

New to the portfolio is Arbitrum, the leading Layer-2 solution for Ethereum. Inflows, not least from CIO Paul Otto personally, further increased the fund AUM.



Paul Otto
Chief Investment Officer

Industry Overview

Deutsche Bank continues to bet on crypto: its new collaboration with Swiss custodian Taurus aims to build solutions for institutional clients. In February, the bank had already participated in the Series B for Taurus; in June, it then applied for the crypto custody license from BaFin.

In the US, the SEC, often seen as crypto-hostile, received two reprimands:

Firstly, from the FASB, which adjusted the accounting standards for crypto assets: they can now be marked to market. So far, cryptos were treated like goodwill, and so the lowest-value principle had prevented appreciations to be reflected in book values.

Secondly, from lawmakers: the Financial Services Committee of the House of Representatives accused SEC Chairman Gensler of not acting technology-neutral, contrary to his mandate. Representative Torres pointedly asked: “A Pokémon trading card is not a security. Why does the SEC believe a token of the same card is a security just because a blockchain is used?”

How and when the SEC will adjust its course, and when MiCAR-like regulation will come to the US, remains to be seen. However, the winds of change are now starting to be felt.

Fund Activities

In September, a new position in Arbitrum was opened. Since its launch in March, ARB has established itself as a leading Layer-2 solution on Ethereum with promising prospects.

Additionally, positions in Solana and Polygon (MATIC, ETH Layer-2) were increased.

The fund leverages new inflows to build cost-effective positions: Plans include stablecoin protocol Maker (MKR), and ETH Layer-2 token Optimism (OP). Both tokens build on the investment thesis of Ethereum and its ecosystem dominating the market in the medium term.

Part of the fund follows the F5 Crypto Index, which has rebalanced at the beginning of October: LINK and BCH replace ATOM and AVAX. Solana makes up the strongest position of this index at 22%. Thus, the SOL total position for the fund amounts to 9%, about $\frac{2}{3}$ from the Index and $\frac{1}{3}$ active overweighting.

Market Assessment

Market correlations decreased in September. While some altcoins such as Tron (TRX +18.5%), Aave (AAVE +24.7%) and Chainlink (LINK +42.7%) surged, many coins stagnated or even lost, including Polkadot (DOT -1.5%) and Avalanche (AVAX -5.2%).

This suggests the bear market, which started in February 2022, may be coming to an end. Market participants are selectively entering, and fundamental considerations outweigh the general market trend. The fund will cautiously but determinedly position itself more aggressively by shifting into smaller, promising assets.

Once legislation in the US creates a clear framework and the insolvency proceedings around FTX and 3AC progress, nothing stands in the way of a sustainable upswing.

Therefore, the fund’s target investment ratio remains unchanged at 100%.

About F5 CRYPTO

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