

CIO Monthly Review: October 2023

Once again October lived up to its moniker Uptober, with the fund closing with an outstanding performance of +23.4%. The fund's year-to-date performance stands at a solid +19.7%. The best performance was reached by our third largest position SOL: +80.1%.

A new entrant to the fund is Optimism (OP), a Layer-2 solution for Ethereum, which prominently underpins Coinbase's Base project. A thesis, management saw bolstered at the Bitkraft summit: Game developers are building on web3 and rollups.



Paul Otto
Chief Investment Officer

Industry Overview

Three major narratives dominated the month of October: Progress regarding Bitcoin spot ETFs in the US, the unfolding bankruptcy saga of FTX and the escalating violence in the Middle East.

The long-awaited Bitcoin ETFs are opening the gates for traditional finance players to access Bitcoin in a secure and often tax-efficient manner. The slew of over 10 applications already sparked a price uptick, possibly caused by initial seed volumes and market maker preparations. Above all, ETFs are a strong signal of Bitcoin's growing acceptance in the mainstream, despite all the critics.

The insolvency case of FTX is being expedited by John Ray, a seasoned insolvency administrator, and the Manhattan Federal Court. The trial is moving swiftly full of **explosive revelations**. Notably, the father of former CEO Sam Bankman-Fried, Joseph Bankman, a Stanford Law School professor, had received a large salary, an unsecured loan of USD 10 million and a property worth USD 16 million. Creditors are hopeful for timely recoveries, with claims presently trading around **50 cents on the dollar**. Meanwhile CIO Paul Otto is waiting nearly a decade for the resolution of MtGox's insolvency in Japan.

The Middle East unrest poses a myriad of questions. Tel Aviv, a nexus for fintech and crypto startups, is feeling the ripple effects, with notable crypto developers being conscripted for military service. Crypto naysayers like US Senator Elizabeth Warren are seizing this turmoil to further their agenda, erroneously linking crypto to Hamas funding. Her source has since refuted these claims, underlining that crypto is unappealing to Hamas due to its traceable nature.

Fund Activities

Our fund remains bullish on Ethereum, with a particular emphasis on the Layer-2 thesis, as seen via our stakes in ARB (6.5% of the fund), OP (3.1%), and MATIC (1.8%). Other Ethereum-centric holdings include LDO, RPL, and AAVE, alongside ETH and cbETH.

After engaging in close talks with three projects pioneering their own ETH-L2 solutions, we find our L2-thesis further reinforced. Direct token investments into these new projects are deemed too early at this stage.

The potential Bitcoin ETFs, among other factors, are fueling a market-wide uptrend. We anticipate a robust performance in the ensuing months and years. Smaller projects might exhibit greater relative growth, which is why our BTC position is maintained at 27.8% while **Bitcoin dominance is at 53%**.

Market Assessment

With Bitcoin soaring by +28.6%, numerous altcoins are also in the green, among them PEPE, the new memecoin (+43.1%), showing retail investors' buoyant sentiment.

Bermuda, a British Overseas Territory famed for its colossal reinsurers, is pivoting towards clear and pragmatic crypto regulations, outpacing even the EU's laudable MiCAR framework. This regulatory clarity has enabled local firms to secure substantial venture capital recently.

The progress in the regulatory landscape is a strong positive sign, aligning with the rapid technological advancements. Our fund remains fully invested, eyeing a promising horizon ahead.

About F5 CRYPTO

Since 2018, we have stood as Germany's foremost destination for crypto investment thanks to a team of leading industry specialists.

Invest in digital assets with F5 Crypto: *as solid as stocks, as trustworthy as government bonds and as simple as ETFs.*