

CIO Monthly Review: November 2023

November was positive for Bitcoin (+5.6%), reaching its yearly high, for Ether (+9.7%), and even more so for the fund, which performed at +12.3%. The fund's strongest performer was once again Solana at +49.3%, followed by Lido at +25.0%.

New to the fund is Frax (FXS), the DeFi protocol with a product range from stablecoins to lending to Ethereum Liquid Staking, with the intention to launch its own Layer-2 on Ethereum. The fund sees the latter as a respectable and undervalued development strategy.



Paul Otto
Chief Investment Officer

Industry Overview

November brought several surprises: Binance paid a record settlement seemingly without batting an eye; Commerzbank secured the German crypto custody license, and COIN (Coinbase's stock) soared by 62%, showing the potential of crypto investments to the broad stock market.

Binance, the world's largest crypto exchange, serviced U.S. citizens without the appropriate license, was lax in the KYC process, violated AML rules, and ignored U.S. sanctions. Now the Binance boss known as "CZ" has turned himself in to the US Department of Justice and agreed to settle.

Not just any settlement – while banks often pay fines in the tens to hundreds of millions for violations (the largest to date, against Denmark's Danske Bank in late 2022, amounted to 2 billion USD), Binance is paying 4.3 billion USD to law enforcement to clear its name. Even though CZ may go behind bars for 18 months and further settlements with the CFTC and SEC are still pending, banks should take note: Binance earned sufficient liquid reserves in the crypto business to pay the record sum immediately.

The F5 Crypto Fund works exclusively with BaFin-regulated partners, including for crypto custody. Commerzbank has now become a BaFin-licensed custodian, and products are likely to follow soon.

For investors who want crypto exposure but are not yet ready for a crypto fund, Coinbase (COIN) shares offer an interim solution. Their share price rose from 77 USD to just under 125 USD (+62%) in November. Given its BaFin license, F5 Crypto uses Coinbase Germany as one of its trading venues. The fund also holds cbETH, the exchange's liquid staking token, in its portfolio.

Fund Activities

Solana's explosive growth increased its position to 19.2% of the fund volume.

Expected airdrops (Jupyter, Helius, Drift) and projects migrating to Solana (Helium, Render) continue to show positivity. However, for risk management purposes, the fund reduced the allocation to 16.1%.

New to the fund is the Frax DeFi protocol's token FXS. As versatile as a Swiss Army knife, it offers trading like Uniswap, lending like Aave, a stablecoin like DAI, and a Liquid Staking token (stfrxETH) like Lido. Typically, the fund leans towards industry leaders rather than all-rounders, but Frax is an exception. With the upcoming layer-2 implementation, Frax realises several fund theses (L2, LST, Lending) at once.

The current focus is on the Cross-Chain thesis. Rising prices and activity across multiple blockchains generate demand for transfers between chains. Protocols like ThorCHAIN (RUNE), the new Chainflip (FLIP), as well as incumbents like Stargate (STG), Synapse (SYN), and even Uniswap (UNI) with UniX, are vying for the sector – but who will win over F5 Crypto?

Market Assessment

The largest price jumps in the top 100 were FTT (+227%), as defunct crypto exchange FTX may have found a buyer, as well as Celestia, data storage for layer-2 blockchains, with their newly launched TIA (+186%). Management expects similar erratic price jumps for small coins in the next months.

Institutional attention keeps growing. Beyond Commerzbank and spot-BTC-ETF applicants, we observe many ventures into regulated stablecoins.

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.*