

CIO Monthly Review: December 2023

In anticipation of the likely Bitcoin ETF approvals in January, the markets closed the year on a high note. The fund achieved an outstanding gain of +26.2% in December, marking it as the best-performing month of the year. This remarkable performance was primarily driven by the large Solana position, which surged by +69.1%. The fund concluded the year with an impressive overall return of +68.8%.



Paul Otto
Chief Investment Officer

Industry Overview

December saw large fees in Bitcoin, the launch of the Jito token on Solana and CEO Howard Lutnick of Cantor Fitzgerald praising Tether.

Bitcoin fees have risen to levels last seen in 2017 during the block-size wars. If more than the 2,000–4,000 transactions that can fit into a block compete for fast confirmation, fees rise until enough are priced out.

While the high demand for Bitcoin transactions is a positive sign, it has not been universally welcomed. The surge in ‘inscriptions,’ a new trend to encode images and other data into the blockchain, similar to NFTs, has displaced regular simple Bitcoin transfers.

The same phenomenon has been observed on other blockchains, with Arbitrum even briefly halting. Meanwhile, associated ORDI token saw extraordinary price appreciation, surging +1951% in Q4. The fund management anticipates that the hype will eventually subside, leading to a normalisation of fees.

Jito on Solana offers a range of complementary features, including a client, an MEV kit, and a liquid staking token. The successful team decided to launch their own token, JITO, using the popular airdrop method. For instance, a user staking just a single Jito-SOL, which is valued at around 50 €, became eligible to receive 4941 tokens, with an approximate value of 15,000 €. This move represents a significant monetisation of the Solana ecosystem, generating momentum, which the fund management likes.

Fund management is closely monitoring the stablecoin USDT (Tether), as its collapse is considered as one of the major crypto risks. Unexpectedly, the existence of Tether’s reserves was orally confirmed by Cantor Fitzgerald’s CEO, Howard Lutnick, during a [CNBC podcast](#). Lutnick disclosed that Tether holds approx. \$90 billion in Treasuries with the firm, indicating USDT to be fully backed.

The stablecoin market expands rapidly, with successful players currently earning an interest spread of 5% p.a. on substantial sums. Such growth will increase competition.

Fund Activities

The fund maintains a steadfast commitment to its Ethereum Layer-2 thesis, with large active positions in Arbitrum (7% of the volume) and Optimism (5%). Leading DeFi protocols, AAVE and FXS, have been increased to 3% of the fund’s allocation.

A recent addition is the token of the oracle network Pyth (PYTH), sized at 1.5% of the fund. Pyth focuses on fast data feeds on Solana, but plans to expand onto other blockchains. It aims to challenge the dominant oracle network, Chainlink.

The Bitcoin position has been reduced to 22.2%, as smaller projects offer better opportunities.

Market Assessment

December ended with a bang as 11 coins in the top 100 achieved gains of over 100%. Notable performers include the new meme coin BONK, surging by +241% (reminiscent of DOGE, but on Solana); SEI, a Solana competitor marketed as even faster, gaining +131%; OP, the second-largest Ethereum Layer-2 protocol, with a substantial +119% increase; and STX, a Bitcoin Layer-2 project, with a +114% gain. The fund holds both OP and STX.

As the Bitcoin-ETF application narrative likely approaches its conclusion in early January, strong volatility in both upward and downward directions is anticipated. While Bitcoin is expected to perform strongly in 2024, several emerging crypto tokens may experience breakthroughs.

About F5 CRYPTO

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