

CIO Monthly Review: February 2024

Those expecting a gentle breeze to the upside instead found themselves swept up in a tornado: Bitcoin first reached the magical price of 50,000 USD to only then blast through 60,000 USD shortly thereafter. The fund closed the month at +32.0%.

The main driver was primarily Bitcoin itself. Bitcoin dominance according to CoinMarketCap rose from 51% to 54%, i.e., all other coins combined could not keep up with BTC in February. We anticipate a momentum spill-over to smaller coins.



Paul Otto
Chief Investment Officer

Industry Overview

The ECB's blog maintains a critical stance on Bitcoin; Binance complies with regulatory requirements; UNI decides on dividends; BitVM facilitates a breakthrough, and the stablecoin market is remarkably profitable.

The ECB-Blog by Ulrich Bindseil [presented a bingo card of Bitcoin criticisms](#). The selection of cited articles is striking, e.g. a study from 2018 on Bitcoin price manipulation in 2013 – i.e. over 10 years ago when BTC was trading between 100 USD and 1,000 USD. The blog article is not an official ECB position, but shows how crypto-averse central banker's thinking still is.

The anonymous cryptocurrency Monero is no longer tradable on Binance. Coinbase never offered it. Kraken allows trading only in few countries. Cryptocurrencies without traceability are unwanted in most jurisdictions. Previously, many investors feared a ban on Bitcoin. We welcome increasing regulatory clarity where only privacy coins see heavy restrictions.

Uniswap, the leading decentralised exchange, will henceforth distribute a portion of fees to holders of its UNI token. On the news, the price of UNI surged by +50%. We anticipate similar outcomes for other tokens, including LDO.

The [paper "BitVM"](#) from last October demonstrated how a Taproot script can verify the code execution of a virtual machine. Initial developments of this idea are now bearing fruit: a form of optimistic rollup might be possible on Bitcoin **without** any fork. Startups working on the idea successfully raised capital, potentially marking the beginning of an L2 future on Bitcoin.

Blockchain Dollars continue to grow. Tether's USDT is arguably the business of the decade: 5 billion USD in operational profit with approximately 20 employees – equating to 250 million per employee annually.

Fund Activity

Arbitrum, the leading layer-2 solution on Ethereum, launched its token ARB in March 2023 in the biggest airdrop ever. Now, one year later, team allocations are becoming liquid for the first time. We still adhere to our L2-thesis and ARB, however we significantly reduced our position; until we see the sell pressure priced in.

PYTH, which has been in the fund since December, was once again the best performer with +61.9%. This position remains unchanged. Additionally, further ETH was shifted into cbETH to capitalise on staking yields.

Market Assessment

Record inflows into Bitcoin ETFs exceeded even optimistic projections. In under a month 7 billion USD flowed into the 10 new BTC ETFs. For comparison, gold ETFs reached the same size two full years after their approval in 2004; they currently hold around 109 billion USD.

The crypto scene is now speculating on how soon a spot ETH ETF will arrive. Prediction markets like Augur price approval chance by mid-year at about 40%. However, due to the crypto-averse stance of the SEC, we estimate the likelihood to be below 20%.

About F5 CRYPTO

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