F5 Crypto Fund

CIO Monthly Review

While June saw negative returns across the board, our fund held up incredibly well. Oil lost −22.8 %, gold −13.5 % and the S&P500 −3.1 %. The crypto index CCI30 closed down −23.1 %, with Bitcoin dropping −18.7 % and Ether −20.0 %. In this context, our fund closing at −1.3 % stands out.

Paul Otto
Chief Investment Officer

Market Assessment

The spotlight was on SpaceX's IPO, the largest ever. At an initial price of 135 USD, the stock was massively oversubscribed. Crypto stock-tokenisation service xStocks, which makes stocks available on crypto exchanges, e.g., Kraken, Bybit, and Jupiter, was unable to secure an allocation. The stock reached over 225 USD, a +66.7 % gain, before coming back to 171 USD at the end of June – still up substantially, despite a grandiose fully diluted market capitalisation.

In last month's extra market view, I said AI-related stocks are priced rather optimistically while crypto is valued attractively. In June, already parabolic Micron rose another +19 %. Nvidia, however, was down −5 %, perhaps indicating the beginning of the end. Crypto returns were severely negative across most tokens; the CCI30 posted −23.1 %. In stark contrast, our fund tokens averaged −1.3 %, showing that the market is differentiating. The opportunity to rotate AI-stock gains into depressed crypto tokens remains wide open.

A fear in crypto, in addition to the quantum threat, is the uncertain future of Strategy. Formerly MicroStrategy, the company has turned into an indirect Bitcoin-holding investment vehicle, seen by many as levered exposure. Its prominent CEO Michael Saylor has praised Bitcoin exuberantly, once saying he'd rather sell a kidney than Bitcoin. Now the company is being put to the test as their more exotic bonds and newly issued stocks are lacking buyers. To service all bonds, Strategy has sold some bitcoins. I believe Saylor still has both kidneys.

The fear, as with the quantum threat, is real but overblown. The situation can be summarised quite simply. When investors' appetite for Bitcoin is high, Strategy can raise money to purchase Bitcoin. When investor preference flips, the company must sell Bitcoin to service obligations. The financial-product engineering that led to STRF, STRC, STRK, STRD and STRE does not change these fundamentals.

Industry Overview

I have to keep talking about stablecoins. Onchain dollar tokens keep expanding. A new competitor to USDC, Circle's regulated stablecoin, is emerging: a consortium of 140 established financial and technology companies aims to launch Open USD later this year; the announcement sent Circle's stock down −17 % intraday.

The main success stories in stablecoins are the early, unregulated issuer Tether; the regulated issuer Circle; and the more decentralised issuer Sky (an F5 Crypto Fund position). Each has spawned many smaller imitators. Whether the market keeps fragmenting or perhaps consolidates around such a consortium into a winner-takes-all structure is an open question. Part of my stablecoin blog post from last year highlights Tether's unusual path to becoming the most profitable company per employee in the world. Tether refuses to be regulated, and thus regulated platforms across the EU have delisted it. Usage of regulated EUR, GBP and CHF stablecoins remains niche.

The change of administration in the US was both a blessing and a curse for crypto. When Donald Trump was elected to his second term, our F5 Crypto Fund had its best month ever, at +58 %. Not without reason: under Trump, hostile crypto rules and enforcement actions gave way to a more accommodative regulatory regime.

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However, the launches of memecoins TRUMP and MELANIA, and of the DeFi platform World Liberty Financial, have left many opportunistic investors with heavy losses. Now, documents disclosed that Trump personally profited 1.4 bn USD from these projects, attracting heavy criticism.

Fund Activities

Our fund was active in June. We exited two positions, opened a new one and increased the distressed AAVE position.

First, our current portfolio highlights: Largest gainer in June was Solana-based Jito, up +40 %, after already +47 % last month. The main catalyst is its JTX product and the discussion of a buyback-and-burn mechanism to share proceeds with tokenholders. Our other main Solana token Jupiter is up +13 % during a month where BTC and ETH were down around +20 %. Only Sky had a disappointing month, down −22 %, which, to be fair, is in line with the market.

We fully exited both ThorChain and Lido.

ThorChain has a strong fit with a crypto thesis of ours – it allows trading directly from one crypto token to another across blockchains. However, its business development and technical execution have been sub-par recently, leading to repeated hacks and poor token-price performance. That has thinned the liquidity pools, letting competitors offer better depth. We hope the project can manage a turnaround. At this time, we do not want to be invested in the token.

Lido is the leader in Ethereum liquid-staking, with proven technology that has never been hacked or exploited. It does, however, suffer from overspending while its income, in line with Ethereum price, keeps dropping. As further growth in ETH-staking is limited in the foreseeable future, its token is no longer attractively priced.

We increased our position in AAVE, which had suffered a large indirect exploit in April and subsequently dropped sharply in price. The protocol is a core fund position and, despite the exploit, remains fully functional. We therefore used the lower price as an opportunity to increase our position. AAVE closed the month at +6 %, beating the overall market.

For the first half of the year, Bitcoin stands at −31 % and Ether at −45 %. All performance data are, as always, in the fund's currency, the euro, unless otherwise indicated. Our fund returned −4.8 % after all costs and fees, clearly outperforming both.

While the broader market has struggled, our fund has held up. The crypto market is highly cyclical: uptrends lift new ideas to the top, and downtrends wipe out tokens once worth billions. Only fundamentally sound projects survive through cycles – which is exactly what we at F5 Crypto focus on.

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