

## Portfolio comments

February was a very positive month for the crypto market and Blockchain Strategies Fund (BSF) posted returns of +29.1% and +29.2% for its USD and EUR institutional share classes. Thus, capturing the broader market recovery (which was approx. 25% for the total market excluding Bitcoin/BTC and Ethereum/ETH).

As expected, all our underlying funds had a positive return for February. Our top performing fund was a long-only fundamental trading fund, which delivered a 45% return for the month, benefiting from its positioning on ETH, which outperformed the market in the past month delivering +46% (and BTC just behind with +44%). Overall, most of the funds in our portfolio have increased their allocation to higher beta tokens/strategies to increase their participation to the rally.

The Beta Passive strategy achieved a 40% return, outperforming the broader market and benefiting from our increased allocation to BTC in recent months. Performances ranged from +37% to +44%.

The systematic/quantitative trading funds underperformed other strategies. The lowest return (18%) was produced by a quant fund that will be exiting to focus on better opportunities that capture the market uplift.

The long-only fundamental funds delivered a monthly return ranging from +24% to +45%. Whilst we have exposure to both BTC and ETH our underlying funds provide exposure to a diverse array of carefully selected altcoins such as Solana (L1), Avalanche (L1), Chainlink (Web3 services Infrastructure), Optimism (ETH L2), Arbitrum (ETH L2), Stacks (BTC L2), Filecoin (data storage), Render (data storage), Synapse (interoperable messaging protocol and liquidity hub), Maker (DeFi) and the Graph (Core DeFi/NFT Infrastructure). When the much-anticipated altcoin season arrives, we expect many of these will outperform BTC and ETH.

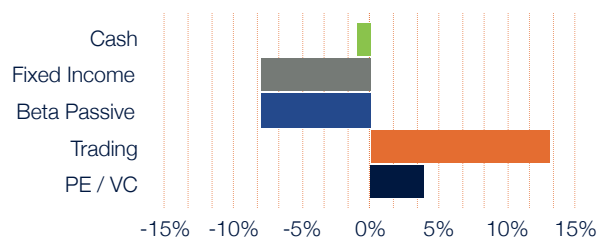
Our PE/VC funds posted an average return of approx. +36%. A very strong return considering their allocation outside of BTC and into a diverse range of projects/tokens.

Finally, the fixed-income strategy continued to deliver absolute positive returns (+0.7%), as expected. This strategy represents now a very small allocation within the portfolio (as the Fund is focused on more profitable growth strategies).

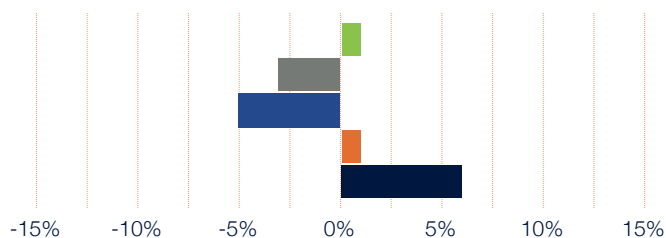
The Fund tactical allocation is unchanged as it is currently under-weighted Cash and Fixed Income and Beta strategies, and overweighted Trading and PE/VC strategies. We plan to remain fully invested to capitalize on the developing bull market and coming 'altcoin season', expected to occur this year.

## Tactical asset allocation

Current Tactical Asset Allocation



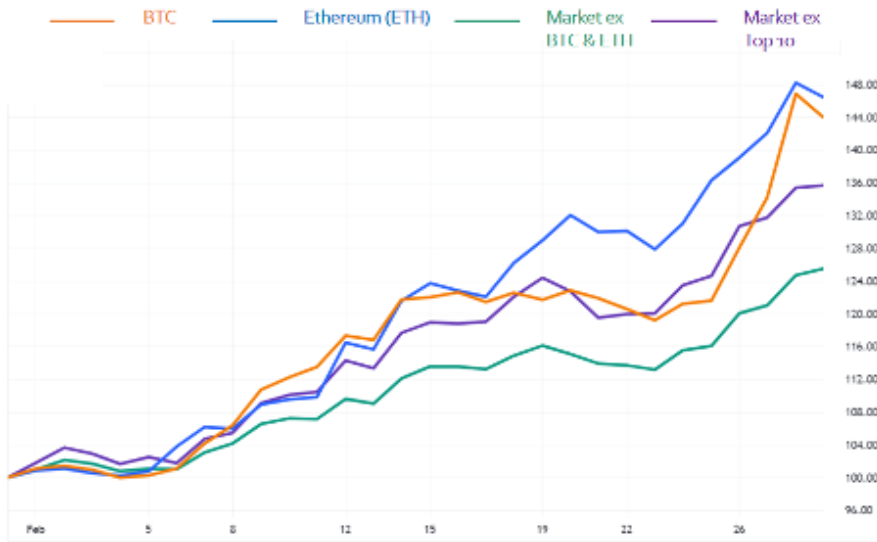
Change in Asset Allocation YTD



## Market comments

In February, BTC and ETH rose +43.7% and +46.4%, respectively. The CCI 30 (the top 30 tokens by market cap) rose +34.8% while the broader market (excluding BTC and ETH) rose +25.7%. Overall, the total market capitalization reached \$2.20 tn (up 39.2% from \$1.58 tn last month). BTC's market dominance remained above key 50% threshold (ending the month at 54.6%).

The main driver of February's price action were undeniably the BTC ETFs, which collected \$6 bn of net inflows during the month, followed by ETH, which benefited from investors' expectations of an ETH spot ETF approval in the US sometime this year. In this context, BSF managed to capture a good share of the rally, and delivering its best monthly return since March 2021.



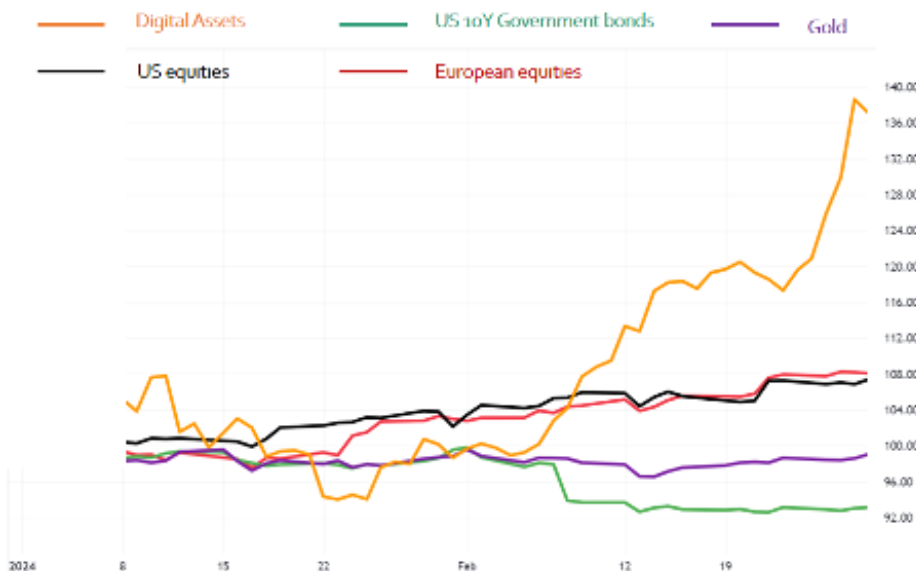
Performance chart in February  
Source: TradingView, BAM

Technically speaking, all sectors are now in confirmed up-trends (see charts below), which is a very bullish sign for the asset class. Trend indicators have remained very positive since last year and are currently showing no sign of weakness, on the contrary, price gains have tended to increase lately.



Note: the charts show supertrend indicators applied to various market segments of digital assets (BTC, total market, smaller cap, DeFi). They are all on a “buy” signal (green).  
Source: TradingView, BAM

It is also worth noting that digital assets have significantly outperformed all others asset classes this year, decoupling from traditional assets. Furthermore, digital assets have provided additional diversification benefits, enhancing the risk / return profile of portfolios with exposure to other alternative investments (Gold, Private debt) while offering superior liquidity.



Note: the total market cap of digital assets (orange line), the S&P 500 (black line), the DJ Eurostoxx 50 (red line), the Gold price (purple line) and US 10Y Government bonds (green line) are used as a proxy for the performance of digital assets , US equities, European equities, Gold and US government bond markets.  
Source: TradingView, coinglass, BAM

### Bitcoin news

In February, BTC surged past \$60,000, reaching levels not seen since November 2021. The new spot Bitcoin ETFs saw record inflows, showing evidence of increased institutional interest and growing appeal of digital assets as an alternative asset class. For example, BlackRock's "IBIT" Bitcoin ETF reached \$10 bn in assets under management (AuM) since its launch, which is an unprecedented speed in ETFs' history.

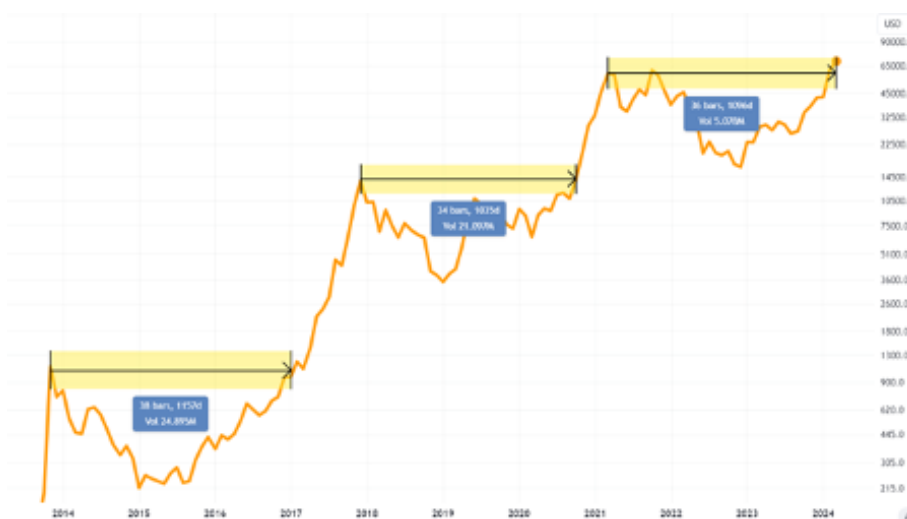
As you can see on the below chart, BTC's price has been clearly driven by ETF net positive flows in February: periods of increased ETF inflows have seen BTC price rising quickly at the same time.



Note: daily net inflows in US BTC spot ETFs (green positive, red negative) and BTC price (orange line).

Source: TradingView, coinglass, BAM

Interestingly, we are now approx. 36 months past BTC's previous cycle high of March 2021 (not to be confused with the market top of November 2021), which is also the typical duration after which BTC has reached new all-time highs, historically. Timewise, we are therefore exactly where we should be at this stage of the cycle.



Note: BTC price (orange line) with yellow arrow showing the duration between the previous cycle high and BTC's subsequent all-time high.

Source: TradingView, BAM

Another interesting fact is that it has historically paid-off to buy BTC when it had managed to climb above its previous cycle high. While it might appear counter-intuitive to buy «high», this signal has proved to be a reliable sign that the bull market has legs and therefore much higher prices should be expected down the road.



Note: BTC price (orange line) with light green areas showing BTC's price evolution before a new all-time high and dark green areas showing BTC's price evolution after BTC climbed to a new all-time high.

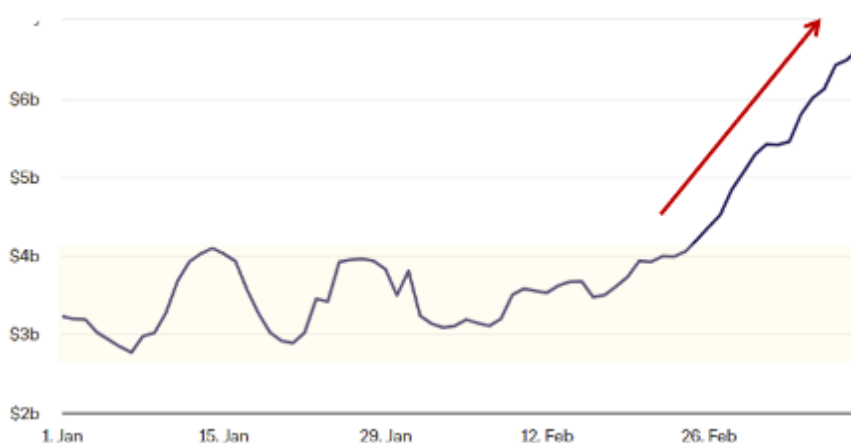
Source: TradingView, BAM

- [Bitcoin Is Hitting All-Time Highs Around the World](#)
- [Bitcoin closes in on posting the biggest monthly candle in its history](#)
- [Bitcoin rocked by 'demand shock' as ETFs gobble up BTC faster than it is mined, says CoinShares](#)
- [US Bitcoin ETFs make up to 15% of BTC spot trading](#)
- [Spot bitcoin ETFs hit record \\$673 million daily net inflow, led by BlackRock's IBIT](#)
- [MicroStrategy Buys \\$37.2M More BTC Ahead of Bitcoin Halving](#)
- [Bitcoin ETFs attract \\$4.1 billion amid \\$3 billion gold outflows](#)
- [Bitcoin inscriptions surpass 60 million with majority text-based](#)

### Ethereum news

In a similarly bullish fashion, ETH experienced a strong increase in its trading volumes, the strongest since September 2021. On-chain metrics increased too, suggesting growing market activity. Indeed, following BTC's ETFs approval in the US, market attention has now shifted to an Ethereum ETF. Next SEC deadline for a decision is May 23 (Van Eck, Ark filing). Another important development is the "Dencun" update (expected mid March), which will reduce the cost of transactions for layer-2 blockchains (L2) as well as make data availability cheaper. As the number of ETH L2 chains is growing quickly, the upgrade is expected to support the ecosystem's growth going forward.

Ethereum on-chain volume YTD:



Note: daily volumes (\$ bn), 7 day moving average  
Source: theblock

- [Ethereum's TVL Breaches \\$50 Billion as DeFi Activity Ramps Up](#)
- [Ethereum devs successfully deploy Dencun on Holesky testnet](#)
- [Ethereum Developers Target March 13 for Milestone 'Dencun' Upgrade on Mainnet](#)
- [Ethereum restaking protocol EigenLayer TVL surges amid rising ETH staking](#)
- [Ether staking deposits touch \\$85B, 25% of circulating supply now locked up](#)
- [Ethereum transaction uptick sees network gas fees hit multi-month high](#)

### Altcoins

Historically, BTC's post-halving rallies have not only been beneficial to BTC but has ignited the wider market. It has triggered dramatic altcoin rallies (aka altcoin season). During those periods, the broader market has significantly outperformed BTC, as investors recognize the fact that the broader market has become much more attractive than BTC, on a relative basis, with many 'altcoins' remaining 5 or 10x below all-time high. The case for an altcoin rally is even more compelling this time, as many leading blockchain protocols have shown healthy growth/user adoption last year, being therefore in a position to target much higher valuations over this bull cycle.

And as illustrated in the below chart BTC is expected to rally, but maybe rather surprisingly, with all the talk about BTC, it is the broader market (where the effect of the halving is not yet priced in) that offers greater upside potential, led by the start of a real altcoin season (expected to occur soon after BTC's halving date).



Note: the chart shows the historical price of BTC (orange line) and the total market cap ex BTC (red line) pre and post halving.

Source: tradingView, BAM

Finally, it appears that altcoins are now showing patterns reminiscent to the 2020 rally (sign of strength, mild consolidation then rally with strong momentum). If we are to follow the same 2020 roadmap, then the broader market will typically accelerate in the coming months.



Note: the reference used for altcoins is the total market ex BTC.

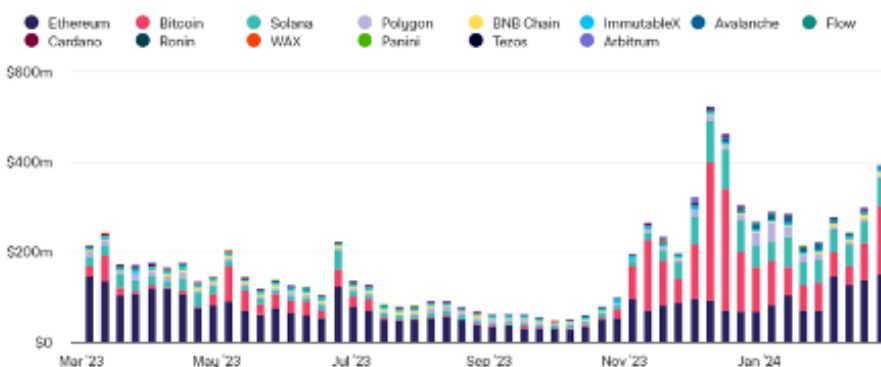
Source: TradingView, BAM

### Adoption corner

- [Citi pilots tokenization of private assets using Avalanche infrastructure](#)
- [Hong Kong to broaden e-CNY pilot in move to boost cross-border payment efficiency](#)
- [Hong Kong to roll out regulatory sandbox for stablecoin issuers, says financial secretary](#)
- [UBS Hong Kong tokenizes warrants on Ethereum with OSL](#)
- [Asian Family Offices Seek to Supercharge Crypto Investments](#)

### NFTs, Metaverse

In February 2024, the NFT market recorded a \$1.2 bn trading volume, slightly down from January but well above 2023 average levels.



Note: NFT trade volumes by chain

Source: theblock.co

- [Disney Invests \\$1.5 Billion in Epic Games to Create New Virtual World tied to Fortnite](#)
- [Sotheby's EtherRock Auction Closes Wednesday, Expected to Fetch Over \\$600K](#)
- [Esports Giant Team Liquid Launching Fan Rewards Platform on Sui](#)
- [Solana NFTs hit \\$5B in all-time sales volume](#)
- [Forbes buys virtual land in The Sandbox metaverse](#)

## Conclusion

Digital assets are about to enter BTC's post-halving period (after April 18<sup>th</sup>, 2024 – expected BTC's halving date). Historically, this period has provided investors with the highest returns, as digital assets have tended to rise exponentially. Therefore, we believe that investors have a window of opportunity to position themselves ahead of this major acceleration. This is also typically the best moment to diversify into the broader market as altcoins have significantly outperformed BTC during BTC's post-halving rallies. While BTC has already regained its 2022 bear market losses, the broader market has not (therefore offering a great catch-up potential). Our view is that the potential growth for many altcoins dwarfs that of BTC at this stage of the cycle, and the best strategy remains to invest in the whole digital asset class and not only BTC, for the remainder of this bull cycle.

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