

## Portfolio summary

With a monthly performance of +18.8% and +17.4% for its USD and EUR Institutional shares classes Blockchain Strategies Fund (BSF) outperformed Bitcoin (BTC) which was up +11.3% in May. This was largely because of Ethereum (ETH) and other selected Altcoins recovering from April's sharp retracement. This brings the Fund's YTD performance to a cumulated +33.5% and +35.5% net return for these classes.

Our largest gains came from the PE/VC strategy, which delivered a 23% monthly return, outperforming both BTC and the broader market. Fund performances ranged from 20% to 29%. Our best PE/VC fund this month was heavily invested in early-stage tokens within the DeFi sector, where valuations remain cheap vs fundamentals (contrary to meme coins). DeFi remains one of the most innovative and expanding sectors in digital assets.

Our selected Trading/Long-only fundamental funds provided an average return of 16% for the month. Again, outperforming BTC. Fund performances ranged from 11% to 18%. Historically, these 'higher beta' funds have greatly outperformed BTC at this stage of the cycle. Its good to see that this is, as we expect, occurring again.

Accordingly, BSF continues to be well positioned on Altcoins such as Solana (L1), Avalanche (L1), Fantom (L1) Chainlink (Web3 services Infrastructure), Optimism (ETH L2), Arbitrum (ETH L2), Stacks (BTC L2), Filecoin (data storage), Render (data storage) and Arweave (data storage) to name a few. Some tokens like Near (AI, big data) and The Graph (AI, big data) were added last month. The Fund also held DeFi investments like Maker (DAI stablecoin), Aave (Borrowing/Lending) and SNX (Dex, perpetuals). We are expecting this positioning to bear fruit this year as our models point to the start of an 'Altseason' between now and Q4 2024. Furthermore, the managers in our portfolio are currently very bullish and well positioned to benefit from a broader market rally.

The Beta Passive strategy, delivered a 13% net return, slightly outperforming BTC thanks to an overweighted allocation on top Altcoins by market cap.

Finally, the Systematic/Quantitative strategy was the only laggard in our portfolio, underperforming BTC with a single digit return.

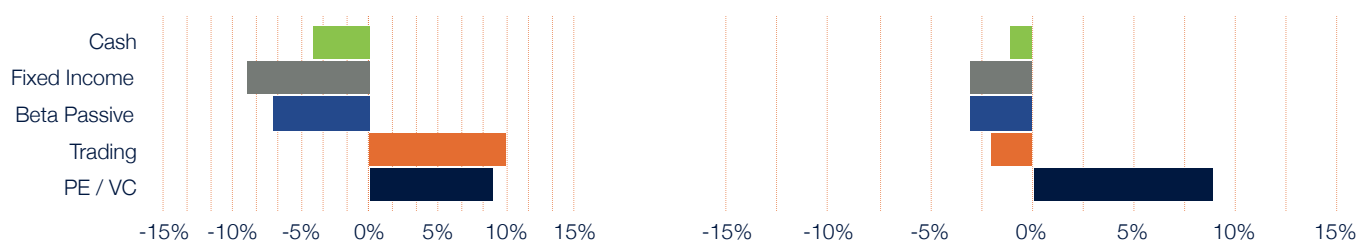
Overall, the month of May provided reassurance that April's dip was a short-lived correction and that our portfolio is indeed well positioned to outperform BTC during a market rally. The general market sell-off in April punished tokens that offer great intrinsic value, we are not surprised to see them bounce back this month. Additionally, the underlying funds which were affected last year by the FTX case have been able to close those claims in positive terms during the past months.

BSF's tactical allocation remains underweighted Fixed Income and Beta Passive, and overweighted in higher beta strategies, such as Trading and PE/VC. We plan to remain fully invested to capitalize on the confirmed bull market and coming 'Altseason'. We remain patient, time in the market is now more important than trying to time the market.

## Tactical asset allocation

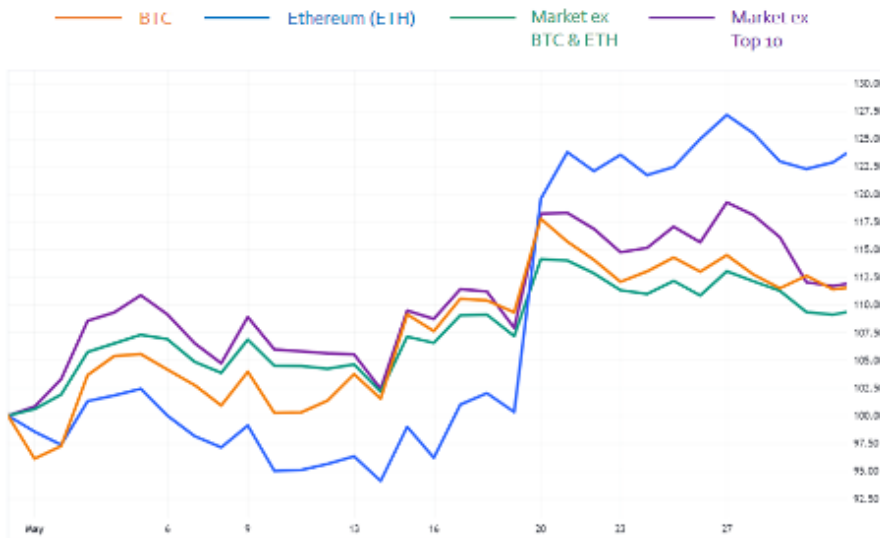
Current Tactical Asset Allocation

Change in Asset Allocation YTD



Digital assets recovered in May, putting an end to April's correction. The most important performance driver was the surprising SEC approval for eight ETH spot ETFs, an announcement which drove ETH up by 25%. As a result, ETH was the month's top performing asset. The CCI30 (index representing the performance of the top 30 tokens) was up 12.5%, performing slightly better than BTC, which rose 11.1% in May. Overall, the total market capitalization rose 14.5% to reach \$2.44tn (up from \$2.13tn last month). BTC's market dominance was slightly down at 54.2%.

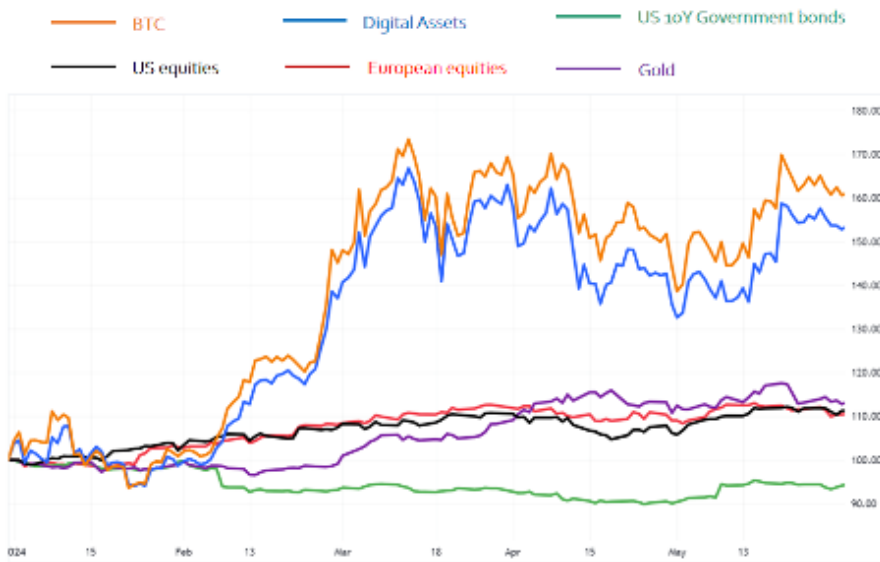
Digital assets' performance in May:



Note: Performance of BTC, ETH, the total market cap excluding BTC & ETH and the total market cap excluding the first 10 tokens by market cap.  
Source: TradingView, BAM

It is nice to see that digital assets have been performing very well this year again, outperforming all other asset classes by a wide margin. Adding digital assets to a balanced portfolio improves its overall risk / return profile and this year has been no exception to this fact.

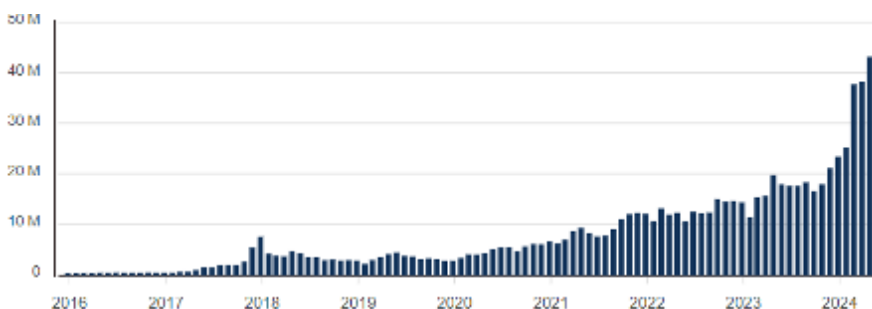
Digital assets vs other asset classes YTD:



Note: Performance of BTC (orange), digital assets (blue 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) year-to-date.  
Source: TradingView, BAM

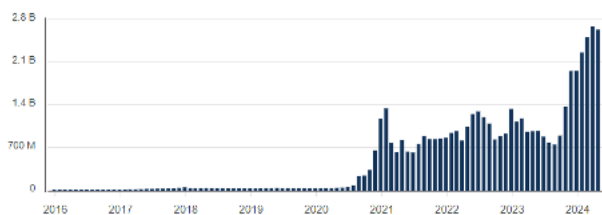
When it comes to assessing the current state of the digital asset space, some charts are worth a thousand words. For example, the number of active addresses and transactions has reached an all-time-high in 2024, showing a clear acceleration upwards of the on-chain activity.

Active addresses



Note: a proxy for the number of unique users across various blockchains.  
Source: a16zcrypto, stateofcrypto

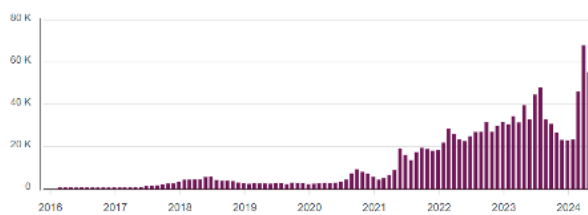
### Number of on-chain transactions



Note: A proxy for the activity happening across various blockchains.

Source: a16zcrypto, stateofcrypto.

### Verified smart contracts (blockchains)



Note: A proxy for the number of new crypto applications launched.

Source: a16zcrypto, stateofcrypto.

Coming back to the current market environment, we said last month that April's decline was a short-term retracement, not a new bear market.

The good news is that the recovery in May has greatly increased the odds of a resumption of the bull trend. Indeed, the current trading environment for BTC looks very similar to BTC's early 2021 corrective pattern, with a typical A/B/C correction followed by a recovery towards previous resistance level, then a break to the upside.

### BTC price evolution (historical comparison April-May 2024 vs January 2021)



Note: BTC price evolution in 2024 and January 2021.  
Source: TradingView, BAM.

Based on previous cycles, Altcoins tend to achieve their highest return during BTC's post halving period, when BTC experiences new highs, and the broader market is expanding. In this typical environment, Altcoins not only play catch-up with BTC but also tend to increase a lot relatively to BTC. Our projections are therefore very bullish at this stage of the cycle (see chart below).

### BAM Projections - Market ex TOP 10



Note: evolution of the Market ex TOP 10 (candlesticks) with market resistance and support area identified (respectively in red and yellow). The black and blue lines represents BAM's projection (hypothetical market scenario) based on BAM's interpretation of Elliott wave analysis (ewa). The current count shows that a significant wave upwards (wave 5) is expected into 2025 before the current bull cycle is completed.

Source: TradingView, BAM.

## Bitcoin news



Note: BTC price with its 200D MA (green line) and current trading-range (yellow area).

Source: TradingView, BAM.

In May, BTC briefly declined below key 60K support. This turned out to be a false negative trading signal and BTC quickly recovered during most of the month. After reverting to the top of its multi-month trading-range, BTC pulled back on fears that Mt Gox repayment plan might trigger significant BTC sales going forward. However, BTC ended the month at the higher end of its trading-range.

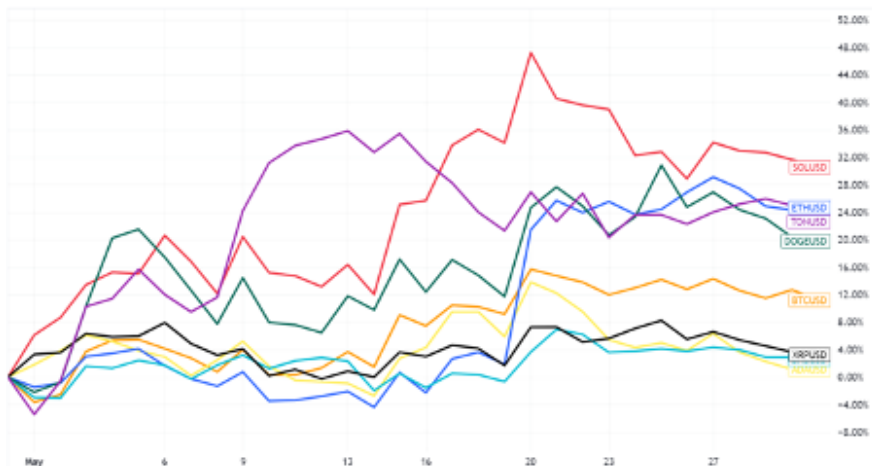
- Fidelity's \$119.1 million inflow boosts Bitcoin ETF gains as inflows hit 13-day streak
- Mt Gox Repayment Plan Finally Activated, New Notice Confirms Amid \$9B BTC Movement
- Bitfarms Rejected \$950 Million Riot Platforms' Acquisition Proposal, Citing Undervaluation
- Bitcoin surpasses one billion transactions processed, eight hundred weeks after launch

## Ethereum news

On May 23, the SEC approved the ETH ETF applications filed by a total of eight issuers, following the spot BTC ETFs approved in January. The issuers included BlackRock, Fidelity, Grayscale, Bitwise, VanEck, Ark, Invesco Galaxy, and Franklin Templeton. The SEC still needs to review their S1 applications, which means that the ETH spot ETFs could start trading anytime from a few weeks to a few months from now. The SEC's approval caught the market by surprise as this decision was a clear pivot, probably influenced by the shift in US politics becoming more 'pro crypto'.

- Ethereum breaks \$1 billion mark in tokenized US Treasuries.
- Ethereum Layer 2 TVL Sets a New All-Time High at \$47 Billion.
- Leveraged Ethereum futures ETF to debut on CBOE before spot ETFs launch
- Hong Kong Eyes Ether ETF Staking to Outpace US
- Spot ETH ETFs could see 25% of the demand of BTC counterpart – Bloomberg analysts
- Bitcoin and Ether ETF Markets Expected to Grow to \$450B: Bernstein

## Altcoins



Note: Performance of a selection of top 10 tokens in May, with Bitcoin (BTC, orange), Solana (SOL, red), Ethereum (ETH, blue), Dogecoin (DOGE, green), XRP (XRP, black), BNB (BNB, light blue) and Cardano (ADA, yellow).

Source: TradingView, BAM.

In a generally positive market, the outperformers in the top 10 (by market cap) were Solana (+31%), Ethereum (+25%) and Toncoin (+23%). The main underperformers were Cardano (+1%), BNB (+3%) and XRP (+3%). After taking a big hit last month, Solana managed to recoup most of April's losses. Toncoin continued to trend higher, benefiting from Telegram's endorsement. ETH rallied very strongly with the SEC approval of ETH spot ETFs. The DeFi sector also outperformed the market with a solid 18% return, playing catch-up after a tough month of April.

Based on previous cycles, Altcoins now look to be positioned just before the typical acceleration phase, occurring during market expansions (see chart below).



Note: Evolution of the total market cap excluding BTC & ETH. The green line is a projection based on the previous cycle pattern (expansion phase).

Source: TradingView, BAM.

- Altcoin Interest Driving South Korean Crypto Craze – Report
- Fantom Taps Google Cloud For Infrastructure and AI Capabilities
- Uniswap vote on 'fee switch' sends token up 20% — here's what it means for investors
- Blocksquare hits \$100M tokenized RWA, announces DeFi launchpad
- \$18 Billion in Crypto Moves to New Risky Re-Staking Platforms
- Solana Surpasses Ethereum By Revenue After Parabolic Fee Spike
- Arbitrum Community Backs 200M ARB Plan To Attract Web3 Game Builders
- Polkadot community greenlights continuous funding for ecosystem innovators
- Aptos hits all-time high in user transactions
- Fetch, SingularityNET, and Ocean Protocol merger into AI powerhouse to be finalized in June

## Adoption corner

In May, there were many positive developments showing that adoption of blockchain technology keeps rising, with big institutions such as JP Morgan, Deutsche Bank, Nomura, Paypal and Mastercard implementing new blockchain related initiatives and partnerships.

- JPM Coin to act as settlement mechanism for Broadridge's Distributed Ledger Repo platform
- Deutsche Bank joins Singapore's Project Guardian to advance asset tokenization
- Nomura, Laser Digital partner with GMO to explore stablecoin issuance in Japan
- PayPal's stablecoin goes live on Solana
- Revolut cranks up hiring as it pushes crypto services to its 40m customers
- Mastercard Launches "Crypto Credential" To Replace Wallet Addresses With Usernames
- Mastercard joins forces with US banking titans for tokenized settlement trials

## Conclusion

The market recovery in May has greatly increased the odds that the consolidation in April is now over. The next step for digital assets is to test previous resistance levels and break to the upside, which would likely trigger a major move upwards for the broader market (Altseason). We may see a period of further sideways trading before a resumption of the bull market, but as is often the case, the longer the sideways trading, the more explosive the eventual rally is. We believe that we will see BTC reach a new all-time high this year, and with the bullish news of ETH spot ETF confirmed, we expect ETH to reach new highs and subsequently the wider market to also rally. The broader market remains some way below its previous all-time high, with many Altcoins having the potential to x5 or x10. As mentioned above, we are now entering the best part of the cycle for Altcoins from a historical perspective. Therefore, we remain confident that the best strategy at this point in the cycle, is a diversified approach and not BTC only.

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