

Fundamentals

“The Unique Diversifier”

Introduction

In January 2023, the bitcoin price experienced a significant decline to €15.000, marking a three-year low following its all-time high in November 2021. Market sentiment demonstrates notable volatility, with investor confidence fluctuating substantially between price extremes. At peak valuations of €60.000 in 2021, market participants exhibited excessive optimism, while during periods of decline to €15.000, pessimism prevailed regarding recovery prospects. Since January 2023, Bitcoin has demonstrated remarkable resilience, appreciating 500%, yet institutional investors and asset managers have consistently underestimated its potential.

To address this market inefficiency, Blockrise implements a systematic counter-cyclical approach for its asset management. Our strategy methodically reduces cryptocurrency exposure during price appreciation phases while incrementally increasing positions during market corrections. Our proprietary quantitative model evaluates Bitcoin's premium relative to its mining costs, establishing a strategic margin of safety through a Euro-denominated position. This methodology enables systematic risk management while facilitating Bitcoin accumulation, predicated on long-term price appreciation potential.

In evaluating investment performance across asset classes, including cryptocurrencies, equities, and fixed income, a critical consideration emerges: “How effective are professional asset managers executing their strategies?” This analysis report presents a comprehensive assessment of portfolio performance metrics among Dutch crypto asset managers, highlighting their capacity to maintain stability in volatile market conditions.

The ideal portfolio

The analysed crypto portfolios exhibit diverse holdings and investment strategies, resulting in distinct risk profiles and decision-making approaches. To facilitate meaningful comparisons among these professional portfolios, we employ standardised metrics, including risk-adjusted performance measures and key performance indicators such as the Sharpe and Treynor ratios.

While bull markets typically generate positive returns across all crypto portfolios, the critical consideration lies in evaluating whether these returns reflect prudent risk management or excessive risk exposure. Optimal portfolio selection should prioritise the combination of superior absolute returns, competitive fee structures, and controlled risk levels. Consequently, portfolio performance must be evaluated within the context of both risk exposure and market benchmarks. The paramount consideration for investors should be risk-adjusted performance net of fees.

Key indicators

When evaluating investment performance, it's crucial to look beyond simple returns and understand how much risk was taken to achieve those returns. Risk-adjusted performance metrics help us understand if a portfolio manager is truly skilled at generating returns, or if they're simply taking on excessive risk to achieve higher performance. The following key indicators provide different lenses through which we can examine how well a portfolio balances returns against various types of risk, helping investors make more informed decisions about their investments.

Sharpe ratio

The Sharpe ratio serves as a sophisticated measure of risk-adjusted performance in investment portfolios. This metric addresses a fundamental principle in investing: investors seek appropriate compensation for assuming additional risk. The ratio is derived by calculating the difference between portfolio returns and the risk-free rate (e.g., government bond), dividing by the portfolio's volatility.

To illustrate, a Sharpe ratio of 1,0 demonstrates that the portfolio generates 1% of excess returns for each 1% of volatility risk assumed. When the ratio reaches 2,0, it indicates the portfolio achieves 2% excess return per 1% of risk exposure. Conversely, a ratio below 1,0 suggests suboptimal risk-adjusted returns, while a negative ratio indicates underperformance relative to risk-free investments.

Within the investment community, a Sharpe ratio of 2,0 is regarded as exemplary performance, while 3,0 represents exceptional achievement. A consistently high Sharpe ratio demonstrates a portfolio manager's superior investment insight, indicating their ability to generate sustainable value for investors. Given the substantial volatility in the crypto market and the strong correlation between different cryptocurrencies, consistently achieving a high Sharpe ratio presents a significant challenge for portfolio managers.

Treynor ratio

While both the Treynor and Sharpe ratios evaluate risk-adjusted performance, they differ in their approach to risk assessment. The Treynor ratio specifically analyses excess returns in relation to market risk, rather than portfolio risk. This metric quantifies the additional return generated by a portfolio for each unit of market risk undertaken. A higher Treynor ratio demonstrates a portfolio's capacity to generate superior returns independent of market volatility. Essentially, this ratio provides investors with insights into their risk-adjusted compensation relative to market conditions.

Sortino ratio

The Sortino ratio represents another key metric for evaluating risk-adjusted performance in investment portfolios. This sophisticated measure specifically evaluates the relationship between excess returns and downside volatility. When a portfolio demonstrates an elevated Sortino ratio, it indicates superior efficiency in generating returns relative to potential losses. This metric is particularly relevant for investment analysis as it focuses exclusively on harmful volatility, the primary concern for institutional investors. Consequently, portfolios exhibiting higher Sortino ratios demonstrate enhanced capability in optimising the balance between return generation and downside risk management.

Alpha

Alpha represents a quantitative measure that evaluates portfolio performance in relation to a benchmark index. It quantifies the additional value generated by a portfolio manager or investment strategy beyond passive market tracking. A positive alpha indicates that the portfolio has exceeded benchmark expectations in terms of returns. Portfolio alphas are calculated through the capital asset pricing model, which determines the variance between actual and expected portfolio returns. In professional investment management, achieving consistent positive alpha is considered exceptional, as it demonstrates a portfolio manager's ability to systematically outperform market expectations.

The quantitative analysis

Our analysis evaluates the performance metrics of five leading Dutch asset management firms, including Blockrise, over a 29-month period from September 2022 through January 2025, coinciding with the inception of Blockrise's "Fundamentals" portfolio. All performance data is presented net of fees, with a 2-year German government bond serving as the risk-free rate benchmark. The analysis draws utilises available performance data across the crypto asset management sector. While the Dutch market includes additional asset managers, our analysis focuses on firms with accessible performance data, as other managers either did not make their data public or did not respond to information requests.

The analysis framework encompasses three dimensions. Initially, we evaluate aggregate portfolio performance, acknowledging the established relationship between volatility levels and potential returns. Subsequently, we conduct a thorough assessment of risk-adjusted performance metrics, facilitating meaningful comparisons across diverse portfolio structures. The final component examines portfolio alpha relative to the benchmark, measuring the differential between expected performance, based on benchmark correlation, and actual results.

Total performance

Table 1 presents portfolio performance data across multiple timeframes: 3 months, 6 months, 12 months, and cumulative returns since September 2022. The analysis reveals distinct performance differentials among the evaluated portfolios. In the most recent quarter, Coinmerce Capital exhibited robust performance, achieving returns of 66.04% respectively, while Blockrise delivered 53.62%. It is noteworthy that the strong quarterly performance primarily resulted from November's market appreciation, as evidenced by the more moderate six-month returns. Over the twelve-month period, all asset managers maintained positive performance trajectories, ranging from 15% to 89%. However, with Bitcoin appreciating 115% during this period, the other crypto asset managers achieved less than half of this return, potentially indicating suboptimal position management or exposure to higher-risk alternative assets that underperformed.

	3 Months	6 Months	12 Months	Since Sept. 2022*
Blockrise	53,62%	37,94%	88,52%	211,86%
Coinmerce Capital¹	66,04%	45,60%	42,60%	119,72%
Cyber Capital²	37,02%	36,15%	47,58%	122,98%
HODL³	30,30%	24,91%	14,83%	73,52%
M1 Capital⁴	33,37%	11,82%	30,15%	122,05%

Table 1: Total performance over multiple periodes of Dutch crypto asset managers
 * This is the inception of Fundamentals and therefore the beginning of the measurement period

The long-term performance metrics indicates that Blockrise has established a significant advantage with an all-time return of 211,86%, substantially exceeding all other Dutch asset managers, including Cyber Capital (122,98%) and Coinmerce Capital (119,72%) as shown in figure 1. The long-term performance analysis indicates substantial differentiation among crypto portfolio returns. Quantitative data demonstrates Blockrise's strategic advantage, with outperformance margins ranging from 88% to 118% over the 29-month evaluation period. It is imperative, however, to contextualise these absolute returns within their respective volatility parameters. Portfolios oriented toward lower-volatility cryptocurrencies naturally demonstrate more conservative return profiles, as heightened risk exposure typically correlates with elevated absolute returns. The upcoming section discusses risk-adjusted performance evaluation, which will provide a comprehensive assessment of whether these return differentials adequately reflect their corresponding risk characteristics.

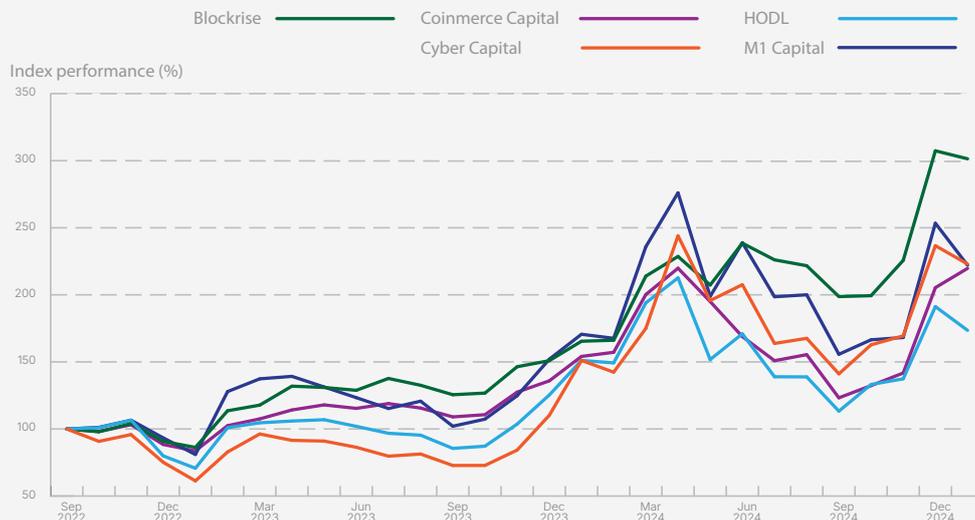


Figure 1: Index performance of Dutch crypto asset managers

Risk-adjusted performance

Sharpe ratio

The conventional benchmark for evaluating portfolio performance is a Sharpe ratio of 1,0, indicating an equilibrium between risk and return. Our analysis reveals that the majority of crypto asset portfolios in the Netherlands have not achieved this standard, indicating suboptimal risk-adjusted performance. Blockrise distinguishes itself with a noteworthy Sharpe ratio of 1,57, demonstrating superior risk-adjusted returns. In comparison, industry peers such as Coinmerce Capital and HODL maintain more modest ratios of approximately 0,82 and 0,40, respectively. Through the implementation of sophisticated risk management protocols and strategic diversification methods, Blockrise has established a significant performance advantage. This quantitative assessment indicates that alternative investment approaches have not successfully optimised their risk-return relationships, thereby affirming Blockrise's position as an industry leader.

	Blockrise	Coinmerce Capital	Cyber Capital	HODL	M1 Capital
Sharpe ratio	1,57	0,82	0,59	0,40	0,63

Table 2: Annualised Sharpe ratio over 29 months.

Treynor ratio

The Treynor ratio measures a portfolio's ability to generate returns relative to its exposure to systematic (market) risk, provides valuable insights into portfolio efficiency relative to market risk exposure. Industry standards suggest that a Treynor ratio exceeding 0,5 demonstrates strong portfolio management, while ratios above 1,0 indicate exceptional performance. Given the inherent volatility in crypto asset markets, maintaining a Treynor ratio above 0,5 presents a substantial challenge.

In this context, Blockrise demonstrates exemplary portfolio management with a Treynor ratio of 0,96. In other words, for every one unit of market risk (beta), Blockrise generates an additional annual return of 96%. This performance notably exceeds industry peers, including Cyber Capital (0,45), Coinmerce Capital (0,58), and HODL (0,26), highlighting our superior market risk management capabilities. For perspective, portfolios exhibiting Treynor ratios below 0,3 typically indicate insufficient risk management protocols, emphasising the critical role of sophisticated portfolio strategies in this dynamic market environment.

	Blockrise	Coinmerce Capital	Cyber Capital	HODL	M1 Capital
Treynor Ratio	0,96	0,58	0,45	0,26	0,41

Table 3: Annualised Treynor ratio over 29 months.

Sortino ratio

While the Sharpe ratio considers both positive and negative volatility, the Sortino ratio concentrates specifically on downside risk assessment, which is particularly pertinent in the crypto market environment. This metric provides insight into a portfolio's ability to generate excess returns while managing potential losses. In our analysis, Blockrise demonstrates exceptional performance with a Sortino ratio of 17,02, substantially exceeding both the industry benchmark range of 2,0 to 3,0 and peer performance metrics. This achievement reflects our methodical approach to risk management, particularly in our strategic acquisition of cryptocurrencies during market corrections. The consistently strong performance metrics demonstrate our commitment to delivering optimised risk-adjusted returns for investors prioritising both portfolio resilience and growth potential.

	Blockrise	Coinmerce Capital	Cyber Capital	HODL	M1 Capital
Sortino Ratio	17,02	4,66	5,34	2,41	4,84

Table 4: Annualised Sortino ratio over 29 months.

Alpha "The Holy Grail"

Alpha measures a portfolio's ability to outperform its benchmark on a risk-adjusted basis, reflecting the value added by the portfolio manager. Calculated relative to the Bitwise 10 index, a trusted benchmark for crypto asset investments, alpha captures whether actual returns exceed expected performance.

	Blockrise	Coinmerce Capital	Cyber Capital	HODL	M1 Capital
Alpha	+18,61%	-19,52%	-6,27%	-39,51%	-29,79%
Beta	0,67	0,85	0,64	0,93	1,09

Table 5: Annualised Alpha and Beta over 29 months.

Our analysis reveals Blockrise has achieved an alpha of +18,61%, which stands in distinct contrast to the negative alphas observed among competitors: M1 Capital (-29,79%), Cyber Capital (-19,52%), and HODL (-39,51%). This performance differential underscores the effectiveness of strategic asset allocation and risk management practices. With a beta coefficient of 0,67, Blockrise maintains an optimal market sensitivity while delivering consistent benchmark outperformance.

Analysis of annualised alphas across the evaluated portfolios indicates that most managers demonstrated negative performance relative to the benchmark when adjusted for risk. Notably, Blockrise emerges as the sole asset manager achieving a significant positive alpha, demonstrating the portfolio's capacity to exceed benchmark-based performance expectations given its risk profile.

Conclusion

Our comprehensive analysis demonstrates Blockrise's exceptional performance in the crypto asset market. Through our Fundamentals strategy, Blockrise has consistently delivered superior results across both absolute returns and risk-adjusted metrics, in contrast to its peers, over the last 29 months. Our disciplined approach has yielded higher returns while maintaining lower risk exposure, reduced volatility, and lowest fee structures. Hence, these performance differentials are significant, our emphasis on managing risk alongside delivering returns indicates a sustainable and well-executed investment approach, positioning Blockrise favourably among its peers in the crypto investment space.

Sources

1. Coinmerce Capital Core Fund: <https://www.coinmerce.capital/core-funds>
2. Cyber Capital Fund A: <https://www.cyber.capital/fund-a>
3. M1 Capital X1 Fund: <https://www.cyber.capital/fund-a>
4. HODL Genesis Fund: <https://www.hodl.nl/fondsen/genesis-fund/>

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The **gold** standard for Bitcoin asset management