



To create a suitable reflection of the past quarter, in this report we refer to the total market capitalization of the digital asset market, as well as the Bitcoin price performance as a proxy for the performance of the dollar values in the digital asset market.

Dear Teroxx Community,

The first quarter of 2021 is now successfully behind us. While most of you continue to be confronted with the global pandemic on a daily basis, we are pleased to see that the world markets, which include digital assets, are not showing any limitations. Global financial markets, as well as digital assets, set new records and delivered a positive quarter. Bitcoin was on everyone's lips in the past quarter and was able to continue the bullish cycle. But also some indices were able to reach all-time high points again. The markets thereby underline that an adaptation of the situation was made and this brings new opportunities, as well as insights. On the one hand, the new circumstances caused by the pandemic gave digitalization an even more important role than ever. Many new users entered the market and applications found their way into the daily lives of many people. This increased awareness and the knowledge that an expansive monetary policy worldwide requires a suitable hedge drove goods that are fundamentally limited (e.g. precious metals and digital assets) to new highs and at the same time experienced a renewed increase in image and value. We at Teroxx were again able to work on the further positive development of the company this quarter without any restrictions due to digitalized work processes.

Market review 1st quarter 2021

Considering the price developments of most digital assets measured in US dollars, we can look back on a positive start into the year 2021 and its 1st quarter. Due to the ongoing rally of the markets, which in essence has been running since summer 2020, the digital asset market saw positive aspects on all levels. Not only did the prices of most assets rise, but mass adoption was also noticeable. In many areas of the global financial markets, constraints from "Covid-19" in the form of supply shortages or lockdowns are not a reason for falling prices. A lot of capital has flowed into the markets as a result of government aid (stimulus, aid payments, money printing), which ultimately actually drives prices up. As a result, expectations were also above average, especially in the digital asset market. Many institutions and companies have realized that digital assets, due to their limitation and decentralized managed structures, offer countless opportunities to expand their hedges against a loss in value of FIAT money. Although mass adoption, and due to this price performance, has tended to be fueled by the entry of a few global players in recent quarters, this quarter it was the fundamental upside of this new and emerging asset class. Not only do some large investment firms and investors (e.g. Grayscale, MicroStrategy, Paypal, Tesla, etc.) continue to buy a large portion of the new Bitcoins, but also the adaptation of banks and financial products set the course for the future.

More and more investment products that allow "traditional" investment firms to enter the market (AIFs, ETFs, etc.) and the realization of many traditional financial institutions that they need to offer this asset class to their customers in order to be viable in the future were fundamental news that strengthened the market sustainably and allowed it to grow. The fact is that demand continues to rise, but at the same time many investors do not want to sell their assets. Due to this fact, the market is experiencing a continued shortage and following the principle of supply - demand effect (demand > supply = rising prices), prices thus rose on a quarterly basis. Bitcoin was able to end the past year with a price around \$30,000 and thus laid the foundation for another "bull-run" by constantly reaching new all-time highs. The market capitalization was ~\$760 billion at the start of the year.

Following that, we saw a digital asset market that, in the big picture, was in "bull-mode" throughout the quarter. Due to increasing scarcity, high demand in the market and the entry of more large investors, the market rose to over \$40,000 by mid-January without any setbacks. During this time, the market set new highs daily - also driven by FOMO (Fear of missing out). Market sentiment was driven by euphoria, but did not follow any logical market pattern. Subsequently, the market saw sell-offs until the end of January and the first voices were raised that the scenario of 2017/2018 would repeat itself (big market drop of ~80% after all-time high), but since the market has evolved elementarily over the past years, a support was established at ~\$30,000. This gave many investors confidence that the market was still positive and this consolidation phase ended with a rapid rise in the market and prices. Chart-wise, we saw bullish patterns (higher lows, higher highs). With statements from Elon Musk, Jack Dorsey, and other well-known people that Bitcoin and digital assets are the future, as well as the announcement that Tesla had invested \$1.5 billion in Bitcoin, the bull cycle was supported and Bitcoin climbed to ~\$58,000 by the end of February. Again, as in January, profit-taking set in and the market saw sell-offs down to ~\$42,000. Once again, market patterns repeated and the market set higher support levels and higher all-time highs as a result. Nevertheless, it must be remembered that these were sell-offs of ~25-28%. The market was highly volatile despite the bull market and investing at the wrong times or with too much risk could have quickly resulted in a large loss. Blind investing would have been high risk this quarter as well. In March, bitcoin once again set a new all-time high at ~\$61,800 starting from the local low, but experienced a prolonged period of consolidation. This "cooling" of the market with the establishment of high support levels (~\$50,000) illustrates the strength of the market.

The general development of the market in terms of market capitalization also performed positively this quarter. Some altcoins saw positive movements due to the correlation to bitcoin. These altcoins were able to set new all-time highs similar to bitcoin, but not all digital assets took advantage of this bull-run. Even altcoins "related" to Bitcoin (e.g., Litecoin and Bitcoin Cash) were unable to reach significant highs, while price declines were much larger. This illustrates that the market is now not only dominated by institutional investors and they are driving the market via OTC (Over the Counter) trading, but also that the market is seeing a shift. Currently, DeFi and NFTs (non-fungible-token) are outpacing the "previously hyped" digital assets. This shows that the digital asset market includes various aspects and unites many industries in one asset class.

Bitcoin is now recognized as a store of value and can currently even win market share from gold. A capital shift from gold to Bitcoin shows that many investors are spreading their capital and also adding digital assets to their portfolio. Due to the shift in focus of the global financial markets followed by many large investors, as well as the

globally increasing acceptance, we saw a rise of digital assets, which is definitely based on a more serious foundation than in the past years.

Altcoins continue to see no such mass adoption yet. While some investment firms are now offering more and more funds for altcoins, they continue to serve more as a tool for action and are not yet receiving media attention from large investors.

The media driving theme this quarter, besides the Bitcoin investment and acceptance of Tesla, was the widespread adoption and positive sentiment of many investment banks (Morgan Stanley, Deutsche Bank, JPMorgan, etc.).

However, caution is also needed in emerging market situations. Thus, we saw that the sell-offs were often very fast and large. Setbacks of over 30% in a positive market environment carry a lot of risk if the timing of the investment is wrong. Also, future positive price developments are associated with higher hurdles, as the market is currently at very high levels due to many previous news. This makes the risk-reward ratio for future investments more difficult to assess, which means that a suitable investment and asset management strategy is an elementary pillar for successful activity in the digital asset market.

Teroux Quarterly Update Q1/2021

We at Teroux were able to use this quarter to profitably place our diversified trading strategies on the market again. The futures link was successfully implemented at the end of the quarter, allowing us to further diversify our trading strategies in the coming quarter. The possibilities to short the market (bet on falling currencies) have been expanded. Due to the rapid development of the bitcoin price and some altcoins, the long positions were able to increase strongly in value and we also took advantage of this "bull cycle" in our daily trading. Also this quarter, despite the positive development, we acted according to our corporate philosophy of capital protection before profit maximization and were able to book profits with low risk. When legal problems arose from a stable coin (USDT) we used a lot in trading for liquidity reasons, we reallocated our capital to other stable coins available in the market (USDC, BUSD, HUSD) so that we could comply with capital preservation. Trading was accordingly suspended for most of 1/3 of the quarter as the liquidity of the alternative trading pairs was insufficient for the volume Teroux needed to trade until the legal issues could be fully resolved.

In the event of a negative ruling on the previously used Stable Coin USDT, this could have meant suffering a partial or even total loss of the money held in the Stable Coin. Despite the tempting bullish market situation, we held back for the most part for this period and waited for the court ruling. This shows that capital protection is our top priority.

Teroux was also able to achieve new milestones in other areas of the business and offer new investment propositions. The announced professional and institutional investment product could be implemented in March 2021, i.e. on schedule.

Our success story continues - we may now inform you that in addition to the establishment of Teroux Investment AG, based in Grünwald near Munich, we also received approval for our AIF (Alternative Investment Fund) in the past quarter. After a detailed examination by the FMA (Financial Market Authority) in Lichtenstein, the approval for our fund was granted. Thus, for the first time in our company's history, we are trading digital assets supervised by the regulatory authorities.

We are very proud that as a bank-independent company we have succeeded in establishing the first 24/7 actively managed fund. With this AIF, we have succeeded in addressing a new clientele, that of institutional investors, such as insurance companies, pension funds, foundations, etc.

We at Teroux were thus able to further expand our pioneering role in the field of digital assets.

Further milestones have also been reached in the TeroxxWalletApp. In addition to a comprehensive security update, we also succeeded in integrating a so-called dark mode in the app. Furthermore, we were able to increase the general performance of our wallet by another 100%. We will continue to work on further updates in the current quarter.

This quarter turned out to be another positive one for digital assets and also for most areas of the global financial markets. The expansive aid policy worldwide makes this possible. Whether this will lead to increased inflation and what long-term (also negative) effects this will have cannot yet be assessed. However, this continues to boost digital assets as a counterweight and hedge against FIAT money.

We also do not expect any dramatic changes for the start of the new quarter. Markets appear firm, making further investment in the markets likely. Monetary policy support will be further extended if necessary, pushing more money into the markets. Nevertheless, bull markets also end at a certain point, which is why professional and cautious action on the markets will be necessary to make the coming quarter positive.

We hope that the global crisis management with regard to the Covid-19 pandemic will be successful, so that we can not only experience positive times on the markets, but also look into the future again with joy and confidence in everyday life!

We wish you a good start into the new quarter and stay healthy!

The Teroxx Team

