



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

Dear Teroxx Community,

The second quarter of 2022 and thus an exciting, challenging and for most of the time a very difficult quarter (in terms of price developments in the global markets) is now behind us. The market correction from the first quarter of the year continued seamlessly in almost all areas of the financial world. Inflation that cannot be stopped for the moment, ongoing war in Europe, price increases, key interest rate hikes, an incipient fear of recession and other problems not only affect our daily lives, but also increasingly affect the long-term planning of all market participants. Thus, the current situation we live in is a market correction of almost all asset classes. As a result, trading on the stock exchanges involved a high level of risk for almost the entire quarter. Thus, capital hedging was the most sensible approach at all times. This illustrates that not the speculative & high-risk potential profit, but the rational trading of opportunities and trends lead to sustainable success. We at Teroxx show that we can trade the markets successfully, almost independent of the prevailing market situation. Because minimizing losses in such negative market phases is a remarkable success!

On the basis of many investment companies and institutional investors in the market, which got heavily into trouble by the recent price corrections (among others Celsius Network and Three Arrows Capital) and whose further existence seems more than questionable, it shows how profitable and sustainable the way taken by Teroxx is!

Sustainability means protecting capital in very negative and difficult market situations. Direct investments without risk hedging cannot do this - all the more important that the approach chosen by Teroxx works and has worked!

Bitcoin was unable to break out of its slightly negative trend sequence at the start of the quarter and faced longer-term price declines. As a result, Bitcoin experienced its longest negative streak on a weekly basis. The market experienced ten consecutive weeks of price declines and market sentiment visibly tilted towards capitulation (no positive counter-movements after sell-offs). Overall, this quarter can be considered a very negative one in terms of price, where we saw capital preservation as the top priority for trading.

In addition to the digital assets, which performed negative movements on a quarterly basis, the global financial markets also saw disillusionment again. Driven by the global problems (war in Europe, high inflation, price increases, etc.), hardly any financial market was able to perform a positive development. Investments in the market are constantly simplified by adaptations, so that an ever greater diversification of capital and investment opportunities can be made. Investments faltered, as in almost every market this quarter, due to the increased key interest rates of the U.S. Federal Reserve. Capital expenditures are important for any market to see prices move in a positive direction over the long term.

At Teroxx, we were able to leverage this quarter at many different levels of the company to once again keep the company innovative and focused on the future.

Market review 2nd quarter 2022

Considering the price developments of most digital assets measured in US dollars, we can look back on a quarter that showed negative price developments. Right on time for the start of the quarter, the markets dropped sharply and continued the negative run of the previous quarter. Investors held back new investments due to the global development and thus supported the negative market sentiment. The market received fundamental reinforcement from the regulatory side. More and more governments and authorities have put positive regulation of the asset class on the agenda and are starting to implement it. This ensures that unregulated market participants face problems, while regulated ones (such as us at Teroxx) benefit. In addition, large payment service providers (PayPal, Mastercard, Visa) invested in the digital assets market to benefit from the

ever-growing volume of transactions. Investments and the demands are cyclical. The global issues described above have not created buying pressure in the market, allowing sell-offs to proceed unopposed.

Subsequently, we saw a digital asset market which did not show any bullish moves. After failing to break through the resistance at \$40,000, we saw consistent price declines that took us back to late 2020 levels. In the aftermath of these sell-offs came a theme that was unprecedented in such a form. The Terra Foundation, which was behind the cryptocurrency Luna and launched the algorithmic stablecoin UST, experienced a total loss. The "idea" of a stablecoin that was not only pegged to the dollar, but was supposed to work algorithmically via community incentives and deposit of assets that fluctuate in price (including bitcoin) failed.

This led to mass selling by the Terra Foundation, which affected the price of Bitcoin and many market participants in an already difficult market phase saw the not as a buying ,but as a selling point, resulting in further price declines.

We as a company Teroxx were fortunately not invested in assets of Terra Foundation, so this incident did not directly affect our business. Chart-wise, the market was in a negative structure throughout the quarter due to the general negative trend of the global financial markets and the political actions in the last months (interest rate hike, stop of bond purchases, etc.). Regulatory innovations and rules help the market to grow fundamentally. However, regulatory interventions often cause negative price developments in the short observation period and only later on do they benefit, strengthen the market and support the price development in the positive. The EU expresses itself very positively towards blockchain technology and digital assets, but decentralized systems where no identity verification takes place are a reason for many politicians to take action against them. This has resulted in a dialogue that is now deciding on individual licensing aspects within the digital asset industry. This could lead to the fact that some offered products, related to the DeFi (decentralized financial applications) sector can soon no longer be offered. This would also lead to a shakeout in the market, as only regulated companies that cooperate with the authorities would survive. At Teroxx, we have been working closely with authorities and regulators since our inception in 2018 to avoid being affected by such innovations.

A look at the development of the total market capitalization of digital assets illustrates that there has been a general market correction. Looking at the last quarter, market capitalization fell by ~58%. So on average, digital assets lost more than half of their market value. Highly speculative altcoins often saw a larger price loss than highly liquid ones. This clearly shows that asset selection can make the difference between profit and loss even in negative market phases.

Judging by the performance of global financial markets, most industries are in recession. This not only affects digital assets, but almost every market that benefits from and relies on investment and global sentiment. It also highlights the dynamics that fast-growing markets can exhibit and the level of global interest in this market. Bitcoin and a variety of other digital assets corrected once again, but it was shown from the regulatory side how important appropriate adaptation and regulations are for the market to grow for decades and continue to establish itself in the middle of the financial world.

Handling of trading strategies

Due to the mostly negative trend in the market, long-term positioning was not expedient and not possible. The historically most negative basic structure in the market ensured that long positions only made sense temporarily. Thus, smaller positive movements had to be traded, daily news had to be evaluated and analyzed more intensively, and short positions (trading of falling prices) had to be taken. This handling continued throughout the quarter. Due to these market circumstances, the global uncertainties and lack of investments in almost all markets, triggered by the interest rate hikes of the central banks, capital protection, "buy-back-the-dip" and trading smaller upswings with tightly defined exit points was the most sensible and only handling of the trading strategies in this quarter.

The general performance of the market measured by the market capitalization of most assets has to be classified as very negative.

Teroux Quarterly Update Q2/2022

Finally, the following assessment and classification can be made:

Digital assets have become an instrument of the classical financial world. Not only adaptations, which strengthen and align the market in the long term, but also the correlation to the American markets (SP500, Nasdaq and the tech stocks) ensure progressive stabilization and recognition. The growth of the industry is evident even in negative market phases, as there are great efforts to find uniform regulations, regardless of the price development, so that market participants can trade on the market with the same conditions. This shows that professionalism plays a decisive role in this market and not the emotionality of many private market participants. Major price corrections do not spell the end of this asset class, but are part of healthy market growth and are also fundamentally important. The two years 2020 and 2021, which were characterized by "Covid-19", were not reference values for a normal market development. For this reason, the corrections are now also subsequently larger than most would have expected.

Capital shifts towards alternative investment opportunities also illustrate that investors are looking for and exploring innovative products and investments, and often find them in digital assets, regardless of price developments. One can understand this thesis by taking a look at the ever-increasing number of investment products in the digital asset space.

A classic "hype", as often experienced in the digital assets market when individual subcategories rise above average (compared to the overall market), could not take place this quarter either.

Every new market opportunity offers opportunities with investment and sensible risk management strategy. The development of the market is only a trend, which must be countered by suitable and risk-optimized management in each case. Appropriate trading strategies are in such a market phase, at any time and especially in ambiguous or negative phases the key to long-term success.

As negative as the price development of digital assets and that of the world markets have been, the positive results of our asset management, but also those of the other internal departments, which were nevertheless above average in comparison, became all the more apparent. In addition, the conversion to the new digital asset license obtained in the first quarter was implemented successfully and without any major additional effort for our users. We are very pleased that we were able to make this process, which is nevertheless very complex in the background, as effortless as possible for you as our users!

Also in our institutional product, the "Teroxx AIF", we were able to cover the past quarter without significant losses and thus outperform almost all current benchmarks in the market of digital assets, as well as the global financial markets. Through the regulatory approval of two additional share classes in this product, we succeeded in minimizing the entry barriers and making our "Teroxx AIF" accessible to a broader investor audience consisting of institutional and professional investors.

Due to additional regulatory requirements in the second quarter of 2022, we had to fully focus on implementations and fulfillments of these requirements in the area of Teroxx Wallet App further development. As a result, we were not able to implement our further developments planned for the second quarter of 2022, such as Crypto Grow (receive returns on deposited assets with different maturities), a referral system (rewards for recommending the Teroxx Wallet App to others), as well as the Coinify implementation (deposit and withdrawal via bank, asset purchases via credit card) as scheduled. Now that all emerging regulatory requirements have been implemented, we plan to successfully implement these aforementioned advancements in the upcoming third quarter of 2022.

This quarter was essentially one that must be seen as a further course correction. Many companies, which operate with profit promises, only with direct investments or DeFi protocols are on the verge of insolvency or are in payment difficulties. All the more it shows that the way of Teroxx - active portfolio management is the long-term success factor!

In the next quarter, the global economy will continue to face major challenges. In all likelihood, the current grievances will not be solved quickly and will therefore continue to accompany us in our daily lives and actions.

The global economy will continue to face major challenges in the next quarter. In all likelihood, the current grievances will not be resolved quickly and will therefore continue to accompany us in our day-to-day lives and activities.

For the time being, we do not expect any drastic market changes at the start of the new quarter.

However, the trend can change at any time if individual aspects (war, inflation, price increases, etc.) are finally put to rest. Thus, increased volatility (percentage fluctuation of the market) must be expected.

We hope that the quarter three of the year will be a positive one from a business and private point of view and that peace will finally return to European soil!

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

The Teroxx Team

