Q2 2025

Quarterly Factor Report

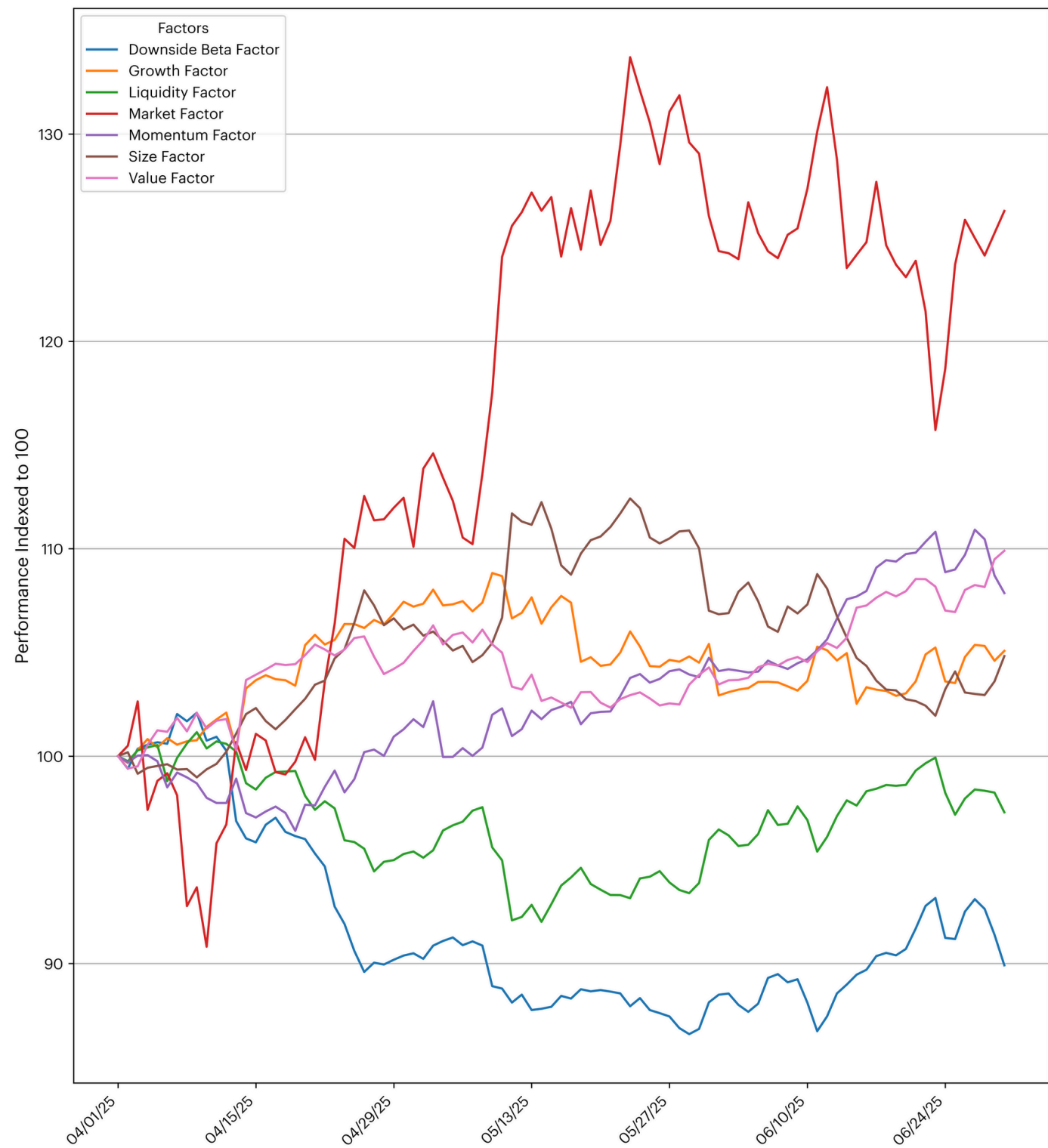# Table of Contents

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Performance Summary

Growth and Momentum Outperform in Turbulent Q1

Long/Short Factor & Market Performance
Source: CF Benchmarks, April 1, 2024 to June 30, 2025

Performance Summary

The CF Benchmarks Factor Model for digital assets identifies seven key risk factors—Market, Size, Value, Momentum, Growth, Downside Beta, and Liquidity—to explain cryptocurrency return variation. Using both time-series (Fama-French) and cross-sectional (Fama-MacBeth) regression frameworks, the model analyzes on-chain and off-chain metrics like protocol fees, trading volume, and user activity. It shows strong explanatory power, particularly from Market, Growth, and Downside Beta. Built with institutional investors in mind, the model applies familiar tools from traditional finance to the unique world of crypto. It helps investors identify key sources of risk and return, improve portfolio construction, and make more informed trading decisions.

Q2 2025 reflected a clear rotation towards risk. The Market factor advanced roughly 27%, erasing the first-quarter drawdown. Size and Value followed, rising 4.4% and 10.4%, respectively, as investors gravitated toward smaller-cap tokens and protocols with higher user engagement and TVL relative to their market caps. Momentum gained 8.5%, showing trend strategies were effective during the quarter, while Growth delivered a steadier 5.2%. Liquidity declined 2.0%, indicating highly traded names outperformed their lower-volume peers. Downside Beta declined by 9.9%, signifying reduced demand for defensive positioning. Overall, the quarter's factor performance underscores improving sentiment, greater tolerance for downside, and renewed buying of small-cap assets.
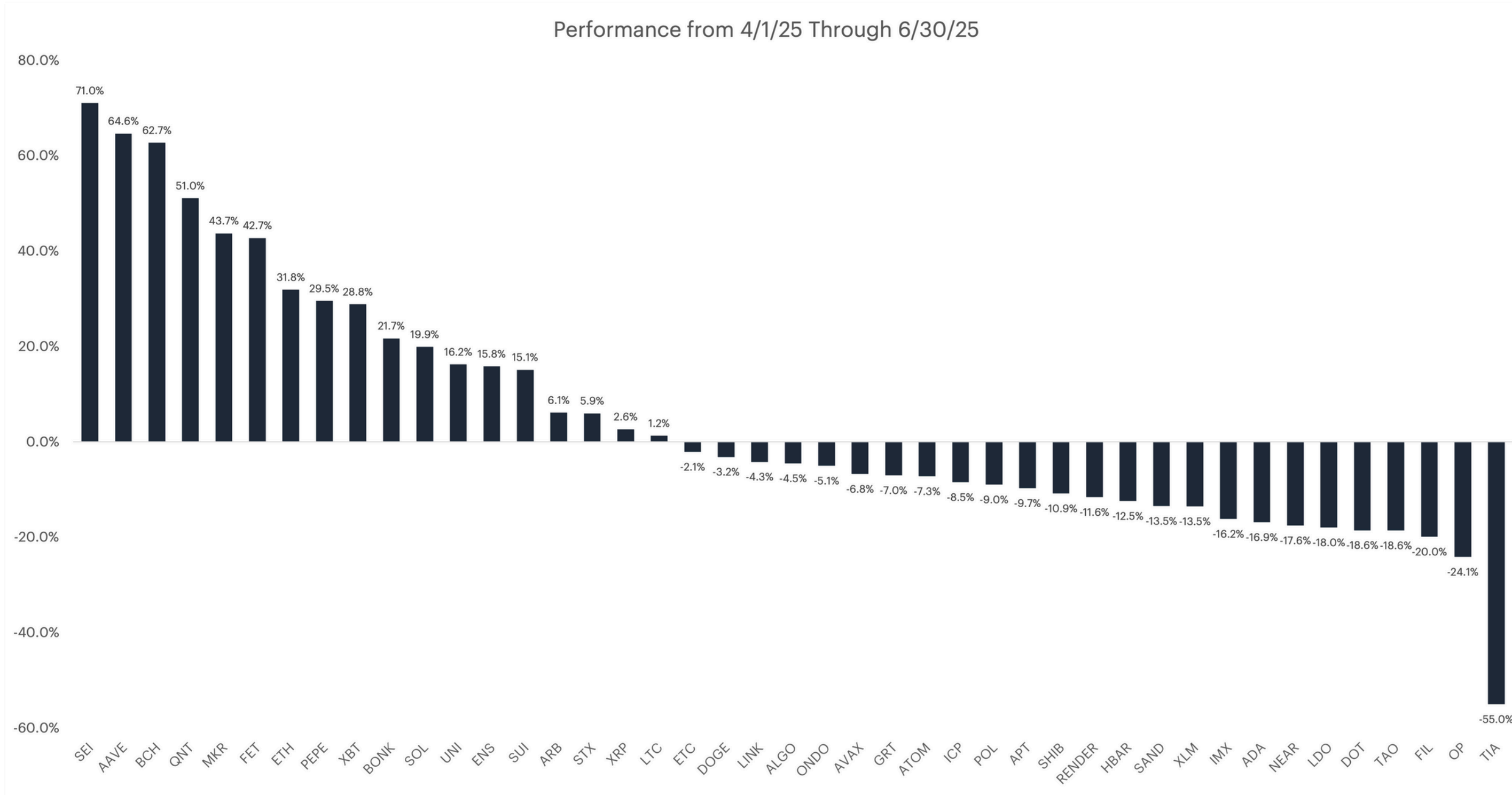
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Leaders & Laggards

Defensive Majors Show Resilience

Performance from 4/1/25 Through 6/30/25

Leaders

DeFi and Layer-1 tokens demonstrated exceptional performance, with SEI (71.0%), AAVE (64.6%), and BCH (62.7%) outperforming the broader market. Their strong gains highlight surging ecosystem growth, increased TVL, and rising adoption amid positive regulatory developments.

Laggards

TIA (-55.0%), OP (-24.1%), and FIL (-20.0%) ranked as the quarter's worst performers, reflecting reduced apatite for modular blockchain, Layer-2, and decentralized storage sectors. These steep declines underscore the volatility in infrastructure-focused assets during periods of market consolidation.
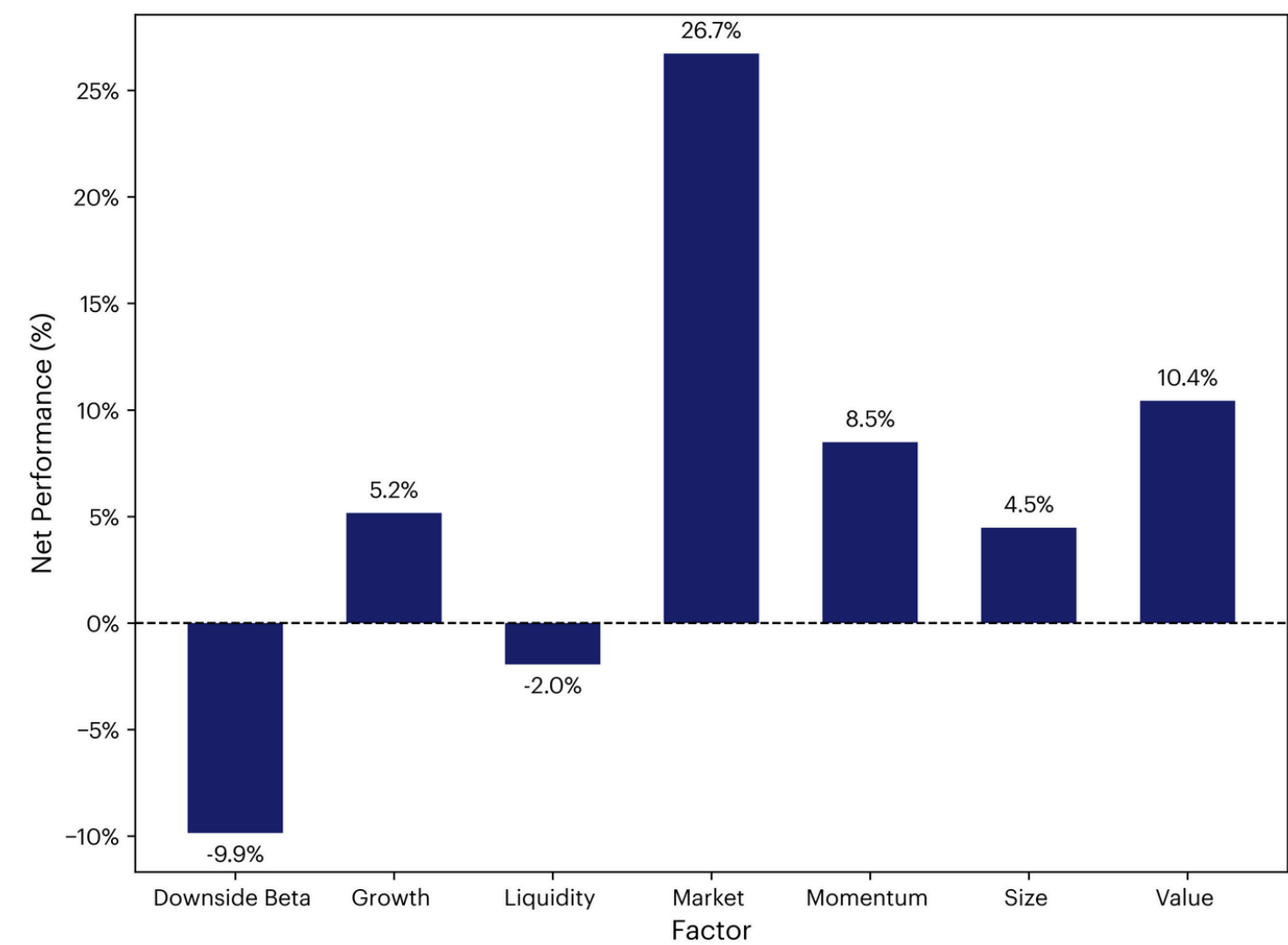
Source: Returns are based in USD terms, CF Benchmarks, April 1, 2025 to June 30, 2025
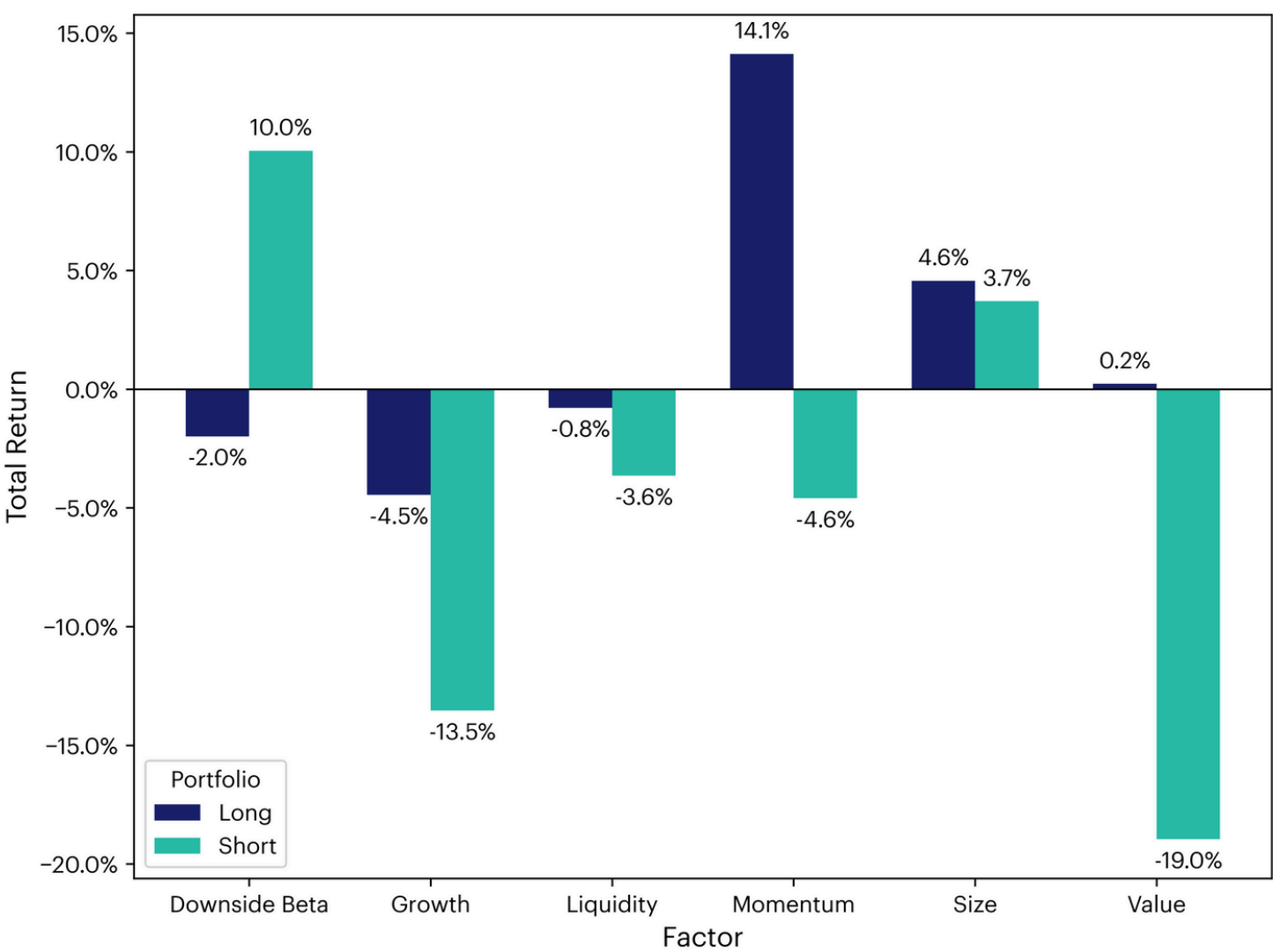
Factor Portfolio Performance

Quarterly Portfolio Performance

Factor Portfolio Performance


Long and Short Portfolio Performance

In the second quarter of 2025, Momentum stood out as the best performer on the long side, followed by Size and Value. On the short side, Value and Growth delivered the strongest results, with Momentum ranking third. The Q2 factor performance signals the early stages of a more durable market rally. Investors were rewarded for positioning in tokens with strong network fundamentals and price momentum, while defensive exposures (such as Downside Beta and more Illiquid tokens) acted as a drag on performance.

Source: CF Benchmarks, April 1, 2025 to June 30, 2025

CF DACS Category Exposures

# CF Settlement Category Index Factor Exposures
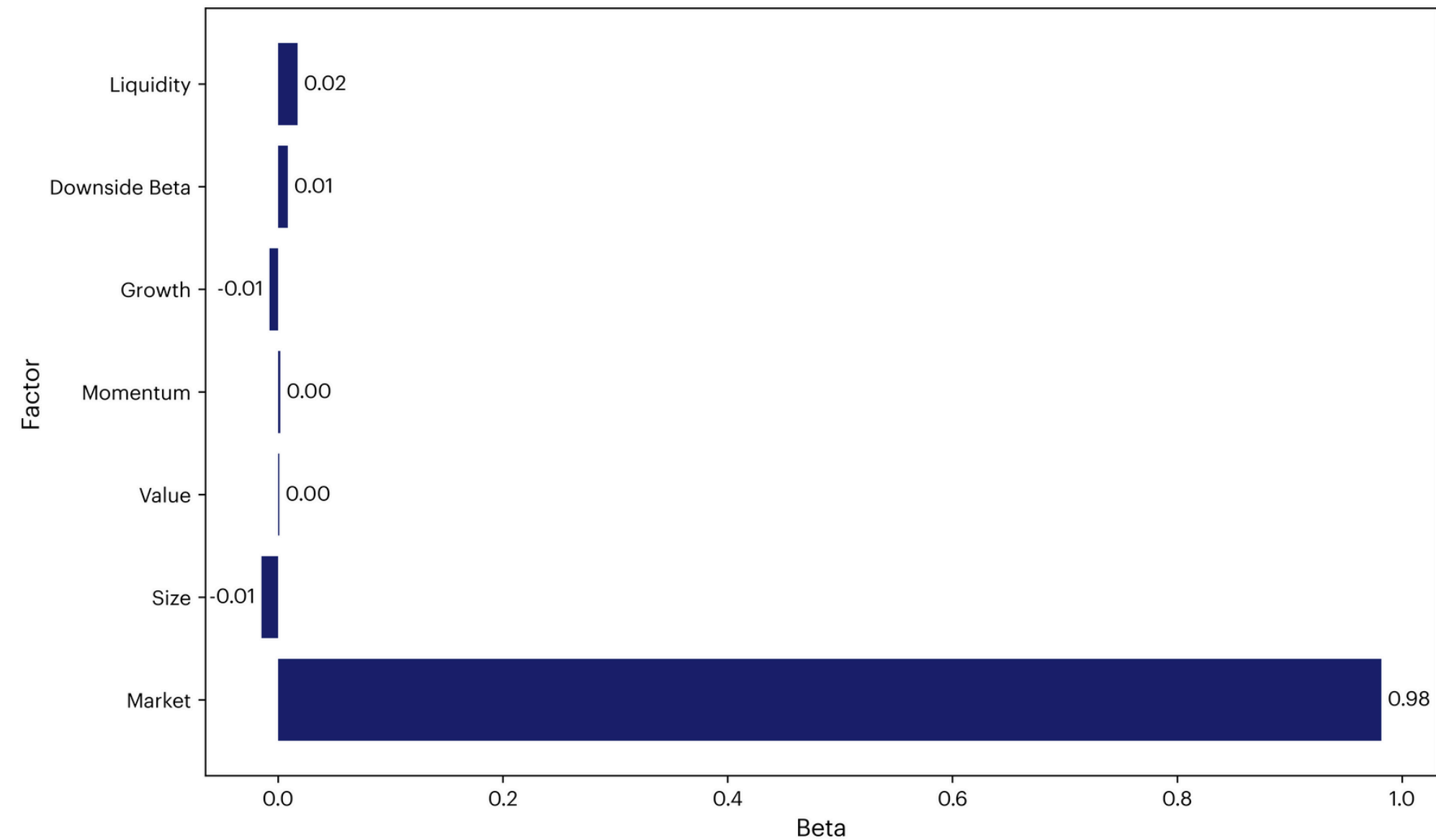
CF DACS Segment	Weight
Payment & Store of Value	84.5%
General Purpose Smart Contract Platforms	15.4%
Specialized Purpose Smart Contract Platforms	0.1%

The CF Settlement Category Index's factor beta profile is essentially a one-factor story. Its beta to the market factor sits at 0.98, reflecting Bitcoin's outsized 76.9% weight in the category. With Bitcoin comprising roughly 76% of the CF Broad Cap Index, the index moves almost point-for-point with the market factor. All other factor betas hover near zero—size (–0.02), liquidity (+0.02), downside (+0.01), momentum (+0.00), value (+0.00) and growth (–0.01)—indicating no meaningful tilt toward the other factors. Given the extremely high weight allocated to Bitcoin, it is expected that the index's returns are almost entirely explained by the market factor, with minimal influence from secondary systematic exposures.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

CF Services Category Index Factor Exposures
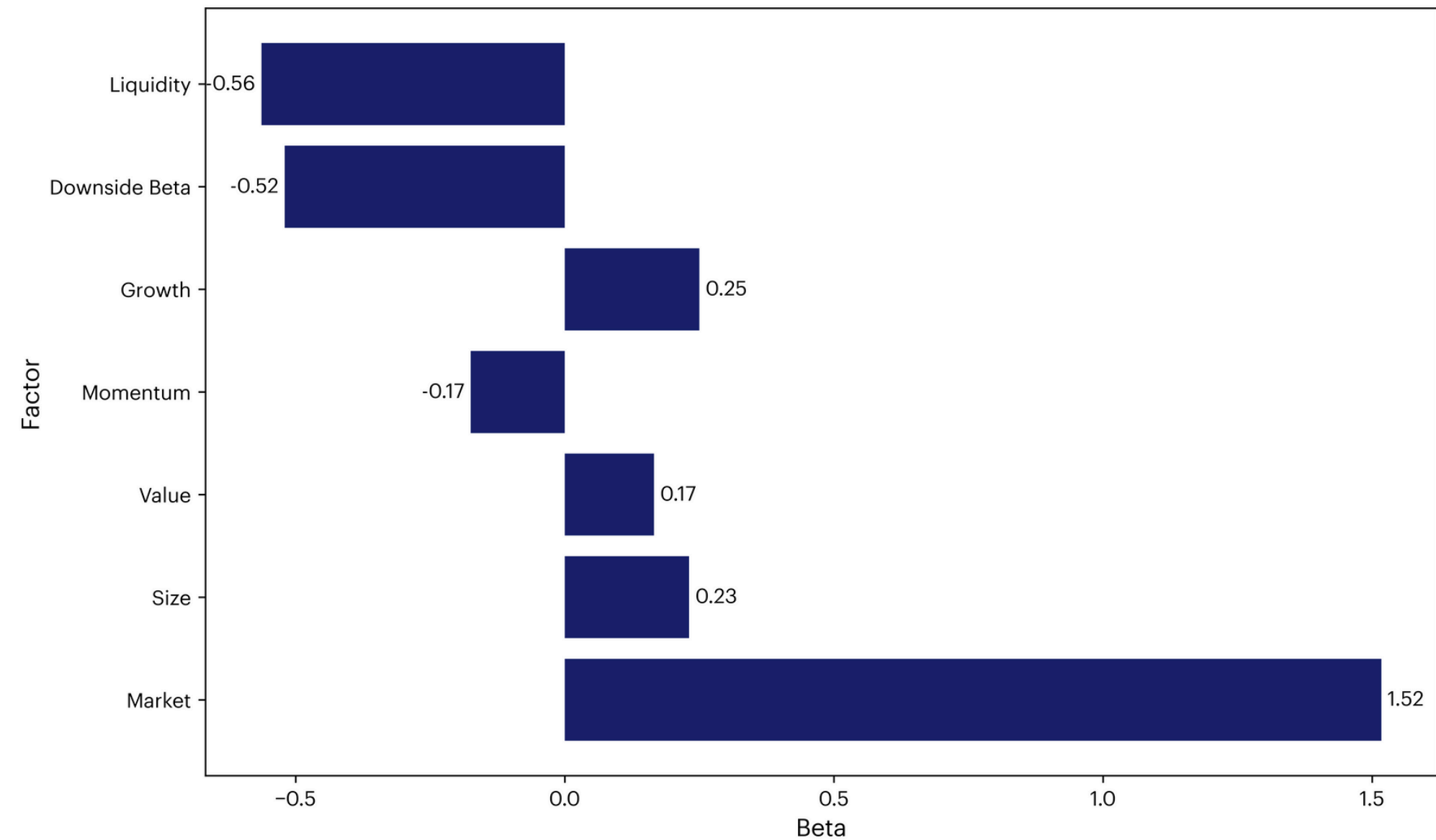
CF DACS Segment	Weight
Oracles	41.4%
Scaling	27.2%
Computing	13.5%
Information & Data Management	10.5%
Interoperability	4.4%
Identity	2.8%

The CF Services Category Index exhibits a nuanced factor beta footprint. Its market beta of 1.52 implies that the basket amplifies broad-market swings. A positive size beta (+0.23) reflects greater relative exposure to smaller-cap assets, highlighting the index's tilt toward more agile, potentially high-growth tokens. The growth beta of +0.25 further supports this view, suggesting a preference for assets with relatively strong growth characteristics. The index also displays pronounced risk-seeking qualities, with negative downside beta (–0.52) while the liquidity beta of –0.56 points to a meaningful bias toward more liquid assets, possibly positioning the index for quicker responsiveness during periods of market stress. By contrast, exposure to momentum and value appears limited, suggesting these factors play a less pronounced role in the index's risk profile.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

CF Sectors Category Index Factor Exposures
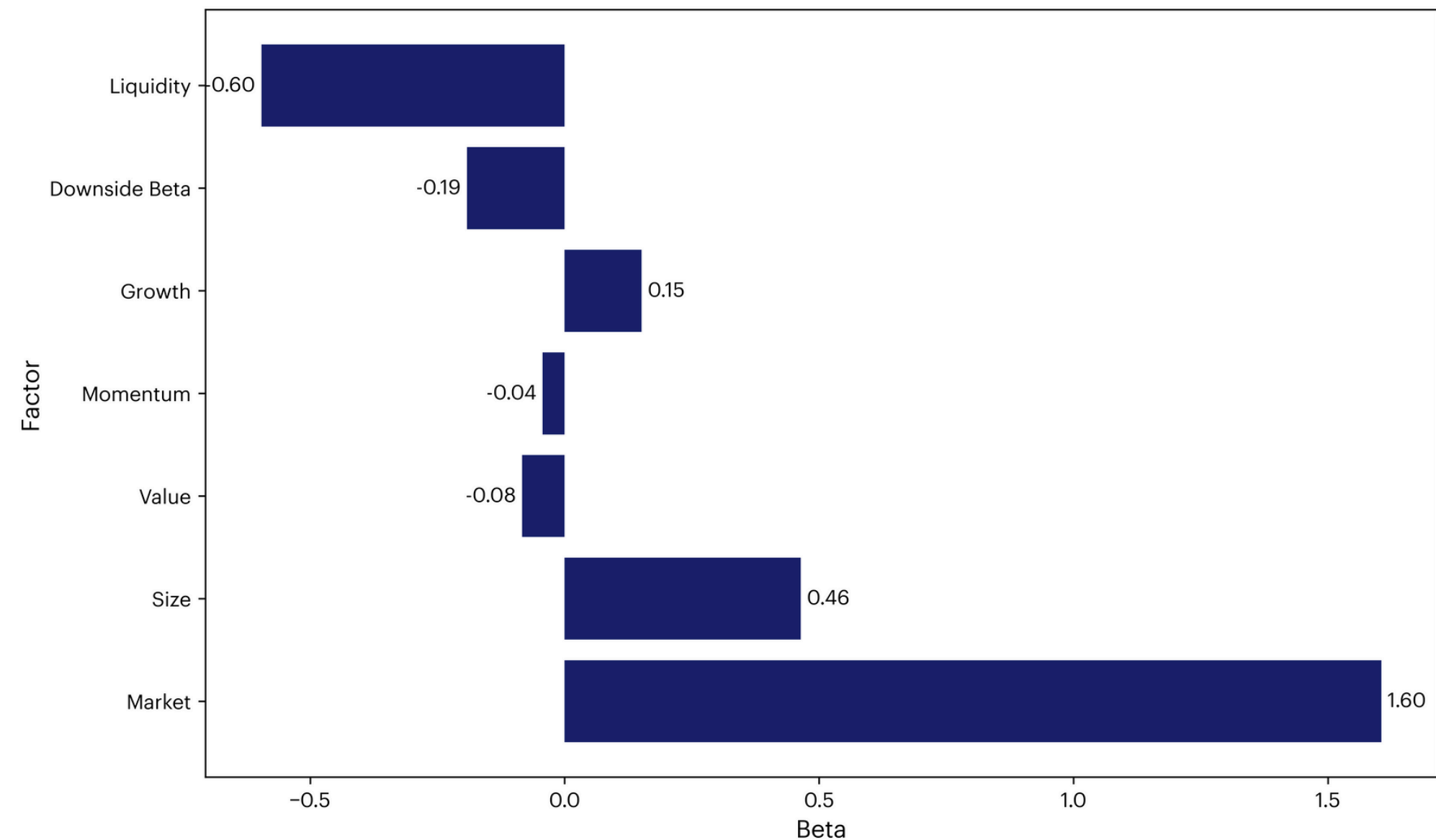
CF DACS Segment	Weight
Meme Coins	75.7%
Borrowing & Lending	11.8%
Trading	7.8%
Stablecoin Issuance & Management	2.3%
Asset & Wealth Management	0.9%
VR & AR	0.8%
Gaming	0.6%

Similarly, the Sector Category Index shows a pronounced sensitivity to market-wide movements, with a market beta of 1.60 indicating that it tends to amplify broad-market swings. A size beta of +0.46 suggests a meaningful tilt toward smaller-cap assets, pointing to greater exposure to tokens with potentially higher growth or volatility profiles. On the liquidity front, a liquidity beta of –0.60 reflects a strong preference for more liquid assets, which may enhance tradability and reduce transaction costs, particularly in volatile market environments. Exposure to other systematic factors—such as value, momentum, downside beta, and growth—appears limited, suggesting these factors play a relatively minor role in shaping the index's return profile.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

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Factor Betas by Asset

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Market Factor Beta by Asset
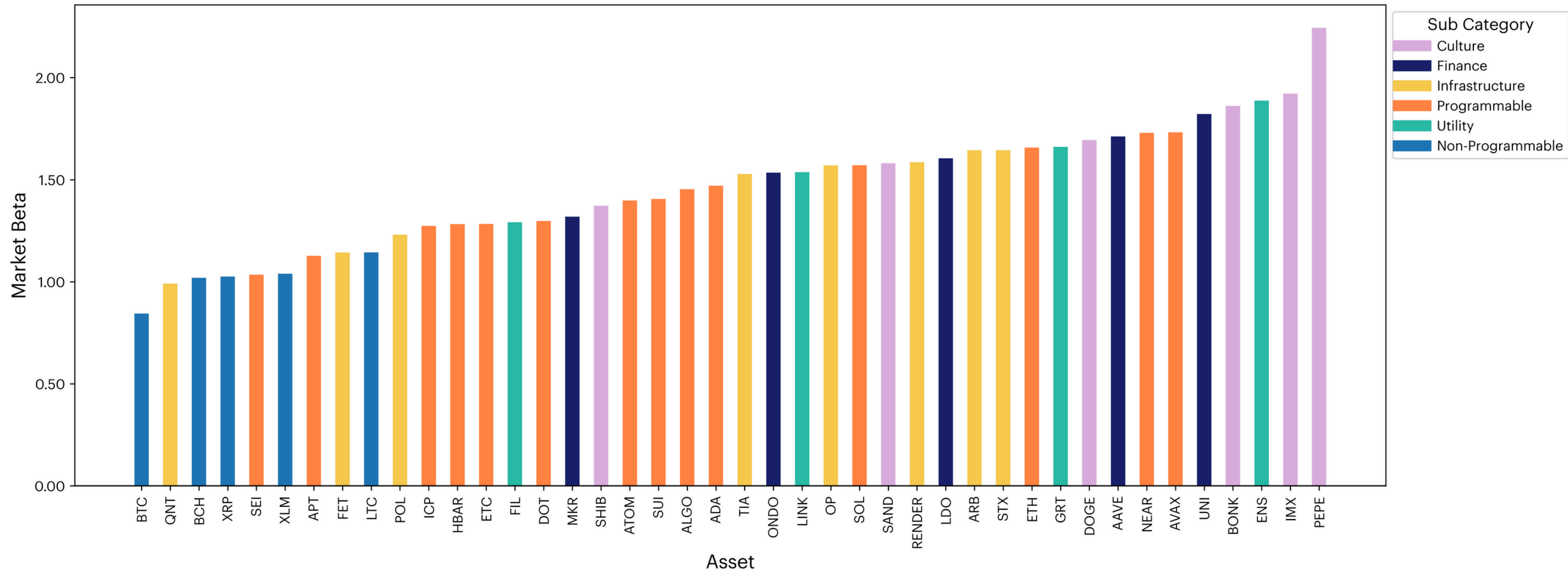
The market factor encapsulates broad systematic risk in digital assets by aggregating overall market sentiment and macroeconomic influences. Constructed from a diversified market-cap weighted portfolio of major cryptocurrencies, it is represented by the CF Broad Cap (Free Float) Index and serves as the primary benchmark for evaluating risk premiums.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

Size Factor Beta by Asset
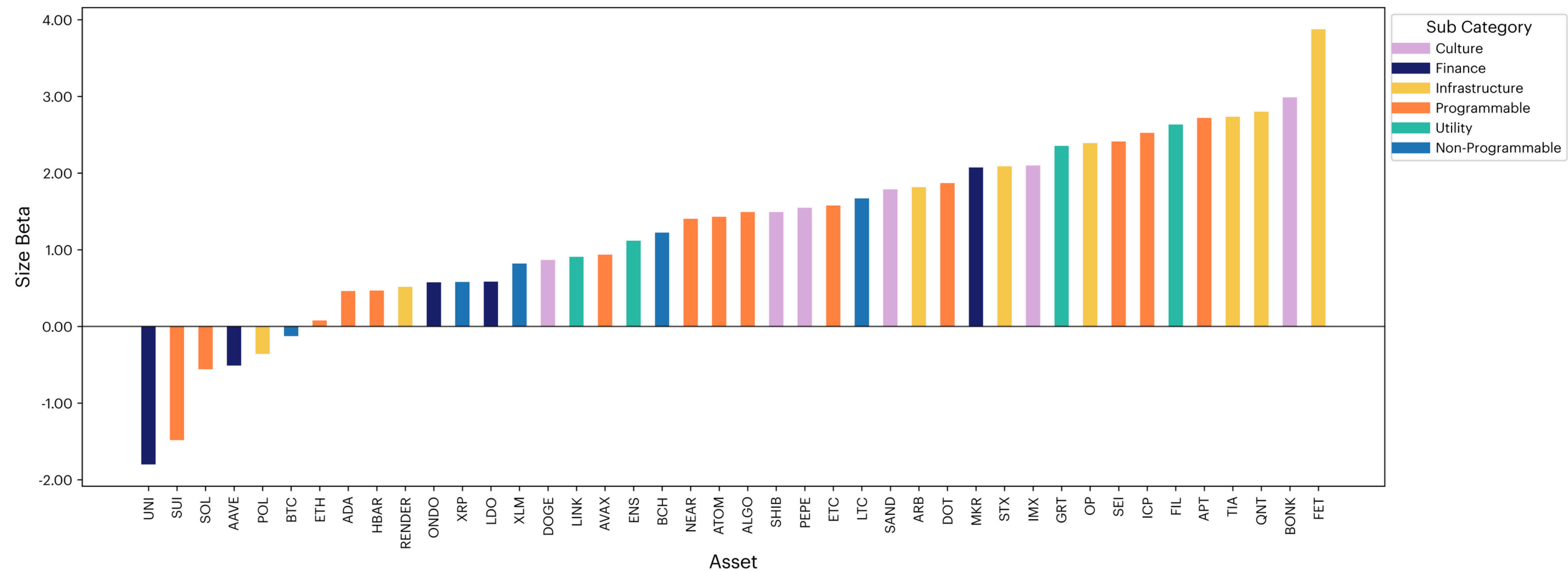
The size factor identifies smaller digital assets by using the inverse of fully diluted market capitalization. These small-cap tokens often carry greater risk but have historically delivered higher returns, reflecting market inefficiencies due to limited participation. The factor captures this dynamic by going long small-cap tokens and short large-cap ones.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

Value Factor Beta by Asset
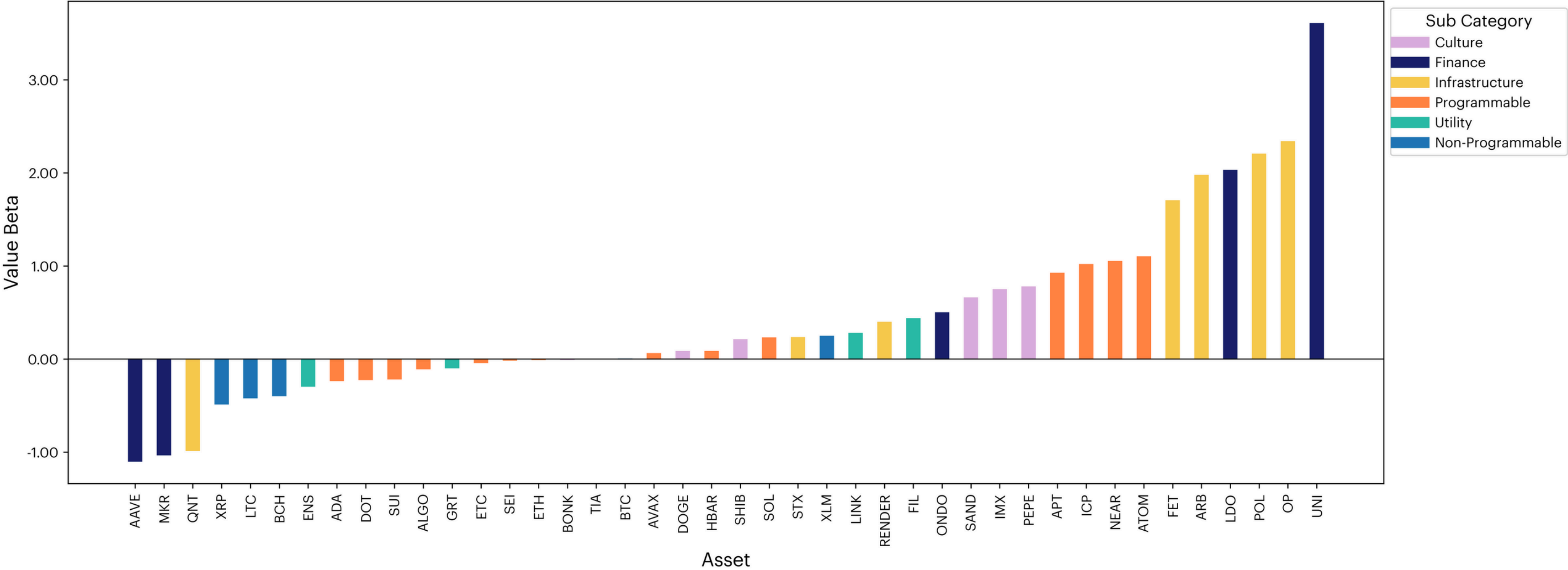
The value factor blends protocol fee efficiency and user engagement by averaging standardized z-scores of Fees/TVL and DAU/MCap. It quantifies how effectively a protocol generates economic output relative to its capital, identifying undervalued tokens with robust on-chain activity.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

Growth Factor Beta by Asset
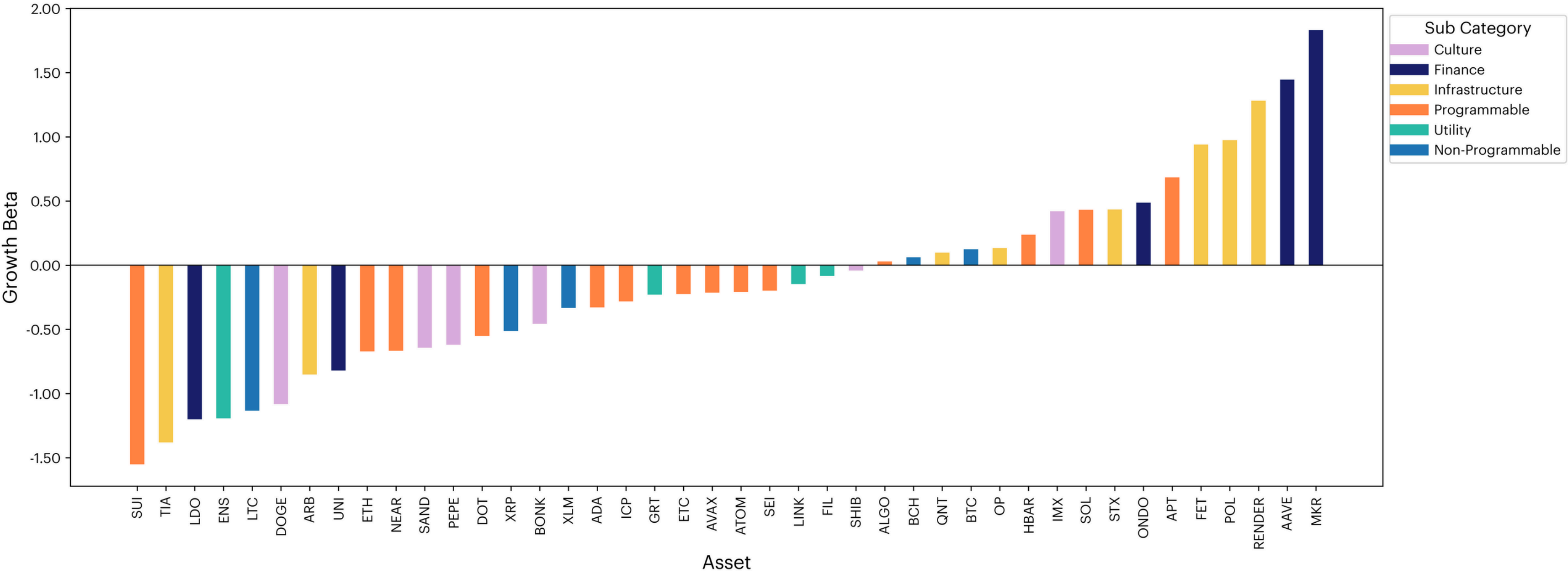
The growth factor captures the acceleration of protocol-level activity by averaging the z-scores of 30-day fee growth and weekly active user (DAU) growth. It goes long on assets demonstrating strong growth in user engagement and revenue generation, while shorting those with the weakest growth, aiming to capture a growth-driven risk premium.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

Liquidity Factor Beta by Asset
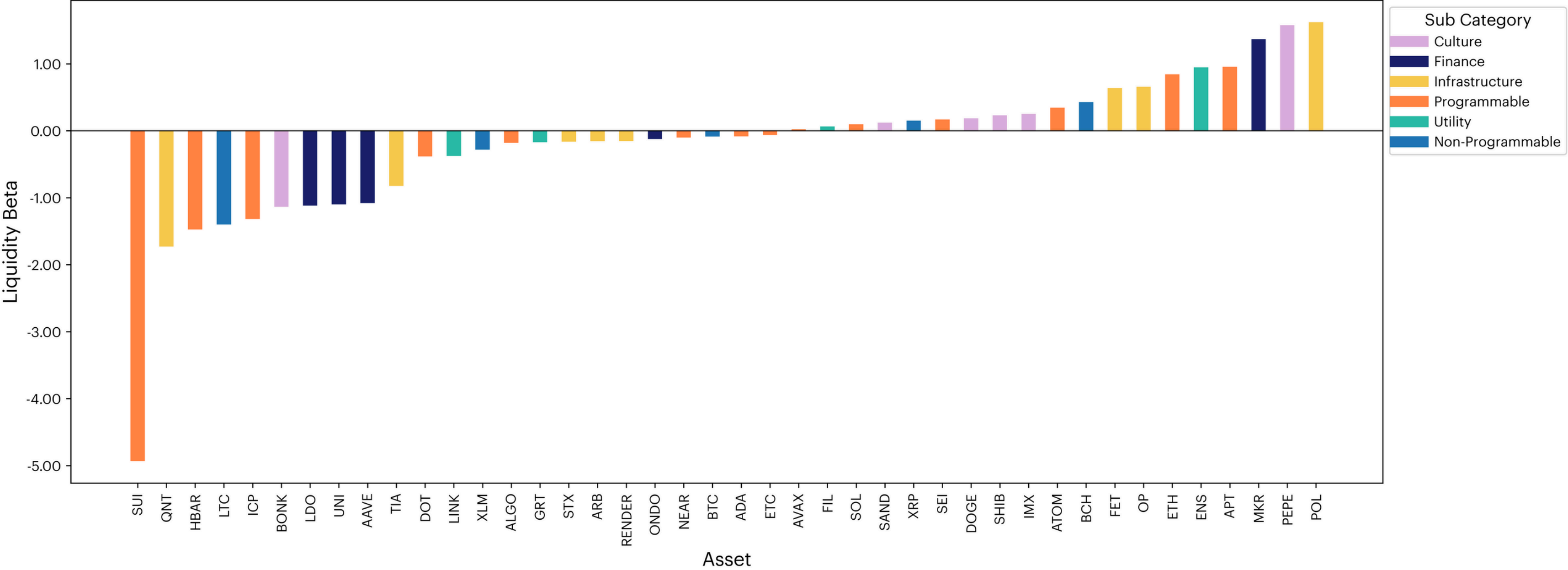
The liquidity factor is constructed using token turnover as a percentage of circulating supply, capturing how efficiently assets can be traded without impacting price. It reflects market accessibility and trading friction. The factor goes long on lower-liquidity assets and short on higher-liquidity ones, aiming to capture potential return premia linked to illiquidity.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

Momentum Factor Beta by Asset
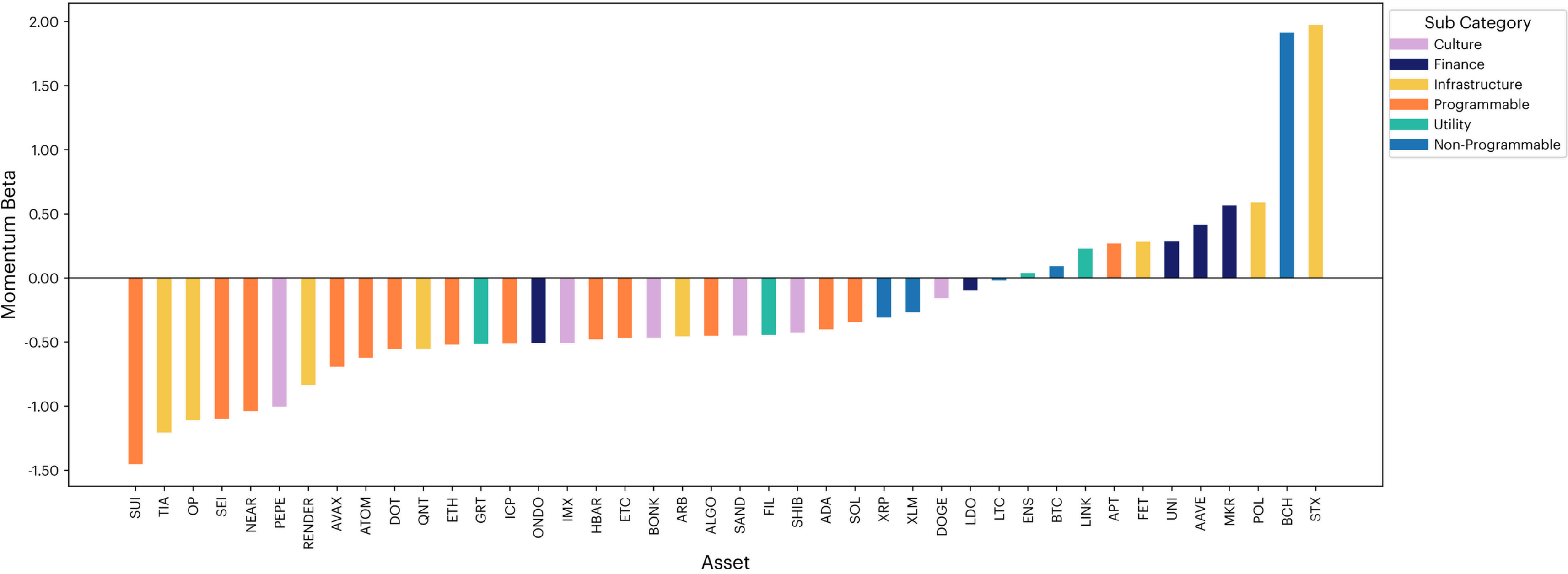
The momentum factor captures short-term price trends by averaging the z-scores of two-week cumulative returns and their risk-adjusted counterparts. It identifies assets with strong recent performance, reflecting the trend persistence often seen in digital asset markets. While aiming to exploit return continuation, it also accounts for the risk of sharp reversals in volatile conditions.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

Downside Beta Factor Beta by Asset
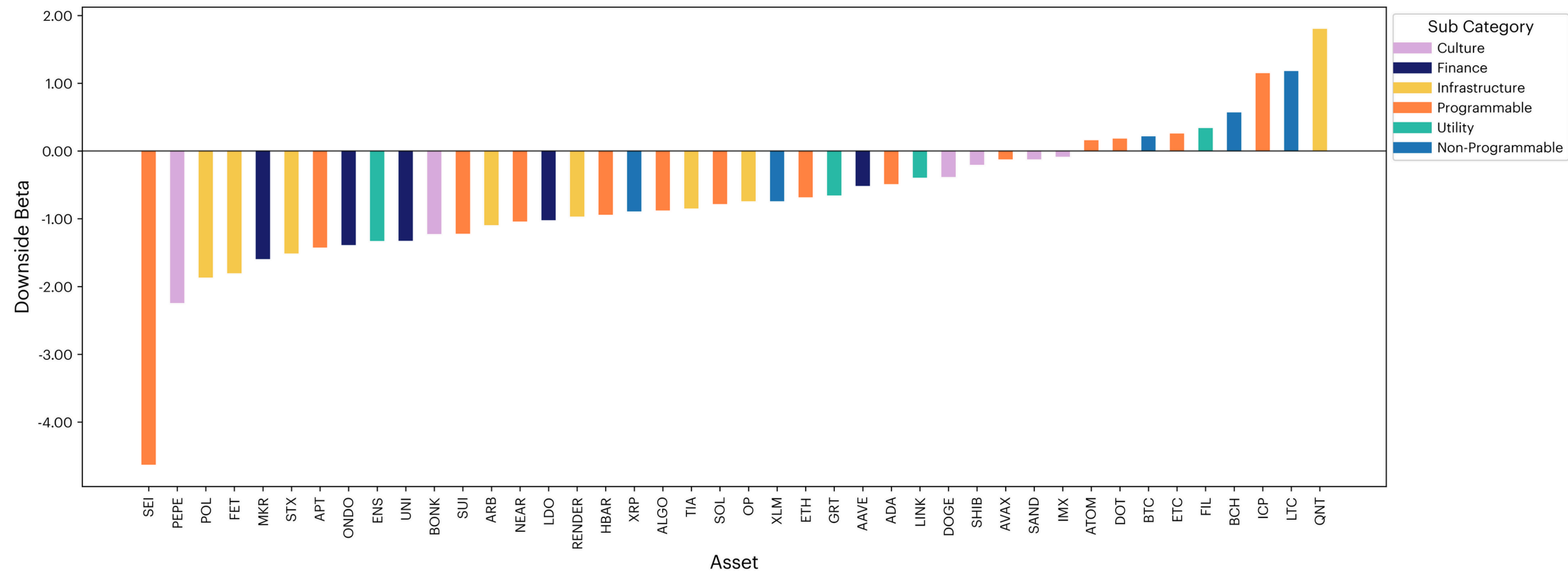
The downside beta factor measures an asset's sensitivity to negative market movements by regressing its returns against the market index during periods of decline. This risk metric aims to isolate weakness during downturns. The factor portfolio goes long assets with lower downside exposure, aiming to capture their relative resilience in bearish markets.

Source: CF Benchmarks, from April 1, 2025 to June 30, 2025

Appendix

CF Digital Asset Classification Structure

CF Digital Asset Classification Structure

The CF Digital Asset Classification Structure (CF DACS) classifies coins and tokens based on the services that the associated software protocol delivers to end users, grouping assets by the role they play in delivering services to end users. The CF DACS powers CF Benchmarks' sector composite and category portfolio indices and allows users to perform attribution analysis to better understand the fundamental drivers of returns within their digital asset portfolios.
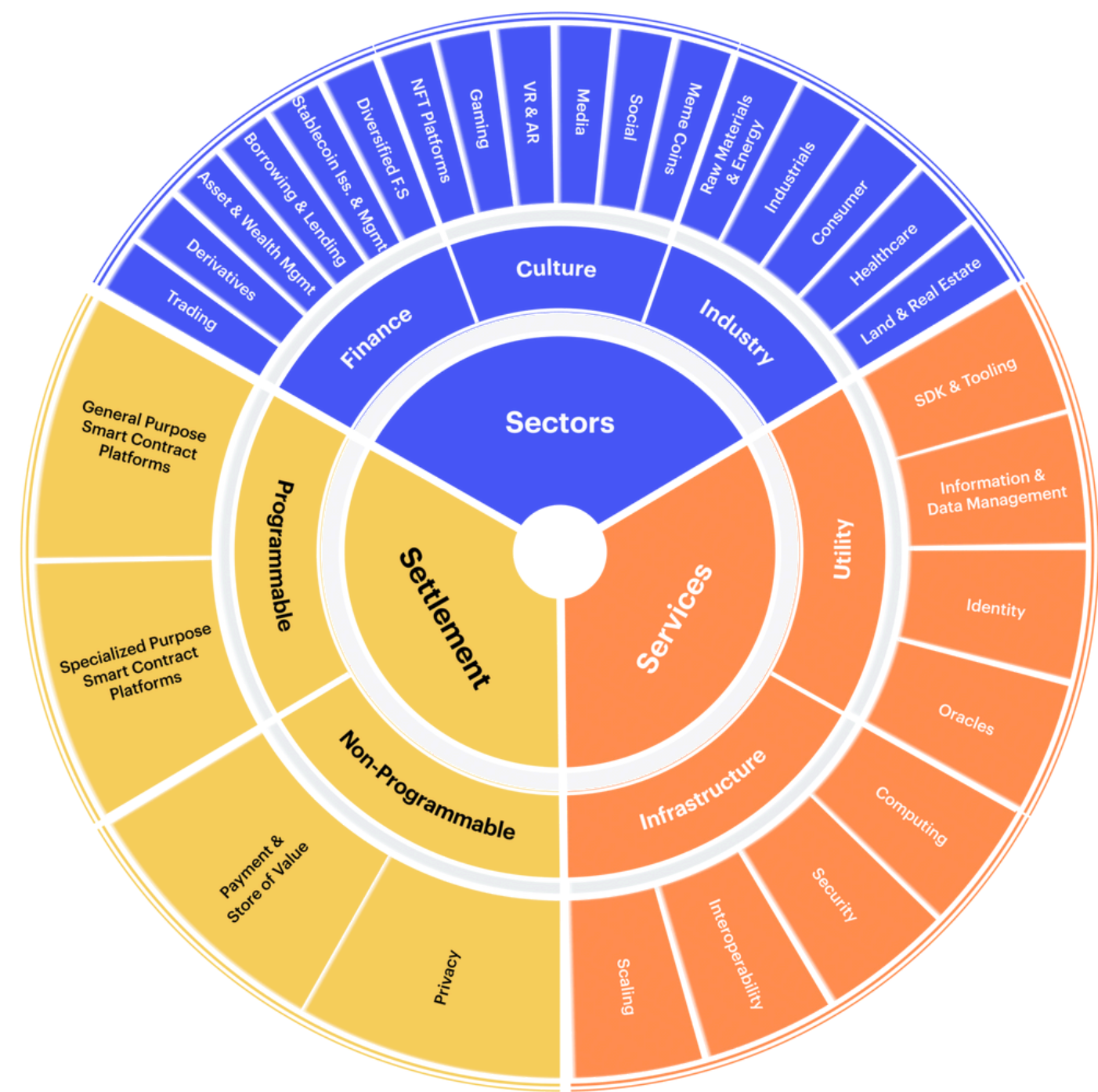
CF Digital Asset Classification Structure

Additional Resources

For more information about our CF Benchmark indices and our methodologies, please visit the respective web links below:

- CF Diversified Large Cap Index
- CF DeFi Composite Index
- CF Web 3.0 Smart Contract Platforms Index
- CF Digital Culture Composite Index
- CF Cryptocurrency Ultra Cap 5 Index
- CF Broad Cap Index Market Cap Weight
- CF Broad Cap Index Diversified Weight

Contact us

Have a question or would like to chat? If so, please drop us a line to:

info@cfbenchmarks.com

Appendix

Disclaimer and Disclosures

Appendix

Disclaimer and Disclosures (cont.)

Appendix

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