

Q1 2026

# Quarterly Factor Report

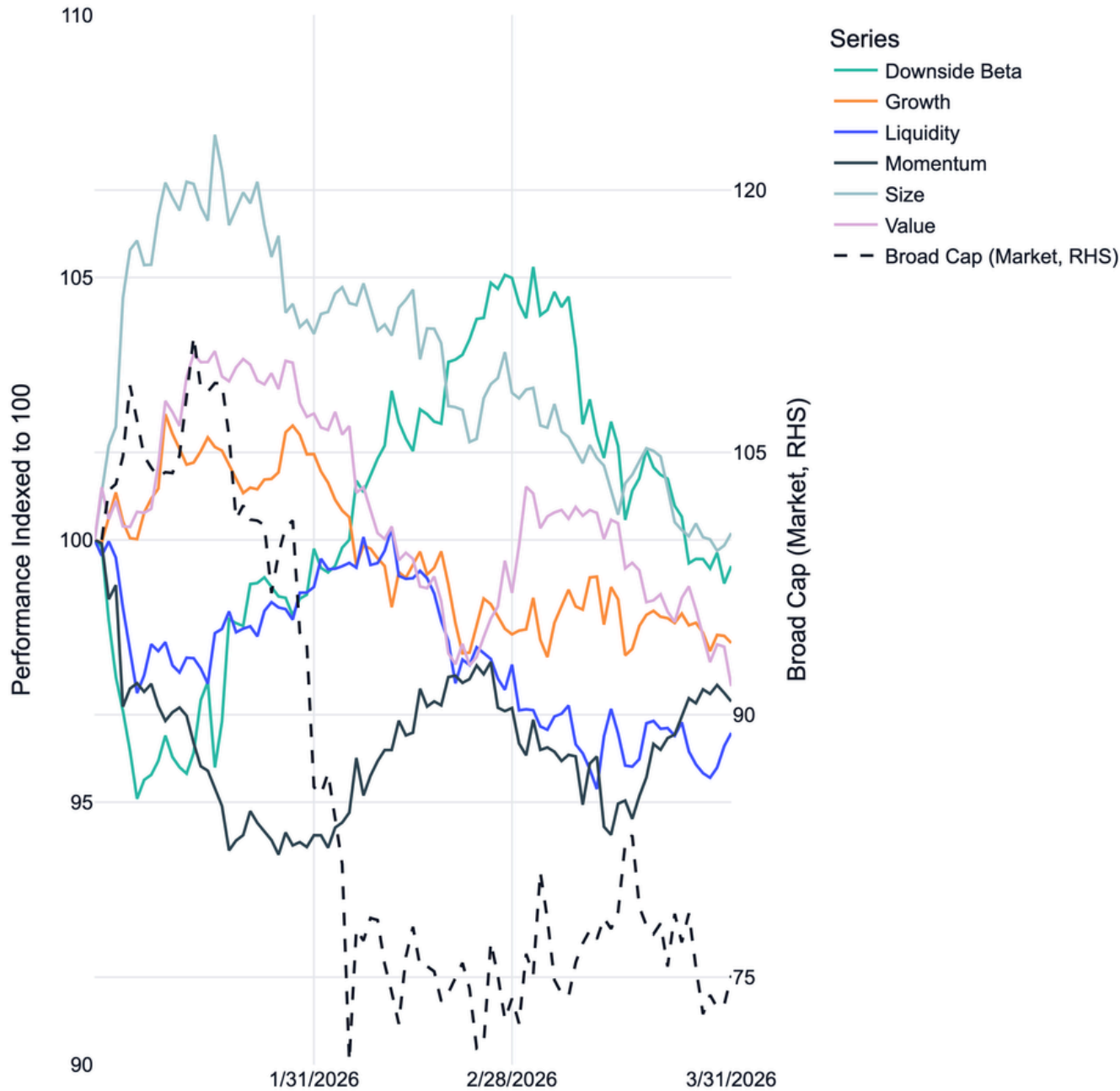
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# Performance Summary

# Most Factors Retreat in Extended Market Correction



Long/Short Factor & Market Performance  
Source: CF Benchmarks, January 1, 2026 to March 31, 2026

## 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 including protocol fees, trading volume, and user activity. It demonstrates strong explanatory power, particularly from Market, Growth, and Downside Beta factors. Built with institutional investors in mind, the model applies familiar tools from traditional finance to the unique characteristics of crypto, helping investors identify key sources of risk and return, improve portfolio construction, and make more informed trading decisions.

Q1 2026 extended the corrective phase from Q4 2025, with the CF Broad Cap Index declining 24.9% during the quarter. Factor dispersion narrowed meaningfully relative to the prior quarter, as nearly all long/short factor portfolios saw negative returns. Size was the sole factor to post a marginally positive return (+0.1%), suggesting that smaller-cap tokens kept pace with their larger-cap peers. Downside Beta was nearly flat (-0.5%), indicating minimal differentiation between tokens with higher and lower downside sensitivity. Growth (-2.0%), Value (-2.8%), Momentum (-3.1%), and Liquidity (-3.7%) all finished in negative territory, with Liquidity the weakest factor. The compressed factor spread suggests a more indiscriminate selloff, with limited reward for factor-based positioning.



**Gabe Selby, CFA**  
Head of Research



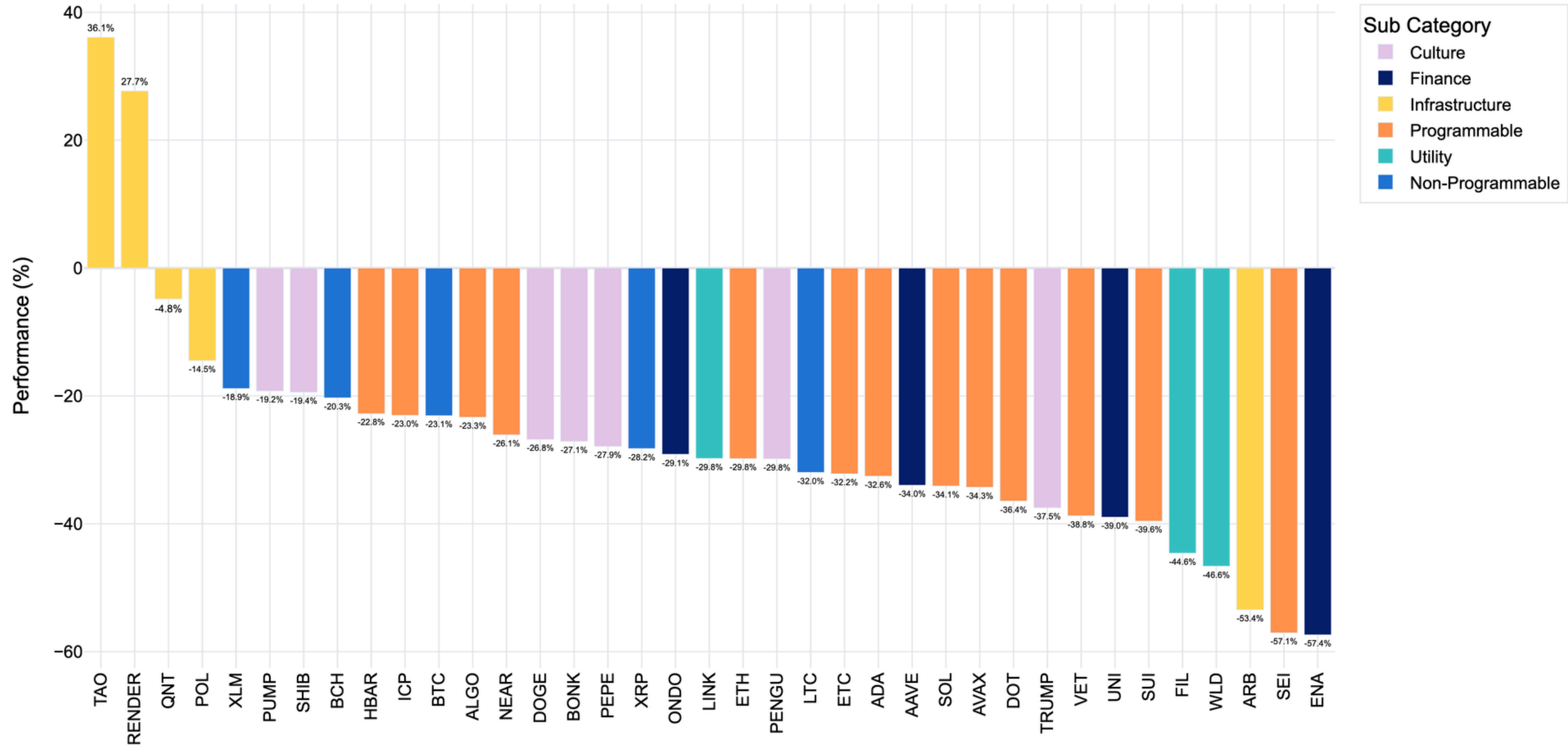
**Mark Pilipczuk**  
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# Leaders & Laggards

# AI Tokens Diverge from Broad Market Decline in Q1



## Leaders

TAO (+36.1%) and RENDER (+27.7%) were clear outliers, driven by sustained investor enthusiasm for decentralized AI and GPU compute networks. Bittensor benefited from an ETF filing, while Render Network saw growing adoption of its distributed GPU infrastructure. QNT (-4.8%) held up on a relative basis, supported by Overledger Fusion mainnet anticipation.

## Laggards

ENA (-57.4%), SEI (-57.1%), and ARB (-53.4%) were the quarter's weakest performers, each declining more than 50%. Ethena faced revenue compression and declining TVL as stablecoin competition intensified. Sei struggled with collapsing user activity. Arbitrum was pressured by a February token unlock.

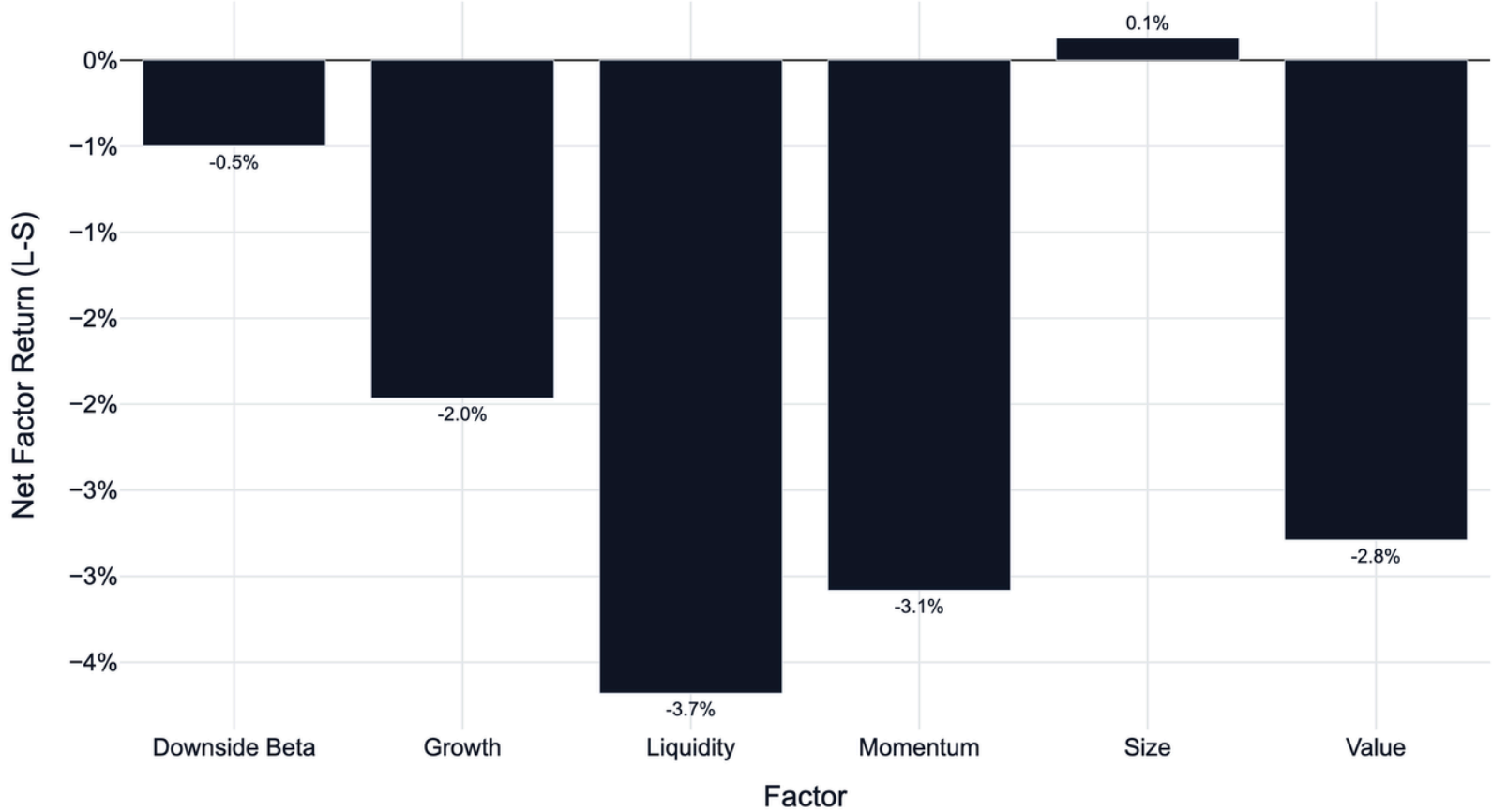
Source: Returns are based in USD terms, CF Benchmarks, January 1, 2026 to March 31, 2026

# Factor Portfolio Performance

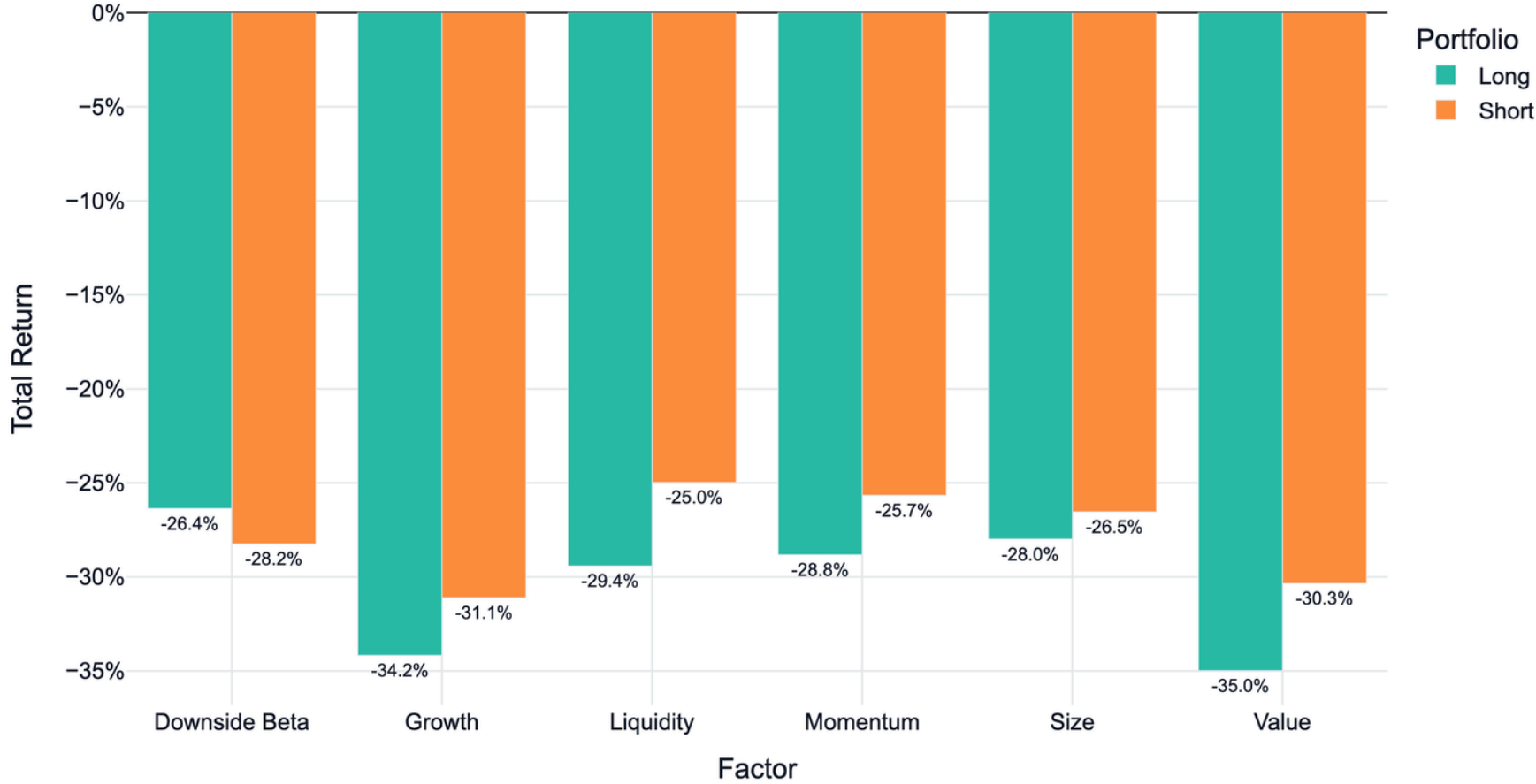
# Quarterly Portfolio Performance



Factor Portfolio Performance



Long and Short Portfolio Performance

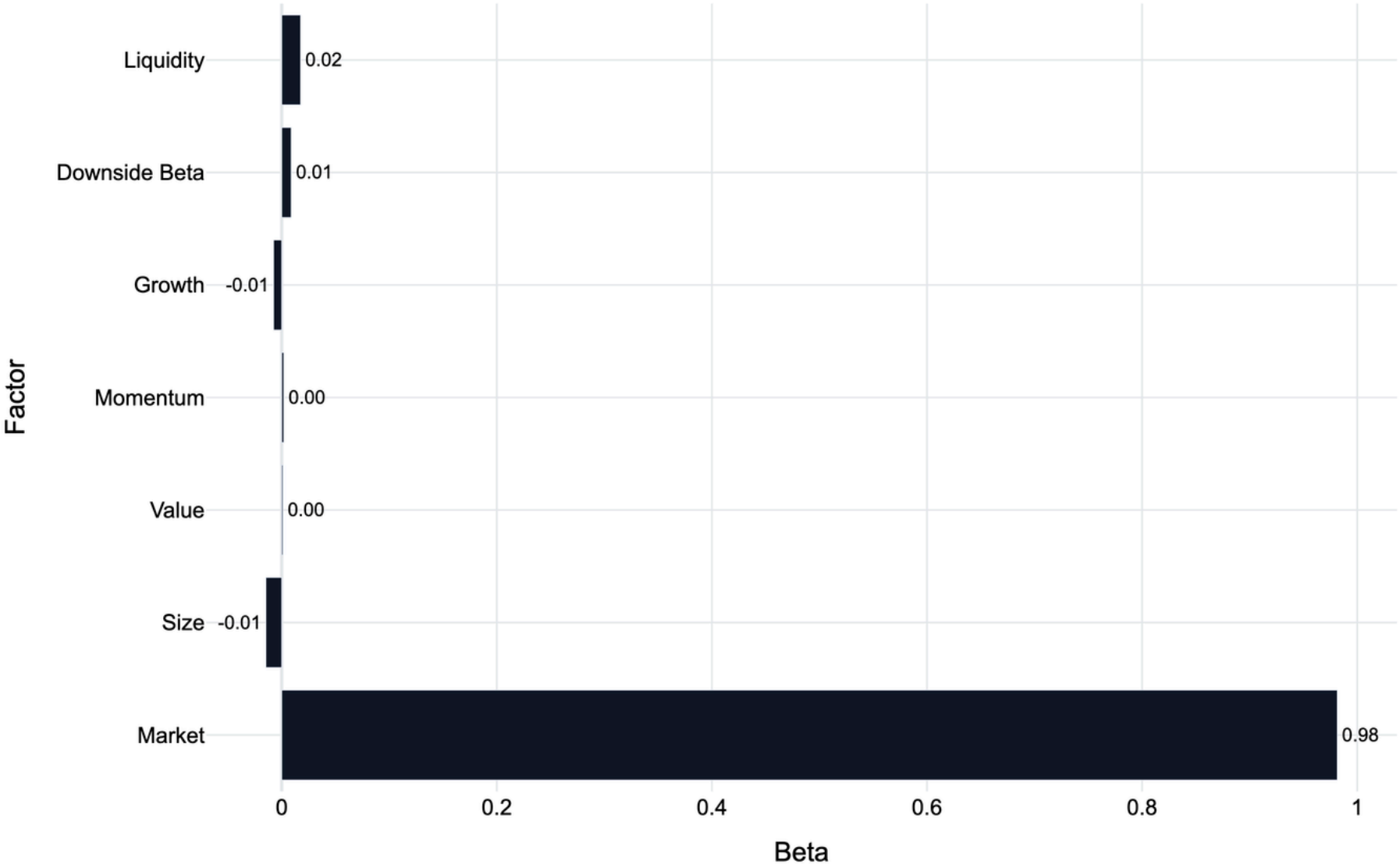


In the first quarter of 2026, Downside Beta stood out as the most resilient factor on the long side, followed by Size and Momentum. On the short side, Growth and Value delivered the strongest results, with Downside Beta ranking third. The Q1 factor profile points to an environment of broad-based weakness: nearly all net factor returns clustered slightly below zero, suggesting limited differentiation between long and short portfolio exposures as the market sold off indiscriminately.

Source: CF Benchmarks, January 1, 2026 to March 31, 2026

# CF DACS Category Exposures

# CF Settlement Category Index Factor Scores

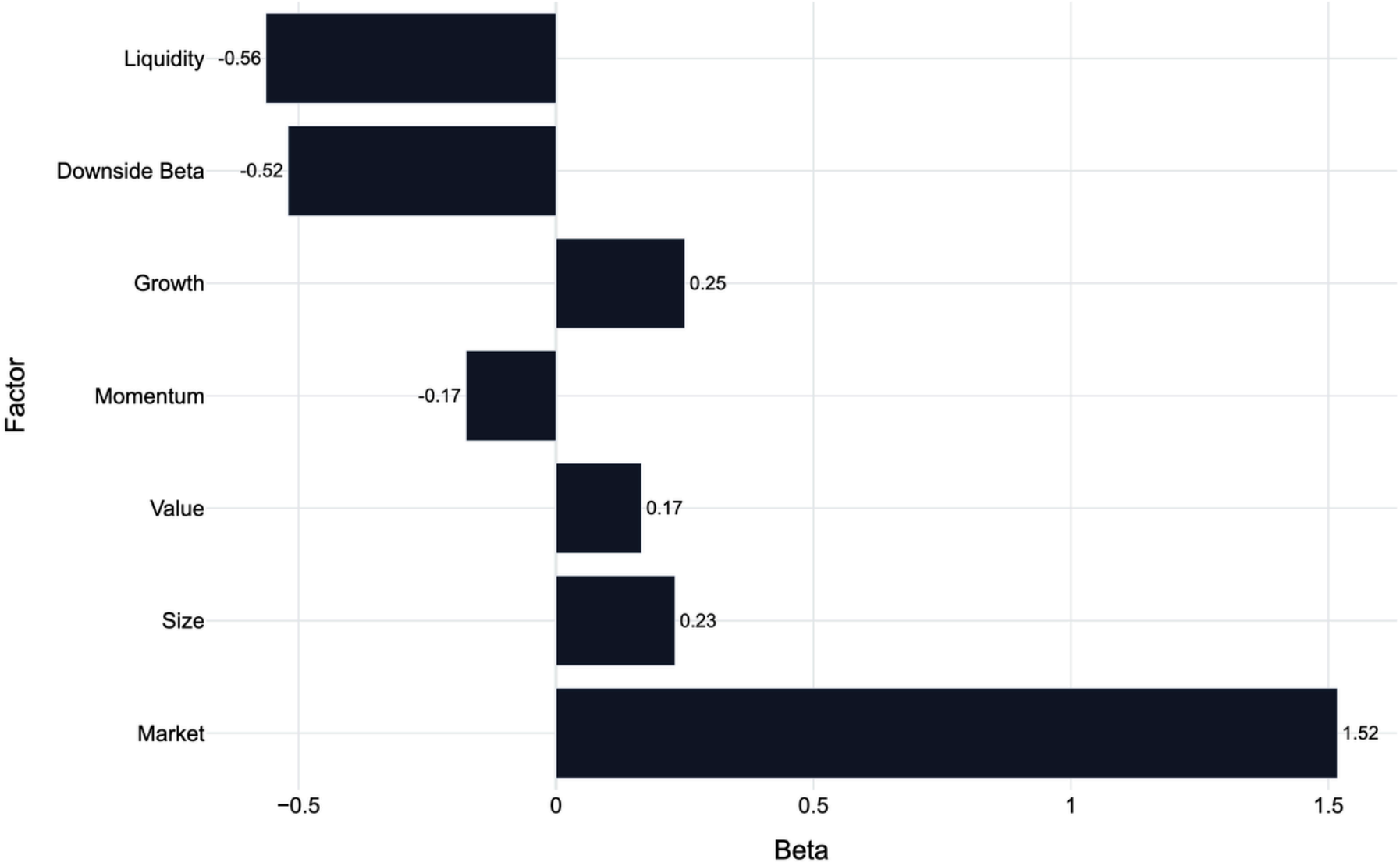


CF DACS Segment	Weight
Payment & Store of Value	82.9%
General Purpose Smart Contract Platforms	17.0%
Specialized Purpose Smart Contract Platforms	0.1%

The CF Settlement Category Index's factor beta profile in Q1 2026 reflects nearly pure market exposure. Market beta registered at 0.98, effectively one-to-one with the broad market. All remaining factor tilts are negligible: Liquidity (0.02) and Downside Beta (0.01) are fractionally positive, Value (0.00) and Momentum (0.00) are flat, while Size (-0.01) and Growth (-0.01) are fractionally negative. This near-neutral profile is consistent with prior quarters and reflects the continued dominance of Bitcoin within the index, whose outsized weight effectively absorbs constituent-level factor variation. Overall, the Settlement Category Index behaves as a close proxy for broad market exposure with minimal non-market factor sensitivity.

Source: CF Benchmarks, from January 1, 2026 to March 31, 2026

# CF Services Category Index Factor Scores

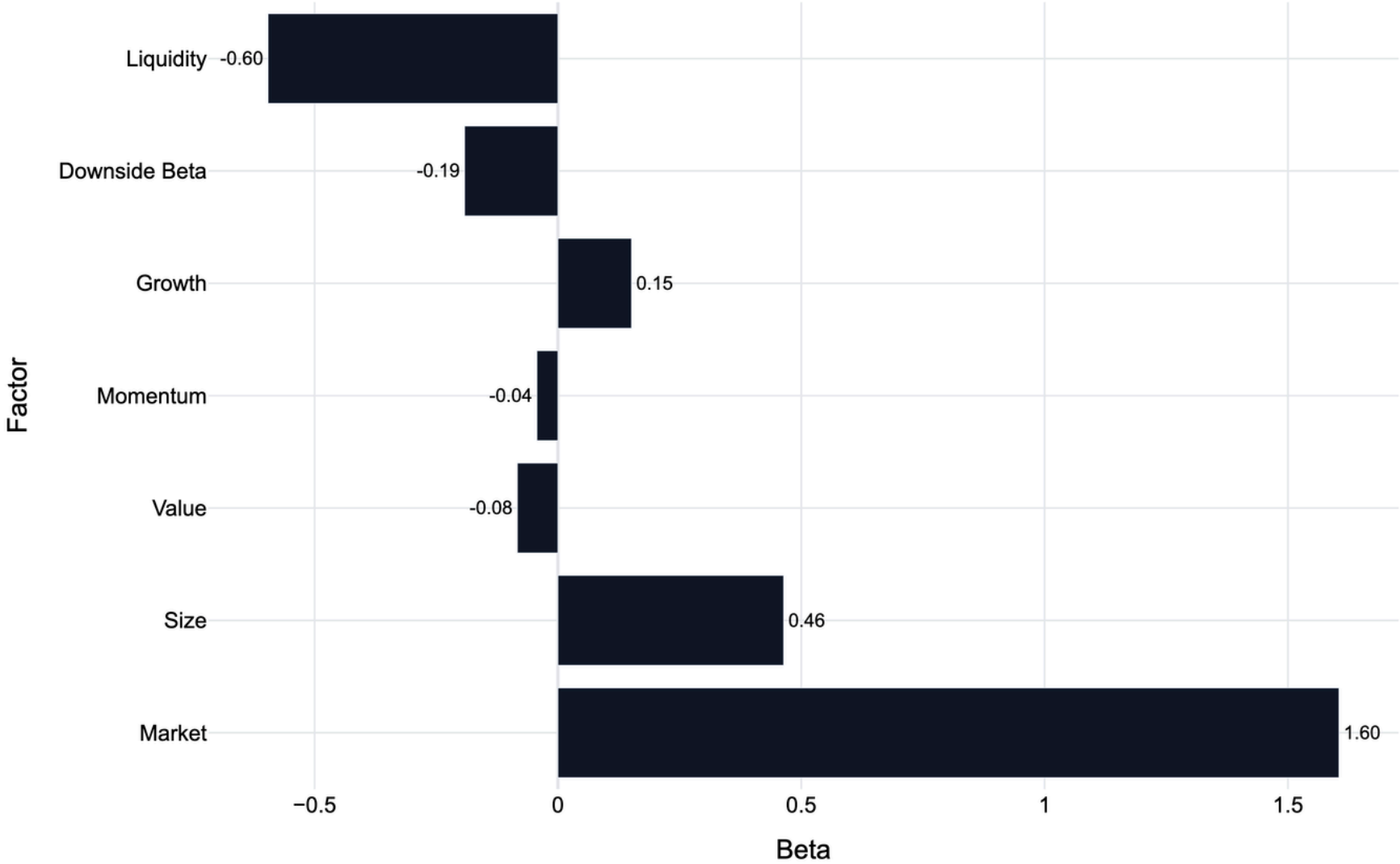


CF DACS Segment	Weight
Oracles	42.2%
Scaling	12.7%
Computing	27.8%
Identity	7.5%
Interoperability	6.1%
Information & Data Management	3.8%

The CF Services Category Index exhibits a differentiated factor beta footprint in Q1 2026. Market beta is elevated at 1.52, indicating above-average sensitivity to broad market movements. Growth (0.25) and Size (0.23) are moderately positive, reflecting a tilt toward smaller-cap tokens with expanding on-chain activity, while Value is modestly positive (0.17). On the negative side, Liquidity (-0.56) and Downside Beta (-0.52) are meaningfully negative, reflecting a bias toward more liquid names with higher downside sensitivity. Momentum is slightly negative (-0.17). Overall, the Services Category Index combines above-market beta with growth and size tilts alongside liquid, risk-on positioning, a profile that can amplify gains in constructive markets but raises vulnerability during periods of risk aversion.

Source: CF Benchmarks, from January 1, 2026 to March 31, 2026

# CF Sectors Category Index Factor Scores



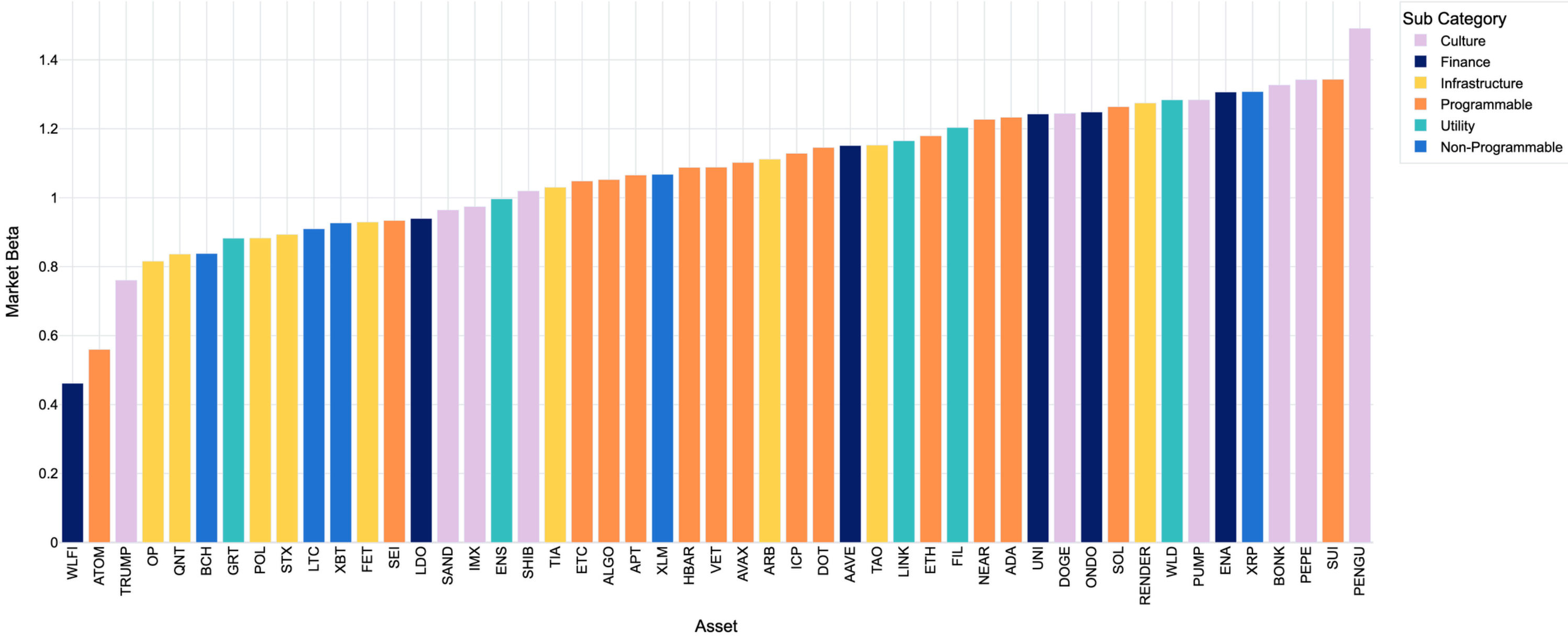
CF DACS Segment	Weight
Meme Coins	80.5%
Borrowing & Lending	8.0%
Trading	7.3%
Asset & Wealth Management	2.3%
Social	1.8%

The CF Sectors Category Index displays an amplified market sensitivity in Q1 2026, with Market beta the highest among the three category indices at 1.60. Size is notably positive (0.46), reflecting a pronounced small-cap tilt. Growth is modestly positive (0.15), while Momentum (-0.04) and Value (-0.08) are near neutral. Downside Beta is modestly negative (-0.19), and Liquidity is the most pronounced negative tilt at -0.60, indicating a preference for more liquid tokens. Overall, the Sectors Category Index combines elevated market sensitivity with a small-cap orientation and liquidity bias, a profile that amplifies broad market movements and raises vulnerability during risk-off episodes.

Source: CF Benchmarks, from January 1, 2026 to March 31, 2026

# Factor Betas by Asset

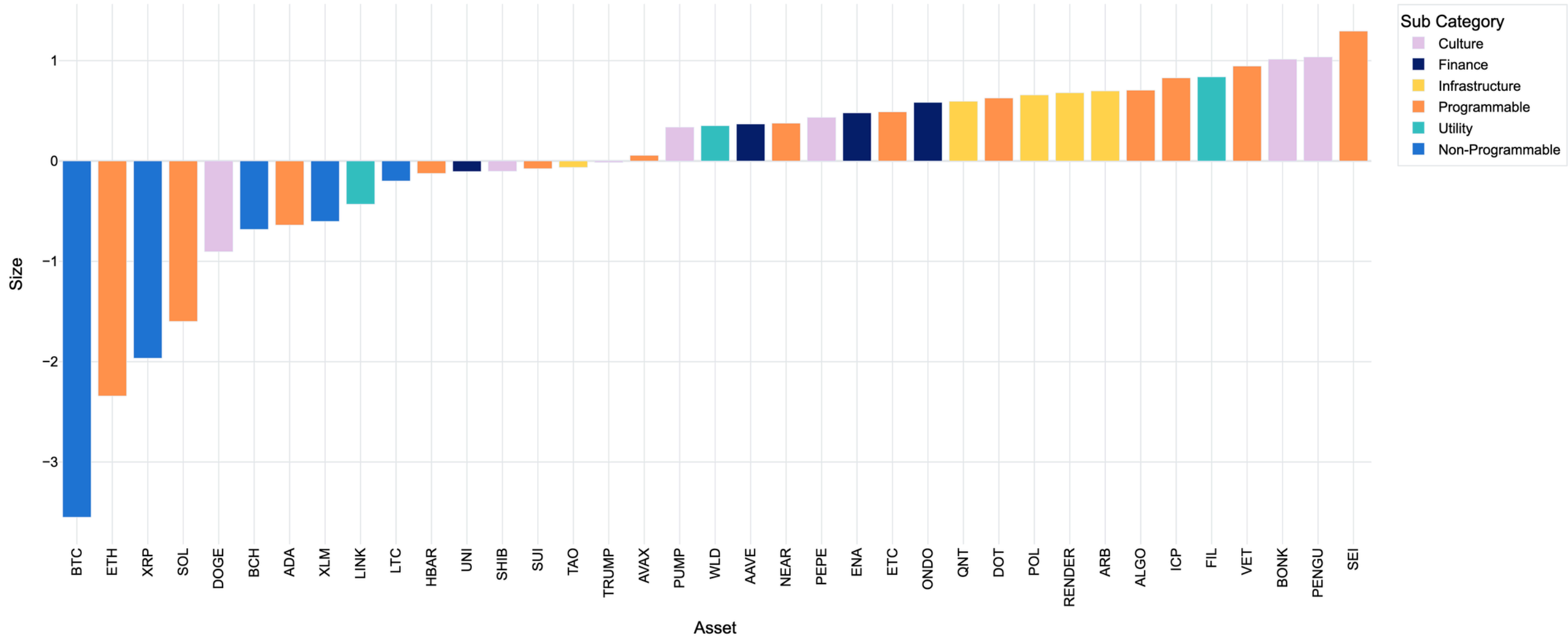
# Market Factor Score by Asset



The Market factor encapsulates broad systematic risk in digital assets by capturing overall market sentiment and macroeconomic influences. Constructed from a free-float 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 January 1, 2026 to March 31, 2026

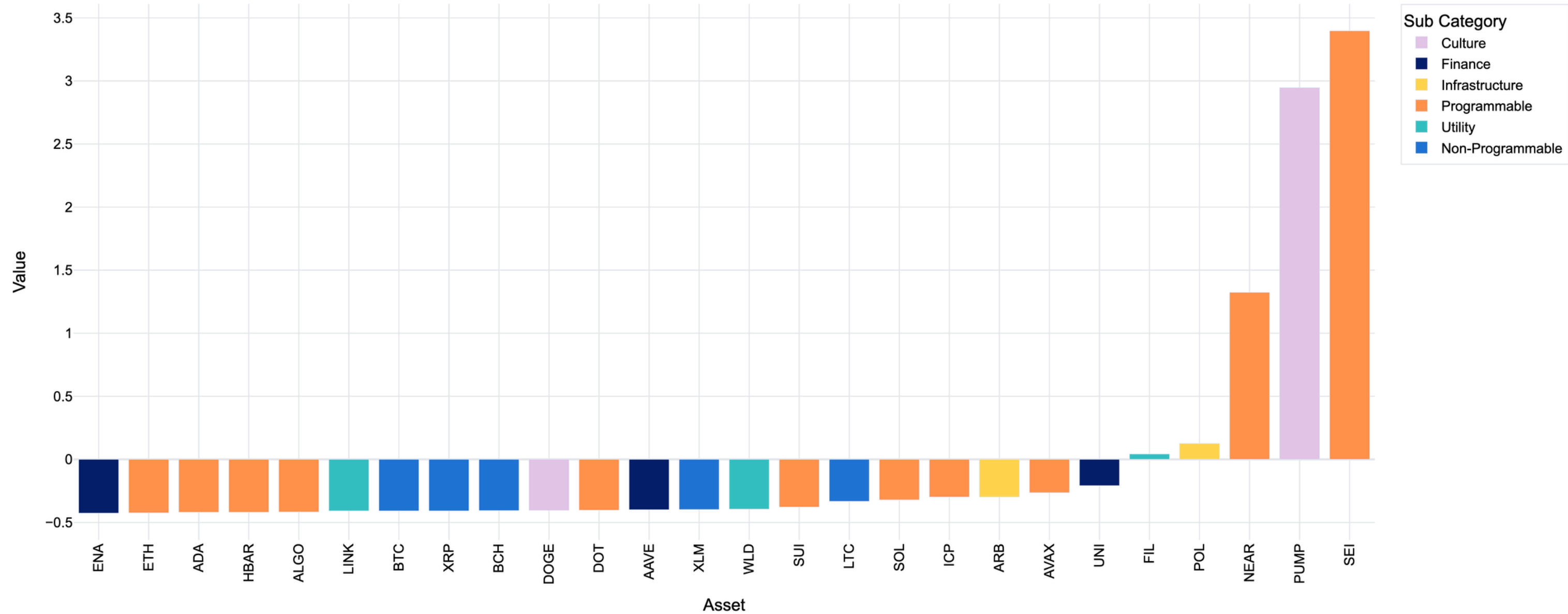
# Size Factor Score by Asset



The Size factor identifies smaller digital assets 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 January 1, 2026 to March 31, 2026

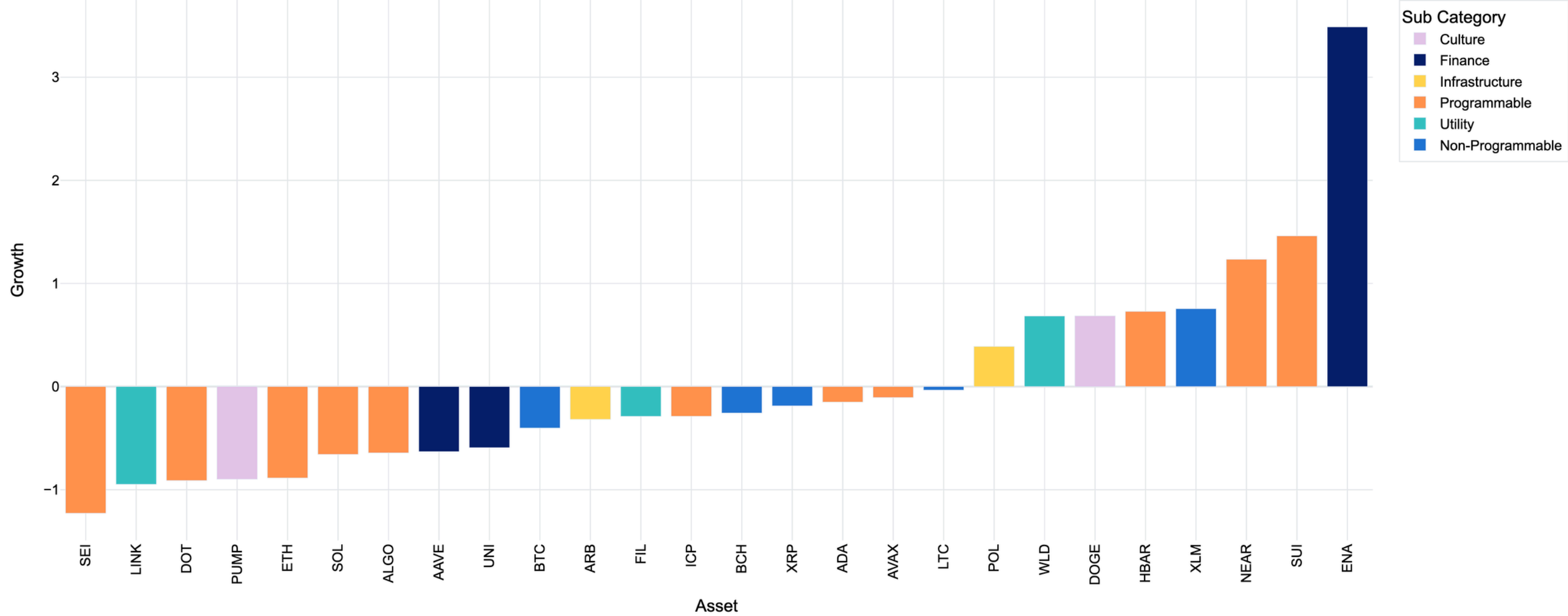
# Value Factor Score by Asset



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 January 1, 2026 to March 31, 2026

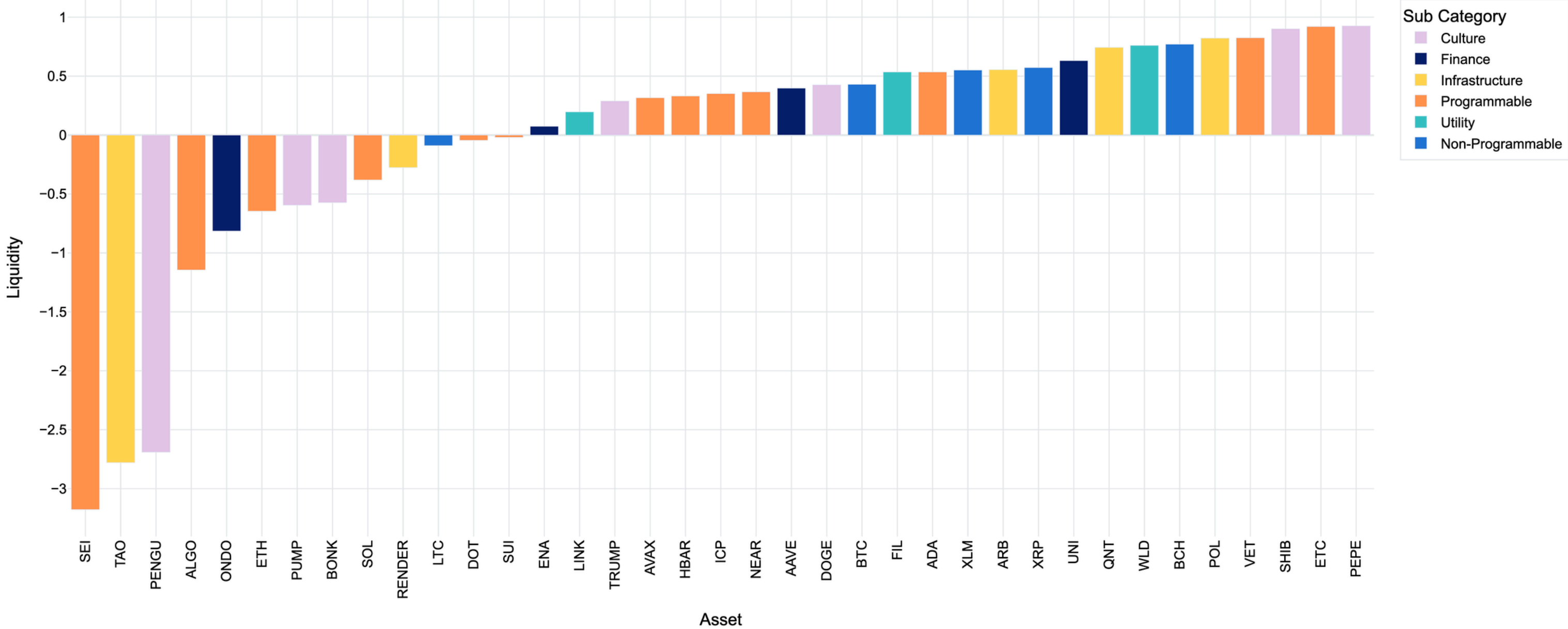
# Growth Factor Score by Asset



The Growth factor captures the acceleration of protocol-level activity by averaging the z-scores of 30-day fee growth and weekly active user (WAU) 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 January 1, 2026 to March 31, 2026

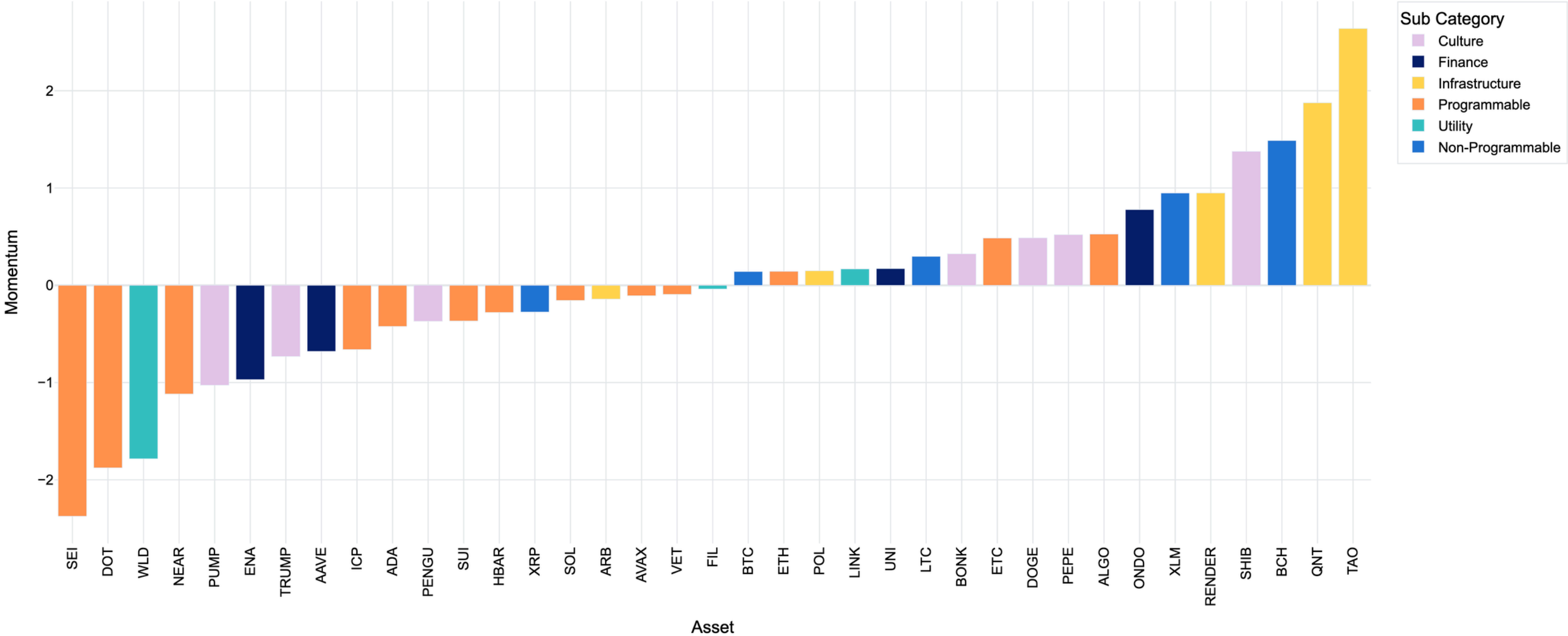
# Liquidity Factor Score by Asset



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 lower-liquidity assets and short higher-liquidity ones, aiming to capture potential return premiums linked to illiquidity.

Source: CF Benchmarks, from January 1, 2026 to March 31, 2026

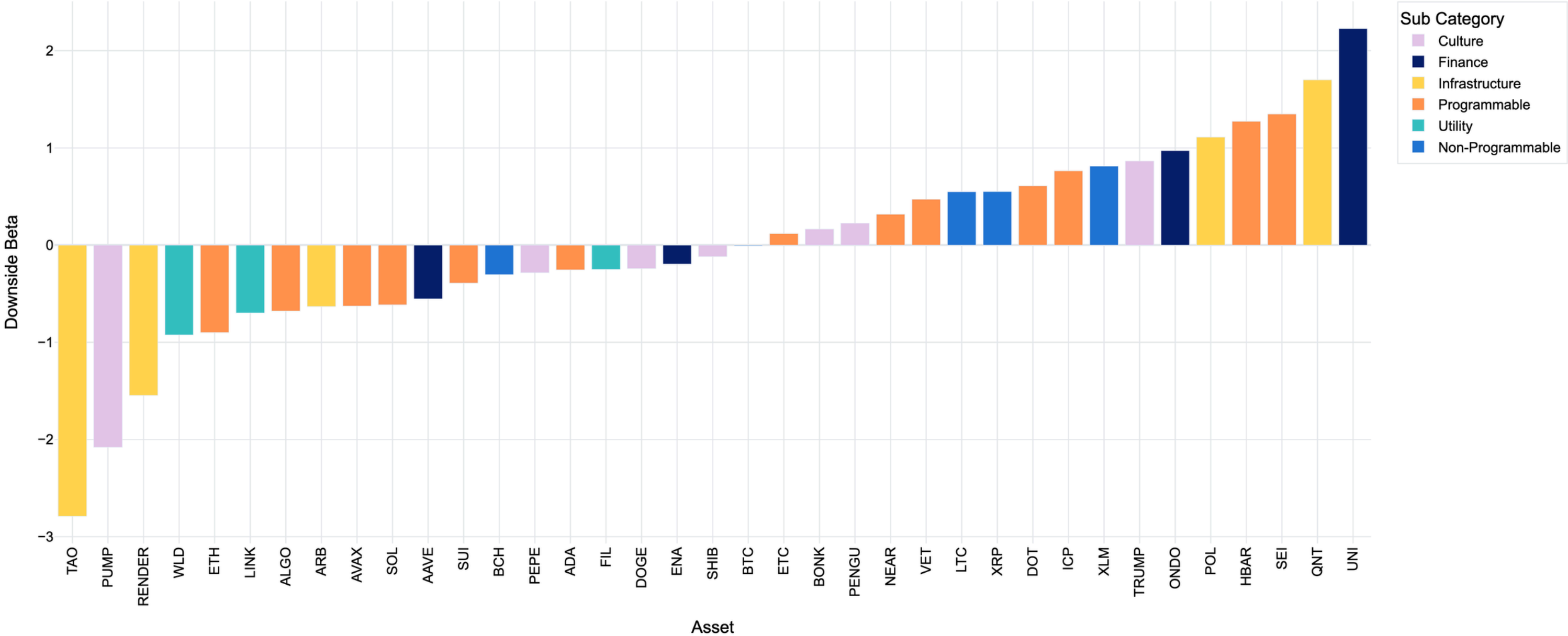
# Momentum Factor Score by Asset



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 observed in digital asset markets. The factor aims to exploit return continuation while accounting for the risk of sharp reversals in volatile conditions.

Source: CF Benchmarks, from January 1, 2026 to March 31, 2026

# Downside Beta Factor Score by Asset



The Downside Beta factor score represents an asset's relative sensitivity to negative market movements, derived from its downside beta but standardized for cross-sectional comparison. This score isolates downside vulnerability and provides a consistent scale across factors, where positive values indicate favorable characteristics. The factor portfolio goes long assets with positive downside beta scores, reflecting resilience in market downturns, and short those with negative scores.

Source: CF Benchmarks, from January 1, 2026 to March 31, 2026

# 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

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## 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](#)

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

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