

SEMESTER REPORT

WISE 25/26

TECHNOLOGY
FUND

esbcapital@esb-investmentclub.de

Our Mission

“Our mission is to go beyond the theoretical financial concepts of the classroom and create a community of students that share a strong passion for investment management and are dedicated to apply their knowledge in our virtual funds”

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Foreword

Dear Reader,

As we wrap up the Winter Semester 2025/2026, we look back on a period that was as demanding as it was rewarding for ESB Capital. The past months have been defined by a complex market landscape, testing our strategic foresight and adaptability. From the persistent AI-driven rally and the unprecedented boom in precious metals to the sharp downturn in the crypto markets and the SaaS sector's struggle with disruption fears, our teams had to navigate a truly turbulent environment.

What makes this report special is the extraordinary dedication shown by our Analysts and Fund Managers. This semester, we saw an impressive level of independent organization and proactivity. The quality of the portfolios on wikifolio and the depth of the research presented are a direct result of the hard work and ownership our members took over their respective funds.

I would like to extend a sincere thank you to everyone who was part of ESB Capital this semester. Your decision to take the initiative alongside your studies, to challenge yourselves, and to seize the opportunity for personal and professional growth is what makes this initiative possible.

Beyond the numbers, this initiative continues to be a bridge between academic theory and the high-stakes reality of the financial world. The relationships built and the leadership skills developed here are what truly define the ESB Capital experience.

To those looking to sharpen their financial acumen and join a driven, ambitious team: we invite you to become part of this journey. The challenges of the 2025/2026 markets have only strengthened our resolve to innovate and grow.

Best regards,

Tim Küst
Head of ESB Capital

Team



Jonas Rebstein
Fund Manager



Rana Himanshu
Analyst



Lennard Reitzel
Analyst



Vitus von Bismarck
Analyst

Overall Investment Strategy

The investment strategy of the ESB Investment Club's Technology Fund was built around a clear and deliberate philosophy: maintaining a focused, high-conviction portfolio rather than pursuing broad diversification. This approach was strongly inspired by Warren Buffett's principle that "concentration is for wealth, diversification is for safety." Buffett has repeatedly argued, including during Berkshire Hathaway shareholder meetings, that excessive diversification is counterproductive, as the number of truly outstanding investment opportunities in the market is limited. In our view, the standards required for an investment-worthy company are exceptionally high, making a concentrated approach not only rational but necessary, particularly within a single-sector fund.

Given that our investment universe was restricted exclusively to technology equities, we considered a concentrated portfolio especially appropriate. Diversifying across too many holdings within the same sector would not meaningfully reduce risk but instead dilute conviction, research quality, and potential alpha. Our four-member team structure further reinforced this strategy. We were able to reach consensus efficiently on compelling narratives and companies, allowing us to assign each team member responsibility for one holding. This ensured deep, expert-level understanding of each investment rather than superficial knowledge across a broad set of stocks. We deliberately followed the belief that over-diversification does not create true diversification but instead leads to a dilution of insights and returns.

A crucial foundation of our asset selection process was a comprehensive macroeconomic analysis, which revealed a largely supportive environment for risk assets. Historically, the fourth quarter tends to be one of the strongest periods for revenues, particularly in consumer-driven industries, and this seasonality is also reflected in the S&P 500's strong Q4 performance. At the same time, widely anticipated inflationary pressures stemming from former President Trump's tariff policies failed to materialize. Instead, inflation showed a slight downward trend, reducing concerns about aggressive monetary tightening. Economic growth remained robust, with annualized GDP growth exceeding 4% in Q4 and forward-looking growth expectations remaining constructive.

While the labor market showed signs of weakening, traditionally a reliable indicator of an upcoming recession, this development simultaneously increased the likelihood of monetary easing. Indeed, the Federal Reserve responded with three interest rate cuts, a move widely interpreted as highly supportive for risk-on assets, particularly growth-oriented sectors such as technology. This monetary backdrop further strengthened our positive outlook.

From a valuation perspective, we analyzed the PEG ratio of the NASDAQ index and found that valuations were nowhere near the extreme levels observed during the Dot-Com bubble.

Unlike that period, current valuations remained broadly supported by strong earnings growth expectations, reinforcing our conviction that the technology sector was not experiencing a systemic valuation bubble.

Our asset selection was driven by strong, clearly defined investment narratives. One key theme was energy production, as artificial intelligence and cloud-based services require enormous and continuously growing amounts of energy. Without scalable and reliable energy infrastructure, future technological progress would not be feasible. Another central theme was innovative financial systems, particularly cryptocurrencies. We viewed this exposure positively due to Bitcoin's historically consistent four-year halving cycle, which has typically produced the strongest returns in the fourth quarter of the post-halving year. Our investment period aligned precisely with this phase of the cycle.

As a result, we invested in companies with both direct and indirect exposure to cryptocurrencies. This included firms that actively acquire and stake Ethereum, benefiting from staking yields as well as price appreciation, as well as companies engaged in Bitcoin mining. For these businesses, profitability is closely tied to the price of the underlying cryptocurrency, a risk we consciously accepted in alignment with our macroeconomic and cycle-based convictions.

In terms of capital allocation, we followed a disciplined and flexible approach. Given that our holdings exhibited betas well above 1, it was not necessary to have 100% of our capital invested at all times. Even a 50% initial deployment represented a sufficient base-case scenario to outperform our benchmark. Accordingly, we invested approximately half of our capital at the outset, as several target assets had recently corrected after strong price increases. The remaining cash provided flexibility, allowing us to add exposure at more attractive prices during market pullbacks, which we actively utilized.

We also established clear principles for profit-taking. In the event of irrational price appreciation, particularly if technical indicators such as the Relative Strength Index signaled significant overheating, we planned to reduce or partially exit positions. However, as the anticipated market euphoria did not materialize to the expected extent, we have not realized any profits as of the time of writing this report.

In conclusion, the ESB Investment Club's Technology Fund pursued a conviction-driven, macro-informed, and disciplined investment strategy, emphasizing depth of research, thematic clarity, and tactical flexibility. By combining concentrated positions, rigorous macroeconomic analysis, and structured risk management, we aimed to maximize learning outcomes and generate sustainable alpha within the technology sector.

Performance and Holdings



Holding Composition Technology Fund

The portfolio consists of four publicly listed companies operating in the digital infrastructure and bitcoin mining sector. The largest allocation is **Iris Energy Limited**, which accounts for **40.1%** of the total portfolio. The second-largest position is **Cipher Mining Inc.**, representing **26.2%**. **Terawulf Inc.** makes up **14.5%** of the portfolio, while **BitMine Immersion Technologies, Inc.** comprises the remaining **13.4%**. Each position is weighted according to its share of the overall portfolio, with allocations reflecting the relative size of the holdings.

Stock Picks

Iris Energy Ltd. (IREN)

Summary:

Our largest holding is Iren, because it is the investment we have the highest conviction in and understand the best. We successfully anticipated a major deal with a hyperscaler, in Iren's case, Microsoft, one of the best companies in the world, yet we lost money for the time being. Our Iren shares have been acquired in a heated market; the stock was running ahead of itself into the much-anticipated deal. At one point, our position was 25% in profit. What followed was a rise of the fear of an AI bubble, which deflated the stock prices of these securities, leading to a 50% decline of underlying security prices in the sector despite fundamental developments improving rapidly.

Iren's and the sector's underperformance can be solely attributed to the fact that we were buying into a heated market, which in the following weeks and months deflated on falsely spread AI-bubble fears. This sentiment now seems to have bottomed and, in fact, flipped to a software bubble, or "AI-eating software," showing in Software-index declines (ex-Mag 7) and a sharp decline of Bitcoin prices, which continue to be treated as a high-beta play on software stocks. This environment remains a challenge for equity prices, especially Bitcoin-associated risks.

Iren still represents a widely misunderstood stock, showing in 3 recent research notes of major investment banks in the US, seeing most of Iren's risk on the Bitcoin mining side and therefore capping its share price target and enthusiasm for the stock. This dismisses the fact that Bitcoin mining is a drag of the past and no longer relevant for the valuation of the stock, since the HPC side of the business makes up more than 80% of the enterprise value, which we believe to be undervalued.

The market and fundamental developments in the sector remain stronger than ever, notably CIFR's senior secured note for their AWS project at a record low 6% and Iren's own GPU financing under 6%. Hyperscaler CapEx across the board exceeds expectations by a wide margin; hyperscalers are planning to spend more money than ever on CapEx in 2026, which will boost the AI infrastructure space as direct beneficiaries of this spending. The underlying thesis of supply constraints of electrons remains intact, in an environment of favorable fundamental developments at a time when execution is continuing at the highest level, yet the market does not seem to be impressed.

For CIFR and WULF, we saw a very bullish research note by Morgan Stanley last week, which helped to send both stocks up 40%+ from a price level which deeply discounted the future potential of the business. MS correctly identified their conversion into a Data Center REIT model with the most credible counterparties in the world, which in the last week now has both stocks trading in tandem and with a price target of \$37 and \$38. We believe this to be an ambitious short-term price target for both stocks, but it undervalues long-term economics going into 2030 and beyond; we see both stocks above \$50, which is also reflected in Morgan Stanley's bull case of \$77 for WULF and \$56 for CIFR. While Wall Street catches up to the REIT Data Center plays, Iren is trying to position itself as a player who captures more than just a simple REIT business model, reaching all the way up for AWS. If Iren ever achieves such a status remains questionable, but if so, it undoubtedly would be

one of the most valuable companies in the world, thinking of \$100B+. On this journey, we expected Iren's volatility to continue to be high, a 50% drawdown is not uncommon for this stock and will remain so on its inevitable journey to become one of the largest Datacenter providers in the world.

Valuation:

Iren's future is inherently uncertain and unclear; I see widely different models and assumptions across the space, even from very well-versed investors having 8 and 9 figures invested in the stock and decades of experience in the business. So I keep this rather simple with the upside open. The upside is what is so hard to price and measure, and this is why Iren is so misunderstood. Management keeping a low profile and continuing to underpromise and overdeliver doesn't make it easier, but that seems to continue to be their nature.

Iren now controls over 4,500 MW of grid-connected power to build data centers. Looking at the base case, if we build out with the lowest form of monetization, we are looking at a classic colocation model with a triple-net structure. This results in \$1.5M per MW in revenue, a PUE of 1.5 (conservative, as Iren aims for a 1.3 PUE), and 85% to 90% EBITDA margins. We assume a \$10M per MW CapEx, with the ability to finance up to 85% of the buildout at a 6% cost of capital, as well as a 20x FFO multiple, this is the Cipher and TeraWulf business model.

We have a gross load of 4,500 MW and an IT load of 3,000 MW. Applying the \$1.5M revenue per MW to this capacity yields \$4.5 billion in annual revenue. With 85% leverage on the construction costs, the interest expense is manageable, leaving us with over \$2.4 billion in Funds From Operations (FFO). Applying a 20x multiple to that FFO brings us to an implied equity valuation of ~\$48 billion.

When looking at this on a per-megawatt basis, the disparity is striking. This base case implies a future Enterprise Value of approximately \$24.5 million per MW of IT capacity. In contrast, at the current share price of \$42.22, the market is assigning Iren an Enterprise Value of just \$16.5 billion, roughly \$3.7 million per MW. In essence, we are buying a scarce, grid-connected power bank at the price of raw land, while the built-out infrastructure commands a 6.5x premium.

Translated to the stock price, this base-case REIT model implies a share price of roughly \$149. This represents a 250% upside from today's levels (\$42.22), solely based on executing a "boring" colocation strategy. If Iren succeeds in capturing the hyperscale AI premium, the ceiling is significantly higher.

EXTRA: The Investable Universe

The Investable Universe: Power is the New Gold

The AI infrastructure trade has evolved from a chip shortage to an electron shortage. In this new reality, we segment the "Investable Universe" into three distinct categories: the REIT Converts (WULF, CIFR), the Wild Card (Bitfarms/Keel), and the Crown Jewel (Iren).

Applying our "Base Case" valuation of \$24.5M per MW—derived from a standard colocation REIT model, reveals a massive disparity between the current market pricing of raw power

portfolios and their potential developed value.

1. The REIT Converts: WULF & CIFR

TeraWulf (WULF) and Cipher Mining (CIFR) are the current "Wall Street Darlings." These companies have successfully communicated their transition to a Data Center REIT model, and the street has rewarded them for securing credible hyperscale counterparties. They are currently trading in tandem as the market accepts their infrastructure conversion story. However, even with this premium, they trade at a significant discount to our derived base case. Cipher Mining (CIFR) has expanded its pipeline to roughly 3.4 GW following the acquisition of the "Ulysses" site in Ohio, its first expansion outside of Texas. Similarly, TeraWulf (WULF) has doubled its capacity to 2.8 GW via acquisitions in Kentucky and Maryland. Despite these growth stories, both trade at implied valuations of approximately \$1.9M to \$2.0M per MW. While this represents a potential 12x upside to the \$24.5M target, their upside is somewhat capped because the market has already priced in the certainty of their business model.

2. The Wild Card: Bitfarms (Future Ticker: KEEL)

Bitfarms represents the "Wild Card" and the turnaround play of the sector. Currently undergoing a massive corporate reorganization, it is redomiciling to the U.S. and rebranding as Keel Infrastructure to shed its legacy crypto-miner discount. Statistically, this is the deepest value play on the board. With a portfolio of roughly 2.1 GW, Bitfarms trades at an Enterprise Value of approximately \$0.9M per MW, the cheapest power in the peer group. This implies a theoretical 28x upside to the \$24.5M target. However, this massive discount reflects significant execution risk as management navigates the U.S. pivot. It remains a high-beta play on whether "Keel" can convince the market it is a serious infrastructure developer rather than just a distressed miner.

3. The Crown Jewel: Iren

Iren stands alone as "The Queen" of the sector. It controls the largest block of power, 4,500 MW of grid-connected capacity, yet it trades at a valuation that implies its assets are worth little more than raw land.

At the current share price of \$42.22, the market is assigning Iren an Enterprise Value of roughly \$16.5 billion, or just \$3.7M per MW. When compared to our base-case target of \$24.5M per MW, this reveals a 6.7x upside simply to reach parity with a standard "boring" REIT valuation. The disconnect is striking: while peers like WULF and CIFR are celebrated for 300 MW deals, Iren is sitting on 15x that capacity in secured power. The market continues to price Iren based on fears of "HPC execution risk" and Bitcoin exposure, ignoring the fact that the power portfolio alone, monetized via a simple triple-net lease model, justifies a valuation nearly seven times higher than today's price. We are effectively buying the largest power bank in the sector for pennies on the dollar, with a free option on Iren becoming a \$100B+ hyperscale cloud provider.

Risks to the Thesis: While the valuation disconnect is mathematically striking, our base case assumptions face material risks. Foremost is Deal Risk, notably for Bitfarms (KEEL), which has yet to secure a hyperscale partner and Deal Structure Risk, where final lease terms could deviate from the favorable triple-net model we projected, potentially compressing margins. Financing Risk also looms; if the cost of capital exceeds our 6% estimate due to macro rates or sector stigma, leveraged returns would suffer. Furthermore, Execution and

Pipeline Risks remain inherent to large-scale infrastructure development. While we view Iren's risk here as the lowest due to its secured grid connection, any failure to energize sites on time, or a market refusal to grant the projected 20x valuation multiple, would significantly dampen the upside.

Analyst: Lennard Reitzel

Performance October 1st – January 31st: - 12%

BitMine Immersion Technologies (BMNR)

The Big Picture

BitMine Immersion Technologies is doing something simple but brilliant: it's buying Ethereum and holding it. That's it. But the way they're doing it is creating real magic for shareholders.

Think of BMNR as a vault for Ethereum, but one where the vault itself grows faster than the Ethereum inside it. Since launching just a few months ago in June 2025, the company has turned every dollar of shareholder value into \$1.50 of Ethereum holdings. That's not a typo. Ethereum itself has only risen 50% in that time, but BMNR shareholders have seen their ETH per share explode from \$4 to nearly \$40. That's a 10x return in seven weeks. How is that possible? The answer lies in how they raise capital.

The Secret Sauce: The "Accretive Dilution Flywheel"

Here's how it works:

When BMNR sells new shares to the public, they sell them at a premium. Investors will pay \$2 for every \$1 of Ethereum the company actually owns. Why? Because they believe in the long-term story and want the management and structure that comes with it.

When BMNR raises \$100 million this way, here's what happens:

- They get \$100 million in cash
- Existing shareholders experience only \$50 million in dilution
- The remaining \$50 million of "premium" gets deployed to buy MORE Ethereum
- Everyone's slice of the Ethereum pie gets bigger

It's like a perpetual money machine. The more capital flows in, the more Ethereum the company owns on a per-share basis. This compounds quarter after quarter.

Currently, BMNR sits on roughly \$9 billion in Ethereum holdings. And that's generating about \$300 million per year in real, hard cash from staking rewards. That's not theoretical—it hits the income statement as actual profit.

Why This Matters Right Now

Ethereum is at an inflection point. For years, it was seen as a speculative crypto asset. Today, it's becoming the backbone of serious financial infrastructure.

Right now, there's a \$300 billion market in stablecoins—basically digital dollars that run on Ethereum. Within a few years, that could balloon to \$4 trillion as real-world assets (bonds, stocks, real estate) get tokenized and run on Ethereum rails. We're talking about a transformative shift in how the global financial system operates.

And BMNR's leader—Tom Lee, one of Wall Street's most respected macro strategists—believes ETH could hit \$10,000 to \$12,000 by the end of 2025 alone. That would be a 4x to 5x move from here. Long-term, he sees \$60,000 as realistic.

Are those bold calls? Yes. But Lee has a track record of being right on major shifts in markets. And he's not alone—the company is backed by serious institutions: ARK Invest, Founders Fund, Pantera Capital, Kraken, Galaxy Digital, and Stanley Druckenmiller himself.

The Real Cash Flow Story

Here's what separates BMNR from just owning Ethereum directly: the company generates

real, GAAP-recognized profit.

When Ethereum holders stake their coins (which BMNR does), they earn about 3-4% annually in rewards. On \$9 billion in holdings, that's \$270-360 million per year. That's not imaginary. It's real money that shows up on the balance sheet.

For an ETF or direct holder, you get capital appreciation only. With BMNR, you get capital appreciation *plus* yield. Over time, this compounds dramatically.

Why Institutions Are Piling In

A lot of mutual funds, pensions, and other big investors can't directly buy cryptocurrency. They're legally restricted. But they can buy BMNR—a publicly traded company that holds crypto.

This creates an inflow bid that's separate from retail crypto enthusiasm. Every time a big fund wants exposure to Ethereum, they buy BMNR shares. Those inflows drive the accretive dilution flywheel, which creates even more returns.

The stock is already one of the most liquid in America, with billions of dollars trading hands weekly. That's unusual for a company that's only been public for months. It shows genuine institutional demand.

The Growth Path Ahead

BMNR's stated goal is to own 5% of all Ethereum in existence. That's not a crazy pipe dream—it's achievable with consistent capital raises and execution.

Once a company owns that much of a network, doors open:

- Governance influence (you get to vote on how Ethereum evolves)
- The ability to become a major staking provider (lend out Ethereum, earn fees)
- Partnership opportunities in the tokenized finance space
- Potential to become a utility itself as financial infrastructure

Think about what Bitcoin companies like MicroStrategy are doing with Bitcoin. BMNR is attempting the same playbook with Ethereum, but earlier—before it's obvious to everyone.

The Downside Risks (Be Honest)

Let's be clear: this is a leveraged bet on Ethereum. If Ethereum crashes 50%, BMNR doesn't just fall 50%—the flywheel works in reverse, and the premium to NAV collapses too. You could see 70%+ downside in a true crypto winter.

Regulatory risk exists. If governments crack down on staking or stablecoins, the narrative changes. Tom Lee's \$10,000 ETH call could look silly.

And frankly, BMNR's performance in just seven weeks is almost *too* good. Markets don't always reward things this generously. Some pullback or consolidation is normal.

But here's the thing: if you believe in Ethereum's long-term transformation into global financial infrastructure—and the data increasingly suggests you should—then BMNR is the cleanest, most efficient way to gain exposure with professional management, yield, and institutional liquidity.

The Bottom Line

BMNR isn't a crypto speculation play. It's a treasury company accumulating what it believes will be a critical piece of financial infrastructure. The flywheel is real. The cash flow is real. The institutional backing is real.

For investors with a multi-year horizon and conviction in blockchain's role in finance, BMNR offers amplified returns compared to owning Ethereum directly or buying an ETF.

Our recommendation: Buy. Position sizing matters given the volatility, but for investors comfortable with crypto-grade volatility, BMNR offers an asymmetric risk-reward profile with proven execution and elite leadership behind it. This is one of the best ways to play the Ethereum thesis over the next 3-5 years

Analyst: Jonas Rebstein

Performance October 1st – January 31st: - 53%

Stride Inc. (LRN)

Company

Stride, Inc. is a U.S.-based education technology company providing online and blended learning solutions across K-12 general education, career-oriented programs, and adult learning. The company primarily operates under a “school-as-a-service” model, managing curriculum, technology platforms, teachers, and administrative support for public schools and charter schools under multi-year contracts, funded through state per-pupil allocations. Over recent years, Stride has expanded its focus beyond K-12 into Career Learning, targeting high-growth fields such as IT and healthcare, thereby positioning itself at the intersection of education and workforce upskilling. For the fiscal year ended June 30, 2025, Stride reported record financial performance, supported by strong enrollment growth, operating leverage, and a solid balance sheet with low net leverage and recurring, enrollment-based revenues. Despite this operational strength, the company’s share price experienced a sharp correction of more than 50% following FY26 Q1 results, largely driven by temporary execution issues related to a platform migration that negatively affected enrollment conversion and withdrawal rates, rather than by a deterioration in underlying demand.

Industry Overview

The broader education technology industry continues to benefit from long-term secular tailwinds, including digitalization of education, increasing acceptance of online and hybrid learning models, and rising demand for career-focused and adult upskilling programs. In particular, Career Learning has emerged as a structurally attractive segment, as individuals seek alternatives to traditional higher education and employers emphasize practical, skills-based credentials. At the same time, the industry faces important structural constraints. Growth in online K-12 education has normalized following pandemic-driven acceleration, competition is intensifying, and regulatory scrutiny remains high. Business models that depend heavily on public funding and political decision-making are inherently exposed to policy changes, accountability requirements, and reputational risks related to educational outcomes, which can materially affect long-term visibility.

Investment Rationale

While Stride appears fundamentally strong and attractively valued following the recent correction, the stock was ultimately not added to the portfolio due to relative opportunity cost within the context of a technology-focused fund. Although the market reaction to Stride’s execution issues appears excessive, the company’s overall growth profile remains moderate compared to alternative technology investments offering

higher structural growth, broader international scalability, and platform-driven network effects. Furthermore, a significant portion of Stride’s revenue base remains linked to U.S. public education funding and regulatory frameworks, introducing political and policy risks that are less aligned with the fund’s preferred exposure to technology businesses with greater pricing power, global addressable markets, and lower government dependency. As a result, despite recognizing the valuation disconnect, improving fundamentals, and long-term potential of Stride—particularly within Career Learning—the investment committee concluded that capital could be allocated more effectively to other opportunities that better matched the fund’s strategic objectives and risk profile.

Analyst: Vitus von Bismarck

Performance October 1st – January 31st: n.a. (no holding of the fund)

Cipher Mining Inc. (CIFR)

1. Company Overview

Cipher Mining is a leading technology company that develops and operates industrial-scale data centers. Originally established as a pure-play Bitcoin miner, Cipher has undergone a massive strategic pivot to become an infrastructure provider for High-Performance Computing (HPC) and Artificial Intelligence (AI). By leveraging its vast power pipeline and specialized cooling infrastructure, the company is transforming from a volatile crypto miner into a steady-state data center landlord for tech giants.

Key Figures (as of February 2026):

- Market Cap: ~\$6.6 billion
- Revenue (TTM): ~\$206 million
- Revenue Growth (YoY): ~197%
- P/E Ratio (Forward): ~66 (Reflecting expected 2026/27 earnings surge)
- Contracted Revenue: ~\$8.5 billion (Cumulative over 10–15-year terms) ^

2. Industry Overview

Sector: Digital Infrastructure / Semiconductor Hosting Market Position: Cipher is emerging as a critical bridge between energy resources and the compute-heavy demands of the AI era. While it continues to mine Bitcoin to fund operations, its competitive moat lies in its 3.4 GW power pipeline and its ability to deliver "turnkey" power at a time when traditional grid capacity is severely constrained. It serves Tier-1 hyperscalers and AI cloud platforms like Amazon Web Services (AWS) and Fluidstack.

The data center industry is facing a structural power shortage. As AI model training requires exponentially more electricity, companies with "ready-to-energize" sites hold immense pricing power.

Key Trends:

- AI/HPC Convergence: Massive demand from hyperscalers (Amazon, Google) for 100MW+ sites.
- Power Scarcity: Access to the electrical grid is now the primary bottleneck for AI expansion.
- Vertical Integration: Shift toward owning land, power interconnections, and cooling tech to lower OpEx.
- Revenue Diversification: Moving away from volatile Bitcoin rewards toward stable, long-term lease payments.

3. Investment Rationale

Investment Thesis: Cipher was added to the portfolio as a high-growth play on AI Infrastructure. Unlike traditional REITs, Cipher provides exposure to the "ground floor" of

data center development. The company's pivot is validated by its \$5.5 billion, 15-year lease with AWS and a \$3 billion deal with Fluidstack. These contracts provide long-term revenue visibility that justifies a premium valuation over traditional crypto miners. We believe Cipher's massive 1-Gigawatt "Colchis" site in Texas will be a primary catalyst for earnings through 2028.

Risk Considerations: Risks include the high capital expenditure (Capex) required to build AI-ready facilities, potential delays in grid energization (ERCOT approvals), and the inherent volatility of its legacy Bitcoin mining segment. Furthermore, the \$2 billion in recently issued senior notes increases the company's leverage, making execution on the AWS and Fluidstack timelines critical for debt servicing.

Analyst: Himanshu Rana

Performance October 1st – January 31st: -17%

MARA Holdings Inc. (MARA)

The Big Picture

Marathon Digital is sitting on a gold mine, but the company might not be mining the right gold. The explosive demand for AI data centers is creating a genuine shortage of power across the U.S. This is huge. Bitcoin mining sites, which already have power lines built and running, could be instantly converted into AI compute facilities. It's the fastest way to solve America's power problem for AI.

The numbers tell the story: a recent deal between HUT and Google generated roughly \$18 of value per watt of power. Meanwhile, Bitcoin company stocks are trading as if their power is worth only \$1-7 per watt. That's a massive gap, basically free money sitting there.

Problem #1: MARA Isn't Focused Enough

Here's the core issue: WULF and CIFR are laser-focused on one thing, converting their Bitcoin mining sites into AI data centers and leasing that power to major tech companies. They're all-in on this opportunity.

MARA, on the other hand, is trying to do both things at once. The company wants to keep mining Bitcoin *and* build data centers. Management says they want to "extract value from every electron"—meaning they don't want to choose. They want it all.

In practice, this doesn't work. When you try to do two things at once, you usually do both poorly. And the timing matters. Right now is when these data center deals are being made. By splitting their attention between Bitcoin mining and data center development, MARA is missing the window.

Problem #2: Bitcoin Mining Is a Bad Business

Bitcoin mining as a standalone business isn't great. MARA's mining division generates poor returns on the capital invested. That's why we value it at just 5 times earnings—a cheap multiple that reflects the reality that miners struggle to make money.

And it's about to get harder. The Bitcoin halving hits in the first half of 2028, which means mining rewards get cut in half. Margins will compress. Only the lowest-cost operators survive.

Yes, MARA management has done a great job cutting costs, they've reduced production costs by 35% over the past two and a half years. That's impressive. But the company still depends on this mining business for the majority of its value. If Bitcoin prices fall or the halving hits harder than expected, MARA gets hurt badly.

Problem #3: MARA Hasn't Proven It Can Execute on Data Centers

We're assuming MARA will convert only 10% of its available power for AI data centers. Compare that to our 50% assumption for WULF and CIFR. Why the difference? MARA simply hasn't proven it can do these deals at scale. The company has made very few data center conversions to date.

Even in our optimistic scenario, we're assuming only 20% execution. And even then, it doesn't create nearly as much value as what WULF and CIFR are doing.

The question is simple: will MARA actually pursue these data center deals aggressively, or will they keep hedging their bets with Bitcoin mining? We don't have confidence management will fully commit.

The Downside Protection (Sort Of)

To be fair, MARA isn't a total disaster. In our worst-case scenario, the stock falls to \$3.50, that's a 57% downfall. But that assumes a crypto crash and disaster on the trading desk. In a normal scenario where Bitcoin stays stable or rises, MARA has less downside than that. And if MARA suddenly shifts strategy and starts winning major data center contracts like WULF and CIFR, we'd change our tune. Our bull case of \$24 is out there if that happens.

The Bottom Line

The problem with MARA isn't that the opportunity doesn't exist. It does. The problem is that MARA's strategy doesn't position them to win from that opportunity.

Compare the upside-to-downside ratio: MARA offers 3-to-1 odds (191% upside to 57% downside). WULF offers 23-to-1. CIFR offers 7-to-1. When you factor in MARA's high volatility and uncertain strategy, the risk-reward just doesn't work.

Our recommendation: Underweight MARA. Buy WULF or CIFR instead, companies whose entire focus is aligned with the power shortage and AI boom. MARA could prove us wrong if they execute flawlessly on data centers *and* Bitcoin rebounds. But we're not betting on it.

Analyst: Jonas Rebstein

Performance October 1st – January 31st: n.a. (no holding of the fund)

Learnings / Reflections

Despite a well-reasoned investment strategy and multiple supportive macroeconomic and thematic catalysts, the performance of the ESB Investment Club's Technology Fund was weaker than initially expected. As of January, the overall portfolio is slightly negative. This outcome provided several important and valuable learnings.

First and foremost, the fund highlighted a fundamental truth about investing: regardless of how many positive catalysts are present, investing inherently involves uncertainty. Even well-supported theses can fail to play out within a given time frame, and no investor can ever be 100% certain about market outcomes. This reinforces the importance of not allocating all capital to a single set of highly correlated positions. In hindsight, a broader diversification within the technology sector would likely have reduced portfolio volatility and improved risk-adjusted performance.

A second key learning relates to the investment horizon. A time frame of one academic semester is inherently short for equity investments, particularly in high-beta, narrative-driven technology stocks. Markets often require months or even years to correctly price in fundamental developments and structural trends. While our theses may still be valid from a long-term perspective, the limited investment horizon significantly constrained the probability of success. This mismatch between strategy and time frame proved to be a structural weakness of the fund.

Our capital deployment strategy of initially investing only 50% of available capital and reserving the remainder for market pullbacks proved to be conceptually correct. However, in execution, we deployed the remaining capital too quickly. In retrospect, we should have waited longer and exercised greater patience before fully investing. Specifically, additional capital should not have been deployed based solely on short-term daily price declines. A more disciplined approach would have required a clearer cooldown in momentum on a weekly or monthly basis rather than reacting to short-term volatility.

Furthermore, many of the assets we invested in had already experienced significant price appreciation prior to the start of our investment period. Entering positions after such strong rallies increased the likelihood of short- to medium-term corrections, particularly as early investors began to realize profits. In hindsight, it may have been more prudent to wait for a broader consolidation phase following the initial price surge, allowing for more attractive entry points.

Additionally, several catalysts that were expected to support markets did not materialize. While some interest rate cuts did take place in line with our expectations, their impact on risk-on assets was far less explosive than anticipated. This demonstrated that markets often price in expectations well in advance, limiting the upside impact once events actually occur.

At the same time, the final phase of the investment period reinforced one of the most important behavioral lessons in investing: positions should not be sold at a loss as long as the underlying investment thesis remains fundamentally intact. Toward the end of the period, it became clear that holding onto positions despite temporary drawdowns was the correct decision. This experience highlighted that successful investing, particularly from a value-oriented perspective, requires emotional resilience, patience, and the ability to tolerate periods of negative performance until fundamentals eventually reassert themselves.

In conclusion, while the short-term performance of the fund did not meet expectations, the learning outcomes were substantial. The experience underscored the importance of diversification, appropriate time horizons, disciplined execution, and emotional control. These insights represent lasting value that will meaningfully inform future investment decisions and contribute to a more robust and mature investment process going forward.

Written by: Jonas Rebstein (Fund Manager)

Being part of ESB Capital this semester was a deeply enriching experience. What stood out to me most was the inclusive structure of the club. Everyone was given the chance to present, pitch, and speak, regardless of background. That level of openness made the learning collaborative and dynamic. I was glad to contribute a few investment pitches, and more importantly, to learn from others with diverse perspectives. Coming from a background of trading mostly in Indian and U.S. markets, this semester helped me explore German equities in depth, something I hadn't done before. I was exposed to several new companies and industries, and the workshops introduced me to powerful tools for fundamental analysis. I also appreciated being surrounded by Bachelor's students and seeing their curriculum and approach, it gave me fresh insights, especially as an MBA student with real-world experience. I built good connections along the way. One interesting observation: while the club rightly focuses on fundamentals, I realized how different my approach as a trader was. Technical analysis, price action, sectoral timing, and geopolitical events have shaped a lot of my personal investment decisions, and I'd love to see these perspectives get more attention in the future. Markets are multi-dimensional, and a blend of analysis styles can enrich strategy. Overall, I'm thankful for the experience, the community, and the exposure. It reaffirmed my belief that finance is not just about numbers, but about mindset, discipline, and continuous learning.

Written by: Himanshu Rana (Analyst)

Contact

If you are interested in learning more about the ESB Capital Student Fund, you can find out more on our website <https://www.esb-investmentclub.de/esb-capital>.

Additionally, feel free to contact us via esbcapital@esb-investmentclub.de.