



518am
Reliable yield

**MONTHLY LETTER TO THE SHAREHOLDERS
OF 518AM DELTA-NEUTRAL STRATEGIES SP**

August 2024



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Despite significant macroeconomic headwinds, turbulence emanating from G10 central bank policy and, a supply overhang weighing on markets, the fund continues to deliver consistent positive returns

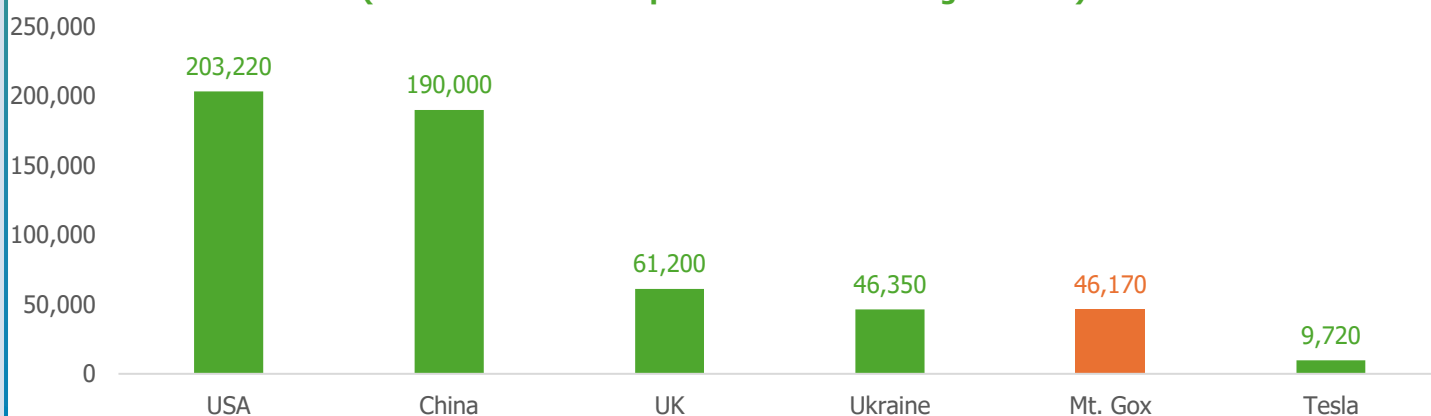


Massive unwinding of the Yen carry trade

In August, the Bank of Japan (BOJ) caused significant market turmoil by unexpectedly raising interest rates. This move, aimed at curbing inflation, marked a departure from the BOJ's long-standing ultra-loose monetary policy. The rate hike sent shockwaves through global financial markets, leading to a sharp sell-off in equities and bonds. The sudden shift in monetary policy also raised concerns about the potential impact on Japan's economic recovery and corporate earnings.

The turmoil was not confined to Japan; global markets felt the ripple effects. Emerging markets in general, and digital assets in particular, faced increased pressure as investors quickly closed-out their positions in high-yielding assets which were funded by borrowing in the eternally low-interest-rate Yen. Later in the month at Jackson Hole, Chairman Powell alluded to impending looser monetary policy in the US, which added further uncertainty regarding global central bank actions.

How large is the Mt. Gox supply overhang? (Number of BTC held per whale as of 29 August 2024)



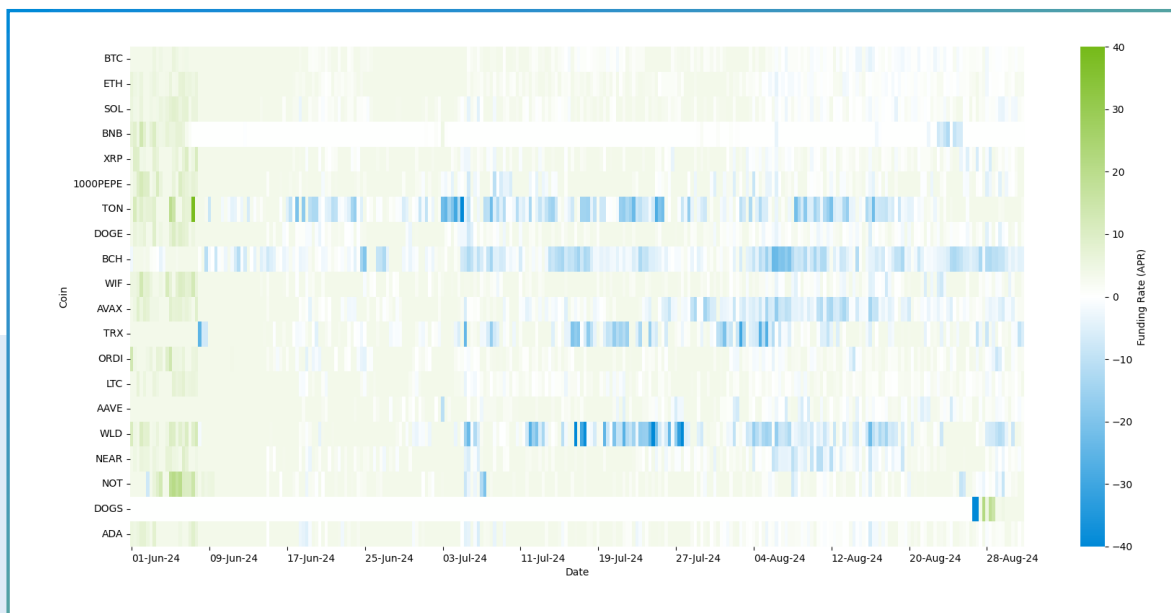
Source: Kaiko

News of the Mt. Gox supply overhang has notably impacted sentiment towards digital assets in recent months, making it a subject-matter that warrants closer scrutiny. Creditors are poised to receive a long-awaited payout from the 2014 hack, which Kaiko estimates to amount to slightly over 46k BTC (highlighted in orange in the comparison above). Of this sum, approximately 34k has already been transferred from a Mt. Gox-linked address to the Bitstamp exchange for distribution. This now-unlocked supply of Bitcoin, some of which will inevitably be converted into other currencies, is expected to exert downward pressure on BTC prices in the coming months.

In anticipation of the effects of Mt. Gox's distribution, traders sold BTC futures throughout August, driving funding rates into negative territory. Consequently, the impact of the impending payout has already been absorbed by the relevant markets, and the fund has weathered these effects well.

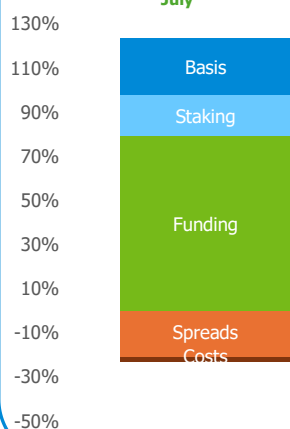






In early August, funding rates across the board continued their decline into negative territory. Even majors like BTC and ETH, which had been spared in July given the recent ETF launches, saw their funding rates dip alongside their peers. An exception to this trend was TON, whose growth in usage statistics and successful promotional efforts bolstered its bullish narrative and attracted fresh capital. However, the recent arrest of the company's CEO may pose challenges moving forward. Mr. Powell's statements at Jackson Hole regarding the future course of US rates are expected to bode well for risk assets, and we anticipate that funding rates will soon return to positive territory.

Performance attribution July



The team at 518am is pleased with the performance of the fund this month.

The strategy has navigated the market well, despite the brief period of volatility on the 5th that resulted in a minor mark-to-market loss on a September futures position. This loss will be fully recovered as the futures approach expiry this month. This setback, though minimal, was offset by consistent gains across the rest of the portfolio.

The incremental tweaks and optimizations we have been implementing over the past few months are starting to yield a benefit, as reflected in this month's solid results. Cheaper leverage rates has also helped.

Throughout the month, our team has been diligently refining the strategy further still, recognizing that this is a continuous process of improvement.

As we move into September—a month that has historically posed challenges for crypto assets—we remain optimistic. If the crypto markets stay range-bound, we expect another consistent performance.

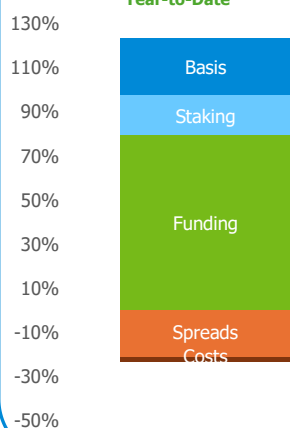
However, should Bitcoin break out of its six-month range as many anticipate it will do in Q4, we are well-positioned to outperform.

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Schedule a meeting with your investment manager



Performance attribution Year-to-Date



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