



518am
Reliable yield

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

October 2024

Uptober was a triumph! Our fund soared, capturing an impressive 1.89% net of fees! But that's not all – we're thrilled to announce the launch of our Brazilian [feeder fund](#) in partnership with [Acqua Vero Investimentos](#)! Starting this November, we're opening the doors for subscriptions. Get ready to join us on this exciting journey!



**Bitcoin is boss,
bonds at a loss!**

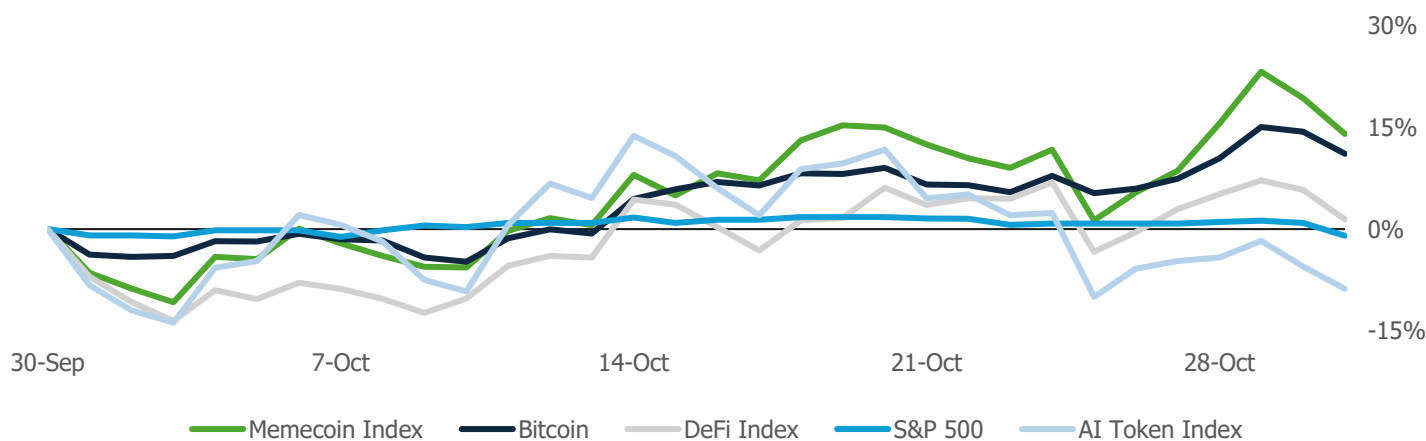
Bitcoin (BTC) posted an impressive 11% gain in October, significantly outpacing traditional assets. Gold managed a modest 3% increase while US equities remained largely flat. Meanwhile, bonds and corporate credit experienced declines, underscoring the digital asset's standout performance.

BTC fever spilled over into crypto rates in general, which traded wider than in the last couple of months and provided a tailwind for returns.

With the market pricing in two 25 basis point rate cuts by the FOMC this year and a 50% chance of another cut early next year, we remain cautiously optimistic about the macro backdrop. Historically, such conditions have favored our investment strategy.

Additionally, the robust flows into ETFs since their launch highlight growing institutional interest in the asset class. This trend is expected to trickle down to smaller market cap coins, further bolstering our outlook.

Memecoins mooning!

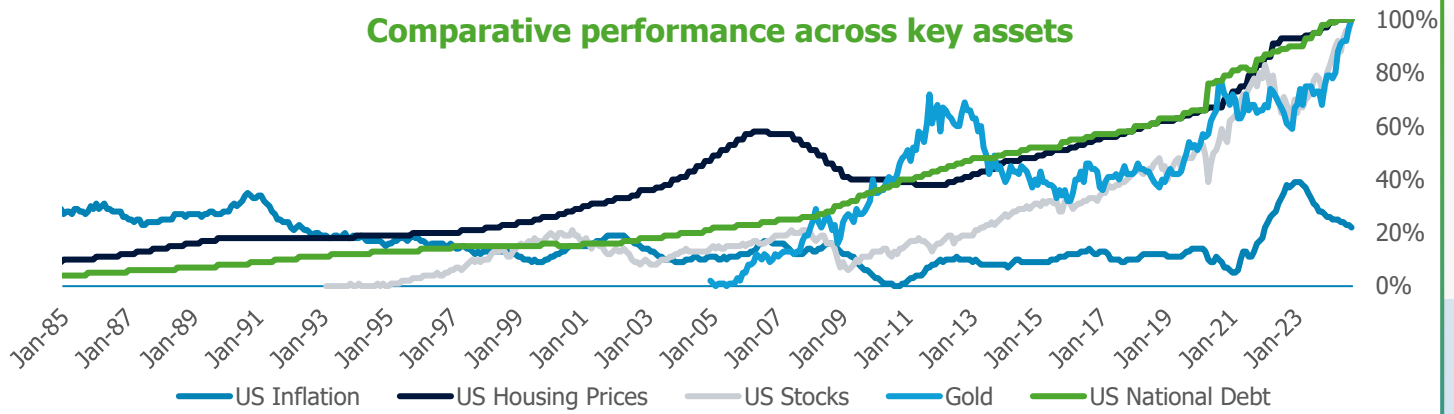


Sources: Artemis Analytics and 518am's calculations

Last month saw an impressive rally in memecoins, with several outliers standing out against Bitcoin's already formidable performance. Dogecoin (DOGE), a long-time favorite, led the charge appreciating more than 40%, fueled by strong community support and social media hype.

The memecoin surge highlights the speculative nature of these assets, where viral trends and online communities can drive substantial price movements. While Bitcoin remains a dominant force in the crypto market, the performance of memecoins in October underscores the diverse opportunities within the space. Investors are increasingly drawn to these high-risk, high-reward tokens, adding a layer of excitement and unpredictability to the market.

Comparative performance across key assets

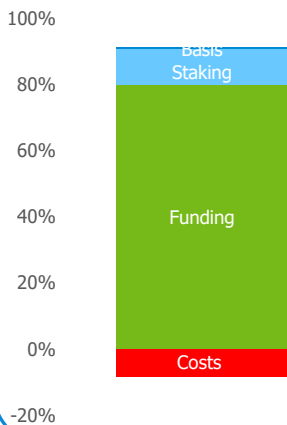


Sources: Bloomberg and 518am's calculations

Given the macroeconomic backdrop depicted above, a delta-neutral fund focused exclusively on digital assets stands to benefit significantly. With US home prices, stocks, national debt and gold at all-time highs, market volatility is likely to increase, providing ample opportunities for arbitrage and hedging strategies. The prolonged period of high inflation, coupled with the Federal Reserve's decision to cut rates, suggests a continued environment of economic uncertainty and potential liquidity influx into digital assets.

As traditional assets reach peak valuations, investors may seek alternative investments, driving demand for digital assets. The high national debt and inflationary pressures further erode confidence in fiat currencies, making digital assets more attractive as a hedge. A delta-neutral strategy, which aims to profit from market inefficiencies without taking directional bets, can capitalize on these dynamics by leveraging price discrepancies and volatility in the digital asset space, ensuring steady returns regardless of market direction.

Performance attribution October



October began with some large daily volatility swings in the P/L, but we saw a steady improvement as we progressed through the weeks. Bitcoin broke out of its summer range in the middle of the month, which has positively impacted portfolio yields, turning what started out as an average month into a good one. While our strategy isn't a directional one, strong trends like we have seen with rising Open Interest (OI) across the derivatives markets can certainly positively influence our returns if we are correctly positioned.

Capital efficiency is a core pillar to our investment approach. In line with this principle, we have integrated yet another exchange into our infrastructure. The inclusion of this one has expanded the permutations of real-time opportunities we monitor by roughly a factor of 1.4.

We are particularly motivated to build volumes here as it offers a unique (mis-priced?) configuration on a widely used product that aligns perfectly with our performance objectives.

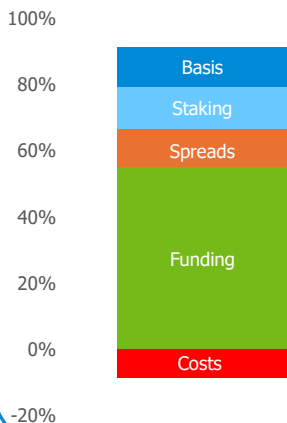
November promises to be an interesting month with the U.S. election results. We anticipate increased volatility, and our main risk lies in potential liquidations that could reduce the recent OI gains. In the worst-case scenario, this would mean lower yields, so we will begin to re-position parts of the portfolio accordingly to capture returns under this scenario.

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Schedule a meeting with your investment manager



Performance attribution YTD



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