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

December 2024

Our investment strategy continues to shine, buoyed by persistent strong inflows into the asset class and renewed interest from investors for leverage. Even the corporate treasuries of public companies are jumping on the BTC bandwagon. The fund is up another 2% this month, and we're feeling cautiously optimistic as we head into 2025!

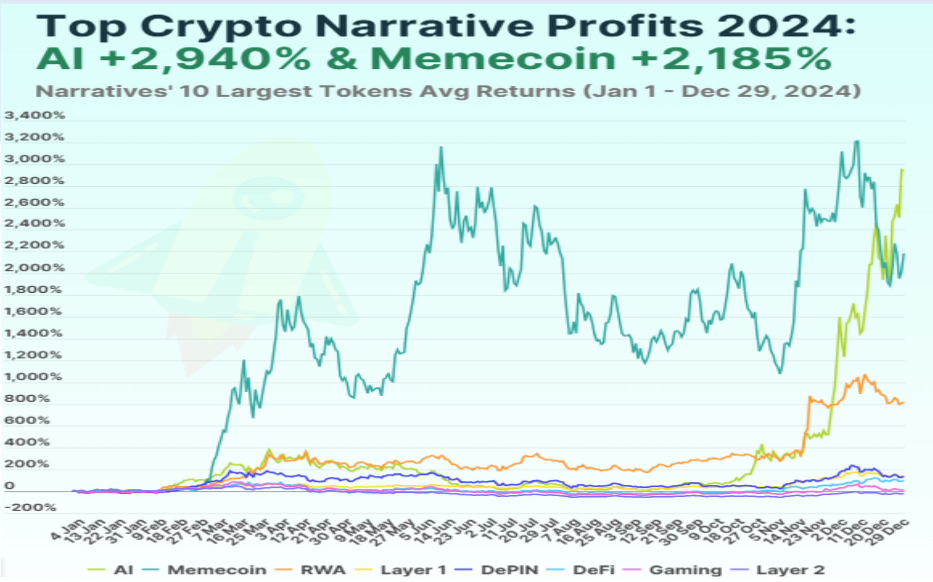
100k has been breached!

In December 2024, Bitcoin breached the significant $100k psychological barrier, reaching an all-time high above $106k on the 17th. Instead of the Santa Rally many were expecting, BTC sold off to close the year around $93.5k.

The risk off mood was due to the FOMC's press conference on the 18th, which highlighted economic uncertainties, including potential impacts from tariffs and projected a slower pace of rate cuts for next year.

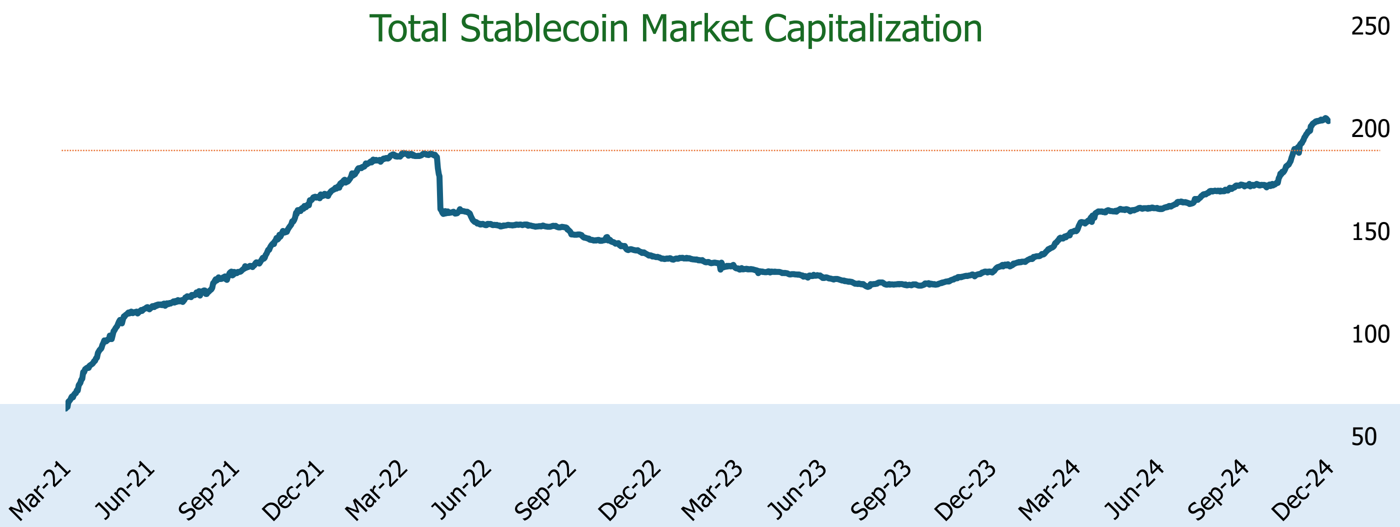
We found particularly interesting the flurry of announcements coming from corporate treasuries, of diverse economic sectors, stating they are committing some of their balance sheet to BTC.

Besides the usual suspects such as MicroStrategy and miners, US listed companies such as KULR (carbon fiber manufacturer) and Rumble (rights management video platform) made significant purchases in December. We will monitor this type of news flow to see if a trend develops.



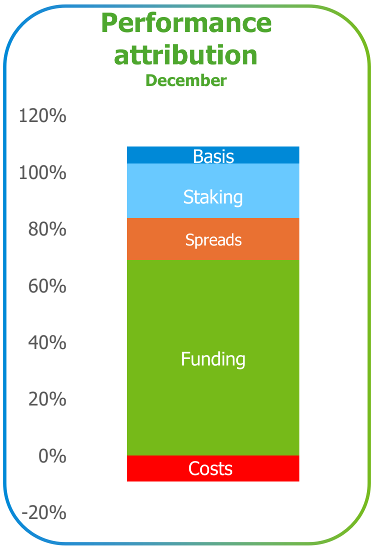
Source: CoinGecko

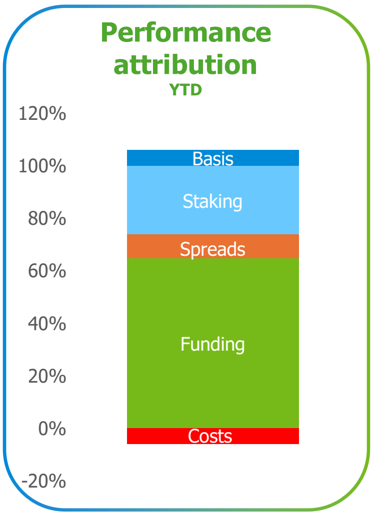
We thought it appropriate, at this moment in time, to provide a recap of the relative performance of this year's main narratives in the digital asset space. From March up until mid-December, Memecoins outperformed by a very wide margin, albeit with substantially more volatility. Of note was the year-end rally in AI tokens, led by Virtuals Protocol, which went vertical in mid-November and managed to end the year as the best performing sector. Both Memecoins and AI exhibited returns which by far surpassed the 2,000% mark. RWA was the third most profitable sector, trading sideways for a semester after a strong first quarter and buoyed by tokens such as Mantra. Layer 1 and DePIN only slightly outperformed BTC whilst the DeFi and Gaming narratives had returns slightly below the majors. Layer 2 was the only sector with a negative return for the 2024.



Since early November 2024, the growth rate of the market's total stablecoin capitalization has surged dramatically, reaching levels reminiscent of the 2021-2022 bull market. This resurgence is significant, as stablecoins are integral to the blockchain ecosystem, facilitating numerous on-chain activities and the use of digital assets.

In December 2024, the total stablecoin market capitalization of U$ 203 billion surpassed the heights achieved in early 2022, marking a pivotal moment in the cryptocurrency landscape. This milestone underscores the growing acceptance and integration of stablecoins within the broader financial system. By the end of December 2024, a diverse array of stablecoin providers emerged, many of which were previously nonexistent. Each offers distinct variations of digital expressions of the U.S. dollar, catering to different user needs. This diversification fosters competition and stimulates innovation within the stablecoin market, ultimately contributing to a more robust digital economy.





After reviewing the funds performance for December, it is clear that this month was marked by 2 distinct phases.

The first half of December continued the trend we saw through most of November, with strong, steady and consistent yields across the majority of assets.

After 6 weeks of euphoria, the market sentiment shifted once Bitcoin hit its all time high of approximately 107.9k around the middle of the month.

Over the subsequent 3 days the market experienced an aggressive sell off erasing over $1.3bn of open interest from the derivative markets. For our portfolio, this deleveraging event translated into a declining yield prompting some strategic re-positioning.

Notably, the cost of leverage, which spiked to extreme levels last month reverted. This normalization gave the opportunity to re-introduce leverage back into the book, to levels we are more accustomed to and safely in line with our risk management policies.

Looking ahead to January, we expect the bullish narrative to persist, supported by increasing institutional interest and with this, open interest and yields to rise once again into the presidential inauguration on the 20th. This environment aligns very well with our current portfolio strategy which is now running at maximum utilization.

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Schedule a meeting with your investment manager