



518am
Reliable yield

MONTHLY LETTER

January 2025

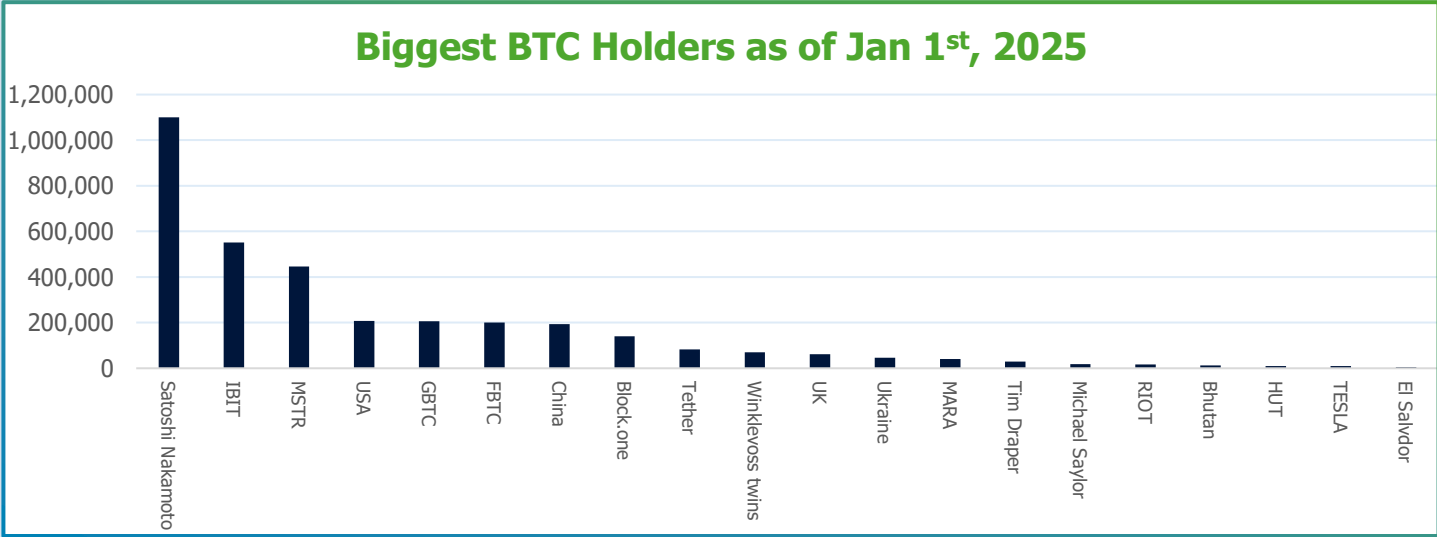
Our investment strategy kicked off the year on a high note, gaining 1.31% in January. Positive news flow, particularly from the US, helped sustain digital asset prices and rates throughout the month. However, we are approaching February with a degree of caution as President Trump introduces new policies whose impacts on the market are still unknown.



A tremendous BTC SWF?!

There has been significant speculation about the U.S. sovereign wealth fund investing in BTC. President Trump's executive order has sparked plenty of interest, especially with pro-Bitcoin officials like Commerce Secretary Lutnick and Treasury Secretary Bessent involved. However, there has been no official confirmation from the administration regarding specific plans to purchase BTC, other than not selling seized assets which would, over time, create a stockpile at the US Treasury.

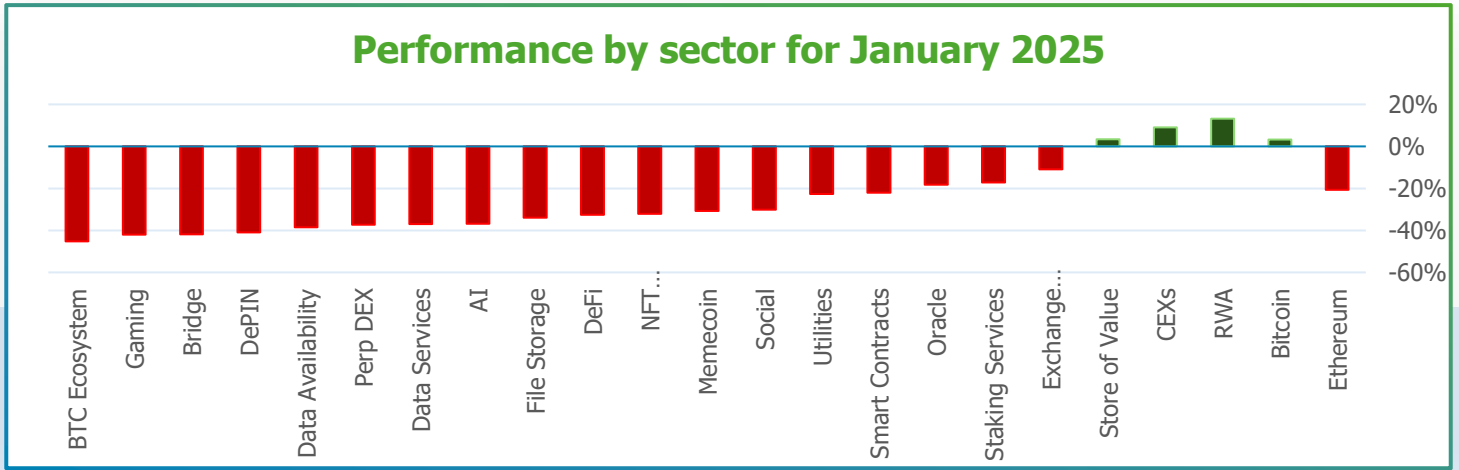
An influential figure in the crypto space recently [argued](#) against the idea of a Strategic Bitcoin Reserve (SBR). He supports holding a stockpile of seized Bitcoins but opposes actively acquiring Bitcoins. The article knowledgeably criticizes proposals to acquire 1 million BTC over five years to strengthen the dollar and hedge against economic instability. The author argues these proposals are unrealistic and could lead to misguided monetary policies. We write more about this in the following section.



The article mentioned above challenges Strategic Bitcoin Reserve (SBR) proposals through five critiques. Bitcoin's extreme volatility (e.g., \$3,800 in 2019 to \$95,000 in 2025) makes it unreliable, with critics comparing state adoption to gambling public funds due to manipulation risks. Adopting BTC reserves could undermine the dollar's global dominance by eroding trust in traditional systems like the petrodollar framework. Politically, an SBR faces congressional opposition and institutional resistance – evidenced by plans to sell \$19 billion in seized BTC rather than retain it. Such a plan, if implemented, would place the US as the world's second largest holder.

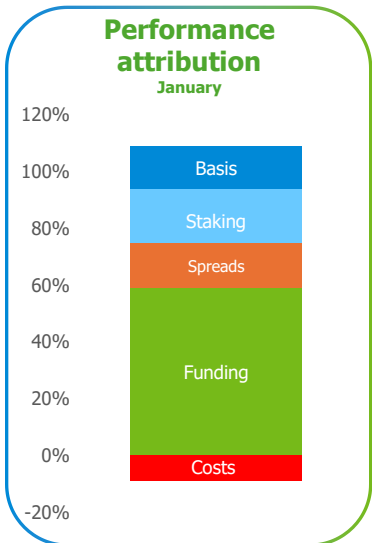
While proponents claim BTC appreciation might reduce national debt, analysts argue its fixed supply doesn't address inflation mechanisms and could spark destabilizing global crypto competition. Finally, the SBR concept reflects a dangerous shift toward privatized monetary systems (reliant on crypto exchanges/blockchain firms) rather than state-controlled reserves like gold, creating accountability gaps. Together, these factors position Bitcoin reserves as economically speculative, politically unviable, and institutionally risky compared to traditional strategies.

Performance by sector for January 2025



January's rally was significantly narrower in scope compared to previous months. With the sole exception of BTC, only sectors such as Stores of Value tokens (XRP, LTC, DASH), Centralized Exchange tokens, and Real-world asset tokens (Ondo, Maple, MANTRA) managed to achieve gains. Even ETH experienced a notable decline. This marked difference in performance suggests a shift in market sentiment, with a notable preference for safer, higher-quality assets dominating the landscape over the past month. While this positioning may be temporary, meant to buffer any impacts brought by the seismic policy shifts in the US, we remain vigilant of the potential spillover effects on rates in the digital asset space.

As of January's close, both funding rates and the basis have generally compressed from their widest November and December prints but remain attractive, nonetheless. Implied volatility is trading higher but current levels do not indicate investors are particularly uneasy or alarmed about events in the next few months. We will continue to monitor the market and gauge if January's flight to quality endures and position the fund accordingly.

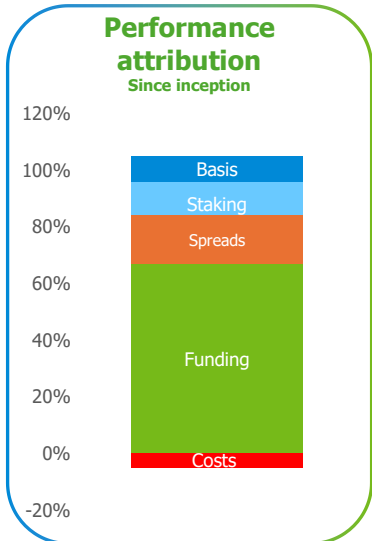


Bitcoin remained largely directionless, trading in a range between \$92K and \$106K which made for a fairly uneventful market. Trading in the portfolio continued in much the same way with volumes and portfolio turnover being seasonally quiet. This isn't necessarily a bad thing, where our lower execution costs can be considered a valuable gain!

We have started to think about how it can enhance trade selection, portfolio optimisation and ultimately, profitability. Whilst we have taken some baby steps this month our sense is that it will be sometime before the use of this technology will actually be useful for production.

We have been leveraging the use of Artificial Intelligence in our code development for several years now, and it has been invaluable in structuring workflows, catching errors, commenting, and generally making the code base more robust. It has also significantly helped in optimising code efficiency in ways that has completely surprised us.

With a pro-crypto government and a more favourable stance from the SEC, it's an exciting time to be in Crypto. Institutional, state, and even national-level adoption is on the horizon. As we move into February, we are looking forward to the inevitable new spate of announcements that will shape the space in the months ahead.



This quieter trading month gave us an opportunity to explore AI in a different way.

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Schedule a meeting with your investment manager



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