



**518am**  
Reliable yield

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

March 2025



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Reliable yield

In March, global macroeconomic and financial conditions experienced significant deterioration, culminating in Trump's Liberation Day on April 2nd. Despite the challenging month for risk assets, our investment strategy exhibited impressive resilience, achieving a gain of 0.13%. This performance highlights the defensive nature and reliability of our approach.



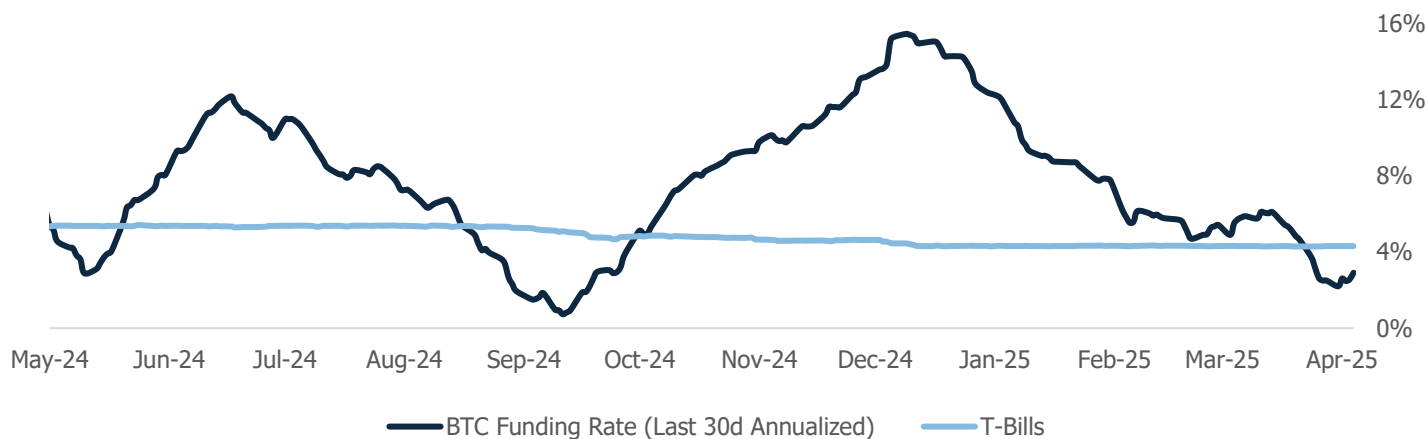
### Tariff Anxiety

Otto Mallery authored *Economic Union and Durable Peace* just four years before the General Agreement on Tariffs and Trade was enacted (1947). In his seminal work, Mallery cautioned policymakers: "If soldiers are not to cross international boundaries on missions of war, goods must cross them on missions of peace." President Trump, however, has disregarded these teachings, initiating a significant upheaval in the realm of international trade. While the long-term effects of this policy remain uncertain, March

witnessed substantial deleveraging across various asset classes.

US equities plunged 11.7%, the 2-year Treasury yield tightened by nearly 20 basis points and, Bitcoin (BTC) recorded a relatively modest loss of 5.5% for the month. Other digital assets performed worse, with Ethereum (ETH) dropping nearly 15% and higher-beta assets experiencing even greater declines. This month did not spare gold either, which had been on a strong upward trend but fell by 4.5%.

### BTC Funding Rates vs. T Bill Yields

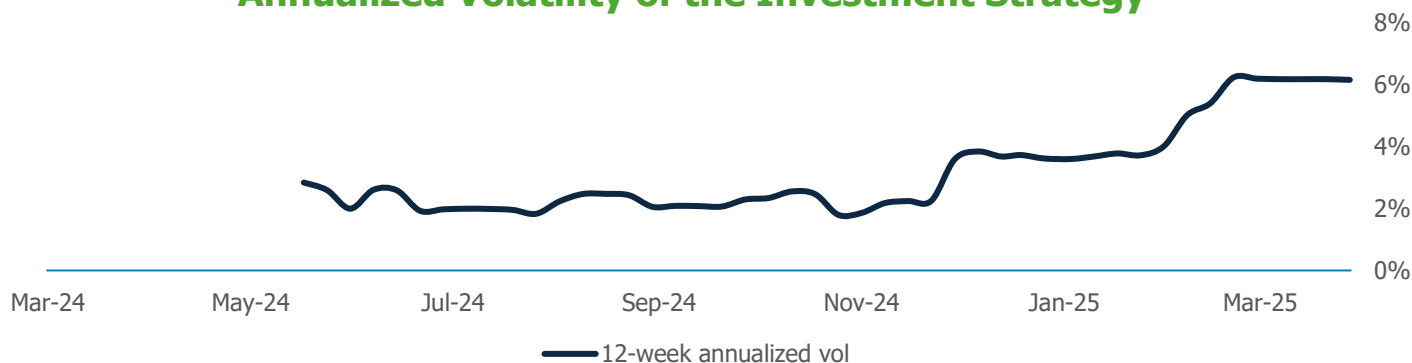


We have encountered similar situations in the recent past. There is no need for alarm.

Over the past year, Bitcoin (BTC) funding rates have fallen below Treasury Bill (T-Bill) yields on three separate occasions. The first instance occurred at the end of April 2024 and persisted for 22 days. The second began in mid-August and lasted for 47 days. During the former, the funding rate dropped to 2.88%, while in the latter, it declined to 0.83%. In the current instance, the funding rate has decreased to 2.20%, the shallowest dive of the three, and already appears to have reached an inflexion point. Historically, such conditions have often precipitated big rallies in digital asset prices which were accompanied by wider funding rates. It seems to us that the catalyst will be clarity regarding America's trading partners response to reciprocal tariffs (especially China). Until then, we shall remain defensive and monitor new developments.

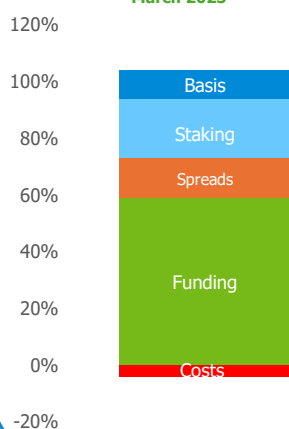


## Annualized Volatility of the Investment Strategy



An alternative illustration of the defensive and stable nature of the investment strategy can be discerned from the chart above. It employs a rolling window to annualize the volatility of twelve consecutive weekly net asset value prints, encompassing a full three months of data. Prior to President Trump's election victory, the strategy's average volatility was approximately 2.2%. In response to subsequent market turbulence, the strategy's volatility escalated, resulting in two distinct regime shifts: the first in early December and the second in early February. Most notably, volatility plateaued in March at 6.2%, despite the VIX (a measure of the S&P 500's volatility) surging from 22 to 52 within the same month. This indicates that our positioning during the month effectively shielded the portfolio from escalating volatility. For context, G-10 FX volatility rarely trades at such low levels, typically hovering around 8%. Equity indices such as the S&P 500, under favorable conditions, generally exhibit volatility approaching 13%, while emerging market single names trade with a 20% handle.

### Performance attribution March 2025



March was most notable for the absence of volatility, with Bitcoin mostly contained within a tight 5% trading band. Our portfolio benefited from an increased allocation to the major tokens generating our modest, consistent yield. In fact, this month marked the highest weighting to large-cap crypto assets in the history of our book.

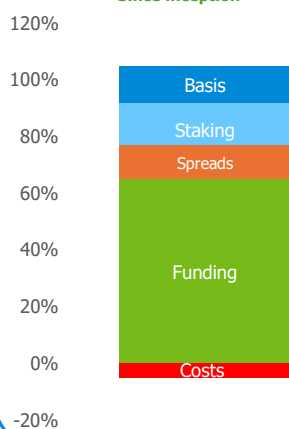
From a systems perspective, we spent March focusing on scalability. As our AUM continues to grow, we've made substantial progress in ensuring that our trading infrastructure and risk management frameworks remain robust, efficient and fully scalable. We are building not only for today's capital base, but for significantly higher volumes ahead.

into the macro landscape. This backdrop has complicated yield extraction.

Importantly, we remain well positioned for a range of outcomes and as we move into April, we are reintroducing select cross-exchange arbitrage strategies aimed at capturing incremental yield. These trades are particularly well suited to the current environment.

Finally, one of the exchanges we are active on is adjusting its methodology for calculating funding rates. We believe this change will be advantageous and could justify an increased weighting towards that venue in the coming weeks, subject to ongoing monitoring and backtesting.

### Performance attribution Since inception



Geopolitical uncertainty continues to shape sentiment, with rhetoric from Trump single handedly injecting layers of unpredictability

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**Schedule** a meeting with your manager



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