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

April 2025

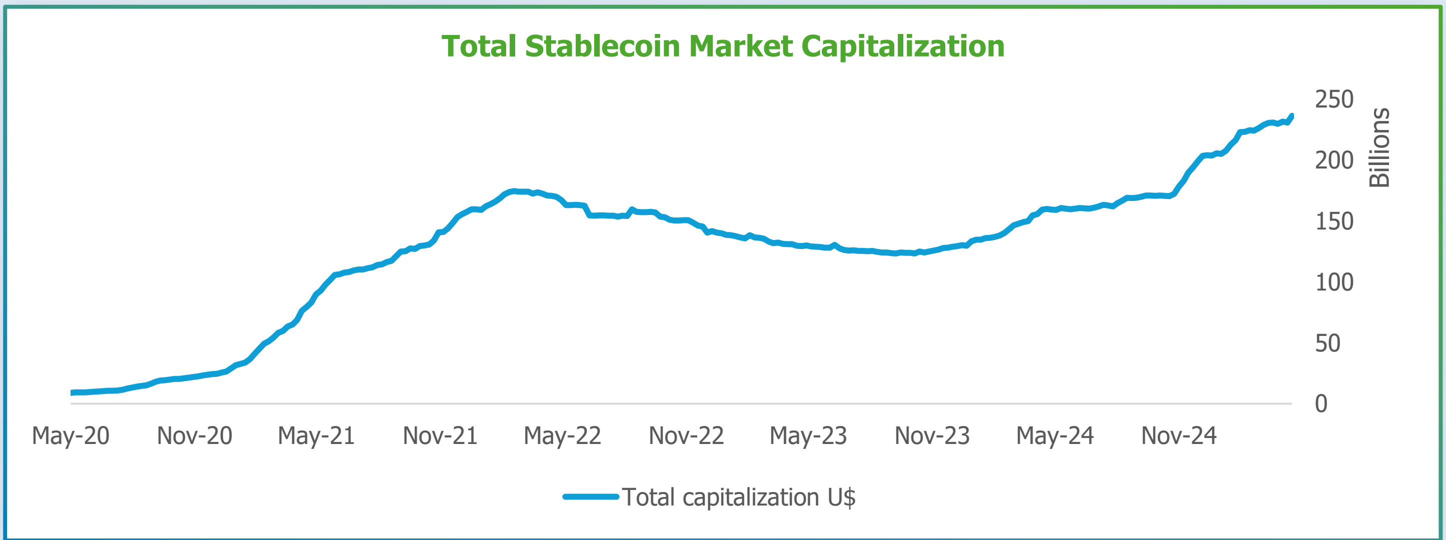
518am
Reliable yield

April experienced considerable volatility across all asset classes, with Liberation Day foreshadowing the challenges which lay ahead. The strategy's defensive posture proved advantageous once again, yielding an additional 32 basis points over the course of an unsettled month.

A new SEC will alter the regulatory framework

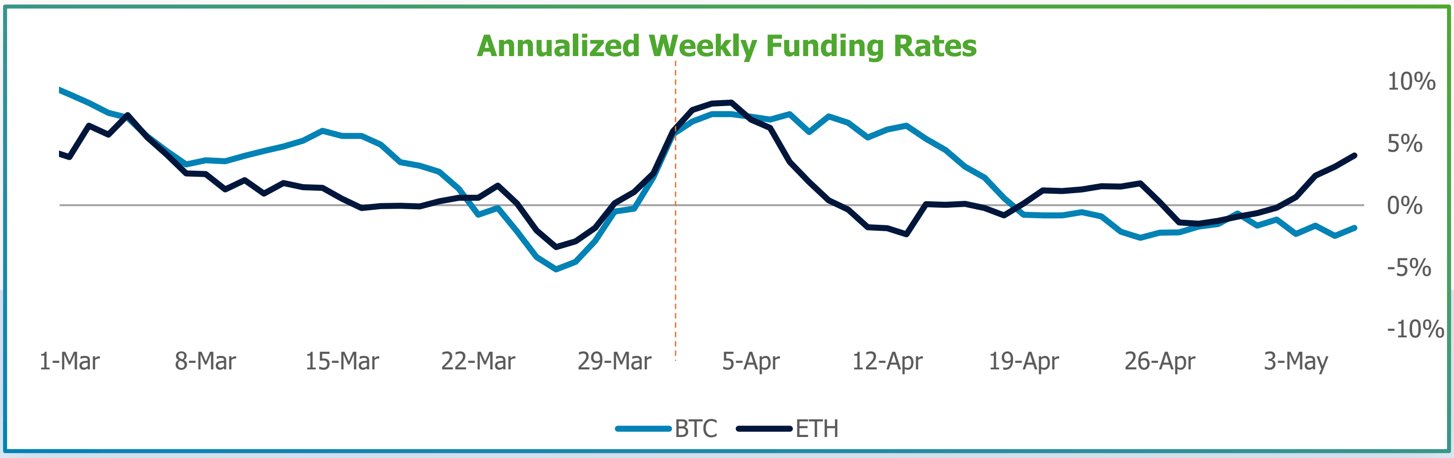
During his confirmation hearings, new SEC Chairman Paul Atkins was adamant about his objectives: restore morale to the industry, eliminate ideologically driven regulation and, guarantee fairness for emerging sectors such as digital assets. He stated, “A top priority of my chairmanship will be to work with my fellow Commissioners in Congress to provide a firm regulatory foundation for digital assets through a rational, coherent and principled approach.”

We anticipate this stance will serve as a significant catalyst for the sector in the coming months. Much of the resistance to the asset class has originated from prior regulatory attempts to constrain the industry. A reversal of this nature could be profoundly transformative as it allows previously reticent investors to access the space. In conjunction with efforts announced by the Fed and the CFTC, we expect interest in digital assets to reignite across a variety of investor types.



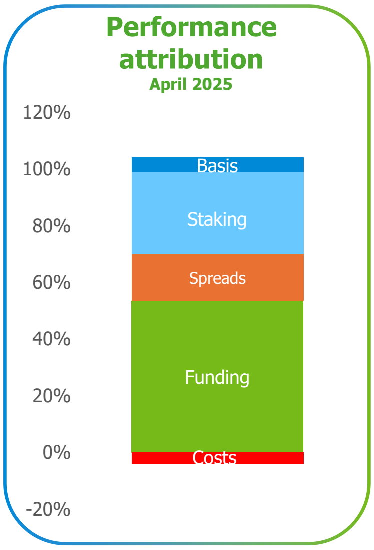
In December of last year, we noted that the market capitalization of stablecoins had surpassed $200 billion, marking a significant milestone. By the end of April, this figure had impressively grown to approximately $240 billion, reflecting a robust 20% increase in just four months. News outlets have highlighted that, at these levels, stablecoins now account for more than 1% of the global M2 money supply. While some growth can be partly attributed to the success of innovations such as yield-bearing instruments, the market remains heavily concentrated in the two largest issuers, which do not offer yields. This suggests that a significant portion of the growth is driven by increased usage rather than the pursuit of yield.

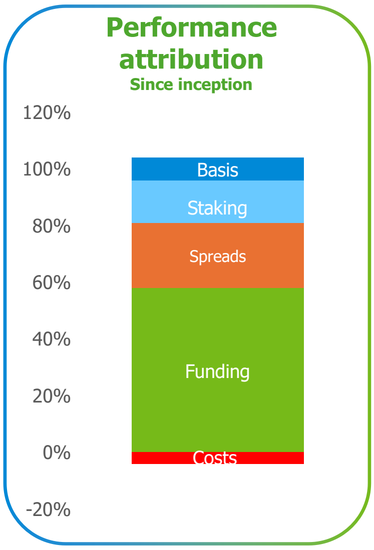
The rapid pace of adoption signals growing confidence from both institutional and retail investors in digital assets. If historical trends are any indication, this scenario foretells higher prices and significantly wider funding rates in the not-too-distant future.



Liberation Day, marked as the dotted orange line in the chart above, prompted significant tightening of benchmark digital asset rates. From a healthy 8% handle, both BTC and ETH rates ended up trading in negative territory this month. However, it is worth mentioning that the April dip was much shallower than the one observed in late March. Whereas in that instance BTC traded all the way down to -5.0%, this instance only brought BTC rates to -2.6%.

The behavior exhibited by ETH rates can sometimes, but not always, be informative. During the March episode, and in certain other instances in the past, ETH rates have led BTC rates. The amplitude of the change in both rates tends to be roughly equivalent, but ETH tends to tighten first and then recover first as well. Notice how ETH reached its April nadir before the 15th and already trades in positive territory in early May. And this has happened despite spot ETH's poor relative performance as of late. We will monitor continue to monitor for signs of this optimism spilling over into other pairs.





April saw Bitcoin break out of its prior consolidation range, supported by improving macro sentiment in the US in the form of optimism around trade negotiations and a potential easing of protectionist tariff policies.

The rally was largely driven by spot market flows, while activity across derivatives remained relatively subdued. This dynamic is directly relevant to our performance during the month, as our current most favored strategies are more focused on taking advantage of leverage and positioning in the derivatives space.

This decoupling between spot and derivatives markets highlights a change in recent market structure. Institutional appetite re-emerged, particularly through US-listed spot Bitcoin ETFs, which saw significant net inflows. On-chain data reinforced this narrative, with large holders (wallets holding 1,000–10,000 BTC) accumulating over 150,000 BTC during the month. Possibly a clear sign of strategic accumulation rather than short-term positioning?

In contrast, funding rates remained soft across the board and open interest on the off shore exchanges we are most active on saw only a marginal uptick.

Looking ahead, the timing and scale of a return by leveraged players remains uncertain, particularly given the still fragile macroeconomic backdrop.

In light of this, we are tactically reallocating exposure towards alternative yield strategies, such as staking-based opportunities, where yields have remained stable and risk-adjusted returns appear more attractive in the current environment. As we head into the typically quieter summer months this re-positioning looks increasingly like a prudent and sensible decision.

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Schedule a meeting with your manager

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