



518am
Reliable yield

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

May 2025



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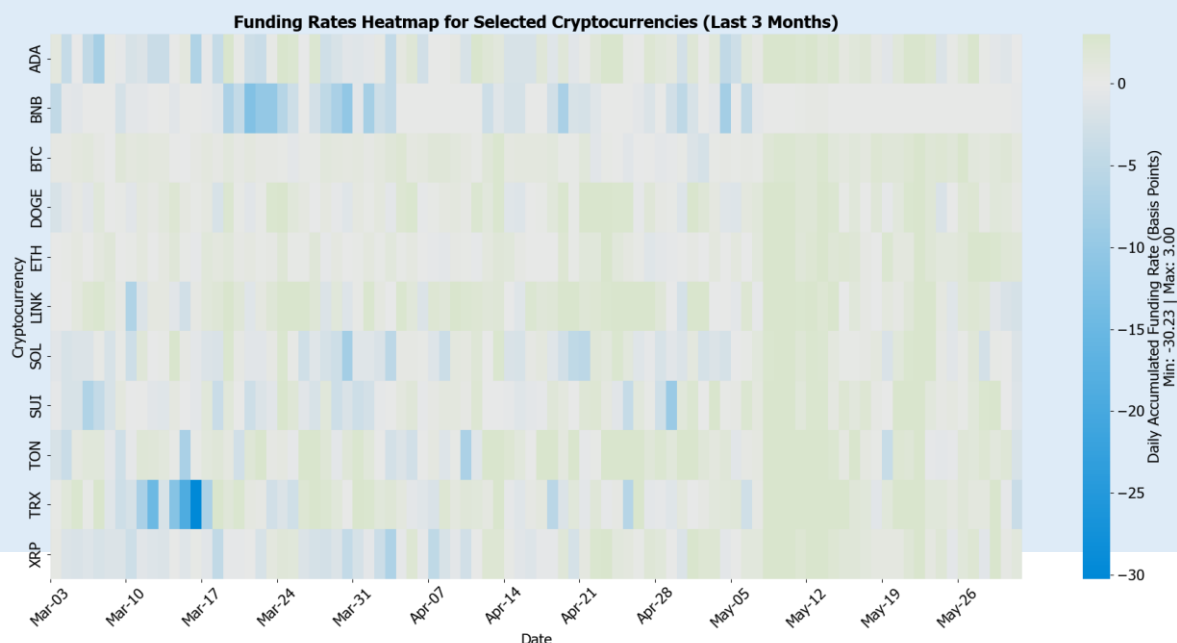
In May 2025, Bitcoin surged, briefly reaching a new all-time high just shy of \$112,000. However, a significant portion of those gains was retraced by month's end. Despite a sluggish performance in previous months, the investment strategy delivered a solid return of 85 basis points.



Another BTC all-time high!

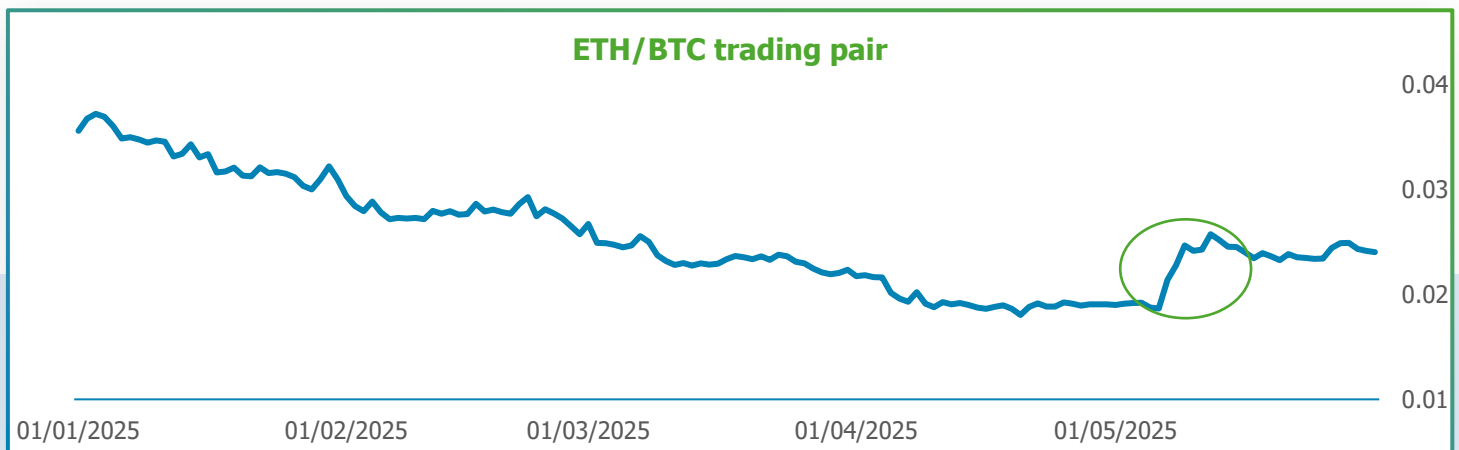
Following the announcement of the 'Big Beautiful Bill', and with the market anticipating intense money-printing and sustained inflation as a result, Bitcoin has continued to rally. Adding to the momentum, Ethereum's value skyrocketed, propelled by network upgrades that dramatically lowered transaction costs and supercharged activity in the DeFi and NFT sectors. Circle's confirmed IPO, with a NYSE listing, further bolstered confidence across the entire ecosystem.

Regulatory progress emerged. The US Senate advanced the GENIUS Act, strengthening stablecoin oversight by mandating full reserves and implementing stricter AML requirements. The SEC issued guidance on digital asset custody and recordkeeping standards. The Commission is considering an exemptive order allowing DLT for securities trading and settlement—potentially groundbreaking. We expect continued legislative action to sustain crypto assets.



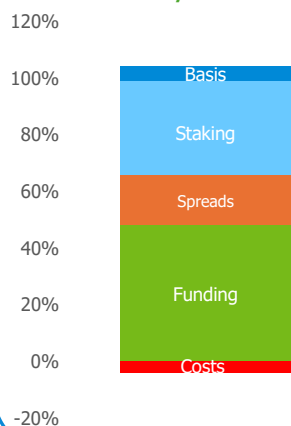
The figure above presents a heatmap of funding rates for major market capitalization digital assets over the past three months, revealing a compelling trend in May. During the last three months, funding rates have steadily moved away from negative territory, evolving from intense blue shades to grey tones and finally increasingly green hues, signaling a promising shift. Although improved, these rates still hover in a neutral zone of 0 to 3 basis points per day, translating to approximately 11% annually. While not yet ideal for our strategic goals, this progress is a marked enhancement from earlier negative conditions. This subtle transition hints at a stabilizing market, fostering cautious optimism for wider rates and improved performance.





The chart above presents a time series of the ETHBTC trading pair, illustrating the relative performance of Ethereum (ETH) against Bitcoin (BTC) over the last 6 months. We highlight that ETH can be thought of as a potential benchmark for the broader cryptocurrency market, ex- BTC. Over the past six months, as depicted in the chart, ETH has notably underperformed, reflecting a significant divergence in their market dynamics. However, recent data reveals an interesting reversal: despite BTC experiencing a substantial rally within the last month, ETH has demonstrated an even stronger upward momentum during the same timeframe. This observation underscores the growing interest in the broader cryptocurrency market, as investors appear to be increasing their allocations across the board. Rather than shifting capital from BTC to other coins, they are purchasing BTC while investing even more heavily in alternative cryptocurrencies like ETH, reflecting renewed market enthusiasm.

Performance attribution May 25



Whilst we welcome Bitcoin's return to all-time highs, it is worth contrasting current market conditions with those at the start of the year, when Bitcoin last traded at these levels. Back then, sentiment was euphoric, with elevated open interest and the cost of leverage reflecting widespread speculative positioning. In contrast, today's environment couldn't be more different.

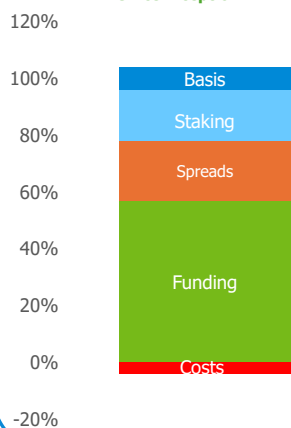
This shift is clearly reflected in our own performance. During the earlier rally, our systems captured returns in excess of 2.5%, taking advantage of volatility and structural dislocations. Now, the market appears much less frothy. Positioning is generally lighter, derivatives activity is relatively subdued, and importantly, this rally has been spot-drive. This is suggestive of limited retail participation and a more institutionally led move.

We also believe the worst of the geopolitical noise, including the recent tariff-related headlines, is likely priced in. This gives crypto assets and our strategy room to revert to a more neutral stance, generating more than acceptable performance for our investors.

Strategically, we have increased exposure to the largest market cap assets, taking advantage of the low cost of leverage to optimize yield extraction. Also, we have continued to develop cross-exchange opportunities.

Looking ahead to June, we are excited about a new trading opportunity currently in development. It remains firmly within our delta-neutral mandate and has the potential to offer a very attractive risk-adjusted return profile.

Performance attribution Since inception



This setup plays well into our core strategy. The return of positive price action, without excessive leverage or crowding, is constructive.

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Schedule a meeting with your manager



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