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

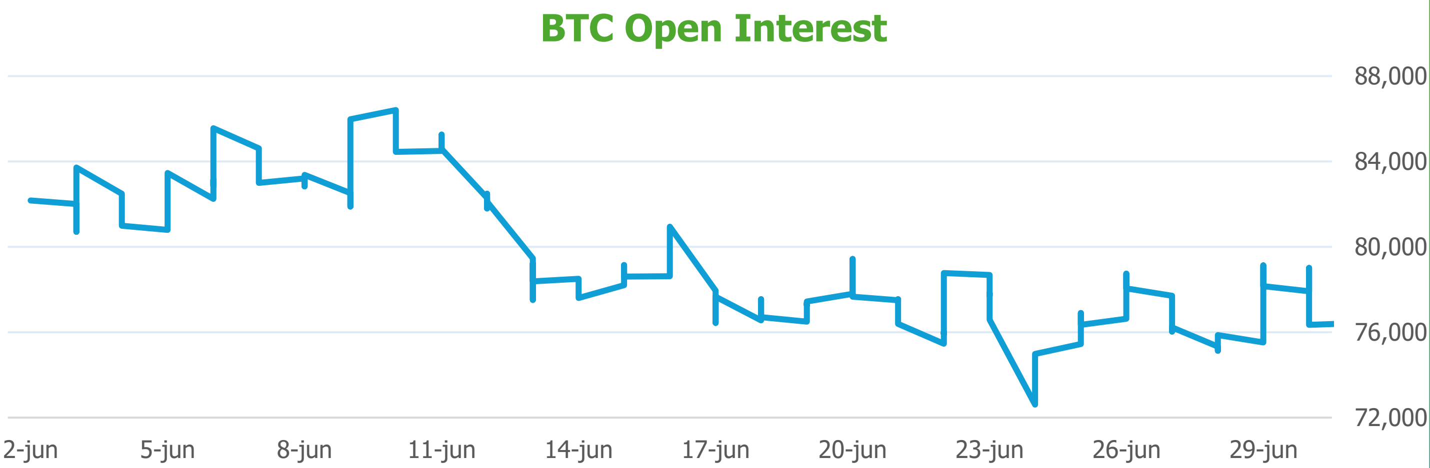
June 2025

June marked our first negative month since inception, with the fund posting a 1.15% decline, driven by geopolitical tensions, tariff uncertainty, and a unique market dynamic: while spot crypto demand surged, derivative activity—vital to our delta-neutral strategy—remained subdued.

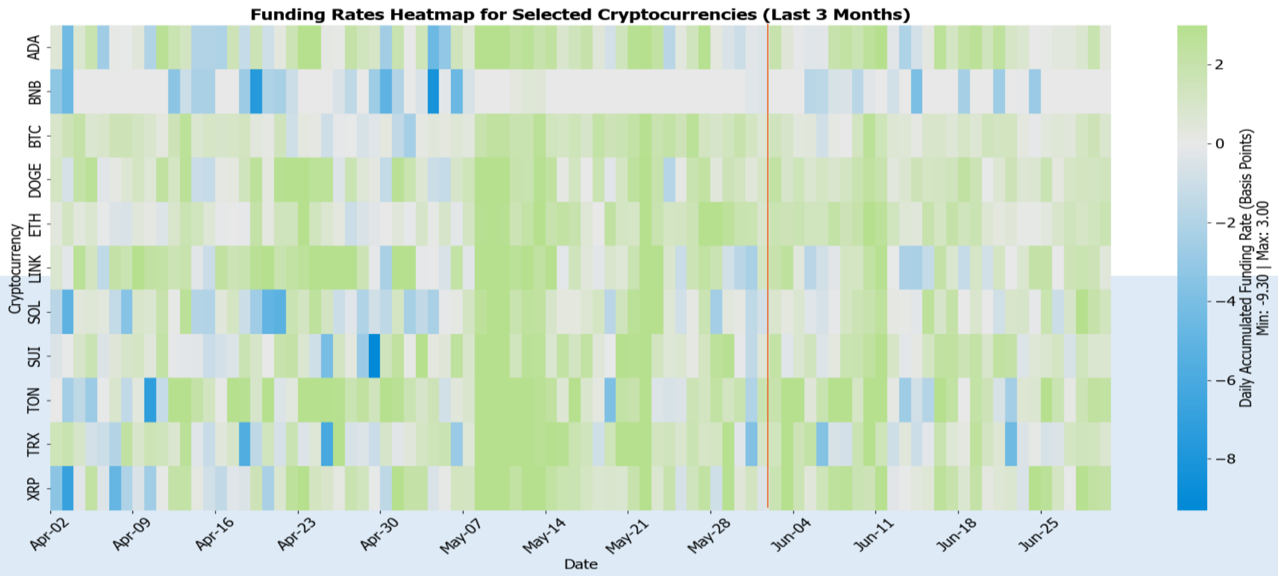
The MSTR playbook

Corporate treasuries of public companies have embarked on a notable Bitcoin acquisition spree. As of late June, these entities held more than 830k BTC. This is important for several reasons. Firstly, it represents a strong bid in the spot market, driving demand. But perhaps even more revealing, it signals that digital assets are becoming truly mainstream, with public companies consistently purchasing more Bitcoin than exchange-traded funds over the last three quarters.

This trend is geographically broad, spanning 13 countries and encompassing diverse economic sectors—including software, automotive, financial services, e-commerce, energy, healthcare, and materials. More recently, it has also extended to a wider range of digital assets, such as BNB, ETH, and SOL. We remain attentive to if, when, and how these new participants may seek to generate yield on their positions, as such a shift could introduce a meaningful new dynamic to the market.

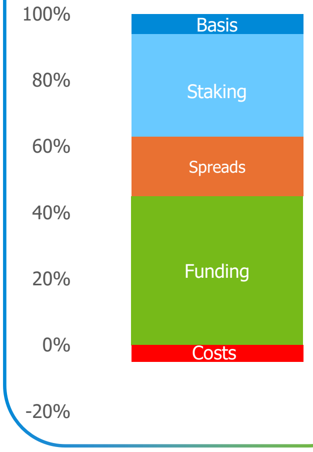


The Fund's strategy is designed to capitalize on digital asset investors' appetite for leveraged exposure, primarily expressed through perpetual futures contracts. As demand for leverage rises, the spread between perpetual futures and spot prices tends to widen, resulting in elevated funding rates that enhance the strategy's income potential. One key indicator of leverage appetite is Open Interest in derivatives, which reflects the total number of outstanding futures contracts in the market. As illustrated in the chart above with Binance data, BTC open interest declined from approximately 82,000 contracts in early June to around 72,000 by month-end (~12%). Such a contraction, over a short period, typically exerts downward pressure on funding rates. Notably, this decline occurred despite strong spot demand for BTC underscoring the divergence between spot enthusiasm and derivative positioning. If such a dynamic was evident in BTC, one can safely infer the impact on open interest and funding rates across altcoins was even more pronounced.

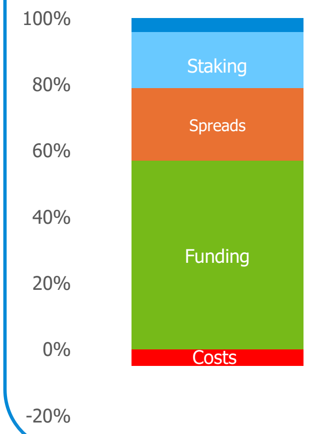


The start of June was noticeably less encouraging for digital asset rates compared to the momentum seen in May. While there was a brief uptick around the 11th that delivered some positive—albeit modest—prints across the board, the rally was short-lived. From that point through the 27th, most rates trended flat to negative, with notable underperformers like TRX falling deep into the red. Although there was a slight recovery toward the end of the month, it wasn't enough to offset the mid-month drawdowns. Despite strength in the spot market and the pricing-in of additional rate cuts on the short end of the U.S. curve, these factors failed to meaningfully shift sentiment or reverse the broader trend in rates last month.

Performance attribution
July 25



Performance attribution
Since inception



This month, we recorded our first drawdown since launch. While disappointing, we want to be transparent in explaining the factors behind this and provide context that reinforces our confidence in the strategy.

Despite Bitcoin trading near all-time highs, the broader derivatives market remains unusually subdued as we have pointed out in previous newsletters. This lack of participation has led to persistent mispricings, particularly in the futures curve, which we assess to be trading at depressed levels relative to historical measures.

To put this in context, the current shape of the futures curve more closely resembles periods seen during prolonged bear markets, often referred to as "crypto winters", rather than conditions typically seen when BTC is near all-time highs. In short, the market is behaving as though we are in a deep downturn, even while spot prices tell a very different story.

Our core positioning this month was to arbitrage this disconnect: trading longer-dated futures at relative discounts and hedging the exposure through the shorter end. While we believe this to be a highly rational and risk-efficient deployment of capital, the temporary mark-to-market impact from this position has been the primary contributor to this month's drawdown.

We are aware that mispricings of this nature can persist longer than expected, but not indefinitely. Historically, such dislocations have corrected swiftly and often abruptly as liquidity returns, and positioning normalizes. In a worst-case scenario, we would expect full recovery over the next 6–9 months. That said, our conviction is that this will revert much sooner, within the next 2–3 months.

We remain fully confident in our approach, the robustness of our risk framework, and the opportunity set ahead. Our long-term edge is built precisely on identifying and capturing these types of structural inefficiencies and we believe the current environment offers some of the most attractive risk-adjusted opportunities we've seen in months.

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Schedule a meeting with your manager