



**518am**  
Reliable yield

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

July 2025



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Reliable yield

July was a full step-back in the right direction – your fund is up 1.8% net of fees after last month's first-ever draw-down. Strong inflows blew out the basis, feeding our spreads. Furthermore, regulatory tailwinds have strengthened, and look set to persist into August, keeping us constructive on yield ahead.

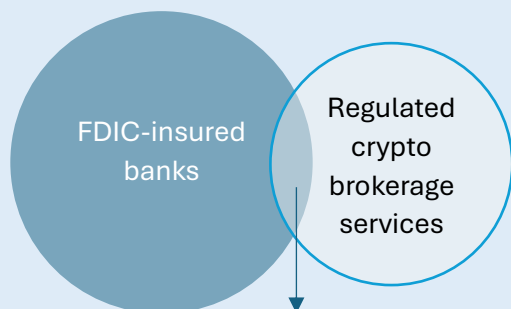


### Further regulatory clarity

The clearest regulatory runway in years took shape in July: the House passed the bipartisan GENIUS Act, meshing with the Senate's FIT-25 to vest primary oversight in the CFTC, green-light direct bank brokerage, preempt state-by-state blue sky laws, and fast-track custody licenses; that regime removes the choke-points and legal grey zones that have kept trillions in traditional AUM on the sidelines. A same-day SEC-CFTC accord declared BTC, ETH and SOL bona-fide commodities and

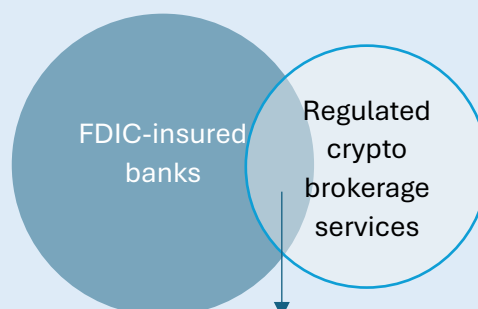
trimmed new-token reviews to 30 days. The Treasury, with FinCEN, opened a 24/7 Fed-settlement pilot for FDIC banks, slashing on-chain counter-party risk and extending prime-broker credit lines; and U.S.–EU lawmakers locked in a reciprocal DeFi safe-harbor through 2027. Together, these moves lift regulatory fog, widen the traditional-finance funnel, and should materially strengthen the carry our investment strategy aims to harvest across spot-futures bases and funding rates.

*Pre Treasury/FinCEN Pilot*



Silvergate Bank  
Metropolitan Commercial Bank

*Under the Treasury/FinCEN Pilot*



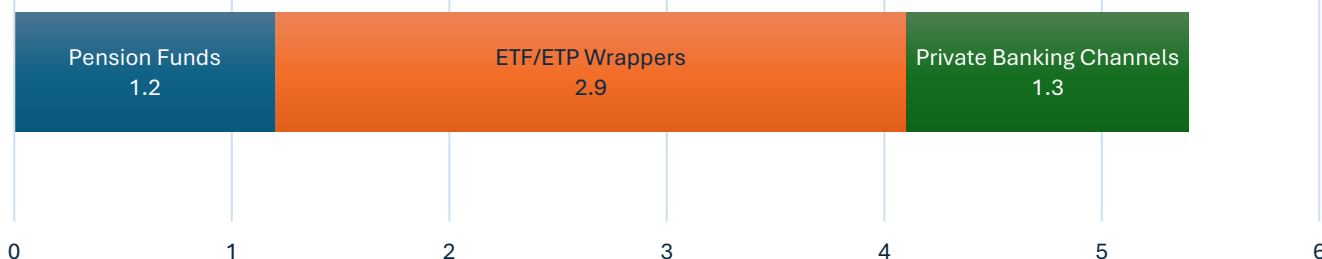
**39 banks**, including:  
BOFA, JPM, Citizens, PNC and US Bank

The Treasury/FinCEN 24/7 Fed-settlement pilot does for crypto what the ACH network did for retail banking: it removes the last, riskiest layer of reconciliation. Until 22 July, spot and futures desks sat on hundreds of billions in prefunded stablecoin reserves issued by uninsured trusts because Fed wire closes 7 p.m. Friday through 11 p.m. Sunday. That gap bottled up dollar supply, inflated 20-30 bp weekend CME bases, and made real-time delta hedging impossible at regulated scale. By granting select FDIC banks their own Fed master account with an on-chain "mirror" balance, the pilot cuts settlement to seconds instead of next-day wires. Funding costs fall 60-80 bps, CSAs and prime-broker credit lines can be priced off SOFR rather than off-shore USD, and counter-party concentration risk collapses.

In a month, the same trillions that once required offshore OTC desks can move through JP Morgan, BofA and Citizens in daylight, overnight or 3 a.m. Sunday—all without a stablecoin middleman.

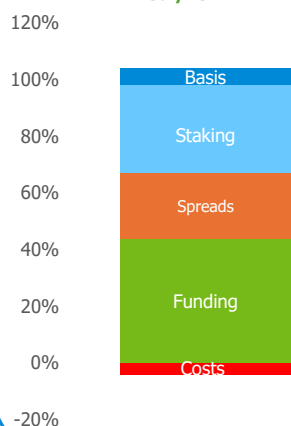


## Incremental AUM able to allocate to digital assets post GENIUS Act and FIT-25 (in \$ trillions)



A 23 July 2025 BofA memo quantifies the post-GENIUS wave of institutional capital at an incremental \$5.4 T of US-domiciled assets newly eligible for direct, on-shore crypto exposure. The methodology blends three steps: (1) a proprietary screen of SEC-registered, CFTC-cleared vehicles and single-state pensions whose charters explicitly ban "treat-as-investment-contract" tokens; (2) a linear-programming addition of the 39 Fed-Treasury pilot banks' custody rails and margin-extended prime-broker balance sheets; and (3) a beta-adjusted estimate of how much of that base can substitute cash-T-bill sleeves with delta-neutral CME or Eurex crypto futures without breaching mandate tracking-error limits. The potential influx of institutional capital represents a watershed moment for crypto's mainstream adoption—legitimizing digital assets as a durable asset class. The \$5.4T unlock reflects not just regulatory clearance but a structural shift in asset allocation, as pensions, ETFs, and private wealth pivot toward compliant onshore exposure. This capital reshapes market dynamics, reducing reliance on speculative retail flows and cementing crypto's integration into global finance.

### Performance attribution July 25



The mean reversion trades we had initiated in June began to realize gains in line with our expectations from the beginning of July. The extreme dislocations we had identified in the futures basis began their journey to normalization through the month. There is still further reversion expected, and we continue to view this as the most attractive risk-adjusted opportunity we have seen since the fund's inception over a year ago.

The trading book has been actively rebalanced over the month, with a strategic move away from our overweight exposure in the majors, spreading in to more of our tradeable coin universe. This reweighting reflects the opportunities we are seeing across the board as dispersion between the coins flattens out and normalises.

Historically, the July–August period tends to be seasonally quieter, with some compression in yield to be expected. However, we can see

scenarios that present a different return profile this August. Headline activity may slow down but volatility from US trade and macro policy might still drive risk-on assets and we believe this could offer tactical opportunities.

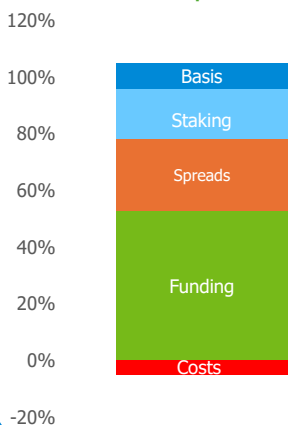
On the development side, we have begun a significant upgrade to our internal risk infrastructure. We are integrating predictive, trend and correlation analytics across all aspects of the book. We are now running this new system, which incorporates AI-driven pattern recognition, in test alongside our traditional rule-based logic system. The ultimate goal is to be more adaptive and controlled with an intelligent, pro-active risk framework that can scale with the growing complexity of our strategy.

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**Schedule** a meeting with your manager



### Performance attribution Since inception



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