



518am
Reliable yield

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

September 2025



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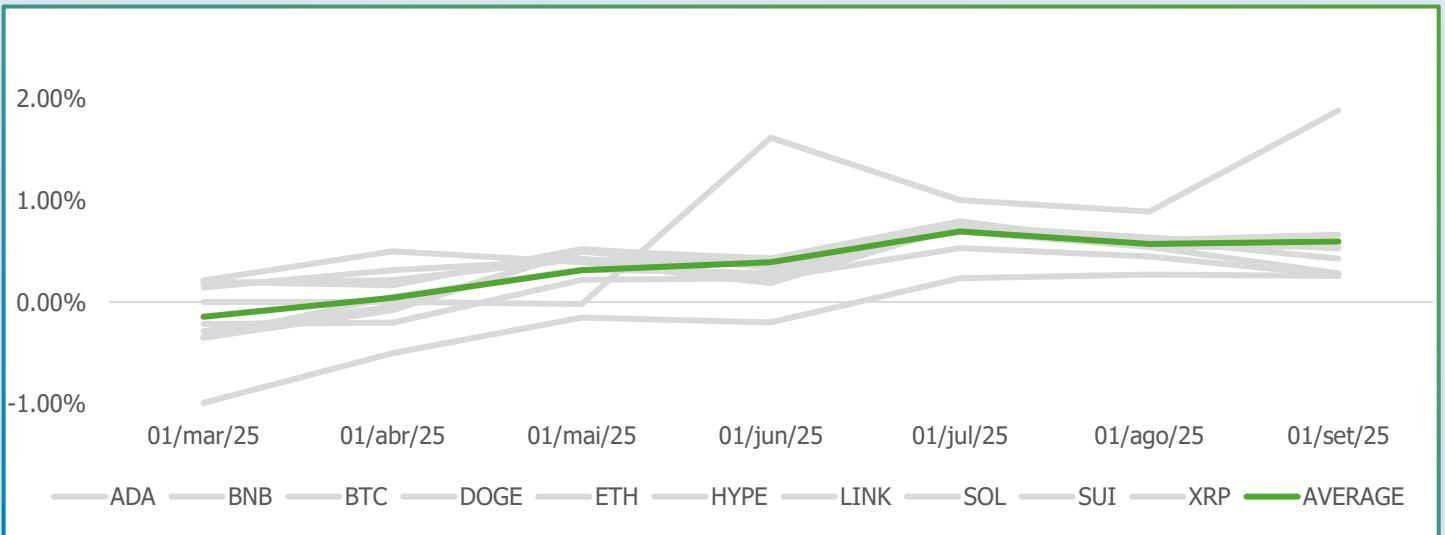
While our strategy generated +0.78% in September, we recognize this performance still trails historical potential and lags behind traditional benchmarks. Despite these short-term results, we maintain a bullish outlook heading into year-end, as funding rates continue to firm across the market.



Integration into TradFi

Last month marked significant progress in digital asset integration with traditional finance. Nasdaq filed an SEC proposal to enable trading of tokenized securities alongside traditional equities, with DTC handling post-trade conversion to blockchain tokens. The US and UK established a Transatlantic Taskforce for Markets of the Future, focusing on digital asset collaboration and cross-border capital raising efficiency, with a 180-day reporting deadline. Several

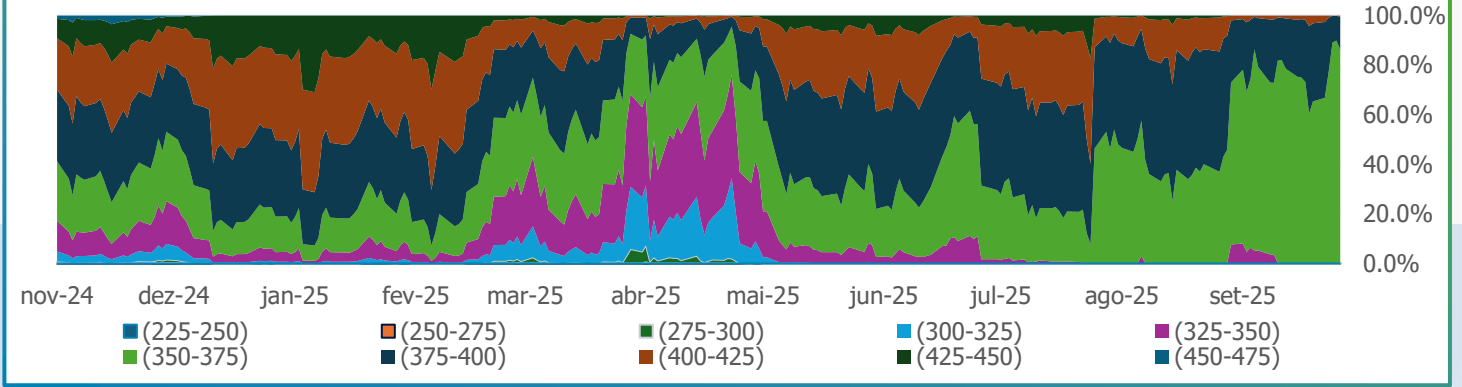
European banks jointly announced development of a euro stablecoin, while the CFTC launched an initiative allowing tokenized collateral in derivatives markets. These coordinated moves by major financial institutions and regulators represent a fundamental shift in how digital assets are being perceived within the global financial system, moving beyond speculation to become integral components of market infrastructure. This bodes well for our investment strategy.



The data shows a significant market shift, with average funding rates climbing from -0.15% in March to +0.60% by September, representing a remarkable improvement in market sentiment. This trend indicates growing demand for long positions in the top cryptocurrencies by liquidity. Notably, HYPE has demonstrated exceptional strength, with funding rates surging from -0.02% in May to an impressive +1.89% in September. The consistent, albeit volatile upward trajectory in funding rates suggests increasing market confidence and capital inflows. Historically, positive funding rate environments exhibit strong autocorrelation and thus allow us to project a bullish outlook through year-end. The current rate structure, particularly when compared to previous cycles, suggests we are in the early stages of a sustained bull market rather than a temporary rally in floating rates, with momentum indicators supporting continued appreciation through the fourth quarter.



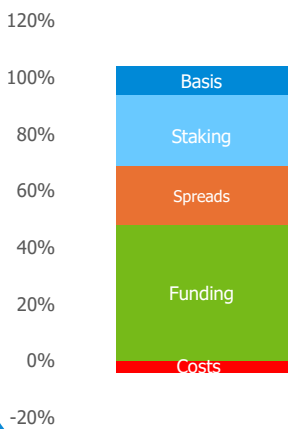
Target Rate Probability History for FOMC on 10 December 2025



The market now prices in a high probability (>80%) of two additional 50-basis-point cuts, taking Fed Funds to a 3.50%-3.75% corridor by year end. Further easing—at least another 50 bps—is expected through mid-2026, both creating favorable conditions for our market-neutral strategy, which has historically outperformed as the dollar’s policy premium tightens.

BTC’s price remains closely tied to global M2 growth; as the Fed cuts and other central banks follow, a synchronized easing cycle should continue to provide sustained upward pressure on BTC and possibly spilling over into altcoins. Accommodative policy also tends to spur elevated leverage in crypto derivatives, widening basis spreads between spot and futures and expanding roll-yield opportunities we typically harvest. We’ll monitor US inflation prints, payrolls, and M2 trends to time our use of leverage.

Performance attribution October 25



September began the first half of the month with strength but ended the second half almost where it started. While headline crypto prices were steady, the rates we extract traded below expectations, continuing a pattern we have seen for a while now with ongoing cheapness in the futures curve.

Our staking trades in ETH and SOL are a small but important part of our overall strategy. The staking income we earn needs to offset the cost of hedging these rewards, and that balance had a notable change this month. We observed our non-staking portfolios often yielded better, probably highlighting more interest from the market in these staking trades and reminding us how valuable it is to run a diversified portfolio with different types of strategies working together. The cost of leverage remained volatile, as noted last month, which we continue to monitor closely.

Following a major options expiry on the 26th, where the market gravitated towards the 110,000 “max pain” level, dealer positioning eased and sparked a late-month rally copying a pattern we have seen play out in many previous years. This has previously set the stage for a strong final quarter, which is seasonally bullish.

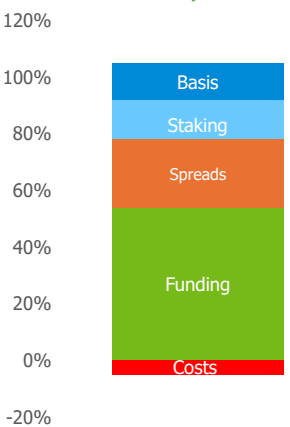
Combined with the ongoing positive regulatory developments coming out of the US and the increasing DATs and ETFs exposure we remain highly optimistic that rates will continue to normalise across the board. With our ability to efficiently capture these opportunities, we expect DNS to begin to meaningfully outperform.

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Schedule a meeting with your manager



Performance attribution Since inception



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