



518am
Reliable yield

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

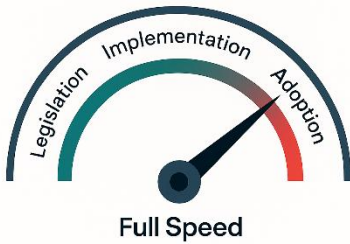
December 2025



518am
Reliable yield

December challenged directional crypto investors as Bitcoin traded range-bound between 85,000 and 90,000. Amid thin year-end trading and shifting volatility, our delta-neutral strategy delivered a steady 0.61% return. This demonstrates, once again, our ability to generate consistent, uncorrelated alpha regardless of market direction.

Regulatory Progress

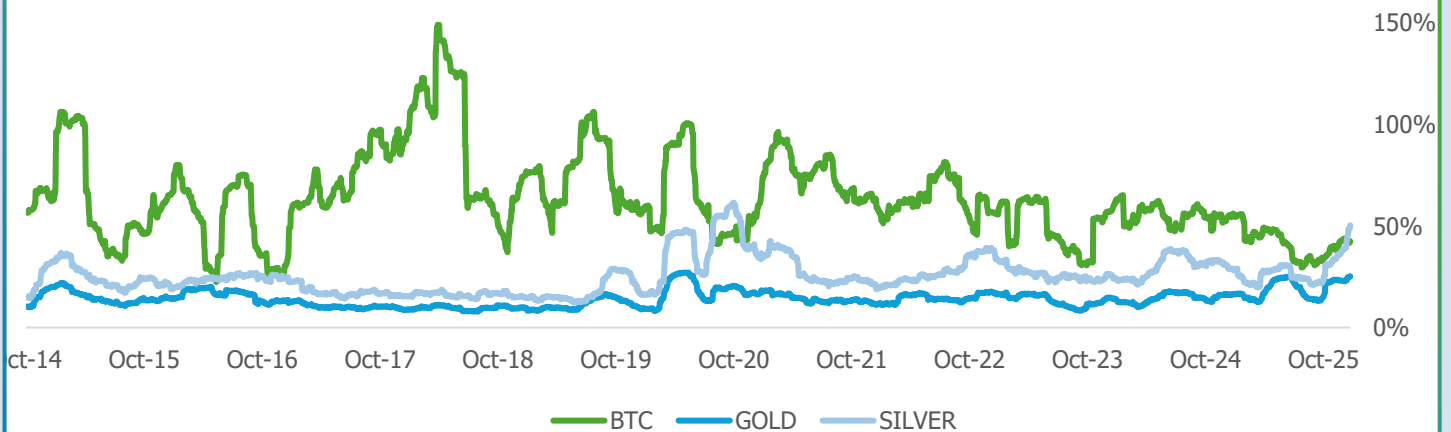


Watershed Regulatory Moments

The FDIC moved from legislation to implementation, proposing detailed rules for how banks can issue payment stablecoins through subsidiaries. This represents the concrete operational framework following the GENIUS Act's passage, transforming stablecoins from regulatory uncertainty to bank-approved financial instruments. Simultaneously, U.S. banking regulators granted explicit permission for banks to act as crypto brokers and intermediaries.

Across the Atlantic, the UK Parliament passed landmark legislation formally recognizing digital assets as a distinct third category of property. This provides crucial legal clarity for institutional investors, reducing counterparty risk and creating a predictable legal environment for digital asset ownership and transfer—essential foundations for large-scale capital allocation. These parallel developments in the US and UK create the regulatory certainty that institutional capital needs.

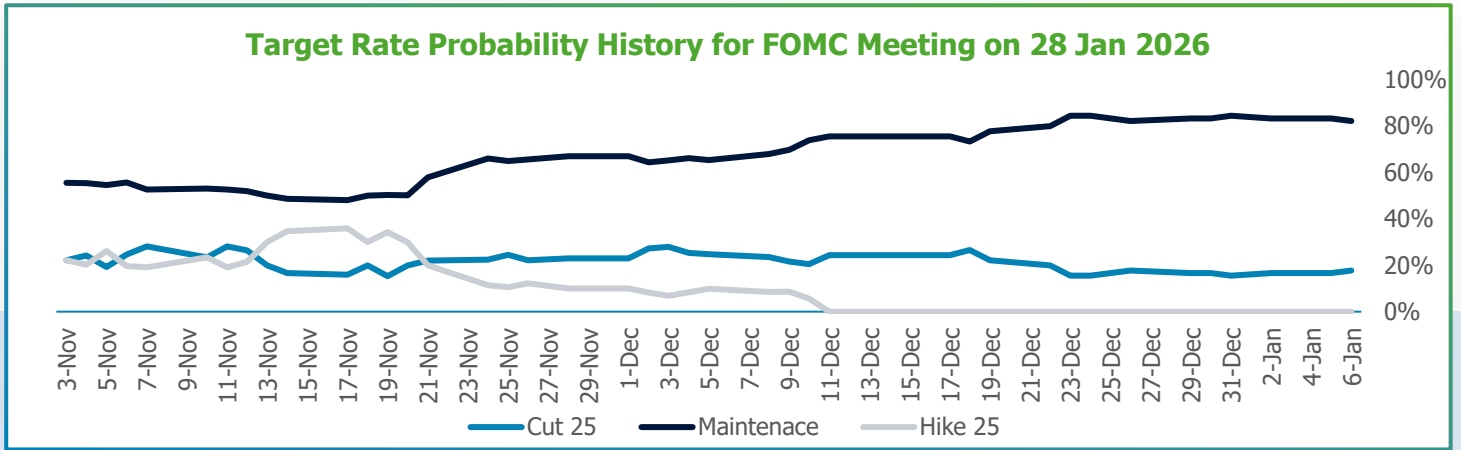
Annualized 3-month Volatility Comparison



The CME launched a Bitcoin Volatility Index (BVOL), which functions as crypto's "fear gauge," calculating 30-day implied volatility from Bitcoin options prices. Pension funds and asset managers can now accurately price Bitcoin exposure in portfolio context, calculating Value-at-Risk (VaR) and stress testing with institutional-grade metrics. BVOL enables variance swaps and volatility futures—tools that allow institutions to hedge tail risk without directional exposure. This was previously impossible in crypto markets. With BVOL, institutions can apply traditional portfolio theory to crypto, calculating Sharpe ratios and risk-adjusted returns using standardized volatility metrics. This removes a major barrier to large-scale allocation. Furthermore, December witnessed a landmark shift in crypto's risk dynamics: Bitcoin's 30-day implied volatility of 42-43% converged with Silver's 36-38%. This represents a fundamental repricing of crypto's risk premium and signals the market's progressive maturation.

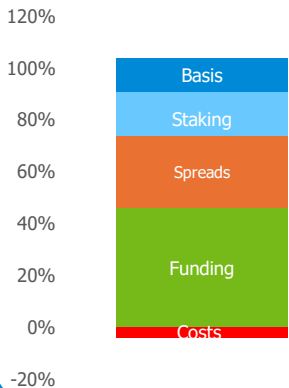


Target Rate Probability History for FOMC Meeting on 28 Jan 2026



From late November through the December 10 FOMC meeting—which delivered a 25-bps cut to 3.50%-3.75% alongside cautious guidance—markets underwent significant repricing. The data reveals a crucial shift: whereas markets previously displayed three-way uncertainty with roughly equal probabilities for cut/hike/maintain (22%/56%/22% in early November), they now consolidate around an 82-84% probability of rates remaining unchanged through January. This represents a fundamental repricing from two-tailed uncertainty to maintenance consensus. The elimination of hike probabilities (from 22% to 0%) while maintaining some cut potential (15-17%) creates optimal conditions for relative value strategies. Markets have moved from speculating on both directions to expecting stability with a dovish bias—precisely the environment where basis trading thrives. The Fed's positioning creates what we view as the "Goldilocks scenario" for strategies such as our own. Continued easing supports leverage demand and futures premiums, providing the carry that fuels basis trading profitability. Simultaneously, the consolidation around maintenance prevents the excessive positioning that typically distorts basis relationships. This environment rewards precision over prediction—exactly where delta-neutral strategies excel.

Performance attribution December 2026



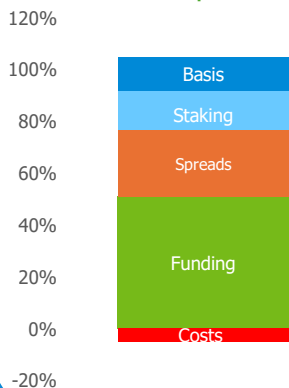
Market conditions remained unusually quiet throughout the month. Volatility indices hovered near yearly lows and open interest across major exchanges was stagnant and barely moved over the entire period highlighting the lack of conviction there is on either side of the market. Liquidations were similarly muted, at levels we typically see during the summer lull and spreads across trading venues stayed unsurprisingly compressed.

This lack of volatility has resulted in an inconsistent opportunity set and lighter trading volumes across our book. Given this, our focus remained on capital preservation and efficiency. We executed selectively and maintained a defensive stance on leverage avoiding drawdowns which are common in choppy, low-liquidity environments.

Looking ahead, we see several potential catalysts that could begin to reawaken market activity as discussed above: The U.S. rate outlook is increasing supportive, the passing of the bipartisan Clarity Act leading to more institutional activity, positive momentum in ETF flows and Ethereum L2 scaling and infrastructure upgrades.

While the near term environment remains subdued, historically, such periods of calm have often preceded large directional moves. Our positioning remains cautious but we are ready to re-engage tactically as liquidity and opportunities improve.

Performance attribution Since inception



E-mail : dns@518am.io

Schedule a meeting with your manager



PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. THE RISK OF LOSS IN TRADING COMMODITY INTERESTS CAN BE SUBSTANTIAL. PLEASE SEE THIS LINK FOR A FULL DISCLAIMER: <https://518am.io/disclaimer>.

518AM (UK) LIMITED is registered in England and Wales under Company number 15513296 and with the FCA as an Appointed Representative with FRN 1011132. 518AM (UK) LIMITED is an Appointed Representative of Finex LLP which is authorized and regulated in the UK by the Financial Conduct Authority ("FCA") with firm reference number 507537.

This Monthly Letter is being sent to you on the basis that you are a certified High Net Worth or Sophisticated investor. It is not intended as and should not be construed as financial, investment, tax, legal, regulatory or other advice. None of the contents of this Monthly Letter is an offer to sell or the solicitation of any offer to buy securities. This Monthly Letter is exempt from the general restriction on the communication of invitations or inducements to engage in investment activity set out in section 21 of the Financial Services and Markets Act 2000 ("FSMA") and amended as order 2023 on the 31st of January 2024. It is not an offer or sale of securities in the United States or to, or for the account or benefit of, any US person (as defined in relevant US securities laws, including residents of the United States or partnerships or corporations organized there).

This product does not have a UK sustainable investment label. In accordance with the Sustainability Labelling and Disclosure Of Sustainability-Related Financial Information Instrument 2023 (PS23/16) this product makes no explicit sustainability objective. Whilst this product will seek to invest in assets with good governance, and may include exclusion lists and negative screening, this alone is not sufficient to qualify for a UK Sustainability Label in accordance with SDR and the Labelling Regime.

