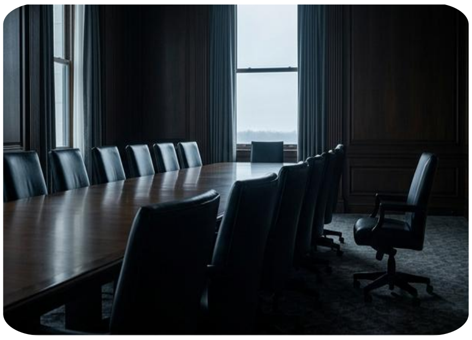
MONTHLY LETTER TO THE SHAREHOLDERS OF 518AM DELTA-NEUTRAL STRATEGIES SP

JULY 2026

The fund returned +0.93% in July, a modest step up from June's flat print. Two dynamics stood out: the Fed's first three-way hawkish dissent since 2016 kept rates higher for longer, a tailwind for carry, while Bitcoin and Ethereum rallied through the worst semiconductor selloff since 2008 — a reminder our returns don't depend on which side of the market is under stress.

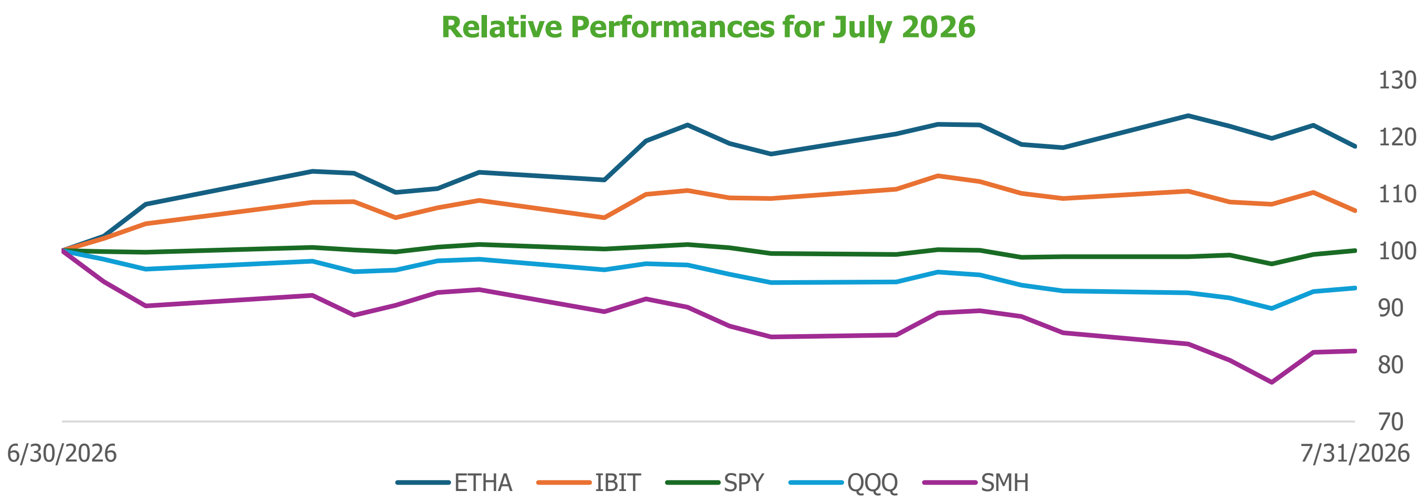


Outflanked

On July 29, the FOMC voted 9-3 to hold the federal funds rate at 3.50%-3.75%, its fifth consecutive hold. But the dissent was the story: Cleveland's Beth Hammack, Minneapolis's Neel Kashkari, and Dallas's Lorie Logan all pushed for a 25bp hike, the first three-way hawkish dissent since September 2016, citing inflation running above the Fed's 2% target for over five years.

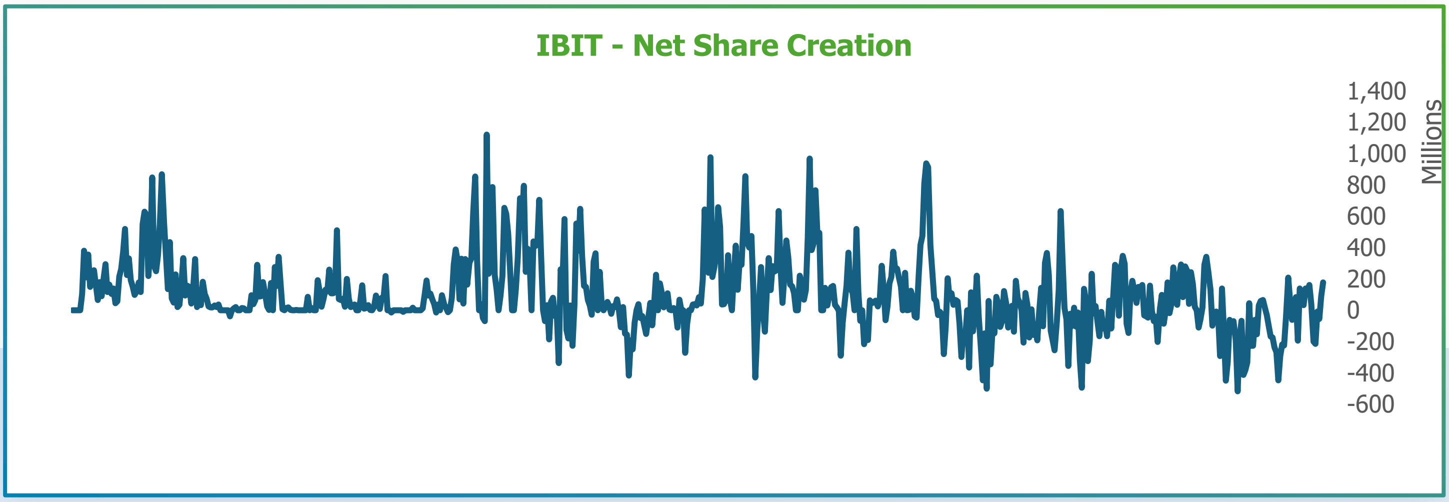
Kevin Warsh was appointed in January specifically to cut rates. Instead, he has now presided over two consecutive holds, the second alongside his own board pushing to hike. Markets reacted: the 10-year yield rose 7bps to 4.67% and the 30-year jumped to 5.21%, its highest in 19 years.

Swaps implied a 60% probability of a September hike, and financial press openly questioned Warsh's credibility. The chair who couldn't cut in June was outflanked by his own board wanting to hike in July.



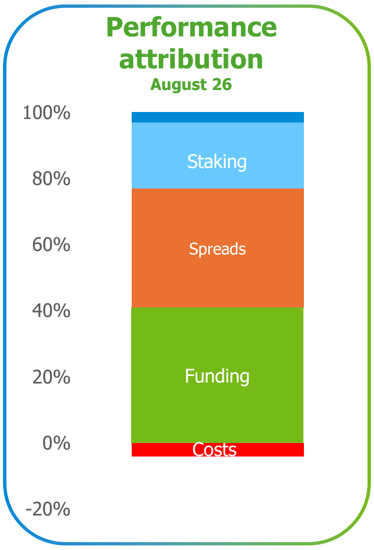
June's letter tracked capital rotating out of crypto and into the AI-capex trade, chip names absorbing the flows that Bitcoin and gold gave up. July reversed that hard. The Philadelphia Semiconductor Index fell roughly 21% for the month, its worst since October 2008, as Meta's newly launched "Meta Compute" capacity-resale unit and delays to Intel's 18A-P foundry process reignited doubts about AI-capex payback. Micron dropped 13% in a single session; Intel fell 21% over seven trading days; Samsung and SK Hynix each lost 9-12%, tripping KOSPI circuit breakers.

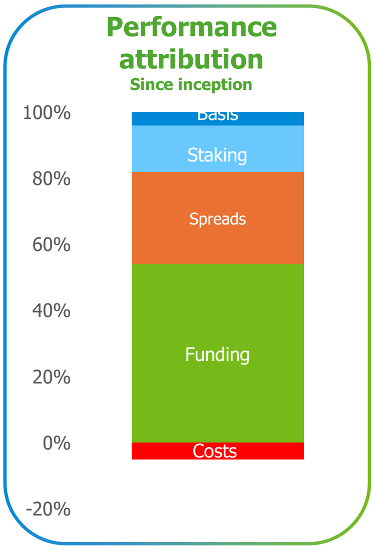
Crypto did not participate in the unwind. Bitcoin rose roughly 9% and Ethereum roughly 20% over the same month, even as the Nasdaq-100 slipped nearly 7% alongside chips. The read is not that capital rotated back into digital assets, but that crypto simply wasn't part of the trade being unwound — the same directional independence our own book is built to harvest, this time visible in market behavior rather than just our returns.



IBIT shares are created when authorized participants deposit Bitcoin (or cash swapped for Bitcoin) in exchange for new fund shares and redeemed when shares are exchanged back — creations signal fresh capital entering the trade, redemptions signal capital leaving it. Since the fund's January 2024 launch, that mechanism has channeled an estimated $61 billion in net creations, the clearest single gauge of institutional demand for spot Bitcoin exposure.

July added to that pile, but only barely: net creations of roughly $111 million for the month, a rounding error against the since-inception total. The path there was choppier than the total suggests — two heavy redemption days to open the month (-$218 million, -$224 million) as the chip selloff began, offset by creation days later on (+$209 million July 7, +$163 million July 22) as Bitcoin held its ground through the Fed's hawkish surprise. Read together with Section 2: flows didn't so much rush in as simply stay put, which is itself consistent with crypto sitting out the month's real dislocation.





In another lackluster month for the crypto market, with implied volatility on some of the majors hitting lows, we have continued to generate a consistent yield. Funding rates have stabilized and, while they remain some way from neutral levels, there are still consistent opportunities and the portfolio has remained relatively stable throughout the month. We remain confident we can continue to generate attractive yields in these subdued market conditions, but even a modest improvement in sentiment or a breakout from the current trading ranges should provide a meaningful uplift to returns. These conditions will not persist indefinitely, and we expect new narratives to emerge e.g. the next Bitcoin halving and the growing use of crypto in agentic AI.

We continue to believe that many crypto projects will not recover. While this may appear unfavorable for our strategy, as discussed previously, we have been steadily expanding into traditional finance opportunities. During the final week of July, we began trading xStocks, tokenized US equities that can be hedged using perpetual futures. Open interest remains relatively low and capital efficiency still has room for improvement, but we expect both to develop as the market matures beyond its infancy. We believe this will become an important contributor to the growth of our strategy.

E-mail : dns@518am.io

Schedule a meeting with your manager