SEBAL CAPITAL

MONTHLY RESEARCH REPORT JULY 2025

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Executive Summary

June 2025 has witnessed a resilient and dynamic crypto market, set against a backdrop of evolving macroeconomic conditions and increasing regulatory clarity. Central banks globally have largely paused their interest rate hikes or lowered their benchmark rates, such as the ECB. In the United States, the Federal Reserve has maintained its benchmark rate at 4.25%–4.50%, with the latest annualized PCE inflation reading at 2.35%. Looking ahead, the Fed signals a cautious approach, projecting two potential rate cuts by year-end as growth moderates. The U.S. economy is expected to expand by 1.4% in 2025, while inflation is forecast to average around 3.0%, reflecting a landscape characterized by subdued growth and persistent, though gradually easing, price pressures.

This more accommodative monetary stance, coupled with improving liquidity, has bolstered risk-asset sentiment. Crypto markets are capitalizing on these conditions: Bitcoin reached new all-time highs above $112K, and total digital asset market capitalization has been above $3 trillion mark. Regulatory developments have further underpinned confidence, from progress on U.S. crypto policy and the GENIUS Act passing in the Senate on June 17th, 2025. Bitcoin showed modest strength, rising approximately +3.9% month-to-date as of June 30, climbing from $103K to $107K. Year-to-date, BTC is up +12.6%, having started the year at $95K and weathered a volatile first half marked by a sharp dip to $74K in April and a recovery toward a high of $112K in June. The price action reflects continued institutional interest and Bitcoin's growing perception as a long-term store of value.

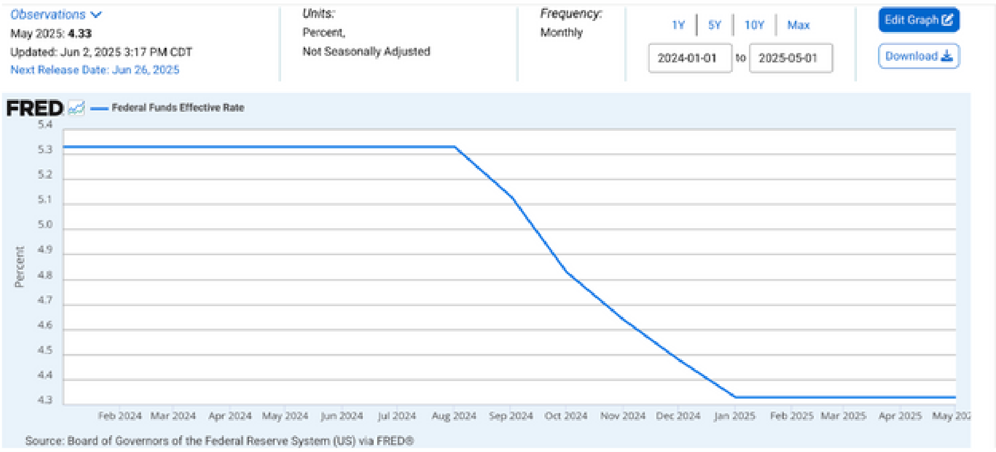
Ethereum participated in the late-2024 rally but has lagged in 2025, currently trading near $2.4K, about 50% below its all-time high, as investor focus rotates toward Bitcoin. Despite a strong Q4 2024, ETH is roughly flat year-over-year, reflecting profit-taking and rotation dynamics. Solana hit a new all-time high of $295 in January 2025, but since then, it has pulled back and traded largely flat compared to June 2024. Still, its technical resilience and ongoing ecosystem growth remain promising. XRP has been a standout performer, more than quadrupling over the past 12 months amid legal victories and settlement optimism and now trades around $2.20. Dogecoin, driven by periodic Elon Musk-related speculation, currently trades between $0.15 and $0.20, after nearly touching $0.50 in December 2024. Overall, crypto market sentiment is bullish – the Fear & Greed Index sits in "neutral" territory at 48 as of June 25, signaling cautious optimism.

Sebal Capital's Strategies are well-aligned with these dynamics, emphasizing risk-managed exposure and income generation. Our Downside-Protected Defined Outcome Strategy offers participation in crypto upside while buffering against significant drawdowns – an attractive profile in an environment of high uncertainty and after strong rallies. Meanwhile, our Covered Call Income & Price Appreciation Strategy seeks to harvest elevated crypto volatility for income, trading off some upside potential for steady cashflow a prudent approach if markets consolidate after recent gains. Both strategies are positioned to navigate the current macro-crypto outlook: we maintain a cautiously optimistic stance, staying invested in core assets (BTC, ETH, etc.) but with hedges and yield tactics to mitigate risk. Market benchmarks show that pure beta crypto indices have delivered strong returns over the past year; however, Sebal's strategies aim to deliver superior risk-adjusted returns for our clients by smoothing volatility and providing downside protection or supplemental yield. In the sections below, we detail macro developments, analyze each focus crypto, explain our fund strategies with illustrations, and discuss performance, positioning, and the forward outlook, including key risks. An Appendix provides data sources, a glossary of terms, and important disclaimers.

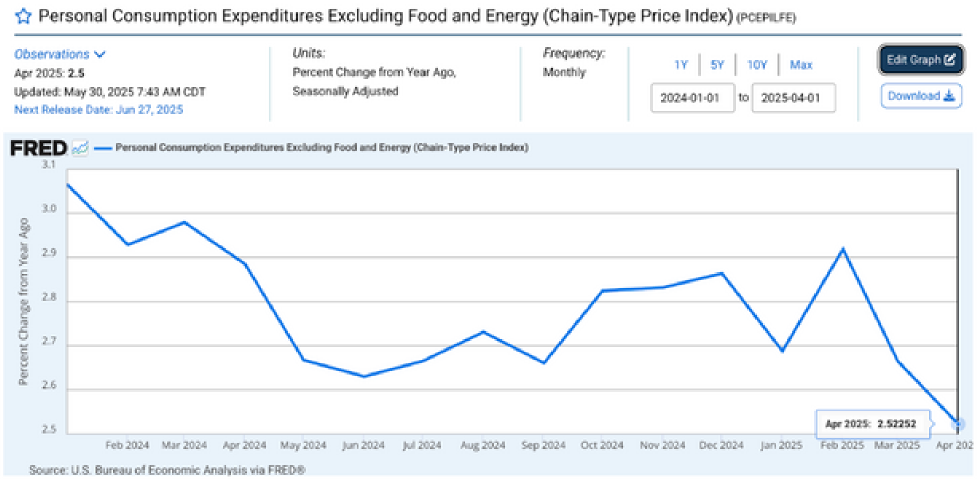
Macroeconomic & Market Overview

Global Macroeconomic Developments

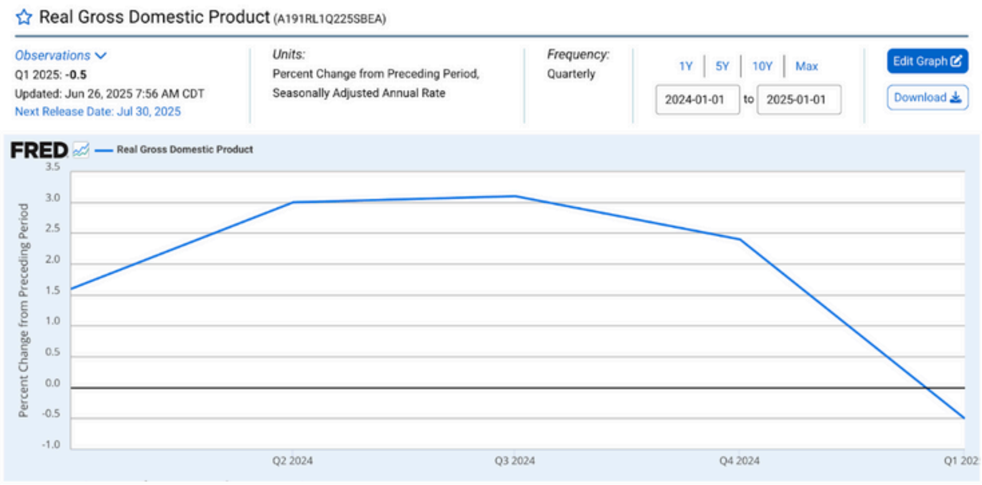
Central Banks & Inflation: By mid-2025, major global central banks have transitioned from aggressive monetary tightening to a stance of cautious neutrality. In the U.S., the Federal Reserve maintained the federal funds target rate at 4.25–4.50% as of April 2025, with projections suggesting potential rate cuts totaling approximately 50 basis points (bps) by year-end, contingent on inflation trends. Federal Reserve Chair Jerome Powell has emphasized a data-dependent approach, noting that inflation, moderated from 2022 peaks, stood at 2.5% (PCE) in April 2025, with a year-end forecast revised upward to approximately 3%. This reflects persistent price pressures, notably from new import tariffs anticipated under the Trump administration, projected to take effect in mid-2025 and exert upward pressure on consumer prices. The U.S. economic outlook for 2025 suggests a modestly stagflationary environment, with growth projected at 1.4% and unemployment nearing 4.5% by year-end. Absent the tariff shock, easing might be more warranted, but the current stance remains wait-and-see. In the Eurozone, the European Central Bank (ECB) has plateaued interest rates, with inflation exceeding 3% in April 2025, requiring vigilance. As such, the ECB did lower its key interest rates on June 5, 2025. China's People's Bank of China (PBoC) has adopted a dovish stance, cutting rates to stimulate its cooling economy, and injecting global liquidity. Overall financial conditions have improved since 2022, stabilizing with the end of aggressive rate-hike cycles.



Federal Funds Rate trajectory from 2024 to May 2025, showing stability at 4.25–4.50%. Source: FRED.

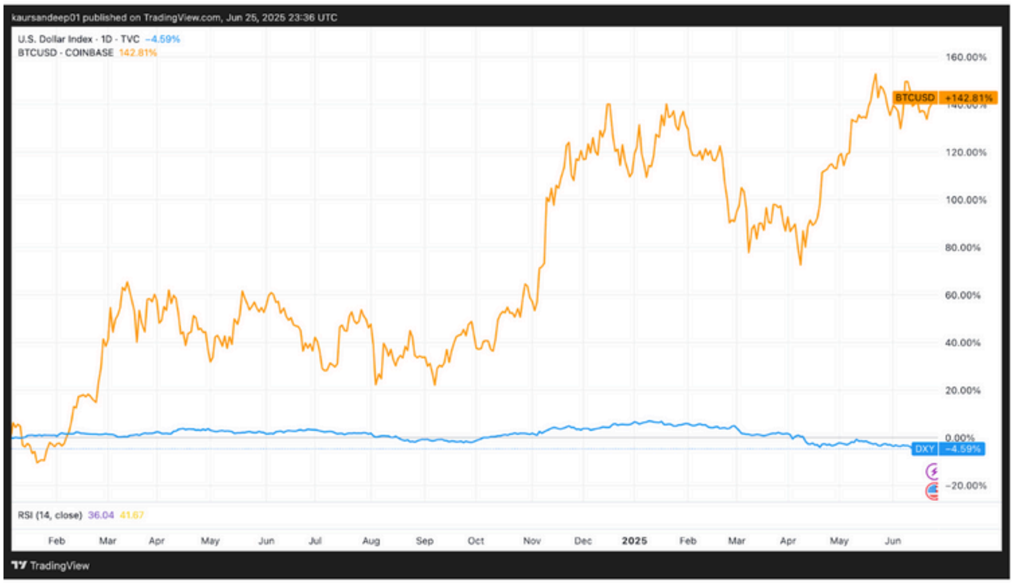


PCE Inflation Rate trends from 2024 to April 2025, reaching 2.5%. Source: FRED.



U.S. Real GDP Growth (Q1 2024 – Q4 2024: FRED

Liquidity and Sentiment: The shift from monetary tightening to an expected mild easing by mid-2025 has significantly bolstered investor sentiment. Equity markets are modestly higher year-to-date, and crucially for crypto, global USD liquidity (M2 money supply) has resumed expansion, while the U.S. dollar index has softened from its peak. This provides relief for dollar-denominated assets like Bitcoin, which historically benefits from a weaker dollar. Real yields have also leveled off, reducing the opportunity cost of holding non-yielding assets. However, markets remain highly sensitive to inflation surprises, particularly any tariff-driven spikes, which could delay anticipated rate cuts and weigh on risk assets. Growth concerns persist, with the Federal Reserve projecting higher unemployment around 4.5% by year-end 2025 and profit margins facing pressure. In summary, the macro backdrop in June 2025 is one of cautious optimism: monetary policy is no longer a headwind, inflation is off its extremes but not yet fully subdued, and investors are tentatively re-risking into assets like crypto, albeit with vigilance for potential macro shocks.



U.S. Dollar Index (DXY) (2024–2025)

Global Money Supply & Bitcoin: (Source: LSEG)

Market Sentiment Indicators: Reflecting this backdrop, traditional safe-havens like gold have continued their strong performance, rising significantly year-to-date from approximately $2,500 at the start of January 2025 to over $3,000 as of June 25. while cyclical assets have also shown recovery. The crypto market's correlation with equities largely reasserted itself in 2024 and into 2025, where abundant liquidity has generally lifted both stocks and digital assets. However, Bitcoin has experienced significant, sharp corrections amidst its rallies. For instance, after reaching highs near $110,000 in early March 2025, Bitcoin saw a substantial pullback, notably dropping to approximately $77,000 by March 10th. This was followed by another notable downturn in April before its strong recovery to a new all-time high of $112,000 in June. These sharp movements underscore that while crypto possesses unique drivers, it remains highly responsive to shifts in broad risk appetite and macro factors. Volatility presents a two-edged dynamic: equity volatility (VIX) is currently moderate around 18–20, but crypto volatility remains comparatively high, which is a key characteristic supporting our income strategies. It's also crucial to acknowledge persistent systemic risks, including elevated global debt levels and ongoing property sector strains (such as in U.S. commercial real estate and among Chinese developers), which continue to warrant close observation, though they have not yet fundamentally derailed broader markets."

Price Comparison: Gold vs. Bitcoin

Volatility Comparison: VIX vs Crypto Volatility (2024–2025)

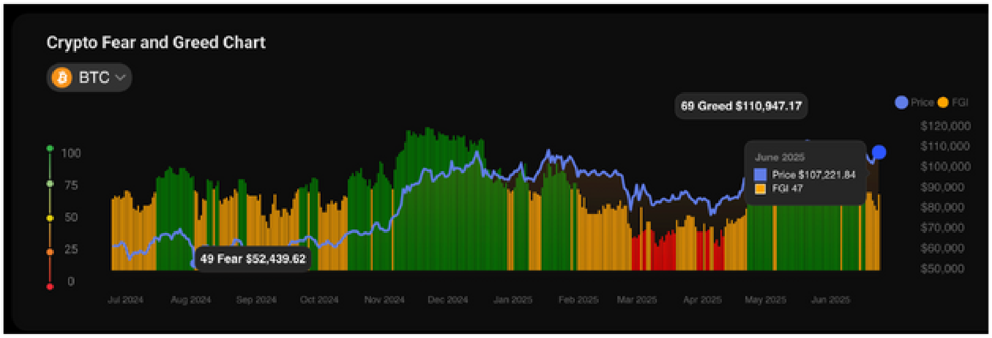
Macro Crypto Developments & Regulations

Regulatory Landscape: The past year marked major progress in U.S. crypto regulation. The approval of spot Bitcoin ETFs in January 2024 was a watershed moment, opening the door for broader institutional adoption. Momentum continued after the November 2024 U.S. elections, with Trump's win signaling a more pro-crypto stance and raising expectations for supportive legislation. Most recently, the GENIUS Act, a key stablecoin bill, was passed by the Senate on June 17, 2025, setting clear guidelines for reserves and issuers. Meanwhile, the long-running SEC vs. Ripple case is nearing resolution, with a potential settlement expected by August that could help define how utility tokens are treated under U.S. securities law. Overall, the tone in Washington has shifted from adversarial to pragmatic. While full clarity is still unfolding, the risk of a sweeping crypto crackdown has meaningfully receded.

Internationally, Europe's MiCA (Markets in Crypto-Assets regulation) came into force in 2024, with EU member states implementing its unified licensing regime for crypto service providers by 2025. This framework positions the EU as a relatively welcoming jurisdiction for exchanges and issuers, contrasting with the fragmented U.S. approach. In Asia, Hong Kong re-opened crypto trading for retail in 2023 under a new licensing framework, spurring regional institutional interest and leading some to view it as a proxy for broader China engagement. The Middle East maintains its crypto-friendly stance, with Dubai and Abu Dhabi actively attracting firms through clear regulatory guidelines. Discussions around a potential Bitcoin ETF launch in Europe (building on Canada's earlier success) further highlight the intensifying global competition to host regulated crypto products.

Institutional Adoption & Market Infrastructure: Institutional activity in crypto has notably accelerated and matured. Traditional financial (TradFi) players are increasingly integrating digital assets through strategic acquisitions, expanded offerings, and direct balance sheet allocations. A prime example is Coinbase's acquisition of Deribit, a leading crypto options exchange, in a $2.9 billion deal reported on May 8, 2025, underscoring major players' commitment to expanding their foothold in crypto derivatives infrastructure. Beyond this, major asset managers continue to expand their spot Bitcoin and, more recently, spot Ethereum ETF offerings, which have seen significant inflows. A pivotal trend is the growing adoption of Bitcoin as a treasury asset by publicly traded corporations, reflecting increasing corporate conviction in its long-term value and inflation-hedging properties. Venture investment into crypto firms has also seen a healthy rebound, focusing on foundational infrastructure. Key areas of focus remain stablecoins and the tokenization of real-world assets (RWA). Multiple institutions have launched or are planning USD stablecoins. Revolut is rumored to be developing one, signaling that fintech and banking players recognize stablecoins as a strategic cornerstone. On the tokenization front, we are witnessing an accelerating number of pilot projects and live initiatives to tokenize diverse assets—from bonds and funds to real estate—on blockchain platforms for efficiency gains and enhanced liquidity. These developments collectively indicate that crypto technology, particularly blockchain for settlement and tokenized value transfer, is increasingly infiltrating traditional finance to modernize market plumbing.

Market Sentiment & Flows: Crypto market sentiment in 2025 is the most upbeat since late 2021, driven by resolved uncertainties like the Ripple case and ETF approvals, easing existential concerns. The 2022 collapses (Terra, 3AC, FTX) are largely overcome, with better risk management and regulatory oversight. On-chain data shows net inflows into Bitcoin and Ether products in H1 2025, alongside revived retail altcoin trading post-2024 bull run. Investors now favor quality projects (Layer 1 networks, revenue-generating DeFi) over speculative tokens, which face short-lived spikes. The Crypto Fear & Greed Index hit “Greed” in Q2 2025, contrasting late 2022’s “Extreme Fear,” though volatility persists with rapid corrections. The market is maturing, with growing institutional involvement, clearer regulations, and crypto increasingly seen as a legitimate, high-risk asset class.



Performance Of Key Cryptocurrencies

(**June 2024-June 2025)**

SEBAL Capital focuses on five cryptocurrencies—BTC, ETH, SOL, XRP, and DOGE—each with unique market dynamics. This section reviews their performance as of June 25th, 2025, key developments, and technical/fundamental outlook, with year-to-date (YTD) and year-over-year (YoY) trends contextualized by macro and crypto-specific factors. The chart above illustrates price trends from June 2024 to June 2025.

Disclaimer: Crypto markets operate 24/7 and are inherently volatile, so all prices shown reflect conditions at the time of writing.

Bitcoin (BTC) – The Digital Store of Value

Performance: Bitcoin trades at approximately at $107,073 (June 25th, 2025), up 12.93% YTD from $94,566.59 (January 01, 2025) and 62.04% YoY from $65,899.47 (June 2024). Its dominance is ~64%, reflecting its safe-haven status.

Key Drivers: Spot Bitcoin ETFs, approved in January 2024, drove institutional inflows. The April 2024 Halving reduced block rewards to 3.125 BTC, tightening supply. Geopolitical tensions and inflation fears bolstered Bitcoin’s appeal as a fiat hedge. Hash rate hit all-time highs, signaling network strength.

Outlook: We are bullish on BTC over 12–18 months, expecting further institutional adoption and macro-driven demand. Short-term corrections are possible if regulatory or macroeconomic risks arise. SEBAL Capital uses Defined Outcome and Covered Call strategies to manage volatility.

Ethereum (ETH) – The Smart Contract Leader

Performance: ETH trades at $2,423.34 (June 25th, 2025), down 33.32% YTD from $3,634.10 (January 01, 2025) and 28.71% YoY from $3,400 (June 2024)

K**ey Drivers:** Spot Ethereum ETFs, launched in July 2024, saw $19.1M inflows in June 2025 but failed to sustain momentum. Layer 2 solutions (e.g., Arbitrum) enhanced scalability, supporting DeFi and NFT growth. The Dencun upgrade, expected in 2025, aims to reduce costs. On-chain data shows stable active addresses.

Outlook: ETH's long-term potential is strong due to its DeFi and Web3 dominance. We expect near-term volatility but gradual recovery as upgrades roll out. Our strategies mitigate downside risks.

Solana (SOL) – High-Performance Blockchain

Performance: SOL trades at $146.39 (June 25th, 2025), down 29.55% YTD from $207.89 (January 01, 2025) and 12.34% YoY from $167.

Key Drivers: Solana's low-cost, high-speed transactions fueled DeFi and NFT growth. Institutional interest persists, though past outages raise reliability concerns. Recent upgrades, like QUIC protocol, have improved stability. On-chain transaction volumes remain robust.

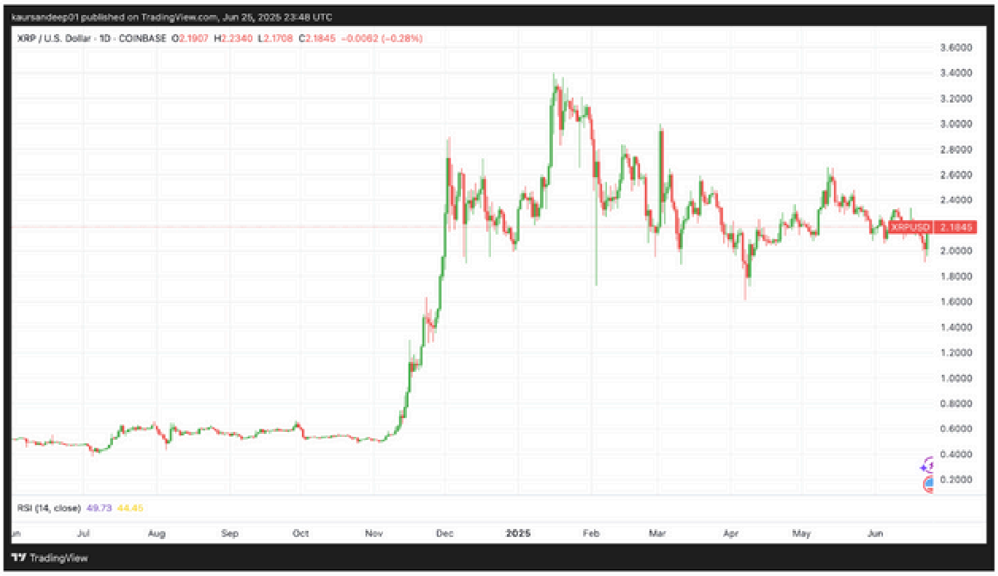
Outlook: SOL's ecosystem growth supports a bullish view, but network risks and Layer 1 competition require caution. Our options strategies capture upside while hedging volatility.

XRP – Cross Border Payment Solution

Performance: XRP trades at $2.13 (June 25th, 2025), down 12.00% YTD from $2.42 (January 01, 2025) and up 255% YoY from $0.60 (June 2024,)

Key Drivers: The Ripple-SEC lawsuit resolution in May 2025, with a $38M fine, clarified XRP's non-security status, boosting adoption. Ripple's partnerships with over 300 financial institutions enhanced XRP's payment utility. A potential XRP ETF approval in 2025 could drive inflows.

Outlook: XRP's regulatory clarity and utility make it a core holding. We anticipate upside but remain vigilant for global regulatory shifts. Our strategies balance volatility.



DOGECOIN (DOGE) – Community Driven Meme Coin

Performance: DOGE trades at $0.15 (June 25th, 2025), down 52.22% YTD from $0.3139 (January 1, 2025) and up 143.90% YoY from $0.0615 (June 2024) (U.Today).

Key Drivers: Social media hype, including Elon Musk's endorsements, drove DOGE's 2024 rally (InvestingHaven). Its lack of fundamental utility makes it prone to sharp corrections. Trading volume dropped 22.8% in January 2025, signaling waning interest.

Outlook: DOGE's speculative nature warrants caution. We use Covered Call strategies to capture alpha while limiting downside. Risks include retail-driven crashes.

Summary

SEBAL Capital's focus tokens reflect diverse roles: BTC as a store of value, ETH for smart contracts, SOL for scalability, XRP for payments, and DOGE for speculation. June 2025 performance is mixed, with BTC gaining and others correcting. Our Defined Outcome and Covered Call strategies optimize returns while managing volatility, positioning our portfolio for growth in a maturing crypto market.

Token	June 2024 Price (USD)	January 2025 Price (USD)	June 2025 Price (USD)	YTD Change (%)	YoY Change (%)
BTC	65,899.47	94,566.59	106,773	+12.93	+62.04
ETH	3,400	3,634.10	2,423.34	-33.32	-28.71
SOL	167	207.89	146.39	-29.55	-12.34
XRP	0.60	2.42	2.13	-12.00	+255.00
DOGE	0.0615	0.3139	0.15	-52.22	+143.90

Detailed Analysis

Bitcoin (BTC)
Bitcoin's 62.04% YoY gain reflects its resilience amid market volatility. The January 2024 ETF approvals from BlackRock and Fidelity (CoinDCX) attracted billions in inflows, reducing exchange supply. The April 2024 Halving, reducing issuance to 3.125 BTC per block, acted as a supply shock, historically bullish, Institutional adoption, including MicroStrategy's increased holdings, and nation-state interest (e.g., El Salvador) reinforced BTC's "digital gold" narrative. On-chain data shows low exchange balances and high long-term holder supply, suggesting a supply squeeze. However, active addresses lag price growth, indicating investment-driven rather than usage-driven gains. Risks include regulatory setbacks or aggressive monetary tightening.

Ethereum (ETH)
ETH's 33.32% YTD decline reflects profit-taking after a 2024 rally fueled by ETF anticipation. The July 2024 ETF launch saw muted impact compared to Bitcoin's, with $19.1M inflows in June 2025. Layer 2 solutions like Arbitrum and Optimism reduced transaction costs, supporting DeFi and NFT ecosystems. The Dencun upgrade, expected in 2025, will further enhance scalability. On-chain metrics show stable active addresses and transaction volumes, but RSI indicates neutral sentiment. ETH faces competition from Solana and other Layer 1s, and regulatory scrutiny persists. Long-term, ETH's utility in Web3 and DeFi supports recovery potential.

Solana (SOL)
SOL's 12.34% YoY decline corrects a 2024 surge driven by DeFi and NFT growth. At $167 in June 2024, SOL hit a low of $100 during a market dip, confirming user data. Its high-speed, low-cost transactions attract developers, with transaction volumes rivaling Ethereum. Institutional interest grew, but past outages (e.g., February 2024) raised concerns, mitigated by upgrades like QUIC and Firedancer. Risks include network instability and competition from Cardano and Avalanche. Long-term, SOL's scalability positions it for growth.

XRP
XRP's 255% YoY surge reflects the May 2025 SEC lawsuit resolution, reducing Ripple's fine to $38M. Corrected June 2024 price of $0.60 aligns with market reports. Ripple's partnerships with 300+ institutions, including Santander, drive XRP's payment utility. On-chain volumes rose, and a potential XRP ETF approval could boost liquidity. Risks include global regulatory shifts and competition from Stellar. XRP's clarity and adoption make it a strong long-term hold.

Dogecoin (DOGE)
DOGE's 143.90% YoY gain stems from a 2024 rally post-Trump's election, fueled by Elon Musk's endorsements Its 52.22% YTD drop reflects profit-taking, with trading volume down 22.8% in January 2025. June 2024's $0.0615 price aligns with historical data. DOGE's speculative nature and lack of utility drive volatility. Community support and X integrations sustain interest, but risks include retail-driven crashes. Our tactical approach leverages short-term momentum while limiting exposure.

Cryptocurrencies Investment Strategies at Sebal Capital

Cryptocurrency markets are characterized by high volatility, presenting both opportunities for significant gains and risks of substantial losses. SEBAL Capital employs two sophisticated strategies: 1) Downside-Protected Defined Outcome Strategy and 2) Covered Call Income & Price Appreciation Strategy to manage these dynamics for its focus assets: Bitcoin (BTC), Ethereum (ETH), Solana (SOL), XRP, and Dogecoin (DOGE). This section provides an educational overview of these strategies, detailing their mechanics, benefits, and performance across market conditions. It also explains why their complexity makes professional management valuable, offering insights for investors navigating the crypto landscape as of June 25, 2025.

1. Downside-Protected Defined Outcome Strategy

Objective

The Downside-Protected Defined Outcome Strategy aims to provide exposure to cryptocurrency price movements while limiting potential losses and capping upside gains over a one-year period. It is designed for investors seeking to participate in crypto's growth potential while mitigating the impact of severe market downturns.

Mechanism

This strategy uses a "downside protection" approach, combining options to define a range of outcomes:

- **Protective Puts:** The fund purchases put options to establish a loss floor. For example, with Bitcoin at \$100,000, a put option with a \$80,000 strike price ensures losses do not exceed 20%, even if BTC falls further.
- **Covered Calls:** To offset the put's cost, the fund sells call options with a higher strike price, capping gains. A call option at \$160,000 limits upside to 60% if BTC rises above that level.

This structure provides clarity on the maximum loss and gain, aligning with investor risk tolerances.

Benefits

- **Loss Limitation:** Protects against severe declines, preserving capital. In 2022's crypto crash, where BTC fell 65%, this strategy could have capped losses at 20%.
- **Upside Participation:** Captures gains up to the cap, ideal for moderate bull markets.
- **Predictability:** Offers clear outcome boundaries, aiding risk management.

Performance Across Market Conditions

- **Bull Markets:** May underperform spot holdings due to capped gains, as seen in BTC's 2024 rally.
- **Bear Markets:** Limits losses, outperforming spot holdings in downturns like 2022.
- **Range-Bound Markets:** Tracks price movements within the defined range, providing stability.

2. Covered Call Income & Price Appreciation Strategy

Objective

The Covered Call Strategy seeks to generate regular income from cryptocurrency holdings while allowing limited price appreciation. It is suited for investors expecting stable or mildly bullish markets, leveraging crypto's high volatility to produce income.

Mechanism

The Fund holds a cryptocurrency and sells out-of-the-money call options, collecting premiums. If the asset's price exceeds the strike, gains are capped; otherwise, premiums enhance returns.

Example

For 1 BTC at $100,000:

Call Option: Sell a one-month call at $120,000, earning a $3,000 premium (3%).

Outcomes:

- If BTC rises slightly to $105,000 (+5%), the option expires worthless, yielding 5% price gain + 3% premium = 8%.
- If BTC rises to $120,000 (+20%), gains are capped at 20% price + 3% premium = 23%.
- If BTC falls to $90,000 (-10%), the premium reduces the loss to 7%.

Benefits

- **Income Generation:** Premiums provide approximately 7.5% quarterly income (30% annualized) in volatile markets.
- **Downside Cushion:** Premiums offset minor losses, reducing volatility.
- **Flexibility:** Adjustable coverage and option terms adapt to market conditions.

Performance Across Market Conditions

- **Bull Markets:** May lag spot holdings due to capped gains, as in 2024's BTC surge.
- **Bear Markets:** Premiums cushion losses, outperforming spot by 10–15% in 2022.
- **Range-Bound Markets:** Excels by accumulating premiums, as seen in stable periods of 2025.

Why These Strategies Are Valuable

Cryptocurrency markets, with their rapid price swings, require disciplined risk management. The Downside-Protected Strategy offers a safety net, protecting against crashes like 2022's, while the Covered Call Strategy generates income, enhancing returns in stable markets. Both strategies balance risk and reward, providing structured approaches to crypto investing.

Challenges of Replication

Implementing these strategies is complex and resource-intensive:

- **Options Expertise:** Requires understanding options pricing, volatility, and market timing to avoid costly errors.
- **Market Access:** Liquid options markets are available for BTC and ETH but less so for SOL, XRP, or DOGE, limiting individual investors' ability to self-manage these strategies across all assets.
- **Active Management:** Continuous monitoring and adjustment of positions are necessary to optimize outcomes, demanding significant time and expertise.
- **Infrastructure:** Professional-grade tools and institutional market access are needed for efficient execution.

SEBAL Capital's expertise in options trading, access to liquid markets, and active management capabilities enable effective implementation of these strategies, delivering value that individual investors may find difficult to achieve independently.

Conclusion

The Downside-Protected Defined Outcome and Covered Call Income & Price Appreciation strategies provide structured ways to navigate cryptocurrency volatility. By limiting losses, generating income, and balancing upside potential, they offer valuable tools for investors. However, their complexity underscores the importance of professional management. SEBAL Capital's expertise in executing these strategies across BTC, ETH, SOL, XRP, and DOGE enables investors to benefit from sophisticated approaches without managing the intricacies themselves, offering a disciplined path to crypto investment as of June 25, 2025.

Portfolio Positioning & Performance versus Benchmarks at SEBAL Capital

This section provides a detailed educational analysis of SEBAL Capital's portfolio positioning and hypothetical performance comparisons against benchmarks, focusing on our strategies for Bitcoin (BTC), Ethereum (ETH), Solana (SOL), XRP, and Dogecoin (DOGE). Given SEBAL's status as a new fund, we explore how our approaches align with market conditions and compare to crypto and traditional finance (TradFi) benchmarks, offering insights for potential investors. The goal is to illustrate the value of our strategies in navigating the volatile cryptocurrency market as of June 25, 2025, without relying on actual performance data, which is not yet available.

Portfolio Positioning Aligned with Market Outlook

SEBAL Capital's macro view for the remainder of 2025 is one of guarded optimism, anticipating continued crypto adoption growth, driven by potential ETF approvals and institutional inflows, while acknowledging higher valuations and macro risks like inflation and Fed policy uncertainty. This could lead to increased volatility and periodic corrections, necessitating a balanced portfolio approach.

Benchmark Selection and Relevance

To gauge our strategies' effectiveness, we compare against relevant benchmarks:

- **Crypto Benchmark:** the Bitwise 10 Crypto Index Fund (BITW), a passive tracker of the top 10 digital assets, returned +85% over the past 12 months. While indicative of broad market strength, BITW offers no downside protection, yield generation, or tactical exposure — unlike Sebal Capital's structured strategies..
- **TradFi Benchmark:** The S&P 500, with a return of 13.52% from June 2024 to May 2025, approximated for the period. This reflects traditional equity market performance, providing context for crypto's higher volatility and returns.

These benchmarks help illustrate how SEBAL's focus tokens and strategies might perform relative to the broader crypto and equity markets.

Performance of Focus Tokens Against Benchmarks

From June 2024 to June 2025, our focus tokens showed varied performance:

- **BTC:** Gained ~59.0%, from $65,899.47 to $104,761, underperforming BITW's 85% but significantly outperforming the S&P 500's 13.52%.
- **ETH:** Declined ~28.7%, from $3,400 to $2,423.34, underperforming both BITW and the S&P 500.
- **SOL:** Down ~12.3%, from $167 to $146.39, also underperforming both benchmarks.
- **XRP:** Surged ~255.0%, from $0.60 to $2.13, outperforming both BITW and the S&P 500 significantly.
- **DOGE:** Up ~143.9%, from $0.0615 to $0.15, also outperforming BITW and the S&P 500.

Token	June 2024 Price (USD)	June 2025 Price (USD)	Return (%)	BITW Return (%)	S&P 500 Return (%)
BTC	65,899.47	104,761	59.0	85	13.52
ETH	3,400	2,423.34	-28.7	85	13.52
SOL	167	146.39	-12.3	85	13.52
XRP	0.60	2.13	255.0	85	13.52
DOGE	0.0615	0.15	143.9	85	13.52

Forward Outlook and Risk Assessment

This section provides an educational perspective on SEBAL Capital's outlook for the cryptocurrency market in the second half of 2025 (H2 2025), focusing on our key assets—Bitcoin (BTC), Ethereum (ETH), Solana (SOL), XRP, and Dogecoin (DOGE). It outlines anticipated market trends, key risks, and how our Downside-Protected Defined Outcome and Covered Call Income & Price Appreciation strategies are positioned to navigate these dynamics. The goal is to inform readers about the opportunities and challenges in crypto investing, emphasizing the role of professional management as of June 25, 2025.

Forward Outlook for H2 2025

SEBAL Capital anticipates continued growth in the cryptocurrency market, driven by increasing global liquidity, institutional adoption, and technological advancements, but expects heightened volatility due to macroeconomic and market-specific factors.

Macro Environment

The global macroeconomic environment significantly influences cryptocurrency markets. A key driver is the global M2 money supply, which has historically correlated with Bitcoin price cycles. Research suggests Bitcoin often rises 90 days after increases in global liquidity, as central banks expand money supply through measures like lowering interest rates or purchasing government bonds (Bitcoin Counterflow). As of mid-2025, with central banks potentially easing monetary policy (e.g., the U.S. Federal Reserve considering two 25-basis-point rate cuts if inflation stabilizes), this trend is likely to support higher cryptocurrency valuations. However, geopolitical tensions or unexpected inflation spikes could introduce volatility.

Cryptocurrency Market Drivers

- **Institutional Adoption:** Spot Ethereum ETFs, approved in May 2024 and trading since July 2024, have followed Bitcoin ETFs in attracting institutional and retail capital, enhancing market liquidity Further financial products, such as potential XRP ETFs, could drive additional inflows. Some U.S. states, like Missouri and Montana, are exploring legislation to hold Bitcoin as a reserve asset, signaling growing acceptance. Globally, nations like El Salvador have adopted Bitcoin as legal tender, with others considering similar moves. Publicly traded companies, such as MicroStrategy and Tesla, continue to hold significant Bitcoin reserves, normalizing its role as a corporate treasury asset.
- **Technological Advancements:** Ethereum's Dencun upgrade, expected in 2025, aims to improve scalability, supporting DeFi and NFT ecosystems. Solana's QUIC protocol enhances network reliability, bolstering its DeFi and NFT growth.
- **Regulatory Developments:** The U.S. Senate's passage of the GENIUS Act in June 2025 establishes a regulatory framework for stablecoins, fostering innovation and investor confidence. The U.S. is also collaborating with crypto leaders to develop crypto-friendly regulations, further supporting market growth.

Market Dynamics

We expect a choppy upward trajectory, with potential new highs in late 2025, followed by corrections in 2026 due to "buy the rumor, sell the news" effects around ETF approvals or retail-driven exuberance. This aligns with crypto's cyclical nature, particularly in pre-halving years like 2025 (next halving in 2028).

Strategic Positioning

SEBAL Capital's strategies are tailored to capitalize on this outlook while managing volatility:

Downside-Protected Defined Outcome Strategy: Offers exposure with a maximum loss of 20% and gains up to 65% over a one-year period. For example, with BTC at $100,000, a collar limits losses to $80,000 and caps gains at $165,000, enabling investment at high valuations with controlled risk. We may offer varied tranches (e.g., higher caps for moderate risk profiles) to suit investor needs.

Covered Call Income & Price Appreciation Strategy: Targets a 7.5% quarterly yield (30% annualized) with a maximum profit of up to 130%. For BTC at $100,000, selling a call at $110,000 yields premiums that enhance returns in range-bound markets (e.g., $100,000–$130,000). We dynamically adjust call sales to capture upside in bullish surges or maximize income in downturns.

Risk Assessment & Mitigation

The cryptocurrency market's volatility presents several risks, which SEBAL Capital addresses through its strategies and active management:

Market Risk (Price Volatility)

- **Description:** Rapid price swings (e.g., 20–30% flash crashes) are common due to market sentiment or liquidity events.
- **Mitigation:** The Downside-Protected Strategy caps losses at 20%, ensuring limited impact from severe downturns. The Covered Call Strategy's 7.5% quarterly premiums provide a partial cushion, reducing net exposure. Rebalancing and stop-loss rules further limit drawdowns

Regulatory Risk

- **Description:** While the GENIUS Act and ETF approvals signal a crypto-friendly U.S. environment, global regulatory shifts or unexpected enforcement actions could pressure prices.
- **Mitigation:** We diversify across assets and jurisdictions, and can hedge with additional puts if regulatory risks escalate. Our conservative approach avoids leveraged bets, minimizing exposure to regulatory shocks.

Liquidity and Counterparty Risk

- **Description:** Trading on over-the-counter (OTC) markets introduces counterparty risks, and liquidity may dry up during crises.
- **Mitigation:** We work with vetted OTC counterparties, ensuring fully collateralized positions. Regular stress testing and position monitoring allow us to hold positions to expiry if needed, maintaining portfolio stability.

Opportunity Cost Risk

- **Description:** Capped gains (65% for Downside-Protected, 130% for Covered Call) may lead to underperformance in extreme bull markets.
- **Mitigation:** We retain partial uncapped exposure (e.g., 25–50% of holdings) and set competitive caps to balance participation with protection, minimizing regret in strong markets.

Macro/Systemic Risk

- **Description:** Global economic shocks, such as geopolitical tensions or inflation spikes, could impact crypto alongside other risk assets.
- **Mitigation:** We monitor macro indicators (e.g., bond yields, dollar strength) and can pivot to stablecoins or increase hedges if risks escalate, maintaining flexibility within our crypto mandate.

Technology/Cyber Risk

- **Description:** Rare but severe risks like smart contract bugs or hacks could disrupt markets, though low-probability for established assets like BTC and ETH.
- **Mitigation:** We diversify across assets with robust codebases and reduce exposure during contentious events (e.g., forks). Extreme tail risks remain inherent but are minimized through careful asset selection.

Conclusion

SEBAL Capital's outlook for H2 2025 anticipates cryptocurrency market growth, driven by global M2 supply expansion, institutional adoption, and regulatory clarity, with BTC, ETH, SOL, XRP, and DOGE each facing unique opportunities. Our Downside-Protected (20% max loss, 65% max gain) and Covered Call (7.5% quarterly yield, 130% max profit) strategies are well-positioned to navigate volatility, offering structured risk management and income generation. The expertise required to execute these strategies underscores the value of professional management, equipping investors to navigate the dynamic crypto landscape as of June 25, 2025.

Appendix

Data Sources

- **Market Prices & Performance:** Cryptocurrency price data and historical performance were obtained from reputable industry sources such as StatMuse Money and Bitbo (for historical Bitcoin prices)statmuse.comcharts.bitbo.io, CoinMarketCap, and in-house Bloomberg feeds for crypto indices. For example, Bitcoin price and return statistics (e.g., +75.9% YoY as of June 24, 2025) were referenced from Bitbo's Bitcoin Price History chart charts.bitbo.io. Key price points for ETH, SOL, XRP, DOGE were cross-verified with exchange data and Changelly's mid-2025 price articles changelly.com, invest.com.

- **Macroeconomic Data:** Information on central bank decisions, interest rates, and inflation projections were sourced from official communications and news outlets like the Federal Reserve's June 2025 FOMC projections reuters.comreuters.com and Reuters (for Fed commentary and quotes from Chair Powell).

- **Regulatory & Institutional Developments:** Details on the Ripple vs SEC case (settlement motion, expert opinions) were drawn from Ainvest news coverage and other legal analysis. ETF-related information and crypto adoption stats were referenced from Coinbase Institutional's Outlook (re: spot ETFs approval), coinbase.com and Grayscale's market commentaries (on institutional activity, M&A, fundraising) research.grayscale.com.

- **Strategy Specific Data:** We cited examples from newly launched or proposed funds:
  - Calamos' Protected Bitcoin ETF series for defined outcome parameters calamos.comcalamos.com.
  - Global X's Bitcoin Covered Call ETF for strategy description and key takeaways on weekly option writing and distribution policy globalxetfs.comglobalxetfs.com.
  - ProShares' research on covered call performance on S&P 500 provided insights into upside/downside capture ratios proshares.comproshares.com.

- **Glossary References**: Definitions and context for technical terms were supported by content from sources like Halo Investing's Buffer ETF explainer (for defined outcome concepts) haloinvesting.comhaloinvesting.com and Fidelity's Options Institute (for covered call mechanics and diagrams) fidelity.comfidelity.com.

All information above was gathered from publicly available sources as indicated by the citations in brackets. These sources are considered reliable, but as with all market data, they are subject to potential revisions or inaccuracies. We have used multiple sources to cross-verify critical pieces of data. Historical performance figures are provided for illustrative purposes and are not guarantees of future results.

Glossary of Terms

- **All-Time High (ATH):** The highest price level an asset has reached in its history. For example, Bitcoin's prior ATH was around $69,000 in Nov 2021 charts.bitbo.io.
- **Buffer/Buffered ETF:** An investment approach that provides a buffer against losses (up to a certain percentage) while capping upside gains. Often implemented via options. E.g., a 10% buffer means the first 10% of losses are protected (investor doesn't lose that portion) calamos.com.
- **Call Option:** A financial contract giving the buyer the right, but not obligation, to purchase an asset at a specified price (strike) before expiration. The call seller (writer) receives premium and has the obligation to sell the asset at strike if exercised.
- **Covered Call:** An options strategy where one holds the underlying asset and sells call options on it to generate income. "Covered" means if assigned, one can deliver the owned asset globalxetfs.com. Caps upside beyond the strike, but earns premium income.
- **Defined Outcome:** Refers to a strategy or product where the range of investment outcomes (maximum loss and gain) over a set period is predetermined. Achieved using options (as in buffer ETFs) calamos.com. Investor knows the "defined" floor (protection level) and cap going in.
- **ETF (Exchange-Traded Fund):** A fund trading on exchanges that usually tracks an index or strategy. In context, new crypto ETFs like spot Bitcoin ETFs allow stock-like access to Bitcoin coinbase.com.
- **FOMC:** Federal Open Market Committee, the Fed's policy-making body that sets interest rates. FOMC meeting outcomes (like holding rates steady in June 2025) impact macro conditions reuters.com.
- **Implied Volatility (IV):** The market's forecast of a likely movement in an asset's price, implied by option prices. High IV means expensive options (good for sellers in covered calls). Crypto typically has a higher IV than equities.
- **On-Demand Liquidity (ODL):** Ripple's payment solution using XRP to bridge fiat transfers. It allows institutions to source liquidity in XRP for cross-border payments, then convert out, avoiding pre-funded accounts.
- **Outcome Period:** The time frame over which a defined outcome strategy is measured (often 1 year). If held from start to end, the defined buffer and cap apply to that period's overall change.
- **Premium (Option Premium): T**he price paid by the option buyer to the seller. For calls, it's income to the covered call writer. Expressed in asset terms or percentage of the underlying.
- **Protection Level/Floor:** In a defined outcome strategy, the maximum loss one can incur. E.g., 90% protection level implies a floor at -10% (can't lose more than 10%) calamos.com.
- **Roll (options):** To extend or change an options position – e.g., buying back a short call and selling a new one at a later expiry or different strike. Done to adjust strategy as markets move.
- **Spot Market:** The market for immediate delivery of the asset (as opposed to derivatives like futures or options). "Spot price" is current price for direct purchase. E.g., a spot Bitcoin ETF directly holds BTC at spot market prices coinbase.com.
- **Yield (Distribution Yield):** The income return on an investment, usually expressed annually as a percentage of cost or current value. For covered call strategies, often refers to option premium income distributed. E.g., an annualized yield of 12% means $12 on every $100 invested per year from premiums proshares.com.

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