



STRATEGY & TRANSPARENCY BRIEF

What we do with **your** **capital.**

A clear, technical account of the four market-neutral strategies that generate returns for the Singularity treasury — and the controls that let you verify it.

Contents

01	Our commitment to transparency	03
02	How your capital is deployed	04
03	Strategy 01 — Cross-Exchange Virtual Fulfillment	05
04	Strategy 02 — Futures Funding Optimization	07
05	Strategy 03 — Volatility-Spread Capture	08
06	Strategy 04 — Liquidity Mining & Dynamic Tail Hedging	09
07	Why these combine: an all-weather portfolio	10
08	What this means for returns	11
09	Risk considerations	12
10	Transparency in practice	13
–	Disclaimer	14

Our commitment to transparency

The first thing you should know is how we make money — and how you can check it.

Most funds ask you to trust a track record and a brand. We would rather show you the machinery. This document explains, in plain terms, the four strategies Singularity uses to generate returns, the assumptions behind each one, and the specific risks each carries.

Three principles guide how we operate, and they shape everything in this brief:

PRINCIPLE 01 — MARKET-NEUTRAL BY DESIGN

Every core strategy is built to earn from *structure* — price differences, funding payments, mean reversion, and protocol yield — rather than from betting that the market goes up. The goal is return that does not depend on the direction of crypto prices.

PRINCIPLE 02 — NOTHING ASSERTED THAT CAN'T BE SHOWN

Where we give a number, we show the assumption it comes from. Examples in this document are labelled *illustrative*; backtested results are labelled as *backtests*. We do not present hypothetical performance as if it were realised.

PRINCIPLE 03 — VERIFIABLE, NOT JUST STATED

Treasury holdings, on-chain positions, and reporting are designed to be independently checked. Section 10 sets out exactly how. Transparency that you cannot verify is just marketing.

A word we use carefully throughout: **market-neutral is not risk-free**. Removing directional exposure removes one large risk — it does not remove execution risk, counterparty risk, smart-contract risk, or the risk that a historical relationship stops holding. We name those risks under each strategy rather than hiding them in a footnote.

How your capital is deployed

One pool of capital, four complementary engines, continuously rebalanced.

Capital entering the treasury is allocated across four strategies that are deliberately *uncorrelated* in where their returns come from. When one source of return is quiet, another is usually active — which is the whole point of running them together rather than picking one.

04

COMPLEMENTARY
STRATEGIES

Neutral

NO NET DIRECTIONAL BIAS

24 / 7

CONTINUOUS REBALANCING

The four engines at a glance

STRATEGY	SOURCE OF RETURN	MARKET IT LIKES
01 • CEVF	Price differences for the same asset across venues, captured without moving collateral.	Fragmented, busy markets
02 • Funding	Funding payments on perpetual futures, collected while hedged spot-vs-perp.	Skewed, high-funding regimes
03 • Vol-Spread	Mean reversion in the spread between correlated assets after it widens.	Volatility spikes
04 • LP + Tail	Trading fees and protocol incentives from liquidity provision, with a tail hedge overlay.	Calm, range-bound markets

The sections that follow take each engine in turn: **what it is, a worked example, and the residual risks it carries**. Allocations between the four are adjusted as conditions change — for example, the funding engine is scaled up when funding rates are rich, and the liquidity-mining engine is favoured when markets are calm and fees are stable.

WHY DIVERSIFY THE SOURCE, NOT JUST THE ASSET

Holding ten different tokens is not diversification if they all fall together. Singularity diversifies the *reason* a position makes money, so that a bad month for one engine is not a bad month for the whole treasury.

Cross-Exchange **Virtual Fulfillment**

Capturing the same-asset price gap between venues — without ever moving the asset.

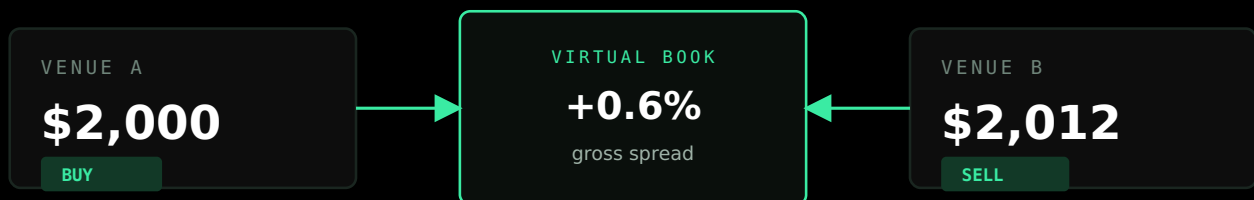
STRATEGY 01 • CEVF

Classic arbitrage says: buy where an asset is cheap, move it to where it is expensive, and sell. In crypto that middle step is the problem — moving assets between exchanges means waiting for blockchain settlement, and by the time the transfer confirms, the price gap is usually gone.

CEVF removes the transfer entirely. Singularity pre-positions capital on multiple venues and executes the buy and the sell *simultaneously*, on different exchanges, without transferring collateral between them. The two orders offset each other instantly, so the trade carries no directional exposure and no settlement delay — what would otherwise be latency risk is neutralised.

Worked example — illustrative

Suppose ETH is quoted at two venues at the same moment:



both orders fire at the same instant — no transfer between venues

CEVF ABSTRACTS LIQUIDITY ACROSS VENUES INTO ONE "VIRTUAL BOOK"

The \$12 gap on a \$2,000 asset is a **0.6% gross spread** ($12 / 2000$). Because the buy and sell are simultaneous and offsetting, the position is flat the entire time — the profit comes from the spread, not from ETH moving.

HONEST ACCOUNTING

0.6% is the *gross* spread, not take-home profit. Trading fees on both legs, slippage, and the cost of keeping capital staged on each venue all reduce it — and the opportunity is fleeting, so it must be captured by automated execution. The realistic net per capture

is a fraction of the gross; the strategy earns by repeating small, low-risk captures at scale, not by any single large trade.

By treating the order books of many exchanges as a single aggregated "virtual book," the system approximates the kind of execution normally reserved for institutional desks, and makes it available to the fund.

MARKET-NEUTRAL

NO DIRECTIONAL EXPOSURE

LATENCY-NEUTRALISED

HIGH-FREQUENCY CAPTURE

Futures Funding Optimization

Collecting the funding payment on perpetual futures — while fully hedged.

STRATEGY 02 • FUNDING

Perpetual futures have no expiry, so exchanges keep their price tied to spot using a *funding rate*: a small payment exchanged between longs and shorts every few hours. When sentiment is one-sided — say, far more traders are long — the longs pay the shorts to stay in their positions. That payment is income for whoever is on the receiving side.

Singularity systematically identifies these funding imbalances and positions to **collect the funding while hedging out the price risk**: holding the asset in spot and taking the opposite side in the perpetual. The two positions cancel directionally, so the treasury keeps the funding income regardless of which way the price moves.

Worked example — illustrative

funding $+0.03\%$ / 8h $\approx 0.09\%$ / day

$\$10,000,000 \times 0.09\% \approx \$9,000$ / day

collected while spot and perpetual legs are hedged — independent of price direction

Sustained, a rate of roughly 0.09% per day annualises into the region of **20-30% APR during volatile, high-funding markets**. That qualifier matters and we keep it deliberately: funding is richest when sentiment is stretched, and it is far lower — or negative — in calm conditions. This engine is scaled up precisely when funding is rich and scaled down when it is not.

WHY THE RATE IS CONDITIONAL, NOT CONSTANT

Funding oscillates with sentiment and can flip sign. We never model it as a fixed coupon. The 20-30% figure describes elevated-funding regimes, not a year-round average — and the position is continuously rebalanced as the rate changes.

MARKET-NEUTRAL

SPOT-VS-PERP HEDGE

INCOME STRATEGY

REGIME-SCALED

Volatility-Spread Capture

Trading the gap between correlated assets when volatility stretches it.

STRATEGY 03 · VOL-SPREAD

Assets that normally move together — BTC and ETH, or ETH and a major L2 token — temporarily fall out of step when volatility spikes. The price *spread* between them widens beyond its usual range. Historically, that spread tends to revert back toward its normal level once the volatility subsides.

Singularity takes **offsetting positions on the two assets** — long the one that has lagged, short the one that has run ahead — so the trade profits if the spread narrows back to normal, regardless of whether the pair as a whole goes up or down. This is a classic statistical mean-reversion approach, applied to crypto pairs.

Backtested performance — 2019-2024

65%

WIN RATIO (BACKTESTED)

> 2.1

AVG. SHARPE
(BACKTESTED)

6 yrs

BACKTEST WINDOW

Across statistical backtests spanning 2019-2024, volatility-spread trades showed a win ratio around 65% with an average Sharpe ratio above 2.1. These are **backtested figures** — they describe how the strategy would have performed on historical data, under modelled execution assumptions.

HOW TO READ A BACKTEST

Backtested results are not a promise of future returns. Historical relationships can weaken, correlations can break in a crisis, and real execution differs from a model. We treat these numbers as evidence the approach is sound, not as a forecast — and we size the strategy accordingly.

MARKET-NEUTRAL

MEAN REVERSION

PAIRS / SPREAD

STATISTICAL

Liquidity Mining & Dynamic Tail Hedging

Earning protocol yield from liquidity provision, with a hedge that scales up in the tails.

STRATEGY 04 · LP + TAIL

The fourth engine earns yield by **providing liquidity** to vetted, deep automated market makers (AMMs) and lending markets. As traders swap against those pools, the treasury earns a share of the trading fees; many protocols add incentive-token emissions on top, and lending deployments add interest. In calm, range-bound markets this is a steady, low-drama source of return — exactly the conditions where the other three engines are quietest.

Liquidity provision has one well-known weakness: *impermanent loss* (also called divergence loss). When the two assets in a pool move sharply apart, an LP can end up worse off than simply holding the assets. This is a tail risk — small most of the time, painful in the extreme.

The dynamic tail strategy

Rather than accept that tail passively, Singularity runs a **dynamic tail-hedging overlay** on top of the liquidity positions. The size of the hedge is not fixed — it *scales with risk*:

- **When volatility and divergence risk are low**, the hedge is minimal, so its cost barely touches the yield being earned.
- **As realised or implied volatility rises**, the overlay scales up protection against large divergence moves — capping the impermanent-loss and drawdown the LP position can suffer in an extreme event.

The intent is asymmetric: keep almost all of the yield in normal conditions, while limiting the damage from the rare, sharp moves that hurt liquidity providers most. The hedge is a cost, not a free option — so it is sized to be cheap when protection is unlikely to be needed and richer only when the tail is genuinely fattening.

WHAT THIS ENGINE IS — AND ISN'T

It is a yield strategy with managed tail risk, best suited to calm markets. It is *not* risk-free: smart-contract risk, impermanent loss beyond what the hedge covers, and incentive-token price risk all remain. The tail hedge reduces — it does not eliminate — drawdown.

YIELD

TAIL-HEDGED

CALM-MARKET ENGINE

ON-CHAIN

Why these combine

Four engines that are busiest in different conditions add up to an all-weather portfolio.

Singularity may deploy any single one of these four strategies, or any combination of them, at its discretion — continuously adjusting the mix as market conditions, available opportunities, and risk assessments evolve. No single strategy is guaranteed to be active at any given time.

The case for running all four together is that their good and quiet periods do not line up. A market that starves one engine tends to feed another. The table below sketches when each engine is typically most active — the pattern, not a guarantee.

MARKET CONDITION	CEVF	FUNDING	VOL-SPREAD	LP + TAIL
Bull / trending up	Active	Strong	Moderate	Moderate
Bear / trending down	Active	Strong	Moderate	Reduced
High volatility	Strong	Strong	Strong	Hedged down
Calm / sideways	Quiet	Quiet	Quiet	Strong

Read down any column and you see a single strategy's feast-and-famine. Read across any row and you see why the treasury is more stable than any one engine: in a **volatility spike**, three engines are working hard while the liquidity book is hedged down; in a **calm, sideways** market, the liquidity engine carries the load while the others wait for opportunities. The arbitrage engine (CEVF) is the most condition-agnostic of the four, providing a steady base of small captures across regimes.

THE COMBINED EFFECT

No single engine is asked to perform in conditions that don't suit it. Allocation shifts toward whichever engines the current regime favours — which is what lets the strategy aim for return across bull, bear, and sideways markets rather than in just one of them.

What this means for returns

Where the blended target comes from, and how the \$SLF token fits.

The four engines blend into a single treasury return. Consistent with the figures in our Whitepaper v2.0, the realistic blended target is on the order of **3-4% per month** — roughly **42-60% effective APR** when compounded — net of the variability described in each strategy above.

3-4%

TARGET MONTHLY
(BLENDED)

~42-60%

EFFECTIVE APR,
COMPOUNDED

Variable

NOT A FIXED COUPON

We state this as a *target*, not a promise. Each engine's contribution rises and falls with conditions — the funding engine can be rich one month and quiet the next; the liquidity engine carries calm markets; the arbitrage engine provides a steadier base. The blended figure is what the combination is designed to aim for, not a guaranteed payout, and individual months will land above or below it.

The \$SLF token layer

Alongside the strategy yield, participants hold **\$SLF**, the native token. Its value is shaped by two forces detailed in the whitepaper: a *structural burn floor* from the ongoing token burn, and *demand-driven upside* as the participant base and token utility grow. Modelled across Phase 2, this spans roughly **1.1× in the burn-floor case to about 11× under strong adoption** — optional, asymmetric upside layered on top of the strategy returns, without the participant operating any trading machinery themselves.

TWO DISTINCT RETURN SOURCES

Strategy yield and token appreciation are separate. The first comes from the four engines in this document; the second from \$SLF's supply-and-demand dynamics. Neither is guaranteed, and the token-appreciation figures are scenario models, not forecasts.

Risk considerations

The honest list. Market-neutral reduces one risk; it does not remove all of them.

Each strategy section names its own specific risks. This section collects the risks that apply across the whole treasury. None of them should be a surprise after reading the strategy sections — that is intentional.

Market-neutral is not risk-free

Removing directional exposure removes the risk of being wrong about price direction. It leaves execution, basis, counterparty, smart-contract, and model risk fully in place.

Counterparty & custody risk

Capital sits on exchanges and in protocols to do its work. Exchange insolvency, frozen withdrawals, or protocol failure can cause loss independent of any trade outcome.

Smart-contract & technical risk

On-chain strategies depend on code. Bugs, exploits, and oracle failures are real and can be sudden. Audits reduce but do not eliminate this.

Liquidity & execution risk

Spreads can vanish, slippage can exceed models, and in stressed markets it can be costly or impossible to exit at expected prices.

Model & backtest risk

Strategies built on historical relationships can fail when those relationships break. Backtested and illustrative figures are not forecasts.

Returns are variable

The blended target is not a fixed return. Some months will be below target, and capital is at risk; do not invest more than you can afford to lose.

Regulatory risk

Crypto regulation is evolving and varies by jurisdiction. Changes can affect strategies, token treatment, and access.

Transparency in practice

How you verify what's in this document, rather than taking our word for it.

Transparency is only meaningful if it can be checked. These are the mechanisms that let participants and third parties independently verify the treasury and its activity.

On-chain visibility

Treasury holdings and on-chain positions are designed to be observable on public block explorers. What is on-chain can be inspected by anyone, at any time, without relying on a report we produce.

Proof-of-reserves attestations

Reserve holdings are intended to be backed by periodic proof-of-reserves attestations, so that stated balances can be reconciled against verifiable on-chain and custodial evidence.

Independent audit

Smart contracts and operational controls are subject to third-party review. Audit scope and findings are meant to be shareable, not hidden — an audit you cannot read is not assurance.

Regular reporting

Performance and allocation across the four engines are reported on a regular cadence, with the same honest framing used in this document: targets stated as targets, backtests labelled as backtests, and risks named alongside returns.

THE STANDARD WE HOLD OURSELVES TO

If a claim in this document cannot eventually be tied to something you can verify — on-chain data, an attestation, an audit, or a report — then it does not belong here. That is the test we apply to our own communications.

Important information

Not investment advice. This document is provided for informational purposes only and does not constitute investment, financial, legal, or tax advice, nor an offer or solicitation to buy or sell any asset or interest in any fund. Nothing here is a recommendation to anyone to take any course of action.

High-risk asset class. Digital assets are volatile and speculative. You can lose some or all of your capital. Market-neutral strategies reduce directional risk but remain exposed to execution, counterparty, custody, smart-contract, liquidity, basis, model, and regulatory risks, among others. Do not allocate funds you cannot afford to lose.

Illustrative and backtested figures. Worked examples in this document (including the CEVF spread example and the funding-income example) are **illustrative** and use simplified, gross assumptions; real net outcomes are lower after fees, slippage, and costs. Backtested figures (including the 2019–2024 volatility-spread statistics) describe hypothetical historical performance under modelled assumptions. **Past and backtested performance is not indicative of future results.** Token-appreciation ranges are scenario models, not forecasts.

Targets are not guarantees. Any stated return target — including the blended 3–4% monthly / ~42–60% APR figure — is an objective the strategy is designed to pursue, not a promised or fixed return. Actual results will vary and may be negative. Returns are not a fixed coupon.

Forward-looking statements. Statements about strategies, controls, transparency mechanisms, and the \$SLF token reflect current intentions and may change. Verification mechanisms described in Section 10 represent intended practice and may evolve.

Jurisdiction. Availability and the regulatory treatment of digital assets vary by jurisdiction and are subject to change. It is your responsibility to ensure that participation is lawful where you reside.