Cipher Chain Partners LP
Q1 2026 Investor Letter

Dear Partners,

The first quarter of 2026 was defined less by fundamentals than by uncertainty. Escalating tensions in the Middle East introduced a broad risk-off tone across global markets, pressuring risk assets and reducing investor appetite for leverage. Bitcoin declined 19% during the quarter, Ethereum fell 32%, and the Nasdaq Composite ended down 5.8%. Across both traditional and digital markets, capital became more defensive, liquidity thinned, and participants prioritized preservation over expansion.

These conditions matter directly to our strategy. While Cipher Chain Partners is intentionally non-directional, our opportunity set is still influenced by the health of market structure. In periods of confidence and abundant liquidity, capital moves more freely, spreads normalize at attractive levels, and trading activity expands across venues. In periods of stress, leverage is reduced, participation contracts, and the velocity of capital slows. When liquidity retreats, the raw materials that support many arbitrage and relative-value opportunities become less abundant.

Against that backdrop, the Fund generated approximately 7.5% average APR during the quarter. We believe this result is best understood not in isolation, but in context. We do not manage the portfolio with the objective of outperforming equity indices or digital assets during strong directional rallies. Our mandate is different. We seek to compound capital through disciplined, risk-managed, market-neutral positioning across a full cycle, with an emphasis on consistency, capital preservation, and attractive risk-adjusted returns.

Importantly, periods of dislocation can create their own opportunities. During the quarter, volatility and forced repositioning across leveraged market participants produced several attractive stablecoin arbitrage setups. In stressed environments, urgency often replaces precision. Market participants needing immediate liquidity to meet margin obligations or reduce leverage frequently transact with poor execution, creating temporary pricing inefficiencies. We were able to selectively capture a number of these opportunities, which helped offset the broader decline in available yield across DeFi markets.

Looking ahead, we remain constructive on the structural trajectory of the industry. Regulatory clarity has long been one of the most significant constraints on institutional adoption of digital assets and decentralized finance. Progress on the Clarity Act is an encouraging development, and current market-implied expectations suggest a meaningful probability of enactment in 2026. Should that occur, we believe the implications could be substantial: greater institutional participation, deeper liquidity, increased trading activity, and a more robust market ecosystem. For strategies such as ours, stronger infrastructure and more active markets should expand the frequency and quality of yield opportunities over time.

Near-term macro risks, particularly the duration and broader economic consequences of Middle East tensions, remain uncertain. We do not pretend to forecast geopolitical outcomes with precision. What we can control is our process: maintaining conservative positioning, preserving flexibility, and deploying capital only where the reward justifies the risk.

We remain optimistic about the long-term opportunity set before us and confident that disciplined execution through both favorable and adverse environments is the surest path to compounding partner capital.

As always, we appreciate your trust and continued partnership.

Sincerely,

Cipher Chain Capital