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Cipher Chain Partners LP
Quarterly Letter – Q3 2025

Dear Limited Partners,

Cipher Chain Partners generated a net annualized return of 11.46% (APY) in Q3. Our results outpaced both the risk-free rate and the base DeFi lending yield, which averaged roughly 4% APY on major protocols during the quarter. This quarter's returns reflect the continued resilience of our market-neutral framework and disciplined execution across stablecoin-based liquidity strategies.

Stablecoin Growth and DeFi Expansion

The third quarter marked a milestone for digital-dollar liquidity. Global stablecoin market capitalization reached an all-time high near $300 billion, while on-chain transaction volumes hit $15.3 trillion, the highest ever recorded. These metrics underscore the accelerating institutional adoption of blockchain-based settlement infrastructure.

In our view, stablecoins are becoming the monetary base of the decentralized economy. Their rising velocity and institutional inflows continue to expand the opportunity set for low-volatility yield generation. The competitive push among issuers to capture market share has led to a wave of new incentives and basis-trade opportunities, creating an environment particularly well-suited to Cipher Chain's non-directional, collateral-efficient strategies.

Regulatory Progress

Q3 also brought meaningful regulatory clarity. In the United States, progress on the GENIUS Act and related stablecoin proposals signaled bipartisan recognition of the need for a clear federal framework. Globally, regulators continued to coalesce around standards for reserve transparency and issuance oversight. This regulatory maturation is pivotal: it reduces uncertainty, encourages institutional participation, and ultimately strengthens the foundation for sustainable capital growth in DeFi.

We believe this evolving clarity is a long-term tailwind. As regulated stablecoin issuers expand and compliance infrastructure matures, institutional allocators can engage in DeFi markets with greater confidence and scale, an outcome that directly benefits Cipher Chain's investment universe.

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Market Environment

Global liquidity remained ample in Q3, but the cost of accessing it rose meaningfully. Repo and SOFR rates spiked, tightening short-term funding conditions, while the Federal Reserve paused balance-sheet runoff to stabilize markets. The takeaway was clear: while there's still plenty of cash in the system, it's not moving as freely; access to that liquidity is becoming slower and more costly.

This shift reinforces the importance of maintaining robust risk controls and flexible liquidity management principles at the heart of Cipher Chain's approach.

Despite tighter funding, macroeconomic conditions were broadly supportive. Inflation trended lower, credit spreads held steady, and risk assets performed constructively. For DeFi markets, this environment translated into sustained transactional activity and attractive carry opportunities across stablecoin pairs.

Outlook for Q4 2025

Looking ahead, we remain constructively positioned. Liquidity conditions appear favorable as the Fed shifts toward a more neutral stance and global funding pressures ease. The continued expansion of stablecoin liquidity, combined with issuer-driven incentives, is generating a rich set of positive-carry trades and arbitrage spreads.

Cipher Chain Partners will continue to emphasize strategies that compound value through disciplined position sizing, diversified protocol exposure, and adaptive risk management. While volatility in macro policy or digital-asset sentiment could create temporary dislocations, we view such periods as opportunities to deploy capital into high-conviction, yield-accretive trades.

As always, our focus remains unwavering: execution, risk management, and patience. These principles have allowed us to generate consistent returns across market cycles, and they will continue to guide every decision we make on behalf of our investors.

We appreciate your continued trust and partnership.

Sincerely,
Cipher Chain Capital