



Founded in 2018, Liberty Road Capital is a world class digital asset manager, specialising in yield enhancement strategies for digital currencies, especially Bitcoin. The team has decades of experience in asset management, investment banking and digital and blockchain business. Liberty Road offers three strategies; 1. A Covered Call strategy that uses zero leverage where the USD principal is 100% protected. 2. A Negative Gamma Strategy that utilises up to 3x leverage, trading the bitcoin volatility surface with a directional bias depending on fundamental blockchain analysis and 3. A full bitcoin volatility trading program that buys and sells bitcoin calls and puts, arbitrages the volatility surface and arbitrages across products and across exchanges. Liberty Road is based in the Cayman Islands and is regulatory exempt under the Cayman Islands Monetary Authority.

Background and Investment Strategy

The Liberty Road Negative Gamma strategy utilises world class quantitative methods to map a live volatility surface from individual exchanges, and produces both individual exchange and combined volatility surfaces. A proprietary Artificial Intelligence programme then analyses the volatility surface and maximizes the risk premium obtained by selling puts and calls at the peaks and troughs on the volatility surface. Strikes and maturity are laddered to minimize concentration.

The AI Machine Learning algorithm incorporates various factors to determine a “probability of success” for each trade, therefore the absolute level of risk premium is not deterministic.

The algorithm evaluates the medium-term trend using a combination of fundamental blockchain analysis and technical indicators.

It assigns a higher threshold for success for puts or calls that are against the trend, and a lower threshold for those that are with the trend. This allows the portfolio to gradually be positioned with the underlying trend, while still generating significant alpha from trading the volatility.

The portfolio is monitored 24 hours a day 7 days a week, and trades are always evaluated and executed by an experienced portfolio manager.

Risk Oversight

Risk is actively managed, and delta hedging is employed. The portfolio adopts forward looking EVaR limits, proprietary risk evaluation addressing left hand tail risk and incorporates Extreme Value Theory.

Negative Gamma Strategy			
Annualised Return	122.60%	Annualised Risk	43.30%
6 Month Rolling Return	39.78%	Sharpe Ratio	2.79
3 Month Rolling Return	5.98%	Skewness	1.1
Year to date	6.78%	Kurtosis	1.0
% Months Positive	76%	Max Drawdown	-13.20%



Overview

The strategy is managed with a Leverage limit of 3 and Extreme Value at Risk (EVaR) of a daily 8% limit to two Standard Deviations. Live volatility surfaces on separate and combined exchanges are evaluated and a AI Machine Learning program continually monitors the surface for the next successful trade based on an multi factor model after analysing for the medium-term trend.

Monthly Performance Data - BTC %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019				-0.50	-1.68	1.36	20.78	8.80	2.38	4.22	-7.20	-6.00	22.16
2020	22.52	4.92	-6.36	42.24	4.58	6.34	6.72	8.62	-0.50	9.24	15.90	33.82	148.04
2021	-7.72	20.70	5.80	15.68	4.08	15.98	-6.06	-6.22	10.76	38.93	24.54	8.46	124.93
2022	0.8	3.50	0.21	2.27									6.78

Key Information

Launch date	1 Apr 2019	Average Duration	0.25- 12 months
Investment vehicle	Cold Wallet	Max Leverage	3x
Liquidity	Daily/Weekly/Monthly	Currency Exposures	BTC/USD
No. of holdings	15-25	Asset Classes	BTC
Daily EVaR Limit	8%	Minimum Investment	100 BTC

Liberty Road Capital

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