



Founded in 2018, Liberty Road Capital is a world class digital asset manager, specialising in yield enhancement strategies for digital currencies, especially Bitcoin and Ethereum. 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. 2. A Negative Gamma Strategy that utilises up to 3x leverage, trading the ethereum volatility surface with a directional bias depending on fundamental blockchain analysis and 3. A full ETH volatility trading program that buys and sells ethereum 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.

Liquidity varies by allocation size, ranging from daily to monthly for large investments.

Risk Oversight

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

Negative Gamma Strategy - Gross			
Annualised Return	97.40%	Annualised Risk	39.6%
6 Month Rolling Return	-36.90%	Sharpe Ratio	2.36
3 Month Rolling Return	-19.99%	Skewness	-0.6
Year to date	-18.84%	Kurtosis	1.7
% Months Positive	78%	Max Drawdown	-44.55%



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 an AI Machine Learning program continually monitors the surface for the next successful trade based on a multi factor model after analysing for the medium-term trend.

Monthly Performance Data - ETH%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019				-0.49	3.12	2.54	10.12	14.28	5.50	2.49	1.72	0.26	39.54
2020	-0.50	8.91	-15.27	30.84	13.89	5.16	5.47	17.27	8.08	-0.06	11.94	20.76	106.49
2021	8.68	26.86	7.95	14.49	11.81	23.80	17.71	-2.17	13.78	7.22	-1.76	-16.3	112.07
2022	1.15	0.03	-27.67	7.65									-18.84

Key Information

Launch date	1 Mar 2019	Average Duration	0.25- 12 months
Investment vehicle	Cold Wallet	Max Leverage	1x
Liquidity	Daily/Weekly/Monthly	Currency Exposures	ETH/USD
No. of holdings	15-25	Asset Classes	ETH
Daily EVaR Limit	5%	Minimum Investment	2,000 ETH

Liberty Road Capital

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