ETH DIVERSIFIED ALPHA STRATEGY

July 2022

Founded in 2019, Liberty Road Capital is a world class digital asset manager, specialising in yield enhancement strategies for digital currencies, BTC and ETH. The team has decades of experience in asset management, investment banking and digital and blockchain business. Liberty Road offers four strategies; 1. A Covered Call Strategy that uses zero leverage. 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 Volatility Trading program that buys and sells bitcoin calls and puts, arbitrages the volatility surface and arbitrages across products. Diversified Alpha is a blended strategy that consists of 50% Covered Call, 25% of Negative Gamma and 25% Volatility Trading.
LRC is an approved investment manager in the Virgin Islands by the BVI Financial Services Commission (“the Commission”), under the Securities and Investment Business Act, 2010 (“SIBA”)

Background and Investment Strategy

The Liberty Road Diversified Alpha strategy utilises world class quantitative methods to optimize risk-adjusted returns and minimize drawdowns by opportunistically allocating into three sub-strategies (Negative Gamma, Covered Call, Volatility Trading).

A proprietary Artificial Intelligence programme then analyses the volatility surface and determines the trading opportunities relevant to each strategy.

Diversified Alpha provides a significant reduction in volatility due to the negative correlation between Covered Call (CC) and Volatility Trading (VT) in particular. In quiet down markets CC continually earns premium by being long Theta, while during directional markets VT protects during breakouts by generally being long Gamma.

Deploying 2x Covered Call gives a Sharpe Ratio of 7.35 and the blended product actually has about the same volatility as Covered Call on its own, which employs no leverage, but with 3x the return.

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.

ETH Diversified Alpha Strategy			
Annualised Return	196.9%	Annualised Risk	28.30%
6 Month Rolling Return	14.77%	Sharpe Ratio	6.88
3 Month Rolling Return	14.68%	Skewness	0.0
Year to date	34.09%	Kurtosis	-0.8
% Months Positive	92.5%	Max Drawdown	-7.86%

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Overview

The strategy is a blended mix of the three Liberty Road Strategies, Covered Call, Negative Gamma and Volatility Trading. Each component is managed separately with the specific risk limits for each strategy. The covered Call Strategy is levered at 2x, with Negative Gamma being 1x and Volatility trading being 1x. The strategy benefits at a granular level of the negative correlations particularly between Covered Call and Volatility Trading, with a SD of sub 28.9% with a annualised return of over 190%.

Monthly Performance Data* - ETH%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019				1.90	15.07	5.63	18.23	13.16	2.65	0.76	4.85	-0.01	**62.23**
2020	7.55	14.74	-7.86	4.43	4.49	5.42	11.94	11.46	22.52	8.15	21.76	20.76	**125.38**
2021	2.89	23.66	14.42	14.21	17.88	22.33	12.04	15.31	19.20	10.43	22.67	3.93	**178.97**
2022	17.19	2.21	-5.69	3.66	8.56	8.25	1.64						**31.96**

Key Information

Launch date	1 Apr 2019
Investment vehicle	Cold Wallet
Liquidity	Daily/Weekly/Monthly
No. of holdings	15-25
Daily EVaR Limit	5%

Average Duration	0.25-12 months
Max Leverage	1x
Currency Exposures	ETH/USD
Asset Classes	ETH
Minimum Investment	2000 ETH

LibertyRoad Capital

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*Results from Apr 2019- Oct 2021 are hypothetical and do not represent actual trading results. Unlike the results shown in actual performance records, the simulated results do not represent actual trading as they have not been executed and as such these results may have under or over compensated for the impact of transaction costs and certain market factors, such as lack of liquidity or availability of input data

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