



Founded in 2019, 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.

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 Volatility Trading strategy utilises world class quantitative methods to map a live volatility surface.

A proprietary Artificial Intelligence programme then analyses the volatility surface and maximises or minimises the risk premium obtained by selling and buying puts and calls at the peaks and troughs on the volatility surface. The algorithm analyses both the absolute risk premium compared to historical parameters, but also evaluates mispricing opportunities 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.

The strategy is directional. Long puts and calls are utilised based on risk premium and mispricing analysis.

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.

| ETH Volatility Trading Strategy | | | |
|---------------------------------|--------|-----------------|---------|
| Annualised Return | 173.5% | Annualised Risk | 55.9% |
| 6 Month Rolling Return | 29.21% | Sharpe Ratio | 3.07 |
| 3 Month Rolling Return | 20.71% | Skewness | 0.8 |
| Year to date | 42.08% | Kurtosis | -0.1 |
| % Months Positive | 68.25% | Max Drawdown | -11.06% |



Overview

The strategy is managed with a Leverage limit of 6 and Extreme Value at Risk (EVaR) of a daily 10% 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

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|-------------|-------|-------|-------|--------|--------|-------|-------|--------|-------|-------|-------|-------|--------|
| 2019 | | | 4.20 | 4.20 | 41.16 | 9.15 | 13.05 | -13.08 | 7.44 | -7.44 | -1.74 | -7.38 | 45.36 |
| 2020 | 32.49 | 45.30 | -0.54 | -15.84 | -15.57 | -1.23 | 30.00 | 0.42 | 0.42 | 6.42 | 8.28 | 47.13 | 155.88 |
| 2021 | 16.11 | 7.68 | 9.24 | 17.07 | 37.14 | 3.90 | 4.50 | 39.27 | -3.06 | 12.27 | -5.13 | 3.45 | 142.44 |
| 2022 | -3.75 | 16.62 | 5.31 | -2.64 | 5.83 | 17.05 | 5.75 | -2.09 | | | | | 42.08 |

Key Information

| | | | |
|--------------------|----------------------|--------------------|----------------|
| Launch date | 1 April 2019 | Average Duration | 0.25-12 months |
| Investment vehicle | Cold Wallet | Max Leverage | 5x |
| Liquidity | Daily/Weekly/Monthly | Currency Exposures | ETH/USD |
| No. of holdings | 15-25 | Asset Classes | ETH |
| Daily EVaR Limit | 8% | Minimum Investment | 2000 ETH |

Liberty Road Capital

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