



LIBERTYROAD
CAPITAL

BTC ACTIVE TREASURY CC & CP STRATEGY

August 2023

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.

The Liberty Road Active Treasury programme is a low risk programme which targets 5% - 7% annualised volatility with a targeted Sharpe Ratio of 2. It employs Artificial Intelligence and Machine Learning to dynamically and actively turn the portfolio over seeking opportunities on the real time BTC volatility surface. The programme has a higher entry threshold for stikes than the traditional programme and differs significantly in targeted volatility from the Liberty Road vanilla Covered Call and Put products.

Background and Investment Strategy

The Liberty Road Active Treasury is a combination of the Covered Call (CC) and Covered Put (CP) strategy.

A proprietary Artificial Intelligence programme analyses the BTC volatility surface and maximizes the risk premium obtained by selling calls or selling puts at the peaks on the volatility surface.

It then utilises world class quantitative methods and machine learning algorithms back-test the success rate of any identified trade as a trade filter. Once a trade passes this filter it is executed.

The allocation is split between Calls and Puts based on a medium term proprietary directional indicator. In a bull market more is allocated to CP, while in a bear market more is allocated to CC.

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 very actively managed and leverage is capped at a of 1:1. . The portfolio has Hard Risk limits in place for 1. Matrix Ruin, 2. Extreme Value at Risk (EVaR), 3. Delta and 4. Hard monthly stop losses in place.

Soft limits manage Theta, Vega, liquidity, fixing and settlement risk. A document is available outlining these risk limits on request

BTC Active Treasury CC&CP Strategy - Gross			
Annualised Return	10.4%	Annualised Risk	3.1%
6 Month Rolling Return	6.87%	Sharpe Ratio	3.28
3 Month Rolling Return	3.96%	Skewness	-0.8
Year to date	6.34%	Kurtosis	1.5
% Months Positive	80%	Max Drawdown	-1.5%



Overview

The strategy is managed with a Leverage limit of 1. Investors can invest in either USD or BTC. A USD investment can be hedged or unhedged. Returns are significantly improved over simple covered call strategies due to the active analysis of real time volatility surfaces, combined with an AI Process that continually evaluates the next best trade whether to buy calls back and sell different durations / strikes or to hold to expiry. On average the notional amount traded is over 5 times the investment amount in volume terms over the month as our AI is continually analysing the volatility surface looking for the steepest Theta slopes and lowest Gamma to exploit the market opportunities available.

Monthly Performance Data - BTC %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021											0.53	0.95	1.49
2022	1.25	1.04	1.76	2.65	1.15	1.21	-0.05	1.15	0.17	0.34	-0.09	0.69	11.26
2023	-1.50	0.98	-0.28	1.46	1.74	1.41	1.39	1.16					6.35

Key Information

Launch date	1 Jan 2022	Average Duration	0.25-12 months
Investment vehicle	Cold Wallet	Max Leverage	1x
Liquidity	Daily/Weekly/Monthly	Currency Exposures	BTC/USD
No. of holdings	5-10	Asset Classes	BTC
Daily EVaR Limit	5%	Minimum Investment	100 BTC

Liberty Road Capital

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