

# Digital Asset Management

## Covered Call Strategy



LIBERTYROAD  
CAPITAL

August 2023

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# Firm Overview

**Liberty Road Capital** is a British Virgin Islands based Approved Investment Manager, under the Securities and Investment Business Act, 2010 (“SIBA”).



Founded in  
**2019**



Focused on  
**Yield Generation**



Primary Office in  
**Monaco**



Approved Fund Manager  
**BVI Financial Commission**

Accountability & institutional culture backed by decades of experience to deliver excellence for our clients





# Investment Philosophy

Yield generation for cold wallet bitcoin balances

## Strategy:

- ✦ Identify **opportunities** on the volatility surface
- ✦ Exploit **arbitrage** opportunities in key derivatives markets such as cash vs perpetuals, futures and cross exchange
- ✦ Incorporating **AI and quantitative methodologies** and tools to identify opportunities

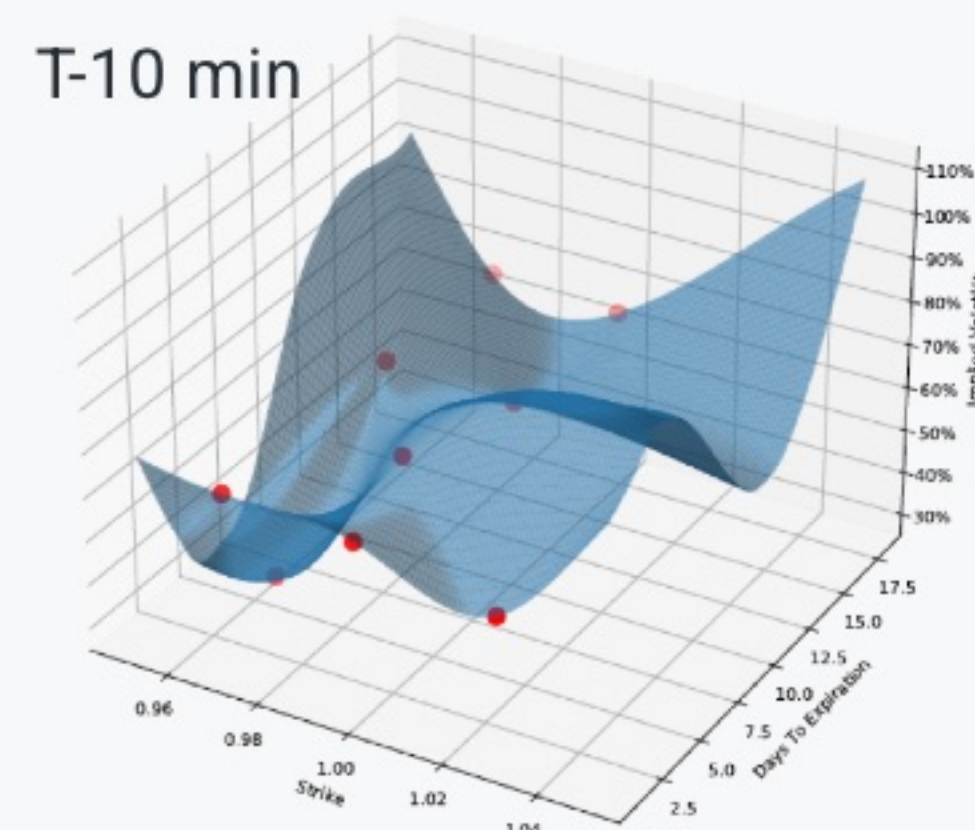
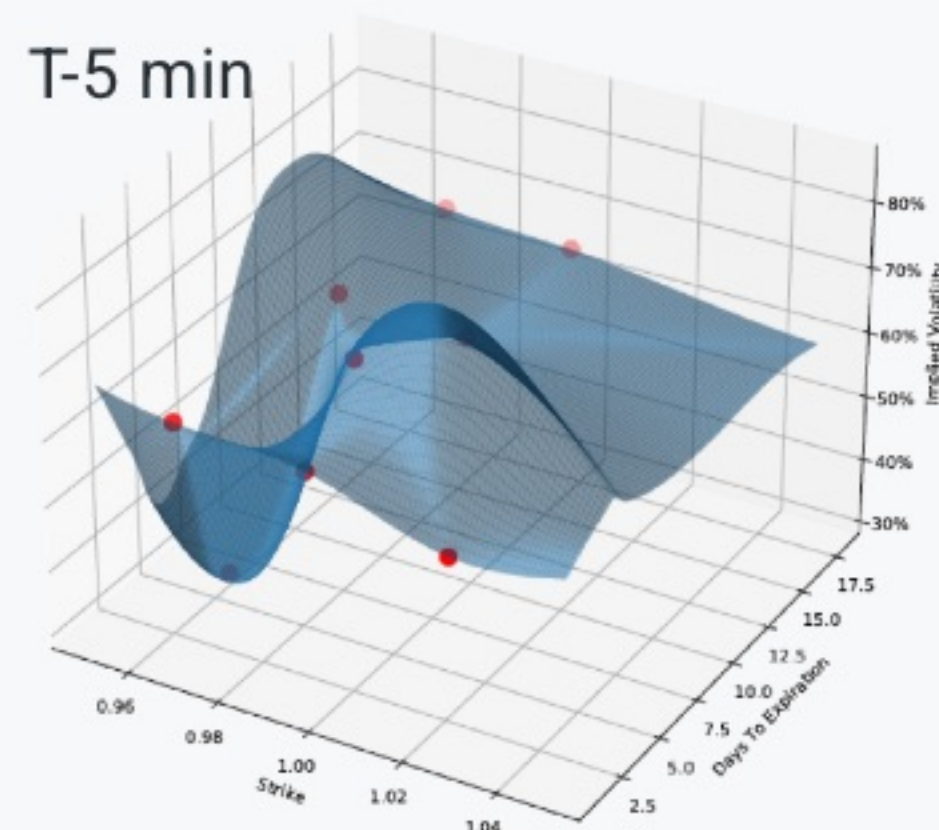
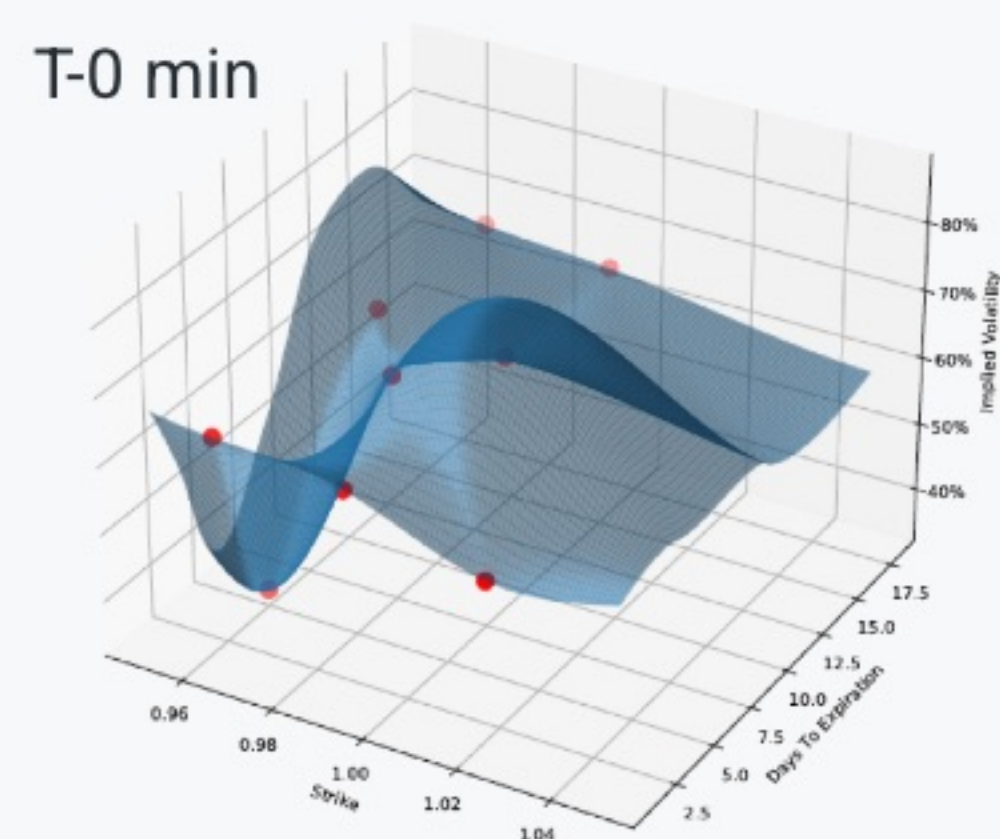
## Key Themes:

- ✦ World class **risk management** utilising the best risk management tools
- ✦ **24/7 portfolio management** via an exceptional portfolio management team
- ✦ State of the art **security and custody** solutions where digital assets remain under the ownership and control of the investor in cold wallets





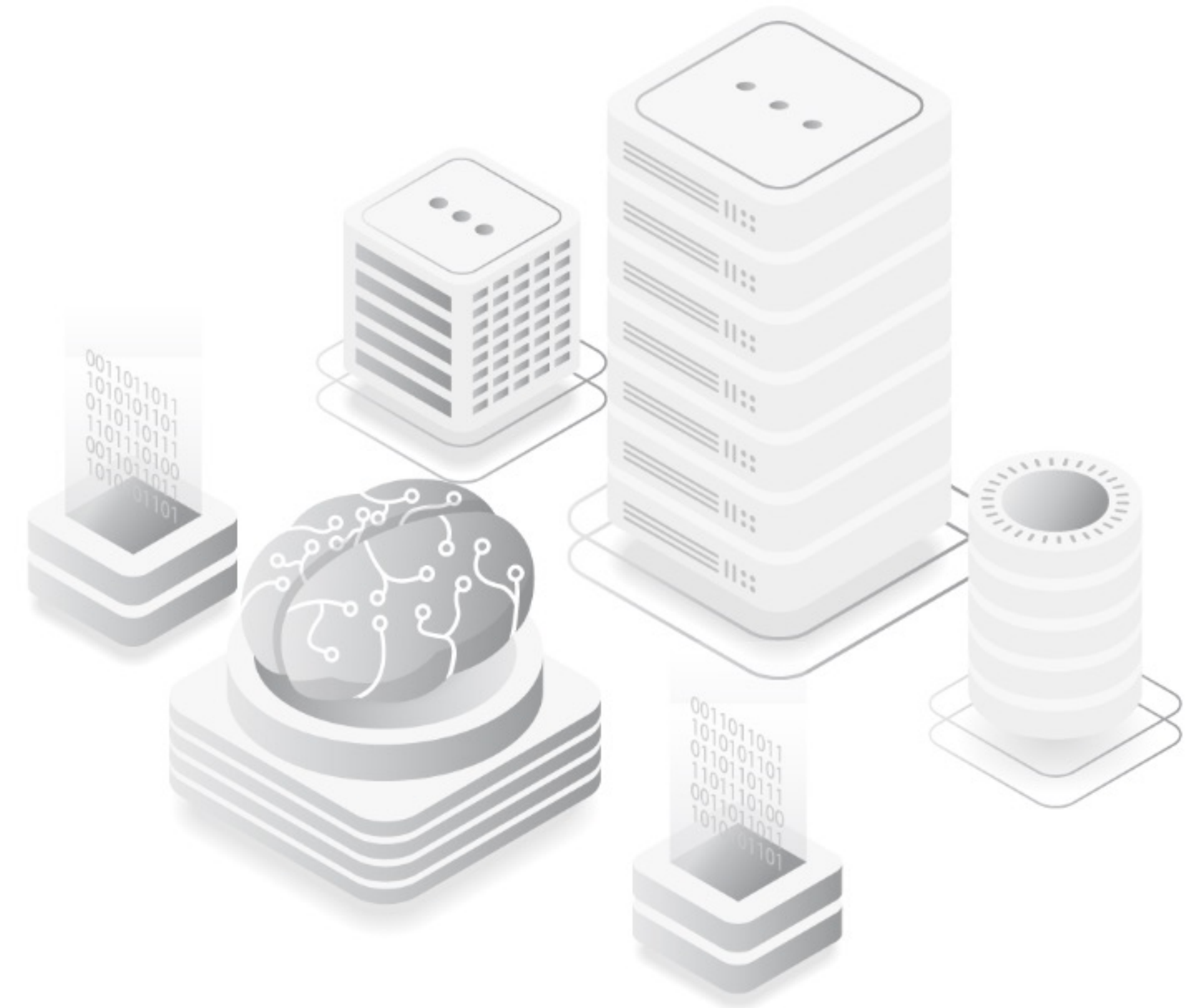
# The Opportunity



- ✦ Large inefficiencies exist in digital asset derivatives markets
- ✦ Large risk premiums are available with low risk
- ✦ Volatility options surface offers huge opportunities due to market inefficiencies
- ✦ Recent advancements in technology eliminate the credit risk of having assets held by exchanges

# Machine Learning Algorithm

- Algorithm **identifies market opportunities** in real time and assesses probability of trade success.
- Filters** include Delta, Theta, Gamma, Vega, Duration, Realised Volatility, Implied Volatility, Moving Averages and RSI.
- Machine learning algorithm calculates a **trade confidence of success** based on historical parameters, against current market parameters.
- Trades taken based on outlier parameters likely to result in **profitable trades**. Threshold of 70% likely success rate is minimum threshold.
- Experienced Portfolio Manager** oversees and executes the trades.

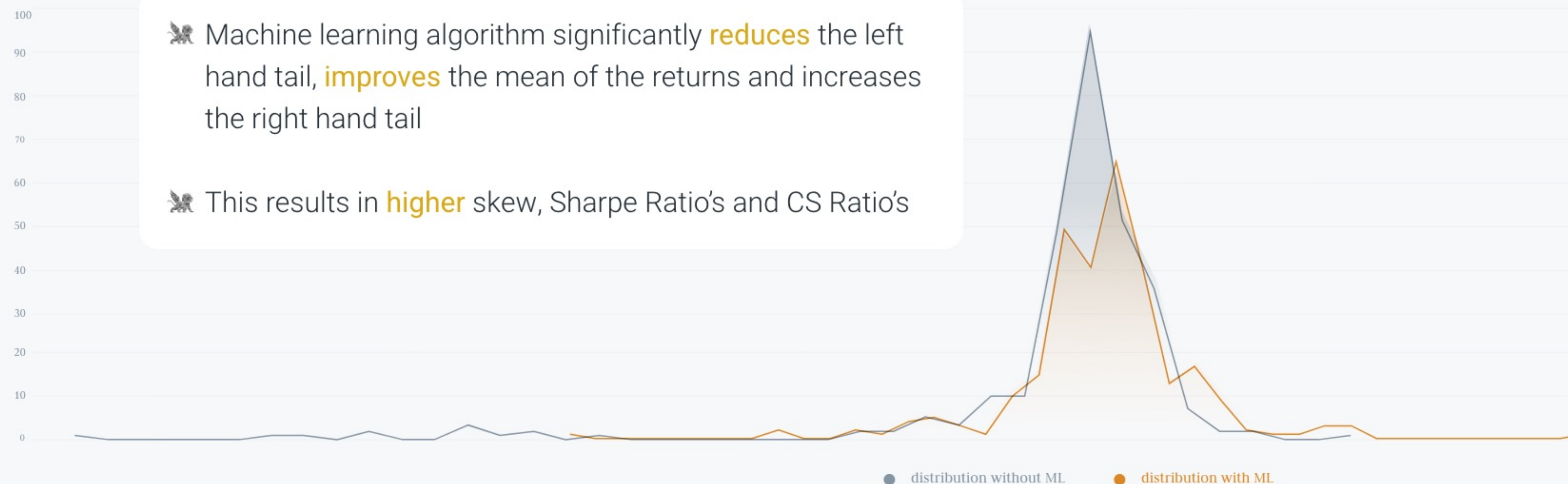




# Impact of machine learning

Machine learning algorithm significantly **reduces** the left hand tail, **improves** the mean of the returns and increases the right hand tail

This results in **higher** skew, Sharpe Ratio's and CS Ratio's





# Process Overview



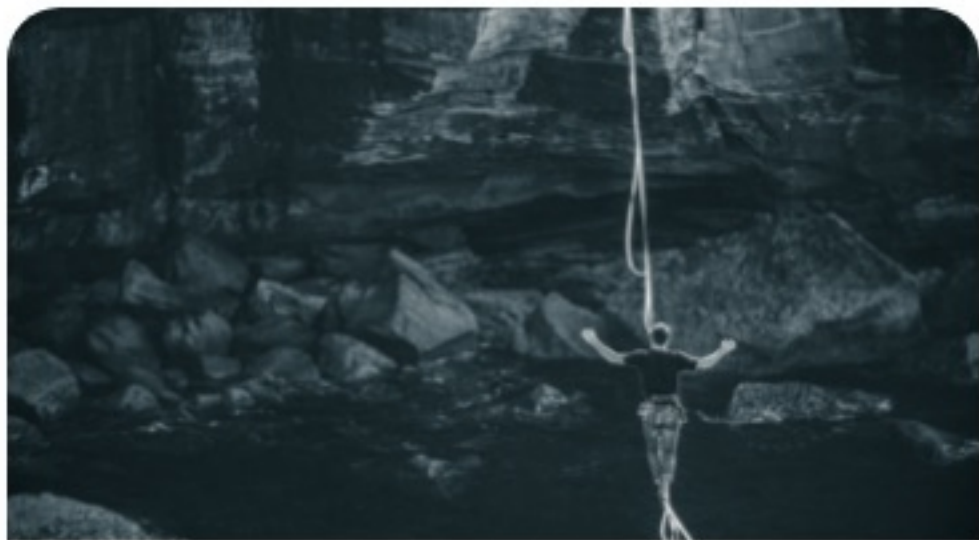
## Institutional Infrastructure

Secure. Frictionless. Ownership remains with Investor.



## Investment Opportunity

Live opportunities identified by AI. Volatility Surface. Arbitrage via Product, Curve, Exchange.



## Risk Management Procedures

Embedded in the investment process. Extreme Value Theory, Overseen by AI.



# Secure Digital Infrastructure



All assets are retained by investor in a dedicated secure offline cold wallet.



Assets can be traded against while offline in cold storage.



Investment Manager trades the portfolio under an Investment Management Agreement, but is not able to move assets from wallet.



Settlement takes place in real time, and a hold or credit is placed against cold wallet which is periodically settled by client.



100% secure.  
Zero Credit risk.





# Risk Management

## Investment Management Process

### Liquidity Risk

- ✦ Real-time monitoring of liquidity
- ✦ Strategic long bias positions

### Counterparty Risk

- ✦ Cold storage
- ✦ Sophisticated MPC wallet
- ✦ 2 of 3 signature control
- ✦ 2 keys retained by coin owner

### Event Risk

- ✦ Tactical hedging of tail risk events
- ✦ Strict risk limits & internal protocols

### Technical Default Risk

- ✦ Ongoing engineering analysis of digital assets
- ✦ Real-time onchain data feeds and analytics

## Best practices

- ✦ No single person, server, vault location or device failure can compromise our operations
- ✦ MPC wallet authorization for fund access
- ✦ Exchange partners rigorously selected based on data security practices & management
- ✦ Short term positions managed with strictly imposed risk limits
- ✦ Mitigating exposure via e-wallets, exchange accounts & other counterparty risks
- ✦ Overseen by independent risk management committee





# Covered Call Strategy - BTC Performance

Summary Statistics  
(Period: April 2019 – August 2023)

|                                     |         |                                            |        |
|-------------------------------------|---------|--------------------------------------------|--------|
| Annualised Return (since inception) | 30.0%   | Annualised Volatility (Standard Deviation) | 21.8%  |
| Sharpe Ratio                        | 1.35    | Omega Score Annualised                     | 7.80%  |
| Largest Drawn Down                  | -27.73% | Length (Months)                            | 3      |
| Skewness                            | -1.0    | Kurtosis                                   | 3.1    |
| CS Character                        | 2.79    | CS Ratio                                   | 3.76   |
| Up Months                           | 39      | Percentage                                 | 75.47% |
| 6 Month Rolling Return              | 13.48%  | 3 Months Rolling Return                    | 9.97%  |

|      | JAN    | FEB   | MAR   | APR   | MAY   | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | DEC  | YTD   |
|------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|
| 2019 |        |       |       | -2.71 | -4.95 | -0.47 | 11.17 | 11.77 | 12.75 | 9.16  | 2.57  | 1.20 | 40.46 |
| 2020 | 2.55   | -0.72 | 2.32  | -8.79 | 0.39  | 14.25 | 10.85 | 5.68  | 9.71  | 7.50  | -6.29 | 0.11 | 37.16 |
| 2021 | -21.55 | 8.82  | 8.28  | 6.42  | 12.91 | 6.02  | 3.63  | 6.11  | 8.58  | -1.34 | 1.77  | 3.18 | 42.83 |
| 2022 | 1.21   | -0.30 | 1.52  | 1.60  | 1.65  | 6.73  | -1.24 | 1.13  | -1.33 | 0.18  | 0.37  | 2.68 | 14.20 |
| 2023 | -10.24 | 1.00  | -5.05 | 3.04  | 5.52  | 1.04  | 5.45  | 3.48  |       |       |       |      | 4.24  |

Quantitative trading returns are back tested returns. Document outlining returns available on request.  
Gross returns for LRC reference accounts. Calculated as simple interest rate.



# Covered Call Strategy - ETH Performance

Summary Statistics  
(Period: April 2019 – August 2023)

|                                     |         |                                            |        |
|-------------------------------------|---------|--------------------------------------------|--------|
| Annualised Return (since inception) | 63.1%   | Annualised Volatility (Standard Deviation) | 34.9%  |
| Sharpe Ratio                        | 1.77    | Omega Score Annualised                     | 12.56% |
| Largest Drawn Down                  | -20.50% | Length (Months)                            | 2      |
| Skewness                            | 1.0     | Kurtosis                                   | 1.7    |
| CS Character                        | 2.78    | CS Ratio                                   | 4.92   |
| Up Months                           | 42      | Percentage                                 | 73.58% |
| 6 Month Rolling Return              | -16.85% | 3 Months Rolling Return                    | 2.06%  |

|      | JAN    | FEB   | MAR    | APR   | MAY  | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | DEC   | YTD    |
|------|--------|-------|--------|-------|------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2019 |        |       |        | 1.00  | 0.46 | 2.60  | 15.76 | 19.14 | -2.50 | 3.62  | 7.28  | 3.54  | 50.89  |
| 2020 | -4.67  | -4.99 | -3.88  | -0.86 | 7.57 | 6.17  | 0.17  | 8.35  | 26.53 | 8.13  | 3.11  | 11.25 | 56.88  |
| 2021 | -8.06  | 18.23 | 13.03  | 5.53  | 2.35 | 19.64 | 6.96  | 4.41  | 23.44 | 5.91  | 37.45 | 12.32 | 141.20 |
| 2022 | 27.08  | -5.15 | 2.65   | 2.99  | 1.14 | 0.02  | -1.93 | 1.58  | 0.51  | -2.04 | -3.17 | 2.89  | 26.57  |
| 2023 | -17.52 | 3.28  | -11.14 | -9.36 | 1.59 | 0.22  | -2.14 | 3.98  |       |       |       |       | -31.09 |

Quantitative trading returns are back tested returns. Document outlining returns available on request.  
Gross returns for LRC reference accounts. Calculated as simple interest rate.

# Team



## Russell Thompson

30+ years Finance & Trading. Ran Pan-Asia Trading for AIG, and ran desks for HSBC Hong Kong, and Midland Montagu.

Founder/ Owner The Cambridge Strategy, USD \$3.5B AUM in emerging markets strategies.

Firm attained top 1% of returns for Investment Management firms for the past 10 years.

## Tom Bowles

Financial Quantitative Expert, with 25 years experience in top-tier hedge funds, asset management and family offices in London, New York and Monaco with AUM from \$1bn to \$30bn.

Specialised in quantitative and machine learning, with a PhD from Oxford in mathematical forecasting.

Successful entrepreneur track record, building 3 MedTech companies with strong +\$1bn exits.

## Anna Dinescu

12 years Project Management in top tier multi-nationals, fin-tech startups and investment companies.

Specialised in Business development and Fund-Raising for VCs/Hedge Funds/FO focused on fin-tech, blockchain, digital assets and alternative asset investment portfolios.

## Dan Hanson

25 years of FX and PM volatility trading experience.

Ran FX Option desks at Merrill Lynch, Standard Chartered and Citibank, specialising in Emerging Markets characterised by asymmetric distributions, pegged ccys, illiquid markets and Frontier markets.



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