



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 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.

BTC Volatility Trading Strategy			
Annualised Return	88.3%	Annualised Risk	50.7%
6 Month Rolling Return	28.52%	Sharpe Ratio	1.71
3 Month Rolling Return	1.11%	Skewness	1.6
Year to date	19.96%	Kurtosis	3.8
% Months Positive	57.41%	Max Drawdown	-30.07%



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 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 BTC %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019			-0.12	16.77	7.74	13.92	-7.41	-9.72	-12.33	2.64	5.34	9.24	26.07
2020	11.28	-0.42	44.64	21.48	-3.18	-7.08	19.17	7.08	1.14	38.88	30.81	50.40	214.20
2021	22.32	15.24	2.25	3.57	5.28	-4.98	-0.36	7.71	-3.38	12.32	-3.69	13.53	69.81
2022	1.68	2.59	23.82	-13.07	-2.68	34.98	-8.29	-9.98	-3.62	-8.18	1.49	-7.45	11.29
2023	-7.09	-1.47	-4.71	27.63	4.49	9.39	-6.47	-1.81					19.96

* Calculated as simple returns

** Data indicated in the table starting 1 Feb 2022 represents real-live trading returns, previous returns are Machine Learning simulated

Key Information

Launch date	1 Mar 2019	Average Duration	0.25- 12 months
Investment vehicle	Cold Wallet	Max Leverage	5x
Liquidity	Daily/Weekly/Monthly	Currency Exposures	BTC/USD
No. of holdings	15-25	Asset Classes	BTC
Daily EVaR Limit	10%	Minimum Investment	100 BTC

Liberty Road Capital

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