Bloom Yield Strategies: 20-30% Medium-Risk Vault

Overview

Bloom's medium-risk yield vault targets approximately 35-45% gross yield to deliver 20-30% APY net to depositors, with the remainder retained as protocol profit. The vault blends multiple uncorrelated yield engines AMM fees, credit carry, and derivatives premia coordinated by a regime-aware allocator and strict risk limits.

Target Outcomes & Operating Model

Item	Target / Policy
User Net APY	20-30% (gross 35-45%)
Volatility Regimes	Allocator toggles LP ↔ options based on IV with hysteresis
Capital Allocation Bands	Stable AMM 15-30%; Volatile AMM 10-25%; Leveraged Lending 10-25%; Funding-Rate 10-20%; Options Overlay/Allocator 5-15%; Leveraged RWA Carry 10-20% (ranges flex by regime)
Risk Limits	Max sleeve drawdown 5-10%; HF ≥1.5 on leveraged sleeves; per-venue caps 25-30% of vault TVL
Liquidity Policy	Weekly liquidity coverage ≥1.2× expected withdrawals; secondary rails for longer-dated assets
Gas/Ops Budget	≤1-2% of strategy yield per epoch
Governance/Security	Audits, multisig parameter changes, oracle sanity checks, circuit breakers

Key Success Requirements (Portfolio-Level)

- Deep, incentivized AMM pools with predictable volume/TVL.
- Blue-chip money markets supporting ≥80% LTV on stables and reliable borrow APRs.
- Liquid perp venues with transparent funding and low slippage for hedging.

- Tokenized RWA vaults with short duration (30-90d), transparent NAV, and tradable/periodic liquidity.
- Robust data/analytics: IV, RV, funding, Volume/TVL, NAV oracles; subgraph/Dune telemetry.
- Automation: keepers for rebalancing, deleveraging, coupon roll, and options rolls.

Portfolio-Level Risks & Mitigations

- Correlated short-vol exposures across LP + options → manage sizing/strikes; regime allocator reduces stacking.
- Rate/borrow shocks affecting leveraged sleeves → fixed-rate migration, caps, and rapid deleverage.
- Stablecoin depeg/oracle anomalies → multi-oracle checks, HF buffers, circuit breakers.
- RWA liquidity mismatch → maturity laddering, secondary liquidity pools, withdrawal queues.

Global Architecture & Profit Model

Architecture

Component	Function
Vault Layer (ERC-4626)	Aggregates deposits, issues shares, normalizes accounting.
Strategy Modules	Isolated sub-vaults with shared risk limits and caps.
Execution Engine	Algorithmic rebalancer for ranges, hedges, leverage, and rolls.
Data Infrastructure	Historical + live IV, RV, funding, prices (Pyth, Chainlink, subgraphs/Dune).
Keeper Network	Gelato/Chainlink bots for rebalancing, compounding, deleveraging.

Profit Distribution

Flow	Allocation
Gross Strategy Yield	35-45%
Protocol Performance Fee	10-15%
Operational Costs (gas/hedging)	3-5%

User Net APY	20-30%

Yield accrues in USDC and compounds into vault shares. Performance/management fees fund development, audits, and incentives.

1. Stable Pair Strategy (Narrow-Band AMM)

Overview

Consistent fee + incentive yield on low-volatility stablecoin pools using very narrow ranges and moderate leverage while safeguarding peg stability.

Mechanism

- Select incentivized stable-stable pools on deep-liquidity DEXs.
- Provide liquidity in ±0.1-0.3% bands; widen only for depeg contingencies.
- Monitor IV and mean-reversion; rebalance at ~½ the pair's average deviation from mean.
- Optionally add 1.5-2.5× leverage with collateral ratios 150-180%.

Yield Composition

Source	Expected Contribution (APR)	Notes
AMM Fees	8-15%	Organic swap fees on stable-stable volumes
Incentives	10-20%	Governance/reward emissions
Borrow Cost	−2-5%	If leveraged
Auto-Compounding	+1-3%	Harvest/compound cadence
Gross Target	20-30%	Pre-protocol fees

Operational Parameters

Category	Parameter	Target / Range	Purpose
Range	Width	±0.1-0.3%	Reflect low IV; minimize churn
Rebalance	Tolerance	~½ natural deviation (e.g., ±0.15%)	Efficient maintenance
Leverage	Collateral Ratio	150-180%	Safety buffer
Costs	Gas Budget	≤1% of epoch yield	Positive net ops

Success Requirements

- Pools with predictable volume/TVL and sustained incentives.
- Borrow source enabling ≥1.5× effective leverage with borrow APR ≤5%.
- Reliable peg/IV oracles; fast keeper execution.

Risks

- Stablecoin depeg; mitigated via depeg buffers and emergency exits.
- Borrow APR spikes; mitigated via thresholds and dynamic deleverage.
- Smart-contract risk on AMM/money markets; capped exposures and audits.

Success Metrics

- Active time in range ≥85%.
- Net APR (pre-fees) 20-30% with drawdown ≤5%.
- Ops drag ≤1% of epoch yield.

2. Volatile Pair Strategy (Delta-Neutral Concentrated LP)

Overview

Capture elevated trading fees from high-volume volatile pairs with concentrated ranges and optional perp hedges to keep net delta ≈ 0.

Mechanism

- Swap 50% of USDC into target asset to form a balanced base position.
- Select pools with Volume/TVL ≥0.5-1.0+, fee tier 0.05-0.30%, IV 50-90%.
- Provide liquidity in ±3-6% band; target ≥70% time in-range.
- Perp hedge sized to LP exposure; rebalance at 5% price drift or 2% delta deviation.

Yield Composition

Source	Expected Contribution (APR)	Notes
AMM Fee APR	15-30%	High throughput pools
Incentive APR	10-25%	DEX/ve incentives
Funding / Hedge Carry	+2-8%	If funding favorable
Auto-Compounding	+3-5%	Harvest cadence
Gross Target	35-50%	Pre-protocol fees

Operational Parameters

Category	Parameter	Target / Range	Purpose

Range	Width	±3-6%	Balance fees vs. churn
Hedge	Hedge Ratio	1.0 ± 0.02	Delta neutrality
Rebalance	Trigger	5% price drift or 2% delta	Stay in-range / hedged
Costs	Slippage/Gas	≤0.3% per reposition; gas ≤2% weekly fees	Net positive operations

Success Requirements

- Liquid perps for synchronous hedging and accurate funding feeds.
- Automation for joint LP and hedge moves with low slippage.
- High-throughput DEX pools with stable fee tiers.

Risks

- Out-of-range downtime; mitigated by dynamic bands and timely reposition.
- Funding inversions; mitigate via venue rotation and caps on negative carry.
- Execution/MEV risk; mitigate via TWAP and protected routers.

Success Metrics

- Range utilization ≥70%.
- Net fee capture ≥15% APR (ex-incentives).
- Sharpe ≥1.2 at sleeve level.

3. Leveraged Lending Strategy (Recursive Stable Loops)

Overview

Amplify base lending yields by borrowing against stable collateral and re-supplying, maintaining conservative health factors for steady, delta-neutral returns.

Mechanism

- Supply USDC/DAI/USDT → borrow opposite stable → re-supply (3-5 loops).
- Accrue supply APY + incentive rewards on increased notional.
- Auto-deleverage on rate spikes or health-factor breaches.

Yield Composition

Source	Expected Contribution (APR)	Notes
Supply APY	5-8%	Blue-chip money markets

Incentive APR	5-15%	Protocol emissions
Leverage Multiplier	×2-4	Recursive loops
Borrow Cost	−8-12%	Variable; venue-dependent
Gross Target	35-45%	Pre-protocol fees

Operational Parameters

Category	Parameter	Target / Range	Purpose
Collateral	Health Factor	1.5-1.7 (unwind at 1.4)	Prevent liquidation
Leverage	Effective Leverage	2-4×	Yield vs. safety
Borrow	APR Ceiling	≤10%	Preserve positive carry
Ops	Gas Budget	≤1% weekly yield	Maintain profitability

Success Requirements

- Money market with ≥80% LTV on stables and deep liquidity.
- Borrow APR ≤6-8% across cycles.
- Keeper for HF monitoring and rapid deleverage.

Risks

- Borrow rate spikes; mitigated via fixed-rate migration or caps.
- Liquidation risk at high LTV; HF buffers + automation.
- Smart-contract risk; diversify venues and apply caps.

Success Metrics

- HF ≥1.5 maintained ≥99% of time.
- Borrow utilization ≤70%.
- Drawdown ≤8% under stress.

4. Funding-Rate Capture Strategy (Perp/Spot Basis)

Overview

Monetize positive funding by holding long spot and equal short perps, maintaining delta neutrality and rotating across assets with persistent positive funding.

Mechanism

- Select ETH/BTC/SOL/ARB/AVAX where funding > threshold and depth is ample.
- Open long spot + equal short perp; optionally 1.5-3× leverage on spot leg.
- Rotate or unwind on funding flips or basis divergence.

Yield Composition

Source	Expected Contribution (APR)	Notes
Funding Carry	10-30%	Primary driver
Basis Reversion	2-5%	Occasional add-on
Stable Borrow/Lend Spread	+2-5%	If applicable
Auto-Compounding	+3-5%	Harvest cadence
Gross Target	30-45%	Pre-protocol fees

Operational Parameters

Category	Parameter	Target / Range	Purpose
Entry	Funding Threshold	>0.01% / 8h (~10-15% APR)	Positive carry
Leverage	Target	1.5-3×	Scale carry safely
Risk	Health Factor	≥1.5	Prevent liquidation
Control	Funding Drift Tol.	±0.005% / 8h	Rebalance trigger

Success Requirements

- Deep perp venues with transparent funding and stable liquidity.
- Reliable spot liquidity and low fees for hedging.
- Automation for funding/basis tracking and rapid rebalancing.

Risks

- Funding reversal; auto-closure on negative funding.
- Basis divergence; cap max basis and set unwind rules.
- Protocol/oracle risk; prefer top-tier venues and dual oracles.

Success Metrics

- Average funding 0.015-0.025% / 8h.
- Active time ≥80%.
- Net delta <0.5% notional.

5. Options Overlay: Synthetic Range Extension (on LP)

Overview

Sell OTM calls/puts just outside the LP band to monetize outer tails and buffer LP rebalancing costs; maintain core LP fees in-range.

Mechanism

- Maintain LP band (e.g., ±3%); sell weekly OTM options at ±5-10% outside band.
- Roll weekly; adjust strikes to IV and inventory; premiums harvested and compounded.
- Keep overlay sizing modest to avoid over-stacking short-vol risk with LP.

Yield Composition

Source	Expected Contribution (APR)	Notes
LP Fees (in-range)	12-22%	Depends on pair and band
Options Premiums	8-20%	Weekly premiums, IV-dependent
Auto-Compounding	+2-4%	Reinvest premiums
Assignment/Hedge Losses	−0-5%	When strikes breach
Ops Drag	−1-2%	Roll + reposition
Gross Target	25-40%	Overlay uplift +5-10% vs LP-only

Operational Parameters

Category	Parameter	Target / Range	Purpose
Strikes	Distance	±5-10% outside LP band	Monetize tails
Tenor	Expiry	Weekly	Consistent roll
Sizing	Overlay Notional	≤30-50% of LP notional	Limit stacked short-vol
Risk	Max ITM Rate	<20%	Contain losses

Success Requirements

- On-chain options venue with depth (Lyra/Dopex/Premia/Ribbon v3).
- IV in 30-60% range and reliable pricing/oracles.

- Automation to coordinate LP repositions with option rolls.

Risks

- Correlated short-vol exposure (LP + options).
- Gamma events through strikes → accelerated losses.
- Liquidity/assignment risk near expiry.

Success Metrics

- Weekly premium yield 0.5-1.5%.
- Overlay adds +5-10% APR vs LP-only baseline.
- ITM breach rate <20% with controlled loss per event.

6. IV-Regime Switcher: Dynamic LP ↔ Options Allocator

Overview

Regime-aware allocator toggling between LP-only, LP+options overlay, and options-only based on IV bands with hysteresis to reduce churn.

Mechanism

- Policy: IV<30% → LP (narrow); IV 30-70% → LP + options overlay; IV>70% → options-only.
- Apply hysteresis (e.g., 5-10 IV pts) and minimum holding periods (3-7d).
- Rebalance weekly with turnover caps; track range utilization and net carry per regime.

Yield Composition

Regime	Components	Expected Net Gross APR
Low IV (<30%)	Concentrated LP fees + incentives	15-22%
Mid IV (30-70%)	LP + options overlay premiums − roll/drag	20-32%
High IV (>70%)	Options selling only − hedge/drag	25-40%

Operational Parameters

Category	Parameter	Target / Range	Purpose
Signals	IV Bands	<30 / 30-70 / >70	Policy control
Stability	Hysteresis	5-10 IV pts + 3-7d hold	Reduce churn

Costs	Turnover/Gas	Budget ≤2% of yearly yield	Maintain net performance

Success Requirements

- Accurate IV estimates and robust regime classifier.
- Depth on options venues during high-IV periods.
- Automation for rapid rotation with low slippage.

Risks

- Misclassification/whipsaw; mitigate via hysteresis and holds.
- Higher ops complexity; strong observability required.
- Model drift; require periodic recalibration/backtests.

Success Metrics

- Outperformance vs static LP by +3-8% annualized.
- Time-in-optimal-policy ≥65%.
- Switches/month within budget.

7. Leveraged RWA Carry Strategy (Stable → RWA Vault Carry)

Overview

Use stablecoin collateral to borrow additional stables and acquire short-duration RWA vault tokens, magnifying predictable coupons into a 20-30% net sleeve yield.

Mechanism

- Deposit stables → borrow stables → buy RWA vault tokens (7-10% coupons).
- Loop to 3-4× effective leverage with HF ≥1.5; ladder maturities (30-90d).
- Redeploy coupons; rotate into best risk-adjusted RWA pools; maintain exit liquidity via secondary pools or rolling windows.

Yield Composition

Source	Expected Contribution (APR)	Notes
Base Coupon (on notional)	7-10% × L	L = leverage multiple
Borrow Cost (on borrowed)	−(2-8%) × (L−1)	Prefer ≤3-5%
Incentives/Discounts	+0-3%	Issuer incentives / secondary discounts
Auto-Compounding/Rotation	+2-3%	Coupon roll/rotation

Ops Drag	−0.5-1.0%	Looping/redemption
Gross Target	25-40%	At 3-4× leverage

Operational Parameters

Category	Parameter	Target / Range	Purpose
Risk	Health Factor	≥1.5 (unwind 1.4)	Prevent liquidation
Leverage	Effective L	3-4× (max 5× with automation)	Yield vs safety
Borrow	APR Ceiling	≤6% (≤3% for 5-6×)	Preserve carry
Assets	RWA Yield	7-10% (30-90d)	Short duration
Liquidity	Coverage Ratio	≥1.2× weekly	Match withdrawals

Success Requirements

- Money markets with ≥80% LTV and predictable borrow APR.
- RWA vaults with transparent NAV, short duration, and tradable/periodic liquidity.
- Multi‑oracle NAV/peg checks; automation for HF and coupon rollover.

Risks

- Rate spikes erode carry; migrate to fixed‑rate or deleverage.
- Stable depeg/oracle failure; multi‑oracle checks + buffers.
- RWA redemption gates; staggered maturities + secondary pools.
- Issuer/credit risk; diversification and insurance.

Success Metrics

- Effective leverage 3-4× with HF ≥1.5 ≥99% of time.
- Net carry > +6% after costs; sleeve contributes ≥10-15% to vault APY.
- Stress drawdown ≤8%; ops drag ≤1% monthly yield.