LIGHTHOUSE MACRO — POSITION SIZING METHODOLOGY

Executive Summary | January 2025
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THE PHILOSOPHY

Discretionary macro generates alpha through **conviction and concentration** — not by spreading thin across dozens of half-baked ideas. This framework enforces that discipline systematically.

We score every position across three pillars, sum the scores, map to a conviction tier, adjust for regime, and size accordingly. No discretionary overrides. No "this one feels different." The framework is the discipline.

PORTFOLIO STRUCTURE

Target: 5-10 total positions across the entire book.

This is concentrated by design. The math:

Position Count	Average Size	Conviction Range (0.5× to 1.5×)
10 positions	10%	5% — 15%
7 positions	~14%	7% — 21%
5 positions	20%	10% — 30%

Cash is an active position. Holding fewer names at larger size is the point.

THE 19-POINT SCORING SYSTEM

Pillar	Max Points	What It Measures
Technical	9	Trend, momentum, relative strength, structure
Fundamental	5	Network/earnings health, valuation, catalysts
Microstructure	5	Positioning, funding rates, concentration
Total	**19**	**Composite conviction score**

CONVICTION TIERS

Score	Tier	Multiplier	Sizing Logic
16-19	Tier 1	1.5×	Maximum conviction — full size

12-15	Tier 2	1.0×	Strong setup — standard size
8-11	Tier 3	0.5×	Acceptable — half size
<8	Pass	0%	Doesn't meet criteria

Example (10-position book, 10% base): Tier 1: 15%, Tier 2: 10%, Tier 3: 5%

REGIME MULTIPLIER

The macro environment gates position sizing. Strong setups in hostile regimes get scaled down.

Regime	Multiplier	Conditions
Supportive	1.0×	LCI healthy, liquidity expanding, MRI low
Neutral	0.6×	Mixed signals, uncertainty elevated
Restrictive	0.3×	Liquidity draining, stress indicators elevated

Final Size = Base Position × Conviction Multiplier × Regime Multiplier

THE ABSOLUTE RULES (NON-NEGOTIABLE)

Before any scoring begins, these filters must ALL pass. If any fail, the trade doesn't happen.

1. **Never own below 200-day MA** — Long-term downtrend = edge evaporates
2. **Never own when 50d < 200d** — Death cross = danger zone
3. **Never own a relative downtrend** — If it can't beat the benchmark, hold the benchmark
4. **Never own >15% extended from 50d MA** — Chasing, not buying strength

THE PERFECT SETUP

When all six elements align, override to Tier 1 (1.5×) regardless of point total:

Element	What to Look For
1. Primary Trend	Price > 50d > 200d, both MAs rising
2. Relative Strength	Asset outperforming benchmark (panel green)
3. Consolidation	10-30 days sideways, volatility compressing
4. Momentum Behavior	Z-RoC cooled but didn't break (stayed above -1.0)
5. Breakout Trigger	Price breaks consolidation, momentum resuming
6. Microstructure	Funding neutral-negative, no liquidation cluster risk

This is the only configuration that gets full 1.5× allocation on first entry.

ENTRY SCALING PROTOCOL

Liquid Assets (ETFs, Crypto Top 20):

Phase	Allocation	Trigger
Initial	60% of target	Setup confirmed, filters pass
Confirmation Add	40%	Z-RoC confirms >+1.0 or breakout

If you like it, you like it. Front-load conviction.

Less Liquid Assets (Outside Top 20):

Phase	Allocation	Trigger
Initial	50% of target	Setup confirmed
Confirmation Add	50%	Structure confirms

RISK MANAGEMENT

Stop Losses

Type	Level	Trigger
Technical Stop	-8% to -12%	Price closes below key support
Thesis Stop	-15% to -25%	Death cross, relative breakdown, fundamental deterioration

Whichever triggers first, wins. No arguing with stops.

Profit Targets

Target	Action
+25%	Trim 25% of position
+50%	Trim another 25%
Remainder	Trail with 50d MA or 15% trailing stop

MOMENTUM IN CONTEXT

The critical insight: Overbought means different things in different trend contexts.

Context	Z-RoC > +2.0	Z-RoC < -1.0
Uptrend	Strength — stay in, trail stops	Exit signal — sellers taking control
Downtrend	Dead cat bounce — do not buy	Acceleration — still don't buy

We never fight downtrends. If 50d < 200d, we're out. Period.

BENCHMARK SELECTION

Asset Type	Primary Benchmark
Crypto (default)	BTC
Ethereum ecosystem (L2, DeFi)	ETH (secondary check: BTC)
Traditional equities	SPY or sector ETF
Fixed income	Duration-matched benchmark

If the asset can't beat its benchmark, just own the benchmark.

A NOTE ON FRAMING

2% of total portfolio in a global macro book where crypto is 15% of AUM = **13% of the crypto allocation**. That's concentrated, not conservative.

10% of a crypto-focused book is standard for a 10-position concentrated approach — not aggressive.

The framework is the same. The denominator changes based on portfolio structure.

THE EDGE

Most traders abandon their system after 2-3 losses. We trust ours knowing the math works over time.

Expected outcomes:

- 50-60% win rate
- Winners sized larger than losers (conviction scaling)
- Losses capped by stops
- Regime filter prevents fighting macro headwinds

The market will test the rules constantly. Every followed rule — even when painful — is compounding discipline.

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MACRO, ILLUMINATED.