

Adriano Fund

UVP

Hedge Fund for Crypto: Deposit your money in an accessible & short-term liquid (once per quarter) crypto fund. Every strategy will be managed by an active manager to generate alpha.

Why?

Right now, the equity markets are overvalued, bond yields are close to zero, and interest rates are going to stay at zero for the foreseeable future. In this environment, **it is really difficult for investors to gain alpha.**

Crypto is a market that can offer alpha to investors. However, the **barriers to entry are really high**. You need a lot of knowledge about the ecosystem to know how to transact, trade, and keep custody of your crypto assets.

What?

An application that offers a series of hedge fund strategies to generate returns.

Main Asset: Ethereum

ETH is the other core position. It provides exposure to the technological foundation of the future. It's the platform where all the developers and tinkerers are trying new ideas and you are starting to see the first sprouts of innovation.

Ethereum is a lot harder to value because of the many different use cases, usually referred to as digital oil. Although it doesn't have much mainstream adoption yet, [DeFi](#) has been booming, growing from a \$1B total value to \$3B in just 45 days. Most of the top protocols and applications are being built on top of Ethereum so the asset should also appreciate as more and more applications get built on top of Ethereum.

It also has a lot more risk due to the higher complexity and surface area of their codebase. The transition to their new version Eth 2.0 and Proof Of Stake adds extra uncertainty to the mix. Finally, there are several platforms like Dfinity, Algorand, Cosmos, or Polkadot that are competing for market share.

Risks: Increased Competition, Eth 2.0 transition, lack of mainstream adoption, Security Vulnerabilities.

Process for depositors

1. An investor visits the site and selects the strategy they prefer.
2. The investor sends ETH to a contract. (Or later just use \$)
3. Investors get participation in the selected fund proportional to the funds they deposited.
4. Investors can withdraw their money until the funds enter the active strategy phase.
5. Once the active phase starts, Investors can go to an URL to check on the performance of their participation.
6. On January 1st, returns will be returned to the contract and depositors will be able to claim their principal + % of the returns.

Potential Strategies

Crypto Barbell

This set follows a barbell strategy. 75% of the set looks to provide long term alpha and smooth short term volatility. This portion is based on BTC, ETH, and USDC (dollar stable coin). Using technical indicators (momentum) we will rebalance these three positions to protect and create a margin of safety during market drawdowns. 25% will be used in VC style higher-alpha plays.

Absolute ETH Return

Exploit changes in market structure by offering positive convexity to both up and down markets to generate more ETH for the investor.

Passive ETH Income

This strategy will focus on maintaining your ETH while generating yield and passive income through lending and staking protocols. This fund seeks to increase your ETH.

This is the strategy that the MVP would seek.

Passive ETH Income Strategy in Detail

Premise:

ETH is still undervalued. We want to increase the number of ETH while keeping all the upside.

Goal:

Obtain 5-10% more ETH using passive strategies and yield farming.

Strategy:

- First, we will leverage using **Compound, Maker, or Aave** to obtain around **45%** of the ETH value in DAI or USDC. This gives us financing to seek alpha while keeping all the Ethereum upside.
- We will use these loaned funds to participate in different opportunities to gain alpha.
 - **Yield Farming** providing liquidity to protocols like UniSwap and Balancer.
 - Reinvesting the proceeds into **undervalued/new crypto assets**.
 - Trading the resulting crypto assets using momentum-based indicators like the **Relative Strength Index (RSI)**.
- All these loaned funds will be eventually be converted into ETH.

MVP

The fund starts on October 1st until January 1st. Simple process:

- Website for the passive eth income strategy (3-month duration as a test)
- Smart contract open for investment on October 4th.
- Investors can deposit ETH from that page. They get an ERC20 token in return
- Once the lock-up period has been completed, (January 1st), they can withdraw their ETH + their returns.
- **Fees: 7% performance fee on profits + gas costs**
- **Expected Alpha after fees: 5-10% in 2 months (~60% annualized ROI)**

Fees

7% performance fee (including gas costs)

Disclaimer

Investing in crypto assets is risky and offers no recourse. Do your own research. Although we have done our best to ensure the contract is free of bugs, there may be some issues in the contract. This contract interacts with several protocols that may have undiscovered exploits and bugs.