OBSOLETE VERSION WITH BMERS & BASE ECOSYSTEM

Executive Summary

Avalon delivers consistent, tax-efficient returns by capitalizing on the inherent volatility of crypto markets, targeting sophisticated investors seeking long-term opportunities. Our proprietary **Bitcoin Maximum Exposure Rebalancing System (B-MERS)** employs a systematic approach, buying Bitcoin (BTC) below target exposure and selling above it, eliminating emotional bias and uncapped upside. Backtested from 2021 to October 2025, B-MERS achieved ~18.7% APY on net profits and a 21.6% annual return on total Net Asset Value (NAV).

The Base Chain ecosystem is rapidly expanding, with growing volume and DeFi opportunities yielding 30% to 80% APY for wide-range liquidity provision, presenting high-beta opportunities to significantly boost revenue.

The **AVALON** token, deployed on Base Chain, enables exclusive investment through an Ongoing Token Sale (starting at 1 USDC = 1 AVALON, minimum 2,000 tokens, with a % tier token bonus on higher purchases), designed to attract long-term holders. A ratcheting liquidity system with incremental price steps and an 8% sell tax deters arbitrage, ensuring price stability and price growth. With a scalable allocation strategy and robust risk management, Avalon offers crypto investors a unique opportunity to achieve steady returns while mitigating market uncertainties. Join our seeding phase to secure a position in this high-barrier, high-reward ecosystem.

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1. Market Opportunity: Volatility as a Profit Driver

Crypto markets are characterized by volatility, offering opportunities for systematic strategies to deliver consistent returns. Avalon projects significant growth for Bitcoin ($300,000) and Ethereum ($10,000) by 2030, driven by:

- Macro Trends: Over 50% M2 money supply growth, rising global debt, and gold reaching new highs.
- Crypto Dynamics: Bitcoin halving cycles, ETF inflows surpassing daily mined supply, and an estimated 6 million lost BTC reducing circulating supply.
- Ecosystem Growth: Coinbase's Base Chain onboarding over 100 million users, enhancing liquidity and volatility in its Layer-2 ecosystem.
- While market timing is challenging due to sentiment, black swan events, and market maker dynamics, Avalon's strategy capitalizes on price fluctuations rather than predictions, ensuring resilience across all market conditions.

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2. Avalon B-MERS: Bitcoin Maximum Exposure Rebalancing System - Exploring a conservative Bitcoin Treasury approach

Avalon's core strategy, the Bitcoin Maximum Exposure Rebalancing System (B-MERS), employs a systematic approach to maintain fixed BTC exposure, buying during dips and selling during upswings.

- **Approach:** : Maintains a 70% exposure to BTC and 30% to USDC reserves. Rebalancing occurs by buying when exposure falls below the target and selling when it exceeds the 9% threshold, based on the Efficient Frontier. (See Appendix I)

  Later in the Bitcoin cycle and as price pushes higher into overbought territory, we adjust up to 60% USDC to reduce maximum exposure. As prices decline into oversold territory, we increase maximum exposure targets. Higher maximum exposure boosts net profits but reduces USDC reserves for deeper market corrections.
- **Performance (2021 – October 2025):**
  - Achieved ~18.7% APY on net profits and ~21.6% annual delta growth.

    - Final NAV reached $5,317,000 from a $2,000,000 initial start, with a 70%/30% allocation.
    - Outperformed the 0% threshold rebalancing strategy by 51% on the take profit side.
- **Key Insight:** : A systematic approach eliminates emotional bias, minimizes taxable events for token holders, and captures profits across all market conditions. The adage, “It’s not about timing the market, but time in the market,” has proven true over time. Research demonstrates that long-term investors in well-diversified portfolios generally outperform those attempting to profit from market turning points. While this approach may underperform a strict “HODL” strategy in some cases—similar to how no one consistently outperforms Satoshi’s returns—it achieves over 40% ROI on backtested timeframes when revisiting previous entry points or lows, compared to a HODL strategy’s 0% ROI round-trip.
- **Consult Appendix**
    - Appendix I - **Efficient frontier for optimal rebalancing threshold**
    - Appendix II - **Outperformance with Optimal Rebalancing Threshold**
    - Appendix III - **Delta Growth & Net Asset Valuation**
    - Appendix IV - **Buyback & Maximum Exposure Trading Bot**
    - Appendix V - **Some data tracking examples**

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3. Avalon Base Chain Ecosystem Providing Liquidity (LP) with Uniswap: Exploring a higher beta approach

- **Approach:** Targets higher beta through liquidity provision in Base Chain projects featuring strong teams and substantial market caps, leveraging Coinbase's 100M+ user funnel to enhance liquidity and volatility.
- **Performance:** On Ethereum, providing liquidity can yield APYs of 12% to 26% on wide ranges and 26% to 38% on medium ranges, or higher, depending on market conditions. For other assets, we prioritize wide ranges, usually considering a possible 95% drop from ATH, ideally covering downside risks, to minimize impermanent loss (IL) and zero fee income. While APYs exceeding 200% are achievable on new pairs or concentrated ranges, we target a more stable 30%–80% APY on average to reduce IL and risk. Concentrated ranges or assets with lower market caps can yield APYs up to 4,000% for short periods of time (days or weeks), but this conflicts with our core goal of delivering steady, consistent revenue along multi cycles while minimizing out-of-range positions or significant IL.
- **Key Insight:** Base's growth potential amplifies returns, balanced by conservative project selection to mitigate risk. This includes discovering new fee tiers and pairings to extract fees from larger TVL liquidity pools (LPs), generating turnover and arbitrage volume; analyzing LP performances; and other factors. A key metric is the TVL-to-volume ratio on the LP to gauge risk and reward. Current examples of LPs above $4M include: ETH, AERO, cbBTC, KTA, GIZA, REI, ZORA, TOSHI, BNKR, etc...

  Smaller TVL examples include: VIRTUAL, CLANKER, MAMO, MORPHO, DOGINME, AAVE, DEGEN, AIXBT, EURC, GIZA, etc…

  Some assets are overvalued, while others have a low TVL-to-Volume ratio, offering minimal yield and little potential for asymmetric returns. We will focus on great picks that offer asymmetry in delta or yield, providing liquidity on wider ranges for steady revenue and progressively building up allocations.
- **Project Criteria**: Asymmetric delta or yield opportunities, established projects, proven team track record, compelling narratives, TVL-to-volume ratio, and other key metrics, etc...

4. Risk Management

- **USDC Reserves:**
    - 30% USDC allocation on B-MERS provides liquidity for buying during crashes or black swan events.
    - 20% allocation on Base Ecosystem supports liquidity for initiating positions in new projects.
- **Market Signals:** Tracking funding rates, MVRV Z-score, liquidation heatmaps and levels, algorithmic trend detection, and macro/forward guidance shifts to adjust exposure.
- **Black Swan Response:** Surplus USDC allocated for opportunistic buying during flash crashes and forced selling events.
- **Dynamic Exposure:**
    - Reduce exposure during overheated markets
    - Increase exposure in forced selling events, capitulations, oversold, and/or extreme fear markets to capture recoveries.

5. AVALON Token and Seeding

The **AVALON token** (total supply: 5,000,000) powers our ecosystem, facilitating exclusive investment opportunities and liquidity provision on the Base Chain.

5.1 Distribution

- **87.5% Public Seeding**
- **12.5% Liquidity Support**

5.2 Ongoing Token Sale

- **Mechanism:** Swap 1 USDC for 1 AVALON token (minimum 2,000 tokens) using a Base Chain smart contract.
- **Bonus Program:** Higher token purchases offer greater bonuses.
- **Purpose:** Funds are allocated to Token Liquidity, B-MERS, and the Base Chain DeFi Ecosystem to generate revenue for buybacks and to support price and liquidity growth.
- **Anti-Arbitrage:** An 8% sell tax and minimum purchase requirement discourage short-term selling, aligning incentives with long-term holders.
- **Price increase:** As revenue drives price and liquidity increases to prevent direct arbitrage, the Ongoing Token Sale price will be adjusted accordingly.
- **Minimum Amount purchase:** As the Token Sale progresses, we may raise the minimum purchase amount based on demand and arbitrage attempts to discourage arbitrage and prioritize sophisticated long-term investors.
- **Token Sale Milestones:**
    - **Crossing 70% of Ongoing Token Sale:** Initiate strategic buybacks, allocating up to 85% of revenue to buybacks and liquidity to enhance market stability and token value.
    - **Crossing 95% of Ongoing Token Sale:** Launch a public, weighted vote to eliminate the transaction tax and finalize the Seeding Contract, removing arbitrage opportunities for a transparent market.

5.3 Liquidity Ratcheting System

- **Structure:** Concentrated liquidity pools are set at $0.05 price increments, starting at $1.00, and funded through buybacks targeting 4% per increment.
- **Mechanics:** Each increment boosts liquidity to support price growth, while limiting liquidity at lower levels to discourage short-term selling.
- **Scalability:** As liquidity allocation and token prices in the liquidity pool increase, minimum seeding amounts or token prices may rise to reduce arbitrage and ensure profits for future sellers.
- **Liquidity Ratcheting:** Price steps ($1.00, $1.05, etc.), liquidity allocation (4–20%), and buyback flows drive liquidity and price growth, demonstrating price support and anti-arbitrage mechanisms.

LP Ranges	Min	Max	Start	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	...
1	0.999	1.001	20%	20%	20%	20%	20%							
2	1	1.05		4%	4%	4%	4%	20%						
3	1.05	1.1			4%	4%	4%	8%	20%					
4	1.1	1.15				4%	4%	4%	12%	20%				
5	1.15	1.2					4%	4%	4%	16%	20%			
6	1.2	1.25						4%	4%	4%	20%	20%		...
7	1.25	1.3							4%	4%	4%	20%	20%	...
8	1.3	1.35								4%	4%	8%	20%	...
9	1.35	1.4									4%	4%	12%	...
10	1.4	1.45										4%	4%	...
11	1.45	1.5											4%	...
...	...	...												...
Total Liquidity -->			20%	24%	28%	32%	36%	40%	44%	48%	52%	56%	60%	...

5.4 Allocation Strategy

- **Distribution:**

    - 20% Token liquidity
    - 35% B-MERS (Bitcoin Maximum Exposure Rebalancing System)
    - 45% Base Chain DeFi Ecosystem
- **Allocation Breakdown:** Highlighting allocation and stable reserves.

Description	Allocation	USDC Reserves
Liquidity LP	20%	100%
B-MERS (Bitcoin)	35%	30%
Base Chain DeFi Ecosystem	45%	20%

5.5 Liquidity Crisis Protection Protocol

In an extreme liquidity crisis where significant liquidity is depleted, we will incrementally add 5% allocation levels at each price step below the last established level, providing up to 50% additional liquidity for price discounts of up to 50%. This enables free-market intervention while the AVALON Treasury purchases tokens at a deeper discount to net asset value (NAV). Once the crisis subsides, we will restore liquidity to fair NAV levels, with ongoing fees and profits, funding token buybacks to replenish liquidity.

6. Financial Model and Revenue

6.1 Performance Projections

- **B-MERS:** Achieved ~18.7% APY from 2021 to October 2025.
- **Base Ecosystem DeFi LP:** Yields 30% to 80% APY, driven by high-beta opportunities.
- **Idle Stables:** Generates 4%–12% APY in extra-wide cbBTC-USDC or ETH-USDC liquidity pools, tilted for downside protection and capped for upside.
- **Total expected Active Returns:** Averages 1.5% to 2.5% monthly, excluding delta growth from asset appreciation.

6.2 Revenue Share

- **Initial Phase:** Allocates 70% to liquidity and buybacks, with 30% for operations, marketing, partnerships, development & **automation and buyback bot.**
- **Crossing 70% of Ongoing Token Sale:** Strategic buybacks will be executed, increasing the allocation to an expected **85% share** towards liquidity and buybacks.
- **Use of revenue:** Profits are reinvested into buybacks and liquidity to ensure token price growth and ecosystem stability.

6.3 Bonus Program

- **Incentives:** Higher token purchases offer greater bonuses.
- **Tiers:**
    - 1,000 AVA: Minimum purchase
    - 2,000 AVA: +1.0% token bonus
    - 5,000 AVA: +2.0% token bonus
    - 10,000 AVA: +3.0% token bonus
    - 20,000 AVA: +4.0% token bonus

    - 40,000 AVA: +6.0% token bonus
    - 60,000 AVA: +8.0% token bonus
- **Bonus distribution:** Token bonuses are released after a 60-day vesting period, enabling us to build buyback liquidity for future bonus profit realization.

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7. Risk Management

Avalon prioritizes capital preservation and operational integrity:

- **Market Risk:** Allocates 30% of USDC reserves to B-MERS and 20% to the Base Chain DeFi Ecosystem to ensure liquidity during market corrections and liquidation events. Dynamic exposure adjustments leverage market signals, including funding rates, MVRV Z-score, and liquidations.
- **Volatility Resilience:** B-MERS performs consistently across all market conditions, with backtests demonstrating profitability during the 2022 bear market, outperforming a HODL strategy by 40% at market lows.

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8. Game Theory and Incentives

Avalon’s tokenomics and strategies foster a non-zero-sum ecosystem that rewards long-term commitment and deters short-term speculation. An 8% sell tax and minimum seeding requirement discourage arbitrage, encouraging investors to contribute to revenue growth and buybacks that drive token price appreciation. The ratcheting liquidity system aligns incentives by concentrating liquidity at incrementally higher price levels, penalizing early sellers with limited liquidity while providing deeper liquidity for strategic, long-term exits by larger investors. Increasing delta valuation creates a positive flywheel effect, incentivizing network growth and investor loyalty, resulting in scalable returns for those who hold through market cycles.

9. Team

- **Chief Strategist**: An engineer-turned-systematic trader, travelled to 8+ countries, speaks 4+ languages, entered the crypto space in 2017, contributing to DeFi protocols and developing proprietary trading systems. His expertise in liquidity pool mechanics and backtesting, combined with macro economic understanding, drives Avalon's strategic foundation.
- **Lead Developer:** A blockchain developer with experience building smart contracts and automated trading bots for multiple protocols, ensures robust technical execution.

10. Roadmap

- **Phase 1: Foundation:**
  - Deploy AVALON token and seeding contract on Base Chain
  - Establish initial liquidity pools at $1.00
  - Launch website and investor documentation.
- **Phase 2: Strategy Deployment:**
  - Implement B-MERS with 9% rebalancing threshold
  - Deploy liquidity provision in the Base Chain DeFi Ecosystem.
  - Manage token liquidity with concentrated pools.
- **Phase 3: Automation:**
  - Continuous improvement & development of our on-chain bot for the buyback system, maximum exposure trading bot and iterations. (See Appendix V)
  - Integrate market signal monitoring (e.g., liquidation, heatmaps, etc..).
- **Phase 4: Advanced Features:**
  - Develop liquidation detection event and USDC deployment strategies (e.g., on-chain bot with 9%+ buy threshold)
  - Optimize liquidity ranges for efficiency

    - Conduct backtesting on hourly data; if significant outperformance is identified, deploy on-chain bots to capture intraday volatility (note that smaller moves often underperform substantially, as profitability scales exponentially with higher percentage closes, requiring a large number of closing events to match the gains from fewer, larger moves).
    - Perform deeper analysis and continue strategy improvements, adapting to market conditions.
- **Phase 5: Growth:**
    - Scale Token Sale minimums and token pricing.
    - Enhance reporting for investor transparency.

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11. Investor Benefits

- **Exclusivity:** A minimum seeding requirement of 2,000 AVALON tokens fosters a high-barrier, long-term-focused ecosystem.
- **High Returns:** Backtested APYs of ~18.7% and DeFi yields of 30%–80%, scalable in dollar value.
- **Tax Efficiency:** A HODL strategy without staking or frequent buying and selling minimizes taxable events.
- **Long-Term Value:** Buybacks and a ratcheting liquidity system drive token price appreciation through revenue reinvestment.

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12. Call to Action

Avalon provides sophisticated crypto investors with a unique opportunity to engage in a systematic, volatility-driven strategy delivering proven returns and robust risk management. Secure your position in our exclusive Ongoing Token Sale (minimum 1,000 AVALON tokens). Contact us via Telegram or visit AvalonBase.io to join this select group of strategic investors.

FAQ

- **How does Avalon mitigate black swan events?** Maintains USDC reserves and employs dynamic exposure adjustments to ensure liquidity and enable opportunistic buying during market disruptions.
- **What are the tax implications?** A buy-and-hold strategy minimizes short-term capital gains taxes as the market cap grows; consult a tax advisor for jurisdiction-specific guidance.
- **How is the revenue share used?** Funds are allocated mainly to buybacks and liquidity, also development and bonuses, with transparency provided through regular reports.

Appendix I - Efficient Frontier for B-MERS

The Efficient Frontier analysis optimizes the Bitcoin Maximum Exposure Rebalancing System (B-MERS) by balancing risk and reward. We backtested rebalancing thresholds from 0% to 16% to assess profitability on Bitcoin, calculating the average APY from 2021 to October 2025. The highest Net Asset Value (NAV) with a minimal rebalancing threshold was achieved at a 9% threshold. Higher thresholds generated greater NAVs but reduced rebalancing frequency and increased the need for a larger safety coefficient to account for repurchasing at higher prices before full retracement. Smaller thresholds produced more marginal results. Our goal is to maximize profit-taking events to ensure a steady revenue stream for buybacks and liquidity pool growth.

Backtesting revealed that rebuying at the same threshold as sell events significantly reduces profit-taking opportunities, resulting in a substantially lower Net Asset Value (NAV) and average APY. This approach underperforms compared to the optimized 9% rebalancing threshold on sells only, which maximizes rebalancing frequency and revenue for buybacks and liquidity pool growth.

It is important to look at wider timeframes, however we should not ignore the intrayear behavior to factor in seasonality and market cycles. Below we can see each year individually with the different rebalancing threshold on sells.

In general, optimal rebalancing is between 8% and 10%. We also identify a deceleration trend in volatility these past years. Delta growth has remained steady on

average and dynamic exposure allocation can significantly boost these APY.

Appendix II - Analyzing Performance

- Performance for B-MERS (Bitcoin) - 0% rebalancing threshold

Year	**Bitcoin start of Year**	**NAV Start**	**NAV End**	**Net Profits**	APY @ 0% deviation rebalancing	NAV ROI @ 0% deviation rebalancing (Compounded average)
2021	$29,374	$2,000,000	$3,129,855	$462,768	23.14%	56.49%
2022	$47,687	$3,129,855	$1,941,090	$223,345	11.17%	-37.98%
2023	$16,625	$1,941,090	$3,443,840	$174,312	8.72%	77.42%
2024	$44,167	$3,443,840	$4,706,155	$236,164	11.81%	36.65%
2025 *	$94,420	$4,706,155	$5,175,206	$134,446	6.72%	9.97%
			Average	**$246,207**	**12.31%**	**20.94%**
			Total	**$1,231,036**		

* - annualized results based on performance until October

- Performance for B-MERS (Bitcoin) - 9% rebalancing threshold

Year	**Bitcoin start of Year**	**NAV Start**	**NAV End**	**Net Profits**	APY @ 9% deviation rebalancing	NAV ROI @ 9% deviation rebalancing (Compounded average)	APY Outperformance from 9% compared to 0% rebalancing threshold
2021	$29,374	$2,000,000	$3,190,420	$693,700	34.68%	59.52%	50%
2022	$47,687	$3,190,420	$1,981,918	$284,762	14.24%	-37.88%	27%
2023	$16,625	$1,981,918	$3,501,248	$253,860	12.69%	76.66%	46%
2024	$44,167	$3,501,248	$4,840,825	$435,303	21.77%	38.26%	84%
2025 *	$94,420	$4,840,825	$5,317,091	$198,048	9.90%	9.84%	47%
			Average	**$373,135**	**18.66%**	**21.60%**	**51.55%**
			Total	**$1,865,673**			

* - annualized results based on performance until October

Performance Summary

From our initial to final Net Asset Value (NAV), we achieved an annualized compounded growth rate of 21.60%. The active Bitcoin Maximum Exposure Rebalancing System (B-MERS) strategy, rebalancing at every 9% price surge, generated an average 18.7% net extractable profit from a $1.4M target exposure and $0.6M stable reserves. This approach outperformed a 0% threshold rebalancing strategy by 51.55%, as determined by our Efficient Frontier analysis. The 9% threshold optimizes profit capture by balancing the frequency of take-profit events with the size of profits. Smaller rebalancing thresholds increase event frequency but yield significantly lower profits, while the 9% threshold minimizes round-tripping, allowing more profits to be retained and reinvested into our flywheel for sustained growth.

- Performance for Base Chain DeFi Ecosystem

Wide-range liquidity pools (LPs) on Base Chain offer varied performance. Some LPs, driven by volatile periods or narrative-driven hype, can achieve high APYs initially, but these typically stabilize at lower averages as total value locked (TVL) increases or trading volume decreases. With a significant surplus of stablecoins, we can deploy very wide ranges to earn substantial APYs. For example, an ETH-USDC LP with a $2,000–$8,000 range can capture 12–26% APY while allowing delta growth in bullish markets, or a $1,000–$5,000 range can be used in sideways markets with limited upside. Sticking exclusively to Uniswap ensures maximum safety in DeFi by minimizing interactions with other protocols or smart contracts. Highly concentrated LP positions on Uniswap also function as limit orders, allowing us to earn fees instead of paying them, securing target positions for both DeFi and B-MERS strategies. These LPs can be automatically closed based on predefined triggers.

- ETH-USDC Wide Range examples

- Base Ecosystem LP examples

Appendix III - Returns on B-MERS

Delta Profit Accumulation:

In addition to profits from buying low and selling high, each sale above our average buy price generates delta profits, calculated as the difference between the average buy price and the higher sell price. On subsequent dips, we buy and sell again to realize further profits, while each sale above the average price increases our Net Asset Value (NAV) through these delta gains. This strategy enhances our capacity to allocate funds during black swan events, scale exposure during market accumulation periods, and increase liquidity and buybacks.

B-MERS Performance 2021-October 2025:

A graph displays BTC exposure (Blue), USDC reserves and profit accumulation (Green), and Bitcoin Price (Light Orange), highlighting rebalancing events and NAV growth.

- **9% rebalancing threshold**

Note: The blue zone on the chart, representing BTC exposure, fluctuates due to the 9% rebalancing threshold. A 0% threshold would maintain constant maximum exposure, resulting in uniformly high blue bars post-rebalancing. Starting with $2,000,000 in capital, we allocate $1,400,000 to Bitcoin (Blue) and hold $600,000 in USDC (Green). When Bitcoin's price rises, we sell to increase USDC holdings and accumulate profits; when it falls, we use USDC reserves to buy Bitcoin, restoring the $1,400,000 target exposure. Over time, as Bitcoin's price trends upward, USDC reserves grow significantly. For the 2021–October 2025 period, the ending Net Asset Value (NAV) reached $5,3170,000, with $3,859,000 in USDC reserves. Of this, $1,865,000 represents direct profits from captured volatility, which are reinvested into liquidity at higher price levels and buybacks, while the remainder stems from delta growth through rebalancing above the average entry price.

- **B-MERS (BITCOIN) - ROI (Virtual possible future scenario for October 2025–2030)**

As an illustrative exercise, we simulated a random price volatility scenario within historical patterns and cycle behavior, projecting Bitcoin's price rising from July 2025 toward $350,000 by December 2029. This scenario includes a significant correction below $55,000 after six months, followed by a bull market, sideways corrections, major rallies, and pullbacks before approaching $350,000. This is not a prediction but a

randomized output reflecting plausible future behavior, including a black swan event, to highlight the importance of sufficient USDC reserves. Our core B-MERS strategy performed exceptionally in this scenario, leveraging time and volatility to significantly increase USDC reserves. The simulation estimated a net profit of $2,242,000 and a final Net Asset Value (NAV) of $5,210,000 from a starting $2,000,000.

- **B-MERS Strategy Visualization: 10+ Month chart**

On each dip, we buy to restore target Bitcoin exposure, and on each upward move hitting our 9% Efficient Frontier threshold, we take profits to secure a net gain. For instance, to match the profits from 9% moves, 4% moves would need to occur five times more frequently. Larger moves yield higher profits but are rarer, and rapid repurchasing would increase our average buy price, reducing net gains. Historical data from 2021 to October 2025 shows the 9% threshold as the optimal balance of frequency and performance.

- **B-MERS Net Profit calculation**

Net profit is calculated based on rebalanced surplus and target exposure, ignoring prior rebalancing event prices: `(((E+S)/E-1) + (E/(E+S)-1)) * E`, where `E` is exposure and `S` is surplus rebalanced. This simplifies a price-based formula: `((PR/PH-1) + (PH/PR-1)) * E`, where `PR` is the price at rebalancing and `PH` is the higher price at the next rebalancing event. Net profit reflects the difference between the percentage of an upward move and the subsequent downward move. For example, a price increase from $2,000 to $2,500 (25% up) followed by a drop to $2,000 (20% down) yields a 5% net profit. Closing $50,000 of surplus exposure to maintain a $200,000 target exposure in this scenario generates a $10,000 net profit, with the remaining $40,000 sufficient to repurchase the same amount at $2,000 as sold at $2,500. Capturing smaller moves

requires exponentially higher frequency to match the profitability of larger moves. For a $200,000 exposure:

- 1% move: $19 net profit, requiring 78x more volatility than a 9% move.
- 2% move: $78 net profit, requiring 19x more volatility.
- 3% move: $174 net profit, requiring 8.5x more volatility.
- 4% move: $307 net profit, requiring 4.8x more volatility.
- 9% move: $1,486 net profit.
  Thus, capturing 1% moves demands 78 times the volatility of 9% moves to achieve equivalent profitability.

- **Considerations**

To accurately calculate real profits, including delta, from our buy-low/sell-high strategy, we track the average buy price of Bitcoin and calculate profits by comparing the sell price to this average for each sale. Selling significantly above the average buy price generates delta profits. The average buy price remains unaffected by sales to avoid miscalculations, such as a negative average after high returns (e.g., 100% ROI). Instead, we focus on the number of coins held, adjusting the invested amount by subtracting the value of sold coins at the last average buy price. Sales above the average buy price yield delta profits without improving the average, while buys below it improve the average, and buys above it worsen it, potentially leading to delta losses if subsequent sales occur below the average. This is typical when dollar-cost averaging (DCA) back in after selling at peaks and reselling on higher rallies.

For our B-MERS model, we prioritize a simplified tracking method that excludes delta profits and focuses solely on short-term profits from each sell event, ensuring positive gains. When buying below target exposure and selling as exposure rises with price increases, we capture profits within the timeframe of recent buys. Near the true average buy price, this method aligns with total profit calculations, but at higher sell prices, it omits delta profits, resulting in smaller reported gains that remain positive, with delta profits fluctuating in the background. To avoid issues with large moves above our

9% threshold, we ensure rebuys are not executed prematurely or overly reliant on profits from significant sell events, as this could require more capital than available after profit-taking. While 20–30% moves are not targeted, our 9% threshold minimizes discrepancies, maintaining a balanced approach to profit capture and capital management.

In simple terms, the total Net Asset Value (NAV) remains constant, but delta profits occur with every buy and sell. One method calculates total profits, including all delta profits from every purchase since inception, reflecting both positive and negative outcomes. The alternative method tracks smaller, short-term profits from exposure growth since the last buy, excluding overall delta profits to maintain simplicity. For real average buy price tracking, each buy and sell generates a delta profit or loss, while the exposure-based method focuses on effective profits from selling above the last lower exposure, ignoring delta to allow continuous buying at higher or lower prices without disruption. In a sideways market, this method repeats the same trade, accumulating profits at each price range, high or low.

We adjust our maximum Bitcoin exposure dynamically, reducing it when Bitcoin becomes overbought and increasing it during oversold corrections. This lowers our average buy price, minimizes delta losses during uptrends, and significantly boosts delta profits during recoveries from lows.

To sustain constant buybacks and a positive flywheel with growing reserves, we use the exposure-based profitability method for tracking profits. While we acknowledge the mathematical accuracy of tracking real profits (including delta), we prefer the exposure method to avoid overspending on buybacks and liquidity, ensuring a robust flywheel and consistent short-term profits, even during periods of prolonged positive overall profits.

Appendix IV - Buyback & Maximum Exposure Trading Bot

- **Buyback Bot - Continuous Development and improvement**

- **Maximum Exposure Trading Bot - Continuous Development and improvement**

Appendix V - Some Data Tracking examples

- **Liquidations**

- **Funding Rates**

- **Open interest tops/lows**

- **Bid/Asks**

- **Coinbase App Rank tracker**

- **Bitcoin Quantile Model v2 (from Plan C)**

Indicators & References

- **Bitcoin Ahr999 Index; >= 4**
- **Pi Cycle Top Indicator; >= 185305**
- **Puell Multiple; >= 2.2**
- **Bitcoin Rainbow Chart; >= 5**
- **Days of ETF Net Outflows; >= 10**
- **ETF-to-BTC Ratio; <= 3.5%**
- **2-Year MA Multiplier; >= 353758**
- **MVRV Z-Score; >= 5**
- **Bitcoin Bubble Index; >= 80**
- **USDT Flexible Savings; >= 29%**
- **RSI - 22 Day; >= 80**
- **Altcoin Season Index; >= 75**
- **Bitcoin Dominance; >= 65%**
- **Bitcoin Long Term Holder Supply; <= 13.5M**
- **Bitcoin Short Term Holder Supply(%); >= 30%**
- **Bitcoin Reserve Risk; >= 0.005**
- **Bitcoin Net Unrealized Profit/Loss (NUPL); >= 70%**
- **Bitcoin RHODL Ratio; >= 10000**
- **Bitcoin Macro Oscillator (BMO); >= 1.4**
- **Bitcoin MVRV Ratio; >= 3**
- **Bitcoin 4-Year Moving Average; >= 3.5**
- **Crypto Bitcoin Bull Run Index (CBBI); >= 90**
- **Bitcoin Mayer Multiple; >= 2.2**
- **Bitcoin AHR999x Top Escape Indicator; <= 0.45**

- **MicroStrategy's Avg Bitcoin Cost; >= 155655**
- **Bitcoin Trend Indicator; >= 7**
- **3-Month Annualized Ratio; >= 30%**
- **Bitcoin Terminal Price; 187702**
- **The Golden Ratio Multiplier; 135522**
- **Smithson's Forecast; 175k-230k**

DISCLAIMER

Investing in cryptocurrencies carries significant risks, including high volatility, potential loss of principal, and lack of regulatory oversight. Prices may fluctuate widely due to market speculation, technological issues, or regulatory changes. No profit is guaranteed, and you could lose your entire investment. Cryptocurrencies lack insurance from governments or financial institutions, and transactions are often irreversible. Avalon is not liable for any financial losses, damages, or consequences resulting from your investment decisions. Conduct thorough research and consult a qualified financial advisor before investing.