MODULE 6 UNIT 3
Video 1 Part 1 Transcript

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NIKITA FADEEV: My name is Nikita Fadeev, and I'm currently in capacity of portfolio manager at quant hedge fund, Fasanara Capital. I got started in crypto back in 2017 when I was at the university and motivated to pursue entrepreneurial venture and combine crypto with quantitative finance. I set up a research team focused on building systematic strategies. I recruited over 15 people that I will be working with, and one year forward on the back of strong results, we set up a joint venture with Fasanara Capital and several of the people that we've been working with they're still together with us and working strong. Firm-wide, we manage just over $2 billion in assets, and for this digital asset funds that I'm responsible for, I will have 60 million, and we'll pursue pure the market neutral strategies with a high turnover.

Can you describe what you do and what motivated you to start The Quant Group?

FADEEV: So, when I was in the university, and I was passionate about mathematics, and computer science, and finance, so quantitative finance broadly seemed like a perfect fit for me. Having conducted extensive research on crypto, I realised that the expertise in this domain is still quite subpar, and very few people can be called experts, and the industry is just emerging. And so, I thought that there is definitely a gap in the market which potentially we can try to fill. So, I recruited the team, and we were excited to learn about technology, build strategies, and put our skills and knowledge to use to something that was just really at the emergence of it. And it was very interesting because we were able to do so much, because barriers to entry were still extremely low because, again, industry was just getting started.

For me personally, what was interesting is to really try to see how far we can get with this. And The Quant Group was the testimonial that this can happen and this sometimes happens that a student group can become something much bigger, which is now Fasanara Digital where we are perhaps one of the biggest crypto traders in Europe and achieve some of the best results in the industry in terms of performance. And this whole journey was really interesting and exciting.

In your opinion, should cryptocurrencies be considered a major asset class?

FADEEV: In my view, crypto has already reached a non-escape velocity, having so much infrastructure being built over the past years, so many big players opening up the trading desks and, quite frankly, technological and efficiency angles are quite bluntly better than anything else that existed before in terms of the legacy infrastructure, so I think the case for crypto is as strong as ever.

It being still a pretty small and quite concentrated in few hands, market, it's susceptible to extremely violent moves and excessive volatility, but at the same time, if we isolate that aspect for a moment and really focus at the financial innovation and the pace of it, and if we just broadly look at the type of talent that the industry is attracting, the amount of investment that is going through, and well, the adoption. I think that the case for crypto is strengthening by day, and we, from our angle of being a crypto traders, we've seen that first-hand while—When we were starting, it was just few exchanges, really small, not much is happening, but since then, the sophistication, their institutionalisation proved to be making the place much more robust and secure and safe for some of the more institutional players to come in.

Are traditional or unconventional strategies used when trading cryptocurrencies?

FADEEV: Crypto, in terms of traditional trading strategies, is really interesting case because, although some of the basic models can be profitable and they could make sense, what we found in practice is that you need to understand the fundamental drivers of how the market works. So, in crypto, just by construction, there are some forces that are really different to traditional markets in terms of like the power different exchanges have, the credit worthiness, how their contracts are structured, and all that. There are small differences, but ultimately, they make a big impact in the longer term. And so, being mindful about that is extremely important. But that being said, some simple trend following or moving averages and momentum-based strategies – they can work, and they do work. Although, one has to be, again, very careful on the risk management side with them.

And as for more unconventional models and like strategies and approaches, it’s a huge topic in crypto, and there is so much out there. If we were to just for a second touch on decentralised finance, which is basically one-year, two-year old ecosystem of P2P trading, and so much, again, innovation happens on that front and so many different yield farming opportunities and different ways how different protocols are working. And they allow traders to profit from it. But that’s intersection of computer science, where you’re just looking at the security of those protocols and making sure that they do what they advertise that they do, and at the same time, kind of financial engineering, where you’re just trying to optimize your capital efficiency and, like, profitability, but also subject to risk management constraints.