

Hyperion Decimus' Libertas Fund Drives Gains While Mitigating Counterparty Risk

Quant fund chooses partners carefully while pursuing its crypto investment strategy

THE CHALLENGE

A forward-thinking hedge fund, Libertas has dedicated its entire portfolio to digital assets – seeking alpha while mitigating counterparty risk in an intelligent way.

Its investment thesis springs from an important belief, explains Chris Sullivan, the Portfolio Manager and Co-Founder: “Decentralization is a must for robust cyclical growth.”

“Think about how opaque stocks are,” Sullivan says. “There’s insider trading, naked short sells, slow performance updates from management, and so forth. By contrast, with crypto, I can go on Etherscan and see anything instantly and transparently, then evaluate the quant and qual accordingly.”

Equally clear-eyed, Libertas realizes that the digital asset space comes with a different set of challenges.

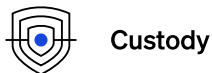
“This space isn’t designed the same way as equities,” Sullivan states. “We’re meant to have a certain amount of headache due to decentralization. That’s why we’re constantly thinking about how to best mitigate counterparty risk.”

Consequently, they conduct deep due diligence about who they partner with.

“From a technical perspective, we could do self-custody,” notes Jeffrey Tai, the DeFi Portfolio Manager. “But from a risk standpoint, that’s not what we want. There should be checks and balances, and who we work with matters.”

THE SOLUTION

Libertas primarily leverages three services from BitGo: custody for long-only assets in its portfolio, staking from cold storage, and the DeFi integration with MetaMask Institutional (MMI).



Custody

Since 2018, Libertas has leveraged BitGo’s wallets to secure funds and ensure proper user controls.

“We invest predominantly in the the top 30 tokens – maybe top 50 – with a mixture of alpha concepts,” explains Matt Rosen, COO and Co-Founder. “For most of the portfolio, we might turn an asset over in five minutes or two weeks. But we also keep typically 20-30% static long.”

That long portion gets held in custody, and Libertas carefully assesses its providers. “We have to constantly underwrite risk because some of your competitors aren’t qualified custodians,” notes Sullivan. “Regulatory designations really do matter. Working with someone who isn’t a qualified custodian is a peril unrelated to our alpha.”

ABOUT LIBERTAS

Libertas is a quant-driven, multi-strat hedge fund focused exclusively on digital assets and run by Hyperion Decimus.

OBJECTIVES

- ✓ Custody digital assets
- ✓ Earn rewards from staking
- ✓ Access DeFi

LOCATION



United States



Staking

Libertas earns rewards on stakeable assets, and reports that doing so has been a consistently positive experience with BitGo. “Staking has been better than elsewhere,” says Rosen. “We enjoy the security of staking from cold storage, and the UI is cleaner. We really haven’t had a problem.”

Adds Sullivan: “Staking from qualified custody? That’s a really nice feature. And staking from custody with a validator we like? That’s something we’ve wanted to do for years.”



DeFi access

Libertas has also begun using BitGo’s MMI integration, where they employ segregated wallets, as well as user controls that divide up who in the firm can initiate a trade and who can approve it.

“We have a preference for MMI with BitGo,” says Tai, the DeFi lead. “If we’re in an active position elsewhere, we may keep it there for simplicity, but we’re aiming to move more and more of it over.”

THE RESULTS

“BitGo has enabled us to execute what we want to execute,” says Sullivan.

Libertas caps their exposure to any one partner by mandate, so they rely on multiple custodians and thus can compare BitGo with other firms.

“Lots of companies are out-kicking their coverage,” concludes Rosen. “You might see messy wallet structure, slowness to add new features, or just an inability to do certain things.” “A lot of features do seem half-baked,” Tai agrees.

That hasn’t been the case with BitGo. “BitGo has managed to be a first-mover without fumbling through it,” says Sullivan. “Take MMI or having Figment for validators – those are forward-thinking, accretive items, and I believe the people at BitGo have been pushing those on behalf of their customers.”

That combination of product and people has proven useful.

“BitGo is a battle-weathered qualified custody solution with the institutional bells and whistles that help you capture diversified opportunities in the space,” Sullivan states.

“With BitGo,
we’re grateful
we have a
trusted
relationship
with a
qualified
custodian.”

Chris Sullivan
Portfolio Manager



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