

Amdax Trend

Amdax Trend is a systematic, long-only trend-following strategy, that strives to capitalise on sustained price trends in a selection of the largest cryptocurrencies.

About Amdax

Amdax was created from a deep-rooted belief in the limitless possibilities that blockchain technology and crypto assets offer. We're building bridges between traditional banking and the new financial world, making it accessible for the serious crypto investor. As the leading digital asset house, we offer innovative and exclusive products and services designed to take advantage of the emerging opportunities in this dynamic industry. Algorithmic Investing is one of Amdax' services that provides clients with an off-the-shelf systematic investment strategy. This type of investing eliminates emotional biases from decision-making, ensuring that only solid numbers drive our portfolio adjustments.

Strategy Overview

Amdax Trend is a long-only trend-following strategy on a selection of the largest cryptocurrencies. This strategy's objective is to provide exposure to the cryptocurrency market in a systematic and risk-managed manner. Rather than attempting to predict or time the market, it aims to identify and capitalise on ongoing trends in the prices of cryptocurrencies. Doing this, Amdax Trend strives to profit from the upside of the cryptocurrency market while reducing drawdowns in a prolonged bear market. This strategy is designed with a long-term horizon in mind and is most impactful over the course of a full market cycle.

Product specifications	
Minimum investment	€ 25,000
Entry/withdrawal fees	1% of incoming/outgoing assets
Management fee	2% per annum
Performance fee	20% of returns with high-water mark
Fee frequency	Quarterly

Custody fees (0.2% per annum) and trading fees (0.2% of trading volume) apply.

Asset universe selection

Our asset universe is methodically curated using rigorous selection criteria to ensure both growth potential and risk management. We only include assets that:

- rank within the top 20 cryptocurrencies by market capitalisation;
- are not stablecoins;
- are compatible with liquidity providers connected to Amdax;
- satisfy all potential additional restrictions posed by Amdax' Asset Management team.

The last constraint is added to exclude assets susceptible to external factors that could severely impact their value, as well as assets that show no clear trending behaviour, like meme coins. If any assets fall outside the top 30 in market capitalisation or do not meet our other criteria, they will be removed from the trading universe. We reassess our asset universe on a quarterly basis.

Determining trend

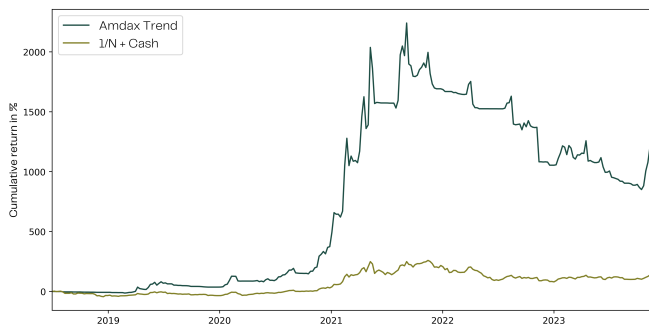
To determine the direction and magnitude of a trend we use several indicators that use a combination of short, medium and longer lookback periods. Diversifying over different lookback periods provides a more robust indication of a trend. By taking the average over the different lookback periods for each asset, we obtain a single trend score. A higher score signals a more robust upward trend, thus justifying a larger position. As a trend signal goes down, signalling a weaker trend or changing of direction, the strategy will decrease position size and move into euro.

Volatility targeting and equal risk budgeting

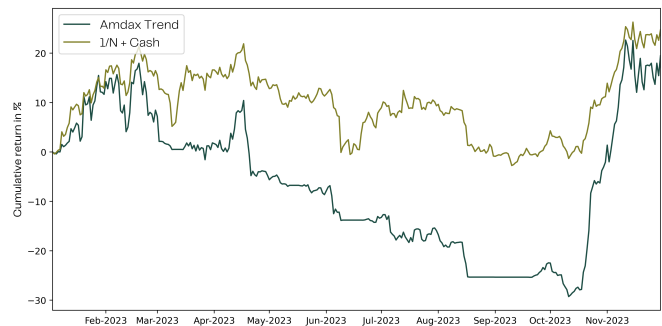
In determining final positioning, we employ a volatility targeting approach, where each asset is allocated an identical risk budget. This ensures that the different assets contribute equivalently to the portfolio's overall volatility. This approach differs from an equally-weighted portfolio, where assets exhibiting higher volatility disproportionately impact the portfolio's total volatility. This process involves setting a specific volatility target, leading to a dynamic adjustment of positioning: when volatility rises, the position size decreases, and it grows when volatility goes down.

Performance and Behaviour

Amdax Trend is designed to leverage trends in the prices of several cryptocurrencies, buying as prices go up and selling when trend reverses. These adjustments are done daily, based on the latest trend scores and updated volatility estimates. The essence of a trend-following strategy is to let profitable trades run their course while cutting losing trades. This approach typically results in positively skewed weekly and monthly returns, where we expect a larger number of smaller losses and several large wins, enhancing compound returns over the long run. A trend-following strategy is inherently dependent there being a clear trend. Alternatively, during periods of sideways price movement, the strategy will give up some performance by buying as assets mean-revert, in anticipation of capturing the next sustained upward trend.



Hypothetical portfolio values (net of fees) based on a backtest using a sample period from 1 July 2018 until 30 November 2023. The benchmark is subject to zero fees.



Realised portfolio values (net of fees) using a sample period from 1 January 2023 until 30 November 2023. The benchmark is subject to zero fees.

A suitable benchmark for long-only trend-following strategies is generally a portfolio consisting of 50% cash and the remaining 50% an equally-weighted index of the coins that are available to the strategy. As it allows to measure the strategy's ability to correctly allocate when asset prices are both increasing or decreasing. The figure above shows the backtest and the realised performance versus the benchmark. Our backtest shows outperformance in the long run, but with periods of under-performance in the absence of a clear trend. These periods are also visible in the live performance.

Disclaimer

This document is for informational purposes only and does not constitute financial advice. Its accuracy, completeness, or relevance is not guaranteed. Past performance is not indicative of future results, and all investments involve risks, including potential loss of capital and the potential to not achieve the expected returns. Investors should seek professional advice before making any investment decisions based on this document.