



Tyr Capital Partners Arbitrage and Crypto “In Kind” Subscriptions

As Crypto becomes a more accessible/mainstream asset class an increasing number of market participants find themselves with a significant number of crypto inventory in their portfolios. Tyr Capital Partners has identified three main actors with such allocations:

1. Crypto Exchanges that hold an inventory of cryptocurrencies as part of their treasury. This inventory is often quite substantial since most of these venues are unregulated and don't have license to handle “fiat” currencies.
2. Companies that offer deposit accounts in cryptocurrencies. These resemble traditional commercial banks that offer interest earning accounts to holders of cryptocurrencies such as Bitcoin. The last couple of years such crypto deposit accounts have attracted a substantial amount of crypto.
3. Portfolio managers who are including cryptocurrencies such as Bitcoin in their “traditional” portfolios looking to take advantage of crypto as a potentially uncorrelated and appreciating asset. These coins are normally part of a “buy and hold” allocation that is often kept with a third party custodian.

What unites the above market participants is the decision to have outright exposure to cryptocurrencies such as Bitcoin over the medium to long term.

Tyr Capital Partners Arbitrage, on the other hand is a relative value/alpha crypto hedge fund that has delivered an incredibly stable performance since its inception in 2019 and very high risk adjusted returns. To counterparties such as the ones mentioned above that stable performance is seen as a yield enhancement opportunity. In other words, market participants with coin inventory would look at a strategy like Tyr Arbitrage as a way to earn extra yield on their inventory at relatively low risk. There is, however, one catch: in order for the strategy to work as a yield enhancer these market participants would need to subscribe to the fund with their crypto holdings. That way they can maintain the outright exposure to crypto and complement it by adding the relative value/arbitrage layer from Tyr.

ideal participant and how it works

investor with significant crypto inventory who wants an extra yield without losing the long - term exposure to crypto

investor subscribes their coins into TCAF

no need to convert to FIAT

While maintaining long -term exposure to crypto market, TCAF enhances their yield at a relatively low risk



Given the above, Tyr Capital Partners has decided to add to its' offering “In Kind” share classes for subscriptions to our flagship Arbitrage Fund. Investors will be able to subscribe using cryptocurrencies such as Bitcoin, keep their directional exposure to them but at the same time earn a return from the relative value/arbitrage strategies of our Fund. By offering that option, Tyr will now cater to a wider range of investors and offer them the

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optionality to decide if they want to just have exposure to the “plain vanilla” returns of our Arbitrage Fund or if they wish to include an outright exposure to cryptocurrencies such as Bitcoin and then combine an extra layer of exposure to our Arbitrage Fund.

To those who think this is a novel and even complicated idea we say that we couldn’t possibly take credit for it. A very similar thing has been taking place in well-developed stock markets for a very long time in the form of stock lending. Much like the “In Kind” subscribers mentioned above, a portfolio manager who has decided to buy and hold equities has usually the option to let his/her custodian/broker to lend them out at the prevailing market rate to, say, short sellers who in return pay a borrow rate for the privilege. The broker/agent normally keeps a commission and passes the rest to the portfolio manager who continues to be exposed to the price fluctuations of his stock at all times.

The difference in our case is that the asset in question (cryptocurrencies) will be invested in an actively managed Arbitrage Fund and so the agent in this case (Tyr) will be charging a management and performance fee, rather than a commission on a prevailing borrow rate. Because of that it is important to report NAV change at the end of the month “In Kind”. That way the investment manager (Tyr) will charge performance fees only on the return it earns on top of the initial coin allocation and not, say, on the dollar appreciation of their investors Bitcoin subscription.

how it works: an example



investor subscribes 100 BTCs into TCAF 1/1/2021



While maintaining long- term exposure to the crypto market and gaining 91% in FIAT value on 100 coins, TCAF enhances their yield at a relatively low risk by adding 21.5 coins. Investor ends Oct 2021 with 121.5 BTCs

❖ Important information

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