

AURO

INVESTMENT MANAGEMENT

February 2021 Newsletter

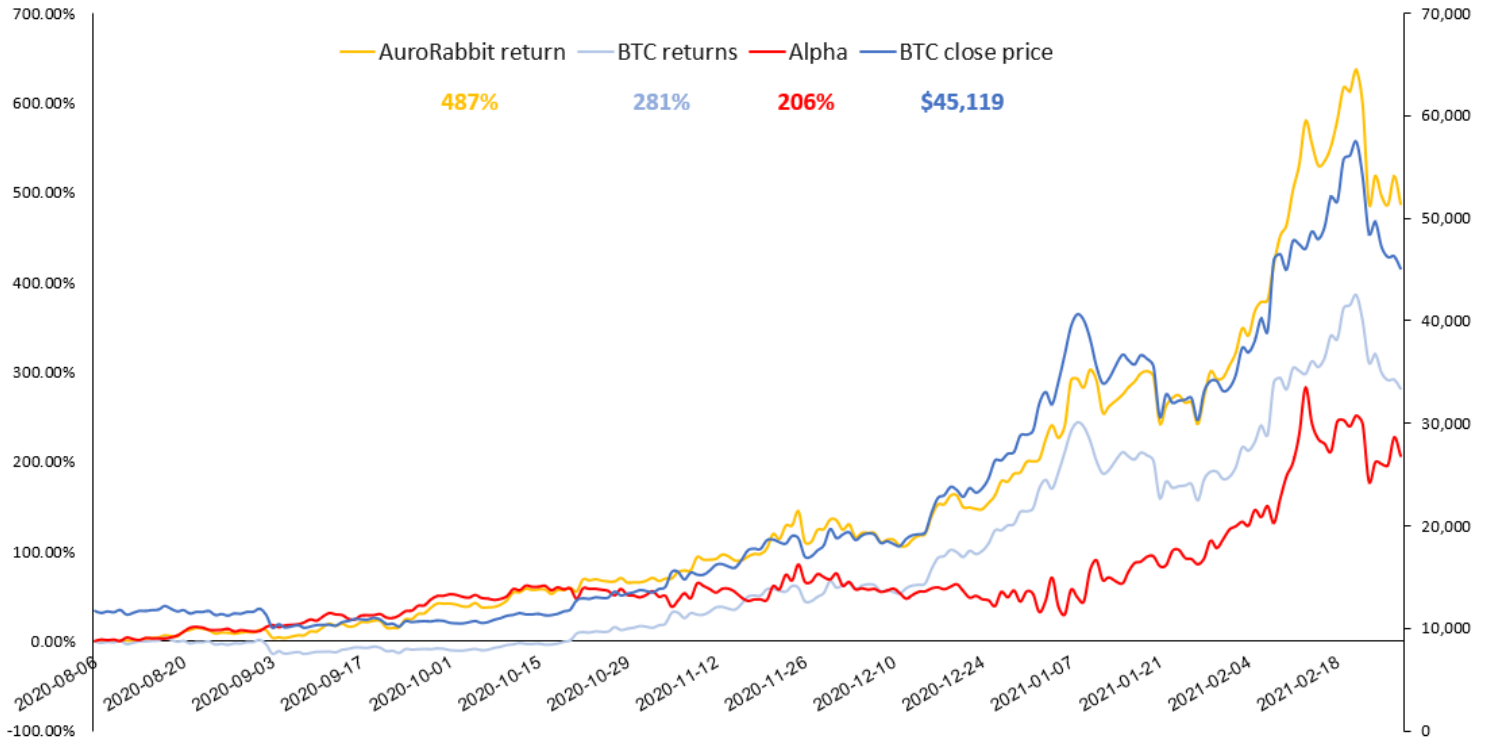
Dear Auro Rabbit Investor,

Portfolio Statistics - Return and Alpha	
Bot start date	2020-08-06
Bot end date	2021-02-28
Feb'21 return % - Auro Rabbit	49.09%
Feb'21 return % - BTC	35.95%
Feb'21 alpha	13.14%
ITD return % - Auro Rabbit	486.82%
ITD return % - BTC	280.75%
ITD Alpha	206.07%
CAGR return % - Auro Rabbit	866.77%
CAGR return % - BTC	499.88%
ITD alpha (annualized)	366.90%

We had a great February 2021 which was up **+49.09%**. This, once again, readily **outperformed Bitcoin which was up 35.95%** for the month, which lead to an **alpha generation of +13.14%**.

As you will recall, we launched our algorithmic neural-network based cryptocurrency strategy on August 6, 2020. Delighted to report that this strategy has performed very well, with an inception-to-date return of **+486.82%** up until February 28, 2021 which **annualizes to a return of +867%**¹. During the same period Bitcoin was up +280.75% which annualizes to a return of +500%. Consequently, in spite of this meteoric run that Bitcoin has had, our Auro Rabbit strategy materially outperformed our benchmark Bitcoin index (BTC) index representing an **alpha generation by +206.07% (annualized +367%)**.

Auro Rabbit Track Record - Inception to date



1. Returns above are net of transaction costs but gross of operating expenses, tax, management and incentive fees



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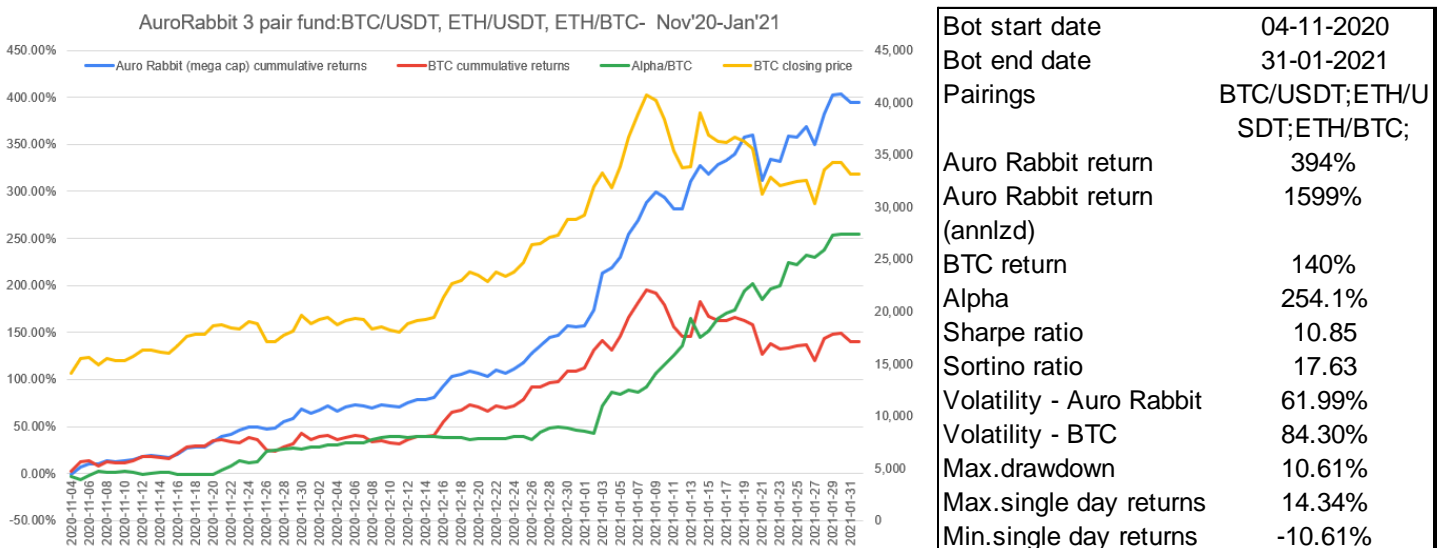
Its notable that Auro Rabbit not only outperformed Bitcoin during the August to October 2020 period when Bitcoin was languishing and going sideways to down hovering between \$13k to \$10K range, but Auro Rabbit was also able to continue to outperform Bitcoin during the massive bull run seen in Nov'20 to Feb'21. For all of you passive buy-and-hold bitcoin investors out there, this should be a clear testament to the fact that Active management works!

From a risk-adjusted viewpoint, Auro Rabbit achieved this return with a realized volatility (annualized) of 73%. Given current US 10-year Treasury yield of 1.2% as the assumed risk-free rate, this yields a **Sharpe ratio of 11.75 versus Bitcoin's 6.98**. Auro Rabbit's volatility over this period was similar to Bitcoin's of 71%, so **while taking similar risk, our strategy was still able to materially outperform Bitcoin on a risk-adjusted basis**. More pertinently, we only care about mitigating downside volatility, which in our case was 43% versus Bitcoin's 38% thereby yielding a **Sortino ratio of a staggering 20.08 for Auro Rabbit versus 12.99 for Bitcoin**.

Portfolio Statistics - Risk Adjusted Return		
	Auro Rabbit	BTC
Sharpe ratio - Annualised	11.75	6.98
Sortino ratio	20.08	12.99
Volatility (annualised)	73.48%	71.24%

Portfolio Statistics - Drawdown		
	Statistic	Date
Max.drawdown	20.37%	2021-02-26
Max.single day returns	15.07%	2021-01-07
Min.single day returns	-15.88%	2021-02-23

We have received a lot of interesting from institutional investors, one of whom was keen to see how Auro Rabbit would perform if we let our bots operate not over the entire crypto ecosystem including alt coins, but if we restricted it to only the 3 largest and most liquid pairs i.e. BTC-USDT, ETH-USDT, ETH-BTC. Sharing the output of that back-test below, which shows an annualized return of 1599% which massively outperformed BTC generating an alpha of 254% over that period. This strategy was also able to mitigate the volatility associated with Bitcoin down to 62% versus the 84% annualized volatility of Bitcoin. This yielded superior Sharpe and Sortino ratios, once again, showing that Active Management works well not just in fiat assets but also in digital assets. If you would like us to run this strategy which looks at only the large-cap liquid coins, please do reach out at AuroLP@AuroIM.com.



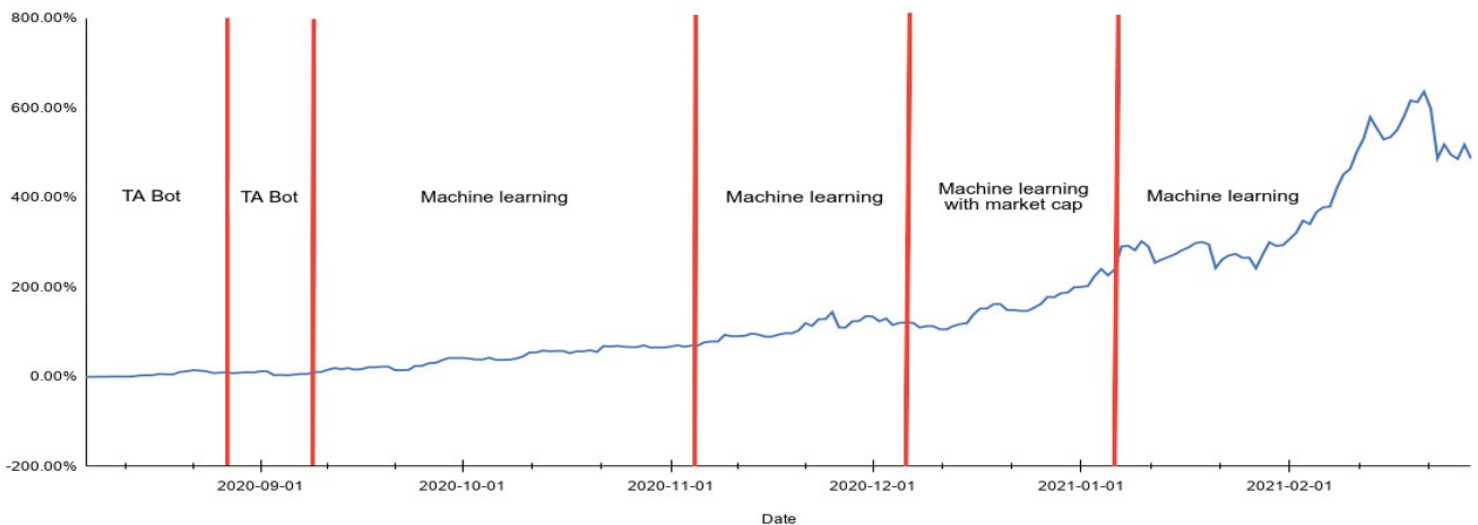
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As you know, we have several bots operating together at any given time, and a key performance indicator has also been our ability to successfully navigate “regime changes” during this period and put forth the bot that was optimally suited for that regime. A comparative analysis of a period-wise of volatilities across our Auro Rabbit bots, BTC, and the VIX (market's expectation of 30-day forward-looking volatility on S&P 500 index options) is presented below:

AuroRabbit Track Record - Inception to Date Regime changes



	2020-08-06	2020-08-21	2020-09-07	2020-11-04	2020-12-05	2021-01-05	'Aug'20-28'Feb'2	Negative vol	Annzled return	Risk-free rate	Sharpe ratio	Sortino ratio
Volatility - Bot	28.10%	44.67%	50.93%	83.44%	58.94%	103.03%	73.66%	43%	866.77%	1.20%	11.75	20.08
Volatility - BTC	34.82%	66.74%	36.15%	74.09%	64.42%	100.33%	71.42%	38%	499.88%	1.20%	6.98	12.99
VIX	22.2/22.7	22.6/30.8	30.6/35.6	36.8/21.3	21.1/27	26.9/28.0	22.2/28.0					

2. Returns above are in live trading except for ML with market bias which is both live trading and back-testing simulation.

February 2021 proved to be another interesting month in Crypto land as Crypto Lender BlockFi raised \$350M at a \$3B Valuation, PayPal announced that acquisition of crypto custody firm Curv, CBOE filed to list VanEck's bitcoin ETF, Deutsche Bank's announced launch of a digital asset custody platform for institutional clients, Mastercard said that they will let merchants accept payments in crypto this year, joining the Visa and PayPal bandwagon amongst the large global networks. All of these developments are a continued progression of the rapid pace of institutionalization of Crypto from 'fringe' to 'mainstream'. We just attended the first Cap Intro conference today organized by OSL, which was very well attended by institutional investors and it was clear that 'consensus' has already changed from skepticism about this asset class's long term sustainability, to a growing acceptance that it is here-to-stay and a swift transition to exploring the best way to get involved and gain exposure. We are here to help, so please do feel free to reach out.

Sincerely,

Amar Singh Anand




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Appendix 1 – Auro Rabbit Fee Terms

Auro Rabbit is a blockchain and artificial intelligence venture owned by Auro.Ai, a Cayman Islands based Company, which is a joint venture between Auroville and Tatra Data, which leverages the partner’s combined IP in AI and asset management. An overview of Auro Rabbit’s “Fee terms” is provided below:

 AUR INVESTMENT MANAGEMENT		
	Comingled Type 9 licensed fund	Separate Managed Account
Capacity	\$1 billion	\$1 million
Fees		
Management fee	1.5%	2.0%
Performance fee	15% (on absolute return)	20% (on absolute return)
Subscription		
Subscription Frequency	Monthly	Monthly
Minimum Investment	\$100K	\$50K
Minimum Subsequent Investment	\$100k	\$20k
Initial commitment period (soft lock)	1 Year	1 Year
Redemption		
Redemption Frequency	Quarterly	Quarterly
Redemption Notice Period	60 days	60 days
Redemption Fees*	2%	2%

Note 1: As per the Hong Kong Securities and Futures Commission new regulations governing Type 9 HK licensed portfolio managers and distributors of virtual asset funds, announced on November 1, 2020, only up to 10% of the gross asset value (GAV) of the portfolio can be invested in virtual assets ("de minimis threshold").

Note 2: Separately Managed Account product is offered via a 3rd party institutional managed account platform where Auro Rabbit, has an SLA to provide sub-advisory services to manage the separate account while the managed account provides KYC/AML, and independent custody and reporting.

Appendix 2 – Auro Rabbit Technology Framework

