

# One River Case Study

January 2021

# Overview

## Highlights

- One River Asset Management selected Coinbase Institutional as a full-service partner to acquire and custody a large allocation of digital assets for a new position.
- Using the Coinbase Institutional suite of services, the coverage team partnered with One River to acquire its desired position with minimal market impact.

## Background

One River Asset Management is an investment manager dedicated to delivering high conviction absolute-return strategies that help institutional investors build superior portfolios. Eric Peters, Founder, CEO, and CIO of One River Asset Management has spent his career hunting for big macro ideas globally. Eric had anticipated a historic shift in the macro landscape, with an inevitable downward turn in the market cycle being accompanied by a shift to overt fiscal and monetary policy coordination/union. That process started in earnest with the 2020 pandemic-induced equity market decline and the firm's clients were thus well-positioned and profited in a material way.

## Challenge

In Q4 2020, One River approached Coinbase to invest an undisclosed amount in digital assets, which would result in one of the largest digital asset trades in history. One River was looking for a leading prime broker with institutional expertise to accumulate this position while minimizing the impact on market prices. Owing to the potential to move the market against itself with such a large transaction, One River required absolute discretion in its partner. The trade would require the prime broker to meet One River's rigorous compliance, security and operational requirements, as well as the firm's exacting institutional service provider standards.

**“ We see the investment landscape shifting in ways that will make the coming decade look profoundly different than the past ten years. The 2020 market volatility and the extraordinary policy interventions that it provoked should be seen as a glimpse of what is in store.”**



**Eric Peters**

Founder, CEO, CIO

One River Asset Management

# Macro perspective

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## One River Asset Management

One River Asset Management sees the world in a period of major economic, policy and political transition. One River's strategies are built to profit from this dynamic environment while providing strong diversification benefits to traditional investment portfolios. The firm manages assets for some of the world's most prestigious institutions, leveraging the investment team's deep expertise in volatility, macro, inflation, digital asset, and systematic trading/investing. The strategies can be delivered in bespoke combinations for large investors via fund-of-one vehicles, managed accounts, swaps or UCITS compliant structures.

## Eric Peters

Eric Peters is the Founder, CEO, and CIO of One River Asset Management. Eric oversees the firm's strategic initiatives and serves as Chairman of the Investment Committee. He is the author of a private weekly investment newsletter Weekend Notes, which is read globally by investment professionals who directly deploy over \$1 trillion in alternative assets. Eric is known for his experienced approach to identifying macro themes and creating strategies built to best capitalize on them, famously thriving in periods of change with significant volatility.

## Looking Ahead

As the 2020 pandemic unfolded and policy makers embarked on an unprecedented and coordinated expansion of both fiscal deficits and money supply, Eric Peters and his team saw the catalyst for the change that they had been anticipating. He believes that a period of monetary debasement has begun, with global governments expanding fiscal deficits while simultaneously lifting inflation to unburden themselves from their growing debts. "To protect against what lies ahead, some investors are buying stocks out of habit, even as the history of monetary debasement indicates this carries enormous risk. Others will buy real estate and gold, both well-known hedges from the past. And a few are starting to accumulate things the world had never seen, things that until quite recently were a practical impossibility – digital assets," Eric explains in his Weekend Notes.

# Solution

One River searched for a full-service prime broker and was interested in learning about Coinbase Institutional's execution expertise and security standards for custody as an initial solution for adding digital assets to its portfolio.

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## Choosing Coinbase Institutional

After carefully evaluating multiple providers, One River chose Coinbase Institutional as its primary partner based on the following four criteria:

### 1. Algorithmic Smart Order Routing

Individual exchanges do not have sufficient liquidity to service large, institutional-sized orders. Coinbase Institutional's smart order router solves this problem by aggregating liquidity from multiple venues (exchanges and market makers) and routing orders algorithmically to find the best all-in prices possible. Each algorithm is optimized to take into consideration the client's degree of urgency for their trade, ranging from very passive to more aggressive.

### 2. White Glove Service

Coinbase's experienced trading, coverage, and client services teams helped One River plan and execute the trade, taking into consideration market liquidity and other factors. Our agency trading model means that we have one job—to get clients the best price possible. None of these trades are done from our inventory as a principal. This means we are never put in the conflicted position of having to manage our own profit and loss, so we can keep the clients' best interest in mind. That helps make Coinbase a partner and trusted advisor, an important factor for clients entering cryptocurrency markets for the first time.

### 3. Custody Solution

Coinbase Custody is one of the largest and most trusted digital asset custodians. Built for maximum security, our offline cold storage solution uses the same architecture that underpins Coinbase's custody of billions of crypto assets for retail customers. Coinbase Custody is an independent qualified custodian and a fiduciary under New York state banking laws. We are also the first crypto custodian to be issued both the SOC 1 Type 2 and SOC 2 Type 2 reports. Additionally, our industry-leading insurance policy protects both online and offline assets across all of our products.

### 4. Strong Counterparty

Coinbase has been a major player in the digital asset industry for over 8 years—resulting in a strong and profitable business. This strength enables Coinbase to deploy its own capital on external trading venues to insulate our clients from additional counterparty risk. Coinbase Institutional is also equipped to allow instant trading for funds in cold storage and provide other financing capabilities so clients don't have to choose between liquidity and security.

# Experience

One River's initial investment in digital assets took place over a period of five days. The firm's CIO, Eric Peters led the execution effort, drawing on his 31-years of trading experience. Eric worked with the Coinbase Institutional's trading team across each of the major trading time zones, evaluating the shifting market liquidity, while varying the timing, sizing and trading approaches. Eric utilized a wide range of Coinbase trading algorithms in a variety of combinations to further disguise One River's market footprint.

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## Onboarding

One River believed Coinbase was the right firm for the task at hand. Coinbase provided a full operational checklist and due diligence materials as it helped onboard the firm's administrator and auditor. Additionally, Coinbase was able to provide an extensive list of references, including other leading hedge fund managers, endowments, leading wealth managers and investment consultants. "The controls and security protocols offered by Coinbase met our rigorous operational and compliance standards," said Ian Malloch, Chief Operating Officer and Chief Risk Officer of One River Asset Management.

## Trading Experience

The initial trades were completed over the course of five days in November, executed at different speeds to work through varying market conditions. The Coinbase trading team systematically evaluated One River's trade volume statistics and worked to optimize each trade by actively communicating and adjusting speed and aggression. With the right controls in place, One River was able to execute a series of trades without permanently moving the market higher. The majority of the trades were done algorithmically, with a small portion done by crossing other opportunistic client flow.

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# Results

One River was ultimately able to accumulate its substantial position without materially moving market prices. It was only shortly after One River's transaction was completed that digital asset prices surged higher. "Our unified investing experience has the tools sophisticated investors need to execute large and complex trades, complemented by a diverse pool of liquidity," said Brett Tejpaul, Coinbase's head of institutional trading.

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In early December, One River launched One River Digital Asset Management. The firm will lead the industry in helping the world's top institutions get safe and secure access to the new asset class. One River Digital is laser focused on doing one thing exceptionally well - delivering exceptional safety, security, transparency, liquidity, fund structure and pricing to its digital asset clients.

Unlike its competitors which have typically built vertically-integrated businesses with in-house custodian services, prime brokerage, administration and proprietary trading, One River Digital takes a best-in-class approach to bringing together the leading service providers in each of these important areas to deliver the best possible investment product to the investor.

"For the decade ahead, digital assets will be an important addition to every institutional portfolio. This new asset class is an extraordinary opportunity, quite unlike anything I've ever seen," said Peters. "One River sees enormous long-term appreciation potential for some of these currencies."

"One River has quickly become a leading player in the digital asset world," said Tejpaul. "We couldn't be more excited to partner with One River to help investors become well-positioned for the future."

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