

Sound Money Capital is a discretionary digital asset investment fund that aims to outperform Bitcoin while minimizing drawdowns over rolling 12-month periods. Catering to high-net-worth individuals and family offices, the firm provides investment solutions addressing key challenges

such as digital asset market volatility, misinformation, and custodial concerns. Sound Money Capital operates with a directional strategy, positioning itself in high-beta assets and managing market exposure to optimize returns while mitigating risk.

The Challenge

Navigating the notoriously volatile digital assets market is a challenge for any fund manager. The fund's performance goals were centered on outperforming Bitcoin during uptrends while limiting exposure during downturns. To achieve smoother returns, the firm sought deeper insights to identify cycles, understand whale activity, and gauge sentiment through derivatives markets.

1. Identify cycles

As a discretionary fund with a focus on timing the market, it required an advanced analytics platform that could marry traditional finance techniques with cutting-edge on-chain analytics to time entry and exit points within the market cycle.

2. Understand whale activities

Large investors can significantly influence price movements and market sentiment. Without clear visibility into whale transactions and trends, traders may struggle to anticipate liquidity shifts, sudden volatility, or potential accumulation and distribution patterns.

3. Derivatives markets

Without a clear view of trader positioning and sentiment shifts, investors risk misinterpreting market trends and falling victim to sudden liquidations or squeezes. This lack of insight can lead to poor risk management, mistimed trades, and missed opportunities in a highly volatile environment.

Solution

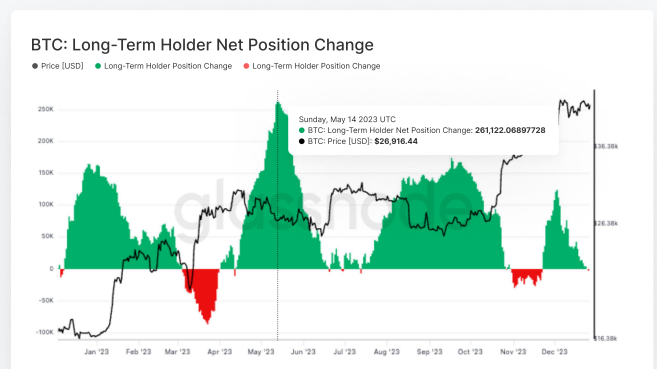
Sound Money Capital's team used Glassnode to integrate on-chain analytics into their process. By combining traditional finance data and on-chain metrics, Sound Money Capital was able to make more informed and strategic decisions.

Key features that made the difference:

1. Market cycle analysis

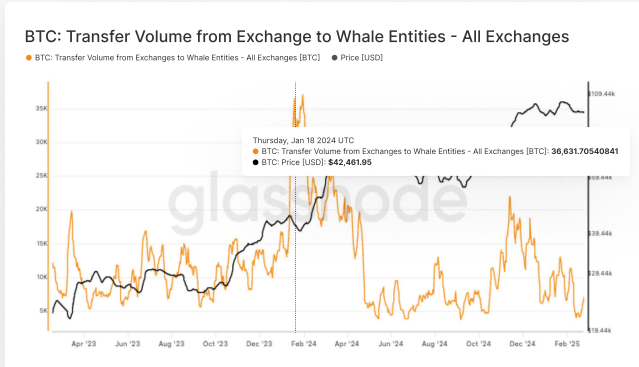
Glassnode's platform helped Sound Money Capital assess Bitcoin's market cycle by analyzing long- and short-term holder trading patterns. These insights, coupled with historical price and liquidity data, helped determine optimal entry and exit points.

E.g. During a period of high volatility in early 2023, the team was able to identify accumulations from long-term holders signaling recovery vs prevailing market narratives, prompting them to stay invested and outperform Bitcoin.



2. Whale activity

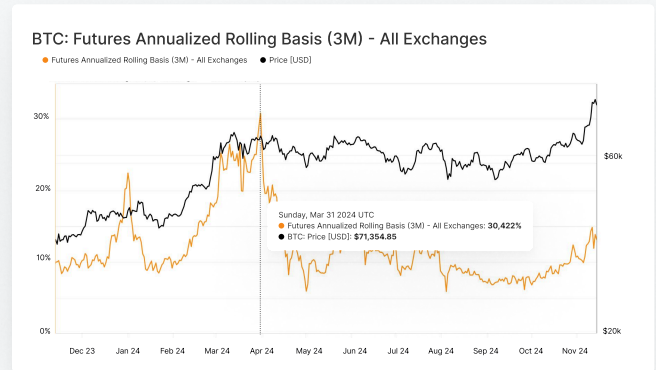
By leveraging Glassnode's ability to reveal wallet movements and whale behavior, Sound Money Capital could identify when large investors were entering or exiting the market. This enabled the team to reduce drawdowns by avoiding periods when whales were selling.



E.g. In Q1 2024, data showed a sudden surge in whale outflows from exchanges, indicating selling pressure. Sound Money Capital reduced its exposure to high-beta assets during this period, preserving capital while many other funds suffered substantial losses.

3. Market sentiment and derivatives activity

Sound Money Capital leveraged Glassnode to analyze blockchain derivatives markets, effectively managing risk and optimizing returns. By tracking inflows and outflows, the team was able to identify periods of market uncertainty and, conversely, recognize when clearer trends were forming, enabling them to capitalize on emerging opportunities.



E.g. In early 2024, derivatives data indicated a significant buildup in open interest in Bitcoin futures with a bullish bias. In response, Sound Money Capital increased allocations to high-beta altcoins, capitalizing on broader market strength to outperform Bitcoin.

Results

Leveraging decades of investing experience, Sound Money Capital achieved exceptional investment outcomes by seamlessly integrating Glassnode's on-chain data with traditional financial metrics. This powerful combination enabled superior risk-adjusted returns while keeping the fund aligned with its directional strategy.

Key outcomes

- **116% return** over the past year, surpassing Bitcoin by 21%.
- **Reduced drawdowns** during volatile periods by accurately anticipating market cycles and reacting to shifts in trader sentiment.
- **Expanded asset allocation** into high-beta assets with confidence, using derivatives and whale tracking to manage risks effectively.
- **Increased investor confidence**, allowing the firm to attract more high-net-worth clients and family offices seeking exposure to the space with reduced risk.

Conclusions

Sound Money Capital's ability to outperform Bitcoin while experiencing lower volatility demonstrates the power of on-chain-driven insights in digital asset investing. By integrating real-time on-chain analysis, market cycle analysis, and derivatives tracking, the firm surpassed its performance goals, positioning itself as a leader in the discretionary blockchain fund space.

1-year return	116%
Ann. return since inception	21.2%
Alpha vs BTC since inception	21%
Best month	38.6%
Worst month	-25.4%
Standard Deviation	15.7%