



# DIVERSIFICATION MATTERS

## This AI digital assets fund was ready for the crypto downturn

B. G., Opalesque Geneva for [New Managers](#):

The **RS Digital Asset I Fund** aims to generate returns with high alpha and low directionality through AI-driven investments in digital assets. And it has proven how resilient it can be in this year's crypto storm.

It returned 253% from inception in December 2020 to the end of June 2022, compared to 3.3% for the S&P 500 and 19% for the Index Crypto 20.

"Despite a pronounced drop in crypto prices, with Bitcoin at -50.3% YTD, our AI system excelled at protecting the portfolio value," CTO Thomas Schmiedel tells Opalesque. "With -2.7% YTD, our clients were virtually unaffected by the market turmoil."

The [Eurekahedge](#) Crypto-Currency Hedge Fund Index, an equally weighted index of 14 funds, is down 48% YTD to the end of June. It was up 142% in 2021. And the [BarclayHedge](#) Cryptocurrency Traders Index, which tracks more than 70 funds, is down 29% YTD through July. It was up 140% last year.

Before co-founding quantitative fund management firm [Rubinstein & Schmiedel](#), Thomas Schmiedel used to run the data science business unit of a large consulting company and discovered a novel AI algorithm for time series data. He will present at Opalesque's webinar, [Diversification Matters, episode 3](#), on Wednesday 31st August (*details below*).

### The downturn in cryptocurrencies was expected

In the recent past, cryptocurrencies had a noticeable correlation with major indexes, such as the SP500, DJIA, and the NDX, Schmiedel explains. "With rising interest rates and a decline in those indexes, we also expected a downturn in cryptocurrencies. Also, from emotional indicators of retail market sentiment and

open interest of Bitcoin futures at the end of 2021, it was likely that a correction would follow.”

But the manager is upbeat about the remainder of the year. “The crypto ecosystem is flourishing and irrespective of the market price, small and large institutions are currently building the financial infrastructure of tomorrow,” he says. “This will lead to more adoption mid-term and makes cryptocurrencies an attractive investment area right now. Short-term predictions are much more difficult, but I expect the correlation between Bitcoin and stocks to fall from here with Bitcoin re-testing \$30k until the end of the year - potentially driven by another long-liquidation event and a subsequent short squeeze higher.”

### **Fund strategy**

The selection process consists of picking from the top 100 digital assets (there are almost 20k digital assets in the market). All digital assets are subject to a regular screening process and are selected based on their projected trading performance and risk level. There is a continuous review and adjustment of investment limits. When the system is not invested, the capital is preserved in the base currencies (USD, EUR, USDT (stablecoin Tether), BUSD (stablecoin Binance), etc.).

Within the limits determined by the dynamic fund’s allocation, the proprietary AI software determines in minute intervals on a 24/7 basis for each individual market when it is the best time to take long unleveraged exposure or exit back into fiat or other base currencies. By adjusting crypto exposure in minute intervals with the option to exit, the fund avoids high drawdowns - and thereby ensures low volatility in the very highly volatile market that is the crypto market.

Rubinstein & Schmiedel was founded in 2019 and has offices in Switzerland, Germany and Liechtenstein. The firm employs a team of 21 scientists and developers specialised in the area of crypto assets, artificial intelligence, optimisation techniques, as well as proprietary machine-learning software.

## **Upcoming webinar:**

### **DIVERSIFICATION MATTERS, Episode three**

Focus session on European mezzanine debt, an underinvested asset class which offers equity-like returns with downside protection, and innovations in Artificial Intelligence for investment strategy development.

#### **With:**

- Jakub Topp, SIG-I Capital AG
- Thomas Schmiedel, Rubinstein & Schmiedel

**When:** Wednesday 31st August, 2022, at 10 am CET  
(11am Riyadh, 12pm Dubai, 4pm HKG/SIN, 5pm Tokyo, 5pm Sydney)

**Free registration:** [www.opalesque.com/webinar/](http://www.opalesque.com/webinar/)