

Volume Imbalance Strategy Overview

FORMATNULL VENTURES

Executive Summary for Prospective Investors

Document Classification: FOR QUALIFIED INVESTORS

Version: 1.0

Date: March 2026

Important Notices

This document provides a high-level overview of the Volume Imbalance Strategy employed by FormatNull Ventures LP. This summary is for informational purposes only and does not constitute an offer to sell or solicitation to buy any securities. Prospective investors should review the full Private Placement Memorandum and Limited Partnership Agreement before making any investment decision.

Investment in the Fund involves substantial risk, including the potential for total loss of capital.

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1. Strategy Overview

What We Do

FormatNull Ventures operates a systematic, short-term trading strategy in cryptocurrency markets. We identify temporary price imbalances in the market and capture profits when prices correct back to equilibrium.

Key Characteristics

Characteristic	Description
Strategy Type	Systematic quantitative trading
Markets	Cryptocurrency perpetual futures (primarily Bitcoin and Ethereum)
Holding Period	Seconds to minutes (intraday only)
Approach	Data-driven, rule-based execution
Risk Profile	Market-neutral with strict risk controls

What Makes Us Different

- **No Overnight Risk:** All positions are closed within the trading day
 - **Systematic Execution:** Removes emotional decision-making from trading
 - **Institutional Infrastructure:** Enterprise-grade technology and risk management
 - **Defined Risk Limits:** Multiple layers of automated protection
-

2. Investment Thesis

The Opportunity

Cryptocurrency markets present unique opportunities for systematic trading strategies due to several structural characteristics:

Market Inefficiencies We Exploit

1. Fragmented Liquidity

- Trading occurs across multiple exchanges simultaneously
- Price differences create opportunities for capture

2. Diverse Participant Base

- Mix of retail traders, institutions, and algorithmic traders
- Different participants have different information and reaction speeds

3. 24/7 Trading

- Markets never close, creating varying liquidity conditions
- Opportunities arise during all time zones

4. High Volatility

- Price movements create frequent trading opportunities
- Short-term dislocations occur regularly

Why These Inefficiencies Persist

Unlike traditional markets, cryptocurrency markets: - Have less regulatory-driven market structure - Include many participants with varying sophistication levels - Experience rapid growth attracting new capital and new traders - Operate continuously without traditional market hours

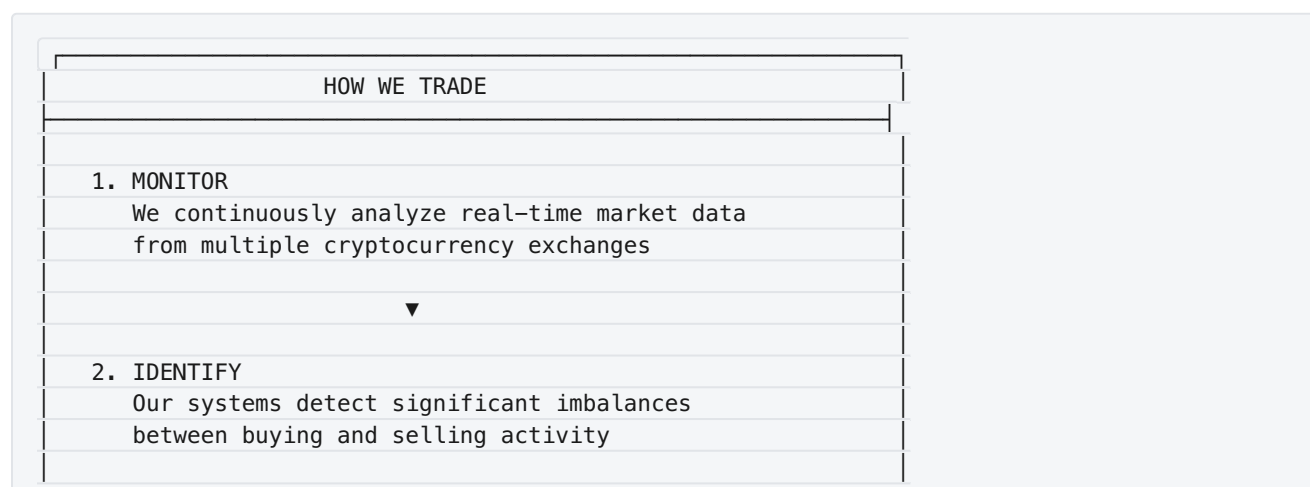
3. How the Strategy Works

The Core Concept: Volume Imbalance

Volume imbalance refers to situations where buying pressure significantly exceeds selling pressure (or vice versa) in the market. When this occurs, prices tend to move in the direction of the stronger pressure.

Think of it like a crowded doorway: if more people are trying to enter than exit, the crowd will move inward. Markets behave similarly—when buyers overwhelm sellers, prices rise.

Our Process



▼
3. VALIDATE Multiple confirmation checks ensure the signal meets our quality standards
▼
4. EXECUTE Automated systems enter positions with predefined risk parameters
▼
5. MANAGE Continuous monitoring with automatic profit-taking and stop-loss execution

What We Trade

Instrument	Why We Trade It
Bitcoin Perpetual Futures	Highest liquidity, tightest spreads
Ethereum Perpetual Futures	Second-highest liquidity

We focus on the most liquid instruments to ensure we can enter and exit positions efficiently.

Timeframe

Aspect	Our Approach
Trade Duration	30 seconds to 15 minutes typically
Overnight Exposure	None—all positions closed daily
Trade Frequency	200-1,000 trades per day depending on market conditions

4. Risk Management

Our Philosophy

We believe that **risk management is as important as return generation**. Our approach employs multiple independent layers of protection—if one fails, others remain active.

Risk Control Framework



Automatic Circuit Breakers

Our systems automatically reduce or halt trading when losses reach predefined thresholds:

Threshold	Timeframe	Automatic Action
2% drawdown	Daily	Reduce position sizing by 50%
5% drawdown	Daily	Halt new trades, close existing positions
10% drawdown	Weekly	Full trading halt, manual review required
15% drawdown	Monthly	Strategy suspension, investor notification

Position Limits

- **Maximum single position:** Capped to prevent concentration risk
- **Maximum portfolio exposure:** Limited relative to fund size
- **Per-exchange limits:** Diversified across multiple venues

Operational Risk Controls

- **24/7 System Monitoring:** Automated alerts for any system issues
- **Multiple Exchange Relationships:** Not dependent on any single venue
- **Redundant Infrastructure:** Backup systems and disaster recovery procedures
- **Segregated Funds:** Trading capital separate from operational funds

5. Target Performance

Return Objectives

Metric	Target	Description
Annualized Return	25-40%	Gross of fees, varies with market conditions
Sharpe Ratio	2.0-3.0	Risk-adjusted return measure
Maximum Drawdown	<15%	Worst peak-to-trough decline
Win Rate	55-65%	Percentage of profitable trades

Important Context

- Returns will vary based on market conditions
- Higher volatility periods may offer more opportunities
- Lower volatility periods may result in reduced activity
- Past performance is not indicative of future results

Return Drivers

Our returns come from:

1. **Signal Alpha:** Correctly predicting short-term price movements
2. **Execution Quality:** Entering and exiting at favorable prices
3. **Risk Management:** Limiting losses on incorrect predictions

Costs We Manage

Cost Type	How We Manage It
Exchange Fees	Negotiate competitive fee tiers

Cost Type	How We Manage It
Slippage	Smart order routing and execution optimization
Funding Costs	Monitor and hedge funding rate exposure

6. Operational Excellence

Technology Infrastructure

We operate institutional-grade infrastructure designed for reliability and performance:

Capability	Our Approach
Location	Servers positioned for low-latency access to major exchanges
Uptime Target	99.9% system availability
Monitoring	24/7 automated monitoring with real-time alerts
Security	Enterprise security practices, encrypted communications

Exchange Relationships

We maintain direct connectivity with leading cryptocurrency exchanges:

- **OKX:** Major Asian exchange with deep liquidity
- **Binance:** Largest exchange by trading volume
- **Bybit:** Leading derivatives exchange

Operational Controls

Control	Purpose
Change Management	All system changes reviewed and tested before deployment
Access Controls	Role-based permissions with multi-factor authentication
Audit Trail	Complete logging of all trading and system activity
Disaster Recovery	Documented procedures for various failure scenarios

7. Reporting and Transparency

What You Receive

Monthly Report (Within 15 Business Days)

- Net performance for the month
- Risk metrics (drawdown, volatility)
- Trading statistics (trade count, win rate)
- Any material operational events

Quarterly Report (Within 30 Business Days)

- Detailed performance attribution
- Market commentary and outlook
- Risk limit utilization
- Infrastructure and operational updates

Annual Report (Within 60 Business Days)

- Audited financial statements
- Comprehensive performance review
- Strategy evolution discussion
- Governance updates

Transparency Principles

- **No Black Box:** We explain our strategy in plain terms
- **Timely Communication:** Material events communicated within 24 hours
- **Accessible Team:** Direct access to portfolio management for questions
- **Complete Records:** Full audit trail maintained for all activity

8. Glossary

Term	Simple Definition
Perpetual Futures	Contracts that let you bet on price movements without owning the underlying asset; they never expire
Drawdown	

Term	Simple Definition
	The decline from a peak in portfolio value to a trough—how much you've lost from the high point
Sharpe Ratio	A measure of return relative to risk; higher is better. A Sharpe of 2.0+ is considered excellent
Win Rate	The percentage of trades that make money
Slippage	The difference between the price you expected and the price you actually got
Circuit Breaker	An automatic mechanism that reduces or stops trading when losses hit certain levels
Liquidity	How easily you can buy or sell without moving the price significantly
Volatility	How much prices move up and down—higher volatility means bigger swings
Funding Rate	A periodic payment between traders holding perpetual futures that keeps the contract price aligned with the underlying asset

Summary: Why FormatNull Ventures?

Our Value Proposition

Factor	Our Approach
Strategy	Proven, systematic approach to capturing short-term market inefficiencies
Risk Management	Multiple independent layers of automated protection
Infrastructure	Institutional-grade technology positioned for optimal execution
Transparency	Clear reporting and open communication
Alignment	GP investment alongside LPs

Next Steps

For qualified investors interested in learning more:

1. **Request** the full Private Placement Memorandum
2. **Review** the Limited Partnership Agreement
3. **Schedule** a call with the investment team
4. **Complete** qualification and subscription documents

Contact

FormatNull Ventures GP LLC

For inquiries, please contact the investor relations team.

DISCLAIMER

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