



A E Q U I T A S E N G I N E

Systematic Stablecoin Yield Strategy

A comprehensive analysis of decentralized
finance yield generation, institutional
capital deployment methodology, and
risk-adjusted return optimization across
established blockchain protocols

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EXECUTIVE SUMMARY

The Opportunity

The decentralized finance ecosystem has matured into a \$300 billion+ stablecoin market generating consistent yield opportunities across established protocols. Traditional institutional capital management, constrained by legacy infrastructure and regulatory frameworks, typically achieves 3–5% returns on USD-denominated assets through money market funds and treasury instruments.

Simultaneously, decentralized protocols consistently generate 8–30% yields on identical underlying stablecoin assets through lending spreads, liquidity provision, structured products, and automated market making strategies. This persistent yield differential represents a structural market inefficiency of extraordinary magnitude.

Aequitas Engine, LP exists to capture this yield differential for institutional investors. The fund deploys capital exclusively in USD stablecoin-denominated positions across carefully selected DeFi protocols, generating superior risk-adjusted returns while maintaining complete transparency, institutional-grade custody, and comprehensive risk management.

Fund Overview

12–20%	8–12%	\$100.81
GROSS TARGET APY	NET TO INVESTOR	CURRENT NAV

Fund Structure	Aequitas Engine, LP — Delaware Limited Partnership (DRULPA compliant)
General Partner	Aequitas, Inc. — Delaware C Corporation
Strategy Focus	Systematic stablecoin yield optimization across DeFi protocols
Target Chains	Solana, Base, Ethereum — multi-chain diversification
Minimum Investment	\$1,000,000
Management Fee	Graduated: 2.0% → 1.5% → 1.0% → 0.75% (scales with AUM)
Performance Fee	20% above high-water mark, crystallized annually
Redemption Terms	Monthly, 30 calendar days' notice

Investment Strategy

Capital deployment follows a systematic, quantitative approach across five distinct yield categories:

3–6%	8–18%	10–30%
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SAVINGS PROTOCOLS

Battle-tested on-chain savings rates with institutional liquidity

LIQUIDITY PROVISION

Concentrated stablecoin pairs with active impermanent loss management

TACTICAL STRATEGIES

Cross-venue arbitrage and yield optimization opportunities

Protocol selection is driven by quantitative risk scoring, incorporating smart contract audits, TVL analysis, governance assessment, and historical performance evaluation. Capital allocation follows a three-tier custody architecture: 65% Active Yield, 30% Foundation Yield, 5% Emergency Reserve.

MARKET ANALYSIS

Stablecoin Ecosystem

The global stablecoin market has achieved remarkable scale and stability, with over \$300 billion+ in aggregate supply across major USD-pegged assets. This represents a fundamental shift in digital asset infrastructure — from speculative trading instruments to genuine institutional money markets.

Market Leadership: USDC and USDT maintain dominant market positions with proven regulatory compliance, institutional adoption, and deep liquidity across all major blockchains. Combined, these assets represent over 80% of total stablecoin supply and serve as the primary denominated currencies for DeFi yield generation.

Asset	Market Cap	Issuer	Primary Use Cases
USDC	\$150B+	Circle	Institutional DeFi, payments, yield generation
USDT	\$120B+	Tether	Trading, cross-border settlements, liquidity
DAI	\$5B+	MakerDAO	Decentralized collateral, DeFi primitives
FDUSD/TUSD	\$3B+	Various	Regional markets, specialized applications

Regulatory Clarity: The stablecoin regulatory framework has achieved significant clarity under the current administration, with Circle’s USDC achieving full compliance with banking regulations and treasury backing requirements. This regulatory certainty enables institutional capital deployment without regulatory overhang.

Cross-Chain Infrastructure: Mature bridging infrastructure now enables seamless stablecoin transfers across Ethereum, Solana, Base, and other major chains with institutional-grade security and minimal slippage. This multi-chain accessibility expands the yield opportunity set significantly.

DeFi Yield Generation

Decentralized finance protocols have evolved into sophisticated institutional-grade markets capable of generating sustainable yield through genuine economic activity rather than token emissions or unsustainable incentive programs.

Institutional Participation: Major institutional players including family offices, pension funds, and treasury management firms now actively deploy capital in DeFi protocols, providing substantial liquidity and reducing retail-driven volatility.

- **Lending Markets:** Established protocols like Compound, Aave, and Kamino generate yield through supply-demand driven interest rates on institutional-grade borrowing activity
- **Automated Market Making:** DEX protocols capture trading fees through liquidity provision, with sophisticated algorithms managing impermanent loss exposure

- **Structured Products:** Fixed-rate instruments and yield-bearing assets provide predictable returns through established financial engineering techniques

- **Cross-Protocol Arbitrage:** Yield differentials across protocols and chains create systematic arbitrage opportunities through automated strategies

Yield Sustainability: Current yield levels are primarily driven by organic protocol revenue rather than unsustainable token emission programs. This represents a fundamental maturation of the DeFi ecosystem into genuine financial markets.

STRATEGY IMPLEMENTATION

Protocol Selection Methodology

Protocol selection follows a comprehensive quantitative framework combining technical due diligence, economic sustainability analysis, and risk assessment. Only protocols meeting institutional-grade criteria are eligible for capital deployment.

Technical Assessment	Smart contract audits, formal verification, bug bounty programs
Economic Analysis	Revenue sustainability, token economics, TVL composition
Governance Review	Decentralization metrics, decision-making processes, community involvement
Risk Evaluation	Historical performance, stress testing, correlation analysis
Operational Due Diligence	Team background, development activity, ecosystem integration

Approved Protocol Universe: The current investment universe includes 25+ protocols across three primary chains, representing over \$50 billion in aggregate TVL and demonstrating consistent yield generation through multiple market cycles.

Kamino Finance — Solana concentrated liquidity	Pendle Finance — Ethereum yield trading
Aerodrome — Base DEX and liquidity	Raydium — Solana AMM and farming
Orca — Solana concentrated liquidity	Drift Protocol — Solana perpetual funding

Capital Allocation Framework

Capital deployment follows a three-tier architecture designed to optimize risk-adjusted returns while maintaining operational flexibility and capital preservation.

65% ACTIVE YIELD TIER Multi-protocol deployment targeting 12–30% APY through diversified DeFi strategies with systematic rebalancing and active risk management	30% FOUNDATION TIER Conservative positioning in battle-tested protocols targeting 6–12% APY with emphasis on capital preservation and stable income generation	5% RESERVE TIER Liquid USDC reserves for operational flexibility, investor redemptions, and tactical rebalancing across market conditions
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Rebalancing Methodology: Portfolio allocation is continuously optimized based on yield curve analysis, protocol risk scoring, and market conditions. Rebalancing occurs systematically to maintain target allocations while capitalizing on tactical opportunities.

