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# DG03-R

## DeFi Vault System



## (1) DG03-R DEFI SYSTEMATIC FIXED-INCOME–STYLE STRATEGY

DG03-R is designed to monetize a specific liquidity inefficiency on Hyperliquid. Hyperliquid’s liquidity provider pool (HLP) allows investors to deposit capital (USDC) and participate in the venue’s revenue streams, which mainly comes from three sources: (1) market-making/spread capture on the exchange, (2) positive perp funding that accrues to the pool, and (3) Liquidation backstops for when traders do not have the margin to keep a position open on the venue. HLP withdrawals do not settle instantly; they pay out over a short window of 4 days after redemption requests. That delay is operationally reasonable for the venue, but it creates a timing mismatch for participants who would prefer same-day liquidity.

DG03-R sits precisely in that gap. The strategy advances cash to participants who want T+0 liquidity, and it is repaid a few days later when the user’s normal HLP withdrawal completes. In practice, client capital is held in an MPC wallet and governed smart contracts record each advance as a short-dated, self-liquidating claim and receive repayment when the paired HLP redemption arrives. Because DG03-R delivers liquidity sooner than the underlying pool, it charges a posted service fee on each advance. That fee, minus operating costs and any short-tenor financing, is the strategy’s core return driver.

The economic intuition is straightforward. There is a “primary” lane (the standard HLP withdrawal, in this case DG03-P (Devine OS HLP pass through) that pays later, and a “secondary” lane that pays now. Investors are effectively funding the secondary lane. Users who value immediacy pay a spread to accelerate their withdrawal; DG03 captures that spread. Yield is therefore a function of three profiles: the fee per advance, quoted discount based on factors like adverse selection and time-value, and utilization. Higher and steadier utilization compounds better; quiet periods or paused conditions reduce realized yield.

Risk is contained by design. Each advance is explicitly assigned back to the pool and tied to an identified redemption, so the claim self-liquidates when the underlying cash arrives. The Devine OS system enforces utilization caps, per-user limits, NAV/data freshness checks, protection via unique transaction hashes, and controlled batch expiry.

Quotes can widen, or the facility can pause entirely, under volatility, stale venue data, or other adverse signals.

For allocators, the result is a short-duration, fixed-income like return stream sourced from a real micro-inefficiency — the difference between when the venue is willing to pay and when the end user wants to be paid — rather than from taking directional market risk.



# DG03-R DEFI CUSTODY AND ONBOARDING FLOWS

## Client Journey

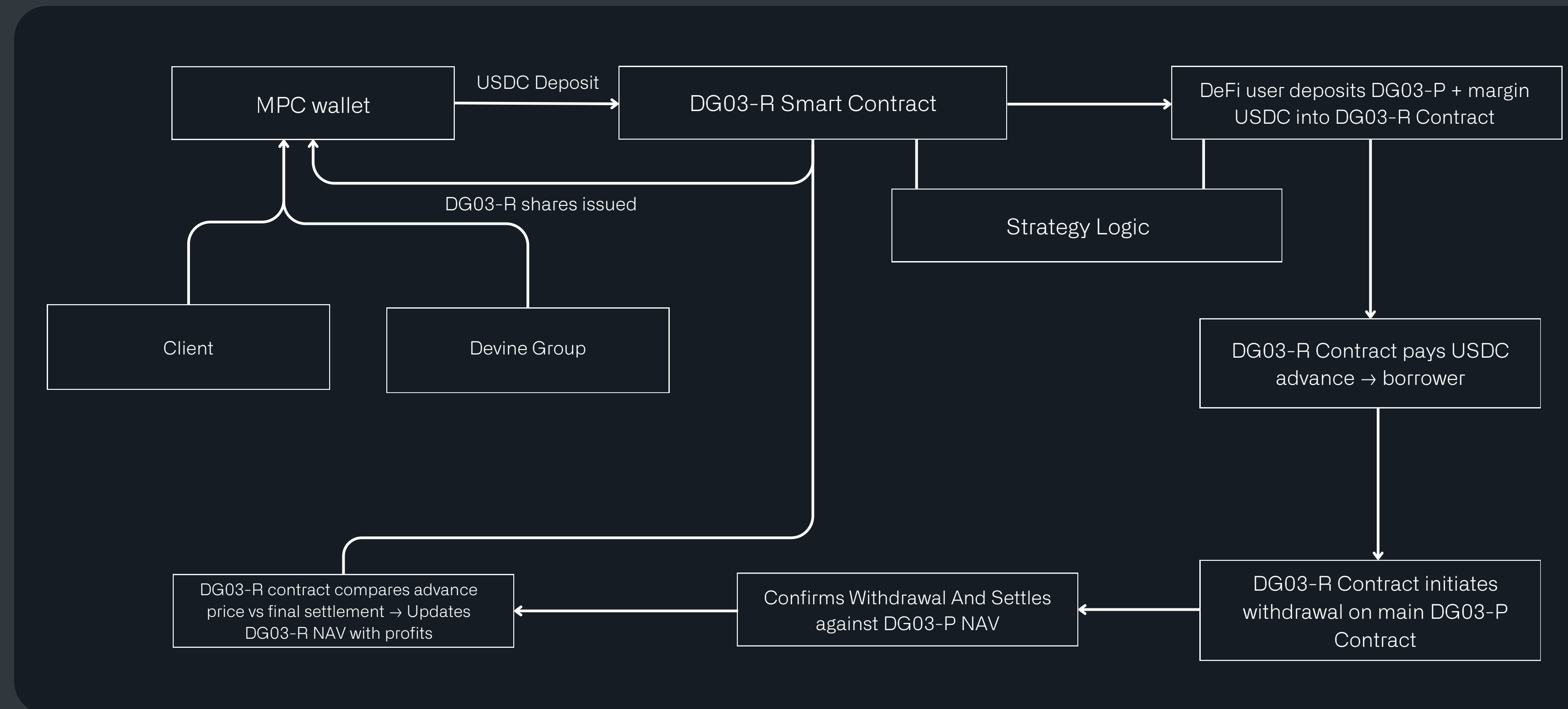
the MPC wallet that is co-signed by Devine Group and the client deposits USDC into the DG03 Recourse Contract Pool. That pool is an on-chain vehicle that holds the capital and, in return, issues the investor a claim on the pool – we called that claim DG03-R. The investor isn't trading, posting margin, or touching the primary vault; they're just providing capital to the pool and receiving a tokenized claim on whatever the pool earns.

Separately, a DeFi user who actually holds the primary vault token - DG03-P - wants instant liquidity. That user sends their DG03-P to the same recourse pool and, if required, posts some USDC as margin. Because the pool is already funded by investors, it can immediately pay that user an advance in USDC. Right after quoting and paying the advance, the pool initiates a withdrawal on the primary DG03 vault using the DG03-P tokens it just received, so the "real" redemption process starts on the underlying vault.

When the primary DG03 vault later finishes the withdrawal, it sends the final USDC amount back to the recourse pool. At that point the pool does the recourse step: it compares what it already advanced to the borrower with what actually came back from the primary vault. If the final amount is higher, the pool returns the excess (plus any margin) to the borrower. If the final amount is lower, the pool uses the posted margin to cover the shortfall.

Whatever surplus is left stays inside the pool, which raises the pool's NAV and, by extension, the value of the investor's DG03-R claim. So investors supply capital, borrowers get instant USDC against DG03-P, and the pool sits in the middle enforcing the advance-vs-final settlement logic.

## Smart contract custodied, policy-controlled access to DG03-R.





# DG03-R DEFI SYSTEMATIC FIXED-INCOME-STYLE STRATEGY

Month	Fee/cycle (bps)	Utilization	Gross Return	YTD Gross
Jan	52	57%	1.85%	1.85%
Feb	47	55%	1.50%	3.38%
Mar	52	61%	2.05%	5.50%
Apr	49	57%	1.70%	7.29%
May	53	63%	2.10%	9.54%
Jun	50	60%	1.80%	11.52%
Jul	55	66%	2.30%	14.08%
Aug	50	61%	-0.60%	13.40%
Sep	53	61%	2.00%	15.66%
Oct	52	65%	2.15%	18.15%
Nov	49	57%	1.75%	20.22%
Dec	47	58%	-0.30%	19.86%

DG03 earns a repeatable spread by funding instant settlements and being repaid when the normal vault withdrawal completes ~4½ days later. In each settlement cycle we charge a posted service fee (typically 45–55 bps) and deduct a small operating load (~3 bps) to arrive at the net gain per cycle. Only capital actually out on advances earns that net (utilization). A month's return is the compounded effect of that net, multiplied across the number of cycles that fit in the month and scaled by the average utilization. Longer months and higher utilization lift results; shorter or quieter months reduce them. The annual figure is the product of the twelve monthly factors.

The profile is governed by four levers: (1) the quoted fee band—tight in calm conditions, wider in volatility; (2) utilization—the time-weighted share of capital deployed on advances; (3) cycle count and timing—how many ~4½-day cycles finish inside the month and whether settlements straddle month-end; and (4) operating leakage—gas and coordination costs embedded in the ~3 bps per-cycle load. Upside comes from firm demand, disciplined pricing, and sustained utilization; downside comes from quiet flow, tighter quotes, or month-end timing that pushes cash receipts into the next period. The result is a steady, fee-accrual return stream with occasional small flat/negative months - no directional market exposure required.



# DG03 DEFI SYSTEMATIC FIXED-INCOME–STYLE STRATEGY

Metrics	DG17	Metrics	DG17	Metrics	DG17
Simulated Returns	Yes	Best Month (%)	2.3%	Max Drawdown Duration (days)	0.96%
Sample Size (months)	12	Worst Day (%)	-0.6%	Median 30-Day Rolling Vol (%)	3.45%
Cumulative Return (%)	19.86%	MTD Return (%)	-0.30%	Monthly Return Volatility (%)	1.13%
Annualized Return (%)	19.86%	YTD Return (%)	19.86%	VaR 95%, Monthly (%)	0.43%
Annualized Volatility (%)	3.29	Risk-Free Benchmark	4.00%	BTC Correlation	0.00
Sharpe (ann.)	4.37	Alpha (ann. %)	15.86%	Avg. Monthly Return (%)	1.52%
Max Drawdown (%)	-0.06%	Downside Deviation (ann. %)	0.73%	Rolling 12-Month Return (%)	19.86%

We compute risk from the monthly return series (no daily smoothing). Annualized volatility is the standard deviation of monthly returns scaled by the square-root of 12. Sharpe compares the annualized return to a 4% cash benchmark using that annualized volatility. Value-at-risk at 95% is the loss corresponding to the 5th-percentile month. Max drawdown is the largest peak-to-trough decline in the monthly NAV path. In practice this produces low-volatility income with occasional small negatives driven by utilization droughts or month-end timing. Our planning range reflects that reality: single-month downside typically ~0.2–0.8% and normal-regime max drawdown ~0.5–2.0%, with the ability to widen pricing or pause issuance in stress.