

BTC CARRY VAULT

IPOR Fusion Vault Prospectus

Vault Architecture & Yield Mechanics · July 2026

THE BITCOIN DOLLAR BTC CARRY VAULT

The BTC Carry Vault is a wBTC-denominated yield product that targets roughly 2-5%+ in wBTC terms by earning a dollar carry against Bitcoin collateral — without giving up any Bitcoin price exposure.

This document details the construction of that vault: how capital flows in, how yield is generated and managed, and how the position is maintained and unwound.

Target Structure	
Deposit asset	wBTC
Network	Ethereum mainnet
Target net return	~2-5% p.a. in wBTC terms (on top of BTC price)
Yield engine	bdUSD dollar carry, ~0.50 leverage
Execution	Morpho Blue lending, bdUSD, Uniswap V3 harvest
Rebalancing	Automated LTV bands
Vault Wrapper	IPOR Fusion

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EXECUTIVE SUMMARY

The Bitcoin Dollar BTC Carry Vault provides capital-efficient, BTC-denominated yield on IPOR Fusion, deployed on Ethereum mainnet.

The vault runs a dollar-carry strategy using wBTC as its base asset. Users deposit wBTC. The vault posts the wBTC as collateral into a Morpho Blue lending market and borrows USDC against it at a conservative loan-to-value (LTV) ratio, then supplies the borrowed USDC to bdUSD — a yield-bearing dollar vault — to earn a carry over the borrow cost.

Unlike the USD Vault, the position is not hedged: all of the deposited wBTC remains in the vault, so the net position is **BTC-denominated with full Bitcoin price exposure retained**. The dollar carry is periodically harvested back into wBTC, growing the wBTC-per-share over time (additional information can be found at <https://www.btcd.fi>).

Under current assumptions, the carry spread between the bdUSD yield and the USDC borrow cost targets a return of 2-5%+ per year in wBTC terms — additive to Bitcoin's own price movement.

STRATEGY

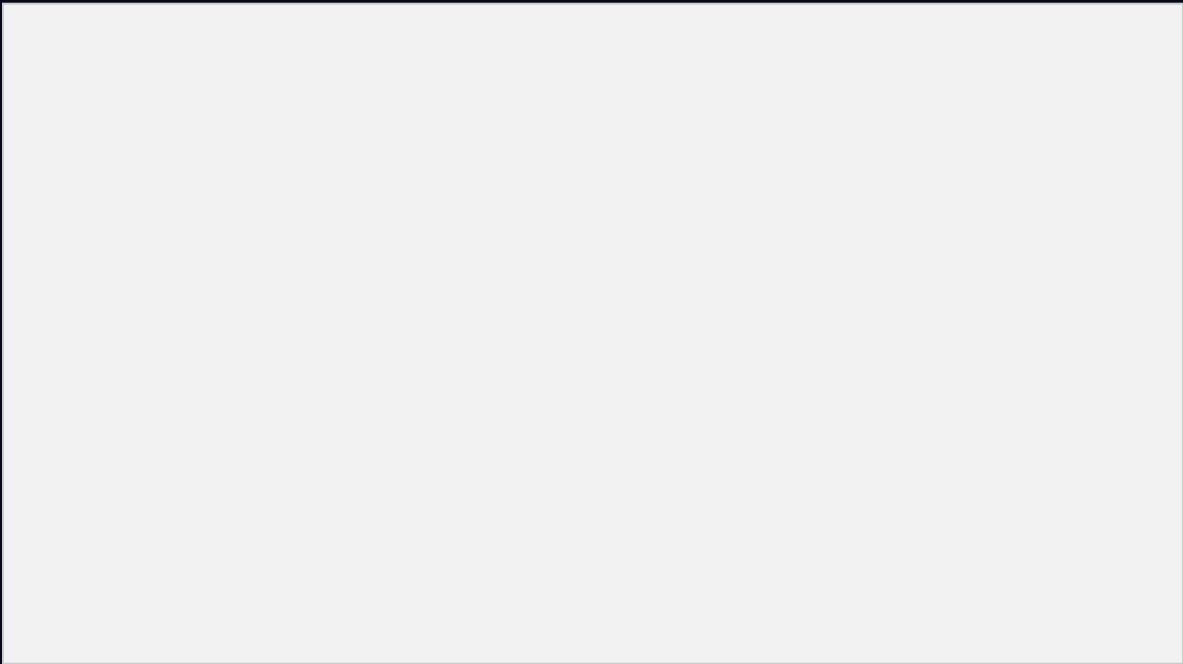
How it works

From a single wBTC deposit, the vault executes the following sequence to run a BTC-denominated dollar carry with full Bitcoin exposure retained:

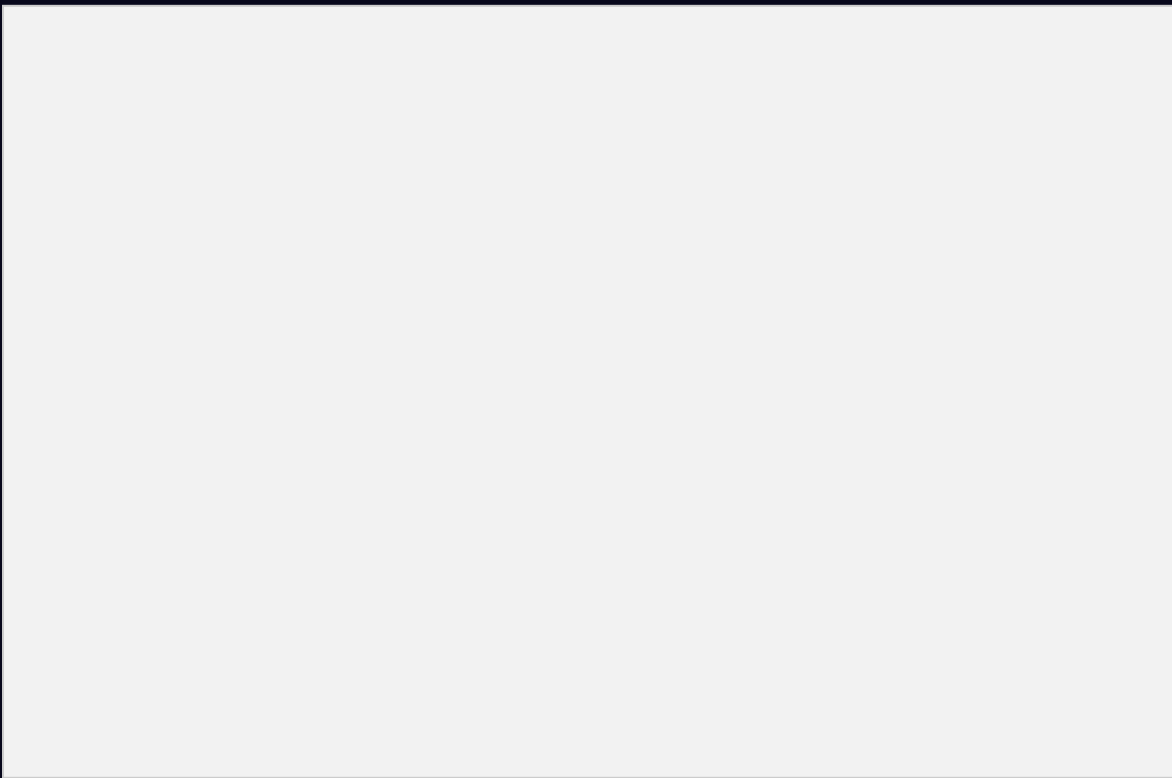
1. Users deposit wBTC into the BTC Carry Vault.
2. The vault posts wBTC as collateral into a Morpho Blue lending market, holding back a small idle buffer.
3. Vault borrows USDC against that collateral, targeting a 65% loan-to-value (LTV) ratio.
4. Borrowed USDC is supplied to bdUSD — a yield-bearing dollar vault — earning a dollar yield.
5. The carry (bdUSD yield minus the USDC borrow cost) accrues in dollars and is periodically harvested: swapped into wBTC and added back to the vault.
6. Final position: full wBTC exposure retained, USDC borrowed at 65% LTV, with the carry compounding wBTC-per-share.

Flowchart

Fund Flows



Target BTC Carry Vault Position



Why BTC-Denominated?

The BTC Vault uses wBTC as collateral to borrow USDC cheaply and deposits it into a higher yielding bdUSD vault. The user remains fully exposed to BTC while yield is earned through the differential of USDC borrow and bdUSD earnings. The wBTC is never sold, so full Bitcoin price exposure is retained; the dollar carry is harvested back into wBTC, so returns compound in Bitcoin terms.

Parameters

Parameter	Value	Reasoning
Deposit Asset	wBTC	Depositors keep and redeem Bitcoin; deep on-chain liquidity and Morpho compatibility.
Network	Ethereum mainnet	Maximum composability with Morpho, IPOR Fusion, and existing BTCD infrastructure.
Target LTV	65%	Borrow capacity against wBTC collateral, held below the market's liquidation threshold.
Yield Engine	bdUSD carry	Borrowed USDC is supplied to bdUSD, earning a dollar yield above the borrow cost.
Debt Asset	USDC	Dollars borrowed against the wBTC collateral and deployed into bdUSD.
Rebalancing	Automated LTV bands	The position is monitored continuously and de-risked automatically as LTV rises toward safety limits.
Withdrawal	wBTC redemption	Unwind exits bdUSD, repays the USDC debt, releases collateral, and returns wBTC.

Yield Forecast

The vault's return in wBTC terms is driven by the carry spread — the yield earned on bdUSD minus the cost of borrowing USDC. Under current assumptions this targets a return of up to 4%+ per year in wBTC terms.

Because the carry is harvested into wBTC, this return compounds the vault's Bitcoin-per-share and is additive to Bitcoin's own price movement. All figures are targets, not guarantees: a rise in USDC borrow costs above the bdUSD yield would compress or eliminate the carry, in which case the vault deleverages.

RISK

Assets

- ▶ **BTC price exposure (by design):** Unlike the USD Vault, this vault retains full Bitcoin exposure. A fall in BTC lowers the value of the collateral and of the position, and raises the LTV toward liquidation until the vault reduces the carry to pay down USDC debt. This is intentional — depositors want BTC exposure — but it is the dominant risk. Collateral is held as wBTC, which also carries custodian and de-peg risk.
- ▶ **bdUSD backing risk:** The vault's yield comes from bdUSD, a yield-bearing dollar vault whose underlying assets carry their own smart contract and market risks. A de-peg or exploit affecting bdUSD could reduce or erase the carry.
- ▶ **USDC depeg risk:** The vault borrows USDC and holds the borrowed dollars in bdUSD. A USDC depeg event would affect the debt and the yield sleeve, and could distort the measured LTV.
- ▶ **Oracle risk:** The vault relies on price oracles to determine collateral values and LTV ratios. Stale prices during volatile markets or oracle manipulation could trigger premature liquidations or prevent timely rebalancing.

Protocol

- ▶ **Smart contract risk of Morpho and IPOR Fusion:**
 - Morpho is an established lending protocol with growing TVL and multiple audits. However, the vault uses an isolated Morpho Blue market, which carries distinct risk from Morpho's core markets.
 - IPOR Fusion launched in September 2024 and has since reached an AUM of \$200m+. Every integration of DeFi protocols goes through multiple levels of testing to ensure the highest level of security.
- ▶ **Smart contract risk of BTCD / bdUSD:** The BTCD protocol manages the minting, staking, and yield of BTCD, sBTCD, and bdUSD. A vulnerability in these contracts or in the vault's interaction with them could lead to a loss of funds. Bitcoin Dollar's protocol has gone through several audits; they can be found on the Bitcoin Dollar Docs.
- ▶ **Governance risk:** Protocol parameter changes (LTV targets, rebalancing bands, fee structures) are subject to governance decisions. Unfavorable parameter changes could impact vault performance.

Strategy

- ▶ **Liquidation risk:** A sudden, large move in Bitcoin's price could push the vault's LTV beyond safety bands before rebalancing can occur. If LTV exceeds the liquidation threshold, the

collateral may be liquidated at a penalty, resulting in a loss for depositors. The vault's idle buffer and automated de-risking are designed to minimize this risk.

- ▶ **Interest rate / carry risk:** The USDC borrow rate and the bdUSD yield both fluctuate. If borrow costs rise above the bdUSD yield, the carry compresses or inverts and the vault would need to deleverage.
- ▶ **Rebalancing execution risk:** Harvesting and de-risking require swaps, which may incur slippage, fees, and MEV exposure, particularly during volatile markets.
- ▶ **Liquidity risk:** De-risking and withdrawals depend on Morpho market liquidity and bdUSD exit capacity. During extreme market stress, these could temporarily constrain rebalancing or withdrawal execution.

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No guaranteed returns. Any referenced yields, APY, APR, or return figures are targets only and are not guarantees or promises of future performance. Actual yields may be materially lower, zero, or negative. Past performance does not guarantee future results. The value of BTCD, sBTCD, or bdUSD may not accurately track the value of underlying assets.

Non-custodial. Interactions with the protocol are non-custodial. Users are solely responsible for the security of their private keys, wallets, and transaction authorizations. Transactions cannot be reversed, cancelled, or recovered.

Third-party references. References to third-party protocols or providers do not imply endorsement in either direction. Any third-party data cited reflects our interpretation and has not been reviewed by the third party.

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