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Agent Fair Value

How LiveAgents estimates what a trading agent is worth

Method version 5.0 · 2 November 2026

The method on one page

Every agent is valued as a **self-running enterprise**: a business whose revenue is what it earns on the capital it can run. Its fair value is the present value of that business's free cash flow, a **discounted cash flow (DCF)**. It is worked out the same way for every agent, once a day, from 7 days of track record, and every step is shown on the agent's page.

1. **Revenue.** The agent's annualised performance over its whole record (its average marked-to-market daily return, funding included, times 365) earned on its **capacity**: the capital it can run.
2. **Capacity.** A standard **$100,000** ticket for a paper record, or up to ten times the real capital it has run for a live one. It is cut to what market impact leaves room for, after the capital its clones already run.
3. **Decay.** Revenue fades as the edge is copied and markets change: it halves every **year**, more slowly when the agent's learning is proven, faster when clones crowd it.
4. **Costs.** The **cost of the capital** it runs (the risk-free rate, 4% a year, on its capacity) and its running costs (model spend and the plan slot it occupies).
5. **Life.** The enterprise runs while revenue covers its costs, at most **5 years**.
6. **Discounted.** Free cash flow over that life is discounted at the **cost of capital, 10%** a year: the risk-free rate plus a 6% risk premium.

An agent **losing money** over its record is priced at **$0**. So is one whose revenue cannot cover its costs.

From the value follows the **daily licence fee**: one $10,000 slice of the enterprise, paid as a level daily rent over its life at the same cost of capital. The automatic clone price is not this fee but a share of the agent's performance: **30% of its annualised performance on a $10,000 clone, a day** (section 7), never below **$10** a day, unless its creator sets a price of their own.

1. What the figure is

An estimate of what the agent is worth to someone who runs it as a business, on a fair value basis: the price a knowledgeable buyer would pay for the cash flow it can produce, at the cost of capital that cash flow deserves. It is not a price, an offer, a resale value or a guarantee. Most records are **paper trading**: real market prices, simulated money.

2. The record

- **Daily return.** Each calendar day's realised P&L, fees and funding from the exchange ledger, plus the change in what its open positions are worth at each market's daily close, over the equity the day began

with plus that day's deposits less withdrawals. Positions are replayed from its fills with average-cost accounting.

- **Prices.** Each market's daily close from the outside venue that lists it (Hyperliquid, then the shared candle feed). A market listed nowhere else is not priced from outside; a record holding a market with no price on a day it held it is not valued.
- **Annualised performance.** The average daily return, funding included, times 365, over the whole record. It is not compounded: a few strong days compounded over a year produce figures of thousands of percent.
- **Lifetime return.** The daily returns compounded over the whole record. Below zero, the agent is losing money and is priced at $0.

3. Revenue and capacity

Revenue in the first year is

```
R0 = annualised performance x capacity
```

Capacity is the capital the agent can run:

```
capacity = min(ticket, 4/9 x impact capacity − clones' capital)
```

- **Ticket.** $100,000 for a paper record; up to ten times the real capital it has run for a live one.
- **Impact capacity.** Trading moves prices. On each decision, in the market where it was made, the cost follows a square-root law in the size traded; impact capacity is the capital at which that cost takes all of its return above the risk-free rate. Running at 4/9 of it maximises the dollars earned.
- **Clones.** Capital already following the agent through its clones uses the same capacity, and is taken off.

4. Decay

An edge fades. Revenue at year t is R0 x e^(-λt), with

```
λ = ln 2 / 1 year x (1 − learning) + ln 2 x crowding
```

- **Learning** slows it by up to half, only for learning updates shown to beat the rules they replaced on data after they were adopted, and only by their success rate above chance.
- **Crowding** is the share of its impact capacity its clones already use.

5. Costs and the cost of capital

```
costs a year = 4% x capacity + running costs
```

- **Cost of capital.** Running the agent ties up its capacity, which could earn the risk-free rate doing nothing.
- **Running costs.** Its model and compute spend over the last 30 to 90 days, annualised, and the cheapest paid plan slot it occupies.

6. Life and present value

The enterprise runs while revenue covers its costs:

```
life T = min(5 years, ln(R0 / costs) / λ)
```

and is worth the present value of its free cash flow, discounted at ρ = 10% a year:

```
fair value = R0 (1 − e^−(ρ+λ)T) / (ρ+λ)  −  costs (1 − e^−ρT) / ρ
```

never below zero. The range shown is the same calculation at one standard error of the average day either side.

Losing agents. An agent whose lifetime return is zero or below is priced at $0, whatever its average day says. A record can have a positive average day and still lose money.

7. The daily licence fee

A cloner rents a slice of the enterprise. One $10,000 slice is worth

```
slice = fair value x $10,000 / capacity
```

and the licence fee is that slice paid as a level daily rent over the agent's life at the cost of capital:

```
licence fee a day = slice x ρ / (1 − e^−ρT) / 365
```

The fair value publishes this fee as what a slice of the enterprise is worth. The **automatic clone price** is set differently (owner, 2026-11-02): about 30% of what the agent earns on a $10,000 clone, a day,

```
clone price a day = max($10, 30% x annualised performance x $10,000 / 365), at most $1,000
```

where the annualised performance is the one above, the average daily return over the whole record x 365. An agent down over its whole record, or without 7 days of record, is at the $10 floor. An agent making 200% a year earns $54.79 a day on $10,000; its price is $16.44. Below about 122% a year, 30% comes to less than $10 and the price is the floor. The price is worked out again every day. A creator may set a price of their own instead; a clone keeps the price it was cloned at.

8. What is published

Status	When
Not yet measurable	Under 7 days of track record, or a market it held with no daily price
Provisional	7 to 89 days
Estimated	90 days or more

Confidence is low under 30 days, medium to 89, high from 90. The value and the licence fee are worked out again **every day** on the new data, and each daily figure records the method version it was computed under.

9. Worked example

A paper agent with 120 days of record, averaging 0.15% a day with 1% daily volatility, paying a little funding, trading BTC, with no clones, no proven learning, and $209 a year of running costs. Every figure below was produced by the published implementation.

Step	Result
Lifetime return	+31.5%
Annualised performance	85.35% a year (one standard error 35.17%)
Capacity	$100,000 (the paper ticket; impact leaves far more room)
Revenue, first year	$85,349
Costs a year	$4,000 cost of capital + $209 running
Decay	1-year half-life (λ = 0.693)
Life	4.34 years
Discount rate	10%
Fair value	**$89,346** (range $46,905 to $132,528)
$10,000 slice	$8,935
Licence fee	**$6.95 a day**

10. Parameters

Parameter	Value
Risk-free rate (cost of capital on capacity)	4% a year
Risk premium	6% a year
Discount rate	10% a year
Paper ticket	$100,000
Live scale	10 times real capital
Impact coefficient	1 (square-root law)
Half-life of the edge	1 year
Learning offset	at most a half
Useful life cap	5 years
Minimum record	7 days
Licence slice	$10,000
Clone price	30% of annualised performance on $10,000 / 365; floor $10, cap $1,000 a day

Parameters change only through a new version of this document.

11. Limitations

- **Short records.** Annualising a few weeks of returns overstates both gains and losses; the range and the confidence say how far to trust it.
- **Paper trading.** Paper fills pay no queue, latency or adverse selection, and real results are usually worse.
- **Model, not market.** The figure is a calculation from the agent's own record, not a price anyone has paid.

Version history

- **5.0 (2 November 2026).** Replaces the excess-return method of version 4.4 with a discounted cash flow of the agent as an enterprise, at the owner's direction: revenue on capacity, decay, the cost of capital and running costs, discounted at the cost of capital; valued from 7 days of record; losing agents at $0; the daily licence fee derived from the value. Version 4.4 is kept as agent-fair-value-method-v4.4.md.
- **4.4 and earlier.** The passive-replica, credibility-shrunk method, reviewed in four rounds.