

EQUADEX:
The Future of Index Funds

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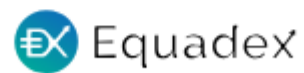


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EXECUTIVE SUMMARY

Since 2015, the cryptocurrency market has increased in value over 5000% with a market capitalization of over US\$800 billion and more than 1500 currencies in circulation. According to bank and government analysts, the cryptocurrency market is expected to continue to expand in 2018 as large financial institutions look to invest in the market and the public becomes more aware of the possibilities of cryptocurrencies and their underlying technology, blockchain. Governments around the world and their central banks are researching the possibilities of creating their own state-sponsored digital currencies.

While many cryptocurrencies are reputable, there are some cryptocurrency projects designed to profit from investor unfamiliarity and take advantage of those who rush into this new market without doing enough due diligence. This has been a serious issue in some markets such as China where the government had to ban ICOs to protect consumers. These problems, along with the volatility of cryptocurrencies and the complexity of joining an exchange and trading these currencies, make digital coin investment a very complicated process.

The Equadex fund is a principled index fund that uses the evolving blockchain technology to help token holders benefit financially from the exponentially-growing cryptocurrency market and minimize the complexity of such investment. The fund, developed by our team in Tokyo, will track the top 10 cryptocurrencies by market capitalization. Equadex uses a proprietary algorithm designed to address the volatility of the market. The portfolio is rebalanced as needed to ensure maximum profitability. It is important to note that index funds outperform actively-managed funds a vast majority of the time and reduce costs that are carried over to investors by minimizing human involvement. According to Fortune Magazine, "the S&P 500 [based index funds] outperformed more than 92% of large-cap funds over the last 15 years. Mid- and small-cap funds fared no better over the time period, with [S&P 500] benchmarks besting them 95.4% and 93.2% of the time, respectively."

Equadex is principled in that the fund has an investor-first focus. This can be seen through our very low fee policy², ease of liquidation, and regulation of team members' activity. We have weighed everything from corporate structure to fund organization to ensure the highest level of security and best performance of the fund for investors. The fund also seeks to improve the livelihood of communities by providing financial support for NPOs. A percentage (0.5%) of the token supply will be gifted to designated NPOs.

A single EDEX token simplifies the time-consuming endeavor of individually researching the cryptocurrency market by instantaneously giving access to a low-exposure portfolio composed of the top 10 cryptocurrencies.

Equadex makes crypto-investment simple and straightforward.

The EDEX token denotes a portion of the total value of the fund. The tokens will only be available during the initial coin offering, which is a singular, closed cap offering that includes an early buy-in bonus. By holding a single EDEX token, the investor effortlessly owns a portion of the top 10 cryptocurrencies. A minimum² of 95% of the total amount raised will be applied to the purchase of the top 10 currencies indexed in the fund. The actual percentage will vary depending on the sum raised during the ICO, as

operating expenses are fixed at US\$250,000. The minimal contribution into the fund will be 0.01 ETH (representing approximately US\$10 based on January 2018 value).

The EDEX token is ERC20-standard on the Ethereum blockchain. Compared to conventional index funds and due to the nature of blockchain technology, Equadex offers full transparency, global accessibility, no fund management fees, and no liquidation fees. In addition, the expected returns are far greater than traditional investments.

We are aiming to raise a minimum of US\$5 million in the initial coin offering. If this amount is not raised, all funds will be returned to investors. Once the ICO has ended, the only available means to purchase the EDEX token will be through exchanges. No further tokens will be sold or created (minted) after the initial coin offering.

¹ For more information concerning fees, refer to Fund Comparison section

² For more information concerning fund allocation, refer to The EDEX Token and ICO Structure section

FUND COMPARISON

In a traditional fund, the liquidation process is costly, time-consuming, troublesome, and not value-driven. There are high fees for withdrawal of investor funds and the paper-work process is analogue and laborious.

With EDEX, the liquidation process can be done either through the Equadex website or on exchanges. Through the website, investors can liquidate their assets into Ether (ETH), instantly without trouble. Furthermore, when an EDEX token holder liquidates their assets, the overall value of the fund pool is preserved³. Because token holders can liquidate on the Equadex website (through the EDEX smart contract) at the Net Asset Value (NAV), the price is protected from devaluation on exchanges. There will be a small correction in the NAV when rebalancing occurs due to rebalancing costs and when performance fees are awarded for reaching high performance targets⁴. Neither will affect the price on exchanges.

FUND ORGANIZATION

As soon as the ICO has ended, we will purchase the underlying assets of the portfolio and secure them on paper and hardware wallets. The hardware wallets will be stored in confidential locations to enhance security. In terms of rebalancing, the fund will use an MIT-developed method to optimize the value of the fund. Until the token is listed on the exchanges, all trades will be locked.

In order to ensure the fund will not suffer from "pump and dump" schemes that have led to losses for investors, the team's tokens will be vested for a period of 2 years with periodic releases to ensure our commitment to the project.

In addition, team members have invested their own resources into establishing the fund. Equadex is not using investor capital to initiate the project. The fund has not been capitalized by outside investment. The money raised from investors will go directly into an optimized portfolio designed to profit from movements in cryptocurrency markets.

MARKET OVERVIEW

It is often said that if you are hearing about a financial asset from your taxi driver, you have already missed your chance. The cryptocurrency market is not at this level yet. The public has become aware of the market; however, it is still in its infancy, so there are massive gains to be made by investing now.

At the moment, less than 1% of the world population has bought into the digital currency market. More recently, major banks in Japan, such as Mitsubishi UFJ Financial Group, Japan Post Bank, and Mizuho Financial Group have all started to develop their own digital money and Sumitomo Mitsui Banking Corporation is providing a platform for clientele to buy Bitcoin. Cryptocurrencies have taken off in Japan to the point where

³ For more information, refer to Smart Contract section

⁴ For more information, refer to Fund Management and Fees section

you can use cryptocurrencies at stores and restaurants. Since December 2017, Bitcoin has been traded on the futures market of the Chicago Board Option Exchange (CBOE). Large financial institutions such as JP Morgan are collaborating with projects like Quorum in order to develop an enterprise-focused version of Ethereum. Some of the best performing ETFs available are cryptocurrency exchange-traded funds.

THE EDEX TOKEN AND ICO STRUCTURE

The Ethereum blockchain will be utilized to create EDEX, the fund token. EDEX will be ERC20-standard to ensure that it performs in a predictable way throughout the Ethereum ecosystem.

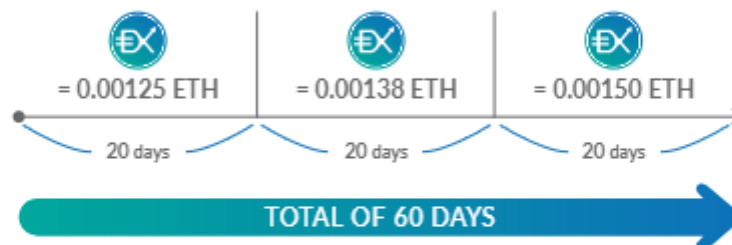
The tokens will be minted during the ICO with a maximum cap of 100,000,000. In order to purchase EDEX tokens during the ICO, participants will need to send Ether (ETH) to the designated Equadex address. A minimum investment of 0.01 ETH, which represents approximately US\$10 as of January 2018, is required.

The Initial Coin Offering will last 60 days.

During the ICO, investors who purchase EDEX during the early stages of the ICO will receive a bonus on the price of the token.

During the first 20 days, EDEX will be priced at 0.00125 ETH per token². For the next 20 days, the price will be 0.00138 ETH per token. After this, EDEX will be sold at 0.00150 ETH per token. Once the ICO is completed, no more tokens will be issued or minted. The tokens will be locked for trading until they are listed on the exchanges. The only means to purchase EDEX after the ICO will be on exchanges. As the fund's performance increases, demand for EDEX on exchanges will rise, which will drive up the value of the token above the Net Asset Value.

TOKEN PRICE AND BONUS SCHEME



In order to participate in our token sale, investors need a wallet to hold their private keys. Private keys are needed to correctly interact with smart contract functions, like transferring tokens.

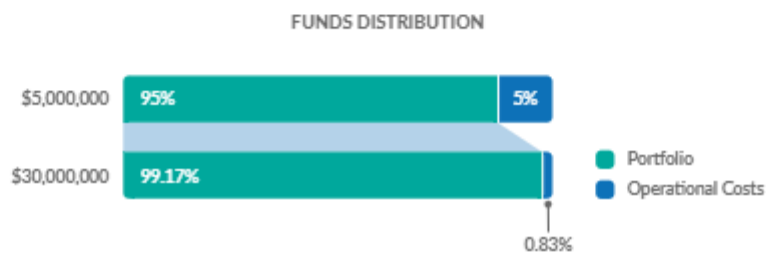
² Price is based on the value of ETH at time of purchase

DO NOT PARTICIPATE IN THE ICO DIRECTLY FROM CRYPTOCURRENCY EXCHANGE ADDRESSES. YOU NEED AN ERC-20 STANDARD COMPATIBLE ETHEREUM WALLET.

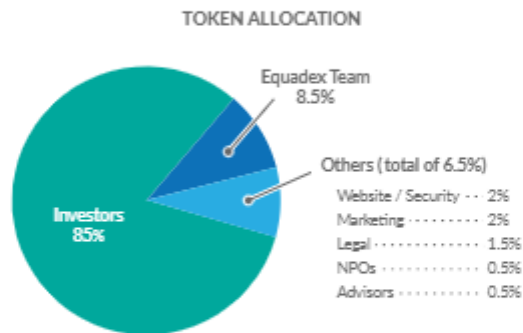
Below is a list of wallets compatible with Ethereum tokens (ERC-20 standard):



A minimum of 95% of the ETH raised during the ICO will be put towards the portfolio creation and a maximum of 5% allocated to the operation of the fund. The costs to operate the fund are fixed at US\$250,000. Therefore, the actual amount utilized for portfolio construction will increase with the amount raised beyond US\$5,000,000. For example, raising US\$30,000,000 will result in an allocation of 99.17% of the funds to the portfolio creation.



The total distribution of EDEX will be 85% to investors, 8.5% to the Equadex team, 0.5% to designated NPOs, and the remaining EDEX will be allocated for security, marketing, legal services, and advisors.



As mentioned above, the tokens allocated to the Equadex team are vested for a period of 2 years, with a quarterly disbursement of the token allotment released to the team. This is to ensure our commitment to the fund and to our investors.

SMART CONTRACT

With an average daily trading volume of US\$5 billion, Ethereum has high-liquidity and is second to Bitcoin by market capitalization. Ethereum is a tested, secured, and trusted platform for creating projects through the utilization of smart contracts. So, developing Equadex on top of the Ethereum blockchain was an obvious choice.

Functions of our smart contract allow us to halt the crowdsale should any suspicious behavior of a third-party be identified. The crowdsale can be resumed upon resolution of the issue. With the tokens being locked by default, the smart contract will allow us to enable trading once we are listed on the exchanges. So investors can smoothly liquidate their EDEX tokens and redeem them for Ether on the Equadex website, we have implemented functions to add or remove liquidity (ETH) to the smart contract, based on liquidation volume on our website.

It is important to note that, should liquidation of tokens happen through our website, the token surplus held by Equadex will be sold back on exchanges. This process is done systematically in order to preserve the value of the portfolio.



Additionally, through the smart contract, we will update the price of the NAV regularly to prevent exchanges from manipulating the price of EDEX.

To ensure the security of the smart contract, the code will be audited by a third-party authority.

The code will also be available for public review on our Github repository.

REBALANCING

Rebalancing is done to optimize the performance of a portfolio. However, rebalancing methods vary greatly. Institutional fund managers generally rebalance using ad hoc methods such as calendar basis or risk tolerance triggers. They develop risk models and optimal portfolios to match a desired risk/reward profile. Utility functions provide one

method for modeling these risk preferences that are implicitly determined by the views of trustees or directors. These functions yield a target portfolio which is a set of optimal weights for different asset classes.

We propose a more efficient framework that quantifies the cost of a rebalancing strategy in terms of risk-adjusted returns as a net value of transaction costs. We will use an optimal rebalancing strategy that actively seeks to minimize that cost. Certainty equivalents and the transaction costs associated with a policy are used to define a cost-to-go function, and this expected cost-to-go is minimized using dynamic programming (DP). Monte Carlo simulations demonstrated that this method outperforms traditional rebalancing strategies such as monthly, quarterly, annually, and 5% tolerance rebalancing approaches. Vanguard and AllianceBernstein investor research groups have also shown calendar basis rebalancing tools to be nonoptimal. While analysts Kohler and Wittig examined upper and lower bandwidth weights to rebalance and found that method to be nonoptimal as well.

Most financial theories ignore frictional costs and assume that a portfolio manager can simply readjust their holdings dynamically without any problems. In practice, trading costs are non-zero and affect the decision to rebalance.

The approach we use explicitly weighs transaction costs and tracking error costs. We define a cost for a suboptimal portfolio using certainty equivalents, and we use dynamic programming to develop a policy that trades only when the cost of trading is less than the cost of leaving the fund in its current position. When a rebalance is triggered, rebalancing constraints are not enforced on an optimal portfolio. The importance of relaxing this constraint is that in many situations, the cost of fully rebalancing is higher than the benefit obtained. This method performs better than traditional methods of rebalancing and is robust to model error. As the top 10 cryptocurrencies are subject to change over time, so are the underlying assets of the portfolio. When a cryptocurrency reaches the top 10, it will replace the top 10 currency exiting the portfolio.

PERFORMANCE OF REBALANCING METHODS

	Trading Cost (bps)	Sub-optimality Cost (bps)	Aggregate Cost (bps)	Net Returns (%)	Standard Deviation (%)	Utility Shortfall (utils x 10 ⁴)
Ideal	0.00	0.00	0.00	7.45	14.84	0.00
Optimal DP	2.64	0.87	3.51	7.42	14.85	3.42
No Trading	0.00	71.72	71.72	6.77	14.96	71.36
5% Tolerance	3.69	0.70	4.39	7.41	14.84	4.35
Monthly	11.83	0.00	11.83	7.34	14.84	11.86
Quarterly	6.84	0.28	7.12	7.38	14.85	7.44
Annual	3.42	1.55	4.97	7.43	14.94	4.83

Optimal DP is Equadex Rebalancing Method.

Trading costs, non-optimal utility costs, and aggregate cost using six different trading strategies on five risky assets simulated over a 10 year period 10,000 times. Transaction costs are halved from the previous experiments.

Once the decision to rebalance has been made, to ensure minimal costs to the fund, we use a specially developed arbitrage trading program to connect to various exchanges via their APIs (Application Programming Interface). This guarantees that we purchase from the exchanges at the lowest price while selling at the highest.

TRANSPARENCY

The Ethereum blockchain allows for full transparency, as all transactions are listed and public. EDEX is no exception to that. Transactions from initial investments in Equadex to rebalancing of the fund will be recorded and displayed on the website. Furthermore, the fund's performance will be available on the site for investor review at all times. Monthly reports addressing fund management and development will be downloadable from the website.

Equadex is registered in the Cayman Islands for security, compliance, and tax purposes. The Cayman Islands has traditionally been the home of investment funds. More than 85% of the world's hedge funds are domiciled in the Caymans, representing US\$1.8 trillion in net assets.

SECURITY

As mentioned in the Fund Organization section above, all assets in the portfolio will be stored in paper or hardware wallets except when the portfolio is being rebalanced. All wallets will be kept offline in secure locations. We have different security measures depending on the cryptocurrency. Ledger® devices will be utilized for the currencies it supports. Cryptocurrencies not supported by Ledger® will be stored in paper wallets or in secured external drives utilizing the latest encryption standards. Finally, all Equadex accounts are secured by Two Factor Authentication (2FA) to ensure that accounts cannot be compromised.

MARKETING

Equadex is working with traditional investment professionals to market the fund to their clientele. We will use various media channels to introduce and promote our offering to potential investors who are not familiar with Equadex, as well as provide information and answers to anyone with an interest in the fund. To help raise awareness about Equadex to future token holders, we are following strategies used in finance to increase ICO valuation and token holder wealth gains. The synergy of these efforts will ensure the success of the ICO.

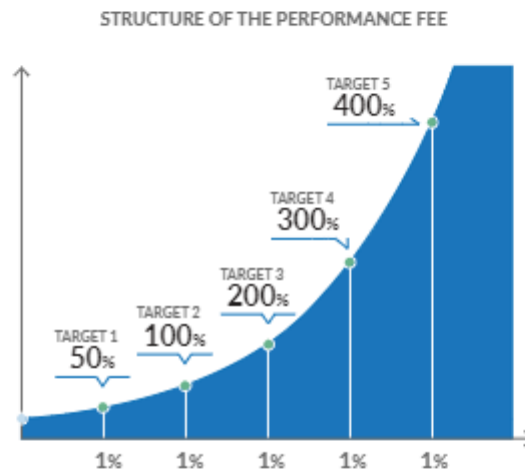
Additionally, we will work closely with the exchanges we have not already registered with to allow investors more opportunities to purchase EDEX post-ICO. Listing with more exchanges will also provide us with more exposure and increase demand, driving up the value of the EDEX token.

FUND MANAGEMENT AND FEES

The predetermined set of rules underlying the algorithm regulates and manages the fund's operation, not human emotion or interaction, making Equadex an autonomous fund.

Most crypto-funds charge calendar-based (i.e annual) management fees regardless of fund performance. However, because Equadex is an autonomous fund, there is no justification for a management fee.

In order to ensure the continued optimization of the fund, a 1% performance incentive will be awarded to the team when targets are met. Those rewards will be triggered only one time per target reached. There are 5 target levels we expect to reach.



After we reach all our expected target levels, new targets will be instituted.

Our team is paid only for high performance of the fund. This ensures our focus remains on optimizing the fund in order to maximize all token holder's financial gains. Incentive fees may minimally affect the NAV, but since exchanges trade EDEX above the NAV, investors will not be affected by these performance incentives.

CONCLUSION

Equadex was created with a simple goal: making crypto-investment easy. By holding a single EDEX token, you have access to a low-exposure portfolio composed of the top 10 cryptocurrencies. Being tied to the best performing cryptocurrencies, EDEX aims to be your optimal asset.

Our fund management team, composed of top-tier financial industry advisors and experienced blockchain technical experts, is here to help guide you securely through this complex and volatile market.

With Equadex, owning the top 10 cryptocurrencies in a diversified portfolio, now only takes one EDEX token.

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Equadex is not a financial intermediary according to Federation Law and is not required to obtain any authorization for Anti-Money Laundering purposes.

Any person undertaking to acquire EDEX must be aware that the Equadex business model and the Terms & Conditions and whitepaper may change or need to be modified because of new regulatory and compliance requirements from any applicable laws in any jurisdictions. In such case, any person undertaking to acquire EDEX, acknowledge and understand that neither Equadex nor any of its affiliates shall be held liable for any direct or indirect loss or damages caused by such changes

The offering of EDEX is not for speculative purposes.

Regulatory authorities are carefully scrutinizing businesses and operations associated to cryptocurrencies around the world. In that respect, regulatory measures, investigations or actions may affect Equadex's business and even limit or prevent it from developing its operations in the future.

Equadex is based on the Ethereum protocol. Therefore, any malfunction, unplanned function or unexpected operation of the Ethereum protocol may cause the EDEX network to malfunction or operate in a way that is not expected.

Equadex will do its best to launch its operations and develop the Equadex platform. Any person undertaking to acquire EDEX acknowledges and understands that Equadex does not provide any guarantee that it will manage to achieve it.

Acquiring EDEX shall not grant any right or influence over Equadex's organization and governance to the users. These Tokens will be issued by a technical process referred to as a «blockchain». This is an open source IT protocol over which Equadex has no rights or liability in terms of its development and operation. The Token distribution mechanism will be controlled by a Smart Contract; this involves a computer program that can be executed on the Ethereum network or on another «blockchain» network that is compatible with the Smart Contract programming language. User acknowledge and understand therefore that Equadex (incl. its bodies and employees) assumes no liability or responsibility for any loss or damage that would result from or relate to the incapacity to use the EDEX excepted in case of intentional misconduct or gross negligence.

Contact Us

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