



# Hedge Coin.

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## Abstract

Presenting a Hedge Coin, equity type token. The name „Hedge Coin” comes from utilizing „hedge strategies” to generate yield and manage risks. 91% of the profit is allocated as buyout directly from the market. This unique burn model put positive, constant pressure on the price. Solutions are already tested and working therefore yield is generated since „day one”. Compared to other ICO’s this is working solution not an idea/never ending, rarely successful development.

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## **1. Introduction**

Today's traditional financial markets are dominated by big banks, hedge funds and other professional financial entities. Due to dominant position they took over whole market and became necessary middleman in trading assets, offering such services as: market making / providing liquidity or custody of client assets. Those services are source of big money made through fees/provisions or lending client's assets. Collecting interests on entrusted capital is worth to mention as well. To perform operations mentioned above you are required to be a bank or have a special license issued by regulator. Even for rich entrepreneur this is nearly impossible entry level.

„Crypto world” is designed a little bit differently – there is decentralization and immensity of assets and some solutions only now are gaining popularity. Because of that, there is a room for specialized entities to emerge, offering those lucrative, dedicated solutions from regular markets. Becoming such an entity was achieved on micro scale in pre-ico phase. With help of investors this scale might become much greater.

Answer about „How?” it will be done is presented in the next chapter.

## **2. Strategy**

### **2.1 Yield/profit.**

Yield for XHC token holders is coming from dedicated strategies used by hedge funds or based on main principles of that strategy. The most important one is: do not have exposure on underlying asset\* (\*or minimal, calculated exposure in case of some strategies such as „correlations”). That means that at any time funds are not exposed to cryptocurrencies price fluctuations. Implemented strategies are not speculative by design and yield is not generated from speculation (where speculation is defined as market exposure on an asset [short or long] and making a profit from „guessing” direction of the price change).

To get better understanding about source of profit, please read an example below.

### **2.2 Example & explanation**

„Market maker”:

Multiplicity of cryptocurrency exchanges made liquidity diluted. To maintain good trading conditions for customers (tight spreads, high liquidity), exchanges need liquidity providers (market makers), who offer bid and ask prices slightly below/above spot price. When market maker’s order gets filled, he gets small percentage as commission. Thereafter hedge position is opened on another exchange (to maintain equity neutral status).

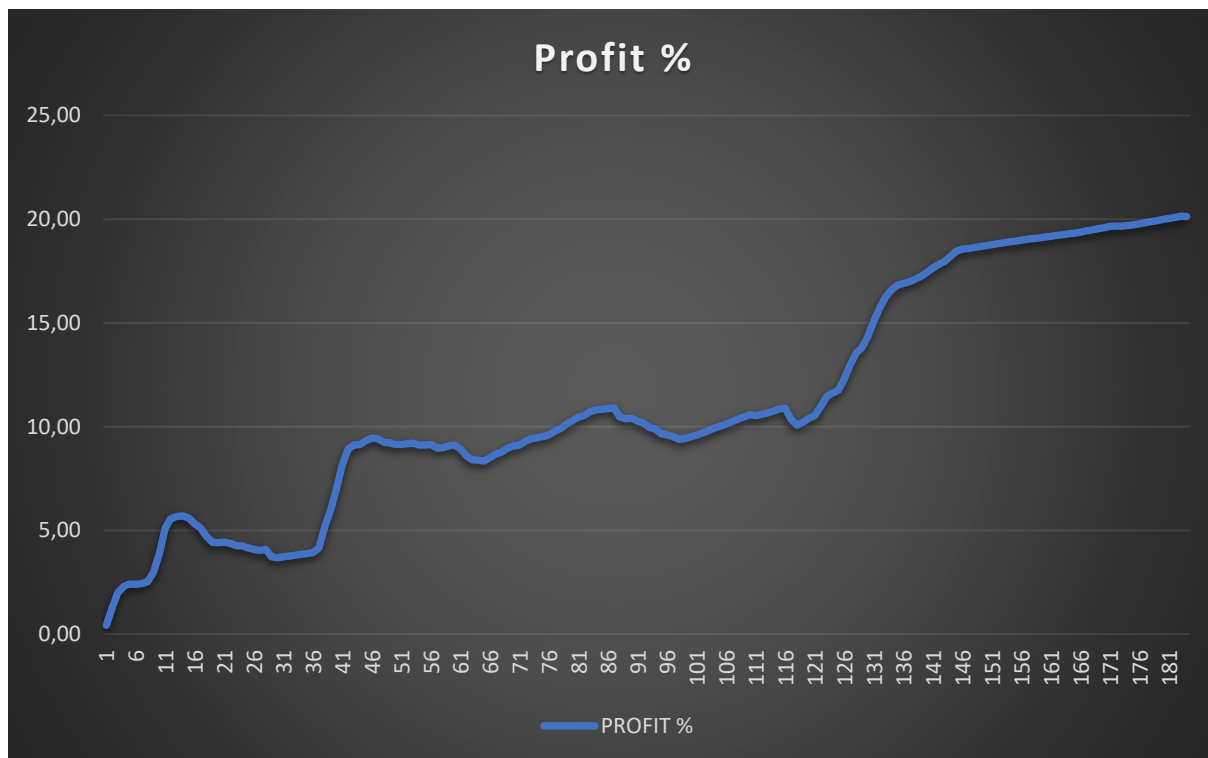
Some figures to illustrate the point: Bitcoin spot price = \$10.000. Market maker's orders for bid is \$9.995 and for ask \$10.005. To make calculations easier we assume, that exchange #1 will pay 0,05% for liquidity providing service and exchange #2 will require 0,05% for taking order from order book (market taker). In an event of selling 1 BTC to market maker (for \$9.995) within few milliseconds a sale of 1 BTC will occur but at spot price (\$10.000) gaining \$5 of revenue. At first look it is not much but when you multiply it by daily/yearly volume the best market makers make millions annually.

The most important to note is that profit did not come from speculation and BTC price is irrelevant to generate yield in that strategy.

Exact strategies ("know-how") will not be described here. This chapter's purpose was explanation how hedge strategies work/are assembled and to convince reader that they are good way to generate yield. Searching for new solutions and modifying/upgrading current ones is ongoing process managed by Hedge Coin Token Foundation (see more in chapter 3.7).

### 2.3 Performance and XHC price expectations.

For the last six months strategies were able to yield a little bit over 20%. The worst month performance was +1,29%. "Profit %" graph is representing last six months performance. During that period bitcoin went down from \$12.000 to \$7.000. Executed strategies should perform the best in strong, long lasting bull market; very good in case of big volatility (strong, fast up & downs); good in case of weak bull/bears runs; average/poor with no price change for weeks (not really the case for bitcoin).



“XHC price expectations”:

Yielding 20% for 6 months is great result. Let’s assume a little bit lower pace of 30% per year.

Now, let’s take bitcoin as example and think about this question: How much would bitcoin price change ( $\$150.000.000.000 / \$150bn$  market capitalization) if  $\$45.000.000.000$  would be spend to buy it on regular markets?

The answer is only estimation but market capitalization would not be  $\$195bn$  it would be much higher (maybe even as high as  $\$300-400bn$ ) as there is not enough bitcoins to buy at  $\$150bn - \$195bn$  market capitalization price (to make it  $\$195bn$  market capitalization after  $\$45bn$  buy, sellers would have to sell about  $4.000.000 - 5.000.000$  BTC for Spot to Spot+30% price range).

Same would happen with XHC as buying coins directly from the market and burning them put strong pressure on token appreciation.

### 2.3.1 Performance vs competition

Below you will find a comparison with the competition with a short commentary. Firstly, please read XHC specification (more in chapter 3.1, 3.2, 3.6). Performance parameters for XHC:

For XHC expected (floating) return is **30%** and **91%** of profit is paid back to XHC holders (through burning coins directly from the market). Accepted for deposits are BTC and ETH (but investor can use any crypto/stable coin to purchase BTC/ETH, therefore basically any cryptocurrency). After listing on the cryptocurrency exchange can be sold any time.

1. *XHC vs NEXO Token/NEXO lending* ([www.nexo.io](http://www.nexo.io)) – Nexo offers for lenders a return of **8%** per annum, accepting as deposits: USDT, TUSD, USDC, PAX, SAI. Borrower have to pay 12% per annum. **30%** of profit is paid to NEXO token holders.

2. *XHC vs LEND Token/ETHLend* ([www.ethlend.io](http://www.ethlend.io)) – ETHLend offers floating rate of return (depending on market supply and demand). Any ERC-20 token can be offered. ETHLend presents statistics for USDC (average rate of **9,57%**) and TUSD (average rate of **5,67%**). LEND Token allows you for 0% fee for lending and 50% discount fees for borrowing (if LEND is used as collateral).

3. *XHC vs Maker/DeFi* ([www.oasis.app](http://www.oasis.app)) – Oasis offers application that offers about **4-6%** rate of return per annum paid in DAI (fees already included).

4. *XHC vs MCO token/Crypto.com* ([www.crypto.com](http://www.crypto.com)) – to take full advantage of Crypto.com you need to buy 500 MCO (about \$2000). Then you can expect up to **8-12%** per annum (depending on how long coins are frozen; 12% is 3-months lock-up). There is also 14-18% annual rate of

return for CRO - the native token, but its value is highly volatile and cannot be treated/compared to stable coins. CRO would be comparable to XHC if there would be possibility to hedge (short CRO).

5. *XHC vs Invictus Margin lending fund* ([www.invictuscapital.com](http://www.invictuscapital.com)) – Invictus offers floating rate (depending on market conditions) of about **14%** per annum with **2%** service fee and **20%** of profit above **6%**. Lock-up period is up to 30 days. That means after yielding 14%, the fees would be 3,88% (28% of profit). Therefore, only **10,12%** would go to investor. Invictus also offers *Hyperion fund/IHF coin*. It made over **43%** in **20 months**, but IHF coin is still valued at close to ICO starting price (as fund locked yield until market capitalization grows to \$30M, which might never happen, therefore IHF is traded with discount).

6. *XHC vs BlockFi* ([www.blockfi.com](http://www.blockfi.com)) – BlockFi offers fixed rate of **8,6%** for USDC and GUSD. Fees are negligible but there is \$1M limit volume per 30-days. Also there is 30 days prior notice before withdrawals.

7. *XHC vs Fulcrum* ([www.fulcrum.trade](http://www.fulcrum.trade)) – Fulcrum offers variable interest rates. Today's rates are from **4%** for USDC to **6,1%** for DAI. Service fee of 10% is deducted on all earned interests.

The above examples do not reflect perfectly the comparisons due to differences in the products (there is no product such as XHC publicly available on the market). The main focus was on comparing the rate of return, access to the funds and fees.



## 3. Hedge Coin Token

### 3.1 Specification

XHC token has been created in ERC-20 format on Ethereum public blockchain(<https://etherscan.io/token/0xF51f3d7FBa6181837fBFc09733E46cFE88A736FE>) . 10.000.000 (10M) of tokens are maximum and fixed amount minted. In case of selling 1M tokens during ICO remaining 9M will be out of circulation. Addresses with unused coins will be publicly available. Any address changes will be announced earlier.

### 3.2 ICO/conditions of issuance

Initial offering will take place at 22nd of February 2020 and will last 7 days. Currencies accepted are BTC or ETH. The sale will happen in 97/3 model. For 1 XHC buyer has to pay 1\$ from which 0,03\$ goes to foundation (“Hedge Coin Token Foundation” [HCTF] – read more chapter 3.7).

Let's say 1 BTC = \$10.000, then buyer will receive 9700 XHC for 1BTC and 0,03 BTC (300\$) will go to HCTF. In that way of distribution initial value of 1 XHC during ICO will be set to 0,97\$. Minimum purchase is 0,1 BTC. Smaller amounts will be sent back to the same addresses deducted by 0,01 BTC fee.

In case of purchasing with ETH additional conversion fee of 0,5% is applied. Therefore, it is recommended to use BTC or convert ETH into BTC before purchasing XHC. Minimal purchase in ETH is equivalent of 0,2 BTC. Smaller amounts will be sent back to the same addresses deducted by 0,01 BTC fee.

There will not be any “first investors” bonuses. ICO is 100% fair and everyone have opportunity to purchase XHC token on same conditions. 8 BTC will be invested as own share on the same conditions as ICO investors.

In case of not reaching 50 BTC during ICO phase. HCTF reserves the right to cancel offering. Reimbursements with full amount will be send to the same addresses.

### 3.3 Secondary offering

Secondary offering is ongoing process until maximum amount of 10.000.000 tokens will be sold or 3 months after ICO passed or if decided by HCTF/majority of holders otherwise (could be stopped without notice).

XHC token will be offered 6% above market price (detailed description of determining market price calculation can be found at chapter 3.4) from which 3% is used as foundation funding (the same as ICO investors) and 3% premium (which will be used to burn XHC coins).

Secondary offering does not have negative impact on XHC price because of valuation above market price. Price manipulations of purchasing huge amount of token and selling it on the market to cause panic is also firmly limited because of lack of profitability of that action (read more at chapter 3.5.1).

Minimum purchase is 0,2 BTC. Smaller amounts will be sent back to the same addresses deducted by 0,01 BTC fee. This option is especially attractive for buyers wanting to acquire big amounts of tokens.

### 3.4 Pricing before market listing

Token valuation when it is not listed on any exchange is needed for investors who wants to purchase token with secondary offering and as information for ICO investors.

Token sale price will be calculated by this formula: “Net Worth” \* 1,06, where “Net Worth” is all net assets and unrealized profit/loss of open orders. 6% of “Net Worth” is 3% for HCTF and 3% premium.

#### 3.4.1 Pricing after market listing

When token is already listed on any exchange, purchasing price for secondary offering will be calculated by this formula: “Market Price” \* 1,06, where “Market Price” is last traded price or average market price (AMP). To avoid manipulation, AMP is TWAP (time-weighted average price) of 6h period. If last traded price diverges more than 2% from AMP, higher price might be used for calculations. HCTF will always try to offer the best possible price for buyers and will only use this option when occurrence of strong manipulation will be detected.

### 3.5 Token redemption

Token redemption is not planed, with some exceptions:

- After 6 months since ICO XHC have not been listed on any exchange
- In case of closing project or vote through 51% of token holders to finish the project. Redemption price will be determined as follows:

1. All assets will be converted to BTC/ETH.
2. BTC/ETH amount will be divided by XHC token amount (currently in circulation), that way redemption price for 1 XHC will be determined.
3. XHC holders will receive unique address for deposit. After confirmation of deposit, BTC/ETH will be transferred to their BTC/ETH address.

HCTF will try to send BTC/ETH immediately but reserves the right to send them up to 30 days after receiving XHC. Network fees will be covered by token (XHC) redeemers.

### 3.5.1 Special case token redemption

If market capitalization of XHC reaches lower price level than nominal value stored in any assets (BTC, ETC, USD etc.) special buyout might happen. This is positive situation for XHC investors as it creates situation for arbitrage (instant profit). It will be executed by purchasing XHC for BTC/ETH (assets) which were used to generate yield, directly from exchanges. To understand it clearly, please read an example below.

Let's assume market capitalization of XHC token is 90 BTC and assets held by HCTF are valued at 100 BTC. Selling BTC (let's say 5 BTC) and buying XHC (let's say 8% coins in circulation [which will be sent to burn address – more in chapter 3.6]) will cause XHC price appreciation as supply of XHC decrease. This buyout might be continued for instant benefit for investors until market capitalization of XHC and controlled assets equalize.

This situation probably will not happen as it means that investors are selling purchased token below ICO price or strong price manipulation is undergoing. Despite of all, for investors sake this action is an option.

### 3.6 Burn model

Generated profits will be allocated as token buyout directly from the market in 9%/91% model. 9% of profit will be given to HCTF. 91% of profit will be used to purchase XHC. 70% (of that 91%) will be used for direct buyout and send to burn address. Remaining 30% will also be used for market buyout but as reserve capital. That capital can be used to put “buy walls” (limit order below spot price) – which will decrease volatility in case of token depreciation. Can be used for “special redeem” described in chapter 3.4.1 and can also be used as increment of capital which will cause faster token burn as yield will increase.

To avoid price manipulation information about burning event will be confidential. Buyout will be able to be tracked by observing “burn addresses” or HCTF website and/or other social media/forums.

### 3.7 Hedge Coin Token Foundation

The main goal of the foundation is to successively increase the value of the XHC token and act on its benefits. This will be achieved by developing the project in a substantive manner (new investment strategies based on the assumptions of Chapter 2) or other solutions generating the best possible yield for the investors (e.g. by creating specialized software).

The foundation's responsibilities also include lobbying and negotiating token listing on cryptocurrency exchanges, negotiating trade commissions and conducting marketing activities in order to increase community interest.

Another important assignment is communication and transparency. This includes running the website, contacting existing and potential investors,

running a bitcointalk, reddit or other social media channel and posting relevant information about the project and its status.

The financing of the foundation is based on 2 sources. The first one is the initial and secondary offering, from which the foundation collects a 3% fee (the market standard is 10-15% for foundations and project development). Such a low “number” is possible due to the 'know how' contributed to the project, therefore the absence of main expenses for developing these solutions.

The second source is part of the profit generated, 9 % to be precise. The term profit is worth highlighting here - the majority of projects for many months/years of "development phase" drains the pockets of investors by selling coins obtained in ICO phase.

Standard/comparative market figures for comparable projects are 1-2% of the total assets (once a year) + 20% of the profit. For a project the first figure is 0%, the second one is 9%.

In order to successfully achieve the main goal of the foundation, the foundation itself focuses on the low cost of the activity.

## **4. Summary**

Hedge coin token is an option for those interested in diversifying their investment portfolio and are not accepting great capital risk. The rate of return is significantly higher than competitive solutions and the presented burn model maximizes the benefits for investors. Hedge Coin Token Foundation always puts the investors first, therefore operating costs are strongly reduced. The developed "know how" was contributed to the project, which allows to generate yield from the first days of the activity. HCTF focuses primarily on the substantive development of the project, in order to improve the already excellent rates of return.

## **5. Legal and disclaimer**

This product is intended only for investors who know the risks associated with investing in the XHC token.

The entire responsibility for any legal aspects rests solely on the investor. If unsure, please take professional advice before investing.