

CryptoXTP

Risk adjusted crypto asset strategy designed to outperform the crypto market

powered by VILICO Investment



3827,67	+0,40%
134,89	-1,06%
0,3547	-1,05%
131,09	-0,01%
45,29	+0,98%
4,1344	-0,63%
3,5378	+2,94%
1,1477	+1,25%
0,04607	+0,36%
1,2898	-1,54%
51,28	-0,73%

"Digitizing assets is the most radical disruption in the history of financial services. Money, as well as securities, will be programmable. And they will circulate at the speed of light. This innovation will create an incredible amount of value and has already begun to revolutionize the financial industry. Be a part of it!"

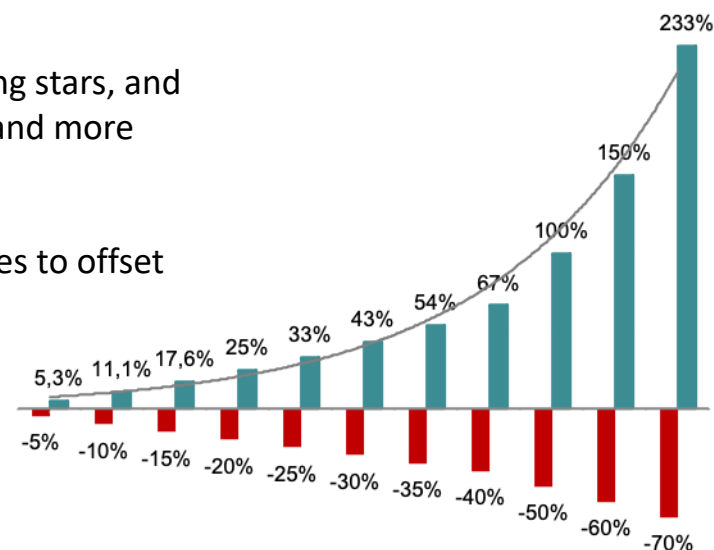
December, 30th, 2021



Risk and Volatility of crypto currencies: A whole different league!

- Crypto projects and currencies often burn up faster than shooting stars, and token prices - even for established projects - rise and fall faster and more extremely than asset prices in mainstream markets.
- Increasing price declines require disproportionate profit increases to offset losses.

If an asset loses 10% of its value, it must then rise by 11% to compensate for the loss. At minus 25%, it is 33% and at minus 50%, which is not uncommon in crypto markets, it is 100% until the loss is made up again. A loss of 100 %... ok, you got it!



- **Therefore, reducing losses, volatility and especially temporary, extreme draw downs in crypto markets, is the key to achieving exceptional investment results.**

CryptoXTP Index: Designed to reduce risk and to outperform the market

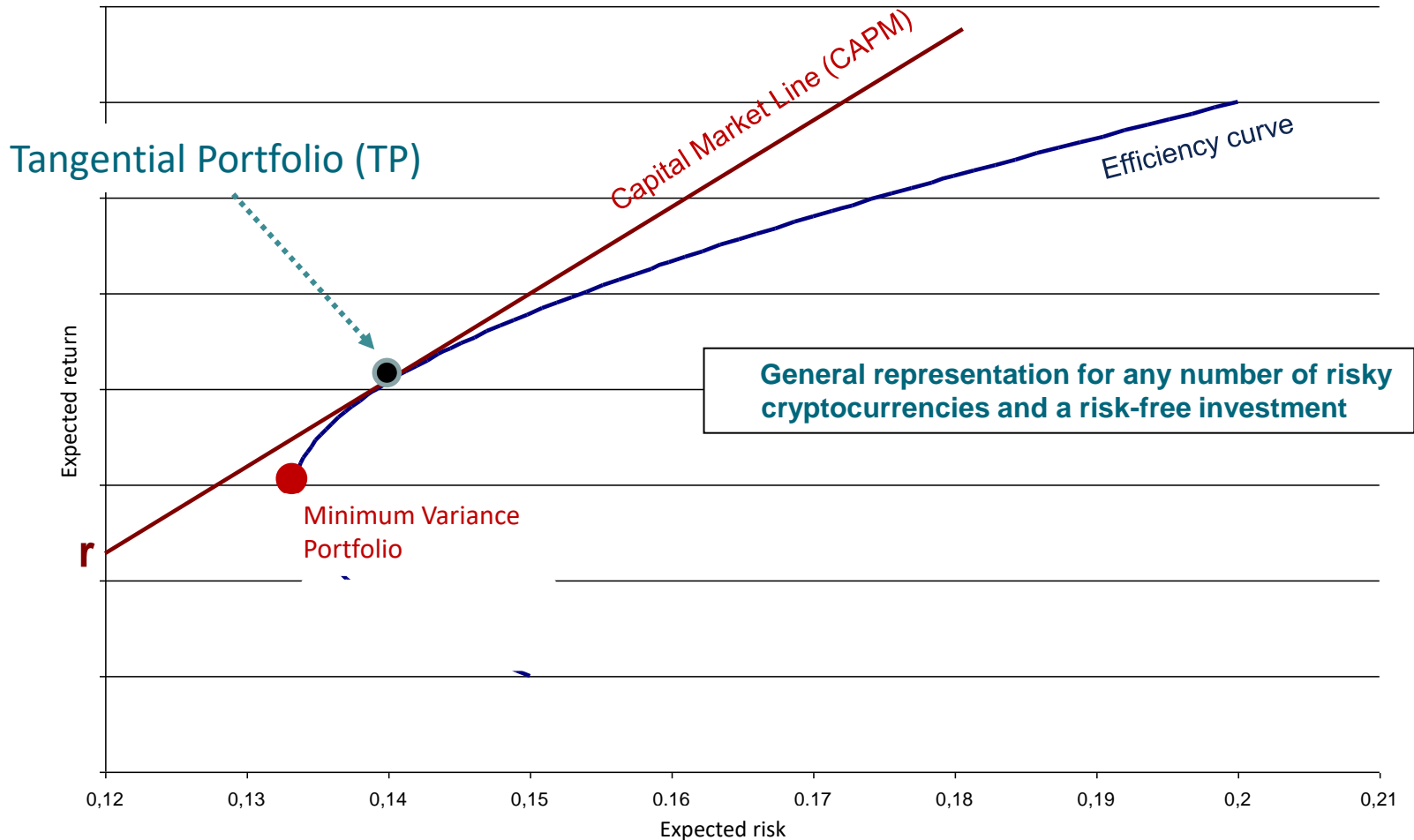
- The **CryptoXTP Index** is designed for investors who want to outperform the crypto market over the long term while keeping risk (permanent or total loss, volatility and draw downs) as low as possible.
- **CryptoXTP** fulfills this desire by combining the largest **Crypto** currencies (**X**) in a risk adjusted **T**angential **P**ortfolio. The strategy is designed to reduce portfolio volatility and, most importantly, draw downs without reducing upward potential.
- The **CryptoXTP** portfolio construction aims to significantly outperform an equally weighted crypto portfolio over the medium to long term.
- The strategy is quantitative-rule-based, transparent and managed without emotions.

Excursus: Tangential Portfolio

The total market is considered with all possible portfolios that can be constructed. Assuming a risk-free interest rate (r), the efficient frontier is touched by the risk-free portfolio and the tangent portfolio (TP) without risk-free interest rate (r). The efficient frontier can be described by the tangent portfolio (TP) and the risk-free interest rate (r). Each investor now chooses an efficient portfolio P_i , that is, the fraction λ_i is invested in the tangent portfolio (TP), and the fraction $1-\lambda_i$ is invested in the risk-free interest rate (r). If V_i is the value of investor i 's budget, TP is the demand portfolio.

- **The Tangent Portfolio (TP) is the best possible diversified portfolio in portfolio theory and in the Capital Asset Pricing Model (CAPM), which is independent of investors' risk-return preference**
- **Consequently, the Tangential Portfolio (TP) lies on the efficient frontier at the capital market line**

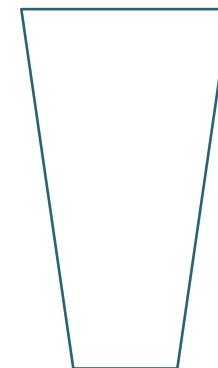
In theory, investors should hold only one portfolio: The Tangential Portfolio (Tp)



Investment process - quantitative, systematic, strictly rule-based

<p>1. Investment universe The investment universe consists of a predefined number of cryptocurrencies from the overall market or a submarket.</p>	<p>Up to 50 token of largest crypto currencies by market capitalization of...</p> <ul style="list-style-type: none"> - total crypto market - ERC-20 token only - DeFi market only - NFT market only - etc. 	<p style="text-align: center;">Strategic risk management</p>
<p>2. Data collection / modeling of the Input data</p>	<p>Historical prices, volatilities and correlations of tokens. Sources: Crypto Compare, CoinGecko, etherscan.io etc.</p>	
<p>3. Risk Analysis & Currency Selection</p>	<p>Variance / covariance / correlation analysis</p>	
<p>4. Weighting & Risk Optimization</p>	<p>Weighting of tokens according to quantitative analysis. Optimization via specially developed simplex method</p>	
<p>5. Investment ratio</p>	<p>100%</p>	
<p>6. Review of tangential portfolio composition and rebalancing</p>	<p>Quarterly, rule-based</p>	
<p>7. Investment level control</p>	<p>Loss cap of each cryptocurrency weighted in CryptoXTP</p>	<p style="text-align: center;">Tactical risk management</p>
<p><small>Constraints: Cryptocurrency weighting [min. 0,0%; max. 5,0%]</small></p>		

CryptoXTP universe
=
50 currencies



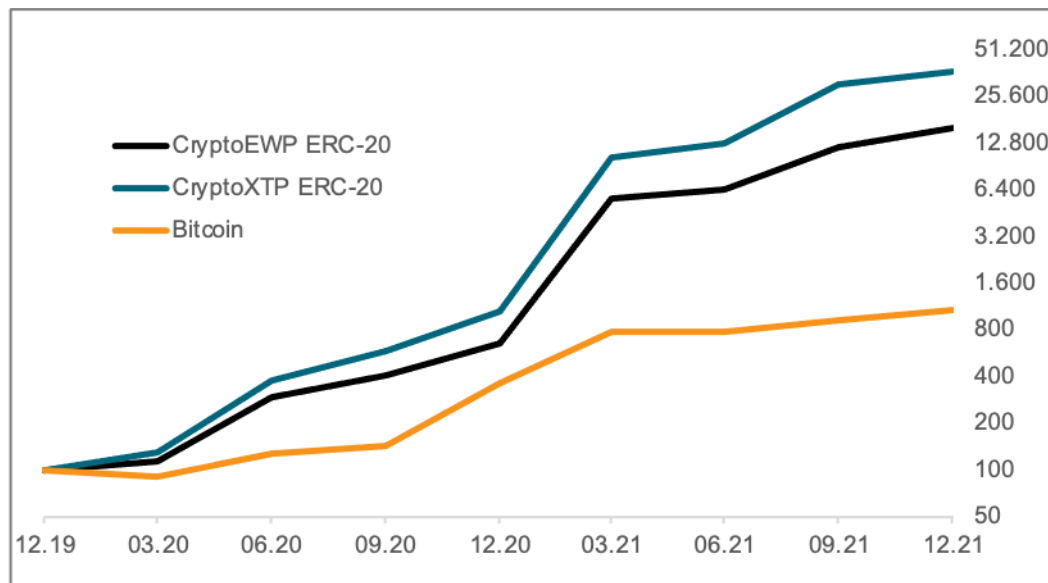
~ 35 currencies
=
CryptoXTP portfolio

CryptoXTP ERC-20

Investment universe: Largest ERC-20 token by market capitalization

CryptoXTP ERC-20 vs. CryptoEWP ERC-20 (Equal Weight Portfolio)

2019-12-31 to 2021-12-30, logarithmic scaling



Backtest: Quarterly performance data. Powered by etherscan.io and CoinGecko.com.

Disclaimer: Past performance is not necessarily indicative of future returns

CryptoXTP ERC-20 portfolio as of Q1 2022					
No.	Weight	Token	No.	Weight	Token
1	5,80%	Bitcoin	18	5,80%	Amp
2	5,80%	Ethereum	19	0,00%	Leo
3	0,00%	Binance	20	4,22%	Graph
4	0,00%	Dogecoin	21	5,80%	Huobi
5	0,00%	Uniswap	22	0,00%	Quant Network
6	0,00%	Luna	23	5,80%	Chiliz
7	0,00%	Chainlink	24	5,80%	Enjin
8	0,00%	Polygon	25	5,80%	Decentraland
9	5,80%	Hex	26	0,00%	Synthetix
10	5,17%	Aave	27	5,80%	Bancor
11	5,80%	Crypto.com	28	0,00%	Curve Dao
12	0,00%	Axie Infinity	29	0,00%	Ox
13	1,61%	Maker	30	0,00%	Woo Trade Network
14	5,80%	Celsius Network	31	5,80%	Ren
15	5,80%	Basic Attention	32	5,80%	Linch
16	1,00%	Holo	33	1,00%	Hord
17	5,80%	Compound			

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	overall
CryptoXTP ERC-20	30%	190%	55%	83%	881%	22%	140%	21%	36975%
CryptoEWP ERC-20	13%	161%	36%	61%	772%	13%	89%	32%	15840%
Bitcoin	-10%	41%	113%	154%	113%	1%	19%	16%	975%

Backtest

CryptoXTP ERC-20 – significant risk reduction compared to the equally weighted portfolio

Description

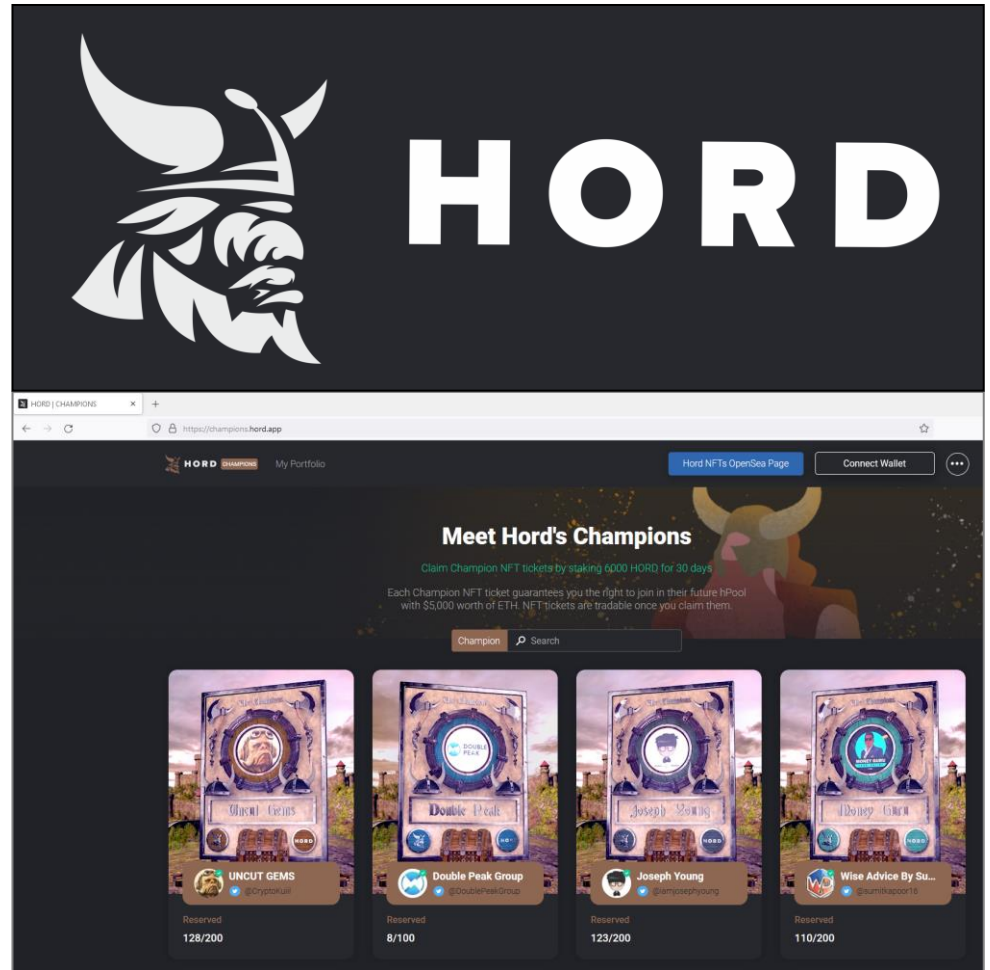
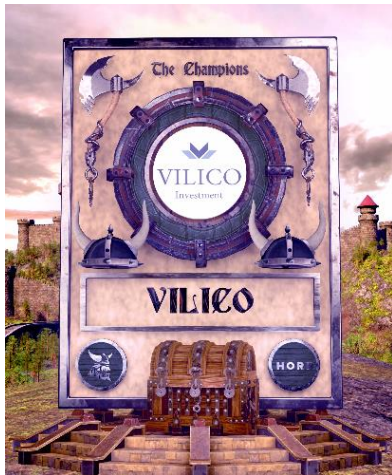
- The beta factor is a gauge of risk (volatility) that indicates how much the CryptoXTP ERC-20 portfolio fluctuates compared to an equal weighted portfolio (CryptoEWP ERC-20).
 - Beta > 1: The CryptoXTP index has a higher fluctuation risk than the CryptoEWP.
 - Beta = 1: The CryptoXTP Index moves analogously to the CryptoEWP.
 - Beta < 1: The CryptoXTP index has a lower fluctuation risk than the CryptoEWP.
 - Beta < 0: The CryptoXTP index develops in contrast to the CryptoEWP (if the CryptoEWP rises, the CryptoXTP falls and vice versa).
- Calculation period: 30.12.2019 - 30.12.2021
- **Betafaktor CryptoXTP ERC-20 Index vs. CryptoEWP ERC-20 = 0,8819**
 - Titles with too short history were excluded

How to invest?

VILICO is an accredited „Champion“ on the **Hord.app** platform.

Investors opt in a Hord smart contract that mirrors our Champion **CryptoXTP** portfolio, issuing an ETF token that reflects the **CryptoXTP** portfolio assets movements and fluctuation in real-time.

Learn more: www.hord.app



How to invest?



Strategy implemented at Hord.app:

CryptoXTP ERC-20

On Hord.app, accredited champions can build their portfolio exclusively from ERC-20 tokens traded on the decentralized crypto exchange Uniswap.

CryptoXTP will construct the Tangential Portfolio from the largest ERC-20 tokens in terms of market capitalization.

Readjustment of **CryptoXTP ERC-20** according to our investment rules will be done on a quarterly basis.

Due to portfolio constraints on the Hord.app platform, at least 1% of the portfolio must be invested in Hord tokens.

Learn more: www.hord.app



Michael Schnoor – Quant Manager CryptoXTP

- Head of the Crypto Team and manager of CryptoXTP strategy.
 - German minimum variance pioneer.
 - Risk manager and advisor treasury solution.
 - Preparation of risk-bearing capacity concepts and data analyst.
-
- Graduate in Business Administration, Financial Economist / CoB
 - 22 years of risk management for financial and real assets
 - 22 years risk model and asset management strategies
 - 22 years portfolio and asset management
 - Degree in Business Administration @Hamburg University of Economics and Politics
 - Degree in Finance @College-of-Business Berlin



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This document was prepared by VILICO Investment Service GmbH.

Addressees:

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