



CRYPTO10 HEDGED
LITEPAPER

INVICTUS

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Introduction and Rationale for a Dynamically Hedged Crypto Strategy

In 2017, Invictus Capital pioneered in the cryptoasset market with CRYPTO20 - the first tokenized passive cryptoasset fund. CRYPTO20 provides token holders exposure to a dynamically rebalanced portfolio of the top 20 cryptoassets at any given time, in a similar way to exchange-traded funds providing access to a basket of underlying assets that satisfy pre-defined conditions.

The CRYPTO10 Hedged (C10) product is the next evolution of cryptoasset exposure, offering many of the benefits from the original CRYPTO20 fund (convenience and full transparency) as well as a dynamic asset allocation strategy that dampens volatility and provides protection against losses. Insights and experience gleaned from the operation and development of CRYPTO20 have guided the development of this product, which adds a layer of drawdown protection for more risk-averse investors.

The dramatic sell-offs that have occurred throughout the history of cryptoassets have shown how vulnerable crypto investors are to short and medium-term risk. This applies even to crypto funds with a level of diversification, as assets have not yet sufficiently decorrelated in this nascent market. Reducing this volatility and the corresponding risk is vital in order to achieve a better risk-adjusted return and make crypto investing more palatable to a wider range of investors.

Essentially the C10 offering can be likened more to an all-weather type product, in that it can be expected to post reasonable performance, relative to pure cryptoasset exposure, in all market conditions. C10 is likely more palatable for a wider range of investors, who tend to be risk-averse, and therefore benefits the community through greater adoption which will, in turn, drive greater liquidity and growth in the crypto market.

The primary objective of C10 is to deliver long-term capital growth and superior risk-adjusted returns in comparison to a pure, passive index solution. C10 will provide investors with exposure to the top 10 cryptoassets while providing downside risk protection in times of market stress.

Exposure to an index of the top 10 cryptoassets provides investors with a level of diversification among the sub-sectors of the nascent cryptoassets market. Weekly rebalancing allows for potential periodic de-risking and index tracking. A dynamic asset allocation framework allocates between a passive cryptoasset index base strategy and a cash position based on a variety of fixed parameters which enables enhanced downside protection while preserving upside participation.

Portfolio Dynamics

Base Cryptoasset Strategy

The base cryptoasset strategy of C10 consists of a periodically rebalanced, market capitalization weighted index fund with capped exposure to individual assets. Essentially, this strategy results in C10 comprising the top 10 cryptoassets by overall market capitalization, reweighted in a manner to bring the individual asset allocation under the given capping level. As the natural market cap weightings for certain cryptos tend to be higher than the predetermined cap placed on individual asset exposure, the amount allocated above the ceiling is redistributed, with this process being repeated for each asset until all assets are beneath the capping level. This process is repeated at every rebalancing period. C10 will exclude stable coins and coins without a clear regulatory or legal basis.

This is analogous to the FTSE Russell Capping Methodology. A 'constituent capping factor' (a multiplier required to scale any of the fund's constituent assets that are above the asset capping level to their final values) can be expressed as follows:

$$C_i = \frac{Z}{I \times (p_i \times s_i)} \sum_{j \in J} (p_j \times s_j)$$

Where,

- i denotes the crypto to be capped
- j denotes an uncapped crypto
- J is the subset of cryptos that are uncapped
- p^k is the official closing price of the k th crypto
- s^k is the circulating supply of the k th crypto
- I is the percentage of the index represented by all uncapped constituents
- Z is the percentage capping level (e.g. 15%)

Two of the parameters of the base cryptoasset strategy (rebalancing period and the number of constituent assets) were determined prior to the Pareto efficient parameter optimization (see 'Pareto Efficiency and Optimization') due to their unique and significant practical implications within the model. The remaining parameters were simultaneously considered. The choice of the number of assets for inclusion is important because increasing the number of assets held by the fund increases the complexity and time requirements of custody solutions, which in turn adds to the Total Expense Ratio (TER) of the fund. Custody solutions for many of the top 10-20 cryptoassets are not yet fully supported by custodians, which adds a layer of unnecessary risk and cost. Additionally, as the number of assets within the fund increases, so too do purchases of assets with smaller capitalizations, which generally have lower trading volumes. Low trading volumes result in an inefficient rebalancing process that can increase tracking error and contribute considerably to the TER, which is detrimental to fund performance.

The rebalancing period also has significant practical considerations. Increasing the frequency of rebalancing exacerbates the operational burden of cold storage custody. A rebalancing period of one day is almost entirely infeasible. Rebalancing more often also results in further asset churn, thereby increasing trading expenses and potentially making the fund particularly sensitive to high-frequency market movements that aren't necessarily representative of a long-term trend. As stated above, a shorter rebalancing period also introduces stricter time periods allowed for the purchasing of assets during a rebalancing event, thereby increasing slippage. This could result in the fund being restricted to only cryptoassets with relatively high volume to avoid hugely wasteful trading. These two parameters are clearly interconnected and must be carefully considered.

A balance was sought between practical considerations and fund performance. Simulations revealed that fund performance and index tracking had diminishing marginal benefits at frequencies higher than once per week, while fund churn and trading expenses rapidly increased. This, coupled with the increased custody difficulties, led to the holistically optimal choice of a one week rebalancing period. (See the [CRYPTO20 whitepaper for tests and graphics](#))

Cash Allocation Strategy

An algorithm was developed utilizing data science techniques, which provides a ruleset to dynamically allocate or deallocate a portion of the fund's capital to cash. This allocation mechanism preserves the asset ratios determined by the cryptoasset base strategy, proportionally reducing the allocation to each asset respectively. This algorithm has been backtested and shown

to retain a significant amount of capital during selloffs, while minimally impeding the growth of the fund with respect to a fund without this protection mechanism. The cash allocation process occurs at the same time as the rebalancing operation, with weekly rebalancing giving the algorithm the flexibility needed to remain responsive to market movements.

The algorithm is parameterized such that it can be adjusted for specific purposes and risk appetites. In addition to fully customizable allocation parameters, a ceiling can be placed on the total amount of capital that can be allocated to cash within the fund. For example, a more conservative fund can be calibrated such that the rate at which the algorithm allocates capital between underlying crypto holdings to cash is increased, the rate at which cash is allocated to underlying crypto holdings is decreased, and a high cash allocation ceiling is set. The approach taken to arrive at the CRYPTO10 Hedged fund is outlined below.

Although various time periods and, where needed, synthetic data (to simulate many different kinds of market conditions) was used for backtesting purposes, the parameter search space was limited to a discrete set of variables throughout the algorithm development process in order to avoid overfitting.

Pareto Efficiency and Optimization

A system is Pareto efficient if it is impossible to improve any or all of its performance criteria without harming another criterion or several criteria simultaneously (i.e. no improvement can be made for 'free'). In portfolio theory, the efficient frontier is a set of Pareto efficient combinations of risk and return that reflect optimization of the defined investment universe in terms of a risk-return trade-off.

The C10 strategy is fully parameterized and thus has the flexibility to be adjusted to occupy any portion of the efficient frontier. This means that the same strategy can be tuned to cater for the risk appetites of different groups of investors, while still remaining risk-reward optimal.

A fitness function was created as a weighted polynomial of selected performance criteria - including draw-down amount and duration, average returns and various risk-reward ratios. The exact construction of this function is proprietary, but the general form can be shown as follows:

$$F = \sum_{i \in I} \alpha_i X_i$$

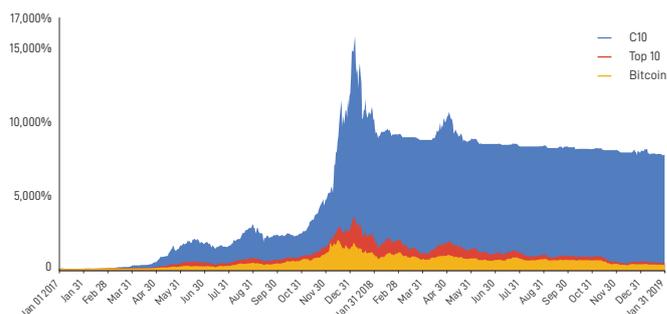
Where each α_i represents a weighting coefficient (weight) and each X_i represents a performance criterion. If this function is maximized, it will yield a portfolio very close to the efficient frontier. Where on the risk-reward spectrum of the efficient frontier the resultant portfolio lies is dependent on what weights are selected, i.e. what performance criteria are valued most. If the weight corresponding to the drawdown criterion is made large, for example, maximizing the function would lead to an efficient, yet conservative strategy.

C10 was designed to provide investors with sound downside protection during times of market stress, but still provide tangible exposure to cryptoassets, particularly during times of upward trend. For these reasons, overly conservative or aggressive positions on the efficient frontier were not considered and instead a balanced, intermediate strategy was developed. Thus, fairly uniform weights were chosen for the fitness function's construction.

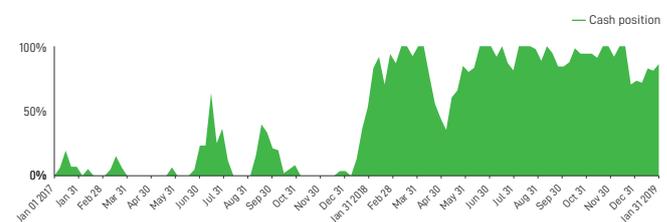
To avoid overfitting and potential practical pitfalls in implementation, the computational complexity of the problem

was constrained by utilizing only a discrete solution space for optimization purposes. This yielded a distinct, discrete parameter configuration which optimizes the 'balanced' reward function that was created for C10.

The backtested returns, relative to an unhedged top 10 allocation and bitcoin, can be seen in the performance graph below. Note how the C10 fund provides significant capital protection during market downturns, allowing for a greater amount of capital to participate when the market recovers. It is for this reason that the fund returns at the peak of the market in January 2018 are vastly greater than its unhedged counterparts. This allows for greater long-term capital appreciation in a market that is as predominantly volatile as cryptoassets.



The graph below illustrates the dynamic nature of the cash hedge. Note when the market takes a steep decline, as witnessed in January 2018, the algorithm rapidly allocates the fund to cash, providing drawdown protection and capital preservation.



Dealing

CRYPTO20, the first fund offering from Invictus Capital, was designed as a closed-ended fund. Tokens were created once-off through an initial capital raise; no new capital can be contributed and the token supply is fixed. Investors looking to gain exposure to CRYPTO20 would need to purchase C20 tokens on an open exchange from other participants wanting to sell. This allows for the token price to be at the whim of market dynamics; the token can trade at a premium or a discount to the underlying 'intrinsic' token value.

The C10 fund has been designed to be open-ended, which comes with numerous advantages for investors. In an open-ended structure, there will always be liquidity for investors looking to enter and exit the fund as investors are not required to trade through an exchange. Furthermore, no listing fees are incurred by the fund and investors are not exposed to market premiums or discounts.

Investors looking to gain access to the C10 Hedged open-ended crypto fund will follow a similar subscription and redemption process to that of traditional mutual funds. Once every hour the net asset value (NAV) of the fund will be determined in USD



terms. This is done by valuing all underlying assets in the fund and subtracting any liabilities. The price per token will then be determined by dividing the fund NAV by the number of C10 tokens in issuance.

$$\text{Token Price (USD)} = \frac{\text{Assets} - \text{Liabilities}}{\text{Tokens in Issuance}}$$

Investors looking to subscribe into the fund will interact directly with a smart contract by sending ETH to the smart contract address (note that there will be other ways to capitalize your investment other than sending ETH directly to the smart contract - see 'Initial Fund Capitalization' and 'Product Roadmap'). At the time at which the new token price is calculated, the USD value of ETH sent by the investor will be determined. The number of C10 tokens received by the investor is simply the USD value of ETH sent divided by the USD price per token. The subscribed ETH is then absorbed by the fund and apportioned to the underlying asset allocation at the time of subscription.



Redemptions out of the fund will take place in a similar fashion. The investor will again interact directly with a smart contract and request a redemption of a number of tokens. Once the USD NAV price per token is determined, the investor will receive the USD equivalent value in ETH in return for their redeemed tokens.



Both the investment and redemption process can be completed via a DApp hosted on the Invictus website; making the investor user experience seamless and intuitive. [A similar DApp is already operational for CRYPTO20.](#)

Fees and Margin Lending

It is a common practice for index-tracking funds to utilize various strategies to maximize net-of-fee returns for investors. This has been driven by increased competition in the asset management industry, with investment houses battling it out for flows on the basis of fees. As a consequence of ever decreasing fees, index funds need to gain higher and higher levels of assets to achieve scale and remain profitable and relevant.

One of the widely used strategies used within passive funds is that of securities lending. Essentially, idle underlying securities within these strategies are loaned out for a fee. This income is then distributed back to the fund in some proportion to reduce fees, and in turn, increase net-of-fee returns.

Margin lending is the analogous practice in the crypto markets. C10 is designed to further reduce fees for investors by employing strategies that optimize the utility of underlying assets in a manner that incorporates an acceptable level of risk.

It is common knowledge that the cryptoasset market is remarkably volatile, and due to this feature, it is an attractive area for speculative traders. These are the types of traders that create considerable demand for leveraged trading services; one merely has to compare the volume of leveraged derivatives on the BitMEX trading platform relative to spot market exchanges.

Of the variety of margin trading platforms, several are constructed by means of peer-to-peer liquidity providing order books. This means that for a trader to enter a leveraged position it is required that they borrow the assets from a lender to whom they have to pay interest for the loan. The interest is determined by means of supply and demand in an open market as introduced by borrowers and lenders. High levels of market volatility offer lending opportunities of between 0.05% and 1% per day, while periods of inactivity reduce rates below 0.05%.

Fund managers have explored various utilization opportunities that will create value for investors. Utilization strategies employed will be fully transparent to investors, with returns generated being disclosed in the quarterly reports.

Revenue that is generated by asset utilization effectively provides additional returns over and above the appreciation of the underlying assets. Both the cryptoasset and cash portion of the fund will be utilized to generate additional yield, 50% of which will be reinvested into the fund, allowing for further compounding and capital appreciation, with the other 50% going towards Invictus Capital as fees for managing the process. This is a significant point as no matter the underlying cash allocation of C10 at the time, all the assets in the fund will be able to generate additional returns for investors. One can view these marginal returns as canceling out the effect of fees within the fund, ultimately providing the investor with exposure to the C10 allocation strategy without any drag. This concept can be explained simply through the below formula:

$$\text{Total fund costs} = \text{Total Fees} - \text{Utility revenue generation}$$

Where;
 Total Fees = All C10 fund expenses that are accrued on an ongoing basis, including;
 Management Fee: 1.00% p.a
 Custody Fee: 0.50% p.a
 Administration Fee: 0.20% p.a

$$\text{Expense Ratio (including asset utilization)} = \frac{\text{Total fund costs}}{\text{Total fund assets}}$$

$$\text{Expense Ratio (excluding asset utilization)} = \frac{\text{Total Fees}}{\text{Total fund assets}}$$

Additional fees incurred by investors include an entry and exit fee of 0.5% each. These fees are once-off for each subscription and redemption associated with the fund and therefore do not form part of the ongoing costs of the fund. The entry and exit fees are designed to protect the fund against scalping and arbitrage

Smart Contract Specification

The C10 smart contract serves as a register of token holders, their transactions, as well as the facilitator of token creation and redemption events. The smart contract directly facilitates user investment and atomically creates tokens to increase the number

of outstanding tokens. In a similar manner; the smart contract facilitates token redemptions and atomically removes tokens from circulation. Token creation can be halted by fund managers in order to prevent the fund from growing beyond the constraints set by underlying market liquidity.

The smart contract is a modified ERC20 token specification running on the Ethereum blockchain. It is based upon the [CRYPTO20 smart contract](#) which has been operational without incident for over a year. It has been specifically designed to decrease the burden of fund administration while simultaneously improving transparency.

Overview

There are three core areas of functionality:

KYC

Potential investors will have to go through a web-portal KYC process to ensure that their identity is verified. Once verified, investors will have the option to 'whitelist' their chosen Ethereum address. The smart contract keeps a record of addresses that are whitelisted to ensure that users are authenticated when interacting with the smart contract.

Token creation

Token creation can occur in two ways; either by users directly interacting with the smart contract, or by fund managers receiving funds from users and issuing tokens via the smart contract. Both options require that a user be verified. When investing directly via the smart contract, only ETH can be used, and the transfer must be made from a previously whitelisted address. When fund managers handle the investment process; funds are accepted from verified users via an investment portal. Once an investment is confirmed, C10 tokens are issued to the user's specified address by the fund managers interacting with the smart contract.

Token redemption

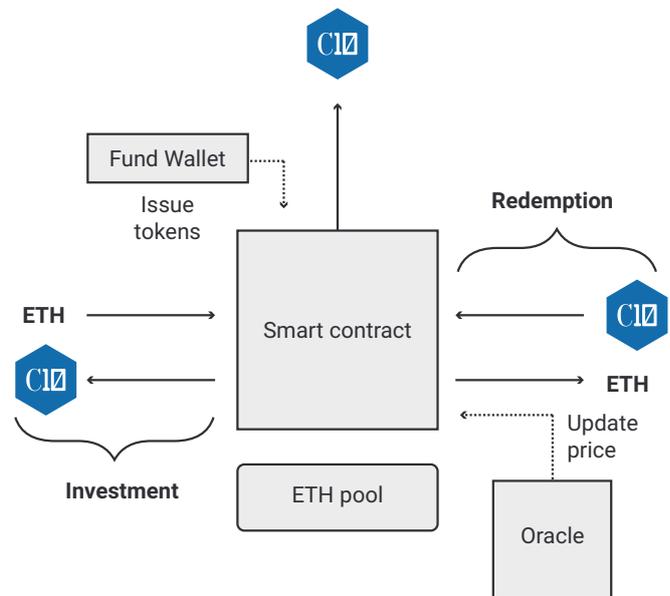
C10 tokens can be redeemed for their underlying value in ETH, in exactly the same way as redemptions are done with CRYPTO20. Users first need to request to redeem a number of tokens by making a transaction, thereafter the user needs to wait for the next price update event, and finally, the user makes a redemption transaction which atomically transfers ETH in exchange for user's tokens.

Mechanism

There is a price field within the smart contract that is used to price investments and redemptions. Price updates are made periodically by an oracle service based on the current value of the underlying funds and the number of tokens in circulation. All smart contract interactions relating to the price of C10 tokens (namely investment and redemption) make use of a [forward-pricing policy](#).

The smart contract has a two-tier permissioned system. A fund wallet and oracle wallet address are used to issue tokens and update the token price periodically. A controlling wallet address has the ability to change either of those wallets and has the ability to transfer tokens on behalf of investors to assist with lost private keys and inaccessible funds. All these interactions are publicly viewable on any appropriate blockchain explorer.

For the cases when investment is made via an investor portal layer; an internal reconciliation process is performed and tokens are sent by the fund managers using the fund wallet address. When creating tokens in this manner, there is no direct corresponding ETH transfer to the smart contract.



Security and Transparency

C10 has implemented security industry best practices for defense against Sybil attacks and bad actors in cooperation with our team of expert advisors. Strong identity verification and authentication procedures are in place to ensure secure operations. The smart contract code will be thoroughly audited by an independent third party to test for vulnerabilities, confirmation of operation as described in this litepaper, static and manual analysis of the smart contract, gas analysis and verification of the deployment procedure.

C10 will at any stage hold varying amounts of the 10 coins that form the index it tracks. These coins will either be in cold storage or in margin lending accounts. Cold storage is facilitated initially through the use of Ledger hardware wallet devices and then by institutional grade offerings (such as Ledger's Vault or BitGo custody) once the fund has reached the appropriate scale. In the cases where funds are used for margin lending, only large reputable exchanges with a long track record and strong investor assurances are considered. Further, strong segregation of duties and operational best practices are observed to further mitigate risk.

Trades will be executed over multiple exchanges at varying times within our weekly rebalancing window to mitigate the risk of front-running. Each week, the fund's holdings are updated on the C10 website. The website will display, along with the fund's holdings, the value of the holdings and the token in real-time.

Initial Fund Capitalization

During the initial fund capitalization, tokens will be sold at a fixed price and then at a price proportional to the value of the funds collected. Investments will be accepted in BTC, ETH, and DASH. At the end of Initial Offer Stage, funds received (net of 0.5% entry fee) will be rebalanced in accordance to the C10 Hedged index fund rules and tokens will be issued to the initial investors. Any further token issuances or redemptions will be effected at the prevailing token Net Asset Value.



Product Roadmap



Aside from the initial fund capitalization (which allows contribution in BTC, ETH, and DASH), fund dealings exclusively operate in ETH by directly interacting with the smart contract. After the initial launch and operation of the fund; an investment platform that accepts investment in multiple currencies and issues tokens in real-time is planned. This platform is distinct from the token sale platform in that it will run indefinitely, both accept multiple currencies, and settle in real-time as opposed to issuing tokens at the end of a sale period.

Conclusion

Cryptoassets are an emerging asset class, and therefore offer heightened risk and return for investors as compared to traditional asset portfolios. The sharp price movements of these assets can be difficult to stomach for a wide range of investors, hence the demand for a dynamic asset allocation function to create a smoother return profile that is more appealing to the majority of investors.

A hybrid market-cap weighted index strategy portfolio consisting of the top 10 coins by market cap and a cash position, governed by a parameterised asset allocation strategy, offers an efficient way for all investors to gain access to cryptoassets at lower levels of risk. This, along with weekly rebalancing, results in broad market exposure, acceptable turnover, and downside mitigation without allowing a single asset (and thus a single source of risk) to dominate. C10 builds on the pioneering efforts of CRYPTO20 and is poised to set a new standard for cryptoasset investments. As a transparent, secure and directly asset linked 'token-as-a-portfolio', C10 aims to bring low-fee, all-weather exposure crypto investment to the mainstream with its innovative single token offering.

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- (b) you agree and acknowledge that this LitePaper does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities in any jurisdiction or a solicitation for investment in securities and you are not bound to enter into any contract or binding legal commitment and no cryptocurrency or other form of payment is to be accepted on the basis of this LitePaper;
- (c) you agree and acknowledge that no regulatory authority has examined or approved of the information set out in this LitePaper, no action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction and the publication, distribution or dissemination of this LitePaper to you does not imply that the applicable laws, regulatory requirements or rules have been complied with;
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- (e) the distribution or dissemination of this LitePaper, any part thereof or any copy thereof, or acceptance of the same by you, is not prohibited or restricted by the applicable laws, regulations or rules in your jurisdiction, and where any restrictions in relation to possession are applicable, you have observed and complied with all such restrictions at your own expense and without liability to the Company;
- (f) you agree and acknowledge that in the case where you wish to purchase any C10 tokens, the C10 tokens are not to be construed, interpreted, classified or treated as:
 - (i) any kind of currency other than cryptocurrency;
 - (ii) debentures, stocks or shares issued by any person or entity;
 - (iii) rights, options or derivatives in respect of such debentures, stocks or shares;
 - (iv) rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss;
 - (v) units in a collective investment scheme;
 - (vi) units in a business trust;
 - (vii) derivatives of units in a business trust; or
 - (viii) any other security or class of securities.
- (g) you are fully aware of and understand that you are not eligible to purchase any C10 tokens if you are a citizen, resident (tax or otherwise) or green card holder of the United States of America or a citizen or resident of the Republic of South Africa or the Cayman Islands;
- (h) you have a basic degree of understanding of the operation, functionality, usage, storage, transmission mechanisms and other material characteristics of cryptocurrencies, blockchain-based software systems, cryptocurrency wallets or other related token storage mechanisms, blockchain technology and smart contract technology;
- (i) you are fully aware and understand that in the case where you wish to purchase any C10 tokens, there are risks associated with the Company and its respective business and operations, the C10 tokens, and the underlying assets (each as referred to in the LitePaper);
- (j) you agree and acknowledge that the Company or any of the Invictus Capital Team is not liable for any indirect, special, incidental, consequential or other losses of any kind, in tort,



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All statements contained in this LitePaper, statements made in press releases or in any place accessible by the public and oral statements that may be made by the Company or any of the Invictus Capital Team on behalf of the Company, that are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “aim”, “target”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “would”, “will” or other similar terms. However, these terms are not the exclusive means of identifying forward-looking statements. All statements regarding the Company’s financial position, business strategies, plans and prospects and the future prospects of the industry which the Company is in are forward-looking statements. These forward-looking statements, including but not limited to statements as to the Company’s revenue and profitability, prospects, future plans, other expected industry trends and other matters discussed in this LitePaper regarding the CRYPTO10 Hedged fund are matters that are not historic facts, but only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual future results, performance or achievements of funds, cryptocurrencies, or the Company to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These factors include, amongst others:

- (a) changes in political, social, economic and stock or cryptocurrency market conditions, and the regulatory environment in the countries in which the Company and/or target assets of the Fund conducts its respective businesses and operations;
- (b) the risk that the Company may be unable or execute or implement their respective business strategies and future Plans;
- (c) changes in interest rates and exchange rates of fiat currencies and cryptocurrencies;
- (d) changes in the anticipated growth strategies and expected internal growth of the Fund and/ or the Company;
- (e) changes in the availability and fees payable to the Company in connection with their respective businesses and Operations;
- (f) changes in the availability and salaries of employees who are required by the Company to operate their respective businesses and operations;
- (g) changes in preferences of C10 Fund participants;
- (h) changes in competitive conditions under which the Fund and/or the Company operate, and the ability of the Fund and Company to compete under such conditions;
- (i) changes in the future capital needs of the Fund and/or the Company and the availability of financing and capital to fund such needs;
- (j) war or acts of international or domestic terrorism;
- (k) occurrences of catastrophic events, natural disasters and acts of God that affect the businesses and/or operations of the Company;
- (l) other factors beyond the control of the Company; and
- (m) any risk and uncertainties associated with the Fund, and/ or the Company and its business and operations, the C10 tokens, the C10 token sale and the underlying assets (each

as referred to in the LitePaper).

All forward-looking statements made by or attributable to the Company and of the Invictus Capital Team or other persons acting on behalf of the Company are expressly qualified in their entirety by such factors. Given that risks and uncertainties that may cause the actual future results, performance or achievements of the Fund and/ or the Company to be materially different from that expected, expressed or implied by the forward-looking statements in this LitePaper, undue reliance must not be placed on these statements. These forward-looking statements are applicable only as of the date of this LitePaper. Neither the Company nor any other person represents, warrants and/or undertakes that the actual future results, performance or achievements of the Company will be as discussed in those forward-looking statements. The actual results, performance or achievements of the CRYPTO10 Hedged fund may differ materially from those anticipated in these forward looking statements.

Nothing contained in this LitePaper is or may be relied upon as a promise, representation or undertaking as to the future performance or policies of the Fund and/or the Company.

Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the Future.

Market And Industry Information And No Consent Of Other Persons

This LitePaper includes market and industry information and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Such surveys, reports, studies, market research, publicly available information, and publications generally state that the information that they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information.

Save for the Company and its respective directors, executive officers and employees, no person has provided his or her consent to the inclusion of his or her name and/or other information attributed or perceived to be attributed to such person in connection therewith in this LitePaper and no representation, warranty or undertaking is or purported to be provided as to the accuracy or completeness of such information by such person and such persons shall not be obliged to provide any updates on the same.

Neither the Company nor any of the CRYPTO10 Hedged fund Team have conducted any independent review of the information extracted from third party sources, verified the accuracy or completeness of such information or ascertained the underlying economic assumptions relied upon therein. Consequently, neither Invictus Capital Financial Technologies nor its directors, executive officers, agents and employees acting on its behalf makes any representation or warranty as to the accuracy or completeness of such information and shall not be obliged to provide any updates on the same.

Terms Used

To facilitate a better understanding of the C10 tokens being offered for purchase by the Company, and the businesses and operations of the Fund and the Company, certain technical terms and abbreviations, as well as, in certain instances, their descriptions, have been used in this LitePaper. These descriptions and assigned meanings should not be treated as being definitive of their meanings and may not correspond to standard industry meanings or usage.



Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

No Advice

No information in this LitePaper should be considered to be business, legal, financial or tax advice regarding the Company, the Fund, the C10 tokens, C10 token sale or the underlying assets (each as referred to in the LitePaper). You should consult your own legal, financial, tax or other professional adviser regarding the Fund, the Company and its business and operations, the C10 tokens, the C10 token sale and the underlying assets (each as referred to in the LitePaper). You should be aware that you may be required to bear the financial risk of any purchase of C10 tokens for an indefinite period of time.

No Further Information Or Update

No person has been or is authorized to give any information or representation not contained in this LitePaper in connection with the Company and its business and operations, the C10 tokens, the C10 token sale and the underlying assets (each as referred to in the LitePaper) and, if given, such information or representation must not be relied upon as having been authorized by or on behalf of the Company. C10 Fund shall not, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change, or development reasonably likely to involve a material change in the affairs, conditions and prospects of the Fund, the Company, C10 or in any statement of fact or information contained in this LitePaper since the date hereof.

Restrictions On Distribution And Dissemination

The distribution or dissemination of this LitePaper or any part thereof may be prohibited or restricted by the laws, regulatory requirements and rules of any jurisdiction. In the case where any restriction applies, you are to inform yourself about, and to observe, any restrictions which are applicable to your possession of this LitePaper or such part thereof (as the case may be) at your own expense and without liability to the Company or any member of the Invictus Capital Team.

Persons to whom a copy of this LitePaper has been distributed or disseminated, provided access to or who otherwise have the LitePaper in their possession shall not circulate it to any other persons, reproduce or otherwise distribute this LitePaper or any information contained herein for any purpose whatsoever nor permit or cause the same to occur.

No Offer Of Securities Or Registration

This LitePaper does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities or a solicitation for investment in securities in any jurisdiction. No person is bound to enter into any contract or binding legal commitment and no cryptocurrency or other form of payment is to be accepted on the basis of this LitePaper. Any agreement in relation to any sale and purchase of C10 tokens (as referred to in this LitePaper) is to be governed by only the T&Cs of such agreement and no other document. In the event of any inconsistencies between the T&Cs and this LitePaper, the former shall prevail.

No regulatory authority has examined or approved of any of the information set out in this LitePaper. No such action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction. The publication, distribution or dissemination of this LitePaper does not imply that the applicable laws, regulatory requirements or rules have been complied with.

Modifications

The Company reserves the right to amend and revise this LitePaper without notice.

Mutual Fund Regulation

Invictus Capital Financial Technologies is not regulated as a mutual fund for the purpose of the Cayman Islands Mutual Funds Law (Revised) because Invictus Capital Financial Technologies is not issuing equity interests to C10 purchasers within the meaning of the Mutual Funds Law.

Although the Tokens carry a contractual right against Invictus Capital Financial Technologies, a C10 does not represent a share of Invictus Capital Financial Technology's authorised and issued share capital, a token-holder is not entitled to be included on the register of members of Invictus Capital Financial Technologies and does not have capital at risk in the way a shareholder does. Therefore Invictus Capital Financial Technologies is not subject to the Mutual Funds Law and the potential registration or licensing requirements that would otherwise apply if equity interests were being offered and Invictus Capital Financial Technologies was subject to the Mutual Funds Law. Specifically, this LitePaper will not be filed with the Cayman Islands Monetary Authority (CIMA), Invictus Capital Financial Technologies is not subject to the supervision of CIMA and Invictus Capital Financial Technologies is not required to have its accounts audited nor submit such accounts to CIMA.

The Cayman Islands and the Foreign Account Tax Compliance Act

US Requirements

The Foreign Account Tax Compliance Act (FATCA) provisions of the Hiring Incentives to Restore Employment Act (HIRE Act) provide that Invictus Capital Financial Technologies must disclose the name, address and taxpayer identification number of certain United States persons that own, directly or indirectly, an interest in Invictus Capital Financial Technologies, as well as certain other information relating to any such interest, pursuant to the terms of the intergovernmental agreement between the United States and the Cayman Islands (US IGA) and implementing legislation and regulations which have been adopted by the Cayman Islands. If Invictus Capital Financial Technologies fails to comply with these requirements, then a 30% withholding tax will be imposed on payments to Invictus Capital Financial Technologies of United States source income and proceeds from the sale of property that could give rise to United States source interest or dividends. The withholding tax provisions of FATCA took effect on July 1, 2014, other than in relation to proceeds from the sale of property, in which case they were postponed to January 1, 2019. Although Invictus Capital Financial Technologies will attempt to satisfy the obligations imposed on them to avoid the imposition of this withholding tax, no assurance can be given that Invictus Capital Financial Technologies will be able to satisfy these obligations. In this regard, Invictus Capital Financial Technologies may require investors to provide any documentation or other information regarding the investors and their beneficial owners that Token Generator determines is necessary or desirable for Invictus Capital Financial Technologies to avoid the withholding tax and otherwise comply with the HIRE Act. If Invictus Capital Financial Technologies becomes subject to a withholding tax as a result of the HIRE Act, the value of Tokens held by all investors may be materially affected. The Cayman Islands legislation requires Invictus Capital Financial Technologies to make an annual report to the Cayman Islands Tax Information Exchange Authority (Cayman TIA). Any information provided by Token Generator to the Cayman TIA will be shared with the Internal Revenue Service of the United States.



Other Intergovernmental Agreements

It is possible that further intergovernmental agreements (future IGAs) similar to the US IGA may be entered into with other third countries by the Cayman Islands Government to introduce similar regimes for reporting to such third countries fiscal authorities.

OECD Multilateral Competent Authority Agreement

Over 90 countries have signed the OECD Multilateral Competent Authority Agreement and Common Reporting Standard (CRS) for the implementation of the automatic exchange of tax information based on the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The CRS is similar in form and substance to the US IGA and applies in respect of each "participating jurisdiction" (as identified in a list published by the Cayman TIA). On 16 October 2015, the Cayman Islands passed into law the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations, 2015, as amended (CRS Regulations). As a result of this, Cayman Islands financial institutions, including Invictus Capital Financial Technologies, have substantially expanded international tax compliance obligations and will have substantially expanded reporting obligations from 2017, with the first reporting deadline under the CRS Regulations being 31 May 2018. By investing (or continuing to invest) in Invictus Capital Financial Technologies, Investors shall be deemed to acknowledge that:

- (i) Invictus Capital Financial Technologies (or its agent) may be required to disclose to the Cayman TIA certain confidential information in relation to the investor, including, but not limited to, the investor's name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment;
- (ii) the Cayman TIA may be required to automatically exchange information as outlined above with the IRS, HM Revenue & Customs, the United Kingdom tax authority (HMRC) and other fiscal authorities (Competent Authorities) of CRS "participating jurisdictions";
- (iii) Invictus Capital Financial Technologies (or its agent or delegate) may be required to disclose to the IRS, HMRC and other Competent Authorities certain confidential information when registering with such authorities and if such authorities contact Invictus Capital Financial Technologies (or its agent or delegate directly) with further enquiries;
- (iv) Invictus Capital Financial Technologies may require the investor to provide additional information and/or documentation which Invictus Capital Financial Technologies may be required to disclose to the Cayman TIA;
- (v) in the event a Token purchaser does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements, whether or not that actually leads to compliance failures by Invictus Capital Financial Technologies, or a risk of Invictus Capital Financial Technologies or its investors being subject to withholding tax under the relevant legislative or inter-governmental regime, Invictus Capital Financial Technologies reserves the right to take any action and/or pursue all remedies at its disposal, including, without limitation, compulsory Token return of the investor concerned; and
- (vi) no investor affected by any such action or remedy shall have any claim against Invictus Capital Financial Technologies (or its agent or delegate) for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of Invictus Capital Financial Technologies in order to comply with any of the US IGA, the CRS Regulations or any future IGAs or agreements, laws or regulations entered into or implemented by the Cayman Islands for the purpose of ensuring and/or enhancing international tax transparency.

Other jurisdictions

It is possible that certain dividends, interest and other income received by Invictus Capital Financial Technologies from sources within certain countries may be subject to withholding taxes imposed by such countries.

Invictus Capital Financial Technologies may also be subject to capital gains taxes or other taxes in some of the countries where it purchases and sells securities or otherwise conducts business. It is impossible to predict in advance the rate of tax that will be paid since the amount of the assets of CRYPTO10 Hedged to be invested in various countries is uncertain.

Risks And Uncertainties

Prospective purchasers of C10 tokens (as referred to in this LitePaper) should carefully consider and evaluate all risks and uncertainties associated with the Fund, the Company and its business and operations, the C10 tokens, the C10 token sale and the underlying assets (each as referred to in the LitePaper), and all information set out in this LitePaper and the T&Cs prior to any purchase of C10 tokens. If any of such risks and uncertainties develop into actual events, the business, financial condition, results of operations and prospects of the Fund, the Tokens, and/or the Company could be materially and adversely affected. In such cases, you may lose all or part of the value of the C10 Tokens.