



Fund for everyone.

This document will be constantly updated as we are setting out on this endeavour and are moving towards our target.

Professional financial advice or portfolio management is a droit of wealthy individuals as entry barriers are usually considerably high, Alium Fund is not...

ABSTRACT

Blockchain technology has proven to be rapidly growing in the recent years. We have seen the oldest and most fundamental crypto asset, Bitcoin, go from costing less than a dollar to previously unseen thousands of dollars. Last two years have been flooded with the ICOs (Initial Coin Offering) arising each day and representing a vast range of different projects. Following this trend of ICOs reshaping the current state of world economy, we believe that more and more money will flow into crypto assets, thus creating a bountiful amount of investment opportunities. Years to come we will be observing a solid growth of the crypto market capitalization driven by an inflow of sophisticated investors. And that is where Alium Capital sees its ultimate goal and vocation to follow in making wise crypto investing and blockchain assets' management accessible to individual investors.

INTRODUCTION

SERVICE & PRODUCT

Most ICOs nowadays raise funds in order to kickstart the development of their final product without having an MVP at that point. Some of them are even raising funds in order to conduct an ICO, ie raising funds in order to raise funds. A token itself bought during or after an ICO occurs, compared to traditional stocks or bonds, does not resemble a share of a company or a payment obligation. Let apart the riskiness of such investment for an unqualified investor, value could be received only by resale at a higher price in the future, or if a token can be accepted as a payment, which usually offers a very narrow scope of products or services to be consumed.

However cryptocurrencies are a new investment vehicle that keeps on grabbing attention by the underlying breakthrough technology and corresponding remarkable investment returns. We, Alium Capital, aim at making investments into blockchain assets smooth, hassle free and most importantly "liquid right in your pocket". The last meaning that whenever you want to buy a cup coffee, you can do it easily with your funds under our management. In order to establish best cryptoinvestment product experience we have foreseen a number of milestones to pass during our journey.

Our first and foremost milestone is the creation of our own investment vehicle itself. Within the blockchain infrastructure that would mean a creation of a Blockchain Traded Fund, i.e. an issuance of a fund's token. We deliberately will not be using term ICO here, because ideologically it will be diluting the whole concept, as we are not raising funds by analogy with traditional IPOs. We, on the contrary to the most common crowdsale nature of ICOs, define our token as a digitalized product that grants its holder a right to use the investment services that Alium Capital provides.

We define our second milestone as a tool that would enhance user experience in terms of using your crypto funds in your daily activities. With that said we want to bring crypto money/assets as

close as possible to ordinary paper money, so that you can easily go for groceries or polish your nails. As of now we are working on the technology that would allow us to issue crypto backed debit cards and a mobile app to always be in hold of your funds. Management fees generated will be used in order to bring all tech together.

BLOCKCHAIN TRADED FUND

Even though there is more and more regulation taking place in order to fine tune the tokenization space, it is complicated and time consuming for a regular investor to choose most profitable projects to invest in and to be ready to readjust the portfolio weights promptly. Most of us would rather prefer to have their funds managed by a qualified investor. This is actually proven by the number of ETFs (Exchange traded funds) flourishing and working up the market being the most popular investment vehicle for both institutional and individual investors. ETFs currently account for around \$3 trillion of assets globally being only one tenth of the total of the mutual funds, but having a far better performance in the last 13 years. ETFs are getting listed on new exchanges with more and more investors integrating them into their portfolio strategies due to their exceptional properties. They are attractive to investors bringing a combination of tradability, liquidity, transparency and built-in diversification. According to top consultancies and investment banks, ETF assets will double by 2020. Following that trend, we have decided to focus on the aforementioned properties but more within the blockchain ecosystem and therefore to create a blockchain traded fund. Our blockchain traded fund will focus on all types of blockchain assets, which can be split into two broad types.

First group consists of currencies based on blockchain technology that can be used as a means of transfer of wealth intercontinentally and transparently. Best examples for such coins would be Bitcoin, Litecoin, Ripple, ZCash and etc. First two can be said to be the golden standard in the current market being the pioneers with the longest trading history and a most common mean of exchange for other coins. Hence their intrinsic value is subject to their use as a medium of exchange or a store of value.

Another group is composed of a wider range of a company issued coins that are in some sort reminiscent of company shares. Such companies would act as a decentralized organization providing value added goods or services with the built-in connection to their tokens, therefore becoming more popular demand for their tokens will be growing. Currently there is an evident trend of tokenization of the traditional economy that is set to make it more efficient and consumer focused.

INVESTMENT STRATEGY

With the current uberization of traditional economy we expect an exponential growth of information technologies with the help of breakthrough efficiency of decentralized consensus and blockchain technology for any kind of economic interactions. We will see more blockchain applied not as a means of payment, but rather as a means of value transfer with the help of smart contracts.

We do not aim at applying portfolio strategy at the current state of the crypto market, as according to the portfolio theory, an effectively built portfolio should consist of assets that differ in terms of their risk and return profiles. Historical returns might differ significantly, but the underlying financial idea of the traded assets is virtually the same. Hence, one single drawback of any blockchain portfolio fund is a high correlation of the underlying assets. Any turbulence in the Bitcoin or Ethereum market is highly likely to cause volatility in the so-called altcoins.

Explanation for that is yet very simple. Bitcoin and Ethereum are used as a proxy for any ICO to either invest or pull your money out of it. Apart from that, 98% of altcoins are traded against BTC/ETH and thus people are fixing their positions with regards to one of the currencies, and mostly based on the dollar capitalization. Last but not least when the market experiences a rapid growth of BTC or ETH people are dumping altcoins in order to gain from that move. However, when BTC and ETH are experiencing some major downturns, investors are simply leaving the blockchain playground due to high uncertainty during that time period, hence causing negative results for all traded assets.

This being said leads us to the fact that currently traded crypto assets have a considerably high correlation. Most of alternative crypto assets, i.e. not Bitcoin, resemble startups at the stages of pre-seed/seed investment. Hence most of the investors with a portfolio of such assets act as an LP of a venture fund with a predefined risk profile entering various IT startups. As an LP your profit depends not on the returns of a given project, but on the growth rate of the whole industry, i.e. cryptoeconomy. As a result, your return represents an index, and consequently the most straightforward index of the cryptoeconomy is the rate Bitcoin. Cryptoeconomy grows only in favorable ecosystem conditions provided there is enough demand for the services and no legal barriers. It brings us to a conclusion that as an investor your target is the growth of the industry, hence, you bet on index growth with Bitcoin being the easiest way to capture that move. Buy and hold strategies of index funds following our aforementioned logic will not let you beat the Bitcoin performance in the long run. Therefore, in order to beat Bitcoin performance, we combine buy and hold strategies with active portfolio management and that is where we see our edge on the others.

FUND MANAGERS

Alexander Volik

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TOKENS

Alium Fund utilizes blockchain technology in order to simplify and effectively unify relations with its clients. Therefore, Alium Fund issues ALM tokens, which contain and determine the terms of the investment service provided. Supply of tokens is defined by the inflows and outflows of the fund's capital. Every time a purchaser sends BTC or ETH to Alium Fund, new

tokens are issued based on a price calculated at 12:00 GMT each day as per the following scheme:

$$\text{Token Price} = \text{Value of Assets} / \text{Supply}$$
$$\text{Purchaser Tokens} = \text{Investments} / \text{Token Price} - \text{Entrance Fee}$$

Every time a purchaser is willing to withdraw his funds, he sends ALM tokens to The Alium Fund account and the token supply amount decreases correspondingly. Payout amount is subject to a price calculated at 12.00 GMT each day as per the following scheme:

$$\text{Token Price} = \text{Value of Assets} / \text{Supply}$$
$$\text{Investments} = \text{Purchaser Tokens} * \text{Token Price} - \text{Exit Fee}$$

All the tokens issued are 100% backed at any given time by the crypto assets under management and can be sold in the open market.

ECONOMIC MODEL

Economic model applied by the fund is deprived of numerous management fees and is therefore very simple, as we employ entry and exit fees only.

Entry fee. Any time our customer is willing to enter the fund 5% of issued tokens is used to reward fund managers and tech support. The allocation of rewards is the following:

- Fund managers- 4% of tokens
- Tech support- 1% of tokens

Exit fee. Any time our customer is willing to exit the fund 5% of BTC or alternatively ETH payout is withheld to reward fund managers and tech support. The allocation of rewards is the following:

- Fund managers- 4% of BTC or ETH
- Tech support- 1% of BTC or ETH

The tokens will be an Ethereum-based ERC20 token of value.

Ethereum based tokens rely on a well-established Ethereum infrastructure, benefiting from several advantages:

- security and predictability;
- use of robust and well-supported clients (Ethereum-based tokens can be managed with official Ethereum clients);
- Ethereum smart contracts enable a very transparent and secure way of profit-sharing among the token holders.