

WHITE PAPER

A stylized grey silhouette of a griffin, a mythical creature with the head and wings of an eagle and the body and tail of a lion. The griffin is positioned behind the word "Griffin".

Griffin

DECENTRALIZED FUND

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ABSTRACT

With the unprecedented rise of cryptocurrencies and blockchain technology, new opportunities arise in the field of investment. As the traditional economy is reformulating, money will flow into digital currency, either for the speculative purposes of raising capital profit or by supporting projects that are built on decentralized platforms. Moreover, individual investors with little knowledge of cryptocurrencies do not want to miss opportunities and be exposed to undervalued digital assets. That's why the Griffin Fund is here.

1. INTRODUCTION

The past and present trend of initial coin offerings (ICO) has led to the creation of more than 1000 new cryptocurrencies which are traded daily. When analyzing the price movement of 100 coins in the first half of 2016, the average achieved yield is 357% and only 13 coins have yielded negative returns. However, returns can be misleading and experience in the field of investment as well as understanding the content of the cryptocurrencies are necessary to obtain optimal exposure to the digital currency investment universe.

Cryptocurrencies are an evolving investment asset which should not be ignored by investors willing to diversify their portfolio, especially in a time of uncertainty on markets. Therefore, assets from the new economy are functioning as a natural hedge as they are an alternative disconnected from the traditional market.

Cryptocurrencies can be divided into, at least, two types of assets:

- The first group consists of pioneer coins based on blockchain technology, such as Bitcoin. Digital assets are a safe and effective alternative to wealth transfer around the world. Its intrinsic value lies in its use as a medium of exchange and as a store of value. The number of transactions and the demand drive the value of these currencies.
- The second group consists of "app tokens" that are comparable to the traditional actions of a company, where the company acts as a decentralized autonomous organization. Such organizations have been growing exponentially over the past year and can offer value-added services which are similar to the traditional economy but much more efficient and cheaper for the consumer.

We believe that the second group of cryptocurrencies, or "app tokens," will, with the help of smart contracts, replace traditional services. The growing interest in such assets can be a promise for something big, perhaps a revolution similar to the Internet in the early 90s. However, while at that time there was no option to invest in the internet, now we believe there is and the best way to achieve it is to diversify assets through an investment vehicle such as a fund.

2. INVESTORS

The target group of investors consists of individuals who have some understanding about the cryptocurrency world or those who mainly want to diversify a small part of their assets into the new economy. It is expected that the vast majority of people outside the community will still be skeptical about cryptocurrencies and that it will take time to gain support among them. Nevertheless, inflated equity valuations, negative yields and a lack of alternative opportunities to invest in the current environment will lead investors to take part in cryptocurrencies and businesses created with blockchain technology. The exponential rise of blockchain technology used in real business is already delivering visible value-added effects to the economy. Such a revolution, although gradual, will not be neglected by retail investors.

3. COIN TRADED FUND

Evidence from stock investment suggests that, in the long term, passive funds may outperform actively managed funds, particularly if the investor seeks low volatility and a steady return on his assets. Passive funds follow the indexes and have low transaction costs due to the lower required turnover. Currently, there is no cryptocurrency index, however, passive funds can define their own investment policy with index features.

4. FUND MANAGERS

Fund managers are experienced and responsible professionals, carefully chosen by the founders.

As fund managers, they are responsible for:

- Making investment decisions
- Providing efficient and transparent operations
- Ensuring security and taking contingency measures
- Provide information to investors on a regular basis

5. INVESTMENT STRATEGY

The primary investment focus is on solutions that enable the essential autonomous infrastructure for supranational economy: decentralized computation, data storage and communications, decentralized exchanges, investment solutions, prediction markets, smart contract frameworks, reputation systems and social networks.

In practice, creating an index which will be implied in Griffin Fund portfolio structure is usually done by setting a structure according to market capitalization of known currencies. Being the most dominant currency by market cap, Bitcoin may easily take more than 50% of all portfolio. That is why certain limits have to be imposed on the structure. Market cap shouldn't be the only factor affecting the index structure. Traded volume should play an important role, as well as the "free float" of the currencies.

'Griffin Fund token (hereinafter referred to as Griff, or Griff token) weighted by its market cap targets conservative investors. Note, however, that cryptocurrencies such as these have extremely high volatility in practice, compared to traditional financial instruments and are, without a doubt, risky investments. Daily volatility (standard deviation) in many cases exceeds 10%. On the other hand, cryptocurrencies have very low correlation (in many cases, zero) when compared with one another. This is a very positive sign for fund efficiency at delivering risk diversification.

Seeking the optimal structure of Griffin Fund portfolio is more art than science. As mentioned, currencies should be added to the portfolio based mostly on their market cap by applying some limitations:

- Only eligible currencies can enter the selection process (currencies based on blockchain technology).
- The portfolio should be limited to those currencies which are easily tradable on the exchange on a daily basis. The average daily turnover of the portfolio currencies should therefore not be less than USD 100.000 in the last 6 months.
- Once a selection is made, the structure of the portfolio is based on pre-defined rules. A rational investor does not want to be too exposed to individual currencies, therefore maximum weight should be applied (25%).
- Due to the high risk of the cryptocurrency market volatility, especially the alt coin market, maximum weight of bitcoin may be applied more than 25%.

Once the portfolio structure rules are set, rebalancing rules should be defined.

Griffin Fund structure becomes very dynamic with the daily movement of prices, and the structure can become non-representative of the market. Some currencies could add a lot of value and gain weight, while some others lose it. New currencies enter Griffin Fund and so on. Therefore, weekly or monthly rebalancing is proposed, whereby the fund managers makes the required transactions to reset investment fund structure in accordance with predefined rules.

The fund managers reserve their right to rebalance the portfolio to its target structure. Likewise, the weights of the fund's investments will be set according to the rules, where deviation of +/- 5 percentage points is allowed during the rebalancing period.

Predefined rules will be followed by the fund managers regularly unless specific market events occur (low liquidity of certain currencies, investments are too risky despite their growing market cap, systemic risk spreading, etc.).

As mentioned, the fund managers will act in the interest of the fund's investors and their investments, therefore they reserve the right to cancel fund policy rules when an experienced team of currency analysts estimate that certain investment decisions could be too risky.

6. GRIFF TOKENS

Supply of Griff token depends on incomes and outcomes of fund's capital. Every time purchaser sends ETH to Griffin Fund or ETH address, Griffin Fund issues the Griff based on a price which is calculated daily.

$\text{Griff Price} = \text{Total Assets Value} / \text{Number of Griff tokens acquired by investors}$

$\text{Purchaser Griff} = \text{Value of the Investment} / \text{Griff Price at the date of purchase}$

Every time purchaser sends Griff tokens to Griffin Fund account, Griff tokens are destroyed. Payout is calculated based on a price which is calculated daily.

$\text{Redemption of Griff tokens} = \text{Purchaser Griff} * \text{Griff Price} - \text{Exit Fee}$

Purchaser may eventually in the future sell Griff in the open market

7. ECONOMIC MODEL

Griff will be a value token based on Ethereum.

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

- security and predictability;
- use of robust and well-supported clients (Ethereum-based Griff tokens can be managed with official Ethereum clients);
- easier listing on exchanges with infrastructure already installed;
- Ethereum smart contracts enable a very transparent and secure way of profit sharing among Griff holders.

Exit Fee:

Every time a purchaser wants to leave completely or partially the Griffin Fund, 5% of the Bitcoins or Ethereum payment are deducted to reward fund managers, technical support and affiliates.

8. TECHNICAL SOLUTION

The technical solution for Griffin Fund consists of three main elements: User-facing website, backend server for asset management and smart contracts on Ethereum blockchain. Figure 1 contains basic technical solution overview.

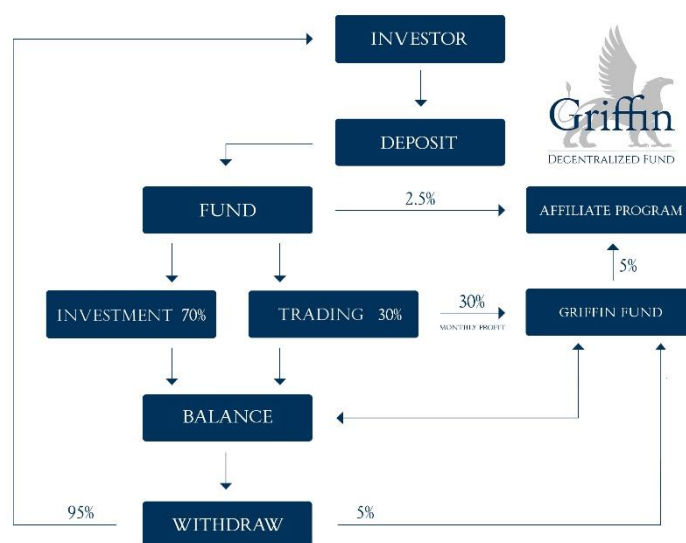


Figure 1. Griffin Fund Technical Solution overview.

1. Asset management and the website

All the fund's assets are located at publicly accessible Google Sheet:

https://docs.google.com/spreadsheets/d/14g16kT6O6YRKHpz0WE3T_sqOzHWqYPyD3ASDYA08Ps/edit#gid=0

Fund performance and portfolio composition from the table are graphically displayed on the front page of Griffin Fund. In the dashboard an investor is able to create his wallet.

2. Smart Contracts on Ethereum Blockchain

The business logic of Griffin Fund is controlled by two smart contracts on the Ethereum blockchain: one is a token that stores the balances of investors in the fund (token contract), and another is responsible for issuing new tokens in exchange for invested money.

3. Investment flow

A regular way of investing requires sending Ethereum to the personal investment address available in the dashboard. Once the amount is available on the Griffin Fund platform, the buyer will have to acquire the number of Griff tokens he wishes, up to the limit of his investment, based on the current Griff price at that point.

9. RISKS

The purchase of Griff tokens (GF) carries with it risks. Purchasers and fund managers are exposed to the following risks: inherent risk, loss risk, theft risk, regulatory risk, miscomprehension risk. By sending Bitcoins or Ethereum to address the purchaser agrees that he or she fully understands and accepts these risks and potential losses of all funds without a possibility to restore. Fund managers do not hold any risks except for risk of losing personal investments.

10. LIQUIDATION

The following events could trigger the liquidation procedure:

- Decision of at least 2 (two) fund managers, provided that they represent a majority.

The following procedure will be executed in case of liquidation:

- All available holdings are exchanged into ETH in 2 weeks period
- All ETH are split across Griffin Fund holders proportionally their share of Griffin Fund
- All ETH are sent to the registered addresses

If there is an illiquid asset under possession, it is held by fund managers or a trusted person until it could be exchanged into ETH.

PARTICULAR CONDITIONS

1. Additional representation income

Any participant wishing to represent the Griffin Fund will also receive a 2,5% discount on the net acquisition of Griff tokens from third parties indicated by him/herself, subject to special conditions. You can also benefit from a monthly premium of 5% on the net gains of those investments.

Particular Conditions of Additional Representation income:

Net acquisition of Griff tokens means the maximum number of Griff tokens held in the last 365 days.

Thus, the 2,5% commission on new entries is paid only on the difference between this maximum amount and the quantity purchased.

2. Redemption of Investments

Any purchaser may at any time exchange his Griff tokens and redeem all or part of their value at the last quotation.

If you do so within the first 180 days, you will receive an additional 5% penalty due to the mobilization of your funds.

This period is also required for any new investment in Griff tokens of a net amount greater than the highest net worth in the last 365 days.

After the deadline of 180 days, the only debit will be 5% regarding the exit fee, according to point 7.



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