

# **The Decentralised Hedge Fund**

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## **Background To The Decentralised Hedge Fund**

Monkey Capital was launched as a decentralised hedge fund in July 2017. At the time, there were two components to the decentralised nature of the fund in the form of two digital assets, those being Coeval (COE) and Monkey (MNY). COE was issued by DMH&CO with an issuance value of \$2 as a token which would purchase 10,000 MNY at a forthcoming Initial Coin Offering (ICO) to be held on August 8, 2017. The object of MNY was that it would be an entryway into the decentralised fund's portfolio of assets which would over time grow exponentially in size, without ever being in and of itself a security.

The reason we were opposed to securitisation of decentralised assets from the very start was simple: securitisation runs against the whole ethos of decentralisation, which is rooted in management-controlled value parameters. The decentralisation of returns has led to some almost unbelievable wealth-creating effects. To list the top 3 assets: Bitcoin began trading at a price of 10 cents in 2010 and is now around \$9,000, representing a return of 9,000,000%; Ethereum was first offered at 14 cents in 2014 and can now be readily purchased or sold 430,000% higher at around \$600 each; Ripple began trading at half a basis point (0.005 cents) in 2013 and currently sells for 90 cents per XRP, representing a 17,900% gain with around 15% of that having materialized in the past 12 months alone.

When compared alongside securitised returns, there is almost no argument in favour of adopting the latter as a comparable investment return asset class, let alone including securities in the same domain of value as decentralised ones. If securities are included among Blockchain assets, you can expect to see similar returns to those that are presently traded elsewhere on securities exchanges. During 2017, the top 3 performing stock exchanges comprised Argentina's Merval Index, up 77%, The Nigeria All-Share Index, which was 42% higher and Turkey's

Borsa Istanbul, with 42% improvement over the previous year. Even if we average these three top-performing indexes and multiply the cumulative returns over the same time period as for our digital asset comparison pairs (which is optimistic at best) there is nowhere near the same sort of return profile among securities assets as there is for decentralised ones.

We are dumbfounded when we hear that teams are lining up to offer dividend-enhanced securities on the Blockchain, and that customers actually want such products. The only affect that putting securities on the Blockchain will have is to lower the average return by a massive factor, so that digital payment utility value as a market becomes virtually unrecognizable and fails to do what it does so well today, which is make investors incredibly high returns without the requirement for a large upfront capital investment.

At the same time, there is a distinct consciousness over the lack of intrinsic values that are represented among digital assets. The concern over the lack of real, tangible value is both understandable and wise. If the only area an asset is able to derive its source of value from is in its core utility, then ultimately it becomes nothing other than a commodity that exists with zero dimensions of additional currency value other than its own specific function(s). For now, the gamble is that digital markets will grow exponentially year-on-year, and thus the current premiums on digital assets will be justified by the future demand for the utility of such assets, but this is a gamble that, very much like a ponzi scheme, targets over 100% efficiency. In other words, betting on digital payments as a source of continually-increasing value by themselves is 100% sure to result in a catastrophic loss one day.

With both these arguments in mind, what appealed to us was the idea that we could somehow take the best from the exponentially-growing digital payments market and the best from the world of products which have tangible values, and formulate a new sort of asset class that would somehow work exactly like a payment tool and thereby remain non-securitised and unhindered by the continual interference of senior management teams and Board directors, while benefitting somehow from the soundness of underlying value that was sourced outside of the world of digital payments upon which these hybrid assets would draw their own values rooted in tangible values.

Brazen as we were, we seriously miscalculated the amount of work involved in achieving such an aim, let alone establishing a decentralised

pool of such assets which digital payment asset holders could access on a whim.

The ICO of MNY was subsequently cancelled to a degree of angry by overall supportive investors. In order to buy time to find the potential solution while still keeping the market we had prematurely fostered active, we offered for sale a variety of digital assets for sale which we advertised with the proposed benefit of such assets becoming ultimately convertible into a brand-new COE/MNY token combination. Needless to say, we ended up trying the already shattered patience of the last of our remaining supporters beyond an acceptable threshold. It was not the finest moment in management history.

Meanwhile, however, as we wound down the previous market we had clung onto over a period of 6 months, we sought to find the answer to the problem we had set out so brazenly self-assured would take us just a few weeks to discover: how is it possible to represent real, tangible, growth and income-supported value on the Blockchain without tripping up over securities regulators?

To date, no one has managed to solve that particular puzzle; instead, eager to enhance their payment utility tokens with real value, many ICOs offer all sorts of dividend-equivalent features within their digital asset promotions, most of which are quite illegal to offer in the places they are advertised and sold.

We emphasize here that we had no aversion to dealing with securities regulators other than that they were not responsible – and are still not responsible – for overseeing the sorts of assets we were seeking to create and invest in.

The sorts of assets we had in mind still had the return profiles of Bitcoin, Ethereum and Ripple; they just happened to share the value foundations of Apple, Microsoft and Berkshire Hathaway as well. The plan of allowing investors to cumulatively participate in a passively-administered decentralised (digital asset entry-based) fund was looking a lot harder than we at first imagined.

For a short while our dreams of creating a decentralised hedge fund looked like wishful thinking and worst of all, wasted time and money. However, as we began working with some financial advisors on various

side projects in London, we began to formulate a way in which such assets could be constructed.

As we proceeded with this new line of enquiry, we realised in so doing that we would need to build a marketplace for these new hybrid payment utility-income value derivative assets in order to maximize their potential.

We realised that what we had to do was build a marketplace for our decentralised fund to invest into – after all, without a market, how does the fund make money?

We called our new value-loaded digital assets Metacurrencies, or three-dimensional currencies, due to their dual status at both digital payment utilities and digital assets that held a form of referenced income value. We wrote a paper. No one bothered reading it except the lawyer, who read it cover to cover. That was usually a bad sign.

Amazingly however, none of the lawyers complained. We knew this was as good a starting point as we were likely to encounter any time soon. We also knew we by now understood the process inside-out to a somewhat unhealthy degree.

“Basically, what we are doing is building the closest thing to a security without it being a security,” explained one of our legal advisors to a fellow lawyer in one conference we sat in. “What is it then?” asked the fellow lawyer in response. “That’s a very good question. It’s a cryptocurrency with actual value,” replied our legal eagle. We were finally getting somewhere.

As we made headway in laying the foundations of the marketplace we would build for our Metacurrencies alongside our slowly-expanding team of advisors, partners and other industry and market professionals, privately the Founders circled back to the original aim of creating a decentralised hedge fund.

After all, a decentralised digital capital asset market was beginning to take shape now; a decentralised hedge fund was surely entirely plausible.

Partly, we confess, this circling back was something we were forced to do as a result of having so many now exasperated, dispirited or plain disinterested investors to make good on from our somewhat ill-advised entry to the cryptocurrency market from the year before.

## **Introducing Metacurrencies**

Metacurrencies form the basis of a decentralised hedge fund, since they are digital assets that are imbued with real value as a result of their status as value-loaded assets.

Value loading is a term we use to describe the process whereby an alternate, non-Blockchain form of value is ascribed to a digital payment asset. The earliest example of value loading among Blockchain assets is probably via BitPremier. BitPremier is a site where sellers of real estate, aircraft and other luxury high-end assets offer such assets for sale in Bitcoin. By employing Bitcoin in the role of acting as a purchasing agent for such products, the value of such products is in a sense loaded onto the Bitcoin Blockchain. Value loading in its very nascent form is probably what contributed to the massive ascent of Bitcoin's price.

By loading another external asset's value onto a digital payment asset, there is no securitisation of the cryptocurrency, even though there is considerable price reference created in the process of doing so. After all, if Bitcoin is used to purchase multiple houses in California, the value of California real estate is in a sense reflected in the price of Bitcoin. This is especially so given that Bitcoin has only 21 million units in circulation. Therefore, simply by offering assets in abundance for sale in return for a limited-supply digital asset, there is a tangible sense in which the value of the assets being bought and sold with that digital currency are affecting the value of the digital asset being used as a mechanism of payment. This process of value loading is what underpins the Metacurrency values in a way that other cryptocurrency assets are not supported.

A Metacurrency is a digital asset that is used to purchase securities, either in category terms or in basket terms. The process by which a digital asset purchases a bunch of securities can create some interesting value constructs.

For example, suppose that Alan purchases a share of Berkshire Hathaway for \$300,000. Now suppose that a platform Alan uses called Dunaton creates 400,000 digital assets that are offers for sale as digital payment currency backed by a dollar (like Tether). Alan, sensing an opportunity, splits his share of Berkshire Hathaway up into 300,000 different equally-matched securitised portions (note: this would have to be carried out by a

regulated broker in the form of the creation of a special purpose vehicle unit and is separate and distinct from the Metacurrency issuance).

In practice, whether Alan sells his 300,000 shares for the 400,000 dollar-backed tokens or not, as long as Alan offers the 300,000 SPV shares for sale in return for the 400,000 dollar-backed tokens it is likely that the 400,000 dollar-backed tokens will start to appreciate to roughly \$700,000 almost right away. The point is that, no matter how many or how few people actually use Alan's token to purchase a 1/300,000<sup>th</sup> portion of the Berkshire (SPV) share, it's incredibly likely that the token will always carry a value equivalent to, at a minimum, the value of one 300,000<sup>th</sup> of a share of Berkshire plus the dollar unit that underlies it, which is around \$2.30 per token. If this was not the case, and the tokens fell in value to, say, \$1.50, then plenty of investors would snap up the tokens and simply use them to purchase Berkshire (SPV) shares while cashing out the underlying dollar. Someone might even attempt to purchase over 50% of the tokens in one go and thereby gain control of the SPV, extract the Berkshire share out of it along with the underlying dollars in the tokens and sell the share on the stock market for a profit while pocketing the tokens.

If you imagine that Alan participated in the Metacurrency issuance at the initial \$1 value it went for sale at, while concurrently holding the Berkshire share which he sliced up into SPV portions, and then shortly after offered the SPV share portions for sale in return for the dollar tokens, then he would see the price of his own Metacurrency tokens appreciate even as he attempted to get a higher amount of them still via selling the SPV slices.

Note that the construct outlined here is somewhat simplistic, but the logic should be clear: the value of a purchase currency must have some sort of value equivalence with what it purchases, or else there is a loss in gross value in a transaction. By simulating a securities purchase via cryptocurrencies, we create a Meta state for the digital assets whereby they assume a value in excess of their natural payment utility value if used purely for Blockchain and/or digital asset and/or Paypal-type transactions.

## **Regulatory Status of Metacurrencies**

By creating a cryptocurrency that is enabled with purchasing powers of established traded securities, we are able to reference the values of

securities on the Blockchain without incurring any sort of process whereby the Blockchain asset is itself securitised.

Is it possible that regulatory authorities will try and argue that raising capital by undertaking a token issuance in order to purchase securities is in a sense a securitisation of the token?

Maybe, but they won't get very far. Securitisation is about the structuring of income or assets in such a way that the holder of the instrument is in some way entitled to a piece of that income, and if not, then a piece of that asset. There is no such entitlement in place in the case of Metacurrencies. However, the values of the Metacurrencies conveniently pool around the income values and the asset values of the securities they purchase, for sure. That they do is neither here nor there as far as a securities regulator is concerned (or should be concerned); market prices are not the domain of securitisation people, after all; merely market structures.

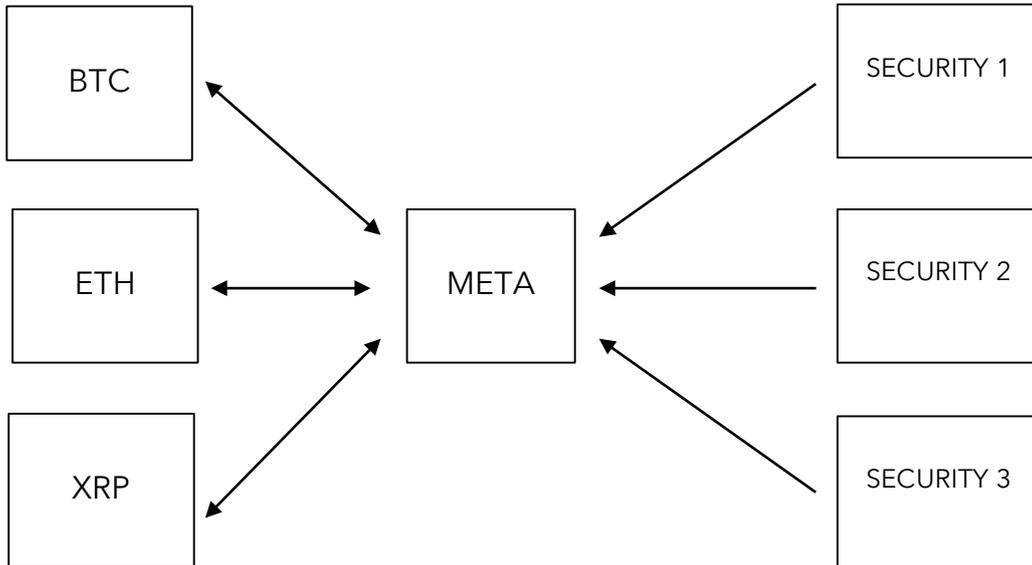
Further, what if the token could also purchase a number of other things, including non-securitised assets? An asset is only securitised at the point where it is either backed by another asset as a form of obtainable (by the investor) legal collateral, or as a form of guarantee against non-repayment of a specified return.

In the case of Metacurrencies, no return is promised to the investor, there is no hindrance on the overall utility of the digital asset being offered as a result of the additional option of it being offered for sale as a purchase agent of the shares, and there are no guarantees at all as to what the price of the token will be, no offers of income and further, no guarantee that the shares it is expected to purchase will be available for such in the future. It is merely an added utility of the token, but one which carries with it a very high and very secure underpinning of value.

## **Purposes of Metacurrencies**

Cryptocurrencies as outlined by Satoshi Nakamoto are “a peer-to-peer electronic cash system” that “allow online payments to be sent directly from one party to another without going through a financial institution.” In the same way, Metacurrencies are a peer-to-peer electronic cash system that allows anyone to purchase the equivalent value of a specific or general basket of securities without having to go via a financial institution. Note that we cannot say that a person can purchase the actual securities without going through a financial system; clearly, that is a must. But if someone

wishes to purchase what are in effect units of digital value equivalence or comparable value with a certain portfolio of securities or out-of-their-price-range real estate/machinery etc. for investment purposes, Metacurrencies enable such purchases to take place. Further, because they are digital payment utilities, and therefore contain the same potential for



In this example, securities are purchased using Meta by a holder of Bitcoin. The transaction creates a double-purchase effect with respect to Meta. Later, the securities purchaser decides to purchase two other securities with Meta within the same Meta class. The effect is compounded value loading of the Meta with increasing continual purchase transactions of assets with real income and asset growth.

explosive user growth over time, they will not just remain supported in value by the assets they are enabled to purchase, but will likely far exceed the returns on such assets in and of themselves. In other words, due to their artificially manipulated supply quotas and various stages in value integration that are brought into the sale of such assets, their market values are designed in such a way as to enable them purchase an increasingly greater and greater amount of securities and other major income asset forms of value (such as buildings and aircraft, for example) than standard cash or cryptocurrency assets.

Metacurrencies may be created to purchase baskets of almost any number of securitised products, including but not limited to individual or mixed baskets of shares of major expensive-to-obtain conglomerates such as Berkshire Hathaway, shares of hard-to-find private companies that are confined for sale to venture capital funds such as Uber, Lyft and AirBnB, debt securities on purchase contracts for SpaceX supplies, aircraft and real estate. Almost anything imaginable is purchasable by a crypto in other

words; the minute that something outside the Blockchain with an inherent value based on the income derived from that asset is made purchasable by the crypto the crypto is in a state of Meta. At such a point, it functions as both a digital payment asset and as an asset that with the flick of a purchasing switch, can be converted into a unit of income value.

We point out again for clarity that if the Meta is used to purchase the income value assets, then this purchase must be carried out with a registered broker, since the purchase concerns one of a security. Given that the world is not exactly short of securities brokers looking to open new client accounts today, we do not anticipate there being a problem with respect to finding one who will carry out the Metacurrency-to-security sales and purchase transaction. Meanwhile, securitised value has been added to the Blockchain and yet nothing on the Blockchain has been securitised whatsoever.

### **The Decentralised Hedge Fund**

Now that we understand the basis for Metacurrencies – that they are useful for the purchase of assets of high tangible values – we can begin to see how a decentralised hedge fund composed of underlying Metacurrencies can viably be created. Simply, by issuing a token that has continual claim over a basket of Metacurrency assets, in and of themselves supported by tangible ex-Blockchain assets – the decentralised fund is both decentralised and completely non-securitised despite referencing the value of a whole spectre of regulated and sophisticated assets. Furthermore, if such a decentralised fund is tied to the marketplace on which the Metacurrency assets are listed and traded, there is almost no end to how much underlying value could be accrued in the pool of assets which the decentralised fund holders would have constant and immediate access to.

What we have just described is exactly the product that was offered to a group of excited investors in July 2017: wealth in perpetuity for the everyman character, and a way in which value accrued over time irrespective of the fund's market value.

The way in which the decentralised hedge fund is set up is identical to the way in which it was sold at the outset. There are two tokens, COE and MNY. COE can be used to value-mine MNY until the point when it completely runs out. After the point where it value mines a unit of MNY, it is frozen until the point when it is depleted. After that point, it is

returned to the MNY holders. Needless to say, this puts tremendous value appreciation potential underneath both the COE price in the early stages of the value mining cycle and the MNY token in the later stages of the cycle. COE is purchasable either on market or at incrementally increasing values of around 60% per level via sending ETH to the COE smart contract address. MNY is either purchasable on market or at incrementally increasing values of around 60% per level via sending COE to the MNY smart contract. Before MNY is completely issued, or at roughly the same point in time before it approaches complete issuance, but not after that point, a sister decentralised hedge fund will be established and COE will be used to value mine the sister decentralised hedge fund.

COE is the Metacurrency of the decentralised hedge fund, which is MNY. MNY is also a Metacurrency, but it is a Meta that also happens to have an application as a pool of investment capital. Over time, the Metacurrencies that are listed and traded at the marketplace we are creating for the Metacurrency universe of assets will be added piecemeal, bit by bit, to a pooled portfolio that will comprise the asserts of the decentralised fund. At any time, a holder of MNY can use one MNY or its pro-rata equivalent exponent value to purchase one one-billionth of the total assets that accrue in the pool.

### **Assets of The Decentralised Hedge Fund**

Currently, a number of assets are sitting in the decentralised hedge fund. There are 396,000 META, which is the principal currency for use for purchase of various Metacurrencies on the Dunaton Marketplace. The 396,000 META should have been purchased with an equivalent pound-for-pound value. This value has not been added yet as Digital Developer's Fund (DDF), which Monkey Capital lent 1,000 ETH to in August 2017, have refused to honor repayment. As soon as they do the additional ETH will be sold and the proceeds converted into pounds sterling, and these pounds sterling will be added to the META. At such a point, the META will be able to be exchanged one-for-one with the British pounds which are underlying the tokens. We are in the process of preparing to pursue legal action against DDF and against Golden Fleece, another project that bilked the Monkey Capital reserves without returning the agreed value. All proceeds will be set aside as reserves for the decentralised hedge fund. (In the case of Golden Fleece, this is likely to include mining equipment which generates constant assets that will become the property of the decentralised hedge fund. In both cases, legal experts we have consulted

are confident that the actions of the defendants amount to clear-cut cases of asset theft.)

In addition to the ETH-enabled pound-backed META tokens, a whole range of Metacurrencies will be added to the asset pool as they come to market, including Metas for Berkshire Hathaway, Uber, Lyft and AirBnb, as well as Metas catering to the purchase of options on purchase public company shares and real estate Metas.

Futereum, a value-mining token whose model is gainfully employed in the formation of many upcoming Metacurrencies, also features as a contributor to the overall value of the decentralised hedge fund. Half of the fee portion of the Ether submitted to the smart contract for FUTR and one-third of the fee portion of the Ether submitted to the smart contract for FUTX, as well as one-tenth of the fee portion for the Ether submitted to the smart contract for FUTY will be accrued by the decentralised hedge fund. With backlog fees counted in, there is approximately 100 ETH currently residing in the decentralised hedge fund at the point of the issuance of MNY.

### **Value of COE and MNY**

It should be very clear that with such a substantial accrue in value of the decentralised hedge fund, which represents a separate, privately-sectioned area of the Duntaon Marketplace, that value will begin to amount to a monstrous degree over quite a short space of time. In addition, COE and MNY contain aggressive value mining schedules with price minimums in place whereby we are committed to selling new tokens only at specific minimum values.

It is hard to estimate the value of COE and MNY, but a rough calculation of the 360,000 META alone in the basket of funds would give MNY a value of approximately \$5 a token, or what is around \$60,000 a token for COE. This is without the addition of other assets.

Given the variable values that are progressed in the case of COE and MNY, we were in the fortunate position of being able to price the initial purchases that COE makes of MNY far in excess of the 10,000 MNY/COE, with a top-three-tier average ratio of around 33,000 MNY/COE, representing top purchase value for those who choose to use Coeval to value mine the MNY smart contract. Further, the COE underlies the MNY value in form of constantly frozen, future

redistributed value to the MNY holders, thereby creating a Meta effect of value transference to the token which it initially value mines.

## **Conclusion**

Metacurrencies are a major step in value innovation of digital assets. They provide the purchaser with the assurance of real base value that can be obtained with the unregulated non-securitised asset of hyper-inflated value that they are hoping to extract unusually high returns from. They are, in a sense, the best of cryptocurrencies with the best of securities values referenced inside their exchangeable values.

Ultimately, what resulted from our efforts was one of the innovations we are most proud to say we ultimately succeeded in bringing to market. Despite the odds, the birth of non-securitised asset structuring on a digital distributed and the concurrent establishment of unregulated, non-securitised asset management functions via the same category of decentralised asset class concurrently took place in the start of the second quarter of 2018.

We may have been a little late to get to the party, but then again, we cannot help but notice either that we are still the first to have arrived here.