

Indicium **Business Plan** 2017

Indicium

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Summary

THE PITCH

Index funds were once a controversial topic at their inception three decades ago. Now, index funds have grown to transform modern day finance. Digital assets such as Bitcoin are in the beginning phases of adoption and are currently a heavily debated topic with the potential to disrupt multiple industries. Digital assets often use a blockchain that acts as a distributed ledger for the network and allows for the transmission of value and ownership across the world. International recognition of value is a powerful and deep market to harness for the entire digital asset community.

Digital assets, although at the forefront of economic advancement, have sufficient market infrastructure and differentiation between assets to allow for an index fund to be formed. An index fund allows investors to track market averages and specified baskets rather than betting on individual assets. Indicium combines the two major transformations of the legacy financial industry with index funds and digital assets. The genesis of Indicium came from attempting to solve one of digital assets biggest problems: volatility. Indicium can offer an index fund that strikes the best balance between lowering volatility of digital assets and increasing returns. Indicium does this by applying proven index formulas to digital assets.

Indicium creates index funds that track digital asset indices to allow investors easier access to diversification and exposure to a basket of digital assets. The first index fund token Indicium will offer focuses on reducing volatility by providing investors higher returns with lower risks over the long term. Indicium is the company that will create tokens tracking different indices. For example, Indicium may create a token that tracks a platform index that consists of digital assets whose primary focus is on the platform. In this example the basket of digital assets in the index may include Ethereum, Nxt, Ripple, and Peercoin.

Crowdfunding the development of Indicium rewards contributors with Indicium tokens (IND) that represent a part of Indicium, as it operates as a Decentralized Autonomous Company (DAC). Owners of the IND token can apply for operational roles within Indicium. It may be required for the token holder to vest shares during their role to avoid agency problems. The federated approach of Indicium is neither fully decentralized or centralized. The focus is on decentralizing the network while allowing for automation of tasks that require efficiency.

The Big Problem

PROBLEM STATEMENT

Investors looking to purchase digital assets are overwhelmed by choice. A comparable situation can be illustrated with someone going to the grocer looking for pasta. At the grocer they are bombarded with 100+ choices of pasta; thus it is not efficient to perform a cost-benefit analysis on every type of pasta. Digital asset investors are faced with a far tougher decision. They face constraints in time, money, technical skills, security expertise, and financial analysis needed to understand the assets and store them securely. A rational investor wants to diversify risks across assets; however, given their constraints, they are forced to stick to as little as one asset.

PROBLEM ANALYSIS

WHO



Digital asset investors have the problem of properly allocating their funds. They may know that diversification leads to higher returns and lower risks, yet constraints prevent implementing diversification successfully.

CAUSES

Time

Money

Technical skills

Security expertise

Financial analysis

EFFECT

One consequence of the problem is that investors may choose a digital asset that under performs in comparison to the rest of the digital asset market. Another consequence can be seen with the formation of hostile communities as investors put all their efforts into a single or a few digital assets. All other assets are viewed as competition.

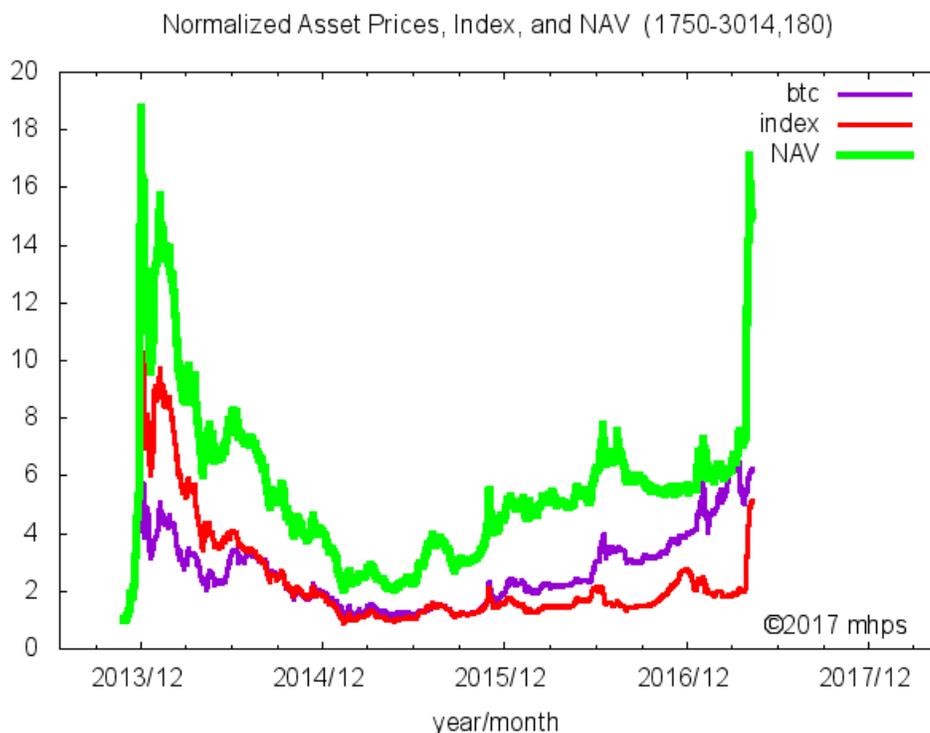
CURRENT SOLUTIONS

Investors currently solve the problem by devoting countless hours to financial analysis of the different digital assets. Moreover, they must determine the best ratio of assets to hold. Investors must acquire security expertise of digital clients to prevent theft or risk leaving funds in the hands of a third party.

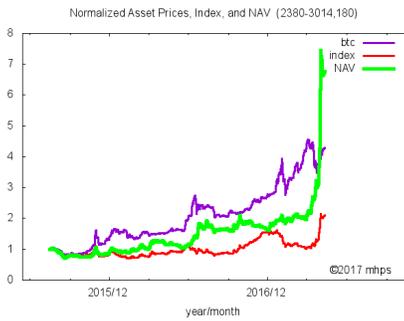
A strength of this approach is that the investor may have control over their private keys if they have met the above constraints. The weaknesses of this approach are more apparent. All constraints have to be met to make an optimal profit. Investors may misallocate funds, causing disproportionately higher risks for lower returns. Given the constraints, investors choose only a few digital assets. This can lead to some actors attacking other communities to improve their portfolio of assets.

The Unique Solution

THE UNIQUE SOLUTION

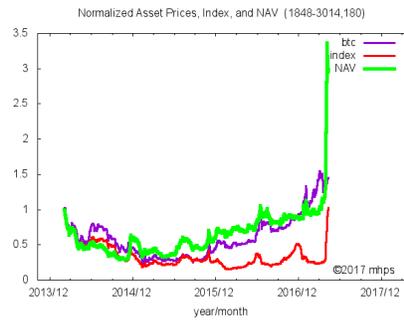


The displayed charts use historic price data to illustrate the success of a minimal variance fund in comparison to Bitcoin. Historical results may not be indicative of future success. The hypothetical fund in Figure 1 is a market simulation (normalized to \$1 initial Net Asset Value NAV) from 2013-11 to 2017-04. The hypothetical fund outperforms BTC by 29% in Compound Annual Growth Rate (CAGR). The red curve is the index of minimal variance, which is less volatile than BTC price.



Q3 2015 to Q1 2017

Figure 2 shows a bull market simulation from 2015-07 to 2017-04. The fund outperforms BTC by 30% in CAGR.



Q1 2014 to Q1 2017

Figure 3 is a recovery market simulation from 2014-02 to 2017-04. The fund outperforms BTC by 25% in CAGR.

The Minimal Volatility Fund aims to strike the best balance between return and low-volatility. Although the charts show better fund performances than BTC, it is possible that the fund brings less return than any particular one of its constituent assets, including BTC, especially over a short period of time.

USE CASES

A customer will be able to diversify their holdings by buying an Indicium token such as the minimal variance fund. The token will outperform all other assets compensated for the risks. This holds true whether the market is in a bull or bear phase. In short, holding the minimal variance fund token will outperform holding Bitcoin.

The customer will interact with a Frontend Interface (FEI) that shows a secure web page with information including the current Net Asset Value of the fund, total tokens in circulation, and the price per token. A button "buy fund" will also be displayed to customers. When the button is clicked, FEI shows a BTC address that accepts fund buyers' deposit. Also displayed are purchase information including rates, fees, and commission. The end result will be a customer receiving a token from Indicium once all requirements are met.

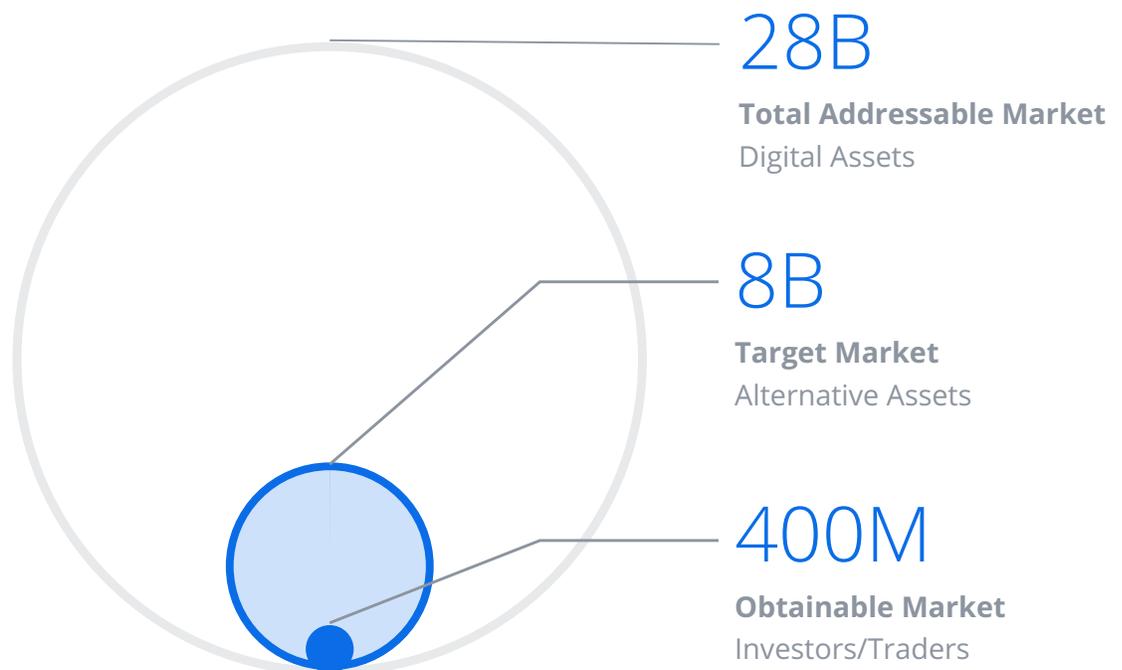
The FEI will also display a "redeem fund" button once clicked has a token address. It will ask the user to input a valid Bitcoin address. Once that requirement is met the customer can proceed to deposit the tokens. Once the tokens are deposited, the customer will receive the equivalent value of the token in Bitcoin to the address provided.

Market

MARKET OPPORTUNITY

The initial target market are those currently invested into multiple digital assets. They have high maintenance costs and can add index funds to optimize their portfolios. The target market extends to investors in the legacy financial industry looking to diversify with an investment in digital assets. The total addressable market is likely to grow over time as more money flows into digital assets.

MARKET SIZE



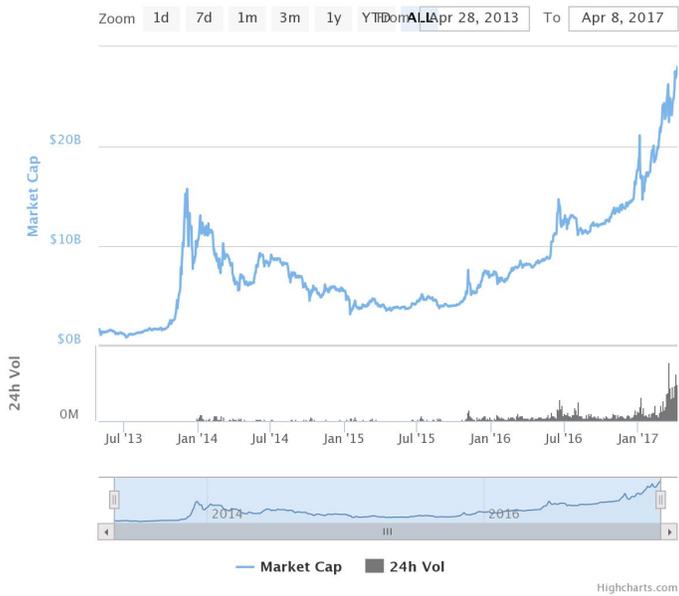
MARKET TRENDS

For a few years, Bitcoin was the only digital asset. In recent years, its share of the market capitalization has lowered. The digital asset space has been in a bull market as the combined market capitalization of all digital assets has reached over \$28 billion. Digital assets are in the innovator/early adopter phase of

the technology adoption life cycle. One of the biggest detractors for investors of digital assets are the volatile swings in price.

RISE OF ALTERNATIVE DIGITAL ASSETS

A popular website for tracking digital asset prices Coinmarketcap.com portrays the slow rise of alternative digital assets. Extrapolating the rise of alternative digital assets creates greater opportunities for index funds to form. As shown below, the digital asset market capitalization is at an all time high. The index funds that Indicium creates will profit from the rise of Bitcoin and the alternative digital assets, with volatility risk mitigated.



Customers

CUSTOMER OVERVIEW

The three main customer segments that Indicium will target: those invested in digital assets that either actively trade (Traders), periodically trade (Investors), or those that buy and hold assets over years (Holders). Indicium has features that are attractive to all three customer types.

Traders operate in the time span of hours to a month. Traders try to achieve quick profits over this time through arbitrage opportunities or investing in assets before a large appreciation of price. They want liquidity in the markets so they can exit positions quickly. The index funds that Indicium creates will lead to arbitrage opportunities and quick profits for traders intervening when the token value differs from the underlying assets.

The time span an investor operates is from a month to a year. The goal of the investor is to profit from the rise of digital assets. They keep up with the news and may sell when a dramatic event occurs. The index funds allow investors easy access to diversification with the additional option to minimize weight of volatile assets.

Holders buy an asset and typically do not sell the asset for at least a year. Many holders are against trying to beat the market by trading. They would benefit greatly as index funds have been proven to outperform the best traders and professionally managed mutual funds over the long term.

Competitors

COMPETITIVE LANDSCAPE

The creation of alternative digital assets beyond Bitcoin is a recent phenomena of the last few years. As these assets have risen in value it has created the opportunity for an index fund to form. One competitor, Iconomi is attempting to create an ETF and Mutual Fund whose basis comes from underlying digital assets. The market has placed confidence in the idea of digital asset management platforms as Iconomi ranks 12th on coinmarketcap.com with a market capitalization of approximately \$55 million. Another competitor, Melonport has recently concluded a successful IPO. These competitors have similar aims as Indicium, but with different operational mechanics. It is expected that more direct competitors will emerge in the coming years.

COMPETITIVE ADVANTAGES



INNOVATION

Indicium operates on PeerAssets, a protocol that allows for portability of tokens between blockchains. The fungibility and efficiency of PeerAssets allow for greater sustainability of Indicium and its index funds.



LOCATION

A community and staff operating the DAC across the globe. There will be no central point of staffing, avoiding high fixed costs.



FIRST MOVER

Potential to be the first to market with an index fund that utilizes minimal variance in its weighting of assets. Indicium being a first mover will increase its assets under management, creating a network effect.



EXPERTISE

The minimal variance fund reduces volatility and increases returns. This simulated fund has proven to buy low and sell high in the digital asset basket by diminishing the weight of volatile assets.

Risk

KEY RISKS

Indicium depends on external (centralized) entities for its monetary transactions. That is, it will depend on exchanges to acquire and liquidate the limited funds used in operation. This brings in all risk associated with using digital asset exchanges. Indicium must choose delegates to operate interaction with the exchange. This is a trust bottleneck, as the entire process falls to a few stakeholders and their software agents. To mitigate risks associated with this process Indicium will not keep more funds on the exchange than is necessary.

Another trust bottleneck is upkeep of shared multisignature wallet which acts as a reserve. Due to limitations of blockchain technology, the maximum size of multisignature wallet is 9 of 15. Indicium can employ more than one multisignature vault. Thus the trust bottleneck can extend far beyond 15 agents. This bottleneck is likely wider than the aforementioned transaction risks. Still, to mitigate this risk, Indicium will limit the amount of funds kept in such multisignature reserves and organize "tiers". In general, Tier 1 will be assets on an exchange with Tier 4 being cold storage. Tiers {2,3} are intermediary steps. Indicium will also rotate or periodically change the multisignature key holders.

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The Net Asset Value (NAV) of the index funds may fall due to general market and economic conditions.

If a constituent asset undergoes an irreversible loss of value faster than Indicium can review the basket, the part of NAV held in this asset can be proportionally lost. These drastic events could happen due to serious bug being exploited or people losing confidence due to technology breakthrough or regulation reasons.

To mitigate the risk, Indicium 1) selects at least three time-proven assets that have existed for more than one year, 2) limit the proportion of any one asset, which is usually determined by its recent volatility of the asset, to a maximum percentage of the NAV, and 3) institute emergency basket review processes.

The risks listed above do not constitute all potential risks Indicium will face. Those participating in the crowdfunding acknowledge the risks and participate in Indicium under their own volition.

Team

THE TEAM



Mhps
Development
Lead

KEY HIGHLIGHTS

- Professional experience as a developer, scientist, and manager in system R&D
- Proficient in data analysis and experienced in investment, trading, and blockchain technology.



Nagalim
Operations Lead

KEY HIGHLIGHTS

- Formulated monetary flow procedures for Nubits DAC
- Operated and maintained automated Nubit liquidity provision software and server for NuPond on Bter



Fractals
Finance Lead

KEY HIGHLIGHTS

- Co-founder of Teehe, a DAC based off Peershares
- Professional experience in banking and management consulting



Peerchemist
Advisor

KEY HIGHLIGHTS

- Member of the Peercoin core development team
- Founder of PeerAssets token protocol



Hrobeers
Advisor

KEY HIGHLIGHTS

- Member of the Peercoin core development team
- Developer of the PeerAssets token protocol



Saeveritt
Advisor

KEY HIGHLIGHTS

- Developer of PeerAssets token protocol

TEAM RESPONSIBILITIES

The team leads will be working on Indicium on a daily basis. The team leads can be replaced in the future by other IND token holders. The responsibilities of the leads will be dependent on their specific role. The team leads do not have rigid work guidelines as the work will be variable in the beginning.

The team advisors work with the leads on solving major technical problems. The advisor role and activity will differ between each advisor. The role of the advisor includes technical optimizations and protocol improvements. Indicium is the first implementation of a DAC on the PeerAssets protocol so the advisors are there to solve any problems related to PeerAssets.

Strategy

VISION

Every goal, strategy, and tactic of the Indicium board of managers and its stakeholders should align with growing the assets under management (AUM).

GOALS

The long term goal for Indicium is to launch multiple index funds and grow the AUM over \$200 million dollars in 2-3 years. Another goal is to automate tasks that reduce operational expenses leading to higher profit margins. The profit across the index funds may be distributed to Indicium (IND) token holders or reinvested as per the discretion of the board of managers. The short term goals are to develop Indicium functionality, leading to a launch of index funds on top of PeerAssets. Moreover, a short term goal is to develop a community of visionaries that can help usher in a new era of finance behind digital asset index funds. The community can elect members to function on the board of managers and guide the development of index funds.

There are four goals that Indicium aims to achieve. These goals are direct improvements to the customer. The tasks in the milestone section are needed to achieve the goals listed below.

1. A Minimal Variance index fund that allows customers to buy and redeem.
2. Fungible fund tokens that can be traded like a typical digital asset.
3. Product line expands to a set of index funds that tracks promising aspects of digital assets and blockchain technology (e.g. utility, platform)
4. Index funds are transformed into ETFs that allows on-exchange purchase/redemption.

OFFERINGS

Indicium value to customers:

- Exposure to the best digital assets without buying them, storing them securely, and updating clients.
- Minimal Variance Index dynamically assigns greater weights to the more stable assets over time,

averaging volatility out in many assets.

- Rebalancing the fund with proven methods to increase customer value in a volatile marketplace.
- Index funds reduce cost and are recognized to perform better than hand-picking assets (even by experts).

REVENUE MODEL

The revenues fall into four categories: distribution charges, management fee, shareholder transaction fees and fund services charges. Some of these reduce the value of an investor's account; others are paid by the fund and reduce the NAV. Indicium has plans to leverage its network of index funds to offer other services to customers. The current revenue model is dependent on providing value to customers by providing tokens that track proprietary indices. By providing valuable services to customers, Indicium will have four potential revenue sources.

BASKET ORACLE

One of the roles of the board of managers will be to select the assets to be included in the indices. There may be requirements on the eligibility of assets to be included in the basket oracles. For example, assets launched within the previous six months may not be included due to security risks. The board will periodically review existing baskets and exercise caution to add or remove constituent assets to preserve the passive nature of index funds. The board of managers will adhere to consumer demand on the assets consumers want exposure to in the indices.

Marketing

MARKETING STRATEGY

The founding members of Indicium have been in talks with an ICO platform that can be used to help raise funds for the Series B token offering. Indicium will be marketed on reddit, slack, telegram, twitter, etc. A forum, website, subreddit, twitter feed etc. will be set up to promote Indicium and answer questions. An additional marketing strategy will be constructed before Series B to market the index funds.

DISTRIBUTION STRATEGY

PeerAsset Indicium tokens will be distributed to the Series A investors along with the founders. The tokens distributed to Series A investors will be in proportion to their capital contributions. The distribution of tokens on PeerAssets will bootstrap the network. The tokens issued to the founders are vested for two years to align incentives. The remaining coins will be allocated to the Series B investors proportional to their stake.

Milestones

TASKS

There are at least ten tasks to track Indicium development. Updates on the completion of these tasks will be given at least once a month. The amount of hours needed to achieve a task and the payment associated with the work will be publicly released. The estimated time of completion stands at 120-180 days for the ten tasks.

1. Private GIT repository (self hosted or otherwise)
2. Domain name
3. Website
4. White paper
5. Basket Oracle
6. Interface to exchanges / automated trader
7. Charter on multisignature operations
8. Basic multisignature automation
9. Role definitions, initial role granting
10. Automatized accounting

Funding

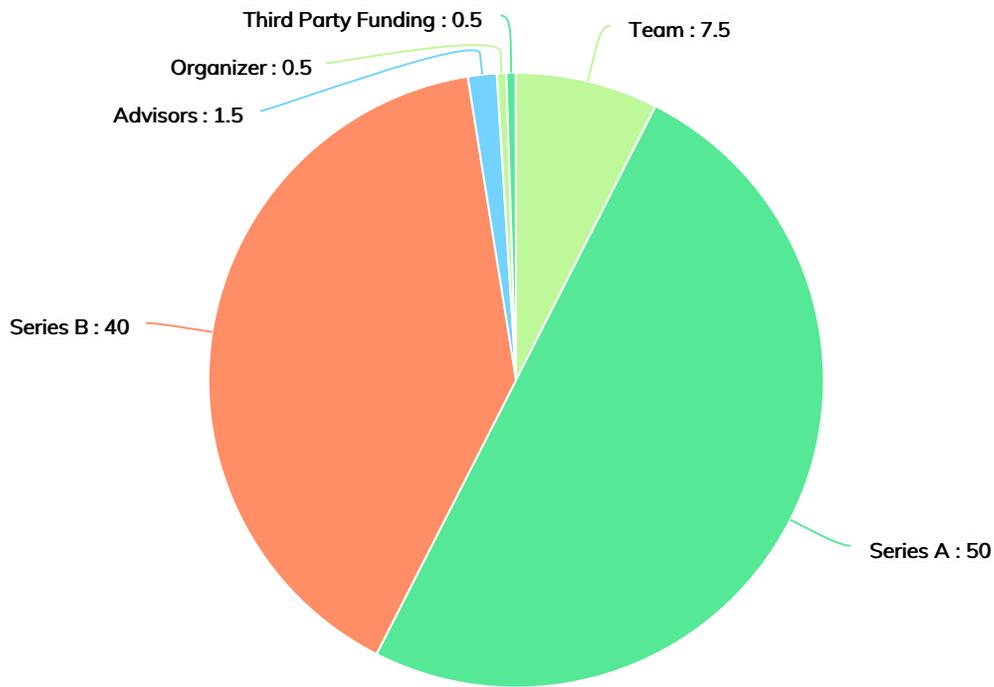
FUNDING

In series A, 50% of Indicium tokens (IND) are available for purchase. Series B will have the 40% of IND tokens available for purchase. The founders of Indicium will receive 7.5% of the IND tokens. The Advisors will receive 1.5% of IND tokens. Those participating in organizational functions of Indicium will receive 0.5% of IND tokens. Another 0.5% of IND tokens have been reserved for compensation for valued third parties in the development process creating incentives for continuous work on Indicium. Series A is needed to fund development of Indicium. Series A funds will be held in multisignature escrow addresses. The minimum funding amount for a successful Series A stands at \$50,000 to cover bare minimum development costs.

Profit may be retained in Indicium for the first few years, because growth is the highest priority. IND token holders will understand the long-term viability of Indicium. They must have reasonably high pain tolerance. Investors must be aware of the risks present. A cap of \$250,000 will be placed on Series A to prevent unnecessary risks for Series A investors.

IND token holders will be eligible to receive dividends on a quarterly basis, per the decision of the board of managers. Before there is significant profit the signers, board of managers, bot operators, sales/PR person, and fund manager are all paid in small amounts as they should have a stake in the success of Indicium by vested shares. Series A persons can vest shares and become a part of the operations of Indicium. A portion of funds from Series A will be used to advertise Indicium to Series B participants.

Series B will be used to fund full customer frontend (website/mobile app), automatized multisignature, automatized trading (full), etc. All details for the Series B funding are prerequisite on a successful funding of Series A. The goal of Series B is to raise enough funds to allow Indicium to target a larger market segment with its index funds. Moreover, Indicium may decide to expand operations to include ETFs after Series B.



EXIT STRATEGY

Series A and Series B investors will be able to sell IND tokens on an exchange shortly after the Series B round of funding. Indicium board of managers are already in talks with exchanges to list the token. The founders of Indicium will have their IND vested over the first two years. The Indicium board of managers may be required to vest shares to align incentives over their time spent on the board.