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# WHITE PAPER

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# CONTENT

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## INTRODUCTION

Blockchain technology has made significant strides in recent years, its development and adoption are growing exponentially. Digital assets are expected to be the future of finance as well as other industries. Cryptocurrencies are heading towards mainstream adoption and becoming a powerful tool in modern society.

### Legal and Regulatory Backdrop

The extraordinary pace of innovation in this area means it has become imperative to build a credible and consistent legal framework. The world is now at a legal and regulatory tipping point, and lawmakers and regulators worldwide are scrambling to identify and address the many risks and produce ways to regulate Cryptocurrency. Their challenge is to find a balance between supporting the Cryptocurrency market and preventing crime and financial instability.

Sanctions on Russia have heightened the pressure on Cryptocurrency exchanges and trading firms to align with the global financial system and the need for more regulation, but this may be at odds with the underlying philosophy of DeFi, and experts warn that the West could be left behind in this global market. The concern is that traditional asset managers—predominantly in the US and UK—could lose to Cryptocurrency natives (firms that use digital tokens on a blockchain platform) and new financial hubs if lawmakers delay to find a balance. Currently, US regulators are fighting over who has jurisdiction over this market.

### Current Usage by Institutional Asset Managers

In the meantime, there is a clear shift towards institutional firms seeking more exposure to digital assets, including big names such as BlackRock and Fidelity Investments.

In January 2021, BlackRock authorized two of its funds to engage in trading Bitcoin derivatives. Others launching Cryptocurrency-related products include Fidelity Investments, which launched a Cryptocurrency exchange-traded fund (ETF) in early 2021. Fidelity Investments is also the first to offer access to Cryptocurrency through a retirement plan—401(k)—amid some controversy.

This remains a new area with disparate exchanges and fractured liquidity. So, even the largest asset managers are still learning how to trade and store Cryptocurrency. Custody is no longer considered a barrier though, as traditional custodians have begun to invest in this space. Most notably, BNY Mellon and State Street are both developing digital asset custody platforms.

In addition, order management, execution and portfolio management tools, and technology platforms with offerings akin to those institutional asset managers use to trade in traditional asset classes are reducing barriers to trading Cryptocurrency.

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## OPERATIONS TO SUPPORT MANAGING CRYPTOCURRENCY ASSETS

### Operational Implications and Touchpoints

Institutional investors are grappling with the operational processes and counterparties needed to help them manage the risks that fit their Cryptocurrency asset investing strategy.

### Trading

Asset managers may try to use futures or ETFs, as they are accustomed to for traditional assets, because of the continuous liquidity and pricing these products provide. But, when it comes to Cryptocurrency assets, the larger institutional asset managers struggle with the liquidity in the tokens for those products and being able to access them securely. Portfolio managers and traders may find the spot market more efficient in terms of fees and pricing.

### Pricing

There is a lack of standardization in pricing, making it a very chaotic part of the Cryptocurrency- asset arena. It is a challenge for asset managers to get an instant price for an asset they want to trade. Since Cryptocurrency prices are not consolidated, they must cast around for one. It is difficult to get a real-time quality price with depth of market. However, there are initiatives by Bloomberg and others to aggregate pricing and to try to bring some pricing transparency to the market.

### Connecting with Third Parties

Pricing is related to connecting with third parties. Cryptocurrency is not yet like traditional assets, where asset managers can connect to just one or two venues that will give them all the exposure they need. The challenge for firms is therefore working out how to effectively get best execution in a marketplace that has so many different trading venues. It is a struggle to know how many venues they need to be connected to, and how to find liquidity when they need it.

Initiatives in the marketplace include named exchanges, such as Coinbase, and others trying to create their own communities of participants for liquidity purposes. “Asset managers are also trying to overlay all those, because there is still not enough liquidity in many cases. They are trying to figure out how to aggregate as many different touchpoints and venues as they can,” says Gary Brackenridge, global head of asset management at Line data.

### Custody

A lack of standardization in settlement is still a challenge. Since every custodian and exchange is different, one of the questions facing the industry is how to build best practices for settlement in digital assets. With the continued scams and hacks targeted at Cryptocurrency markets, other custody issues must also be addressed. As well as launching their own digital asset platforms, custodian and specialty banks have now launched initiatives to educate asset managers on how to safekeep digital assets.

## SMART CONTRACTS & DISTRIBUTED LEDGER TECHNOLOGY AS BLOCKCHAIN OPERATIONAL SOLUTIONS

### Smart Contracts

Smart contracts are mini-computer programs that allows you to set the rules that govern a cryptocurrency transaction. A smart contract is a multi-sig wallet, a wallet owned by multiple parties. For a wallet with two owners, both signatures are needed to authorize any transfers to external parties. Because the smart contract is deployed on the blockchain, it can set and enforce these rules without the need for a trusted third party. The ability to combine the logic and data of a computer program with the transparency and trust of distributed ledger technology is a true game-changer for many applications in financial services. Rather than many participants translating legal language into code across multiple closed system, a smart contract lives in the blockchain and executes in a publicly verifiable, transparent manner. Rather than redundant data structures that need to reconcile with one another, the blockchain prevents fraudulent, incorrect transactions and provides an immutable, replayable audit trail.

### Distributed Ledger Technology

Distributed Ledger Technology (DLT) refers to the technological infrastructure and protocols that allows simultaneous access, validation, and record updating in an immutable manner across a network that's spread across multiple entities or locations.

### Use in Capital Markets

The rise of smart contracts, blockchain and other forms of DLT is reflected by dozens of industry initiatives. To name a few, LaSalle recently announced the move to put its direct real estate investing portfolio into a customized blockchain for digital asset control. BNY Mellon recently moved some of its internal custody systems to distributed ledgers. And the Depository Trust & Clearing Corporation (DTCC) recently launched its Project Ion platform, which leverages DLT.

For a decade, the industry has been expecting these technologies to revolutionize the financial system, with profound implications for investment operations. A future is envisaged where security settlement is performed instantaneously on an aggregated blockchain, managed by consensus of all firms, including the most systemically important financial institutions. In the meantime, DeFi is gathering pace, and DLT provides a secure way to trade assets and record those transactions simultaneously in multiple locations.

### Valuation

Once they have managed to buy and get exposure to Cryptocurrency assets, and create products, asset managers will have to consider which third parties are able to publish a price every day and provide a valuation. A good custodian will help them continue meeting the objectives of their investment strategy even when there are wild moves in the marketplace.

### Compliance

Having good custody and valuation also leads to better risk management ,oversight, and transparency which are all connected in compliance. In the same vein, asset managers will also need third parties that allow them to be nimble. Regulations are expected to continue to evolve very quickly, creating situations where a strategy or asset may no longer be available to investors, or exposure to it will only be available through another fund structure or mechanism.

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## CRYPTOCURRENCY HEDGE FUNDS

### WHAT IS A TRADITIONAL HEDGE FUND?

A hedge fund is an investment fund created by accredited individuals and institutional investors for the purpose of maximizing returns and reducing or eliminating risk, regardless of market climb or decline. It is basically a private investment partnership between a fund manager and the investors of the fund, often structured as a limited partnership or limited liability company.

A hedge fund is a pooled investment fund that trades in relatively liquid assets and can make extensive use of more complex trading, portfolio-construction, and risk management techniques to improve performance, such as short selling, leverage, and derivatives. Financial regulators generally restrict hedge fund marketing to institutional investors, high net worth individuals, and accredited investors.

Hedge funds are considered alternative investments. Their ability to use leverage and more complex investment techniques distinguishes them from regulated investment funds available to the retail market, commonly known as mutual funds and ETFs. They are also considered distinct from private equity funds and other similar closed-end funds as hedge funds generally invest in relatively liquid assets and are usually open-ended. This means they typically allow investors to invest and withdraw capital periodically based on the fund's net asset value, whereas private-equity funds generally invest in illiquid assets and only return capital after several years. However, other than a fund's regulatory status, there are no formal or fixed definitions of fund types, and so there are different views of what can constitute a "hedge fund."

Hedge fund strategies are generally classified among four major categories: global macro, directional, event-driven, and relative value (arbitrage). Strategies within these categories each entail characteristic risk and return profiles. A fund may employ a single strategy or multiple strategies for flexibility, risk management, or diversification. The hedge fund's prospectus, also known as an offering memorandum, offers potential investors information about key aspects of the fund, including the fund's investment strategy, investment type, and leverage limit.

The elements contributing to a hedge fund strategy include the hedge fund's approach to the market, the instrument use, the market sector the fund specializes in (e.g., healthcare), the method used to select investments, and the amount of diversification within the fund. There are a variety of market approaches to different asset classes, including equity, fixed income, commodity, and currency. Instruments used include equities, fixed income, futures, options, and swaps. Strategies can be divided into those in which investments can be selected by managers, known as "discretionary/qualitative," or those in which investments are selected using a computerized system, known as "systematic/quantitative." The amount of diversification within the fund can vary; funds may be multi-strategy, multi-fund, multi-market, multi-manager, or a combination.

Sometimes hedge fund strategies are described as "absolute return" and are classified as either "market neutral" or "directional". Market neutral funds have less correlation to overall market performance by "neutralizing" the effect of market swings whereas directional funds utilize trends and inconsistencies in the market and have greater exposure to the market's fluctuations.

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## CRYPTOCURRENCY HEDGE FUND - INTRODUCTION

### Size of the market and AuM

We estimate that the total AuM of crypto hedge funds in this year's sample increased by 8% to about $4.1 billion in 2021, compared to $3.8 billion reported by our respondents last year. The median AuM of crypto hedge funds tripled in 2021 (US$24.5 million) compared to the previous year (US$8.5 million), with the average AuM not far behind in terms of growth (US$58.6 million from US$23.5 million).

The average AuM for this year's surveyed funds increased from US$12.8 million to US$42.8 million, while the median AuM increased from US$3.8 million to US$15.0 million. The median AuM at fund launch is US$1 million, indicating that funds have generally seen an impressive 15X increase in AuM.

### Performance and fees

The median number of investors in the crypto funds of this year's sample is 30 and the average is 54, while the median ticket size is US$0.5 million, and the average is US$1.63 million. The graph below shows the distribution of the average ticket size and more than half of funds in this year's sample have tickets below US$0.5 million, but the overall average is higher as some funds have a small number of investors with larger ticket sizes.

### Investor type and average ticket size

We see that high-net worth individuals (HNWIs) are the most common investor type in these crypto hedge funds. 86% of funds have HNWI investors. This is followed by family offices (66%) and fund of funds (43%). HNWIs are also the largest investors within these funds with 53% of funds saying their largest investors are HNWIs. Interestingly, we also saw endowments being named by one fund as their largest investor and another fund which also has a small portion of pension fund investors.

### Fund strategies, activities, and trading

We can conclude that market neutral funds have become the most common strategy among crypto hedge funds, making up nearly a third (30%) of all currently active crypto funds. This is followed by quantitative long / short funds (25%) and discretionary long only (14%), with multi-strategy/others and discretionary long / short funds making up a much smaller proportion, at 12% each. We have identified a sixth category, quantitative long only funds, which stands at just 7% of our sample. Overall, the crypto hedge funds had a median performance of 63.4% in 2021, slightly outperforming BTC's price, which went up about 60%. The median performance of this year's sample also declined compared to their returns in 2020 (79.8%), reflecting a more volatile cryptocurrency market.

### Governance

The presence of independent board directors is crucial for the good governance of crypto hedge funds. Their main goal is to keep managers in line with their fiduciary duties towards their clients – which is to make investment decisions that benefit unit holders. In addition, independent directors are generally seasoned professionals from various industries, bringing diversity to the board while also being able to help funds in their investment decisions. We have seen a significant increase in the number of independent board directors, from 38% to 51%.

On a broader scale, however, we believe this is likely due to three reasons: a growing number of newly formed, governance-conscious funds driving demand for independent directors; existing crypto hedge funds becoming more structured and financially capable of hiring senior talent, and; a growing supply of board directors possessing industry-specific expertise and knowledge as the industry further matures. This trend will further enable funds to extend their client base and interact with other institutional investors in the space, bringing positive value to the industry.

**Legal and Regulatory**

The Cayman Islands has maintained its position as the top location for crypto hedge funds to domicile, while the British Virgin Islands has overtaken the United States as the second most popular location. Each location saw its share of the market increase slightly year over year, Cayman Islands from 48% to 49% and British Virgin Islands from 11% to 13%.

Gibraltar also surpassed the United States, despite both having a lower market share of 12% and 10% compared to 13% and 46% in the previous year respectively. This year funds were asked to comment on what influenced their decision on crypto hedge fund domiciles and the most common responses were due to ‘crypto friendly’ (22%), ‘regulations’ (20%) and ‘fund friendly’ regulations (17%).

The United States and United Kingdom continue to occupy the top two spots in the data, representing 30% and 10% of crypto hedge fund managers respectively, while Singapore and Switzerland have joined Hong Kong in ranking third, hosting 6% of crypto hedge fund managers each.

The expectation is that these results would remain mostly constant, unless governments or authorities enact policies that are more attractive (or restrictive) to crypto hedge funds and their respective managers.

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## CRYPTOCURRENCY HEDGE FUND – STRATEGIES

Cryptocurrency hedge funds are broadly categorized into four fund strategies:

**Discretionary Long Only:**
Funds which are long only and whose investors have a longer investment horizon. These funds tend to invest in early-stage token/coin projects, and they also buy and hold more liquid Cryptocurrencies. These funds tend to have the longest lock-up periods for investors.

**Discretionary Long/Short:**
Funds which cover a broad range of strategies including long/short, relative value, event driven, technical analysis and some strategies which are Cryptocurrency specific, such as mining. Discretionary funds often have hybrid strategies which can include investing in early-stage projects. They tend to have a similar lock-up period to the Discretionary long only group.

**Quantitative:**
Funds taking a quantitative approach to the market in a directional manner. Indicative strategies include market-making, arbitrage and low latency trading. Liquidity is key for these strategies and restricts these funds to only trading more liquid Cryptocurrencies. As a result, these funds typically have the shortest lock-up periods for investors.

**Quantitative long only:**
Funds taking a quantitative approach. These funds tend to continuously trade their underlying assets, taking advantage of price volatility. This strategy comes with a trade-off that may be costly but can be effective in capturing arbitrage opportunities in the market. This new category was newly added as we noted a relatively high number of respondents flagging it as their strategy.

**Market Neutral:**
These funds aim to profit regardless of the direction of the market, usually using derivatives to mitigate or eliminate broader market risk and get more specific exposure to the underlying. Similarly, to the above, this category is the most popular one among crypto hedge funds, making up nearly a third (30%) of all currently active crypto funds.

**Multi-strategy:**
Funds adopting a combination of the above strategies. For instance, within the limitations set in the prospectus of a particular fund, traders may manage discretionary long/short and quantitative sub-accounts.

## DIFFERENCE BETWEEN TRADITIONAL HEDGE FUND AND FIVE

Traditional hedge fund is open to only qualified or accredited investors and cannot be offered or sold to the general public. Certain net worth requirements need to be met by potential investors (net worth of more than $1M excluding primary residence). FIVE Pillars will be open to public and easily accessible with minimal investment. During the presale, the minimum investment is determined, however once the token is launched and tradable on Exchanges, everyone can hold even a fraction of a dollar of the FIVE fund.

The Traditional fund comes with management and performance fees. It usually pays an annual manager's fee of 1% of the amount of invested assets and a performance fee of 20% on any gains. FIVE Pillars will not charge any management or performance fees.

Investors are required to maintain their money in the fund for a locked-in period of at least one year. Withdrawals of funds may only happen at specific times, such as quarterly or semi-annually. FIVE Pillars can be sold at any time once the token is launched and tradable on exchanges. Presale token holders, have a vesting period which applies.

FIVE Pillars could be classified as a mix of global macro, directional, event-driven, and relative value type of strategies. Additional to the investments and trading, we are also diversifying into building apps, expanding to the real-world economy which is a key part of the fund.

## WHAT PROBLEM ARE WE SOLVING

- Lack of transparency
- Paper-driven, predominantly offline transaction processes are inefficient and complicate management of multiple, simultaneous transactions
- Lack of coordination of data among parties to a transaction
- Lack of familiarity with hedge funds
- Lack of accessibility
- Lack of familiarity and trust in service providers located far away
- Lack of familiarity and trust with closing processes, documentation and government registries
- Lack of trust when making escrow payments

## WHY FIVE PILLARS

Despite the astonishing volatility in the performance of Cryptocurrencies in the recent period, the Cryptocurrency space is still in its early stage of development as institutions are just beginning to adopt blockchain technology in their operations. Some financial institutions started to adopt smart contracts for their financial transactions which reduce the need for financial intermediaries and improve efficiencies.

The growing application of blockchain technology by institutions is the driving force for the growth of the Cryptocurrency space. On the hedge fund side, the higher volatility of Cryptocurrencies remains the primary challenge for hedge fund managers. Having said that, the wider adoption of blockchain technology by institutions and governments bode well for the growth of the Cryptocurrency mandate in the hedge fund industry and is expected to present exciting opportunities for Cryptocurrency enthusiasts looking to be handsomely rewarded for their willingness to tolerate the high risks that come with investing in this asset class. Amid the market decline, Cryptocurrency critics have returned in full force to debate whether the industry has any real use cases.

FIVE Pillars is a set of five different funds, which will operate independently, but will be supporting and connecting with each other. FIVE Pillars plan is to build an ecosystem, where the holders of the token will benefit from the volume and the fees/profits generated. Loyalty programs will also be introduced in the later stage which will provide huge benefits to the token holders.

The balancing of the funds between the pillars will be done dynamically, where the better performing and safest will have the highest allocation but will “help” the pillars which are underperforming or are still in the early phase. Predefined percentage of the generated profits will be used to periodically buyback the tokens from the market and burn them, which will make this FIVE a deflationary token.

When burning the coins, the coin supply will decrease, causing scarcity. The scarcity is what spike up the coin demand. With higher demand, the price will also increase. Scarcity is a central economic concept that assigns value to a particular asset. Coin burning is one of the most effective methods to increase and stabilize the valuation of coins and tokens. Stability will give investors a greater incentive than usual and keep the coin price at a level that is more profitable later. As the Economic principles say, “reducing the quantity of something will make it much more valuable.”

The allocations and how the profits will be distributed, will be explained in the full whitepaper. The FIVE token cumulates the performance of the FIVE FUNDS. FIVE funds will be distributed between the pillars (funds) in a dynamic way and as a part of the hedge fund strategy. Better performing pillars will help others while underperforming or while they are in development and not generating revenue. Token holders will benefit from multiple sources starting with the token price.

Five tokens are utility tokens - utility tokens does not represent company’s share. Utility tokens may grow in price, if the demand for service or product increases. So, buying such tokens of a project, that solves real problems of users and is constantly being developed and improved, may give great profit in future.

Utility coins tend to have an automatic stabilization system in some form. If the price goes up too much, the demand, that is driven by use case, will decline, and in reaction to that price will also decrease. At the same time if price falls, demand increases — and soon price will stabilize. The main aim is growing, or at least stable, demand, which can be assured by constant development of the token-related project.

Five tokens are not a security, share, investment or ownership of Five Pillars Hedge Funds company. Five tokens are utility token, that is designed to work in Five Pillars ecosystem. The service is growing, so the trading volume of Five Tokens, and consequently the price, will increase.

## FIVE PILLARS: PRICE GROWTH STRATEGY

Token price is driven by two components: a speculative component and a fundamental component. Initially, a utility token's price is typically driven by speculation. Overtime, as protocols mature and network usage increases, a token's value should transition to being driven by its utility and demand.

Investors commonly believe that if a protocol's utility token supply is fixed, the price will increase as demand for the protocol's services increases. However, this belief does not account for the velocity of tokens, which measures the number of times a currency changes owners.

The velocity of the coin is inversely proportional to the value of the token. In other words, the longer people hold the token for, the higher its price. In the absence of additional token utility, users would acquire the coin to utilize the service, and then they'd discard the token. This cycle creates downward price pressure. To solve the velocity problem and increase how long users hold their tokens, we will be implementing mechanisms that increase token utility, sinks, and incentives to hold the token.

### PROFIT-SHARING MECHANISMS:

**Direct Revenue Distribution Model:**
Protocol distributes a portion of revenue generated to staked token holders.

**Treasury / Endowment Model:**
A portion of revenue generated is allocated to a protocol's treasury, where it can be distributed for various purposes.

### STAKING MECHANISMS:

**Stake-for-Access Model:**
Requires participants to stake tokens in order to participate as a service provider for the network. The Stake-for-Access model, also known as a work token model, requires service providers to stake the native token in order to perform work for the network. The staked tokens can also act as collateral that can be slashed to penalize malicious participants.

Oftentimes, the number of tokens staked is proportional to the amount of work service providers can perform. This relationship creates a dynamic where service providers earn income (in the native token) based on the number of tokens they stake. Therefore, with the SFA model, token price should increase with network usage.

**Reputation Mechanism:**
Incentivizes token holders to stake their tokens to provide a source of truth to the protocol.

**Loyalty Programs:**
Requires participants to stake tokens in order to be eligible for special offers, discounts, and private accesses to services.

These mechanisms help a token accrue value. They reduce velocity (increasing the time spent holding a token) through locking up tokens and incentivizing users to hold the token in exchange for rewards or protocol voting rights. Additionally, token burns and sinks reduce the total supply of tokens, leading to fewer tokens chasing the same value. Token value is also affected by several other important design considerations, including whether a protocol's token supply is fixed, inflationary, or deflationary.

**FIVE PILLARS: FUNDS EXPLAINED**

SEED FUND

Seed funding or angel investing is the funding of a business at the earliest stage in its life cycle, which is usually anytime during its formation at the idea stage, having just a plan, prototype, or in a trial phase, with no or negligible customers. The funds are utilized toward incurring the initial costs of setting up the operations.

Pre-Seed and Seed funding investors are offered the best token price and are not available to open public.

VENTURE FUND

Blockchain is an emergent technology evolving at a fast pace.

Blockchain applications go far beyond Cryptocurrency and bitcoin. With its ability to create more transparency and fairness while also saving businesses time and money, the technology is impacting a variety of sectors. Venture fund will invest into development of the real-world use case Cryptocurrency projects and build an ecosystem around the FIVE project.

It will be also closely connected to other pillars as the development will be needed to run the operations.

META FUND

The biggest boom which promises to be the future of the digital globe is the Metaverse. This massive technology is found to be the next big thing that has the potential to change the digital economy.

"The notion of a world where hybrid and digital coexist with a full-fledged economy has yet to be realized," said Gopal Srinivasan, a partner with consulting firm Monitor Deloitte. "[But] we're already seeing pieces of those being implemented." Deloitte is among the major consultancies that have launched an initiative to help companies navigate emerging metaverse opportunities. Smaller firms are offering such services as well.

Research firm Gartner predicted that 25% of people will spend at least one hour a day in the metaverse by 2026. And with metaverse technology platforms predicted to become a lucrative market -- to the tune of $800 billion by 2024, according to a December 2021 Bloomberg report -- fear of missing out on those potential dollars is a powerful motivator.

As the metaverse features a completely independent virtual economy, there are many business opportunities in the metaverse. The power of non-fungible tokens (NFTs), digital currencies and blockchain drive the metaverse economy. This makes the foundation for new business models with metaverse.

FIVE Pillars vision is to expand its ecosystem widely into the metaverse. Platforms like:

- Virtual E-commerce stores (Shopping platforms)
- Buy and sell digital lands via Metaverse Real estate
- Creation of Virtual homes and institutes in Metaverse
- Social Interactions via metaverse-based social platforms
- Virtual Events
- Gaming platforms

PROPERTY FUND (REIT)

A real estate investment trust (REIT) is a company that owns, operates, or finances income-generating real estate. Modeled after mutual funds, REITs pool the capital of numerous investors. This makes it possible for individual investors to earn dividends from real estate investments—without having to buy, manage, or finance any properties themselves.

FIVE will divide the REIT into two branches: internal fund which will acquire real estates with own funds and the external fund where the open public will be able to invest only into REIT. Both will benefit the FIVE token holders.

FIVE will choose the assets based mainly on three approaches

- Asset appreciation
- Asset Return on Investments via Rental
- Asset acquisition time (payment plans)

TRADING FUND

Trading fund will be deploying numerus trading strategies. Majority of the strategies has been successfully used in the past, but as the markets are evolving, so are we. And some of these strategies are:

**Directional trading strategies**
Directional trading strategies are often more profitable in the equities market than in Cryptocurrency, due to the lower amount of volatility and larger liquidity base. However, with the current market state, there are more opportunities in the Cryptocurrency space for successful market neutral strategies as the market is less efficient.

In the directional approach, managers bet on the directional moves of the market (long or short) as they expect a trend to continue or reverse for a period.  A manager analyzes market movements, trends, or inconsistencies, which can then be applied to investments in vehicles such as long or short equity hedge funds and emerging markets funds. The most common and arguably easiest strategy to implement Is trend following. Trend trading first analyzes an asset's price or volume momentum in a particular direction and then makes trades based on the assumption of continued movement. In other words, traders enter long positions for assets with significant upward potential and short positions for downward potential.

**Market neutral trading strategies**

**Arbitrage Trading:**
At any point in time, the price of any currency can vary by up to a few percentage points on different Exchanges. The different prices are a result of varying levels of trading volume, liquidity, and fees. The variation in price is what is known as an arbitrage opportunity. Traders can take advantage of the price discrepancies by buying a digital asset on one exchange then quickly selling it on another for a profit.

Cryptocurrency assets are highly volatile in nature, resulting in an extremely short window to take advantage of price differentials. Bots can outperform human traders because they can analyze large data sets and make trades automatically. Arbitrageurs provide liquidity to the market, since prices become more aligned with each trade. Overall, the strategy leads to a more efficient marketplace and even competition on Exchanges. However, arbitrage opportunities are growing sparse and are less profitable with the increasing number of bots in the marketplace.

**Cost Basis Trading:**
Cost basis trading profits from price differences of a single Cryptocurrency by taking opposing positions in the spot and derivatives market. By taking advantage of market inefficiencies, bots can find moments where the futures price of the asset is higher than the current spot price.

For example, a trader can purchase ETH/USD on an exchange for $1,900 and short sell the same amount of the ETH/USD futures contract for $2,100. Upon expiration of the derivative contract, the trader can lock in $200 of profit. Naturally as the contract expires, the premium decays and converges with the current spot price, rendering an almost riskless trade. As the Cryptocurrency market becomes more efficient and perhaps even less volatile, the opportunities to profit from this strategy will become few and less profitable.

**Market Making:**
Illiquid markets are governed by low trading volume and often result in greater price volatility and wider bid-ask spreads. Market making bots take advantage of the wide bid-ask spreads, by simultaneously submitting buy and sell orders to take the spread as a profit. For example, if the highest bid price on an Exchange for a token is $1000 and the lowest asking price is $1,100, the spread is $100. A bot could submit a buy order for $1,000 and sell order for $1,100 and retain the spread as profit.

Market making bots are sometimes employed by the Exchange itself, to help provide liquidity to its users. By flooding the marketplace with orders targeting illiquid assets, the bid-ask spread should tighten as other orders find their corresponding trading pair. Although the strategy seems straight forward, it's oftentimes difficult to employ. Bots only have fractions of a second to successfully use this strategy because of how volatile the Cryptocurrency market is.

**Artificial Intelligence:**
Artificial intelligence is the art of training a computer to learn from data and make informed decisions to replicate (or enhance) the human thought process. Given the success of AI algorithms in other industries, it's no surprise that they have made their way into the financial markets. Training a computer to learn from historic asset data to predict future movement seems like the ultimate dream come true.

There are three core types of machine learning processes: supervised, unsupervised, and reinforcement. Trading bots typically make use of the reinforcement type of machine learning wherein the bot learns by trial and error. The program is rewarded for making the correct decision or disciplined for incorrect decisions. In terms of an algorithmic trading strategy, the model receives historical price data and learns to pick entry and exit points based on previous patterns.

VALUE PROPOSITION (Platform)

- Trust and Security
- Transparency and Efficiency
- Ease of Use
- Accessibility

**FIVE PILLARS: TOKENOMICS**

| | |
|---|---|
| Ticker | : FIVE |
| Token type | : ERC-20 |
| Private Sale Price | : $ 0.05 |
| | : $ 0.075 |
| | : $ 0.10 |
| Public Sale Price | : $ 0.15 |
| Exchange Listing Price | : TBA |
| Max Supply | : 5.000.000.000 FIVE |

| | |
|---|---|
| Private Sale Vesting Period | : 40 Months |
| Public Sale Vesting Period | : Not Applicable |

The unsold tokens will be burned, and the circulating supply will be reduced accordingly. Private sale tokens will be sold via website https://fivepillars.io/

**TOKEN ALLOCATION – BREAKDOWN**

20% Allocation – Private Sales
50% Allocation – Public Sales
25% Allocation – Team Tokens

**TOKEN ALLOCATION – PRIVATE SALE**

| PRIVATE SALE PRICE | ALLOCATION ($) | ALLOCATION (COINS) |
|---|---|---|
| $ 0.05 | $ 15,000,000 | 300,000,000 |
| $ 0.075 | $ 35,000,000 | 350,000,000 |
| $ 0.10 | $ 50,000,000 | 333,333,333 |

**TOKEN ALLOCATION – TEAM TOKENS**

| | |
|---|---|
| 55% Allocation | : Software Development |
| 15% Allocation | : Marketing and Business Development |
| 5% Allocation | : Partnerships |
| 5% Allocation | : Community Grants & Bounties |
| 5% Allocation | : Team Advisors |
| 5% Allocation | : Operational Expenses |
| 5% Allocation | : Legal Expenses |
| 5% Allocation | : Miscellaneous and Unexpected |

FIVE PILLARS

**FIVE PILLARS: BUDGETED ALLOCATION OF FUNDS**

- Operations
- Marketing & community outreach
- Sales & business development
- Outside professional services
- Product development
- Contingency

| EXPENSE CATEGORY | DESCRIPTION |
|---|---|
| OPERATIONS | Day-to-day operational costs to manage and grow our network and ecosystem. |
| MARKETING | In addition to conference appearances, interviews and podcasts, Five Pillars will embark in social media marketing campaign involving banner ads and other strategies for raising community awareness of Five Pillars. |
| SALES & BUSINESS DEVELOPMENT | Activities that drive growth through sales and business development of new and existing products. |
| OUTSIDE PROFESSIONAL SERVICES | Legal, accounting, and overhead costs associated with complying with professional procedures. |
| PRODUCT DEVELOPMENT | Development work associated with building out Five Pillars' ecosystem, tokenized hedge funds, products, and accelerating innovation. |

## FIVE DAO

A DAO, or "Decentralized Autonomous Organization," is a community-led entity with no central authority. It is fully autonomous and transparent: smart contracts lay the foundational rules, execute the agreed upon decisions, and at any point, proposals, voting, and even the very code itself can be publicly audited.

**Members & Token Holders:**
There are two types of individuals within the DAO: members and token holders.

**Members:**
Members are people who work for the DAO, getting paid from the DAO Treasury which is funded by the DAO's dividends. Tokenholders are people who do not work for the DAO but hold any number of FIVE. It should be noted that individuals can be both members and token holders of the DAO.

**Token Holder's Ownership and Voting:**
Everyone who owns FIVE tokens is a token holder of the DAO, and therefore is entitled to vote on proposals. Every token holder can vote once on any vote. The value of their vote will be weighted by the number and time of FIVE tokens they hold.