

# MatrixETF

(The Next Generation of ETF, Cross Chain Enabled)

Whitepaper

9.13.2021

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**Project purpose:** You agree that you are acquiring MDF to participate in the MatrixETF platform and to obtain services on the ecosystem thereon. The Company, the Distributor and their respective affiliates would develop and contribute to the underlying source code for the MatrixETF platform. The Company is acting solely as an arms' length third party in relation to the MDF distribution, and not in the capacity as a financial advisor or fiduciary of any person with regard to the distribution of MDF.

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- (b) you will and shall at your own expense ensure compliance with all laws, regulatory requirements and restrictions applicable to you (as the case may be);
- (c) you acknowledge, understand and agree that MDF may have no value, there is no guarantee or representation of value or liquidity for MDF, and MDF is not an investment product nor is it intended for any speculative investment whatsoever;
- (d) none of the Company, the Distributor, their respective affiliates, and/or the MatrixETF team members shall be responsible for or liable for the value of MDF, the transferability and/or liquidity of MDF and/or the availability of any market for MDF

through third parties or otherwise; and

- (e) you acknowledge, understand and agree that you are not eligible to participate in the distribution of MDF if you are a citizen, national, resident (tax or otherwise), domiciliary and/or green card holder of a geographic area or country (i) where it is likely that the distribution of MDF would be construed as the sale of a security (howsoever named), financial service or investment product and/or (ii) where participation in token distributions is prohibited by applicable law, decree, regulation, treaty, or administrative act (including without limitation the United States of America and the People's Republic of China); and to this effect you agree to provide all such identity verification document when requested in order for the relevant checks to be carried out.

The Company, the Distributor and the MatrixETF team do not and do not purport to make, and hereby disclaims, all representations, warranties or undertaking to any entity or person (including without limitation warranties as to the accuracy, completeness, timeliness, or reliability of the contents of the Whitepaper or the Website, or any other materials published by the Company or the Distributor). To the maximum extent permitted by law, the Company, the Distributor, their respective affiliates and service providers shall not be liable for any indirect, special, incidental, consequential or other losses of any kind, in tort, contract or otherwise (including, without limitation, any liability arising from default or negligence on the part of any of them, or any loss of revenue, income or profits, and loss of use or data) arising from the use of the Whitepaper or the Website, or any other materials published, or its contents (including without limitation any errors or omissions) or otherwise arising in connection with the same. Prospective acquirors of MDF should carefully consider and evaluate all risks and uncertainties (including financial and legal risks and uncertainties) associated with the distribution of MDF, the Company, the Distributor and the MatrixETF team.

**MDF Token:** MDF are designed to be utilised, and that is the goal of the MDF distribution. In fact, the project to develop the MatrixETF platform would fail if all MDF holders simply held onto their MDF and did nothing with it. In particular, it is highlighted that MDF:

- (a) does not have any tangible or physical manifestation, and does not have any intrinsic value (nor does any person make any representation or give any commitment as to its value);
- (b) is non-refundable and cannot be exchanged for cash (or its equivalent value in any other digital asset) or any payment obligation by the Company, the Distributor or any of their respective affiliates;

- (c) does not represent or confer on the token holder any right of any form with respect to the Company, the Distributor (or any of their respective affiliates), or its revenues or assets, including without limitation any right to receive future dividends, revenue, shares, ownership right or stake, share or security, any voting, distribution, redemption, liquidation, proprietary (including all forms of intellectual property or licence rights), right to receive accounts, financial statements or other financial data, the right to requisition or participate in shareholder meetings, the right to nominate a director, or other financial or legal rights or equivalent rights, or intellectual property rights or any other form of participation in or relating to the MatrixETF platform, the Company, the Distributor and/or their service providers;
- (d) is not intended to represent any rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss;
- (e) is not intended to be a representation of money (including electronic money), security, commodity, bond, debt instrument, unit in a collective investment scheme or any other kind of financial instrument or investment;
- (f) is not a loan to the Company, the Distributor or any of their respective affiliates, is not intended to represent a debt owed by the Company, the Distributor or any of their respective affiliates, and there is no expectation of profit; and
- (g) does not provide the token holder with any ownership or other interest in the Company, the Distributor or any of their respective affiliates.

Notwithstanding the MDF distribution, users have no economic or legal right over or beneficial interest in the assets of the Company, the Distributor, or any of their affiliates after the token distribution.

To the extent a secondary market or exchange for trading MDF does develop, it would be run and operated wholly independently of the Company, the Distributor, the distribution of MDF and the MatrixETF platform. Neither the Company nor the Distributor will create such secondary markets nor will either entity act as an exchange for MDF.

**Informational purposes only:** The information set out herein is only conceptual, and describes the future development goals for the MatrixETF platform to be developed. In particular, the project roadmap in the Whitepaper is being shared in order to outline some of the plans of the MatrixETF team, and is provided solely for **INFORMATIONAL PURPOSES** and does not constitute any binding commitment. Please do not rely on this information in deciding whether to participate in the token distribution because ultimately, the

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# What's MatrixETF

## Introduction

Since the first American Exchange Traded Fund (ETF) was launched in 1993, the development of ETF has come a long way. Nowadays, investors are generally aware that ETF is an indispensable financial tool. As of the end of October 2020, the amount of index products worldwide is about \$10 trillion, and it is estimated that it will exceed \$12 trillion by 2023.

In contrast, the development of ETF in cryptocurrency market is still in an embryonic stage, and it began to take shape with the rise of DeFi.

In 2020, the cryptocurrency market has a new development opportunity. With the rise of DeFi projects represented by COMP, YFI, UNI and AAVE, the value of Token has been improved by means of Mining, AMM, Farming and Aggregators. It makes the cryptocurrency market is no longer a single spot trading stage and gradually forms the base currency represented by BTC and ETH, public chain ecosystem represented by ETH, BSC and SOL, DeFi ecosystem represented by COMP, YFI, UNI, AAVE and Sushi, and NFT ecosystem represented by Flow, MANA, ENJ and CHR, the whole market and ecosystem are gradually getting matured.

The cryptocurrency market has transitioned from the spot trading and mining stage to the DeFi + Farming stage, and the crypto ETF has come out.

With the boom of DeFi, an increasing number of market participants start to focus on the cryptocurrency market. But for those newcomers, the market is not so friendly. Users need to not only screen out potential and valuable targets from many projects, but also face various complicated processes such as wallet use, smart contract screening, high gas handling fee, etc.

For ordinary investors, the simpler the investment, the better. They have the opportunity to participate without being proficient in the complex operations. Therefore, the value of ETF index investment gradually appears.

In fact, index investment does not need users to know too much about specific assets, but an overall understanding of the industry is needed. Anyone can allocate their assets to the index products, such as ETF or mutual fund, so as to obtain to a variety of asset portfolios. This is undoubtedly a "HODL".

Despite crypto index products may be few in number and the differences between them are small, the index products of DeFi have been emerging in the past few months. In the meantime, with the rise of liquidity mining, many token indexes provide additional benefits for liquidity providers (LP). Therefore, by becoming the LP of the DeFi index, a user may potentially outperform simply holding DeFi tokens. This makes crypto index one of the most attractive investment opportunities in DeFi.

In the traditional financial market, the amount of ETF products is dozens of times that of the stock market. We strongly believe that with the development of the cryptocurrency market, the crypto ETFs will grow up and become the mainstay of the cryptocurrency market.

## MatrixETF

MatrixETF is the next generation of decentralized ETF platform supporting cross chain.

Its aim is to assist users in constructing for themselves a decentralized, automated, personalized and diversified cross chain ETF portfolio to lower the bar for ordinary users to access the cryptocurrency market, and help them obtain diversified strategic exposure through a logistically convenient process, so as to achieve long-term stability.



MatrixETF Project Intro

# Vison

Inclusive finance is a concept of financial services proposed by the United Nations in 2005, which means the public has equal access to responsible and sustainable financial services. Inclusive Finance aims to provide financial services and products to help low-income population, integrate the whole population into the economy system, and reorganize various financial services to meet their needs.

However, according to the World Bank Report, there are still 2 billion people in the world who do not have access to formal financial services, accounting for 38% of the world's adults. Another 73% of the poor could not have bank deposits because of the cost of opening an account, geographical restrictions, personal beliefs, and other difficulties. So, a third of the population in the world is still excluded from the formal financial system. The unbalanced development of finance can lead to the polarization of wealth, and even social unrest.

The introduction of crypto network and decentralized finance provides possibilities for improving the operation mode of the financial system, which can eliminate the geographical limitations of the traditional financial system to the greatest extent and seek permission. However, we must admit that the whole cryptocurrency market is still in a relatively primary stage, and the DeFi finance is not suitable for everyone.

There are high requirements for ordinary people:

1. They need a lot of professional knowledge and skills, including blockchain technology, transaction process and wallet creation, etc.
2. The high volatility of the encryption market means that they need to spend a lot of time to track the trend and direction of the cryptocurrency market on a regular basis.
3. On-chain transaction needs the higher gas fee and longer wait time, and the trading and transfer process are complex.
4. There are numerous blockchain projects in the market, many of which are frauds and manipulations, so it is required that investors have a strong capability of investment.

These requirements limit the opportunity for ordinary people to enter the cryptocurrency market and participate in the DeFi, making the DeFi a luxury for a small minority group.

We believe that based on the diversity, operability and programmability of the DeFi

ecosystem, we can develop and combine the DeFi products in the market like building LEGO blocks, create more innovative financial products, form a strong interoperability between them, and better interact with other financial agreements with open license.

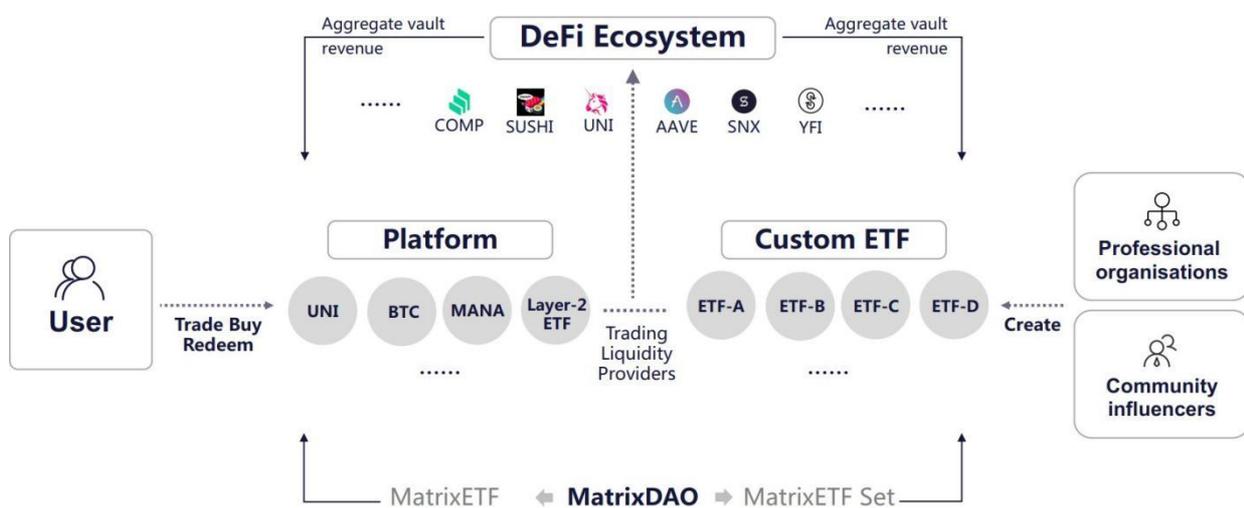
**The future belongs to every MatrixETF participant.**

# Products

## The Logical Design of MatrixETF

MatrixETF is the next generation of decentralized ETF platform supporting cross chain. According to the overall performance of cryptocurrency market, MatrixETF will launch a series of conceptual ETFs to track the quality tokens in blockchain industry and DeFi.

The Logical Design of MatrixETF, as shown in the following figure:



MatrixETF Logical Design

MatrixETF platform is managed by MatrixDao, which is a decentralized community autonomous organization. MatrixDao launched several lead conceptual ETF funds as the foundation of platform startup, and then gradually transited to community autonomy to jointly determine the construction and implementation of ETF products. The ultimate goal is to let community members make their decisions independently of the development and future direction of the platform.

MatrixETF Set is an ETF-DeFi protocol, which can provide investment portfolio and trading services for asset issuers/KOL, asset managers and individuals. Through this agreement, any user can create an ETF of cryptocurrency, receive capital injection from other users, and participate in the DeFi to generate returns.

Meanwhile, most ETF products on MatrixETF are supported by a basket of encrypted assets, which can be subscribed and redeemed at any time. These encrypted assets will participate in the interaction based on the DeFi ecosystem, such as Compound lending, Uniswap liquidity mining, etc., and generate Vault returns, which will be returned to the users holding ETF products and bring additional income to them.

## Matrix DeFi Index Set(MDI)

Matrix DeFi Index(MDI) is a kind of capitalization-weighted index fund, which is composed of the best DeFi protocols in the cryptocurrency market (including UNI, SUSHI, AAVE, SNX, MKR, COMPYFI, CRV, GRT, etc.), and can track popular DeFi assets in the whole cryptocurrency market.

MDI issues shares according to market share and real capitals, which means that each MDI share is supported by the underlying encrypted assets and can be subscribed and redeemed at any time.

In the traditional financial world, ETFs or index funds provide more freedom and choice for ordinary users. We believe that in the cryptocurrency market, MDI allows a greater diversification of risk and gains the better returns through diversified asset allocation of DeFi.

For new investors, MDI provides a perfect introduction and investment opportunity to DeFi if they are lack of understanding of the market volatility and numerous DeFi projects.

Meanwhile, by subscribing MDI, users can greatly save the gas fee of Ethereum and other public chains, and only pay once to gain encrypted assets including multiple tokens.

## Subscription

There are many ways to subscribe MDI fund, investors can free to choose:

- ◆ Uniswap, Sushiswap and other DEX
- ◆ MatrixSwap Platform
- ◆ The MINT function of MatrixSwap Platform

# Insurance

The fund issuance on MatrixETF platform is mainly through MINT components. Generally, there are three ways to issue MDI:

1. Transfer to ETH, USDT and other basic assets to mint in exchange for MDI fund shares;
2. According to the ratio of MDI fund composition, a basket of DeFi tokens is provided to mint MDI fund shares;
3. A single DeFi asset is minted in exchange for MDI fund shares

## MDI Fund Asset Ratio:

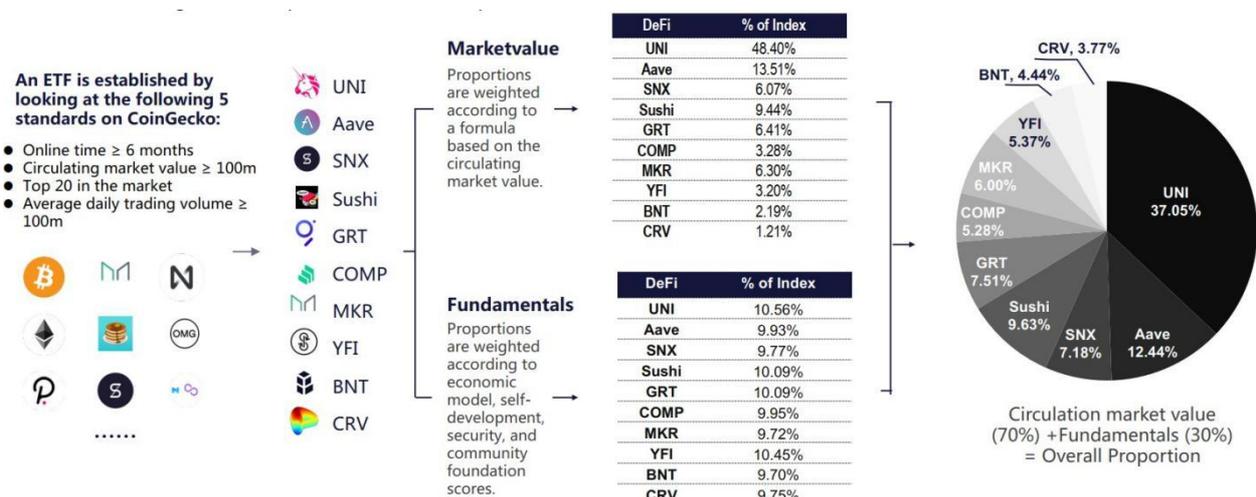
MDI fund is composed of hot DeFi projects in cryptocurrency market, including UNI, SUSHI, AAVE, SNX, MKR, COMP, YFI, BNT, CRV, GRT, etc.

MatrixETF adopts the fundamental weighted method, which is weighted by 70% of the circulation market value and 30% of the fundamentals.

The price and circulating supply of each token are obtained through CoinGecko and CoinMarketCap, and the circulation market value is determined by multiplying the price of each token by the circulating supply.

When considering the fundamentals, it will be analyzed from the economic model of the token, the development of the project, the security of the agreement, the transaction risk of the token, and the community foundation (please see the "Standards of an ETF" below).

The figure below is an illustration of MDI:



The index will be re-weighted on the first day of each month. When the market value of MDI fund exceeds \$10M, the number and proportion of tokens corresponding to each MDI fund will be updated simultaneously.

## Matrix Chain Index (MCI)

The formation of cryptocurrency market has been transitioned from BTC-directed market to BTC as digital gold, public chain and smart contract ecosystem jointly-developed market as well as commercialized DeFi application. The development and prosperity of technology and ecosystem of the underlying public chain will have a significant impact on the blockchain industry.

Matrix Chain Index (MCI) is a weighted index fund focusing on public chain ecosystem. It is composed of the best public chains (including BTC, ETH, DOT, ADA, FIL, SOL, etc.) in the cryptocurrency market, and can track the development and potential of public chain ecosystem in the whole cryptocurrency market.

Like MDI, the issuance of MCI is also supported by real encrypted assets, and each MCI share is supported by underlying encrypted assets, which can be subscribed and redeemed at any time. MCI is subscribed and issued in the same way as MDI.

## MCI Fund Asset Ratio:

MCI is composed of mainstream public chain projects in cryptocurrency market, including BTC, ETH, DOT, ADA, FIL, FLOW, SOL, NEO, etc.

DeFi	Circulating Supply	Token Price	Circulating Market Cap	Percentage
BTC	18,650,506	\$ 56529.32	\$ 1,054,300,421,836	40%
ETH	114,999,664	\$ 1749.28	\$ 201,166,612,242	20%
DOT	901,281,989	\$ 35.3304	\$ 31,842,653,184	12%
ADA	31,112,484,646	\$ 1.0602	\$ 32,985,456,222	7%
FIL	97,985,941	\$ 43.8783	\$ 4,299,456,515	4%
FLOW	23,301,002	\$ 35.3250	\$ 823,107,896	4%
SOL	16,350,633	\$ 14.1262	\$ 230,972,312	2%
NEO	70,538,831	\$ 39.1428	\$ 2,761,087,354	1%
Total				100%

MCI fund also adopts the fundamental weighted method, which is weighted by 70% of the circulating market value and 30% of the fundamentals. The following is the concerning data of MCI fund (as of March 13, 2021).

## Matrix Swap

Matrix Swap is the DEX trading stuff on the MatrixETF platform, which can be used to exchange and trade to add liquidity to ETFs and gain handling fees and mining rewards.

- Exchange and transaction between MDF and ETH, SOL
- Exchange and transaction between ETFs and MDF
- Exchange and transaction between a basket of tokens of ETFs
- Provide liquidity for trading pairs and gain handling fees and mining rewards

## Matrix Derivatives

With the improvement of MatrixETF functions, and the launch of ETF products and the

increase of its market value, we will expand more diversified encrypted asset allocation and functions, and provide a variety of possibilities and opportunities for community users. The preliminary plan is to launch some derivatives that are easy for users to understand and trade in the field DeFi derivatives, including:

- ♦ Simplified options
- ♦ Leveraged financial products
- ♦ Stable coins
- ♦ NFT: improve the liquidity and value of ETFs.

## Farming & Pool

Farming is an innovative way in the DeFi ecosystem. By mining, holders can gain income other than the token. Meanwhile, locking and mining can also effectively adjust the market supply and demand of the token. With the continuous expansion of TLV funds in Farming and Pool, it also represents the network value and market recognition of the platform.

Mining on MatrixETF platform includes two parts:

- ♦ Farming: to provide liquidity for MDF/ETH, ETFs and other trading pairs to gain handling fees, and participate in MDF mining by providing liquidity LP Tokens to make additional profits.
- ♦ Pool: to deposit in MDF and ETFs token to get usage incentives.

## MatrixETF Set

MatrixETF Set is the ETF-DeFi protocol on MatrixETF platform. Through this agreement, users can create a cryptocurrency ETF. It can be operated with tools provided by the platform (including DEX transaction, lending, Farming, governance, insurance, and various strategies, etc.) to attract other users to purchase/mint, and get a commission and other benefits.

MatrixETF Set aims to be the most trusted, secure and full-featured asset management infrastructure for users. It provides tools allowing asset issuers/KOL, asset managers and individuals to establish their own investment portfolios and access trading services.

With MatrixETF Set protocol, you can:

- Create an ETF portfolio: you can deploy a token on the platform without permission - an ERC20/SPL Token, which represents a tradable digital asset basket with smart contracts.
- Receive capital injection: users can mint Set in a variety of ways, including basic issue (by their own tokens) and NAV issue (mint with a single token).
- Trade: integrating with Uniswap, Sushiswap, and 0x allows Set to adjust Set allocation.
- Manage fees: Set creators can participate in fees management based on usage, such as fund management fee, handling fee, etc.
- Participate in protocol governance: use the token in the collection to vote on the protocol to participate in community governance.
- Participate in lending: get interests in the lending market, such as lending on AAVE and Compound.
- Participate in Farming: input liquidity pools (such as Uniswap/Sushiswap/Curve) to get interests from Sets.
- Trade with strategics: quantitative trading and portfolio investment by various trading strategies provided by the platform.

# Token Economy

## Token Type

### MDF

The native digital cryptographically-secured fungible token of the MatrixETF platform (ticker symbol **MDF**) is a transferable representation of attributed governance and utility functions specified in the protocol/code of the MatrixETF platform, and which is designed to be used solely as an interoperable utility token on the platform.

MDF is a functional utility token which will be used as the medium of exchange between participants on the MatrixETF platform in a decentralised manner. The goal of introducing MDF is to provide a convenient and secure mode of payment and settlement between participants who interact within the ecosystem on the MatrixETF platform, and it is not, and not intended to be, a medium of exchange accepted by the public (or a section of the public) as payment for goods or services or for the discharge of a debt; nor is it designed or intended to be used by any person as payment for any goods or services whatsoever that are not exclusively provided by the issuer. MDF does not in any way represent any shareholding, participation, right, title, or interest in the Company, the Distributor, their respective affiliates, or any other company, enterprise or undertaking, nor will MDF entitle token holders to any promise of fees, dividends, revenue, profits or investment returns, and are not intended to constitute securities in Singapore or any relevant jurisdiction. MDF may only be utilised on the MatrixETF platform, and ownership of MDF carries no rights, express or implied, other than the right to use MDF as a means to enable usage of and interaction within the MatrixETF platform.

MDF also provides the economic incentives which will be distributed to encourage users to contribute to and participate in the ecosystem on the MatrixETF platform, thereby creating a mutually beneficial system where every participant is fairly compensated for its efforts. MDF is an integral and indispensable part of the MatrixETF platform, because without MDF, there would be no incentive for users to expend resources to participate in activities or provide services for the benefit of the entire ecosystem on the MatrixETF platform. Given that additional MDF will be awarded to a user based only on its actual

usage, activity and contribution on the MatrixETF platform and/or proportionate to the frequency and volume of transactions, users of the MatrixETF platform and/or holders of MDF which did not actively participate will not receive any MDF incentives.

MDF is the governance token of MatrixETF. MDF holders can participate in community governance and provide input on what kind of ETF products MatrixETF creates, as well as investment direction and asset categories of ETFs, etc.

MDF is a token deployed on Ethereum and Solana blockchain network, and its maximum supply limit is 1,000,000,000 tokens.

## MDF Utility

MDF is the governance token of MatrixETF community, including the following usage scenarios and utilities:

- In order to promote decentralised community governance for the network, MDF would allow holders to create and vote on governance proposals to determine future features of the MatrixETF platform (the right to vote is restricted solely to voting on features of the MatrixETF platform; it does not entitle MDF holders to vote on the operation and management of the Company, its affiliates, or their assets or the disposition of such assets to token holders, or select the board of directors of these entities, or determine the development direction of these entities, does not constitute any equity interest in any of these entities or any collective investment scheme; the arrangement is not intended to be any form of joint venture or partnership).
- As the native platform currency, MDF may be used to buy ETF products/ETFs available on the MatrixETF platform.
- The MatrixETF platform itself is simply a blockchain protocol which, by design, does not offer any resources for utilisation, so to enhance access to MDF and promote ecosystem growth, users would need to be incentivised to play the role of liquidity providers and stake their digital assets into the decentralised market making pools to provide the necessary liquidity for transactions. As compensation for opportunity costs, these liquidity providers which help to promote adoption of the MatrixETF platform by staking or including assets to liquidity pools in exchange for LP tokens would be rewarded with MDF (i.e.

"mining" on the MatrixETF platform), according to each user's relative contribution after various adjustment and correction parameters.

- Usage mining: Users may receive MDF token incentives for a variety of actions of utilising MDF platform, for example creating their own ETFs or participate in ETFs.
- Usage of MDF to pay fees would entitle the holder to discounts on handling fees and other fees.

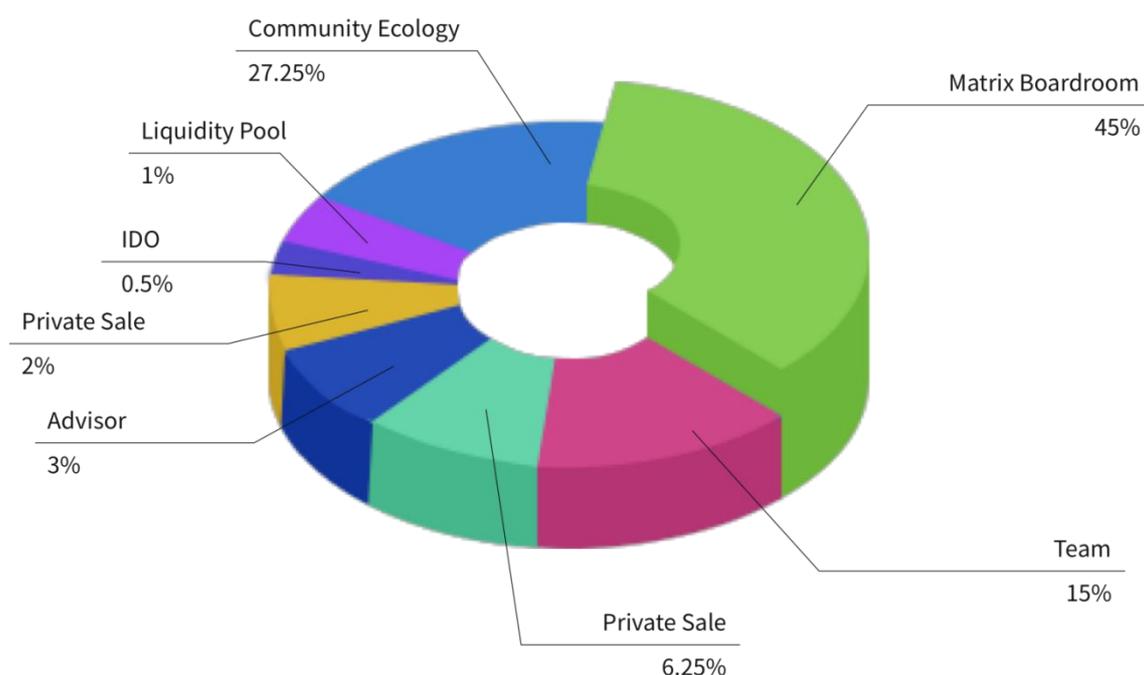
## Matrix Index

Matrix Index is a cryptocurrency index fund designed to track quality tokens in blockchain industry and DeFi finance. The index fund is weighted based on the market value of each token. There is a basket of token assets of the fund, allows a greater diversification of risk and gains the better returns through diversified asset allocation of DeFi.

## MDF Allocation

MDF is a token deployed on Ethereum and Solana blockchain network, and its maximum supply limit is 1,000,000,000 tokens.

MDF allocation includes the following parts:



- ◆ IDO (0.5%): initial issue in IDO.
- ◆ PE (6.25%): Unlock 10% before listing, and the remaining will be unlocked once a quarter, which will be completed within 1 year.
- ◆ PE+ (2%): Unlock 15% before listing, and the remaining will be unlocked once a quarter, which will be completed within 9 months.
- ◆ Team (15%): 20% will be unlocked after 6 months of listing, and the remaining 80% will be unlocked linearly over the next 24 months.
- ◆ Consultant (3%): 20% will be unlocked after 6 months of listing, and the remaining 80% will be unlocked linearly over the next 24 months.
- ◆ Liquidity pool (1%): to create DEX liquidity pool.
- ◆ Community ecosystem and operation (27.25%): including air-drop, community promotion, various activities or proposal awards, 6% of which are unlocked immediately after the listing, and 94% will be unlocked linearly in 4 years.
- ◆ Matrix Vault (45%): the spending on ecosystem development, maintenance and enhancement will be voted by Matrix DAO community, and unlocked within 4 years, including usage and liquidity mining rewards, ETF incentives, community activities, etc.

## Matrix Index

Matrix Index is a cryptocurrency index fund designed to track quality tokens in blockchain industry and DeFi finance. The index fund is weighted based on the market value of each token. There is a basket of token assets of the fund. The fund share can be subscribed and sold on MatrixETF platform. It can also be used to mint new fund share through a basket of tokens and redeem them.

Matrix index is the simplest way to participate in the DeFi finance, because users do not need to buy these DeFi tokens from exchanges. The index will be evaluated and adjusted once a month to weaken or eliminate the poorly performing tokens, add the weighted tokens with high quality, or add new DeFi tokens for balance, so as to reflect the overall trend of the cryptocurrency market as much as possible.

Meanwhile, by subscribing MDI product, users can greatly save the gas fee of Ethereum and other public chains, and only pay once to gain encrypted assets including multiple tokens.

## Types of Matrix Index Funds

They include the following types of index:

- DeFi leading ETF fund: MDI, tracking tokens in DeFi.
- Public chain index fund: MCI, tracking public chain ecosystem development in cryptocurrency market.
- Solana ecosystem ETF fund: MSI, tracking hot projects and potential projects in Solana public chain ecosystem.
- Stable coins fund: to balance the exposure of various stable coins, the main goal is to act as the stable coin and object of value measurement in MatrixETF ecosystem.
- NFT fund products: track the crypto games and NFT.

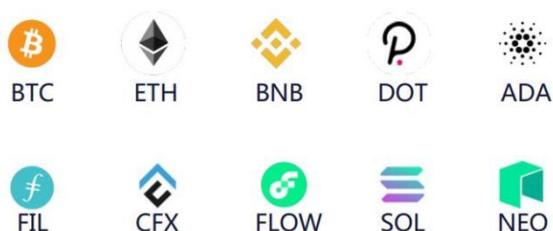
### Top DeFi ETF



### Layer-2 ETF



### Public Chain ETF



### NFT Game ETF



Some MatrixETF Indexes

At the same time, we will add and delete the index funds according to the development of the blockchain industry and the opinions and proposals of community users. If you have good suggestions or proposals, please contact us. If your proposal is accepted, you will receive MDF bonuses.

## MatrixETF Index Fund Standards

MatrixETF adopts the fundamental weighted method, which is weighted by 70% of the circulating market value and 30% of the fundamentals.

### Circulation Market Value

In terms of circulation market value, the price and circulating supply of each token are obtained through CoinGecko and Coinmarketcap, and the circulation market value is determined by multiplying the price of each token by the circulating supply.

The following table is an example of the market value ratio of MDI funds:

DeFi	Circulating Supply	Token Price (\$)	Circulating Market Cap (\$)	% of Index
UNI	519,857,388	31.16	16,197,040,681	48%
Aave	12,275,357	368.30	4,521,013,983	14%
SNX	106,061,984	19.14	2,029,686,975	6%
Sushi	156,541,312	20.18	3,159,128,909	9%
GRT	1,245,666,867	1.72	2,144,290,945	6%
COMP	2,561,279	427.93	1,096,048,122	3%
MKR	996,553	2114.54	2,107,251,181	6%
YFI	30,000	35657.25	1,069,717,500	3%
BNT	94,552,997	7.75	732,350,783.00	2%
CRV	200,408,156	2.03	406,267,414	1%
Total			33,462,796,493.00	100%

### Fundamentals Value

When considering the fundamentals, it will be analyzed from the economic model of the token, the development of the project, the security of the agreement, the transaction risk of the token, and the community foundation, these five standards will be used to screen the projects to be selected into the funds.

## Economic Model of Token

- ♦ The token must have a detailed allocation model
- ♦ The release of initial circulation and supply of token is reasonable
- ♦ The token must have practical use and intrinsic value
- ♦ Whether the number and distribution of token holders are appropriate or not, there is no risk of forced manipulation

## Development of the Project

- ♦ The project must be in the construction of useful agreements or products, not with the nature of Ponzi scheme, or entertainment gambling purposes.
- ♦ Whether the project has a clear roadmap and is implemented as planned.
- ♦ The project must have GitHub code, and submit it regularly.
- ♦ The project must have a product (beta version or official version), or a relatively complete product design.
- ♦ The agreement or product must have been released for at least 90 days.
- ♦ The ecosystem and application development of the project.
- ♦ The status of the agreement or project cannot be bankruptcy.

## Security of Protocol

- ♦ Whether the project has been audited by professional staff or well-known audit institutions to determine the security of smart contract and whether it can maintain the security of user assets.
- ♦ The number of days of smart contract/code operation and the number of transactions on the chain to reflect the level of smart contract.
- ♦ Whether the project has complete documents and risk mechanism plan. In case of safety accidents, the team must respond quickly to provide reliable solutions for the users and avoid property losses.
- ♦ The token must have sufficient liquidity on various trading platforms.

## Trading Risks

- ♦ If the market value of token is too small, it is easy to cause strong fluctuation of token price and the risk of manipulation.

- The volatility risk of token price is relative to the volatility of BTC/ETH.
- Whether it can be smoothly traded, whether it is listed on the leading exchanges, whether it has futures, options and other derivatives.
- Whether the liquidity, daily average trading volume and turnover rate of token are normal.
- The number and distribution of token holders.

### Project Community

- The project must have a more standardized community governance process
- Whether the project has established an international community (Twitter/telegram/facebook/Meduum/Discord, etc.)
- Data on the number of users, participation and daily user activity of the project community
- Whether the project has weekly journals, regularly release project progress, and actively communicate with community users.

The table below is an example of the proportion of fundamentals of MDI funds:

DeFi	Economic Model	Development	Security	Trading Risk	Community Foundation	Average	%of Index
UNI	8.5	9.5	9.0	9.5	9.8	9.26	10.66%
Aave	8.0	9.0	8.8	9.3	8.8	8.78	10.10%
SNX	8.2	8.6	8.5	9.0	8.5	8.56	9.85%
Sushi	9.0	8.5	8.6	8.2	9.4	8.74	10.06%
GRT	8.6	9.0	9.0	8.0	8.5	8.62	9.92%
COMP	9.0	8.8	8.4	8.8	8.6	8.72	10.03%
MKR	8.4	9.0	8.3	8.6	8.0	8.46	9.74%
YFI	9.6	9.0	8.8	8.7	8.8	8.98	10.33%
BNT	8.8	8.6	8.6	7.8	8.0	8.36	9.62%
CRV	9.2	8.5	8.5	8.1	7.8	8.42	9.69%
Total						86.9	100.00%

The following table is an example of the final proportion after taking the market value and fundamentals into consideration:

DeFi	Market Cap(70%)	Fundamental(30%)	Average	% of Index
UNI	48.40	10.66	59.06	29.53%
Aave	13.51	10.10	23.61	11.81%
SNX	6.07	9.85	15.92	7.96%
Sushi	9.44	10.06	19.50	9.75%
GRT	6.41	9.92	16.33	8.16%
COMP	3.28	10.03	13.31	6.65%
MKR	6.30	9.74	16.03	8.02%
YFI	3.20	10.33	13.53	6.77%
BNT	2.19	9.62	11.81	5.90%
CRV	1.21	9.69	10.90	5.45%
Total	100.00	100.00	200.00	100.00%

## Matrix Index Rebalance

According to the development of the cryptocurrency market and the operation status of the project party, Matrix Index will be maintained and adjusted on a monthly basis, including the weighted proportion of tokens, addition and deletion of new tokens, etc.

The process of Rebalance consists of two phases:

### 1. Confirmation:

This phase usually takes place in the fourth week of each month. At this phase, the details of the next reorganization will be discussed and determined, including:

- ◆ Whether to adjust circulating supply of funds
- ◆ Whether to adjust the token weighted proportion
- ◆ Whether to delete tokens or add new tokens
- ◆ Details of new tokens

## 2. Rebalance

The index and fund need to be adjusted according to the announcement after the end of the confirmation, in which the addition and deletion of related token and weighted proportion are completed in the first week of the next month.

# Community Governance

## DAO

DAO represents a decentralized autonomous organization, which gathers together for a mission and cooperates according to a series of rules on the blockchain.

The biggest advantage of DAO is that it is more transparent than traditional companies, and is easy to participate. With the development and popularization of blockchain technology, DAO has gradually become an emerging part of the DeFi (Decentralized Finance). Many communities now solve various problems through decentralized collaborative operations.

For MatrixETF, no one is responsible for MatrixETF. The development of MatrixETF is decided by the consensus of community voters. Anyone can contribute to a new proposal and existing proposals.

## MDF Governance

MDF token is the key to community governance of MatrixETF. MDF holders can participate in community governance and decision-making, including what kind of ETF investment products MatrixETF creates, investment strategies and asset classes of ETF funds, and improve the development direction of ETF and MatrixETF ecosystem. MDF enables holders to control their finance.

All decisions of protocols on MatrixETF are made by MDF holders. Users who hold MDF are the administrators of the system, and have the right to participate in the governance of the platform. MDF holders and applications based on MDF will continuously and automatically gain governance rights.

In the MatrixETF ecosystem, any administrator who meets the rules set by the system can initiate a proposal, and then vote to decide whether the proposal is passed and implemented. All MDF holders can initiate a proposal, which is reviewed by MatrixETF foundation or super nodes. After the proposal is approved, the community will vote publicly. All MDF holders can participate in the voting. The contents of the new proposal include important ecosystem components (including interest rate, introduction of new assets, handling fees,

etc.), major ecosystem development plans, etc.

As a decentralized DeFi platform, in order to make the project launch and operate as soon as possible, MatrixETF foundation will take the responsibility of community autonomy in the early stage, and then the community will take all decisions through the allocation of governance token.

As the platform completes the layout of ecosystem and runs in a decentralized way, the community will be responsible for the management of the platform and protocols. MDF holders can offer proposals to MDF protocol, or vote on the proposal, so that the "user" of the project is infinitely close to the "owner" of the project, further promoting the realization of decentralized governance, and solving the problems of blockchain governance: effective incentives and consensus.

Thus, MDF holders are responsible for all decisions about MatrixETF to achieve complete decentralized community governance. Notwithstanding, the MatrixETF platform will have limited voting functionalities at the beginning, but is intended to transition towards a decentralised, self-governing DAO in a legally compliant manner, in particular ensuring that MDF is not deemed in any circumstances to be a security or equity-like interest.

# Risks

The MatrixETF platform is currently in the initial development stages and there are a variety of unforeseeable risks. You acknowledge and agree that there are numerous risks associated with acquiring MDF, holding MDF, and using MDF for participation in the MatrixETF platform. In the worst scenario, this could lead to the loss of all or part of MDF held. **IF YOU DECIDE TO ACQUIRE MDF OR PARTICIPATE IN THE MATRIXETF PLATFORM, YOU EXPRESSLY ACKNOWLEDGE, ACCEPT AND ASSUME THE FOLLOWING RISKS:**

## 1. Uncertain Regulations and Enforcement Actions

The regulatory status of the MatrixETF platform, MDF and distributed ledger technology is unclear or unsettled in many jurisdictions. The regulation of digital assets has become a primary target of regulation in all major countries in the world. It is impossible to predict how, when or whether regulatory agencies may apply existing regulations or create new regulations with respect to such technology and its applications, including MDF and/or the MatrixETF platform. Regulatory actions could negatively impact MDF and/or the MatrixETF platform in various ways. The Company, the Distributor (or their respective affiliates) may cease operations in a jurisdiction in the event that regulatory actions, or changes to law or regulation, make it illegal to operate in such jurisdiction, or commercially undesirable to obtain the necessary regulatory approval(s) to operate in such jurisdiction. After consulting with a wide range of legal advisors to mitigate the legal risks as much as possible, the Company and Distributor have worked with the specialist blockchain department at Bayfront Law LLC and obtained a legal opinion on the token distribution, and will be conducting business in accordance with the prevailing market practice.

## 2. Inadequate disclosure of information

As at the date hereof, the MatrixETF platform is still under development and its design concepts, consensus mechanisms, algorithms, codes, and other technical details and parameters may be constantly and frequently updated and changed. Although this whitepaper contains the most current information relating to the MatrixETF platform, it is not absolutely complete and may still be adjusted and updated by the MatrixETF team from time to time. The MatrixETF team has neither the ability nor obligation to keep holders of MDF informed of every detail (including development progress and expected milestones) regarding the project to develop the MatrixETF platform, hence insufficient

information disclosure is inevitable and reasonable.

### **3. Competitors**

Various types of decentralised applications and networks are emerging at a rapid rate, and the industry is increasingly competitive. It is possible that alternative networks could be established that utilise the same or similar code and protocol underlying MDF and/or the MatrixETF platform and attempt to re-create similar facilities. The MatrixETF platform may be required to compete with these alternative networks, which could negatively impact MDF and/or the MatrixETF platform.

### **4. Failure to develop**

There is the risk that the development of the MatrixETF platform will not be executed or implemented as planned, for a variety of reasons, including without limitation the event of a decline in the prices of any digital asset, virtual currency or MDF, unforeseen technical difficulties, and shortage of development funds for activities.

### **5. Security weaknesses**

Hackers or other malicious groups or organisations may attempt to interfere with MDF and/or the MatrixETF platform in a variety of ways, including, but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing and spoofing. Furthermore, there is a risk that a third party or a member of the Company, the Distributor or their respective affiliates may intentionally or unintentionally introduce weaknesses into the core infrastructure of MDF and/or the MatrixETF platform, which could negatively affect MDF and/or the MatrixETF platform. Further, the future of cryptography and security innovations are highly unpredictable and advances in cryptography, or technical advances (including without limitation development of quantum computing), could present unknown risks to MDF and/or the MatrixETF platform by rendering ineffective the cryptographic consensus mechanism that underpins that blockchain protocol.

### **6.7. Other risks**

In addition, the potential risks briefly mentioned above are not exhaustive and there are other risks (as more particularly set out in the Terms and Conditions) associated with your participation in the MatrixETF platform, as well as acquisition of, holding and use of MDF, including those that the Company or the Distributor cannot anticipate. Such risks may further materialise as unanticipated variations or combinations of the aforementioned risks. You should conduct full due diligence on the Company, the Distributor, their respective affiliates, and the MatrixETF team, as well as understand the overall framework, mission and vision for the MatrixETF platform prior to

participating in the same and/or acquiring MDF.