



HEDGE Whitepaper
HEDGE: Where Blockchain Meets Hedge Funds
October 2024



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1. Revision history

Date	Version	Comment	Author	Notes
Jan 18, 2022	0.0.1	First cut	SS	Initial presentation of whitepaper
Jan 24, 2022	0.0.2	Review and suggested changes	JO	Scan for regulatory considerations
Jan 24, 2022	0.0.3	Accepted changes and review	SS	Added new graphics and diagrams
Aug 29, 2023	0.1.1	Reformat and changes	SS	Total review after consultations and research
Aug 30, 2023	0.1.2	Edit with suggested changes	JO	First edit and scan for regulatory considerations
Aug 31, 2023	0.1.3	Accept changes. Replace diagrams.	SS	Replace diagrams and new graphics
Sep 2, 2023	0.1.4	Accepted changes	JO	N/A
Sep 3, 2023	0.1.5	Further edits	JO	Minting and burning
Oct 10, 2024	0.1.6	Further edits	JO	Refine and update to all sections. Change of graphics.

2. Introduction to HEDGE

Introducing HEDGE, a revolutionary cryptocurrency token designed to reshape the way people engage with the world of finance. HEDGE tokens provide a unique opportunity to participate in a dynamic ecosystem that bridges the gap between the exclusive world of hedge funds and the innovation of blockchain technology.

The essence of HEDGE lies in its commitment to breaking down barriers and democratizing finance. HEDGE token users can potentially benefit from a targeted and diversified portfolio of hedge funds, allowing the user to seize opportunities that are normally reserved for the select few. With a focus on stability and growth, HEDGE offers a gateway to potential gains while managing risk. Whether global markets rise, fall, or fluctuate, HEDGE is designed to navigate these shifts intelligently, striving to optimize returns while managing risks.

Explore the future of finance with HEDGE, where traditional and digital finance converge to create new possibilities for crypto users seeking both security and opportunity in the ever-evolving financial landscape.

3. What are hedge funds

Hedge funds are a unique type of investment vehicle managed by experts aiming to earn higher returns for their members. They have the ability to employ complex and unique strategies that can potentially lead to big profits, but also come with higher risks. What makes hedge funds powerful is their ability to use advanced tactics like betting on both rising and falling prices and leveraging their assets to maximize their returns. This can lead to significant gains but also increased risk and requires deep financial knowledge.

Due to their complexity and higher risk profile, hedge funds are not open to regular individuals. Most hedge funds demand a substantial amount of money to get started, and due to their complexity only allow highly experienced professional investment managers to participate. That's why they tend to be accessible only to very wealthy individuals and big institutions who can afford the higher entry costs and understand the intricate strategies. This exclusivity is designed to protect less experienced individuals from the higher risks and complexities involved.

4. How HEDGE tokens work

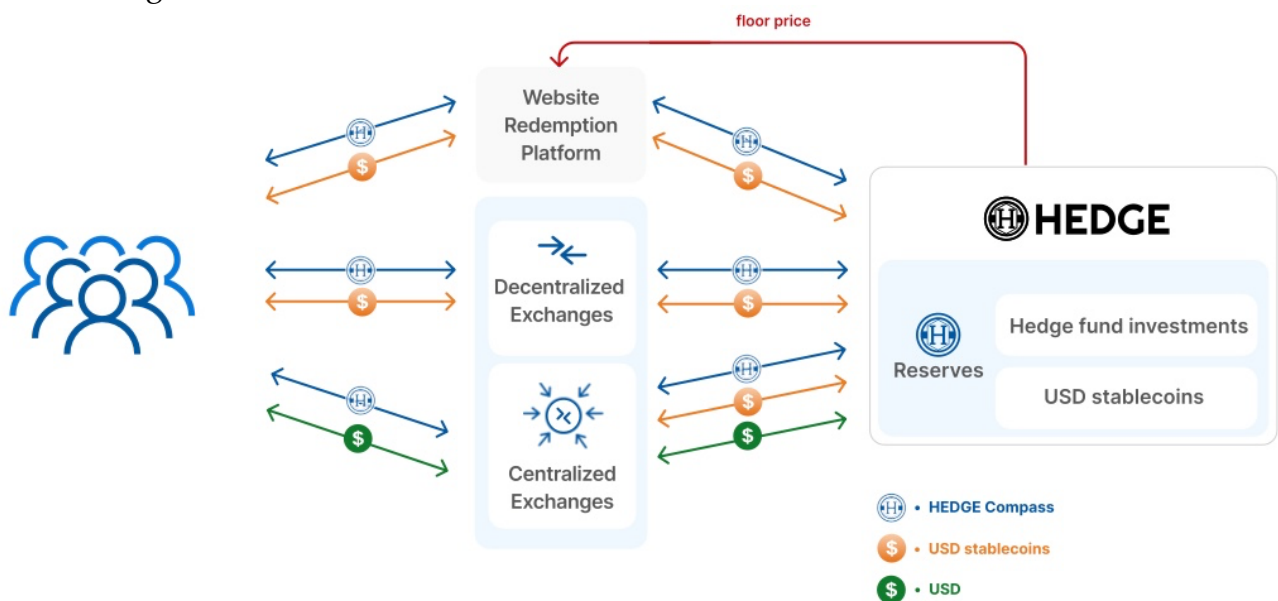
HEDGE tokens introduce a fascinating blend of stability and opportunity within the cryptocurrency space. These tokens are acquired by exchanging stablecoins, such as USDT, ensuring a secure point of entry into the ecosystem.

When individuals purchase HEDGE tokens, the funds generated from these transactions are held in a dedicated reserve hosted by our treasury. This reserve functions as the bedrock for HEDGE tokens' inherent value proposition.

The mechanics of HEDGE tokens take a significant step forward as our treasury dynamically allocates these reserved funds into targeted and diversified portfolio of hedge funds each selected for their potential to optimize returns.

Hedge funds are often categorized into different groups or types. These groups reflect the different strategies and trading tools used by the hedge fund. Directional hedge funds for example, seek to profit from both upward and downward trending markets by using leveraged positions in an upward trending market and using their ability to borrow assets to make short positions in downward trending markets. Another example are arbitrage hedge funds which seek to exploit price differences of a particular commodity or asset in different markets around the globe. These price differences can be caused by several different factors including differing economic conditions or currency values.

Each HEDGE token will focus on one of these different categories by allocating the reserves of a specific HEDGE token into a dedicated portfolio of hedge funds specific to a particular category. For example, the first HEDGE token, HEDGE – Compass, will focus on directional hedge funds therefore all the reserves generated by the issue of HEDGE – Compass tokens will be allocated to directional hedge funds.



The exciting part lies in the determination of the floor price of HEDGE tokens. This value, presented in USD stablecoins, is intrinsically linked to the growth of the reserves. As the value of the portfolio of hedge fund assets held in reserves appreciates over time, the value of the HEDGE token will increase. This is because the floor price of the HEDGE token is calculated by dividing the value of the reserve by the number of tokens in supply. Since the number of tokens in supply cannot increase without increasing the value of the reserve, when the value of the reserve increases the floor price will increase.

In terms of accessibility and utility, HEDGE tokens offer a dual avenue. They can be actively traded on both centralized and decentralized crypto exchanges, allowing users to leverage market dynamics. Alternatively, HEDGE tokens can be redeemed through the HEDGE redemption terminal on the website, directly converting them into USD stablecoins.

To summarize, HEDGE tokens embody a unique fusion of stability and potential performance. By blending the stablecoin concept, the potential performance of hedge funds, and the utility of blockchain, HEDGE tokens introduce a unique avenue for crypto users where stability and

opportunity seamlessly coexist. As the reserves flourish and the floor price appreciates, users become part of an innovative journey into the future of finance and money.

5. Blockchain

HEDGE has chosen to launch on Ethereum and Binance Smart Chain (BSC) because of their popularity and the advantages they offer.

Ethereum's extensive network of miners and validators, combined with BSC's network of validators, ensures robust security, consensus, and decentralization across both platforms.

Ethereum's pioneering spirit and BSC's agility in adopting new features contribute to a combined ecosystem that fosters innovation, attracting developers to experiment and create groundbreaking applications. The strong communities associated with both Ethereum and BSC provide resources, collaboration opportunities, and support for developers and users alike, fostering growth and knowledge sharing.

Ethereum's user-friendly interfaces and BSC's integration with popular wallets and browser extensions collectively enhance accessibility and ease of use for both developers and end-users.

6. Tokenomics

Hedge-tokens will be sold and traded on existing DEX and CEX cryptocurrency exchanges. There are currently more than five hundred such exchanges. They can also be purchased or redeemed directly from our website with stablecoins such as USDT.

Fundamental to the concept of HEDGE is the floor price at which HEDGE will buy or redeem HEDGE tokens. The floor price is calculated as: -

$$\text{Floor price} = \frac{\text{Total reserves}}{\text{Number of tokens in circulation}}$$

The reserves comprise two main components: -

- 1) Holdings of hedge funds
- 2) Holdings of USDT

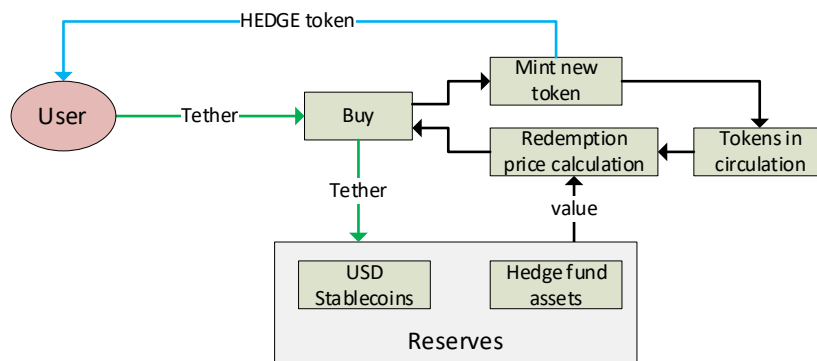
The ratio between USDT holdings and hedge fund holdings is carefully calibrated to optimize gains from hedge funds while maintaining equilibrium for efficient service of the redemption terminal on the website. This approach ensures that the floor price remains anchored to assets with high liquidity and growth potential.

While it is possible that tokens could be traded on exchanges for higher or lower prices due to some kinds of fluctuations, the HEDGE redemption price should be considered the authoritative

price because it is backed by reserves. Arbitrage traders as well as market makers should utilize the redemption terminal on the website should the exchange price deviate from the redemption price therefore ensuring that the exchange traded price doesn't deviate from the redemption price for any significant length of time.

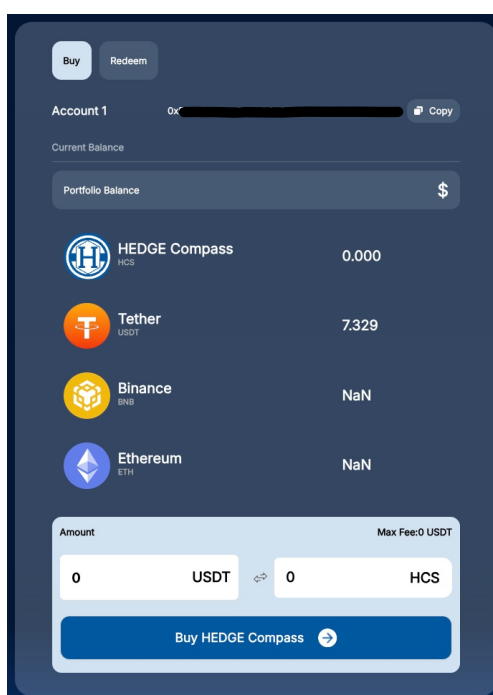
6.1 Buying HEDGE tokens

When a user purchases HEDGE tokens from the website the following sequence of events occurs as indicated in the diagram below



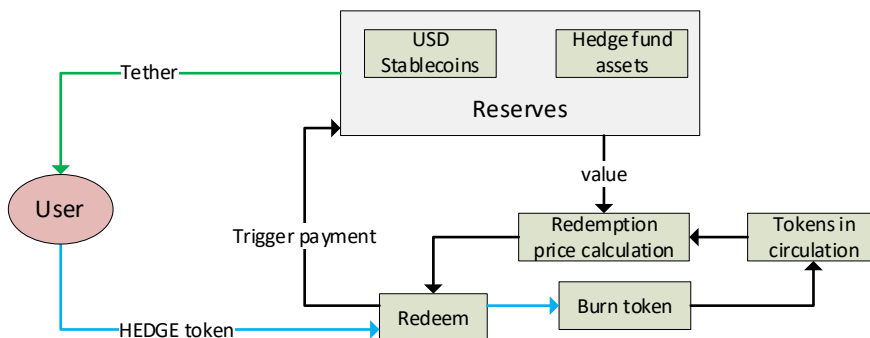
1. Users input the desired number and type of HEDGE tokens they wish to acquire.
2. The purchase price is computed in USDT using the floor price and a small transaction fee.
3. Tokens are generated and allocated to the user, thereby increasing the circulating token count.
4. The USDT provided by the user is secured in an escrow wallet. This USDT is subsequently distributed between hedge funds and locally held USDT, adhering to the previously mentioned ratio.

The buy function is easily available to users on the website after connecting their wallets. *See image below:*



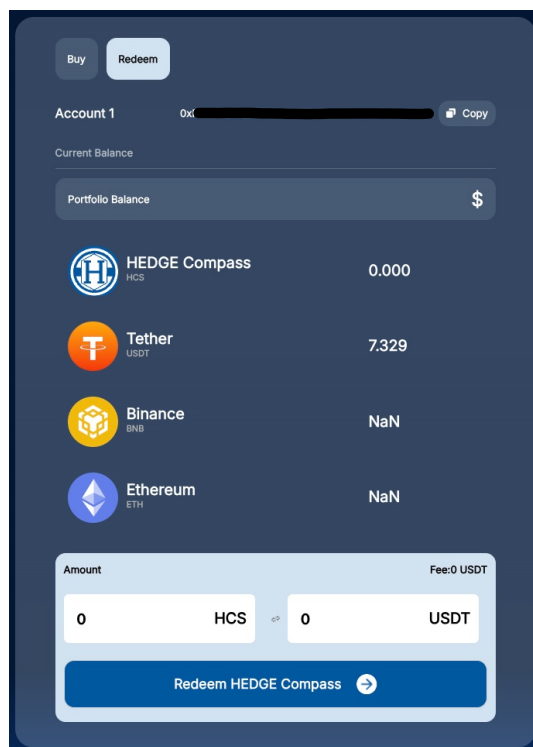
6.2 Redeeming HEDGE tokens

Redemption of HEDGE tokens is an important function to maintain the confidence of users. When a user redeems tokens the following sequence of events occurs as indicated in the diagram.



1. The user offers HEDGE tokens for the calculated redemption price.
2. The distribution wallet is triggered to pay the user in USDT.
3. The token is burned.
4. The tokens in circulation are updated accordingly.
5. The ratio of hedge fund holdings and locally held USDT are adjusted to restore the ratio.

The redeem function or redeem terminal is easily available to users on the website after connecting their wallets. *See image below:*



6.3 Minting

As shown in *Section 6.1*, the smart contract will mint new HEDGE tokens in exchange for selected USD stablecoins at the floor price. This ensures that the reserves grow in line with the floor price every time a new HEDGE token is minted and therefore maintain the floor price as new tokens are minted.

For the purposes of listing on exchanges and creating liquidity pools. The treasury can mint new HEDGE tokens in batches. These batches can then be excluded from the floor price calculation until such time as the tokens are sold and the treasury can deposit the funds raised into the reserves.

6.4 Burning

As shown in *Section 6.2* when users redeem their HEDGE tokens for USD stablecoins the HEDGE tokens are taken out of supply through a process of burning. This ensures that as funds are taken out of reserve, the supply of HEDGE tokens in circulation decreases proportionately and therefore maintain the floor price as tokens are redeemed.

As described in *Section 6.3* the treasury has the ability to mint tokens for the purposes of listing on exchanges. In the event that these tokens are not all sold, the treasury has the ability to burn the minted tokens. Burning of tokens can only be done with tokens held by the treasury.

7. How to get involved

HEDGE Compass tokens are available for users to purchase using USDT on the HedgeCoins.io website as well as on the UniSwap and PancakeSwap DEX exchanges.

Users can redeem HEDGE Compass tokens exclusively on the HedgeCoins.io website.

8. Disclaimer

The information provided in this document and other online materials does not constitute investment advice, financial advice, trading advice, or any other sort of advice. You should not treat any of the material's content as such.

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Hedge Holdings Limited strongly recommends that citizens in areas with government restrictions on cryptocurrencies do not purchase any HEDGE tokens because the company cannot ensure compliance with established regulations within certain territories. Always make sure that you comply with your local laws and regulations before you make any purchase.

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