



Blockforce Capital Proposal

Creation of a Private DeFi Fund Investing in the Vesper Finance Ecosystem

April 21, 2021

Summary

Hello Vespernauts,

To begin with, THANK YOU for building such a thriving community around a quality project. Platforms like Vesper create opportunities for investors to interact with DeFi and grow their wealth without the need for intermediaries.

That said — and despite Vesper's keen attention to quality and user experience — there are still many individuals and institutional investors who lack the scale, ability, or confidence to invest directly in Vesper or in *any* DeFi ecosystem.

Blockforce Capital would like to help bring even more attention and activity to Vesper by opening the door for new audiences. **In short, we propose the first-ever public-private partnership between a professional asset manager and a DAO.**

This will mostly likely take the form of an actively managed fund focused exclusively on investing in the Vesper ecosystem.

More detail follows.

Institutional Power, Community Energy

Blockforce Capital is a regulated investment advisor. But, even though the fund would be limited to accredited investors, it will be built in a way that is compatible with the Vesper ethos.

Benefits to the Vesper community and protocol include:

- increased exposure for the Vesper DeFi platform;
- increased capital invested in the Vesper pools and the Vesper governance token; and most concretely
- profit-sharing between Blockforce Capital and the Vesper DAO as described below.

Community Profit-Sharing Arrangement

In addition to creating the fund that will exclusively invest through the Vesper Finance protocol, the fund proposes a profit-sharing arrangement with the Vesper community that will return 25% of the fund's own management and performance fees back to vVSP pool participants. We seek to create a flywheel of benefits to the Vesper ecosystem and token-holders, directly by profit sharing and indirectly by incentivizing investment and staking within the protocol.

The proposed revenue-sharing method is as follows:

- **Revenue sharing:** 25% of the net revenues from fund management fees and profit incentive fees will be converted into VSP tokens. (These are fees above what the Vesper system charges today.) We will then send the VSP tokens to the vVSP pool for distribution to vVSP pool participants.
- **Transparency:** The fund will commit to using a third-party administrator to calculate all aspects of the fund. Reporting will be available to the Vesper Operations Committee (OpComm) on a monthly basis.
- **Timing:** The third-party administrator will calculate the net management fees and performance fees of the fund every month. 25% of these fees will be escrowed for payment back to the vVSP pool for distribution via the method above. Management fees are earned monthly, performance fees are accrued monthly but are only "crystallized" annually. All distributions will be paid within 15 days of the funds being available to Blockforce Capital Management. Everything will be made transparent to the Vesper OpComm for auditing.

Fund Structure and Strategy Description

The fund objective will be “to seek to achieve superior risk-adjusted returns by investing in digital assets and enhancing those returns by participating in Vesper pools, owning and staking VSP, and to a lesser extent, providing liquidity on decentralized exchanges for VSP.”

The fund will be an actively managed strategy, however, we are “quants” by nature so we invest based on a predefined methodology and ruleset. Without getting into too much detail, the portfolio allocation will be split amongst volatile growth assets (eg. VSP, ETH, and WBTC) and stable coins (e.g., USDC and DAI). The assets will be invested in Vesper Grow pools to earn additional returns. The fund will rebalance based on our proprietary quantitative asset ranking system and overall risk management framework. As rewards are earned from the pools those will offer rebalancing opportunities to bring the portfolio back in line with our target allocation.

Proposed Funding Request

Creating and launching a private fund comes with considerable expenses. Blockforce Capital proposes to work with regulators, administrators, lawyers, and auditors to develop, design, manage, and market the fund. In order to scale the fund to a breakeven level of profitability, Blockforce Capital is requesting a grant in the amount of \$100,000 USD, paid in whatever form is most appropriate. This grant will be budgeted in roughly equal parts to the following start-up expense categories:

- Setup and administration;
- 12 months of ongoing operations; and
- marketing and advertising.

We believe that over the first twelve months of operations, we can scale the fund to be self-sustaining and look forward to long and rewarding relationships within the Vesper community.

Accountability to Vesper Community

Because Vespernauts will be stakeholders in the fund, the general fund objectives and performance will be shared with the community, including management and performance fees, all investor updates, and any other resources such as webinars that are made available to direct investors. We will work with Vesper OpComm to ensure that information on the estimated monthly and annual fees will be distributed to the community. As management fees are actualized at the end of each month, we can show the amount distributed to the community, subject to independent verification in keeping with the ethos of a DAO.

We see this as an added benefit for those who may wish to gain insight from seeing the internals of fund management, general allocation methodology, position, sizing, etc. We believe very strongly in the power of community resource-sharing, whether that be financial or educational. We will learn from this experience as well and are very excited to go on this journey together.

Conclusion: A New Partnership Model for Increasing Adoption of DeFi

We feel that the spirit of this partnership may serve as a model for operating a public-private partnership between an asset management firm and a DAO such as Vesper Finance. While the notion of decentralized apps (dApps) and DAOs is relatively nascent, we feel this idea of building a fund focused entirely around decentralized protocols could act as an onramp to significant adoption from traditional investors who have yet to approach the decentralized ecosystem. We propose the term cApp (Centralized Applications, built on decentralized protocols with a profit-sharing reward structure) could prove to be an early and welcome tool leading to even more adoption of DeFi protocols by the traditional investment ecosystem.

We are eager to begin this partnership and look forward to comments or questions on other ways that we may work together.

About Blockforce Capital, LLC

Blockforce Capital manages the Blockforce Multi-Strat hedge fund and is led by CEO Eric Ervin. Eric is a member of the CFTC Technology Advisory Counsel, Virtual Currency Subcommittee, and has been named “as a top crypto pioneer” by *Business Insider*. The team at Blockforce is also supporting the roll-out of its sister company, [Onramp Invest](#), which is a FinTech SaaS platform that provides the ability for financial advisors to allocate directly to cryptocurrencies and decentralized finance assets on behalf of their clients.

The Blockforce Multi-Strat fund was [recently ranked sixth by Nomics](#) in its “Top Crypto Hedge Funds” real-time buyer’s guide to the best cryptocurrency hedge funds. In February, Barclay’s named us as fifth in their top ten, our 13th Top Ten Performance Award from them in the past 20 months. As of April 15, 2021, our Multi-Strategy fund is +230% YTD as opposed to our BTC benchmark which is +118% YTD.

Blockforce Capital’s mission is to create innovative, research-driven investment products and solutions to help minimize the effects of market noise and emotion on investment performance. We democratize the world’s best investing ideas by delivering institutional-grade investment strategies and unique market exposure opportunities. Our strategies are designed to enhance a wide range of investment concepts using quantitative analytical methods focusing on investment characteristics such as diversification, lower correlation, risk mitigation, or highly targeted market exposures.

Blockforce Capital is a private asset management company operating cryptocurrency hedge funds using a comprehensive set of strategies that seek to capture alpha and protect against drawdowns. We combine machine learning with large-scale computing assets across a large array of traditional and idiosyncratic data sets that we curate daily. We take a scientific approach towards asset management, our research process thrives on ideation and innovation, however, each strategy must be robust enough to meet institutional standards, each of our strategies and algorithms must go through a series of reviews prior to making it into the fund.

Additionally, we license strategies to third parties both public and private.

- Blockforce Multi-Strategy Fund [Presentation](#).
- March End of Month [Fact Card](#)
- Blockforce Capital Mid-April [Fund Update](#)
- Blockforce Capital [Website](#)
- [Articles and Writings by Blockforce Capital Team](#)
- Blockforce Founding Team formerly founded and recently sold the [Reality Shares ETF](#) business. Among other things, Reality Shares is known for being the first company to get a Blockchain Index ETF approved in partnership with Nasdaq, under the ticker, [BLCN](#).