

# ISONEX CAPITAL

Litecoin

Bitcoin

Ripple



**The World's First Tokenized Equal  
Weighted Digital Currency Index  
Fund**

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## IX15

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# IX15

## What is IX15?

IX15 leverages digital currencies' low correlation to stocks and bonds, and is purpose built to diversify investments from traditional asset classes heavily linked to general economic fundamentals. When properly employed in back-testing, IX15 enhanced the returns of a traditional stock and bond portfolio by a significant 20% over five years without compromising on risk.

## A "Self Funded" Token

As investors continue to shy away from the traditional token market, which is plagued by high risks, token sale scams, unrealized promises and cash-flow strapped projects. In contrast to traditional token issuers, Isonex Capital is self funded and has worked tirelessly over the past two years to deliver a fully developed IX15: World's First Tokenized Equal Weighted Digital Currency Index Fund.

With IX15, investors hold the top 15 digital currencies ranked by market cap (>75% of the crypto universe), re-balanced every 30 days. This means whatever happens to any individual digital currency, IX15 holders will always hold the top 15 upon each rebalancing.

*Your IX15 token has the following characteristics:*

- *net asset value (NAV) per token is calculated based on the net asset value of the underlying assets*
- *has intrinsic and verifiable value*
- *fully developed upon launch of Token sale*

Without having to hold individual instruments directly, each IX15 token has intrinsic value based on the value of the underlying investment portfolio as well as revenues generated by its holdings.

## IX15 Fund Token - A Simple Way to Enter The Digital Currency Market

- A proxy of the crypto universe
- Fully back-tested to ensure consistency and attractive risk return characteristics
- Intrinsic value derived from underlying holdings
- Smart contract transparency & security
- Floor price protection

# INTRODUCTION

According to coinmarketcap.com, there are over 2,000 digital currencies and growing. With the sheer number of coins available, between purchasing complications, numerous exchanges of questionable legitimacy, market volatility, security and so on, it can all become very perplexing for investors looking into this potentially lucrative market. While the digital currency market continues to offer enormous growth potentials and investment opportunities, it is certainly not without its unique challenges as a new and somewhat mysterious asset class of its own.

Isonex Capital seeks to alleviate the above challenges by introducing the world's first tokenized equal-weighted digital currency index fund – IX15. The Index Fund is a “**ready-to-go**” product, with **intrinsic value** (holdings in the top 15 digital currencies), tradable on day one of launch, with no lock up and vesting period.

This light paper is an abridged version of the Isonex Capital white paper. To put it simply, IX15 provides investors with a low-cost, low-risk way to enter the digital currency market by matching the performance of over 75% of the crypto universe by holding just one token.

Perhaps most compellingly, analysis shows that even a 1% allocation of IX15 helps enhance a traditional stock/bond portfolio's risk-adjusted returns by ~20% over the past five years through: 1) diversification from traditional assets linked to economic fundamentals, 2) diversification from within the digital currency market 3) a true and tested portfolio combination of top coins and rebalancing period, and 4) disciplined rebalancing strategy.

To fully appreciate the advantages of IX15, this paper will discuss the following key ideas in the following sections:

- **Benefits of a cryptocurrency index fund**
- **Benefits of equal weighted**
- **Identifying “optimal” number of coins and rebalancing frequency**
- **The power of 1% and the importance of rebalancing**

# BENEFITS OF A DIGITAL CURRENCY INDEX FUND

Index funds provide investors with a number of benefits that can simplify their portfolios, lower risk and enhance returns through:

- 1) **One-Stop Shop:** Investors can access 75 % of digital currency market capitalisation with one investment, providing a quick and easy way to implement an investment strategy.
- 2) **Simplicity:** Index funds aim to follow the performance of a set number of digital currencies with ONE TRANSACTION.
- 3) **Diversification:** Digital currency correlation with other asset classes are virtually nil, doubling down the benefits of diversification in any portfolio.
- 4) **Transparency:** For the Index Fund, a list of digital currencies held is available on the Isonex Capital website (<https://isonex.io/>) and updated daily.
- 5) **Lower Costs:** Without the need to employ analysts to pick investments, the cost of managing an index fund is therefore much lower than that of actively managed funds.
- 6) **Ease of Trade:** Digital Currency index funds can be bought and sold online on an exchange or directly withdrawn via the smart contract.
- 7) **Economies of Scale:** Because investors' money is pooled, dealing fees are lower. The annual fees for the Index Fund are conservatively set at 0.5% per annum.
- 8) **Liquidity:** Unlike traditional digital currencies, IX15 Tokens can be liquidated 24/7 directly via the smart contract regardless of exchange liquidity.
- 9) **Scheduled Automatic Investments (for token-sale investors only):** Token-sale investors may set up automatic investments to make it easier to stick to their investment plans.
- 10) **Proceeds from Staking:** Proceeds received from potential staking will be reinvested back into the Index Fund.

# BENEFITS OF 'EQUAL WEIGHTED'

Equal weighting is a simple idea: a token holder holds the same dollar value in each digital currency, representing an equal part of the value of the portfolio. This is a simple, smart beta investment approach that captures factor exposures using a systematic and rule-based approach.

It also aims to achieve returns higher than, or minimise risk relative to a traditional market-capitalisation weighted benchmark by avoiding the "size" bias.

Equal-weighted index performance has been achieved from:

- **Its inherent contrarian trading strategy**
- **Higher exposure to smaller coins with greater potential for growth over larger coins**
- **Its propensity to extract more returns over the long term compared with market cap funds**

Thaler and De Bont<sup>1</sup> (1985 & 1987) suggest that as markets “overreact” to unexpected and dramatic news events, contrarian strategy that buys past losers and sells past winners will outperform. The equal-weight strategy exploits short-term mispricing. It is this rebalancing process that is cited by Plyakha, Uppal and Vilkov<sup>2</sup> (2012) where an equal-weight portfolio captures its highest source of alpha.

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[1] <http://breeseFINE7110.tulane.edu/wp-content/uploads/sites/110/2015/10/Debondt-and-Thaler.pdf>

[2] [http://docs.edhec-risk.com/mrk/000000/Press/EDHEC\\_Working%20Paper\\_Equal-Weighted\\_Portfolio.pdf](http://docs.edhec-risk.com/mrk/000000/Press/EDHEC_Working%20Paper_Equal-Weighted_Portfolio.pdf)

# CONSTRUCTING IX15

## Identifying “Optimal” Number of Coins and Rebalancing Frequency

With the understanding of the benefits stemming from an equal-weighted digital currency index fund, the next obvious question is – how many coins should we consider and how often should the Index Fund rebalance to achieve the most favourable risk return profile?

Back-testing was carried out for different hypothetical equal-weighted digital currency index funds:

- Ranging from five to fifty coins in increments of five
- Rebalanced using weekly, fortnightly, monthly and quarterly frequency
- Over a five, four, three, two and one-year periods ending 15th February 2019

Simulations of equal-weighted index funds were performed and analysed using CAGR, Max Draw Down (MDD), Return Over Max Draw Down (RoMaD), Consistency, and Rolling Windows methodologies.

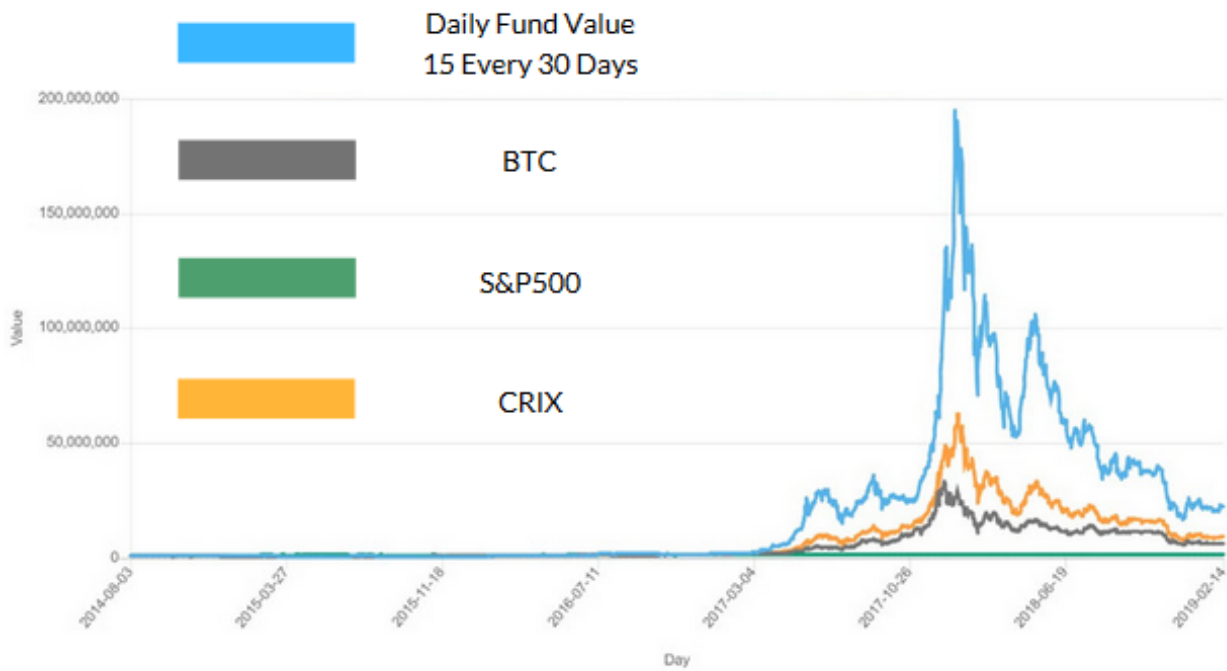
In order to interpret the results of the back-testing free from subjective influence, portfolio results were scored and ranked using the above measures. The table below summarizes the results of the top five ranked portfolios sorted by total points received by each portfolio.

- Rank 1st – 3rd = 3 points
- Rank 4th – 6th = 2 points
- Rank 7th – 10th = 1 point
- Rank 11th or above = 0 points

Coins	Days	Count of rank 1-3	Count of rank 4-6	Count of rank 7>	Sum of total score
15	30	63	6	1	70
10	30	48	8	2	58
15	14	18	12	12	42

The **15-coin equal-weighted portfolio rebalanced every 30 days** outperformed all other portfolios using consolidated results across all tested periods.

Relative to comparative portfolios both in digital currencies and in the stock market, the performance of the Index Fund is indeed impressive.





# THE POWER OF 1 %



When it comes to digital currency investing, a primary concern for traditional institutional and private investors alike centers on its relatively high volatility against traditional assets such as stocks and bonds.

With that in mind, the team conducted an intriguing analysis that investigated changes in risk–return characteristics of incorporating only 1% of IX15 tokens into a traditional 60/40 stock (Vanguard Total World Stock ETF) and bond (Vanguard Total Bond Market ETF) portfolio over a five and a half-year period (15th August 2013 – 15th February 2019).

The below table summarises the analysis under various assumed scenarios:

Portfolio #	Portfolio	Total Return (5.5 years)	Max Draw Down (5.5 years)	Daily Standard Deviation	Sharpe Ratio
1	Traditional 60/40	33.34%	-13.56%	0.5098%	2.94%
2	1% IX15 (with rebalancing)	54.31%	-12.71%	0.4051%	4.62%
3	1% IX15 (no rebalancing)	158.05%	-82.53%	2.0334%	2.99%
4	3% IX15 allocation	57.38%	-13.08%	0.4247%	6.02%
5	5% IX15 allocation	86.04%	-12.07%	0.4662%	6.96%
6	10% IX15 allocation	122.44%	-24.51%	0.6332%	7.84%



Portfolio 3 shows how an “inconsequential” 1% allocation of IX15 can dramatically impact a portfolio’s risk return profile. While total return of the portfolio shot up to 158.5%, maximum drawdown and daily standard deviation both reached an uncomfortable level of -82.53%, and 2.0334%, respectively.

Moreover, periods of dramatic rise in the digital currency market caused the original 1% allocation to peak at a whopping 89% of overall portfolio value, rendering this portfolio combination inappropriate for most investors.

Portfolio 2, however, is where the story becomes truly remarkable. **With a disciplined rebalancing methodology**, incorporating a 1% allocation of IX15 has the surprising combined effect of:

- 1) Enhancing total portfolio return from 33.34% to 54.31%
- 2) Maintaining broadly the same risk measures
- 3) Generating a more favourable Sharpe ratio of 4.62%
- 4) Limited the weight of IX15 tokens to a peak of only 4.62% from over 89% previously

Incorporating varying allocation of IX15 has an impact on a portfolio’s risk–return profile that may be suitable for investors of differing risk tolerance.

With an individually optimized IX15 tokens allocation, investors can still reap significant rewards offered by the digital currency market in the form of higher risk-adjusted return, provided investors follow a disciplined rebalancing strategy to ensure that allocations stay in line with target asset weights.

# SECURITY & SMART CONTRACT

Given the largely unregulated investment environment of the digital currency market and a record of scam ICOs, security remains a key concern that prevents many investors from entering the market.

Unlike the majority of ICOs where investors are buying into the promise of the future success of the venture, the IX15 token is a “ready-to-go” product with real underlying value (holdings of top 15 digital currencies), that will be tradable immediately upon the conclusion of the token sale with zero lock up or vesting period.

The IX15 smart contract also provides a transparent way to participate in the IX15 Token sale. The smart contract is the public ledger that tracks IX15 Token ownership. It runs on the Ethereum blockchain and is ERC20 compliant, allowing for interoperability across applications and exchanges that support this standard. It offers other features such as:

- **AI trade optimization**
- **NAV price-floor protection**
- **Liquidity via the smart contract**
- **Single private key**
- **Blockchain transparency**

Isonex Capital also maintains a slew of security measures that includes the following:

- **Cold storage**
- **Multiple hardware wallets**
- **Secret location**
- **Optimizing holdings across exchanges**
- **Business Continuity and Disaster Recovery Plans**

The security department will continuously seek to implement technical and organisational measures to increase the level of security and improve protection against cyber threats.

# INVESTMENTS & TOKEN ALLOCATION

The Index Fund will invest 97% of token-sale funds into the underlying digital currencies and the remaining 3% will be used for administrative expenses.

Deposits can be made in ETH or BTC at the USD equivalent amount of ETH at the markets rates of the day received.

## Token Allocation

100% token-sale participants

## Pricing Schedule

NAV per token

## Fund Allocation

97% purchase underlying assets  
3% admin fees

## Total Supply (USD)

Hard Cap: \$16.35m  
Available: 15m

# TIMELINE

## Research, Development and Testing

For the period November 2017 through to April 2019; research, development and testing were performed for the prospective Index Fund.

## Token Sale

Available for non IEO investors after first fund rebalance

## Fund Launch

Acquire underlying digital currencies and initiate rebalancing procedure, immediately at end of token sale

## Public Exchange Listing

List the token on a publicly traded exchange, +1 month.

## Fund Audit

Public audit of the Index Fund's holdings, +2 months.

## Reporting

Publish first quarterly report of the Index Fund's performance, +3 months.



# Isonex Capital

**isonex.io**