

SCIFI - SCIFI INDEX



Construction & Methodology

<https://scifi.finance/scifi>

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1. Introduction

1.1 SCIFI Index

The SCIFI Index (“SCIFI”) is an expert-curated, DAO-governed crypto index, represented by a single ERC20 token, designed as a representative, transparent and rules-based investment index for investors looking to get exposure to upcoming DeFi projects, Each vetted component is weighted by market capitalization, defined as price multiplied by outstanding supply.

Investor Benefits

- Best in class industry expertise – Best in class vetting of index constitutes by experts from the DeFi and CeFi space
- Diversification – improved risk/return characteristics compared to single crypto currency investments.
- Transparency – open-source NAV publication. Rules based, non-discretionary investment strategy with full disclosure to investors.
- Easy access – SCIFI will initially be offered as an ERC-20 smart contract tradable on Uniswap and other DEXes, to provide easy access for traditional investors. No need for investors to set up any crypto specific infrastructure for different tokens.
- No issuer risk – Net assets are held in an open-source, audited index smart contract.

2. Portfolio Construction

2.1 Constituent Assets

In order to determine the 14 portfolio constituents, we rank the evaluated and shortlisted assets by market capitalisation from largest to lowest. Market capitalisation is defined as price multiplied by the outstanding supply of coins at this point in time.

SPICE is a permanent governance constituent asset and has a fixed part of minimum 2.5% in the basket.

2.2 Weighting

Each constituent of the SCIFI is weighted by its market capitalization relative to the combined market capitalisation of all constituents. In order to avoid high exposures to any single constituent, we apply a cap of 30% to the weight of any single constituent.

If a constituent exceeds this threshold, its excess weight will be redistributed to all other constituents proportionately to their existing weights. This procedure is repeated until no constituent exceeds the cap.

3. Methodology

3.1 Calculating the Index Level

The index level for SCIFI is calculated by dividing the sum of the current USD market capitalizations of all constituent assets by the Divisor and multiplying the result by 100. This calculation can be expressed as follows:

$$\text{SCIFI} = \left(\frac{\sum_i (P_i * Q_i)}{D} \right) * 100$$

Where:

<i>i, ii,</i>	=	Each constituent asset
<i>P</i>	=	Last Price of the asset as defined in 3.3
<i>Q</i>	=	Total number of units of the asset that have been created on the asset's blockchain since the first block as defined in 3.4
<i>D</i>	=	The base value, after adjustment for all previous reconstitutions

3.2 Reconstituting the Index

SCIFI will be reconstituted each time that a new asset is listed on SCIFI, in order to allocate the correct weight to each constituent asset and to prevent an artificial increase in the index level. Each reconstitution will occur between the first and the fifth day that the new asset is traded on SCIFI. This is designed to reduce the effect of any temporary price volatility in the new asset in the first few trading days after its listing.

The index level can be calculated upon reconstitution by including the new asset when calculating the index level (see above), and updating the Divisor according to the following formula:

$$D_{t+1} = D_t \left(1 + \frac{VWAP_x \times Q_x}{\sum_i (P_i \times Q_i)} \right)$$

Where:

i, ii,... = Each constituent asset before the reconstitution

x = The new asset

P = Last Price of the asset as defined in 3.3

VWAP = Volume-weighted average price on available order book for the asset for the 120 hours ending immediately prior to reconstitution

Q = Total number of units of the asset that have been created on the asset's blockchain since the first block as defined in 3.4

D_t = Existing Divisor

D_(t+1) = New Divisor

3.3 Asset Price

For the purpose of portfolio construction, the price for each asset is defined as the moving average price of the last 2 minutes provided by data provider DIA. Prices will be sourced from a variety of crypto asset exchanges as detailed in section 5.

If trading is suspended for any reason, SCIFI will continue to be calculated based on the last traded price before trading was suspended. SCIFI will be calculated based on new traded prices once trading commences again.

3.4 Asset Supply

The supply of each constituent asset is defined as the total number of units that have been created since the first block on the asset's blockchain, adjusted by stated and/or validated burned, frozen or non-spendable coins/tokens and free-float adjustments.

Supply is mostly measured directly by querying a full node running on the blockchain of each constituent asset, maintained by our data. Further details can be found in section 5.

Unlike traditional assets, for digital assets it is difficult to objectively determine the number of units actually available for purchase by investors, because there is no record of identity of the owners or holders of each asset. Therefore, it is difficult to determine whether or not any particular unit of an asset is available for trading. For example, the private keys corresponding to the public address of those units could be lost or destroyed, meaning that these units are not available for trading. Therefore, SCIFI reflects total circulating supply with verifiable, published adjustments.

3.5 Divisor and Base Value

The Divisor is the USD market capitalization of all constituent assets as at December, 19 2020, subject to all previous divisor adjustments.

The index start date is December, 19 2020. This date represents the launch of SCIFI. The base value is equal to the market capitalization of the initial constituents at that time ,12:30 UTC, December 19 2020, meaning that the index level on that date was 100.

3.6 Publication

Free SCIFI live and historical pricing will be calculated and published at <https://api.diadata.org/v1/chartPointsAllExchanges/MAIR120/SCIFI>

4. Reconstitution & Methodology Change

4.1 Normal Reconstitution and Rebalance

The SCIFI is reconstituted and rebalanced monthly on the first business day following the 18th of each month. The period of one month has been chosen to ensure that developments in the fast-moving global crypto currency market are being captured timely and accurately.

The rebalancing operation of the SPICE governance token will be capped at a maximum price impact of 2.5% on the SPICE price, defined in line with 3.3 at the time of rebalancing. This aims to mitigate potentially high volatility and price impact arising from on-chain rebalancing operations, and help the SPICE community to grow long-term sustainable value. This might lead to a short to mid-term overallocation of SPICE in the indice, that is reduced in the long-term with growing AUM and indices based on SPICE.

4.2 Rebalance in case of Fork Events

Should a hard/soft fork event occur which affects a constituent of SCIFI, then the strategy will be reconstituted 7 calendar days after the initial listing of the forked currency, if it fulfils the SCIFI inclusion criteria of market capitalisation.

If a digital asset ceases to exist while it is a constituent of the SCIFI, then the SCIFI will use the latest available price for this constituent until the next rebalance date.

5. Current Constituent Assets and Data Sources ¹

Rank	Asset	Ticker	Price Data	Supply Data
1	SUSHI	SUSHI	https://api.diadata.org/v1/quotation/SUSHI	https://api.diadata.org/v1/supply/SUSHI
2	Perpetual Protocol	PERP	https://api.diadata.org/v1/quotation/PERP	https://api.diadata.org/v1/supply/PERP
3	Snowswap	SNOW	https://api.diadata.org/v1/quotation/SNOW	https://api.diadata.org/v1/supply/SNOW
4	Ferrum Network	FRM	https://api.diadata.org/v1/quotation/FRM	https://api.diadata.org/v1/supply/FRM
5	KeeperDAO	ROOK	https://api.diadata.org/v1/quotation/ROOK	https://api.diadata.org/v1/supply/ROOK
6	Superfarm	SUPER	https://api.diadata.org/v1/quotation/SUPER	https://api.diadata.org/v1/supply/SUPER
7	DIA	DIA	https://api.diadata.org/v1/quotation/DIA	https://api.diadata.org/v1/supply/DIA
8	Yf-DAI	Yf-DAI	https://api.diadata.org/v1/quotation/Yf-DAI	https://api.diadata.org/v1/supply/Yf-DAI
9	FTX	FTT	https://api.diadata.org/v1/quotation/FTT	https://api.diadata.org/v1/supply/FTT
10	SPICE	SPICE	https://api.diadata.org/v1/quotation/SPICE	https://api.diadata.org/v1/supply/SPICE

¹ As of May-20-2021

6. Divisor History

Date Added	Divisor adjustment	New Divisor
Dec-19-2020	n/a	9507172.247746756
Jan-19-2021	2469683.41117745	11976855.658924237
Feb-19-2021	3375644.46478307	8601211.19414113
March-19-2021	9810947.67231837	18412158.86645950
April-20-2021	3182993.38	15229165.485391052
May-20-2021	10634231.47	4594934.011731967

7. Index Committee Oversight

7.1 Membership

The SCIFI Index Committee initially consists of Mission Control, who is experienced in index creation and oversight. Further members will be onboarded depending on qualification and value addition for the maintenance of the index.

The SCIFI Index Committee meets once per quarter (and additionally if required in exceptional circumstances) via video conferencing. Announcements will be published on <https://scifi.finance>

7.2 Responsibilities

The SCIFI Index Committee is responsible for:

- Reviewing the accuracy and availability of data sources once per quarter.
- Reviewing calculations of the index level for anomalies once per quarter.
- Determining whether, in exceptional circumstances, the index level will be calculated or recalculated from different data sources. For example, if one or more data sources is unavailable for an extended period. In that case, the Committee will, if possible, use the USD-based spot exchange with the most volume over the past 30 days on the USD order book for each constituent asset.
Determining whether, in exceptional circumstances, it is necessary to recalculate the index level for a particular period - for example, if one or more data sources is discovered to be inaccurate.
- Determining whether, in exceptional circumstances, a change to the index methodology is required.

7.3 Changes to Index Methodology

If the SCIFI Index Committee determines that a change to the index methodology is required, a detailed explanation of the reason for the determination, the date of change, and the updated index will be published at <https://scifi.finance>.

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9. Non-scheduled Event History

9.1 \$Cover; 28-Dec-2020:

Update 28-December-2020 regarding \$Cover Exploit:

Due to an unexpected [technical breach](#) and value depreciation at Cover, in an emergency meeting mission control decided to implement a non-scheduled [liquidation](#) of all Cover into USDC to protect \$SCIFI investor interest.

\$Cover weightings and asset allocation will be replaced via a new constituent in the next scheduled rebalancing event. This methodology document will be updated accordingly.
