# Governance & Asset Strategy – V1

Contents

[Governance & Asset Strategy 1](#_Toc191577489)

[Chapter 1: Asset Allocation and Weighting Strategy 3](#_Toc191577490)

[Introduction 3](#_Toc191577491)

[Sector-Based Allocation 3](#_Toc191577492)

[Token Weighting Within Each Sector 4](#_Toc191577493)

[Weighting Industries (Sectors) by Market Cap 4](#_Toc191577494)

[Formula for Sector Weight Calculation: 4](#_Toc191577495)

[Example Calculation: Sector Weights 5](#_Toc191577496)

[Weighting Tokens Within a Sector by Market Cap 5](#_Toc191577497)

[Formula for Token Weight Calculation (Inside a Sector) 5](#_Toc191577498)

[Example Calculation: Token Weights in Core Hedera & Smart Contract Platforms 6](#_Toc191577499)

[Applying Sector Weights to Token Weights 6](#_Toc191577500)

[Formula for Final Token Weight in the Index Fund 6](#_Toc191577501)

[Example Calculation: Final Token Weights 6](#_Toc191577502)

[Example Allocation 7](#_Toc191577503)

[Key Takeaways 8](#_Toc191577504)

[Chapter 2: Governance and Voting Mechanisms 9](#_Toc191577505)

[Introduction 9](#_Toc191577506)

[1. Voting on Fund Management 9](#_Toc191577507)

[2. Voting on Token Weights Within Each Sector 9](#_Toc191577508)

[3. Voting on Moving a Token to a Different Sector 9](#_Toc191577509)

[4. Voting on Governance Mechanisms 10](#_Toc191577510)

[5. Voting on Fee & Revenue Allocations 10](#_Toc191577511)

[6. Safeguards Against Governance Manipulation 10](#_Toc191577512)

[Conclusion 11](#_Toc191577513)

# Chapter 1: Asset Allocation and Weighting Strategy

## Introduction

The Hedera Index Fund is designed to provide diversified exposure to the Hedera ecosystem by utilizing a **Market Capitalization Weighting** strategy. This approach ensures that assets are allocated based on their market value, while maintaining industry-level balance through sector caps. The goal is to create a structured and adaptable fund that mitigates risk, optimizes growth potential, and remains flexible to market fluctuations.

## Sector-Based Allocation

To achieve diversification, the fund is divided into **five key sectors**, each representing a distinct component of the Hedera ecosystem. Each sector is assigned a **weighted allocation** based on the total market capitalization of all tokens within it. However, to prevent over-concentration in any single sector, a **maximum cap of 40% per sector** is applied.

The five sectors included in the fund are:

1. **Smart Contract Platforms** – This sector includes Hedera's native asset (HBAR) along with wrapped versions of major blockchain assets, such as Wrapped Bitcoin (WBTC), Wrapped Ethereum (WETH), and Wrapped Avalanche (WAVAX). These assets provide foundational stability and high liquidity.
2. **DeFi & DEX Tokens** – Tokens that power decentralized finance (DeFi) and decentralized exchanges (DEXs) on Hedera, such as SAUCE (SaucerSwap), xSAUCE, HBARX, and HLQT.
3. **Stablecoins** – Hedera-native and bridged stablecoins like USDC, USDT, DAI, and HCHF. These provide price stability and liquidity to the fund, ensuring smooth transactions and rebalancing.
4. **Enterprise & Utility Tokens** – Tokens representing business applications, sustainability initiatives, and tokenized launchpads, such as Calaxy (CLXY), DOVU, and HeadStarter (HST).
5. **GameFi & NFT Infrastructure** – Tokens supporting gaming finance, NFT marketplaces, and entertainment ecosystems, including Tune.FM (JAM), Karate Combat (KARATE), HashPack (PACK), GRELF, and STEAM.

## Token Weighting Within Each Sector

Within each sector, individual tokens are **weighted purely based on their market capitalization**. Unlike traditional index funds that may impose caps at the token level, this fund allows **the largest tokens within each sector to receive the highest weight**. This method ensures that assets with strong market performance are proportionally represented in the portfolio.

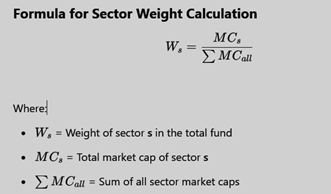
The formula for token allocation within a sector is:

This dynamic approach allows token weights to **naturally adjust over time**, reflecting real market trends while keeping sector allocations balanced.

## Weighting Industries (Sectors) by Market Cap

Each **sector's weight** in the total index fund is determined **by its total market capitalization** relative to the **total market cap of all sectors**.

### ****Formula for Sector Weight Calculation:****



Where:

* = Weight of sector **s** in the total fund
* = Total market cap of sector **s**
* = Sum of all sector market caps

### ****Example Calculation: Sector Weights****

|  |  |  |  |
| --- | --- | --- | --- |
| **Sector** | **Market Cap ($M)** | **Weight Calculation** | **Final Weight (%)** |
| **Core Hedera & Smart Contract Platforms** | 10,000 | 10,000/30,000 | **33.33%** |
| **DeFi & DEX Tokens** | 7,000 | 7,000/30,000 | **23.33%** |
| **Stablecoins** | 5,000 | 5,000/30,000 | **16.67%** |
| **Enterprise & Utility Tokens** | 5,000 | 5,000/30,000 | **16.67%** |
| **GameFi & NFT Infrastructure** | 3,000 | 3,000/30,000 | **10.00%** |

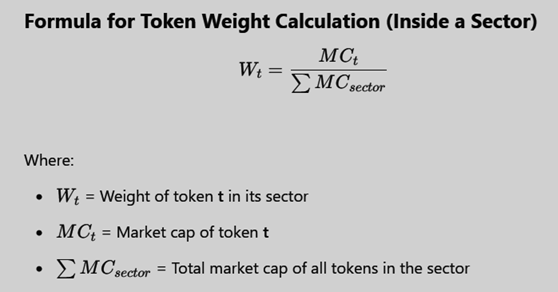
#### ****Total Market Cap of All Sectors**** = ****$30,000M****

Thus, the sum of all sector weights must **equal 100%**.

## Weighting Tokens Within a Sector by Market Cap

Once sector weights are determined, each **token within a sector is also weighted by its market cap** relative to the **total market cap of that sector**.

### ****Formula for Token Weight Calculation (Inside a Sector)****



Where:

* = Weight of token **t** in its sector
* = Market cap of token **t**
* = Total market cap of all tokens in the sector

### ****Example Calculation: Token Weights in Core Hedera & Smart Contract Platforms****

|  |  |  |  |
| --- | --- | --- | --- |
| **Token** | **Market Cap ($M)** | **Weight Calculation** | **Final Weight in Sector (%)** |
| **HBAR** | 8,000 | 8,000/10,000 | **80.00%** |
| **Wrapped BTC** | 1,000 | 1,000/10,000 | **10.00%** |
| **Wrapped ETH** | 500 | 500/10,000 | **5.00%** |
| **Wrapped AVAX** | 500 | 500/10,000 | **5.00%** |

#### ****Total Market Cap of Core Hedera Sector**** = ****$10,000M****

Each token’s weight in the **sector** must sum to **100%**.

## Applying Sector Weights to Token Weights

Now that we have **sector weights** and **token weights within each sector**, we calculate the **final weight of each token in the entire fund**.

### ****Formula for Final Token Weight in the Index Fund****

Where:

* = Final weight of token **t** in the entire index fund
* = Weight of sector **s** in the fund
* = Weight of token **t** in its sector

### ****Example Calculation: Final Token Weights****

|  |  |  |  |
| --- | --- | --- | --- |
| **Token** | **Sector Weight (%)** | **Token Weight in Sector (%)** | **Final Weight in Fund (%)** |
| **HBAR** | 33.33% | 80.00% | **26.67%** |
| **Wrapped BTC** | 33.33% | 10.00% | **3.33%** |
| **Wrapped ETH** | 33.33% | 5.00% | **1.67%** |
| **Wrapped AVAX** | 33.33% | 5.00% | **1.67%** |

For example, **HBAR’s final weight in the fund**:

This process **repeats for every token in every sector**, ensuring a **fully market cap-weighted index fund**.

## Example Allocation

Using estimated market capitalizations, the following is an example of how the fund is structured:

**Smart Contract Platforms (40%)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Token** | **Market Cap** | **Weight Within Sector** | **Final Fund Weight** |
| HBAR | $5B | 83.33% | **33.33%** |
| Wrapped BTC | $500M | 8.33% | **3.33%** |
| Wrapped ETH | $300M | 5% | **2%** |
| Wrapped AVAX | $200M | 3.33% | **1.33%** |

**DeFi & DEX Tokens (20%)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Token** | **Market Cap** | **Weight Within Sector** | **Final Fund Weight** |
| SAUCE | $35M | 70% | **14%** |
| xSAUCE | $5M | 10% | **2%** |
| HBARX | $5M | 10% | **2%** |
| HLQT | $5M | 10% | **2%** |

**Stablecoins (15%)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Token** | **Market Cap** | **Weight Within Sector** | **Final Fund Weight** |
| USDC | $50M | 33.33% | **5%** |
| USDT | $50M | 33.33% | **5%** |
| DAI | $25M | 16.67% | **2.5%** |
| HCHF | $25M | 16.67% | **2.5%** |

**Enterprise & Utility Tokens (15%)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Token** | **Market Cap** | **Weight Within Sector** | **Final Fund Weight** |
| Calaxy (CLXY) | $20M | 40% | **6%** |
| DOVU | $15M | 30% | **4.5%** |
| HeadStarter (HST) | $15M | 30% | **4.5%** |

**GameFi & NFT Infrastructure (10%)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Token** | **Market Cap** | **Weight Within Sector** | **Final Fund Weight** |
| Tune.FM (JAM) | $10M | 20% | **2%** |
| Karate Combat (KARATE) | $10M | 20% | **2%** |
| HashPack (PACK) | $10M | 20% | **2%** |
| GRELF | $10M | 20% | **2%** |
| STEAM | $10M | 20% | **2%** |

# 

# Governance and Voting Mechanisms

## Introduction

The Lynxify Index Fund is governed by a fully decentralized DAO, where community members propose and vote on changes. To ensure decentralization while preventing governance abuse, this chapter outlines the rules, constraints, and voting mechanics that govern the fund.

## 1. Voting on Fund Management

|  |  |  |
| --- | --- | --- |
| **Governance Area** | **Allowed Range** | **Voting Parameters (User Input)** |
| Rebalancing Frequency | Weekly – Bi-Weekly – Monthly-Quarterly | set\_rebalance\_frequency("weekly" | "bi-weekly" | "monthly" | “Quarterly”) |
| Stablecoin Allocation | 15% – 50% | adjust\_stablecoin\_allocation(user\_input%) |

## 2. Voting on Token Weights Within Each Sector

|  |  |  |
| --- | --- | --- |
| **Governance Area** | **Allowed Range** | **Voting Parameters (User Input)** |
| Max Cap Per Token | 20-70% of sector allocation | enforce\_max\_token\_cap(50%) |
| Redistribute Excess Weight | Auto-redistributed within the sector | auto\_redistribute() |

## 3. Voting on Moving a Token to a Different Sector

|  |  |  |
| --- | --- | --- |
| Governance Area | Allowed Range | Voting Parameters (User Input) |
| Reassign a Token to a Different Sector | Any token can be moved to another existing industry sector | move\_token\_to\_sector(token\_id, new\_sector\_id) |
| Minimum Quorum to Approve a Move | 25% of token holders must vote | set\_token\_move\_quorum(25%) |

## 4. Voting on Governance Mechanisms

|  |  |  |
| --- | --- | --- |
| Governance Area | Allowed Range | Voting Parameters (User Input) |
| Quadratic Voting Parameters | Adjust vote cost curve steepness | adjust\_vote\_curve("moderate" | "strong") |
| Proposal Submission Rules | 0% – 0.5% of circulating supply | set\_proposal\_requirement(user\_input%) |
| Quorum Requirements | 10% – 30% of total votes required to pass | set\_quorum\_requirement(user\_input%) |
| Execution Delay | 1 – 5 days | set\_execution\_delay(user\_input\_days) |
| Governance Change Cooldown | 6-month lock for major governance changes | keep\_6m\_cooldown() | remove\_6m\_cooldown (67% supermajority required) |
| Two-Round Approval for Governance Changes | Required for major voting rule changes | keep\_two\_rounds() | remove\_two\_rounds (67% supermajority required) |

## 5. Voting on Fee & Revenue Allocations

|  |  |  |
| --- | --- | --- |
| Governance Area | Allowed Range | Voting Parameters (User Input) |
| Lynxify Fee Percentage | 0.5% – 3% | set\_lynxify\_fee(user\_input%) |
| Pool Revenue Allocation | Always 100% reinvested | immutable\_rule (no\_vote) |

## 6. Safeguards Against Governance Manipulation

|  |  |  |
| --- | --- | --- |
| Governance Area | Allowed Range | Voting Parameters (User Input) |
| Supermajority Approval | 67% required for governance changes | Prevents small groups from altering governance rules |
| 6-Month Cooldown for Governance Changes | Prevents repeated manipulation | Ensures long-term stability |
| Two-Round Voting for Major Governance Changes | Ensures long-term community support | Prevents rushed decisions |
| Minimum Participation Requirement | 20% voter turnout required | Prevents unnoticed rule changes |
| Immutable Core Rules | Certain rules cannot be changed | Protects fundamental fund mechanics |

## Conclusion

This governance framework ensures full decentralization while keeping protection mechanisms in place to prevent manipulation.  
  
The community has complete control over fund mechanics within boundaries, allowing dynamic but secure governance. While still retaining the original ethos of diversification.