



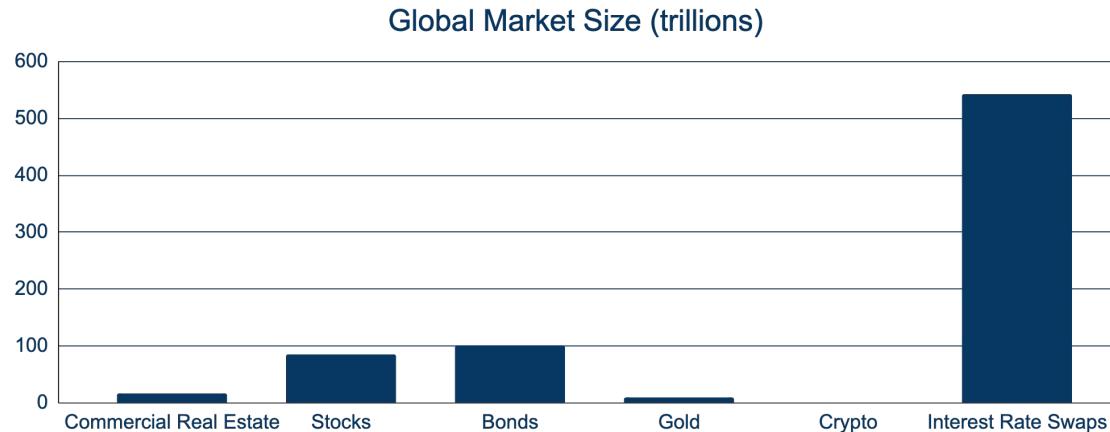
DefiHedge

Pre-seed financing investor deck

DefiHedge is the most efficient protocol in crypto for fixed-rate lending & interest rate swaps.

Traditional interest rate derivatives, which are used to manage lending risk or speculate on interest rate volatility, are a

\$524 Trillion Market.

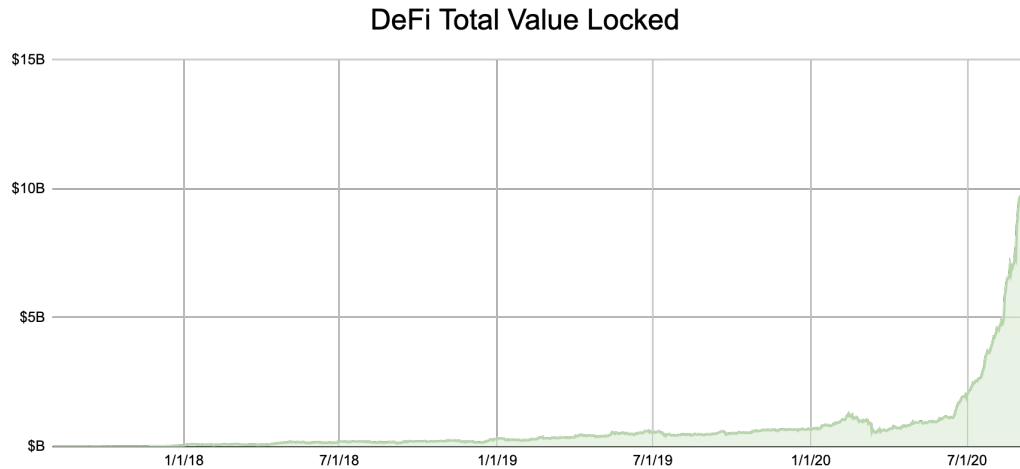


Source: The Bank for International Settlements 2020 annual economic report.

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DeFi is a system of financial contracts, built with immutable code and hosted on decentralized and permissionless public blockchains.

“**Yield farming**” has grown DeFi by **16x** over the last year and created a massive market worth **\$9.52 Billion**.



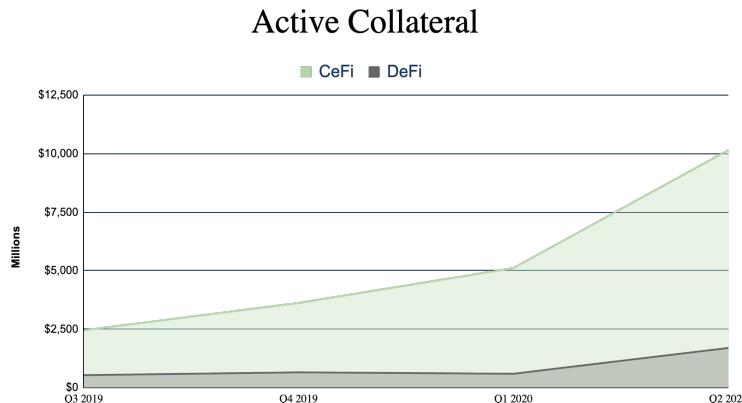
Source: DeFi Pulse total value locked in DeFi as of September 22, 2020.

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There is \$10B of value locked as collateral in CeFi and DeFi lending markets with \$5B of loans outstanding.

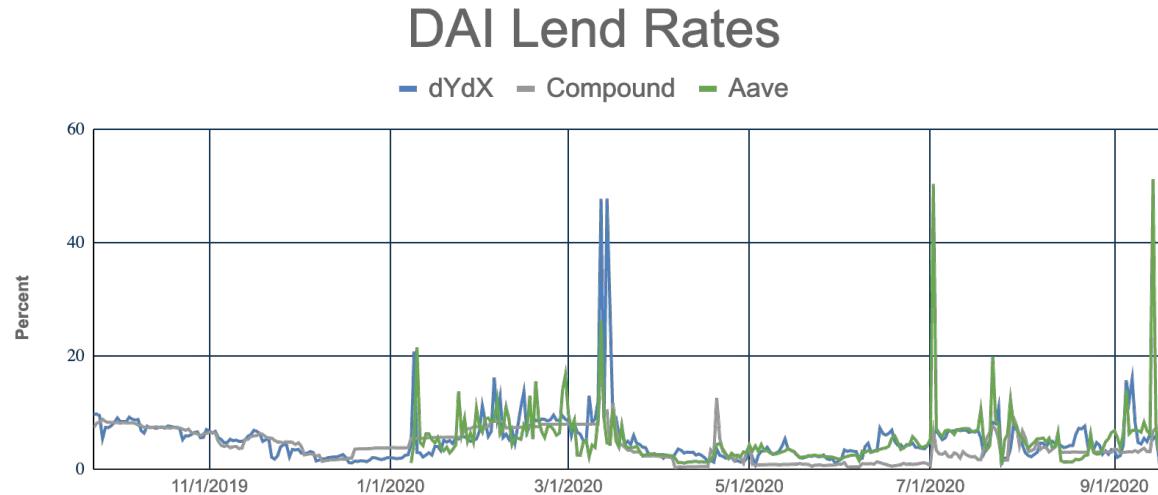
Both collateral and debt are growing at 100% q/q due to liquidity mining and increased DeFi activity.

That said, fixed-rate centralized lending still dwarfs DeFi.



DeFi lending has a problem today... interest rates are **floating**.

With the rise of liquidity mining and yield farming, rates have become even more **volatile**.



DefiHedge introduces a new symbiotic product into the DeFi ecosystem that simultaneously solves a major problem and creates a new opportunity.



Fixed Rate Returns

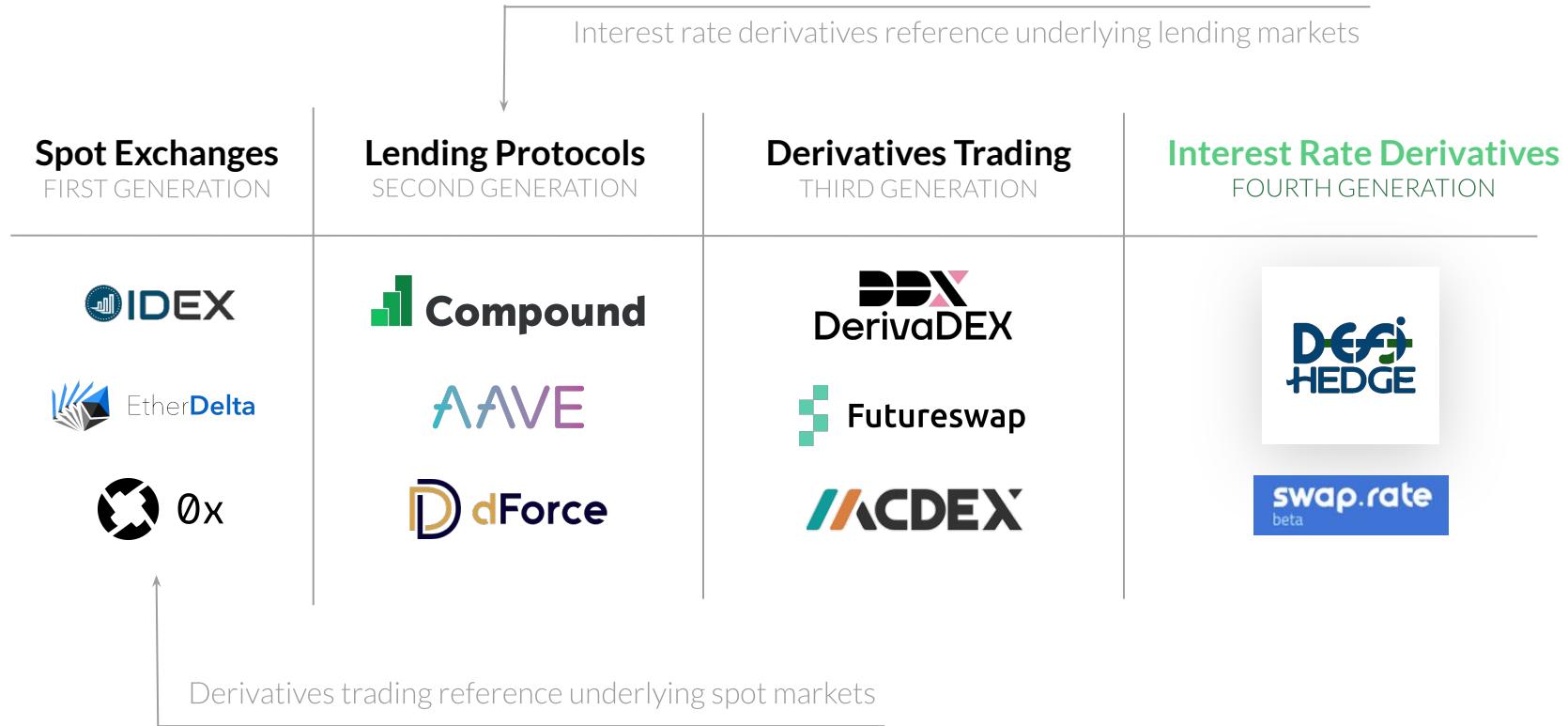
Variable rate lending services (e.g. Compound, Aave) allow those with surplus assets to put them to use, but only those with a high risk tolerance find the volatile rates these services offer to be acceptable. DefiHedge gives them a stable way to participate in DeFi.

Interest Rate Speculation

New protocols paired liquidity mining have the ability to change market dynamics quickly. However, currently there is no way for speculators to bet directionally on interest rates.



DeFi's Natural Evolution

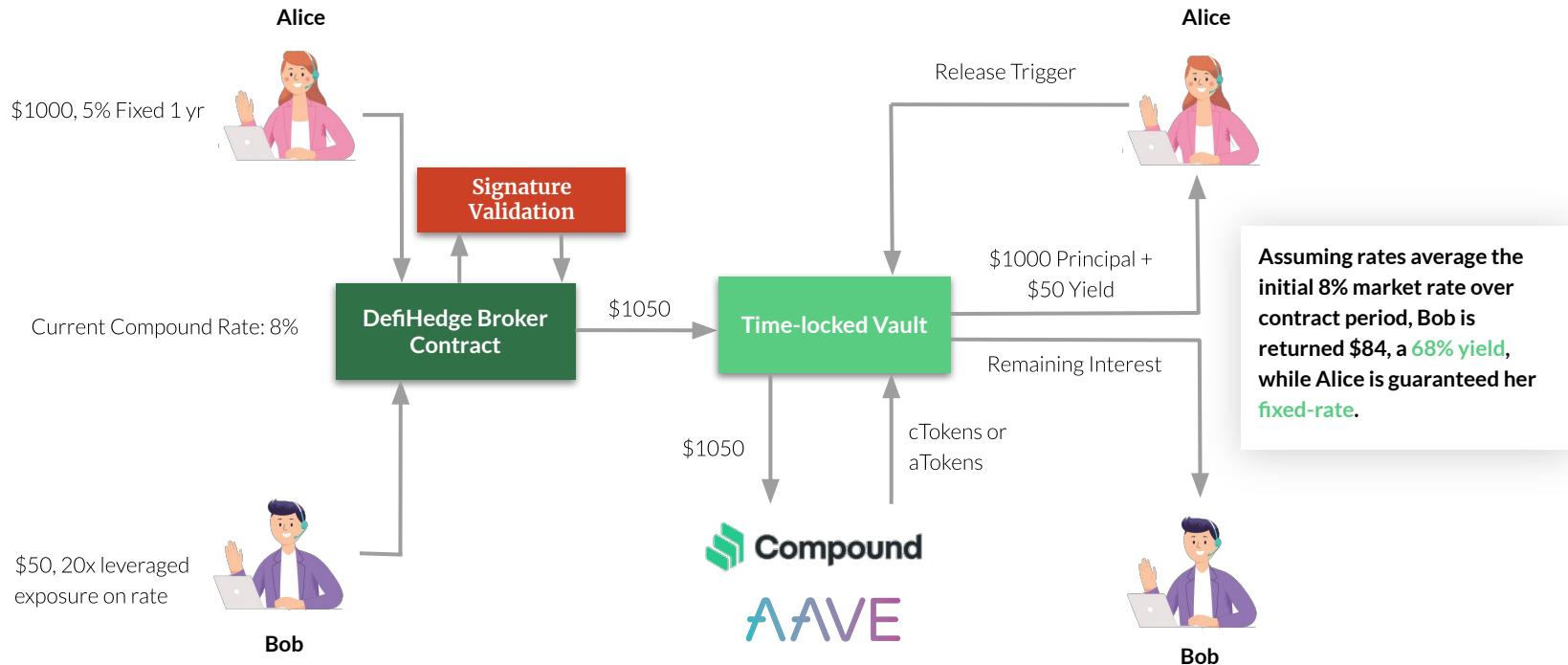


Target Users

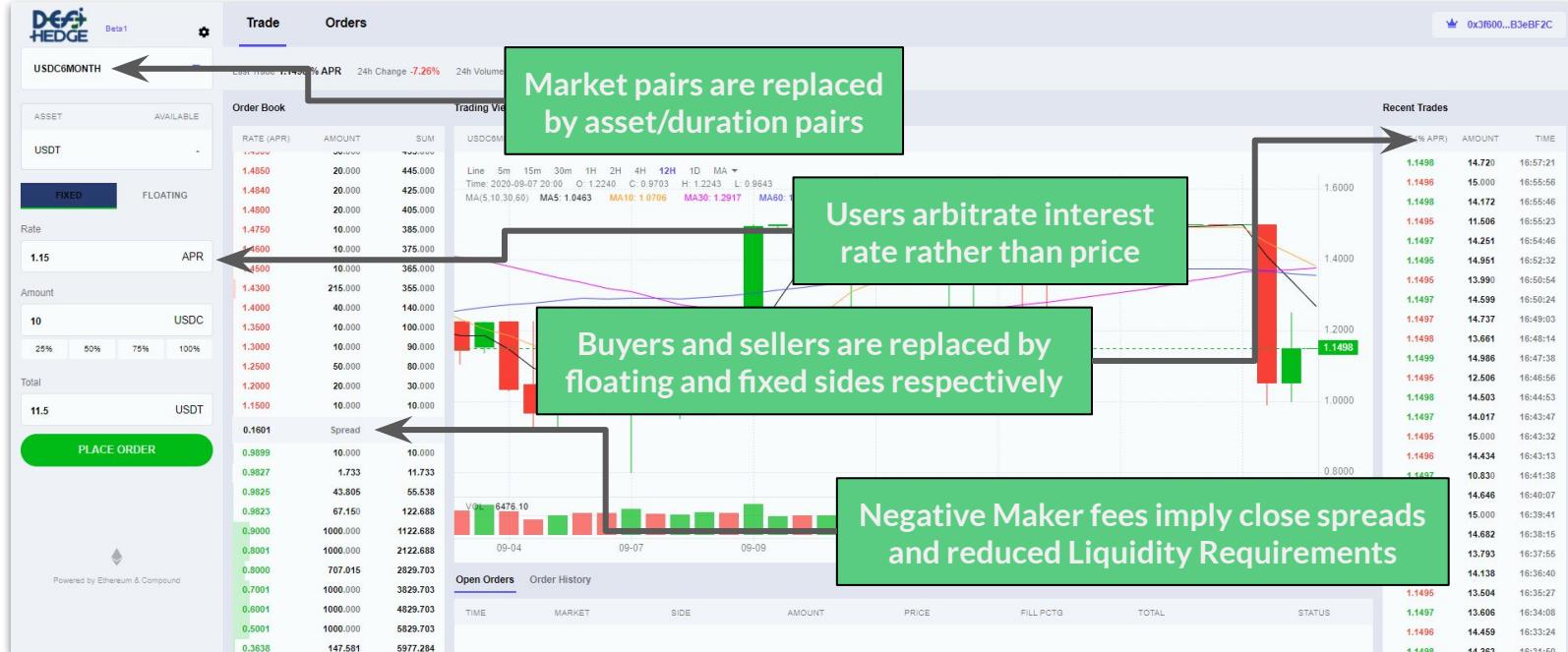
Using DefiHedge, lenders supplying to popular protocols like Compound and Aave can avoid volatility and **lock in a fixed yield**. “USD savings account” companies like Dharma, Spot, Linus, and PoolTogether, which currently use Compound, can use this to offer their users fixed rates.

On the other side of the trade, speculators can **make leveraged directional bets** on interest rates within Compound and Aave. With this added capability, existing borrowers on these protocols can use DefiHedge to hedge their interest rate exposure.

How DefiHedge Works



In addition to the protocol, DefiHedge has also built an exchange to facilitate transactions.



Lenders and traders demand
security.

To ensure system fidelity, all assets are custodied in smart contracts and there is no borrowing, ever. As such, there is no counterparty or liquidation risk at the DefiHedge layer.

Competition Overview

Fixed Rate Approaches in DeFi

Zero-Coupon Bond

Decentralized zero-coupon bond models allow users to collateralize their capital in return for a coupon that can be redeemed for a predictable price at maturity.

This construction allows users to buy/sell a fungible coupon and ensure a fixed yield based on the current coupon price on the open market.

Yield	
	

Direct Collateralized Swap

Direct collateralized swaps allow two users (floating trader & fixed lender) to match with one another and enforce a direct rate swap agreement at current market rate.

This construction allows lenders to directly receive a fixed-yield, reducing UX complexity and contract risk.

	
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Competition Overview

Why are Collateralized Swaps better than z-c bonds?

Zero-Coupon Bond

- High liquidity requirements (Lending, -Borrowing, Liquidation, Liquidity Provision)
- Necessitates slippage
- Requires multiple transactions for most use cases
- Use Case:** Zero-coupon bonds (specifically -Yield Protocol) are most well optimized for fixed-rate borrowing.



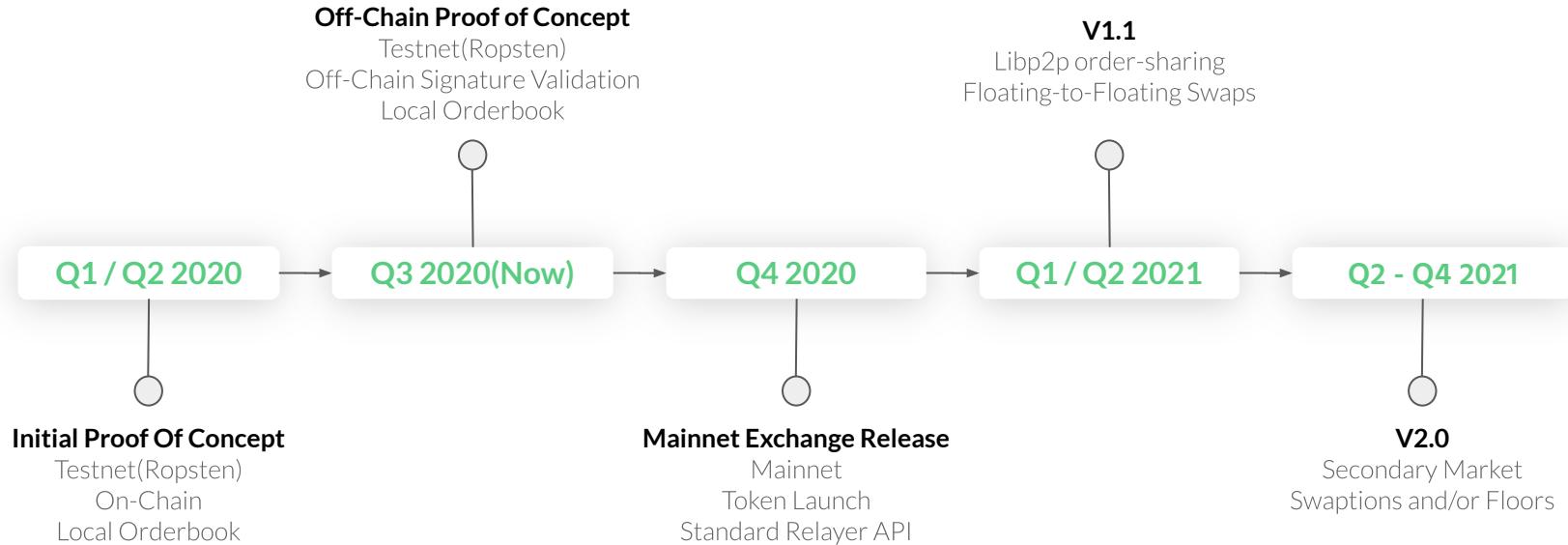
Direct Collateralized Swap

- No borrowing, liquidation or liquidity provision layer (lower liquidity requirement, lower contract risk)
- CLOB; less slippage and further reduces liquidity requirements
- Low transaction overhead
- Use Case:** Direct swaps provide the most efficient solution for floating-side swaps and fixed-rate lending. Direct swaps also enable borrowers of Compound/Aave to hedge their positions.



Roadmap

Current progress, Upcoming Milestones



Team

Julian Traversa

FOUNDER & CEO



Founder & Full-Stack, Nescience Software & Capital

3x ETH Global Hackathon Prize Winner

Gitcoin Kernel Genesis Fellow

Led development of Nescience's non-custodial crypto rebalancing & market-making tools

Hiring

3-4 positions

Funding from this round will go toward sourcing a co-founder and hiring for three open positions.

Front-end developer

Protocol developer

Full-stack/backend developer

Business Development Lead

Token Distribution Strategy

28% Early Investors

In order to provide true utility behind our token, early investors provide the capital, resources and guidance to fill a team and build a product before token launch.

40% Liquidity Providers

In order to both incentivize liquidity and decentralize ownership, we offer negative maker fees in the form of token distribution.

2% Compound & Aave Stakeholders

In order to attract liquidity and align the incentives of current liquidity providers, we plan to snapshot the activity of each given money market before our respective releases.

10% Developer Fund

In order to ensure sustainable development of the protocol, we have separated funds for future community developer compensation

10% Retained by DefiHedge

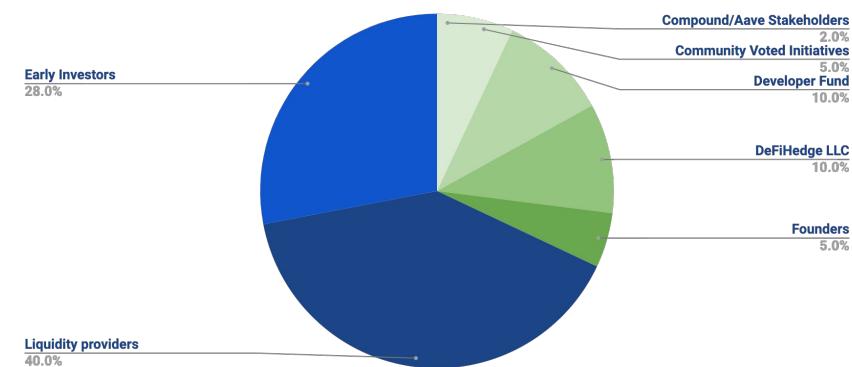
In order to fund any number of unforeseen expenses (particularly legal) we have also separated out organizational funding.

5% Founders

In order to push a more "fair" launch and retain founder incentives, we have limited the founder allocation to 5%.

5% Community Voted Initiatives

In order to ensure the sustainability of community initiatives and ensure a more altruistic ethos, we have earmarked funds for the community to commit towards initiatives such as third-party exchange interfaces, gitcoin grant rounds, etc.



Governance Decentralization

Negative Maker Fees

In order to ensure decentralized ownership and a community oriented protocol, we plan to distribute our governance token to users through negative maker fees.

Beyond decentralization, negative maker fees incentivize general liquidity and reduce slippage/spread as users compete to fill orders as makers.

Governance Proposal Parameters

- 0.5% of total token supply to submit a proposal
- 4% of total supply required to reach quorum
- 7 day voting period
- 3 day timelock delay on changes

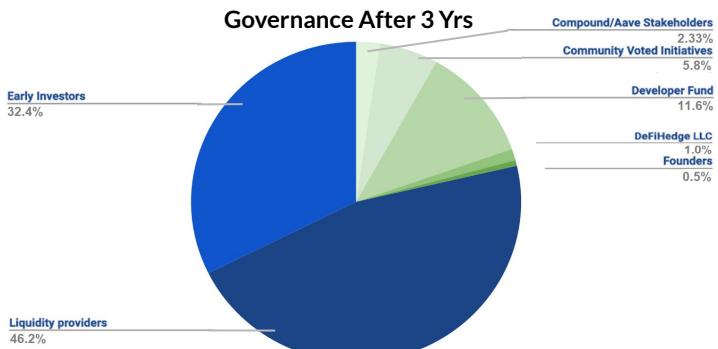
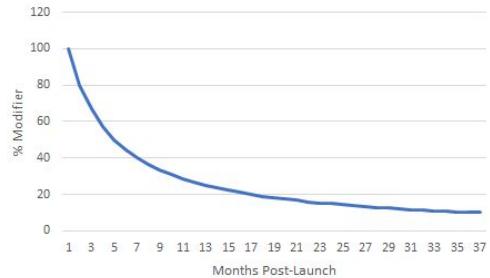
Founder Governance Curve

As a way to guarantee community stakeholder plurality, the voting power of wallets controlled by DefiHedge & its founders will be algorithmically reduced post token launch.

This ensures financial incentives remain aligned, without sacrificing the ethos of a truly “fair” launch.

$$\text{Voting Modulator} = \frac{\frac{100}{x}}{\left(\frac{x}{4}\right) + 1}$$

$x = \text{months - post - launch}$



Funding Round Strategy

Funding Goal

\$1M for 15% of the network, and thus a...

\$6.67M fully diluted network valuation

Primary Costs

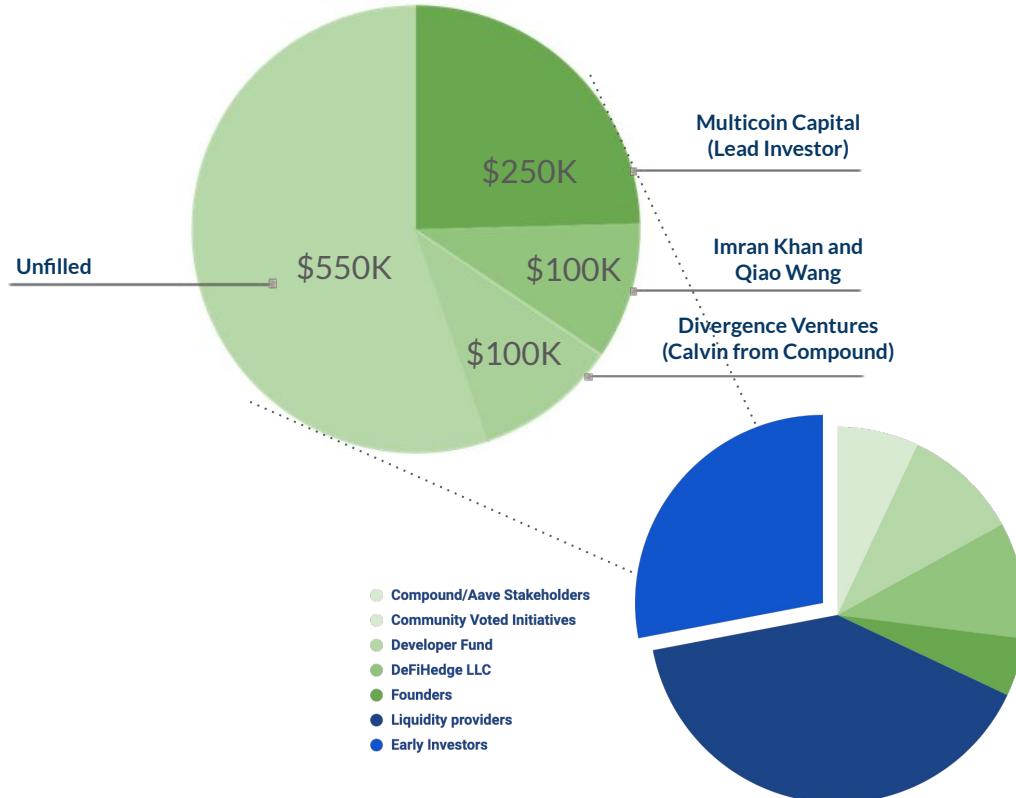
Frontend Developer (1) -
\$100-125K / year

Full-Stack Developer (1) -
\$110-150K / year

Solidity Contract Developer (1) -
\$110-140K / year

Legal Counsel & Cloud Hosting -
\$150K / year

Total (assuming high end of estimate) - \$565K / year





Defihedge.finance

Founder & CEO - Julian Traversa

JulianT@DefiHedge.finance