KOMET

A community-powered hedge fund

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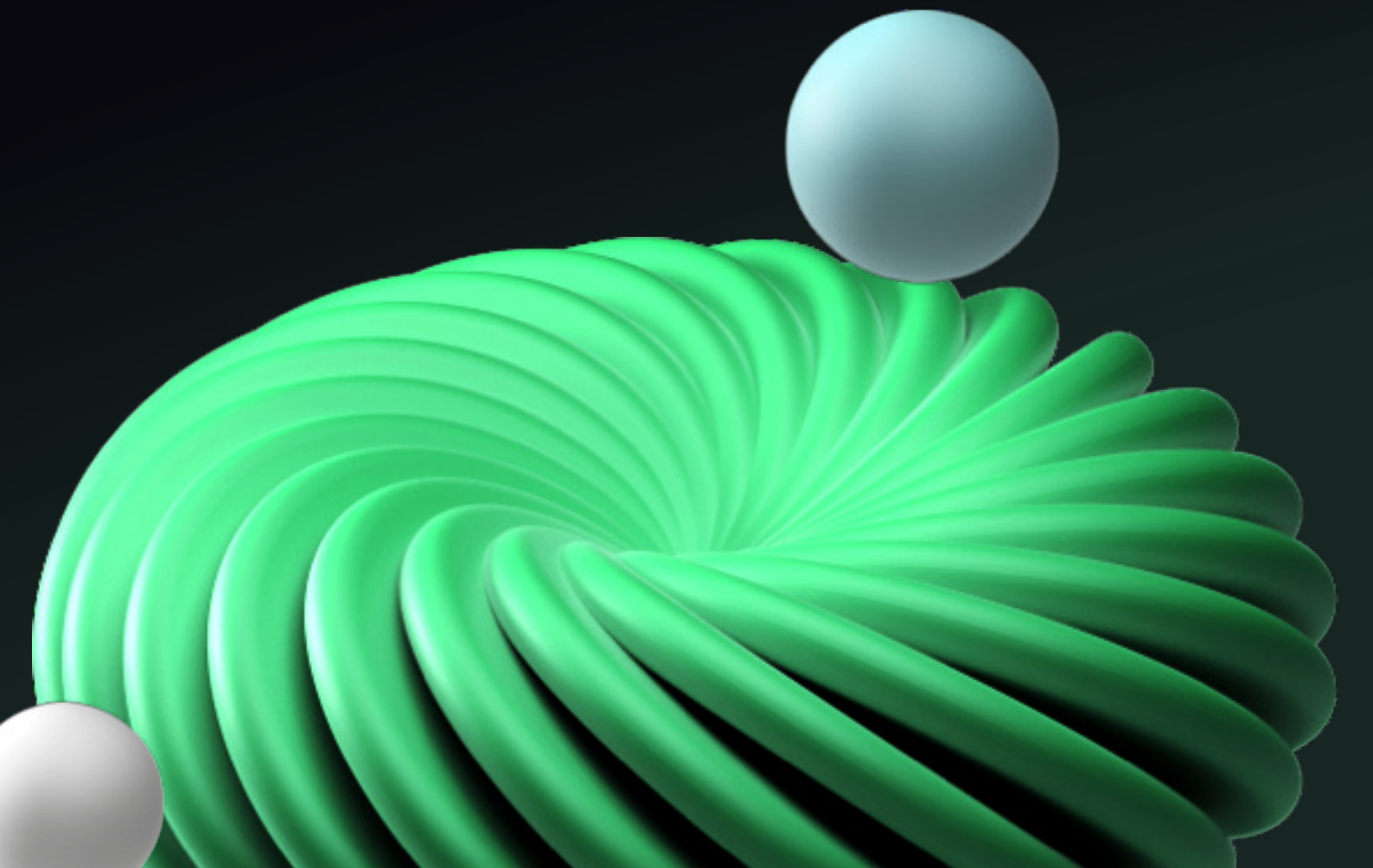

OUR VALUES

Mission and Purpose

Komet is a community-powered hedge fund, owned and operated by our users. We believe that finance is not as difficult as some masters of the universe make it out to be, and are committed to building a future that makes investing activities more profitable, rewarding, and equitable for our users.

The importance of strong User Experience (UX)

Since inception, Komet has centered the user experience as a core value. It is engraved in every action we take at Komet. UX, however, is more than just pretty interfaces. It is about removing barriers in all forms to make our users' interaction with Komet as seamless as possible. Removing barriers to financial access, removing information barriers on financial concepts, and allowing our users to answer the question 'how does this work?' as efficiently as possible - particularly through captivating visual cues that don't involve plain text - are all part of that process. Ultimately this will allow individuals to self-organize and express financial views as a collective.

Unfortunately, the cryptosphere is littered with poor user experiences masquerading as 'products.' While many developers dismiss the importance of strong UX as something non-critical that some cheap designers can fix later, it is both selfish and self-destructive to do so. First off, intentionally creating barriers to end-users during early, high growth phases locks them out of that growth because they don't understand how the 'product' works. This is rather hypocritical - and unfair - in a space that, as a whole, is building an open and more transparent financial system. All it does is continue to tip the scales in favor of those with restricted access - in this case technical knowledge. Secondly, the longer that ordinary users have to wait to use a product due to poor UX, the slower that growth will actually happen. For many protocols, this ultimately comes at the expense of Total-Value Locked (TVL). This is somewhat perplexing since many developers want nothing more than to see the TVL of their products grow. Strong UX, incidentally enough, is a simple way to achieve that. Neglecting UX creates a situation where all stakeholders lose because poor UX translates to poor adoption and poor TVL. We therefore support open, transparent, and user friendly access to traditional and novel financial instruments through the Komet ecosystem.

Products are nothing if not ultimately accessible and adopted by its users. Great products are built with attention to users, not a hyper-narrow focus on tech.

PROBLEMS WITH TRADITIONAL FINANCE

PROBLEMS WITH TRADITIONAL FINANCE

How Traditional Investment Funds work

Traditional investment funds are generally structured as follows: Passive investors put their money into the hands of a firm they trust. The firm hires - allegedly - smart, talented, and competent people who manage that money. Unfortunately, due to large-scale structural imbalances, the legacy financial system has not truly attracted the best, brightest, or most deserving portfolio managers. Systemic biases within the industry adversely affect hiring outcomes. Thus, it is not quite as meritocratic as it claims to be, despite widespread claims of 'eat what you kill.' The open-source nature of the cryptocurrency space is unique and allows access to a global talent pool that changes all of this.

While socio-political barriers certainly still do exist in the cryptocurrency space, it is certainly an improvement on the existing status quo, and we are committed to further removing these barriers to the best of our ability.

We don't require prestigious pedigrees. All that's required is passion, dedication, and talent and Komet will reward you accordingly.

Retail Disparities and Barriers to Entry

The legacy financial system, while dominant in its power, is armored with many layers of restrictions that allow large established players to protect some of its most profitable segments that are largely closed off to ordinary investors. While many regulators and politicians are proud of the general public's ability to invest in public markets, they often ignore the substantial amount of privilege reserved for large players. Let's look at the IPO itself, for instance. What happens in an IPO? An investment bank (or consortium of banks) underwrites the offering, where they act as an intermediary between the company going public and the public itself. Unfortunately, just 10% of this allocation is typically reserved for retail investors, despite the fact that retail investors account for over 33% ownership of equity markets. This means that large clients receive substantially preferred treatment in an investment that typically produces outsized returns. In the case of DoorDash and many other wildly 'successful' IPOs in 2020, many hedge funds received generous allocations from investment banks. They then dumped onto retail - many of whom were only able to purchase these for the first time upon the first day of listing - with 100% returns. This gap continues to worsen by the day.

In private markets, this disparity is much worse. The global private market is valued at approximately $6.5 trillion. Yet 98% of the US population is shut out from accessing these markets because they don't meet 'sophisticated investor' requirements of either $1 million in net assets (excluding primary home) or $200,000 in annual income. Large PE shops like Blackstone and influential VCs such as Andreesen Horowitz dominate this space.

The recent explosion in SPACs has the VC and private world in a frenzy, and perhaps a bubble of its own (see, for example, Thryve, a beef jerky going public valued at $170M), but the end result is the same: Exclusive, lucrative opportunities for high net worth individuals that exacerbates investment disparities between those with access and ordinary retail investors.

KOMET IS DIFFERENT

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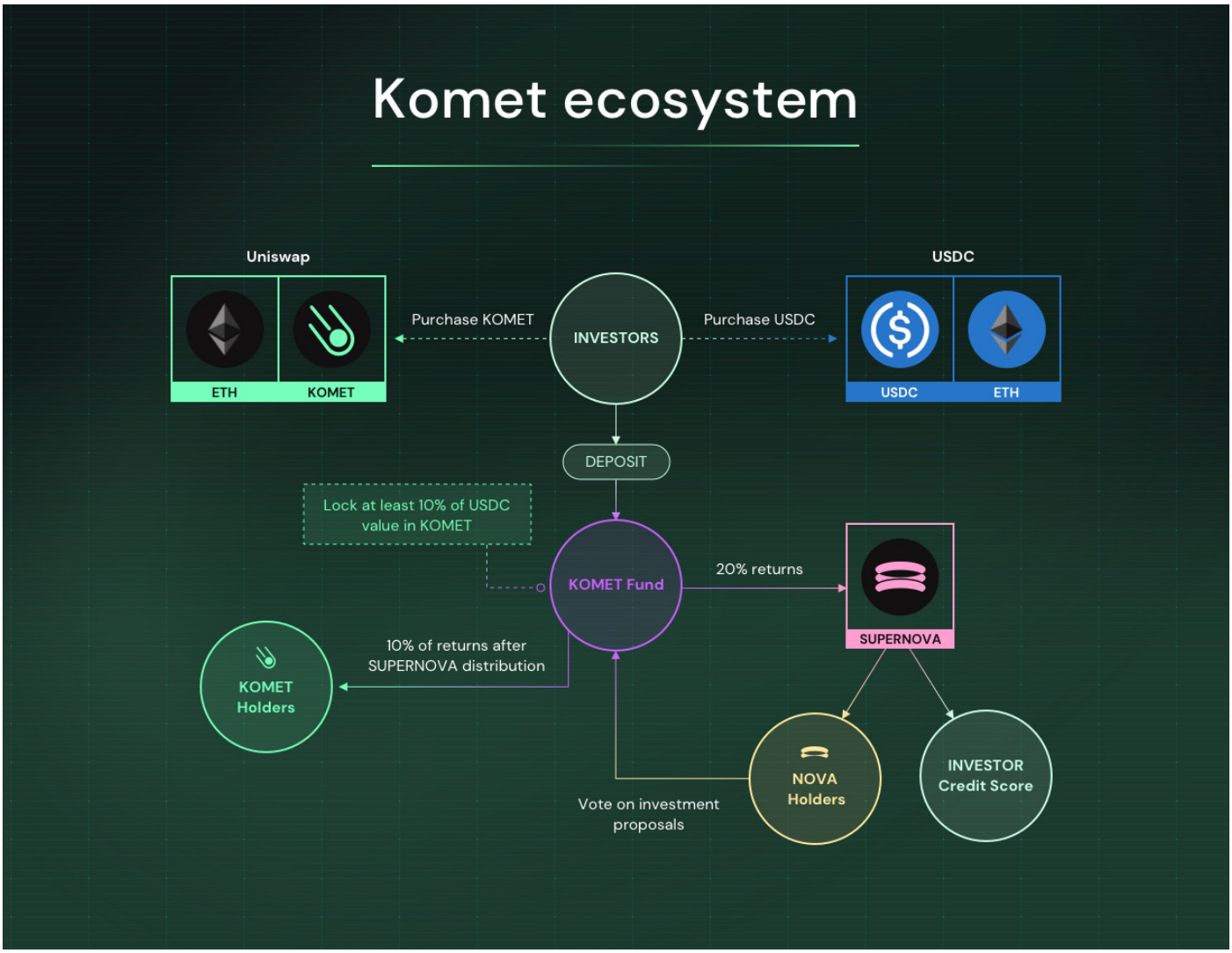
Komet ecosystem



KOMET IS DIFFERENT

How Komet Fund works - Step by Step

1. An investor deposits funds into Komet. This will initially be split 90% USDC / 10% Komet.

2. The 10% Komet reserve requirement will be locked into a staking contract which receives a 10% dividend from investment returns (see step 7)

3. The 90% USDC will be transferred to the Komet fund, commingled with deposits from the rest of investors.

4. For the duration of the investment cycle, Nova holders continuously vote on investment proposals and theses to determine portfolio allocation, adhering to risk management principles.

5. 70% of returns

6. 20% of returns are distributed according to SuperNova value - a blended calculation of Nova and Investor Credit Score

7. 10% of returns are distributed to staked Komet holders and staked Komet LPs. The precise allocation between holders and LPs has not yet been determined, but it will probably fall in the territory of 7% to LP and 3% to Komet. Komet reserves, however, will receive 10%.

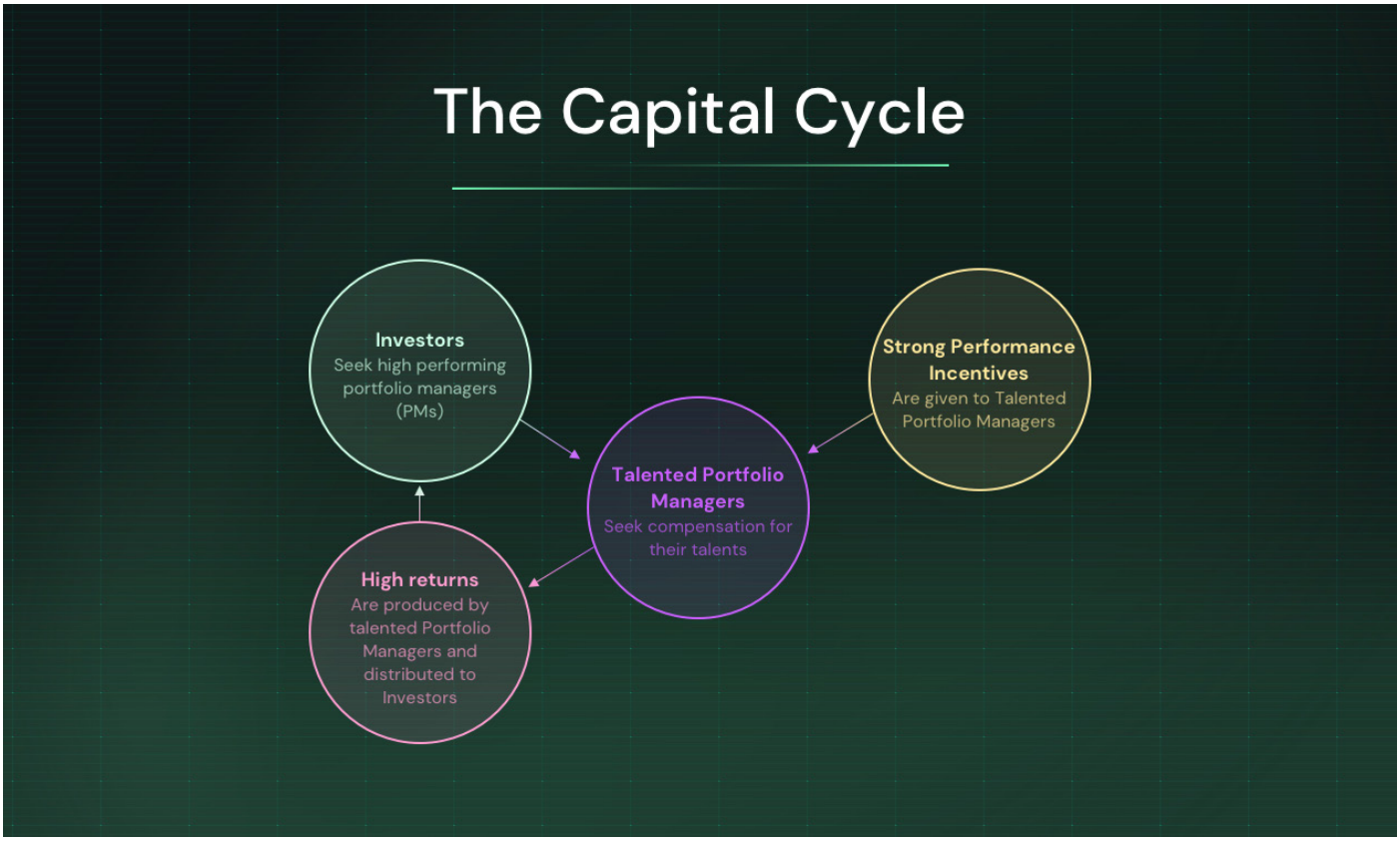
8. The longer you stake, the more you make.

9. At the end of each investment cycle, investors will be able to redeem their initial USDC and Komet deposit without penalty. Length of investment cycles have not yet been determined. The redemption of investors' initial Komet deposit will take place over the course of several days in order to prevent a mass exodus and buffer Komet price volatility in between investment cycles

10. If an investor chooses to redeem prior to that, a variable redemption fee will be charged. The amount will vary based on the size of the redemption relative to its impact to the fund. This redemption fee will be reinvested into our treasury.

KOMET IS DIFFERENT

Why it Works

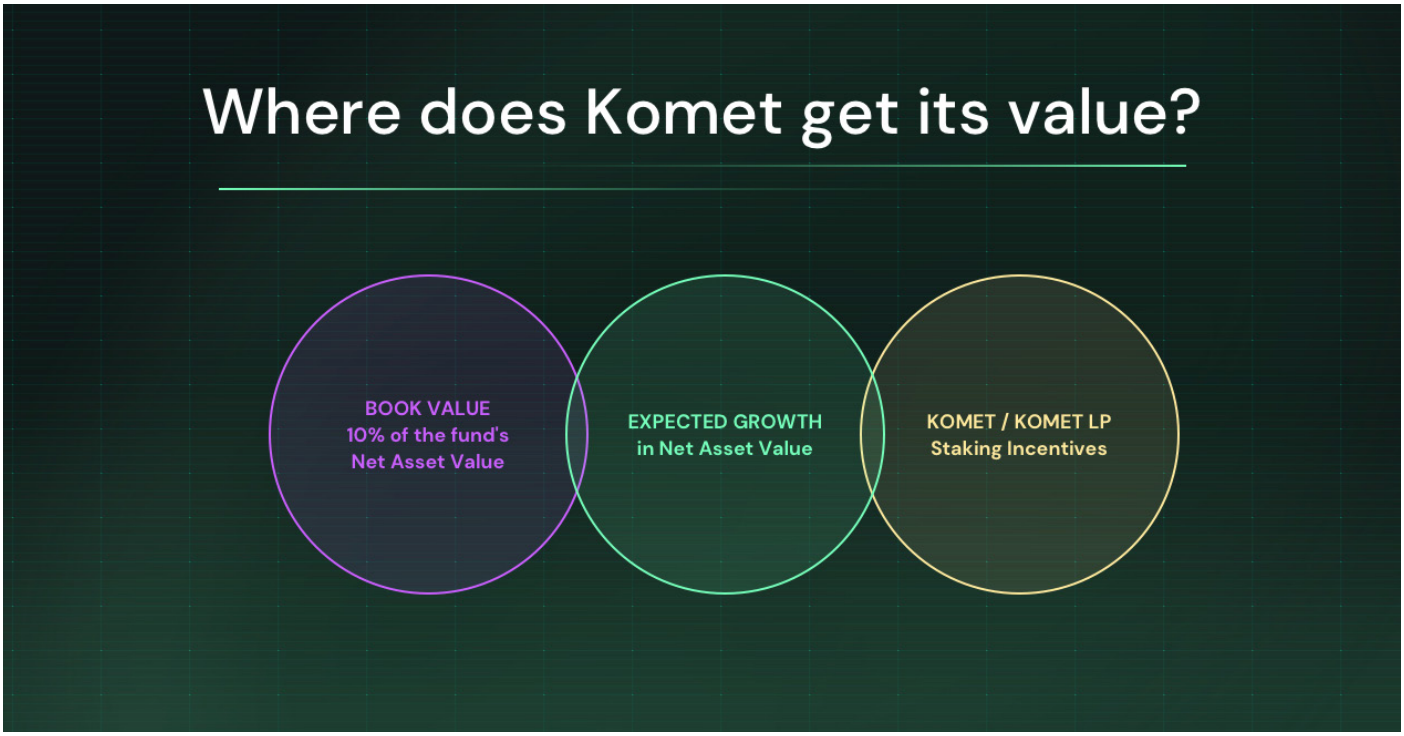


The strong tokenomics of the Komet ecosystem is one of our greatest competitive advantages. Our deep attention to incentives fosters an environment that attracts capital, talent, and liquidity in a positive feedback loop. Komet is supported by capital investment and total assets under management (AUM). Nova, in conjunction with Investor Credit Score, is supported by implied performance fees on returns from the fund. Both provide clear use cases that tie directly to the fund's performance and scale accordingly with AUM.

Many of our competitors offer similar features, dispersed among them. But none offers all of them together, unified in a single fund, with a compelling tokenomic structure that can easily plug in to traditional valuation models. This unique model positions Komet as a strong presence in the increasingly popular DAM (decentralized asset management) landscape.

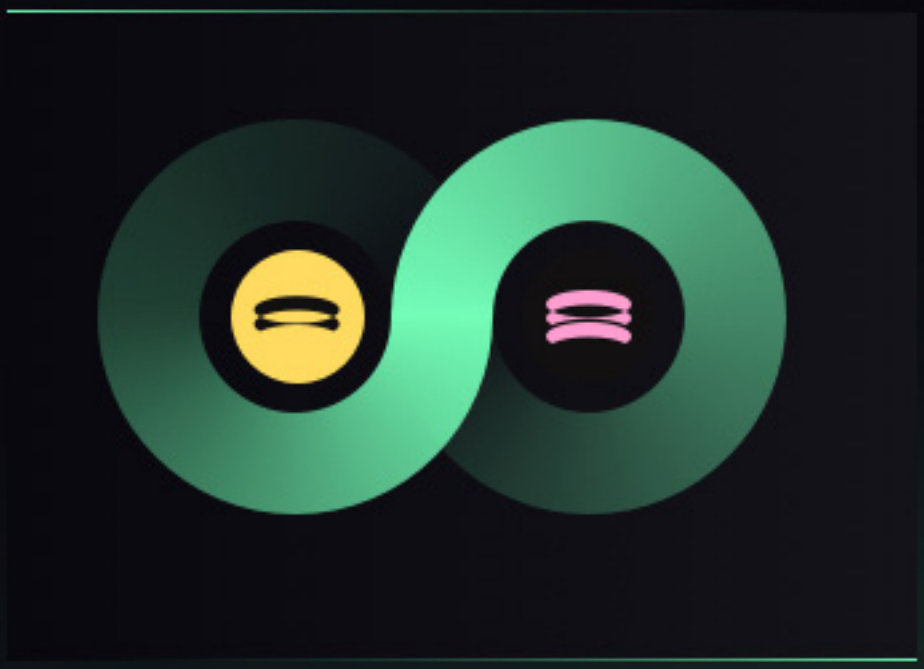
KOMET IS DIFFERENT

A Note on the Komet Reserve Requirement for Investors



Some fervent Komet holders may wonder why we did not choose to use a higher reserve requirement in order to better support Komet price. While placing a higher Komet reserve requirement for deposits into the fund would obviously benefit Komet holders, it would create outsized exposure to Komet price. Fund Investors are important stakeholders in the Komet ecosystem and we must remain cognizant of our obligations to high, risk-adjusted returns to their capital. An ultra-high reserve requirement would also leave little room for true decentralized investment, since most of is essentially just a Komet ponzi scheme The Komet reserve requirement may be subject to fluctuation depending on Komet price volatility, volatility of the fund's AUM, and other market conditions. Limitations - through our risk, which equate effectively to token buybacks, in order to minimize conflict of interest.

PORTFOLIO MANAGEMENT MECHANICS



PORTFOLIO MANAGEMENT MECHANICS

Nova

Nova holders are ultimately the ones with the bulk of the power and direct fund decisions as they see fit. In order to vote on investment proposals, users must stake their Nova. The maximum amount of staked Nova will be capped according to their overall ownership in the Komet ecosystem (i.e., a Komet LP, Komet staker, or fund investor) and - potentially - the duration of this ownership. The overall purpose of this is to prevent someone from quickly accumulating a lot of Nova (which will likely cost less than Komet) and instantly sweeping in to make malicious decisions on behalf of the fund, and sabotaging everyone else in the process.

Investor Credit Score

Our investor credit score is a calculation that reflects an individual's overall contribution to the fund. Different types of contributions will have different weights that factor into the score. These can come in the form of high-quality research for the fund, novel investment proposals and theses, and of course - strong performance from voting on investment proposals made by others. Performance for each user will be tracked over time. Supporting profitable proposals increases a user's credit score, while supporting unprofitable proposals decreases it.

Supernova

Supernova is the mechanism through which portfolio managers' overall share of 20% returns will be calculated. It will be based on two factors: a user's Investor Credit Score and the amount of staked Nova. Ultimately, any successful investor that accumulates a sizable Investor Credit Score will be able to earn a higher return on their capital through participation by investing in the Komet Fund and Nova than they would on their own. This creates powerful incentives to naturally recruit talented portfolio managers, regardless of how much capital they have, while still maintaining decentralized autonomy of Nova holders.

Vote Delegation

After a while, it will become clear that some portfolio managers are more skilled than others - as demonstrated through their performance via investment credit score. Nova holders will have the option to delegate their votes to skilled portfolio managers of their choice. In a situation where a Nova holder delegates their vote to another portfolio manager and the investment is successful, the vote will positively impact the Investor Credit Scores of both the user delegating their votes, and the portfolio manager they delegated their votes to. However, the portfolio manager will receive a bigger Investor Credit Score boost since they were the ones ultimately making the decision. The exact proportion is not yet determined and will likely be adjusted over time.

PORTFOLIO MANAGEMENT MECHANICS

Voting schedules will be created according to Investor Credit Score, with lower credit scores voting first. This is done so that those with low credit scores do not front-run the decisions of those with high Investor Credit Scores. This prevents Investor Credit Score of high performing portfolio managers, which is important because Supernova will be based on Investor Credit Score as a relative value - much like a ranking system - compared to the rest of the portfolio managers

Which assets will be available?

Initially trading will be conducted on highly liquid pairs on Uniswap and voting will take place at regular intervals. The exact frequency will be up to experimentation, and may vary depending on volatility, development of layer 2 solutions, and market gas prices. Until gas issues on Ethereum find a better solution, Komet Treasury plans to subsidize user gas fees through purchases of UMA's uGAS futures and other gas tokens. We plan to introduce a wide array of asset types and integrations with protocols in future iterations.

AN ASSESSMENT OF RISKS

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Portfolio Risk Management

We look forward to the development of risk management tools for our portfolio management team at Komet. An important measure of success is the concept of risk-adjusted returns, which measures end returns against volatility of returns for an investment period. Managing position sizes, maintaining appropriate diversified portfolio weights among various components, adhering to sensible hedges, aggressive stop-loss utilization, and plenty of more complex tools will all work in unison to ultimately achieve risk-adjusted, uncorrelated, market outperformance for the Komet fund. Some of these points may be overlooked in a space where high volatility is the norm, but they are indeed critical parts of preserving portfolio value and mitigating outsized downside risk. This is because it is often more damaging to suffer large losses than to miss out on big returns. Here is a simple demonstration of this: Suppose we start with $100 and invest in a volatile token. The token goes down 50% and our investment is now at $50. In order to get our investment back to $100 and to break even, the token now has to double in price - meaning it would have to increase by 100% even though it initially only went down 50%. This is why cutting losses early is critical, because becomes exponentially more costly and difficult to ultimately profit the more an asset declines. If we instead had placed a stop-loss after it declined 20% to $80, we now would only have to make a 25% return on that $80 in order to get back to initial investment of $100. This demonstrates the power of a well-implemented risk-management strategy. Preventing substantial losses may not be as immediately visible as experiencing significant gains, but it is certainly just as vital nonetheless.

Risk management targets can be fine-tuned over time according to fund needs and overall portfolio construction.

Another critical area of this risk management will include research on potential threats and risks to our portfolio in black-swan style events via interconnected protocols. Although one of the primary purposes blockchain is to mitigate or eliminate counterparty risk, it can still exist in the form of integration failure. This means that if the Komet fund invests in an asset that indirectly relies on a Maker vault which becomes insolvent in a market crisis, we will ultimately be impacted even though Nova holders never voted to directly invest in a Maker vault.

Quantitative and Qualitative Disclosures about Market Risk

There are many material risks that present themselves to investors in a nascent space. These range from small-scale technical risks involving Komet to large-scale systemic risks involving the entire cryptosphere.

Smart contract / user interface risk in Komet products
Although we will thoroughly test and review any code that is pushed out, there is the chance that this code will ultimately break and cause a loss of funds to our users.

Blockchain Risk.

AN ASSESSMENT OF RISKS

Although currently stable and secure, the Ethereum blockchain may be attacked in the future resulting in irrevocable damage to everything built on it, including Komet.

Counterparty Risk.
Smart contracts that we integrate with - such as Uniswap - may be hacked and result in a loss of funds to our users.

Regulatory risk.
While Komet will seek to maintain regulatory compliance to the best of our ability, we may face significant headwinds as a result of being pioneers in an uncharted regulatory environment. This is a naturally risky endeavor and consequences resulting from this position include, but are not limited to, retiring development on the current tokens, creating new token issuances, and halting development on the concept altogether. These outcomes may have potentially devastating impacts on the price of Komet and Nova, resulting in both tokens ultimately having no functional purpose or value.

Final Remarks

This white paper is a living document and may change over time according to community feedback, changes in team direction, or other factors. While we will faithfully do our best to execute everything precisely as described, we will deviate from those plans if we believe it is not in the best interest of our users and the Komet ecosystem as a whole. We look forward to building the future of finance with you and are excited to deliver all these awesome features outlined here, as well as plenty more!

CORE TEAM

CORE TEAM

Edgar Aroutiounian

Fullstack Senior Engineer

Fullstack Senior Engineer. A former blockchain protocol Developer, now solidity contracts.

Twitter / Github / Linkedin

Benoît Philibert

Lead UX/UI Designer

Lead UX/UI Designer at Stratisplatform He jumped into crypto in 2013 and has more than 10 years of experience in Design.

Twitter / Github / Linkedin

Michael Stephan

Senior Strategic Analyst

He has experience in the full financial 'stack' (back, middle and front office) on both the buy side and sell side. Although he has informally advised several crypto ventures in the past.

Oumuamua

Full Stack Solidity Developer

Working as a blockchain dev trainer, he has grokked the ins and outs of all that entails Ethereum blockchain development such as cryptography, consensus mechanisms, smart contracts, governance, etc.

Neowise

Fullstack Senior Developer

FullStack Senior Developer with 10+ years of experience working on multiple big web and mobile projects.

Twitter / Github

Halley

JS Senior Software Engineer

JS Senior Software Engineer with 10+ years of experience focused mostly around web development, web applications and software architecture.

Twitter / Github

Hale Bopp

Full Stack Solidity Developer

He has a strong background in market finance and also developped several features in the DeFi world, such as protocols like Compound, AAVE or DYDX.

LINKS

LINKS

Website: https://komet.finance
App: https://app.komet.finance
Github: https://github.com/KometFinance
Audit: https://komet.finance/audit-report.pdf

Medium: https://kometcapital.medium.com
Twitter: https://twitter.com/KometCapital
Announcement Telegram channel: https://t.me/kometFinance
Community Telegram channel: https://t.me/KometFinanceCommunit

KOMET TOKEN

Contract address: https://etherscan.io/token/0x6cfb6df56bbdb00226aeffcdb2cd1fe8da1ab-da7?a
CoinGecko: https://www.coingecko.com/en/coins/komet
Uniswap: https://info.uniswap.org/pair/0x577349ecd462a369ab71908a260ae1e2d8982b74
Liquidity locked: https://v2.unicrypt.network/pair/0x577349ecd462a369ab71908a260ae1e-2d8982b74

NOVA TOKEN

Contract address: https://etherscan.io/token/0x843593e182e8b2c0FBc8e-25D99A448D5E614D44d
Uniswap: https://info.uniswap.org/pair/0x3d9987a27aaa69717b4273c243a406cca13cbd58
Liquidity locked: https://v2.unicrypt.network/pair/0x3d9987a27aaa69717b4273c243a406c-ca13cbd58

LINKS

Public Presale

Duration: From 18, November at 21:00 UTC to 25, November at 20:59 UTC (1 week).
Tokens sold: 12,000 KOMET (40%)
Rate: 24 KOMET for 1 ETH
Presale hard cap reached: 500 ETH

https://app.bounce.finance/fixed-swap/4523

Token metrics

Total supply: 30,000 KOMET
Presale: 12,000 KOMET
Team tokens: 3,000 KOMET *(locked: https://etherscan.io/address/0x30F3D8c1Ce9784Aef-f7afBe6a4D66b4ee291F989)*
Airdrop: 1,000 KOMET *(Etherscan tax: https://etherscan.io/tx/0x2bc55455eee-92df46158e553ae1b8c0ea9f9e1801849cfc82ab46957e778be4d)*
Marketing: 3,000 KOMET
Liquidity token: 6,000 KOMET *(locked: https://v2.unicrypt.network/pair/0x577349ec-d462a369ab71908a260ae1e2d8982b74)*
Reserved fund*: 5,000 KOMET

**Dedicated to Security audits, Professional partnerships, people hiring, ...*