DeFindex is a protocol where users can define how their **investments are distributed** among **multiple DeFi protocols and strategies**. The definition of this distribution and its rules involves the creation of an index. The distribution refers to the specification of percentage allocations to protocols and strategies. Every index is connected to the underlying protocols through adapter contracts.

Core Concepts

Index

An index ("DeFindex") is a smart contract that **defines the percentage distribution** of an investment into different protocols and strategies. A DeFindex has a fixed list of protocols where investments can be made, but the percentage distribution can be fixed or variable. Changing the distribution percentage is called rebalancing.

Strategy

A strategy is a set of steps to be followed to execute an investment in one or several protocols. For example, investing USDC in Blend can be as simple as just depositing USDC in Blend, or it can be more complex with multiple steps: 1) Deposit 100% in Blend, 2) take a 50% loan in XLM, 3) Swap XLM for USDC, 4) Deposit more USDC. This last strategy is typical in Ethereum and is called leverage lending.

Another strategy might include harvesting liquidity mining rewards, selling those tokens for the desired token, and reinvesting those tokens.

Rebalancing

Rebalancing involves changing the distributions of a DeFindex. For example, an index with 50% in two protocols could change to 80% and 20%, respectively. This process moves all the investment in the protocols to achieve the desired percentages.

Adapter

An adapter interacts with a DeFi protocol using standardized methods so that a DeFindex can use any DeFi protocol.

dfTokens

dfTokens are fungible tokens issued to users upon depositing assets into the DeFindex protocol. They represent a proportional share of the total assets managed by DeFindex. Users can burn dfTokens to withdraw their underlying assets, which are liquidated based on current protocol strategies.

Automated Market Makers (AMM)

AMMs are decentralized exchanges that use algorithms to set prices and facilitate trading. In DeFindex, AMM LP tokens represent liquidity provision in various trading pairs. Users can earn yields from trading fees and token incentives by holding these LP tokens.

DeFindex will work with Soroswap.Finance.

Lending Platforms

Lending platforms allow users to deposit assets in exchange for earning interest. DeFindex incorporates lending strategies to diversify asset allocation and maximize returns. Assets deposited in DeFindex can be lent out to earn additional yield.

DeFindex will work with Blend Capital.

Idle Assets

DeFindex maintains a balance between invested and idle assets. Idle assets are kept liquid to ensure users can easily withdraw funds without disrupting ongoing investments. The Minimum Idle Amount is the threshold of liquid assets required to support smooth operations and withdrawals.

Price Per Share (PPS)

Price Per Share (PPS) is a key metric that determines the value of dfTokens relative to the total assets managed by DeFindex.

Fees and Revenues

DeFindex generates revenue through protocol fees, which include:

- Streaming Fees: Charged on assets under management, collected over time.
- Performance Fees: Based on the returns generated by the investment strategies.
- Protocol Fees: For transactions such as trading and borrowing.

These fees are designed to incentivize protocol development and cover operational costs.