

Dulcis in Fund

**Project work MasterZ
BlockInvest & Crédit Agricole**

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State Of The Art

The accessibility and management of investments in **Alternative Closed-End Funds** is not efficient



PRIVATE EQUITY



REAL ESTATE



VENTURE CAPITAL

Main restrictions:

- Limited access due to high entry investment tickets
- Limited liquidity and 5 to 7 years investment lock up
- Poor transparency between the players
- Time consuming compliance protocols and operational inefficiency
- Slow, expensive and limited share tradability

A Win-Win Solution

A Blockchain infrastructure for Alternative Investment Funds to solve market illiquidity and information asymmetry



Alternative Funds

- Automated reporting
- Efficient and automated fundraising process
- Faster fees processing and earnings collection

Broader access to a niche asset class

Cheap and 24/7 token tradeability

Disclosure Transparency



Investors

Blockchain Fund Provider Worldwide



Discrimination Drivers:

- Single or multiple asset class focus
- Proprietary or Ethereum blockchain
- Basic or Hybrid gain for investors
- Fund Tokenomics features

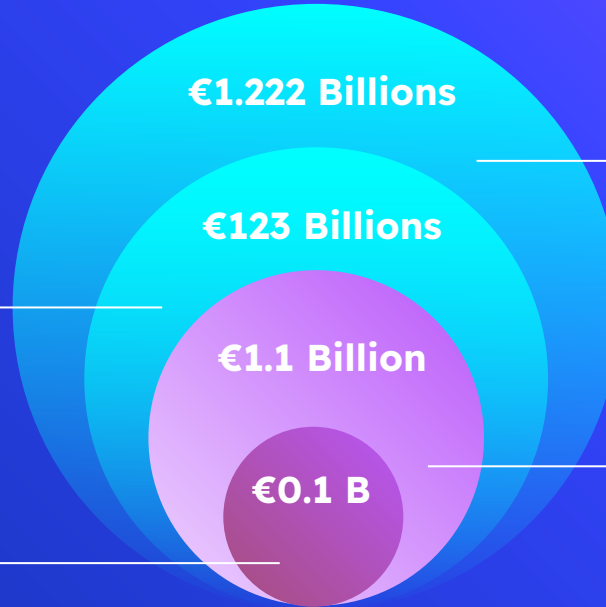
Market Size

Serviceable Available Market

Valued as the sum of the Funds Net Asset Value 2021 of Real Estate and Private Equity Funds in Italy

Launch Addressable Market

The minimum fundraising target of an Italian Alternative Fund launched between 2020-21



Total Addressable Market

Valued as the sum of the Funds Net Asset Value 2021 of Real Estate and Private Equity in European Countries

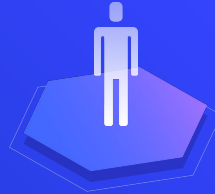
Serviceable Obtainable Market

Valued as 10% of the sum of the Net Asset Value of funds launched in 2021 of Real Estate and Private Equity in Italy

Sources: "The Italian Alternative Investment Market", Deloitte 2021.
"Mercato Private Equity e Venture Capital 2021", AIFI - PWC.
"EU Alternative Investment Fund", ESMA Annual Statistical Report 2022.
"Scenari Immobiliari 2022", DealFlower.

Legal Perspectives

Primary market will grow on a SaaS platform, built following the Cloud Computing contract paradigm.



CLOUD PROVIDER Dulcis in Fund

- Terms and conditions
- Service Level Agreement
- Main obligations
- Privacy policy

CLOUD ADMINISTRATOR O.I.C.R.

- Need specific permits under EU Reg. 2022/858
- Assets Under Management must have a market value below €500 million

CLOUD CONSUMER Investors

Subject to KYC-AML to ensure the network protection

- Institutional
- Professional
- Qualified Retail (from secondary market)

Secondary market will be developed in accordance with the pilot regime of European regulation N° 2022/858 for Distributed Ledger Technologies, adapting the structure to the rapidly evolving legislation.

Re-Fungible Token standard

Based on the **Ethereum** blockchain, a Re-Fungible Token, extends the ERC-20 Token capabilities and utilizes ERC-165 Standard Interface Detection in order to represent the shared ownership of an ERC-721 Non-Fungible Token.

The smart-contract links the Re-Fungible token, which is a security instrument, and the original NFT that represents the full fund, managed by a collective investment scheme.



Source: <https://ethereum.org/en/developers/docs/standards/tokens>

Software Framework



Our Process

Secondary Market

- ⬡ Kick-off for the Fund's investment activity
- ⬡ Opening to Qualified Retail
- ⬡ Trading of outstanding RFTs



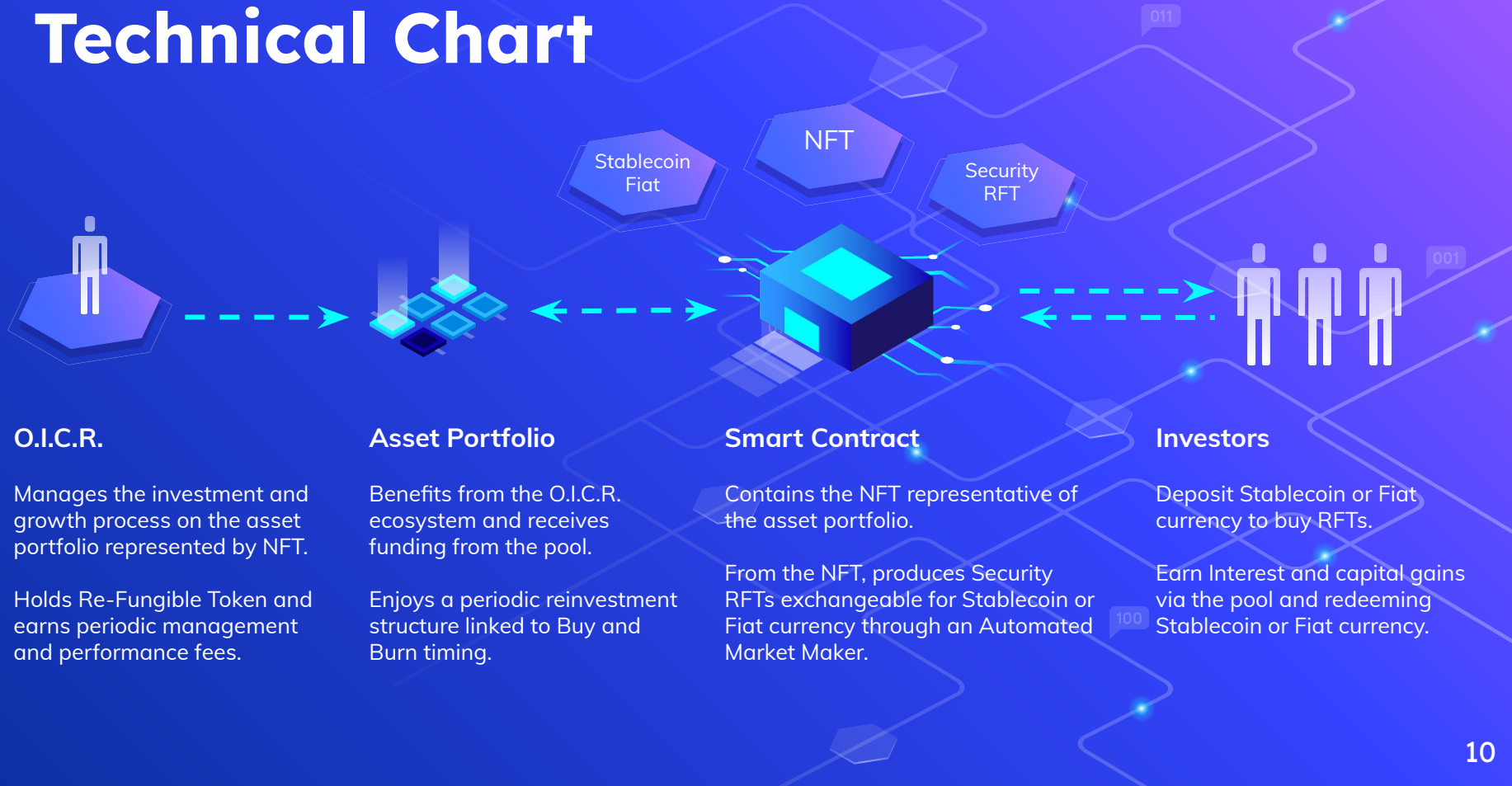
Optimization Elements

- ⬡ Automated Market Maker
- ⬡ Predetermined Valuation Methods
- ⬡ Periodic Interest Gains
- ⬡ Buy-and-Burn mechanism

Primary Market

- ⬡ Creation of a NFT representing an Alternative Fund managed by O.I.C.R. partner
- ⬡ Fundraising through the creation of a solid liquidity pool

Technical Chart



1 NFT

per Partner Fund

Breakable into a tailored number of RFTs based on Net Asset Value.

No new tokens will be minted after the initial issue.

NAV before fees = Liquidity Pool Value + Equity Investment Ptf + Accruals

$$\text{RFT Value} = \frac{\text{NAV after management and performance fees}}{\text{N° Outstanding RFTs}}$$

$$\text{RFTs Periodic Interest} = \frac{\text{RFTs owned value}}{\text{NFT value}} \cdot \text{NAV}_t \text{ Yield}$$

Liquidity Pool

Automated Market Maker, decentralised management of the capital raised and its allocation over time, act as a solid counterparty for trading activities and avoid RFTs manipulation.

⚙️ Investors will also be Liquidity Providers, a function that will allow them to earn a **Liquidity Mining Fee** based on transaction volume.

⊗ **Slippage effects** are limited by customised investment vesting period and disinvestment caps.

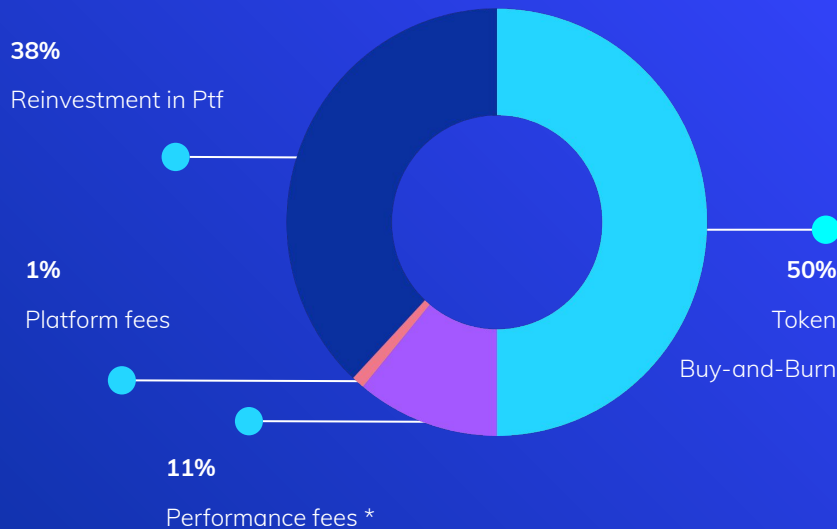


$$\text{Liquidity Pool Value} = (w1 \cdot \text{RFT}) \cdot (w2 \cdot \text{Euro Coin}) \cdot (w3 \cdot \text{Fiat Currency})$$

Source: Euro Coin (EUROC), issued by Circle according to the same full-reserve model as the USD Coin (USDC), offering 1:1 stability with Euro. Planned issuance on Ethereum scheduled for 30/06/2022.

Buy-and-Burn Mechanism

To offer periodic disinvestment options, a quarterly repurchase of outstanding RFTs is planned, thanks to asset portfolio proceeds.



* The Performance and Platform fees are subject to a contractual cap.
Annual management fee payable to the fund is 1.5% per annum of the net assets, accrued on a monthly basis.

Activation terms:

- Quarterly NAV exceeds a pre-determined threshold value.
- Quarterly NAV higher than the previous NAV adjusted.

Quarterly Buy-and-Burn

Description	EUR
Q2 NAV (before fees)	€ 200 mln
Q2 Token supply	50 mln
Q1 RFT value	€ 3,5
Q2 RFT value	€ 4
Q2 EUR Performance = (€4 - €3,5) x 50 mln RFTs	€ 25 mln
Performance, Platform Fees = (€ 25 mln x 11%) + (€ 25 mln x 1%)	€ 3 mln
Q3 Buy-and-Burn 50% of Q2 EUR Performance = (€25 mln x 50%) / € 4	3.125 mln

Once the Buy-and-Burn RFT mechanism is activated, 50% of the Fund's quarterly return is used to buy-back RFTs from market and remove them from supply.

Potentially, **3.125 million RFTs** could be burned quarterly.

With this RFT burn rate, the supply will be brought to 0 in **4 years** from the start of Buy-and-Burn, optimising the lifetime expectation of a Fund.

New RFTs Supply: (50 mln - 3.125 mln) = **46.875 mln**

NAV after Buy-and-Burn: € 200 mln - € 12.5 mln - € 3 mln = **€ 184.5 mln**

New RFT value: € 184.5 mln / 46.875 mln = **€ 3,93**

The RFT becomes cheaper for new investors and will not penalise pre-existing investors that benefit from the RFT's pre-burn value freeze.

Revenue Stream

Reporting

Investor: complete transparency and easy access to all required documentation.

O.I.C.R.: documentation development and periodic reporting about assets and fund's performance.

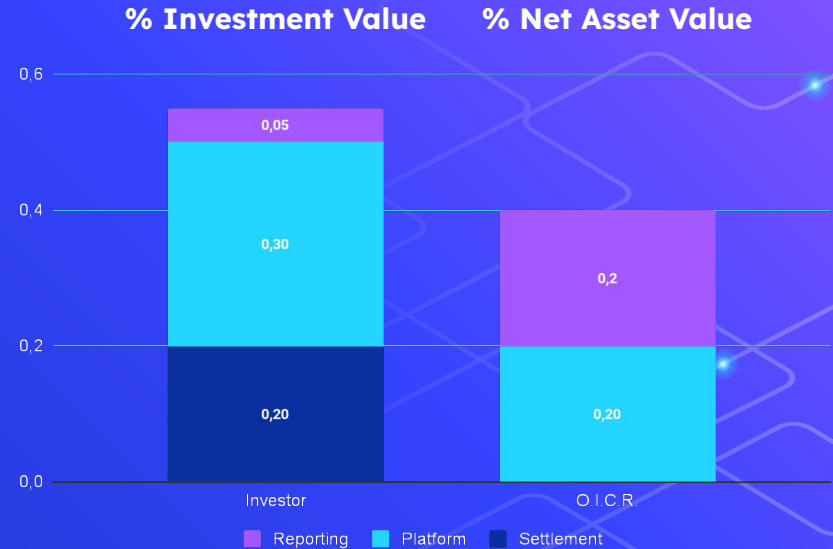
Platform

Investor: innovative access to a classic illiquid, expensive and inaccessible investment.

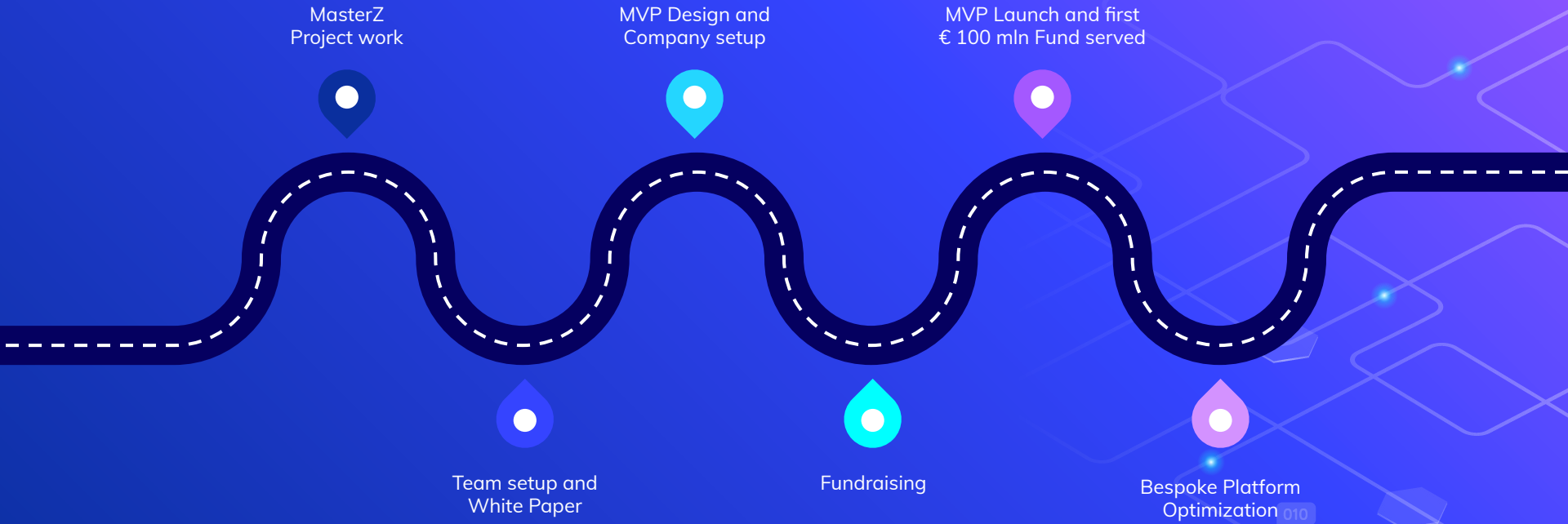
O.I.C.R.: fundraising support, liquidity management and investor relationship management.

Settlement

Investor: trading fees on each transaction volume.



Roadmap



Our Team



Lorenzo Magni
IT



Alessandro De Micco
Finance



Carmine Fiorentino
Finance



Chiara Menini
Legal

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