

SovaCryptoXV: The First Tokenized Equal Weight Cryptocurrency Index

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EXECUTIVE SUMMARY

Digital currencies have developed exponentially since their creation in 2009, with the aggregate cryptographic money market capitalization at approximately \$500 billion as of February 2018. The total market cap of all cryptocurrencies soared by 830% from August 2016 to August 2017. In 2018, 1% of internet users will already own crypto wallets. While development has been solid, the market capitalization of cryptographic forms of money in general is still just a small amount of that of the S&P 500 - which is itself just a small amount of the worldwide stock investment markets. The rates for adoption of new technologies increased significantly at the beginning of the 21st century. Smartphones and social media penetration grew from 5% to a whopping 90% in the USA in under 5 years. There is still space for impressive development and huge growth in the block chain crypto currency markets. We believe the crypto currency marketplace is in its infancy stages and the crypto market cap could exceed \$5 trillion by 2025.

There are presently a large number of digital forms of currency to browse; over a thousand, with more being created every day. In this Crypto arena, investors are faced with many investing decisions regarding crypto currencies. Decision can incapacitate - decision can add unnecessary cost, some of the mere intricacies such as setting up multiple digital wallets, conducting a transaction from one wallet to another, going long/short a particular trading pair, brings an exhortation for professional advice. These decisions, combined with the speculative nature, high hazard, and extraordinary unpredictability give cause for a would-be investor to suffer from indecision. The basic difficulties one confronts to build a diversified cryptocurrency portfolio such as, purchasing and securely putting away a viable and differing arrangement of coins (digital forms of money) can be a troublesome obstacle.

SovaCryptoXV is one of the first equal weighted digital money tokenized index fund; an answer to the confusion in the crypto currency marketplace.

The SovaCryptoXV portfolio is self-governing, keeping a various arrangement of the 15 largest forms of cryptographic money by market capitalization, similar to the S&P 500. With a specific end goal to track the market, SovaCryptoXV equal weight index portfolio is balanced routinely in a procedure called rebalancing. Using The Vanguard 500 as an example, it has a portfolio based on the market capitalization of the largest 500 public US companies (the S&P 500).

SovaCryptoXV is a working product; it is not a platform. SovaCryptoXV removes the agent resulting in minimal charges for the end user. Index funds have reliably beaten out managed funds since their origin in 1976. From May 2015 to May 2016, more than \$375 billion was invested into index funds, while actively managed funds experienced withdrawals of \$308 billion in a similar period. Indexed funds are dominating managed funds partially due to the lower yearly expenses of the first. SovaCryptoXV has a yearly charge of just 0.5% while contending crypto offerings have expenses of 3% every year. SovaCryptoXV can offer such low charges because it is autonomous and computerized. The index procedures are an arrangement of principles that an algorithm can follow up on with no human mediation required.

SCXV is a utility token that is illustrative of a segment of the aggregate value of the SovaCryptoXV equal weight cryptocurrency index. The underlying tokens must be obtained in the initial coin offering process that is a one time, closed end offering. The tokens received will represent a member's portion of the portfolio. 98% of the aggregate sum contributed in the offering will go specifically towards purchasing the top 15 cryptographic forms of money. SCXV is an ERC20 token on the Ethereum blockchain. Working on the blockchain allows worldwide accessibility, 24 hours 7 day a week trading, transparency, open verification of SovaCryptoXV's assets and no costly banking fees, saving money & expenses.

Each tokens' worth is directly aligned to the fundamental 15 cryptographic forms of money held by SovaCryptoXV currency index through

the imaginative value floor instrument actualized in our smart contract. The smart contract enables members to sell out for their share of the fundamental assets whenever they choose to sell - without restriction. This will secure SCXV's distribution value as it will be unreasonable to offer at a value lower than the tokens share of the fundamental 15 crypto assets. If a higher price is offered by means of the smart contract, token holders are allowed to offer or trade their tokens, without paying exit fees, broker charges or advice expenses.

The only ability for future members to purchase these tokens post-ICO will be from ICO members on a marketplace/exchange – no further tokens will be sold or created. 96% of the ICO assets will go towards obtaining the top 15 coins by market cap along 10% will be set aside to cover operating & trading expenses. A full breakdown of assets usage and token dispersion is accessible in segments VI and XIII.

Security is critical compote of SovaCryptoXV. The smart contract code has been reviewed by an independent third party (Hosho Group). Expert advisors were counseled, best practices executed and solid identity verification techniques set up to forestall cyber assaults and awful characters from compromising SovaCryptoXV. SovaCryptoXV holdings will be evaluated and audited and the review report, made public post- ICO.

An open ICO will be from **June 26 to July 2, 2018**. SOVA Crypto will utilize the ICO commitments to acquire the fundamental 15 crypto assets and test rebalancing through June, and list the coin on several global exchanges for trade in July 2018.

The index hyper parameters for the portfolio and rebalancing strategy were chosen using an organized information science approach. A trading strategy has been established to alleviate the danger of front running and a reasonability template was led to affirm that a portfolio at the maximum raise size would have the capacity to viably procure adequate coins without paying an extensive premium. The base portfolio measure is \$2m. If the base portfolio measure is not accomplished all assets will be returned to

investors. A maximum component weight of 7% was selected to prevent any single asset from dominating the index.

All trading information will be stored as a function of SovaCryptoXV's operations. This is valuable information including but not limited to, coin-trading volumes, order books, pricing, amongst others. After approximately six months of trading, the data will be used, to streamline rebalance and create trading techniques for future index/exchange traded funds. SovaCryptoXV ICO members will have priority access to these assets and the SCXV token will be interchangeable.

Overall, SovaCryptoXV is a closed end, tokenized digital currency portfolio by self-ruling tracks the largest 15 cryptographic forms of money with weekly rebalancing to a max segment weight of 7%, ultimately allowing participants the ability to quickly own a diverse balanced digital currency portfolio all with one token; one purchase.

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LEGAL DISCLAIMER:

1. Prospective ICO Participants should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile, and place of business with respect to the acquisition, holding or disposal of the Tokens, and any foreign exchange restrictions that may be relevant thereto. Law may restrict the distribution of this White Paper and the offer and sale of the Tokens in certain jurisdictions. This White Paper does not constitute an offer to sell or the solicitation of an offer to buy to any person for whom it is unlawful to make such offer or solicitation.

2. SCXV is not providing any legal, business, financial or tax advice to you regarding any matter. You may not be able to legally participate in this private, unregistered offering. You should consult with your own attorney, accountant and other advisors about those matters (including determining whether you may legally participate in this ICO). You should contact SCXV with any questions about this ICO or the Tokens.

3. It is the responsibility of any persons wishing to acquire the Tokens to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Prospective ICO Participants should inform themselves of the legal requirements and tax consequences within the countries of their jurisdiction, citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of the Tokens, and any restrictions that may be relevant thereto.

4. This White Paper constitutes an offer of Tokens only in those jurisdictions and to those persons where and to whom they lawfully may be offered for sale. This White Paper does not constitute an offer to subscribe for securities except to the extent permitted by the laws of each applicable jurisdiction.

5. Nothing in this White Paper is intended to create a contract for investment into SovaCryptoXV, and each potential ICO Participant acknowledges that

SovaCryptoXV will rely on this assertion of an ICO Participants statements with respect to compliance with the laws of the jurisdiction in which the ICO Participant is legally domiciled.

AN IMPORTANT NOTE FROM OUR LAWYERS:

SovacryptoXV is incorporated in the Cayman Islands. This document should not be construed as an offer or solicitation of an offer for the sale of tokens.

The individuals listed in this document are not, will not be selling tokens, and have drafted this document on behalf of the legal entity that will be conducting the relevant token sale.

Consider the English language version of all SovaCryptoXV communications, media and documentation to be the only official version.

ABSTRACT

SovaCryptoXV is an independent crypto currency only portfolio based on an equal weight index strategy. Token financing will be utilized to purchase the basic digital currency assets. SovaCryptoXV will acquire the top 15 cryptocurrencies by market capitalization. SovaCryptoXV removes all the extra steps and cost, of multiple platforms, multiple wallets, multiple exchanges, by having one coin representing multiple assets helps us lower user cost and have minimal fees, in comparison to other funds. Index Funds have consistently outperformed the average managed fund since their beginning.

SCXV tokens are attached to the fundamental 15 crypto holdings with a novel liquidation alternative that can be utilized by means of the smart contract. This capacity guarantees a biggest lower bound (infimum) market worth of all tokens.

SovaCryptoXV allows access to a various digital coins by holding a solitary token. The tokens will be tradable on exchanges post-ICO and no further tokens will be issued. The top 15 cryptocurrencies by market capitalization changes will effect SovaCryptoXV's holdings. This rebalancing procedure takes into consideration tracking of the cryptocurrency market, an index that serves as a powerful barometer and tool for profit with moderate risk.

A digital currency portfolio in made up of an equivalent weight framework comprising of the largest 15 coins by market cap, with week by week rebalancing and a component cap of 7% produces a mix that has wide market representation and worthy turnover without permitting a solitary asset, or component to cause overwhelming hazard.

SovaCryptoXV is not a platform it is a working item and its token worth does not depend on theory yet rather the factual advantages and net asset value of the 15 fundamental cryptocurrencies. There are no broker charges, advice expenses or exit expenses. SovaCryptoXV utility token is named the SCXV. It can be exchanged 24/7, holdings are completely transparent, and there are no costly fund administrators.

DEFINITIONS

Open-end mutual fund: An open-end fund is a mutual fund issuing unlimited shares of investments in stocks and/or bonds. Investing creates more shares, whereas selling shares takes them out of circulation. Shares are bought and sold on demand at their net asset value, which is based on the value of the fund's underlying securities and is calculated at the end of the trading day. When a large number of shares are redeemed, the fund may sell some of its investments to pay the investor. Shares are bought directly from the fund administrators.

Closed-end fund (CEF): A closed-end fund is seeded once off via an IPO and then traded on exchange thereafter. No further shares are issued and CEFs may trade above net asset value as buying and selling the shares on exchange has no effect on the underlying assets.

Exchange-traded fund (ETF): An exchange-traded fund is like an open-end mutual fund but instead trades as a common stock on a stock exchange. It is not purchased directly from fund administrators. An ETF may trade at a premium or discount to the NAV but this is often very short-lived due to arbitrage by institutional investors.

The structure of SovaCryptoXV is analogous to a new hybrid type;

- SCXV is a closed-end fund that trades with an equal weight index(passive) strategy whereas traditionally all closed-end funds have been actively managed.
- Post-ICO, investors will only be able to purchase the SCXV tokens on exchange. No further tokens will be sold directly.
- Buying and selling SCXV tokens on an exchange does not affect the underlying NAV and ETF's are able to trade at a premium depending on market forces.
- A price floor is created via the liquidation option in the smart contract, effectively ensuring that the token is not able to trade at a discount.

I. INTRODUCTION

Some estimates indicate there are between 3 million and 5 million cryptocurrency users, which represents 0.14%- 0.24% of the 2.1 billion people in the world between ages 14 and 65 who have internet access[1]. In 2018, 1% of internet users will already own crypto wallets[2]. The aggregate market cap of the S&P 500 (December 31, 2017) was 23.93 trillion USD [3] while the entire cryptocurrency market cap at it's all time highs set in January of 2018, is just a small percentile (roughly 0.3%) of this [4]. The S&P 500 is just a little piece of the worldwide investment markets.

In comparison to global market bubbles such as the Japan Asset bubble (\$26 trillion) the US Great Recession (\$8 trillion) & the Dotcom Bubble (\$7 trillion)[5] Cryptocurrency mkt cap (\$795 billion) at its all time highs set in Jan 2018 clearly has much more growth ahead before considerations of a bubble. There have been studies that believe the cryptocurrency mkt cap will hit \$5 trillion by 2025. Based on adoption rates of new technologies, which has increased significantly at the beginning of the 21st century. For example, Smartphones and social media penetration grew from 5% to a whopping 90% in the USA in under

5 years.[6] Considering the room for new impressive development and huge growth in the block chain crypto currency markets, we believe we are still in infancy stages. SovaCryptoXV will play a valuable role in the growth and development of adaptation in conversion of fiat investor to cryptocurrency investor.

The benefits are straightforward and numerous: simplicity& accommodation, no broker charges, no exit expenses, full transparency, full control and a lower value bound. No trust is required in the capacity of human asset managers/brokers – an index subsidize methodology does not require any prudence or judgment, only adherence to a technique decided by means of information science. There is no compelling reason to keep your SCXV tokens on an exchange or platform, considering availability to offer or trade your tokens without limitation whenever you are ready. Computerization enables SovaCryptoXV to work with charges of just 0.5% P/A instead of the market normal of 3% P/A. The quantity of tokens, rebalancing recurrence and resource weightings were deliberately decided and our approach is point by point in this white paper.

The ICO assets will be utilized to purchase the top 15 cryptocurrencies. Tokens can be sold through the SovaCryptoXV smart contract for their portion of the portfolio's net asset value (NAV). This is vital: it secures the token cost, as it would not be sane to offer at a lower price on exchanges, when tokens can be specifically be sold for a higher price. Capitalizing on crypto returns all the while limiting risk offers a convincing case to both crypto and Fiat investors.

SovaCryptoXV offers diversification & cost savings by holding a solitary token & will be vigorously advertised by means of promotion, digital marketing, cold calling, sales team, investor relations, and speculator outreach. The singular way to buy these tokens post-ICO will be on exchanges from ICO participants – Referencing the genuine interest for decreased risk in crypto speculations while simultaneously delivering an incentive for ICO participants. Managers & funds with exceptional performance history can attract considerable measures of new cash. A manager in all likelihood will need to

utilize that new cash to "pursue" a generally tiny representation of coins. They may choose to purchase one or two coins. This purchasing weight can drive up coin price, compelling the fund manager to pay higher costs than a more typical situation – influencing all token holders by decreasing the funds future increases. This is how we have derived the decision for issuing no further tokens post-ICO. These fund managers will have to buy SovaCryptoXV tokens from ICO participants. These managers will likely feel comfortable putting capital into a diversified representation of the asset class. Minimizing risk not overweighing the market and diversification.

SovaCryptoXV will be of tremendous benefit to the entire crypto community, utilizing transparency and increased liquidity because of our weekly rebalancing. This will help to attract big money from institutions. We will bring vital assistance, subsidizing, and comprehension to the marketplace. Traditional Financial investors who were dubious about putting capital into a singular innovation or framework will now have a logical choice. Such choice will only help to expand and intensify the rising cryptocurrency market through SovaCryptoXV cryptocurrency index.

II. CLASSIC FUND AND PORTFOLIO FORMATION

	Mutual Funds	Index Mutual Funds
diversified	✓	✓
traded on exchange		
intraday pricing		
intraday trading		
management fees	✓	✓
commission fees		
tax management ¹		
index-tracking		✓

Fig.1 comparison of Mutual funds, Index funds, Exchange traded funds (ETFs), stocks[7]

All funds are a collection of individual asset classes which are bought and sold in order for the fund to attempt to achieve their investment goals.

There are 2 philosophies with regard to management; the active philosophy and the passive philosophy. Active funds look to outperform market indices, their fund managers use expertise and a variety of strategies in effort to do so.

Passive funds seek to match the performance of broader market index such as the S&P500 or FTSE100. The performance of a passive fund is measured by how well it can replicate its chosen index. Index funds and ETF's are passive funds

III. LOGIC SUPPORTING A CRYPTO INDEX STRATEGY

Index investing has seen exponential growth among investors since the first index mutual fund launched in 1976. An index fund has two purposes, one is utilization as an index tracker. The other is a mutual fund or exchange-traded fund (ETF) designed to follow certain preset rules so that the fund can track a specified basket of underlying investments. An index fund's rules of construction clearly identify the type of companies suitable for the fund. Companies purchased are held within the index fund when they meet the specific index rules or parameters and sold when they move outside of those rules or parameter. This has proven to be a successful form of investment as the low-cost involved has allowed index funds to out-perform the majority of active managers across market and asset styles.

Index mutual funds have acquired market share in the US every year since 2006[8]. The main advantage of index funds for investors is they do not require a lot of time to manage as the investors do not have to spend time analyzing various investments or investment portfolios. Many investors also find it difficult to beat the performance of the Index fund due to their lack of experience/knowledge in investing. Index funds have the least cost associated for investors.

Lagging Behind

Few actively managed funds have kept pace in recent years, new data show.

Percentage of U.S. equity funds outperformed



Note: Data as of Dec. 31, 2016
Source: S&P Dow Jones Indices

Fig 2. Percentage of US equity funds outperformed by benchmark[9].

As seen in Fig.2 over a 15-year investment horizon, more than 92% of large-cap fund managers failed to outperform their benchmark index. The odds of picking a winning fund manager are also low: studies show that regardless of past performance, future performance is virtually random [10]

The focal notion underlying the case for index fund investing is that of the “zero-sum game” hypothesis.

This hypothesis expresses that, at any given time, the market consists of the combined holdings of all investors, and that the total market return is equivalent to the asset weighted return of all market investors. Since the market return represents the mean return of all investors, for each position that beats the market, there must be

a position that fails to beat the market by an equal sum, with the end goal that, in total, the excess return of all invested capital equals zero.

This zero sum around the market weighted average return implies that for each profitable trade an investor makes, another investor must make the contrary side of that exchange and bring about a loss relative to the market. This remains constant paying little heed to whether the coin or token being referred to is mis-priced or not, and for that identical reason, the zero-sum game hypothesis must apply whether the market goes up or down.

The circulation of market returns will therefore be revolved around an average - the index SovaCryptoXV plans to track. By holding a basket of coins we would like to catch this average return – we will have some coins that trade lower and a couple of coins that over perform, the entirety of the returns should provide the average index/market return.

Simply, an index fund allows investors to track the index – the underlying trend behind the selection of assets without being reliant on a particular person or team. There is no active trading, apart from the rebalancing of assets at fixed time intervals. This allows the fund to track the mean market performance consistently, even if some of the original assets fall out of favor.

RATIONALE BEHIND EQUAL WEIGHT

Equal weight is a type of weighting that gives the same weight, or importance, to each holding in a portfolio or fund, and the smallest companies are equal weight to the largest companies in an equal-weight index fund or portfolio. Equal weighting differs from the weighting method more commonly used by funds and portfolios in which stocks are weighted based on their market capitalizations. Investing in equal-weight funds helps in reducing single stock risk and simultaneously generates attractive returns.

Historically, this has been the case for the S&P 500. From 2003 through 2015, a \$10,000 investment in the traditional S&P 500 index would have turned into \$29,370. During that same

period, the same investment in the S&P 500 Equal Weight Index (EWI) would have turned into \$38,866.[11] In this instance an investment in the S&P 500 Equal Weight Index (EWI) would have benefited an investor by an additional 95% in comparison to the traditional S&P 500 index.

In this respect, investors should not look beyond index funds investing with a focus on equal-weight funds as these provide better and diversified market exposure to investors. An equal-weight fund is a good choice for investors seeking diversification across sectors and companies, and focusing on gaining exposure to companies that offer high levels of returns. Money managers that may be a bit skeptical in maintaining a diversified crypto asset portfolio might consider investing in equal-weight crypto funds. It makes good sense to have these top performers in one's portfolio; better yet with one token. Simply stated, the goal for SovaCryptoXV is to minimize the risks of investment and maximize the investor's returns.

The SovaCryptoXV tokenized portfolio is a pioneer in this space; purchased with crypto and holding only cryptographic forms of money. It will bring security and old-economy cash into the biological community, which will help with liquidity and give a steady instrument to the individuals who beforehand thought it was excessively unsafe, making it more than not likely to put capital into a singular innovation.

It is theorized that one cannot blame the absence of cryptocurrency buying by retail investors that are looking to designate 'high-risk' funds to crypto portfolios exclusively to the difficulty of obtaining digital forms of money. The number of exchanges, platforms, payment methods, services accessible to buy digital currencies is expanding exponentially. Much of the time, it is less demanding and less oppressive to buy bitcoin than to put resources into a USD designated mutual fund.

The writers trust this absence of retail investment capital is because of the fact that no such item has already been accessible, & promoted effectively & adequately in simple language. There is a difference between 'risk' and 'extraordinary risk'

in the brains of numerous investment professionals – cryptocurrency have customarily been viewed as the latter [12]. SovaCryptoXV goal is to mitigate risk to an adequate level simultaneously providing exposure, portfolio rebalancing, and locking in gains on the largest cryptocurrencies. Providing a venue for retail funds to participate on a higher level.

LOW-FEE FUND BENEFITS

Index funds usually have lower expenses than those of traded and managed funds. Managed funds generally have a higher expense ratio versus that of an index fund – around 6 times higher than an index fund (3% p/a vs 0.5% p/a). The impact of this is the total return to investors is less than zero sum that makes outperformance vs an index fund significantly less likely.

Information from the Financial Research Corporation has been utilized to assess the predictive valuation of various fund measurements, for example, funds past performance, Morningstar rating, alpha, and beta [13]. In the examination, funds cost proportion was the most dependable indicator of its future performance, with less expensive funds outperforming assets in their peer group in every period examined. In like manner, Morningstar played out a similar investigation over its universe of funds and found that, regardless of fund type, low expense ratios were the best predictors of future relative outperformance. [14].

Therefore, upon being positioned as an expansive player in the crypto markets, SovaCryptoXV will facilitate & manage the cost of SCXV to access discounted exchange fees, and none of the legacy banking fees. Fiat financial specialists searching for crypto profits or with a diverse representation and limited risk profile, will be attracted to purchase SCXV tokens.

IV. CONDITIONS OF SMART CONTRACT

Purposes behind Picking the Ethereum Blockchain:

- Security and consistency (versus, running a separate blockchain),

- Utilization of vigorous and well supported customers (Ethereum based tokens can be managed with official Ethereum customers);
- High liquidity (transferable for ether);
- Less demanding listing requirements on exchanges considering the infrastructure is currently set up; and
- Ethereum smart contracts empower an exceptionally transparent method for offering a liquidation option.

The smart contract follows the ERC20 token standard [9] and can be utilized from any Ethereum compatible wallet. The agreement code encourages an ICO crowd sale by indicating a beginning and ending number to confine certain functions during the ICO period. The token to ether value proportion is balanced progressively all through the pre-sale so that token value tracks \$1 (the reward structure is then connected over this).

Participants can send ether to the agreement specifically or through the buy or buy To capacities. The ether purchase amount is utilized to figure the tokens purchased which are then added to the balance of the participant account. The participant account (the account that is charged with tokens) is the sender's account when utilizing the buy and fallback function or the specified address when utilizing the buy To capacity and passing an address as a contention.

The smart contract has a two-level control usage, which gives two controlling wallets diverse levels of authority. This permits future blockchain improvement and full on-chain robotization without sacrificing the control of fund managers.

The withdrawal function consequently figures the ether amount to send to the participant account on a forward pricing policy [15], which utilizes the asset, backed cost of the tokens less a 1% trading cost. This trading cost is not an expense that SovaCryptoXV imposes - it is collected by the exchanges necessary to execute the liquidation method. The price will be refreshed frequently to precisely reflect the value of the underlying crypto assets.

// simplified contract withdrawal function for illustrative purposes //

```
- Function withdraw (unit withdraw Amount) {  
  address participant = msg.sender;  
  
  - require(block.number > fundingEndBlock);  
  require(balanceOf(participant) >=  
    withdrawAmount);  
  
  - uint withdrawValue = withdrawAmount /  
    currentPrice;  
  
  - require(this.balance >= withdrawValue);  
  balances[participant] =  
    safeSub(balances[participant], withdrawAmount);  
  balances[fundWallet] =  
    safeAdd(balances[fundWallet], withdrawAmount);  
  participant.transfer(withdrawValue);
```

This withdrawal function ensures a greatest lower bound (infimum) of the pseudo-continuous time market value of all tokens. Formally:

$$\infimum\{\Sigma(\mu_i F_i)\} \geq H \quad (1)$$

Where μ_i is the speculative market coefficient of any single participant's total initial contribution (F_i) and H represents the total asset value of the portfolio. Seeing that F_i per tokens bought is fixed during the ICO and that no further tokens are minted; participants are assured a maximum minimum withdrawal amount that is independent of all market forces μ_i s. The implications of this are explained below.

V. LIQUIDATION OPTION

High-volume brokers may try to abuse pricing to the impediment of the community by initiating sell offs that avalanche and result in flash crashes with the goal that they can buy the tokens at a steep discount. The liquidation option offers a price floor security – this guarantees the price never dips under that of the crypto assets because of market manipulation. Prices are, in any case, allowed to increase as speculative value is made by the high demand for an inexpensive cost, diversified and automated cryptocurrency portfolio that can be held as a solitary token.

A small, dynamically allocated level of SovaCryptoXV's assets will be held by the smart contract (in ether) to encourage the liquidation option. This amount will be controlled mechanically as usage is requested. The Majority of other cryptographic currency assets will be held in different cold storage wallets.

Amid a withdrawal, the SCXV tokens are transferred back to SovaCryptoXV's directors. These tokens are then sold on the exchange at the current NAV per token or market value, whichever is higher. This guarantees the fundamental assets can be rebought if a participant utilizes the liquidation option – which is highly unlikely due to the market price floor clarified previously.

VI. TOKEN DISTRIBUTION AND STRUCTURE

There will be no token creation, minting or mining after the ICO period. Tokens will be transferable and tradable once the ICO is successfully completed and the underlying assets have been acquired. Investment can be made in ETH, BTC or LTC. The USD equivalent amount of any ETH, BTC or LTC invested will be locked in at the time of investment according to market rates and considered the participant's contribution.

Token Type: ERC20

- **Ethereum Blockchain Maximum Supply**
(Hard Cap): 100,000,000
- **Available for Purchase:** 80, 000 000 Minimum
ICO Contribution: 0.04 ETH
- **Minimum Raise:** \$2, 000 000
- **Price per token:**
 - Pre-sale (up to 10,000 000 tokens): \$0.75
 - First 48 hours of ICO: \$1.00
 - 48hrs plus to deadline of ICO: \$1.05

Token Distribution Summary:

- 7.5% SCXV Team
- 0.5% Advisory Team
- 2.5% Marketing and Investor Relations
- 1.0% Legal

- 1.0% Security Systems and Smart Contract
- 0.5% Bounty Program
- 87% ICO Participants

The SovaCryptoXV team tokens will vest over two years to ensure that team incentives are aligned with ICO participants. This is enabled via a public smart contract 'vault'.

IX. SECURITY & TRANSPARENCY

SovaCryptoXV has implemented security industry best practices for defense against Cyber attacks and bad actors in co-operation with our team of expert advisors. Strong identity verification and authentication procedures are in place to ensure secure operations.

The smart contract code has been thoroughly audited by the Hosho Group (<https://hosho.io/>) for vulnerabilities, confirmation of operation as described in this White Paper, static and manual analysis of the smart contract, gas analysis and verification of the deployment procedure. Transparency in SovaCryptoXV is trading activities and current holdings will be ensured with view only exchange APIs as well as thorough proof of reserve for non-exchange wallets (this includes both hot and cold wallets).

SovaCryptoXV will, at any stage, hold varying amounts of the 15 coins that form the index it tracks. The majority of each of these cryptocurrencies will be stored in cold wallets with a small percentage of each currency stored in a wallet on our servers to facilitate automatic rebalancing. If rebalancing necessitates moving more of the cryptocurrency to these hot wallets this will be done manually via interfacing with various cold wallets – SovaCryptoXV's portfolio managers will be notified ahead of time to accommodate this. The weekly rebalancing period affords more than sufficient time for this purpose.

Trades will be executed over multiple exchanges at varying times within our weekly rebalancing window to mitigate the risk of front-running. The following section, TRADING STRATEGY, contains a quantitative analysis on liquidity and front running.

Ledger Nano Ss [16] will be used for the storage of all cryptocurrencies it supports. For all cryptocurrencies not supported, encrypted USB drives will be utilized. These storage devices will be held in secure safe deposit boxes with back-up paper-wallets stored at separate secure locations. Locations are undisclosed for security consideration. A public audit post-ICO will confirm the presence and safe storage of the USB drives and paper-wallets to ICO participants.

Wallet interactions with SovaCryptoXV will be facilitated through light clients running within their own containerized services. See the AUTOMATION section for additional detail.

X. APPROACH TO TRADING

With considerations to the S&P 500 which is rebalanced quarterly and additions or deletions are announced several days prior to the actual change. [17] In most years, 25 to 30 stocks in the S&P 500 are replaced [18]. Any funds tracking this index need to rebalance their portfolios in accordance with these changes. Some index funds trade the added or removed stocks in the days in the run-up to the change and some trade on the day of the change.

As of 07/31/2017, the bottom 10 stocks of the Vanguard S&P 500 ETF are only approximately 0.063% of the index value [19]. The market cap of the Vanguard fund is \$338.3 billion [20] and the bottom 10 stocks are \$213.8m by market cap of the total fund. These stocks have a combined average daily trading volume of \$40.25m [21] [22]. Front-running and purchasing of stocks is seemingly a much greater problem for fiat index funds – of which Vanguard is only one – and these funds only lose 20-28 basis points p/a (0.2 – 0.28 % per year) to front-runners [23].

The SovaCryptoXV portfolio's lowest weighted constituents would be significantly less 2% of AUM on average [24]. This equates to \$1,000,000 with \$100m-worth of AUM. The lowest market-cap coins in the index have average daily trading volumes of approximately \$5-20m. The amount immediately purchasable was calculated automatically by the SovaCryptoXV exchange service via the ingestion of order book data from

the utilized exchanges. Adding a coin thus generally necessitates the purchase of only 3% to 15% of average daily trading volume, while the Vanguard S&P500 index fund has to contend with the purchase of 200-500% of the average daily trading volume.

The coin with the lowest trading volume, Waves, is able to comfortably support the purchase of more than 3.75% of AUM in the rebalancing period at a slippage of only 3% from the best price. Only 1.38% would need to be acquired for the 28th of August 2017 example. This effectively justifies the decision for a maximum portfolio value of \$100,000,000.

Any front runners would need to anticipate coins entering the top 15 and have enough liquid capital on exchange to move market rates.

SovaCryptoXV's index strategy trading rules will be known – however, several strategies will be employed to mitigate this risk:

- 1) Cryptocurrencies will be sent to the exchange 1-48hrs in advance of the trade so that traders cannot follow the hot-wallet to know exactly when a purchase or sale will be made. A weekly rebalancing window affords sufficient time to do this.
- 2) Trades will be executed over multiple exchanges.
- 3) Trades will be executed at varying times within the rebalancing window to prevent predictability.

Anomalies and Responses Forking: If a cryptocurrency were to fork, the forked currency would be added as a regular portfolio asset. Rebalancing would be performed as per usual at the next interval.

Crypto base BTC-ETH swap: A BTC-ETH swap does not affect SovaCryptoXV's trading strategy. During rebalancing, the most supported single-base exchange pairs are used agnostic to the specific crypto.

XI. COMPUTERIZATION

SovaCryptoXV will be automated via API integration with multiple exchanges, possibly including but not limited to: Bitstamp, Bitfinex, BTER, Bittrex and Poloniex. The full list of exchanges utilized will be available on our website when trading begins. Additional exchanges will be added when vetted and APIs with the minimum sufficient functionality are made available.

The liquidation price of the SCXV tokens will be determined through the use of an exchange service developed by SovaCryptoXV. Automation of liquidation price updates are an essential part of smooth business operation, however, automation can also expose security risks due to the necessity of online private key storage. We circumvent this risk by implementing a two-tier permissions system, with multiple addresses allocated only the necessary permissions to fulfill a particular task, such as updating the liquidation price. This strategy enables risk-mitigating automation without having to store crucial private keys online.

The SovaCryptoXV backend runs as a cluster of containerized services using a thoroughly scalable and redundant architecture running on Kubernetes. Security and reliability is central to our system design – we rely on public-key cryptography, multiple factor authentication and system isolation of private keys. The vast majority of SovaCryptoXV's holdings will be stored offline in cold wallets.

Backend calls to exchange API services will be used to find optimum routes for different trading pairs to obtain best possible prices on trades. This method will ensure underlying assets are always bought at the most competitive rates and exchange fees.

SovaCryptoXV's system architecture makes use of a micro service design pattern, incorporating messaging and task queues with full event logging. Isolating services that can act as potential attack vectors from the rest of our systems will enable us to enforce tight security preventing the kind of breaches some other Ethereum-based ventures have seen.

XII. INVESTOR RELATIONS AND ADVERTISING

The SovaCryptoXV team will invest significant time and effort into post-ICO marketing targeted towards investors in the traditional financial sector via the production of information sheets, explanatory videos and planning documents that are clearly drafted. Token holders will be able to view detailed information on their holdings and portfolio composition on the SovaCrypto website. SovaCryptoXV will focus marketing efforts solely in crypto-friendly markets. No promotion or solicitation will be performed where participation is forbidden or likely to be forbidden in the near future in order to remain compliant with local legislation.

XIII. ICO FUNDS ALLOCATION

The SovaCryptoXV team has completed the development of the trading system. The ICO funds (96%) will go towards purchasing the underlying assets. A small percentage (1.5%) is allocated towards legal fees (to ensure that SovaCryptoXV is compliant with regulation upon commencement of exchange trading) and for auditing purposes as required by law with a small contingency for any regulatory changes in the marketplace. SovaCryptoXV and its cryptocurrency diversification value proposition will be heavily promoted to retail investors and a 2.5% allocation is made to facilitate this. Any unused funds from the 4% operating expense allocation will be utilized in a discretionary capacity once SovaCryptoXV has commenced on-going trading.

- 2.5% Continued Marketing Pre-Exchange Listing
- 1.5% Legal Fees and Post-ICO Audit
- 96% Underlying assets

XIV. ACCOUNTING AND REPORTING

SovaCryptoXV has led an investigation into the review and records necessities keeping in mind the end goal to give best exertion in complying with existing legislation.

SovaCryptoXV will operate on a quarterly accounting period announcing premise with yearly records. The quarterly reports will incorporate data on administrative hazard and enactment, chance/return examination, portfolio execution and end of year prescient market investigation. Financial reports will include the following:

- A balance sheet and a statement of the portfolio's total investment value
- An income statement for the period covered
- A list of the portfolio's amounts and values on the date the balance sheet was issued
- A statement of salaries or any other monies paid to the directors, advisory board and officers
- Total amounts of crypto purchases and sales

This information will be made available on the investor portal of the SovaCryptoXV website. SovaCryptoXV's assets will be viewable at any time with a blockchain explorer.

Bookkeeping guidelines for cryptocurrency are still unclear. The international Accounting Standards Board (IASB) will either make another standard or change existing norms to address representing interests in intangible assets, including digital monetary forms. The IASB may take a very long time to create and actualize another standard. They are known to set principles in considerations of fruitful organizations driving the path in how to keep books and records for their investments – considering all conceivable outcomes early may empower SovaCryptoXV to pioneer a standard and give tokens believability as an elective venture vehicle.

XV. PROJECT TIMELINE

April - July 2017

Initial Research and Development

Develop the team and concept; conducted thorough back tests to determine portfolio hyper parameters; set wheels in motion to create a compliant legal structure.

July - September 2017

Develop Smart Contract and Computerized Trading System

Developed innovative SovaCryptoXV smart contract to best practice specifications; developed back-end for multi-exchange trading.

September - October 2017

Finalize Smart Contract and Trading Protocol

Complete smart contract to audit ready state. Optimized autonomous index trading algorithm to mitigate front running and slippage. Consultation with industry expert advisors.

October - December 2017

Test Trading System; Security Audit

Security audit and code review process. Trading system tested and completed.

January - May 2018

SCXV Token Pre-Sale

June - July 2018

SCXV Token ICO

June 2018

Public Audit of ICO Funds

Public auditing firm to audit SovaCryptoXV ICO and release statement verifying holdings.

June - July 2018

Initial Top 15 Coin Acquisition; On-going Marketing and Investor Relations; First Rebalancing Procedure

Initial coin holdings acquired; final information sheets and reporting structures released to retail investors. First portfolio rebalance is performed and monitored.

July 2018

Public Launch on Exchange -

SCXV Token is listed for trade on exchange.

July 2018

Data Collection; Regular Operation

The data pulled from multiple exchanges - order books, volumes etc. will be stored. After approximately 6 months of operation, this valuable deep dataset will be used to inform future development. SovaCryptoXV ICO participants will have priority acceptance into these very limited cap funds and SCXV tokens will be transferable into these funds.

XVI. CONCLUSION

A hybrid closed end passive fund (7%)+ equal weight index strategy portfolio consisting of the top 15 coins by market cap, with rebalancing weekly produces a combination that has broad market exposure and acceptable turnover without allowing a single asset (and thus a single source of risk to dominate.

SovaCryptoXV is poised to set a new standard for cryptocurrency investments. As a transparent, secure and directly asset linked 'token-as-a-portfolio', SovaCryptoXV aims to bring low-fee, broad market exposure crypto investment to the mainstream with its innovative single token offering.

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<https://Sovacrypto.com>

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DISCLAIMER OF LIABILITY

To the maximum extent permitted by the applicable laws, regulations and rules of the jurisdiction in which the Company may operate physically or digitally, neither the Company nor the **SovaCryptoXV** Team shall be liable for any indirect, special, incidental, consequential or other losses of any kind, in tort, contract or otherwise (including but not limited to loss of revenue, income or profits, and loss of use or data), arising out of or in connection with any acceptance of or reliance on this White Paper or any part thereof by you.

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The Company does not make or purport to make, and here by disclaims, any representation, warranty or undertaking in any form whatsoever to any entity or person, including any

representation, warranty or undertaking in relation to the truth, accuracy and completeness of any of the information set out in this White Paper.

REPRESENTATIONS AND WARRANTIES BY YOU

By accessing and/or accepting possession of any information in this White Paper or such part thereof (as the case may be), you represent and warrant to the Company as follows:

- (a) you agree and acknowledge that the SCXV tokens do not constitute securities in any form in any jurisdiction;
- (b) you agree and acknowledge that this White Paper does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities in any jurisdiction or a solicitation for investment in securities and you are not bound to enter into any contract or binding legal commitment and no cryptocurrency or other form of payment is to be accepted on the basis of this White Paper;
- (c) you agree and acknowledge that no regulatory authority has examined or approved of the information set out in this White Paper, no action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction and the publication, distribution or dissemination of this White Paper to you does not imply that the applicable laws, regulatory requirements or rules have been complied with;
- (d) you agree and acknowledge that this White Paper, the undertaking and/or the completion of the SCXV token sale, or future trading of the SCXV tokens on any cryptocurrency exchange, shall not be construed, interpreted or deemed by you as an indication of the merits of the Company, the SCXV tokens, the SCXV token sale and the underlying assets (each as referred to in this White Paper);
- (e) the distribution or dissemination of this White Paper, any part thereof or any copy thereof, or acceptance of the same by you, is not prohibited or restricted by the applicable laws, regulations or rules in your jurisdiction, and where any restrictions in relation to possession are applicable, you have observed and complied with all such restrictions at your

own expense and without liability to the Company;

- (f) you agree and acknowledge that in the case where you wish to purchase any SCXV tokens, the SCXV tokens are not to be construed, interpreted, classified or treated as:
 - (i) any kind of currency other than cryptocurrency;
 - (ii) debentures, stocks or shares issued by any person or entity;
 - (iii) rights, options or derivatives in respect of such debentures, stocks or shares;
 - (iv) rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss;
 - (v) units in a business trust;
 - (vi) derivatives of units in a business trust; or
 - (vii) any other security or class of securities.
- (g) you are fully aware of and understand that you are not eligible to purchase any SCXV tokens if you are a citizen, resident (tax or otherwise) or green card holder of the United States of America or a citizen or resident of the Republic of South Africa or the Cayman Islands;
- (h) you have a basic degree of understanding of the operation, functionality, usage, storage, transmission mechanisms and other material characteristics of cryptocurrencies, blockchain-based software systems, cryptocurrency wallets or other related token storage mechanisms, blockchain technology and smart contract technology;
- (i) you are fully aware and understand that in the case where you wish to purchase any SCXV tokens, there are risks associated with the Company and its respective business and operations, the SCXV tokens, SCXV token sale and the underlying assets (each as referred to in the White Paper);
- (j) you agree and acknowledge that the Company or any of the **SovaCryptoXV** Team is not liable for any indirect, special, incidental, consequential or other losses of any kind, in tort, contract or otherwise (including but not limited to loss of revenue, income or profits, and loss of use or data), arising out of or in connection with any acceptance of or reliance

- on this White Paper or any part thereof by you; and
- (k) all of the above representations and warranties are true, complete, accurate and non-misleading from the time of your access to and/or acceptance of possession this White Paper or such part thereof (as the case may be).

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements contained in this White Paper, statements made in press releases or in any place accessible by the public and oral statements that may be made by the Company or any of the **SovaCryptoXV** Team on behalf of the Company, that are not statements of historical fact, constitute forward-looking statements. Some of these statements can be identified by forward-looking terms such as aim, target, anticipate, believe, could, estimate, expect, if, intend, may, plan, possible, probable, project, should, would, will or other similar terms. However, these terms are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's financial position, business strategies, plans, prospects, and the future prospects of the industry that the Company is in are forward-looking statements. These forward-looking statements, including but not limited to statements as to the Company's revenue and profitability, prospects, future plans, other expected industry trends and other matters discussed in this White Paper regarding **SovaCryptoXV** are matters that are not historic facts, but only predictions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual future results, performance or achievements of funds, cryptocurrencies, or the Company to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These factors include, amongst others:

- (a) changes in political, social, economic and stock or cryptocurrency market conditions, and the regulatory environment in the countries in which the Company conducts its respective businesses and operations;

- (b) the risk that the Company may be unable or execute or implement their respective business strategies and future plans;
- (c) changes in interest rates and exchange rates of fiat currencies and cryptocurrencies;
- (d) changes in the anticipated growth strategies and expected internal growth of the Company;
- (e) changes in the availability and fees payable to the Company in connection with their respective businesses and operations;
- (f) changes in the availability and salaries of employees who are required by the Company to operate their respective businesses and operations;
- (g) changes in preferences of customers of the Company;
- (h) changes in competitive conditions under which the Company operate, and the ability of the Company to compete under such conditions;
- (i) changes in the future capital needs of the Company and the availability of financing and capital to fund such needs;
- (j) war or acts of international or domestic terrorism;
- (k) occurrences of catastrophic events, natural disasters and acts of God that affect the businesses and/or operations of the Company;
- (l) other factors beyond the control of the Company; and
- (m) any risk and uncertainties associated with the Company and its business and operations, the SCXV tokens, the SCXV token sale and the underlying assets (each as referred to in the White Paper).

All forward-looking statements made by or attributable to the Company and of the SovaCryptoXV Team or other persons acting on behalf of the Company are expressly qualified in their entirety by such factors. Given that risks and uncertainties that may cause the actual future results, performance or achievements of the Company to be materially different from that expected, expressed or implied by the forward-looking statements in this White Paper, undue reliance must not be placed on these statements. These forward-looking statements are applicable only as of the date of this White Paper.

Neither the Company nor any other person represents warrants and/or undertakes that the actual future results, performance or achievements of the Company will be as discussed in those forward-looking statements. The actual results, performance or achievements of SovaCryptoXV may differ materially from those anticipated in these forward-looking statements.

Nothing contained in this White Paper is or may be relied upon as a promise, representation or undertaking as to the future performance or policies of the Company.

Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the future.

MARKET AND INDUSTRY INFORMATION AND NO CONSENT OF OTHER PERSONS:

This White Paper includes market and industry information and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Such surveys, reports, studies, market research, publicly available information and publications generally state that the information that they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information.

Save for the Company and its respective directors, executive officers and employees, no person has provided his or her consent to the inclusion of his or her name and/or other information attributed or perceived to be attributed to such person in connection therewith in this White Paper and no representation, warranty or undertaking is or purported to be provided as to the accuracy or completeness of such information by such person and such persons shall not be obliged to provide any updates on the same.

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TERMS USED

To facilitate a better understanding of the SCXV tokens being offered for purchase by the Company, and the businesses and operations of the Company, certain technical terms and abbreviations, as well as, in certain instances, their descriptions, have been used in this White Paper. These descriptions and assigned meanings should not be treated as being definitive of their meanings and may not correspond to standard industry meanings or usage.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

NO ADVICE

No information in this White Paper should be considered to be business, legal, financial or tax advice regarding the Company, the SCXV tokens and SCXV token sale and the underlying assets (each as referred to in the White Paper). You should consult your own legal, financial, tax or other professional adviser regarding the Company and its business and operations, the SCXV tokens, the SCXV token sale and the underlying assets (each as referred to in the White Paper). You should be aware that you might be required to bear the financial risk of any purchase of SCXV for an indefinite period.

NO FURTHER INFORMATION OR UPDATE

No person has been or is authorized to give any information or representation not contained in this White Paper in connection with the Company and its business and operations, the SCXV tokens, the SCXV token sale and the underlying assets (each as referred to in the White Paper) and, if given, such information or representation must not be relied upon as having been authorized by or on behalf of the Company. SCXV token sale (as referred to in the White Paper) shall not, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change, or development reasonably likely to involve a material change in the affairs, conditions and prospects of SCXV or in any statement of fact or information contained in this White Paper since the date hereof.

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No regulatory authority has examined or approved of any of the information set out in this White Paper. No such action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction. The publication, distribution or dissemination of this White Paper does not imply that the applicable laws, regulatory requirements or rules have been complied with.

RISKS AND UNCERTAINTIES

Prospective purchasers of SCXV tokens (as referred to in this White Paper) should carefully consider and evaluate all risks and uncertainties associated with the Company and its business and operations, the SCXV tokens, the SCXV token sale and the underlying assets (each as referred to in the White Paper), all information set out in this White Paper and the T&Cs prior to any purchase of SCXV tokens. If any of such risks and uncertainties develops into actual events, the business, financial condition, results of operations and prospects of the Company could be materially and adversely affected. In such cases, you may lose all or part of the value of the SCXV tokens.