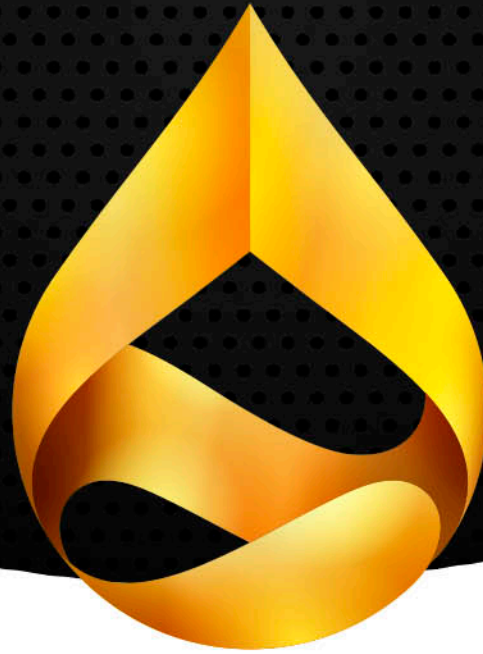


WHITE PAPER



SOV

Store of Value Token



SOV

Project Brief

The Store of Value Token is a Decentralized Autonomous Organization governed by its community of token holders. The SOV is the token responsible to guide the governance of the solution and with the utility of representing its underlying assets.

The solution behind the SOV protocol is based on a smart contract that automates the allocation of resources in Bitcoin and Gold digital assets in the proportion of 50%/50%, therefore representing one of the best financial ways of securing capital in the long run.

SOV Token Parameters:

- Blockchain Ethereum / ERC-20 token
- 1,000,000,000 tokens minted and distributed according to the automated allocation process
- Initial token price at launch: \$100.00

The Problem Created by the Current Global Economy

Both the repo rate and quantitative easing (QE, or simply money printing) are mechanisms used by central banks to stimulate the economy by forcing down interest rates and boosting investments with the resulting excess liquidity. While a low repo rate indirectly expands the monetary supply by promoting the extension of credits, QE is a more aggressive tool that expands the monetary base. Both of these methods became popular intervention methods by central banks and governments during the 2008 crisis.

These interventions ultimately lead to depreciation of currency of the implementing country and therefore enhances the demand for exports. Consequently, these expansionary monetary policies eventually create a bull market and an uptrend in asset prices. Therefore, the low interest rates can also fuel an asset price bubble and provide a trigger for further financial turbulence.

Risk management has grown in importance as a consequence of this uncertain financial environment and investors seek different strategies to mitigate their portfolio risks. Investors are therefore drawn to safe haven assets to hedge against financial and economic uncertainties, or to build a more sustainable portfolio through diversification.

The Need for Diversification

Traditionally, investors have diversified their investment portfolios with core asset classes such as stocks and bonds. Unfortunately, in an era of globalization, correlations within and between these primary asset classes are rising steadily over time. A further negative aspect is that these assets tend to become highly correlated during periods of economic contagion, which was experienced by many investors during the financial crisis in 2008 and again during the coronavirus outbreak. As a result, investors experience shrinking diversification benefits and a lack of protection when they need it at most.

Managing a portfolio's risk is especially important in an era of heightened financial, economic and political uncertainty. Gold, influenced by its history as a currency, has often taken the role as an inflation hedge and a portfolio stabilizer during turbulent financial markets. Inflation hedge assets like gold have been uncorrelated with the market and should give the best diversification benefits in a portfolio.

On the other hand, Bitcoin's returns exhibit low correlation to most traditional asset classes, making it a powerful addition to traditional portfolios. This near zero correlation implies that it is possible for investors to improve their overall risk-adjusted return by adding Bitcoin to a balanced portfolio. Analysis has shown that a traditional portfolio of stocks and bonds, with the addition of the top 10 cryptocurrencies, can increase the performance of the overall portfolio given the same level of risk. This is due to the independent and uncorrelated nature of cryptocurrencies.



Benefits of Holding Bitcoin and Gold in a Portfolio

The Greatest Store of Value

Since Bitcoin is not backed by any physical value, it depends on adoption, trust and a strong narrative to back up its worth.

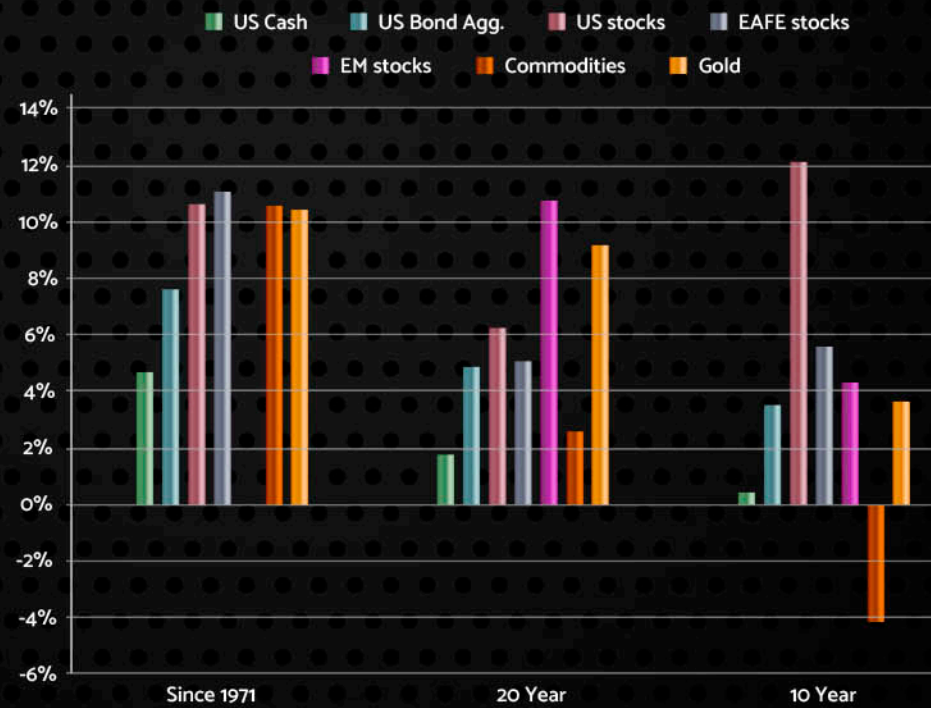
In its early days, Bitcoin was designed as a digital currency, akin to digital cash. Bitcoin originated as a network to transfer value directly between participants without a trusted third party. Over the years, Bitcoin has increasingly been recognized as a store of value. The finite supply of Bitcoins and technological challenges, such as high transaction fees, support this evolving narrative.

Many now assert that Bitcoin is the digital version of gold, citing many similarities between the assets. Bitcoin and gold share the following attributes as stores of value:

- **Fungibility** - Units of gold/Bitcoin are interchangeable and equivalent to each other.
- **Divisibility** - Each can be divided into smaller units.
- **Limited new supply** - New units must be mined, which requires significant energy input.
- **Durability** - Neither gold nor Bitcoin are corrosive.

Since 1971, as illustrated in the graph below the price of gold has averaged returns in excess of 10% per annum, comparable with US stock returns over the same period. This healthy source of long-term returns, coupled with its near-zero correlation to global equity markets, results in an asset that boosts the risk-adjusted returns of most investment portfolios.

Average Annual Return



Source: Bloomberg, ICE Benchmark Administration, NBER, World Gold Council

Inflation Hedge

One of the key characteristics of gold and Bitcoin is that they have shown to act as a long-term inflation hedge. Inflation reduces the value of money and its purchasing power over time. Gold on the other hand has been shown to maintain its purchasing power relative to cash. This is evidenced post the 2008 financial crises whereby the U.S government implemented QE on a massive scale, causing the supply of money to skyrocket through the Federal reserve bond buyback programmes (\$900bn to \$2.1trn in 2008). During this period of quantitative easing, the price of gold has doubled.

For decades, investors have utilized gold as a natural hedge against inflation or store of value. At the start of the twentieth century, the gold standard was put in place whereby each dollar issued was backed and redeemable for a certain amount of gold. This inextricably tied the value of the dollar to that of gold. However, the techniques and doctrine of monetary policies developed under the gold standard proved insufficient for achieving economic stability. In 1971, the Bretton Woods system

was abolished and cash was no longer physically backed by gold. In the graph below, the depreciation of the US Dollar relative to gold can be witnessed from this date. Governments and central banks still keep large reserves of gold as a store of value and financial insurance, and account for the largest driver of demand for gold to this day.

The Bitcoin market now offers a spectrum of hedging and leveraging opportunities through derivatives. These markets are more sophisticated than spot markets since they allow for trades on more nuanced market forces such as volatility.

The popularity of cryptocurrency derivatives is surging. Institutional-grade exchanges such as Bakkt and CME recorded futures trading volumes exceeding US\$8 billion in Q1 2020. An increase in open interest (a measure of the value of total outstanding derivative contracts) can be a useful proxy for overall institutional interest in Bitcoin. Open interest on the CME exchange has increased dramatically in 2020 reaching new all time highs.

The Store of Value Project Strategy

The strategy and objective that SOV aims to achieve is relatively simple from an operational and asset allocation standpoint: allocation of 50% of its assets in BTC and 50% in Paxos (PAXG) or Tether Gold (XAUT). Both Paxos and Tether supply gold-backed tokens as the primary source of gold exposure. These are digital assets with each token being backed by one fine troy ounce (t oz) of a 400 oz London Good Delivery gold bar, stored in Brink's vaults.

The extreme volatility of Bitcoin is in stark contrast to most other asset classes available to investors. This volatility profile is why many investors choose to include it in their portfolio as it has the potential to produce significant returns. More risk-averse investors, however, cannot weather the volatility or potential drawdown of their investment and, therefore, simply do not include the asset in their portfolio.

The purpose of the Store of Value protocol is to make an investment in Bitcoin + Gold more appealing to both risk-averse investors and long term holders.





Price and Fees

The Store of Value token has been designed to be open-ended, which comes with numerous advantages for investors. In an open-ended structure, there will always be liquidity for investors looking to enter and exit their investment as they are not required to trade through an exchange, as they can interact directly with the SOV Smart Contract through Ethereum blockchain.

Furthermore, no listing fees in exchanges where SOV is listed are incurred and investors are not exposed to market premiums or discounts (except when there is a discrepancy between demand and offer).

The only fee associated is a cost of 0.0416% per month (COST FEE), due to the management of the DAO in order to back systems and transaction costs. This fee is already incorporated in the net SOV token price and is monthly transferred out to the DAO's management wallet responsible for protocol's costs.

On a daily basis the net token price will be determined in USD terms. This is done by valuing all underlying assets in the fund and dividing it by the number of SOV tokens in market circulation.



For market circulation it is understood all the SOV tokens circulating out of the protocol's central smart contract (which initially minted 1,000,000,000 tokens).

$$\text{Token Price} = \{(\text{BTC balance} \times \text{BTC price}) + (\text{Gold balance} \times \text{Gold price}) - \text{COST FEE}\} / \text{Circulating Tokens}$$

Where:

BTC balance = # of Bitcoin acquired by the Central Smart Contract during an Investment Point minus # of Bitcoin sold by the Central Smart Contract during a Redemption Point

BTC price = Bitcoin price

Gold balance = # of PAXG or XAUT acquired by the Central Smart Contract during an Investment Point minus # of PAXG or XAUT sold by the Central Smart Contract during a Redemption Point

Gold price = PAXG or XAUT token price

Circulating Tokens = 1,000,000,000 minus # of tokens held in Central Smart Contract

Investment Point = the moment when the Central Smart Contract transfers out SOV tokens equivalent to external crypto amounts received (based on current SOV token price) and therefore uses it to acquire 50% Bitcoin and 50% PAXG/XAUT

Redemption Point = the moment when the Central Smart Contract received back SOV tokens and therefore sells the equivalent 50% Bitcoin and 50% PAXG/XAUT (based on the current SOV token price) in order to pay back SOV investors that redeemed the token

Final Considerations

As global financial uncertainty persists, Gold and Bitcoin's various value drivers will continue to evolve.

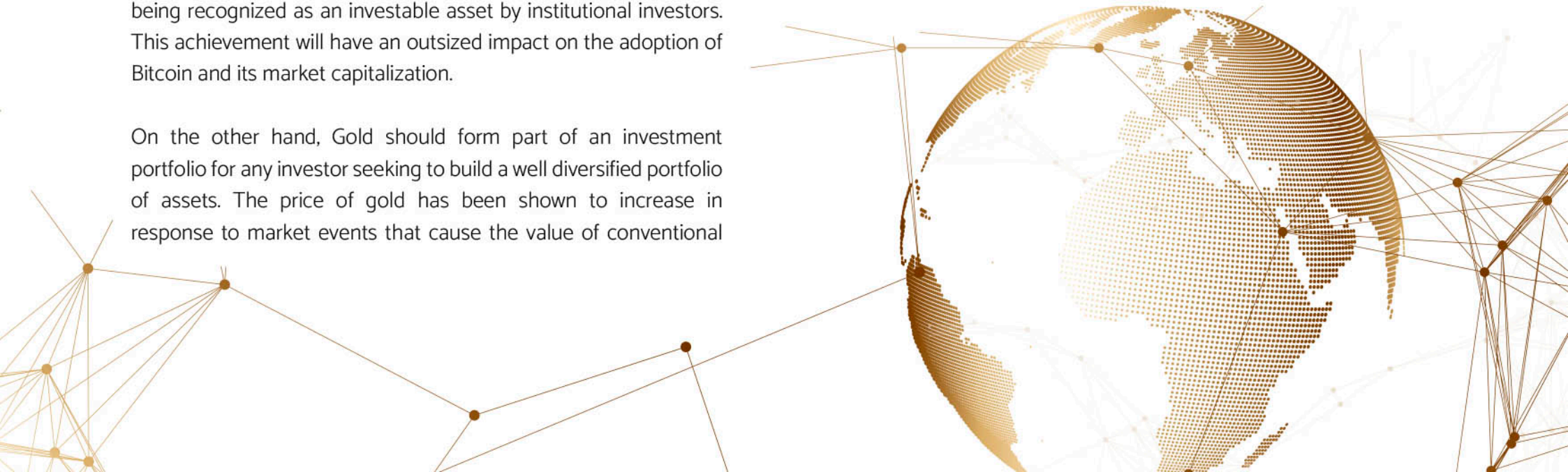
The diversity of Bitcoin utility and use cases, and especially its users, all contribute towards the likelihood of its continued success as an investment. These long-term catalysts will continue to serve Bitcoin despite short-term volatility.

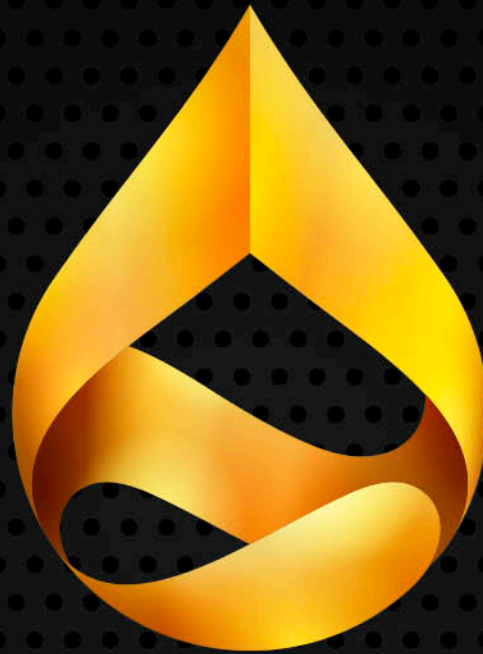
Additionally, contemporary evidence shows that Bitcoin is closer to being recognized as an investable asset by institutional investors. This achievement will have an outsized impact on the adoption of Bitcoin and its market capitalization.

On the other hand, Gold should form part of an investment portfolio for any investor seeking to build a well diversified portfolio of assets. The price of gold has been shown to increase in response to market events that cause the value of conventional

asset classes, such as equities and bonds, to decline. Short-term volatility is inherent in most asset classes, including gold, however gold has always maintained its value over the longer term.

Given the current global economic environment of low or negative real interest rates, inflated money supply and increased demand for Gold and Bitcoin by investors aiming to hedge their portfolios, SOV is poised to outperform many asset classes over the coming years.





SOV

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