



**Fexon**  
Finance

# Fexon Finance




## Problem

The popularity of the cryptocurrencies is constantly rising, so does the noise associated with it. Today there are about 100 000 tweets daily about Bitcoin only. To keep up to date with the market, the investors have to pay a lot of attention to the various news outlets and people.

Through the overload of information, investors can miss many exciting opportunities to multiply their portfolios. On the other hand, they also have to keep in mind that in the crypto world, there are as many (if not more) threats that can cause losses for less experienced individuals. It also applies to new projects as well as those existing for years. It could lead to poorer investment performance and the frustration of trying to keep up with the market.

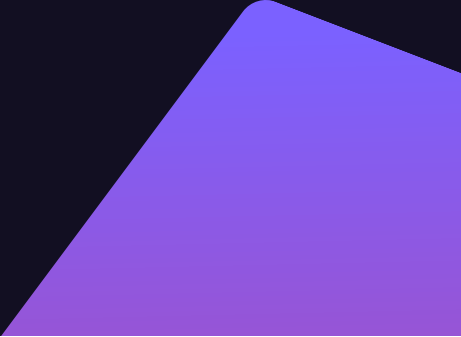
One of the solutions is passively managed portfolios. However, a significant part is not based on decentralized solutions that guarantee security without the need to trust the third party. It significantly increases the risk of our investment. Very often, expensive commissions are also charged for managing such a portfolio.

The group most affected by these problems is small investors entering this market. Typically, small portfolios make it difficult to properly manage them (diversification) and lead to investments in only one project. We understand the desire to maximize profit, but allocating all funds into one token is a high-risk game. Fexon Finance approaches this issue from a different angle. Instead of maximizing profits, we focus on minimizing losses.



If you want to learn how to invest, you will obviously lose some of your capital, but starting the adventure with investments from significant losses can discourage you rapidly. As a solution to this issue, Fexon Finance comes with the smart ETF. It is a solution based on blockchain technology that allows diversification at a meager cost. Our fund will also react to changes in the prices of individual assets, trying to constantly increase the number of tokens held, e.g., with staking.

Our priority is to keep the fees associated with purchasing ETF tokens low. The benefit is that the investor doesn't need to spend a significant part of the capital when purchasing the token. Furthermore, for this reason, the first choice will be networks with low transaction fees, such as a polygon or a binance smart chain.



# ETF

## ETF - exchange-traded fund

An ETF is an investment fund. What distinguishes it from other types of funds is that its shares are listed on exchanges like stocks. As a result, trading in ETF units is the same as trading in ordinary shares.

Another essential feature that distinguishes ETFs from other funds is their focus on low management costs. These are the fees charged by the fund's managers allocated to all activities related to operating the fund.

ETFs can include other financial assets such as stocks, bonds, or even physical assets such as gold. By trading according to the strategy outlined, the managers try to achieve the investment goal they have set for themselves.

To learn more about ETFs, we encourage you to read the information available at the links:

1. <https://www.justetf.com/en/academy/academy-overview.html#etf-basics>
2. <https://www.investopedia.com/terms/e/etf.asp>
3. <https://www.betashares.com.au/education/etf-basics/what-is-an-etf/>

## Smart ETF


Smart ETF is a passively managed fund using smart contracts. The main element of our solution is the management algorithm (described in the next section). It is designed to realize profits when specific token prices rise gradually and buy up tokens when prices fall.

When you buy a unit of our ETF or a part of it, funds will be distributed proportionally to all tokens in the ETF. Further management of the ETF will be described in the Algorithm section. The tokens included in the smart contract plus the number of ETF tokens on the market will determine the price of the ETF.

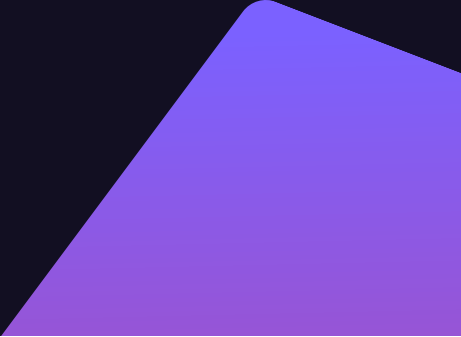
According to the principle that money makes money, we do not want the tokens locked in the ETF to waste their potential, part of the funds will be used for staking. By doing that, we will support the network's stability and ensure token quantity growth. Tokens from staking will not be distributed to investors. Instead, the tokens will be reinvested in ETFs, increasing the pool of staked tokens and growing the portfolio. It allows the ETF price to rise finely even during “boredom” in the market.

Part of the funds from the staking will be transferred to the Fexon Finance team as a fund management fee. With this solution, the funds for further development of the project will not reduce the volume position of our clients. And there will be no need to generate a sizeable token turnover to raise funds for the maintenance of the project.

The selling price of the ETF tokens is determined in the same way as the purchase. Selling as well as buying ETFs is possible only through stablecoins. Ensuring sales liquidity will occur through a mechanism that balances the balance of stablecoins at a high rate of ETF token sales.



The launch of each ETF will begin with a pre-sale. The conditions for joining will depend on the fund. During the pre-sale, the ETF will be sold for a fixed price. Then, at the end of the pre-sale, the funds raised by smart contribution will be divided proportionally among all the tokens. The future price of the token will be determined by the current value of all funds held by the smart contract, divided by the number of tokens in circulation. It means that an increase in the price of the tokens included in the ETF will increase the price of the fund's token and vice versa.



## Why Smart ETF?

### Why is a Smart ETF a practical option for investors?

- **Cheap** - the management fee is taken from the rewards from the staking.
- **Easy to buy** - you buy shares in the ETF just like an ordinary token.
- **The price replicates the market** - the price does not depend on trading the ETF token.
- **Limits risk** - when you buy an ETF token, you invest in several tokens.
- **Community driven** - investors decide on the design.
- **Smart algorithm** - Algorithm will be adjusted to market needs.

Personalized - own your ETF.

## Governance

Fexon Finance is a community-driven project. Therefore, in phase 2, we will create a voting tool for token holders of each ETF. Each token holder of Fund A will be able to cast their vote on an issue concerning Fund A. This will allow the community involved in the project financially to decide how their funds will be managed. The outcome of the vote will have a significant impact on the development of the fund in question.

What can be voted on? We want our community to have a broad spectrum of options. Among them, we distinguish, for example:

- removing/adding a token,
- changing the algorithm or just a selected parameter.

The Fexon Finance team cannot block the voting result. The voting results will be executed manually and in the future automatically.

During voting, the weight of the investor's vote will depend on the number of project tokens held. It means that the vote of an investor holding 1,000 Fund A tokens corresponds to 1,000 investors holding 1 Fund A token each. It allows investors with significant capital to feel confident in their investment without the risk of a sudden change introduced by a large group of people. And it will enable smaller investors to counteract when the “Whales” vote against them.

The result of the vote is considered settled at the end of the voting time.

So far, the mechanism for influencing individual funds has been described. At the same time, after the release of our utility token, we will also allow the community to vote on the issues of the entire Fexon Finance project. In such votes, we will ask the community about the direction or order of further activity.



## Starter

While the idea of a single ETF is described above, we aim to create a platform to launch new ETFs quickly. Initially, new ETFs will be proposed and created by the Fexon Finance team, but we also want to provide this opportunity to the community.

To make this possible, we will create an ETF Starter through which everyone will have the opportunity to select a set of tokens, design an algorithm using predefined blocks (think about it, as a no-code solution), and set required fees.

The result of creating a new ETF will be making a set of elements necessary for its operation. They include a deployable smart contract ETF, a landing page with a description of the fund, a Governance page allowing the community to influence the development of the fund, and much more. Management fees for the fund will be shared between the ETF owner and the Fexon Finance team.

## Algorithm

The algorithm is the heart of any ETF. Based on it, the smart contract decides how to manage its funds. The idea behind the first version of the algorithm is primarily the gradual realization of profits. We assume that the only profit that counts is the profit realized. Therefore, the algorithm will sell part of the position of a given token when its value increases more.

The algorithm will use the funds gained through the sale of tokens to increase the position when the price of any token falls to the average price of the previous days. In addition to the standard mechanism, several security features will also operate. These are designed to protect the accumulated capital in emergencies.

The first example of such a mechanism is protecting against the project's collapse. The first level of response is the ability to change the token in the portfolio. It will make it possible to counter such threats when confidence in the token declines. If counteraction is not possible, we have created a hedge that responds to sharp price drops of a given project.

Another recognized threat of passive portfolio attempts to buy with insufficient stablecoin. In this case, we are trying to take care of the portfolio's liquidity by allocating only a portion of the stablecoins we have for buying positions.

We want to build the project based on the community, so the nature of the algorithm is likely to change. In the subsequent phases, we will allow users to influence the algorithm through governance. It is possible to store the algorithm through smart contracts proxies. Any change to the algorithm will have to be approved by the community through voting.

## Tokenomics

Each fund created by Fexon Finance will have its token. The token will correspond to a fund unit. The number of tokens will be unlimited. Each purchase of an ETF token will create a new token, while a sale will burn the tokens sold.

The pricing mechanism will rely on the sum of the value of all tokens accumulated in the ETF divided by the number of tokens in circulation.

The most significant advantage of this solution is the independence of the ETF's outcome from the demand for its token. To create profit from the investor's investment, the ETF does not need to create demand for its token since its price depends solely on the price of the tokens that comprise it. With this solution, value for the investor will not be provided by redistributing transaction fees or other commissions just from the increase in market prices.

An additional pro-growth factor will be the staking of a portion of the stored tokens. To improve the liquidity of the token ETF, we will allocate only an amount of all tokens for staking. Staked tokens will regularly increase the volume position of a given token. One might think that the reasonable step would be distributing the rewards to investors as a kind of dividend. However, we want to avoid such a solution, and we believe that allocating rewards to increase the volume position will also improve the investment result and, in addition, will not require additional transaction fees from investors.

## Financial Aspect

In the first stage, after making only one ETF available, our revenue will be based on fees for the purchase and sale of ETF units and commissions from the ETF's token staking.

The commission for buying and selling ETFs is designed to reduce the risk of speculation and encourage investors to hold funds for the long term.

On the other hand, the fee charged when collecting staking rewards is intended to provide liquidity to our revenues. As a project, we don't want to artificially force traffic on our tokens to make money to support the team. Taking these funds from a passive investment provides us with more revenue stability and ensures we don't have to draw heavily on our customers' funds. The second condition is critical because ETFs, by definition, have a low management cost.

In the project's second phase, we plan to create a token for the Fexon Finance project. The owner of this token will be able to make project development decisions through governance. Funds raised from the sale of the token will serve for the development of the project. Details will be announced before the start of the sale.

The last income channel scheduled for phase 3 of the project's development is income from fees for creating our own ETFs. The ETF Starter we will prepare will allow anyone to create their own ETF's, with a small charge. It will be an additional source that will enable us to maintain and further develop the project. ETFs created by users will also contribute a minimum commission to the project. Its amount will be determined before the launch.