

BLOCK VENTURE PROJECT

BVP 5 White Paper

Paul Cliffe & Nimesh Godhania
BLOCK VENTURE PROJECT



PLEASE READ THIS SECTION AND THE SECTIONS AT THE END OF THIS WHITE PAPER ENTITLED DISCLAIMER OF LIABILITY, NO REPRESENTATIONS AND WARRANTIES, REPRESENTATIONS AND WARRANTIES BY YOU, CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS, MARKET AND INDUSTRY INFORMATION AND NO CONSENT OF OTHER PERSONS, NO ADVICE, NO FURTHER INFORMATION OR UPDATE, RESTRICTIONS ON DISTRIBUTION AND DISSEMINATION, NO OFFER OF SECURITIES OR REGISTRATION AND RISKS AND UNCERTAINTIES CAREFULLY.

You should consult with your legal, financial, tax and other professional advisors before taking any action in connection with this White Paper. The tokens described in this White Paper are not intended to constitute securities in any jurisdiction. This White Paper does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities or a solicitation for investment in securities in any jurisdiction.

This White Paper does not constitute or form part of any opinion on any advice to sell, or any solicitation of any offer by Block Venture Project, a company registered under the laws of the UK (the Company) to purchase any tokens (BVP 5) nor shall it or any part of it, nor the fact of its presentation, form the basis of, or be relied upon in connection with, any contract or investment decision.

The Company will deploy the proceeds of sale of the BVP 5 token to fund the project, businesses and operations, as outlined in this White Paper.

Any agreement between the Company and you as a purchaser, and in relation to any sale and purchase, of BVP 5 fund is to be governed by only a separate document provided by the Company (the T&C). The T&C will set out the terms and conditions of such agreement. In the event of any inconsistencies between the T&Cs and this White Paper, the T&C shall prevail. This White Paper has been prepared in multiple languages. In the event of any inconsistencies between one version and another, the English language version shall prevail. You are not eligible and you are not to purchase any BVP 5 tokens in the BVP 5 token sale (as referred to in this White Paper) if you are a citizen, resident (tax or otherwise) or green card holder of the United States of America.

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. There are risks and uncertainties associated with the Company and its business and operations, the BVP 5 fund, the Block Venture Project token sale and the underlying assets, as described below.

This White Paper, any part thereof and any copy thereof must not be taken or transmitted to any country where distribution or dissemination of this White Paper is prohibited or restricted. No part of this White Paper is to be reproduced, distributed or disseminated without including this section and the following sections entitled Disclaimer of Liability, No Representations and Warranties, Representations and Warranties by You, Cautionary Note On Forward-Looking Statements, Market and Industry Information and No Consent of Other Persons, Terms Used, No Advice, No Further Information or Update, Restrictions On Distribution and Dissemination, No Offer of Securities Or Registration and Risks and Uncertainties.



BVP 5 Fund

Cryptocurrencies have grown exponentially since their creation in 2009, with the total cryptocurrency market capitalisation currently standing at over \$350 billion. While growth has been strong, the market capitalisation of cryptocurrencies is still a tiny proportion of the FTSE 100 or S&P 500 - which is itself only a fraction of the global stock investment market.

There is still room for considerable growth, with many commentators speculating the crypto-asset market to become a \$5tn + market in the next decade¹. However, nobody expects this journey to be easy. Not only has the crypto-asset market seen huge growth, but the choice on offer has also increased from Bitcoin in 2009 to thousands of offerings now. Choice can be a good thing, but it can also be bad – choice can cost time, create cost (both financial and opportunity) and create a need for advice to make sure you get it right.

Block Venture Project has created the 'BVP 5 Fund' – an open ended fund based on a weighted index of the 5 biggest crypto assets by market capitalisation. By creating a tracker fund, we surpass the issues created by too much choice whilst creating a diversified fund that exposes token holders to the biggest crypto-assets – assets much less likely to fail than initial coin offerings but still holding potential for market leading returns, especially when compared with traditional stock market investments.

In order to continue to track the market (index) over time, BVP 5 Fund's asset portfolio is adjusted regularly in a process called rebalancing. BVP 5 is not a platform, it is a fully functioning product.

Index funds have consistently outperformed actively managed funds since their inception. This is why we have chosen to launch our first fund as a tracker fund.

All crypto offerings built on one of the many recently launched fund platforms will apply their fees over and above those of the platform. BVP 5 can offer such low fees because it is independent and automated. Index strategies are a set of rules that an algorithm can act on with no human intervention required (however, there will always be human oversight for times of market turbulence). BVP 5 is a utility token that is representative of a portion of the total value of the BVP 5 crypto-asset index.

The tokens provided will represent a participant's share of the portfolio. 95% of the total amount contributed during the offering will go directly towards buying the underlying cryptocurrencies. BVP 5 is a token based upon the Waves platform. Operating on the blockchain allows for global accessibility, 24/7 trading, transparency, public verification of BVP 5's holdings and no expensive legacy banking fees.

The token's value is linked directly to the 5 underlying cryptocurrency assets held by BVP 5 Token holders are free to sell or exchange their tokens at any time. Any token can be liquidated by the fund upon request and the market value of the underlying assets (less a liquidation fee of 3%).

¹ <https://www.coinspeaker.com/2017/06/30/cryptocurrencies-reach-5-trillion-2022-says-billionaire-investor-michael-novogratz/>



BLOCK VENTURE PROJECT

98% of the funds invested will go towards purchasing the underlying assets. A full breakdown of funds utilization and token distribution is available in this White Paper.

The index hyperparameters for the portfolio and rebalancing methodology were carefully determined via a structured data science approach. Our trading strategy mitigates the risk of front-running and a viability study was conducted to confirm that a portfolio at the maximum raise size would be able to effectively acquire sufficient coins without paying a large premium. The minimum effective portfolio size is \$1m.

Expert advisors were consulted, best practices implemented, and strong identity verification procedures put in place to prevent Sybil attacks and bad actors from compromising BVP 5. BVP 5's holdings will be audited and the audit report, by KPMG, made public post-ICO.

A public offering of tokens in the fund will begin on March 14th 2018 and will use the contributions to acquire assets and test rebalancing over May and the token is expected to be listed on exchanges in the third week of May. All trading data will be stored during BVP 5's operations - this valuable data includes order books, pricing, coin volumes and more.

After approximately six months of trading this deep dataset will be mined to optimize rebalancing and produce trading strategies for future fund types. BVP 5 participants will have priority access to these very limited cap funds and the BVP 5 token will be convertible. In conclusion, BVP 5 is a closed-cap, tokenized cryptocurrency portfolio that autonomously tracks the top 5 cryptocurrencies. Instantly owning a diverse cryptocurrency portfolio of high quality blockchain assets is now as easy as holding a single token.

For security, the fund assets will be kept in cold storage at all times apart from rebalancing the portfolio daily.



BLOCK VENTURE PROJECT

THE TOKEN

The benefits are simple and many: convenience, full transparency, full control and a lower price bound. There is no need to keep your BVP 5 tokens on a centralized platform and you are free to sell or exchange your tokens without restriction.

Automation with human oversight allows BVP 5 to operate with fees of only 2% p/a as opposed to the market average of 3% p/a. No trust is required in the ability of human fund administrators/traders – an index fund strategy does not require any discretion or judgment, just adherence to a method determined via data science.

The reasoning behind choosing an index of the top 5 cryptocurrencies weighted by market capitalisation was simple – the lower down the market capitalisation table we go in cryptocurrencies, the less established, understandable and transparent the projects become. By limiting our assets to the top 5, there is less of a chance of failure in the projects we are invested in and this leads to a more secure, less volatile and easier to understand fund for all of our token holders.

The number of tokens, rebalancing frequency and asset weightings were carefully determined, and our approach is detailed in this white paper. The ICO funds will be used to buy the underlying assets.

Funds with stellar performance attract substantial amounts of new money. A manager will most likely have to use that new money to chase a relatively small group of coins. This buying pressure can drive up coin prices, so when buying a token after the initial \$1m raise, we will charge a 5% fee to cover these additional prices.

The total market cap of the S&P 500 (June 30th, 2017) was \$21.83tn while the entire combined cryptocurrency market cap is only a fraction (approximately 0.7%) of this. The S&P 500 is only a small part of the global investment market. There is thus still significant potential to introduce retail investors into the crypto market. Part of our motivation for using Waves Platform for launching the BVP 5 token is due to the ability of this platform to seamlessly handle fiat currencies as well as crypto-currencies for our fund. Waves Platform is relatively user friendly and so we expect the BVP 5 fund tokens to be easily available to traditional investors looking to gain diversified exposure to crypto-assets and the potential returns they offer.

RATIONALE BEHIND BVP 5 CRYPTO-INDEX

Stock market index funds have been available since 1976, and recent years have seen a migration from managed to index funds due to one thing – their better returns. This success is built on a foundation of low fees and the relative lack of friction in stock prices. Over a 10-year investment horizon more than 80% 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.

An index fund allows investors to track the index – the underlying trend behind the selection of assets without being reliant on any particular one. There is no active trading apart from the



BLOCK VENTURE PROJECT

rebalancing of assets at fixed time intervals. This means the fund is able to track mean market performance even if some constituents fall out of favour.

The distribution of market returns will thus be centred around a mean - the index BVP 5 aims to track. By holding a basket of coins, we hope to capture this mean return – we expect to see a few coins that underperform and a few that overperform, the sum of the returns should provide the mean or market/index return.

Token parameters

Maximum Supply (Hard Cap): 100,000,000

Available for Purchase: 100,000,000 (those unsold at end of ICO period are burned)

Minimum ICO Contribution: \$100/ 0.01 BTC/ 0.1 ETH

Minimum Raise: \$1 000 000

Price per token:

Pre ICO (week 1 -2) : \$0.90 / 11,111 per BTC / 1,111 per ETH

ICO (week 3 – 5): \$1.00/ 10,000 per BTC / 1000 per ETH

Late stage ICO (week 6): \$1.10/ 9,090 per BTC / 909 perETH

Summary: - 1.5% Bounty 0.5% Legal/Audit 99% ICO Participants

Upfront fee: 3% (to cover cost of acquiring assets).

Annual fee: 2% (covers the cost of human overview 24/7/365)

Liquidation cost: 3% (to cover cost of liquidating assets) or exchange specific costs if sold on Waves DEX.

Portfolio Balancing Methodology

The BVP 5 index has been devised using the concept of a Market Weighted Arithmetic Average Index.

For example, the FTSE indices and the S and P 500 index are weighted by market capitalization, in other words, the larger companies account for a greater proportion of the index. The direct result being they have more of an impact on the index and consequently, the smaller companies do not affect the index disproportionately. For the BVP 5 Fund Index, this is a fundamental criteria as lower end constituents can be volatile, possibly causing the index to provide an inaccurate benchmark.

Most indices use weighted averages, so some values count for more than others. This helps to correct for the fact that averages tend to be affected by extreme values. One of the most common ways of weighting an average is to weight for market capitalization, the concept allocated to the BVP 5 index. The rationale being that one could have a price weighted index and the index will be swayed



BLOCK VENTURE PROJECT

by those constituents with higher prices or price growth. This does not necessarily mean that they will also have large market capitalization.

For example, if an index consists of 100 stocks weighted for market capitalization, then the average of the stocks will move more when the stocks with larger market capitalization move. So if the total market capitalization of all stocks was £100 million and company ABC had a market capitalization of £1 million, then it could be said that ABC is worth 1% of the index.

We felt that in order to truly represent cryptocurrencies fairly and accurately, the index should be weighted according to market capitalization and not price. Effectively this means that the index will only take into account market capitalization movements, not the price and thus reduce potential and harmful volatility from lower end constituents smoothing out fluctuations.

We view this as a good indicator for reflecting the crypto currency economy and traded market. One downside can be that this concept can sometimes favour the largest market capitalized constituents too much, with perhaps only a couple of currencies dominating the majority of the index. On the contrary, we view this as an advantage as this would further demonstrate the liquidity present and future demand of those larger currencies. On this basis we have decided not to cap the constituents as they are in similar stock indices. Furthermore, with numerous exchanges and the ability to trade via various Fiat Currencies, a price weighted index would potentially encounter a myriad of obstacles for accuracy and true market representation. The end result could mean misrepresented information and the results provided being skewed.

Based on the fact that the majority of established worldwide stock indices are arithmetically biased, we have opted to stay with this popular and proven option.

For simplicity we will be using a divisor of 1000 for the index and rebasing purposes. The control Fiat currency will be USD.

The basic formula for the index is:

$$\text{Market Weighted Index} = B (1000) \times \frac{\sum N_{\text{new}} \times \sum P_{\text{new}}}{\sum N_{\text{old}} \times \sum P_{\text{old}}}$$

Where:

B is the base value of the Index

N_{old} - the number of shares of the Cryptocurrency constituent at the base date of the index

N_{new} - the number of shares of the Cryptocurrency constituent at present or at time of calculation

P_{old} - the price of the Cryptocurrency constituent at the base date of the index

P_{new} - the price of the Cryptocurrency constituent at present or at time of calculation

As this portfolio does not limit weighting, it holds less potential for volatility than other funds which have, say, a 10% weighting limit as per the FTSE Russell methodology for a weighted index. Our reason for not limiting weight per constituent is simple – the cryptocurrencies at the lower echelons of the fund hold, by reason, a greater chance of failure than the more established coins at the higher reaches of the index.

BLOCK VENTURE PROJECT



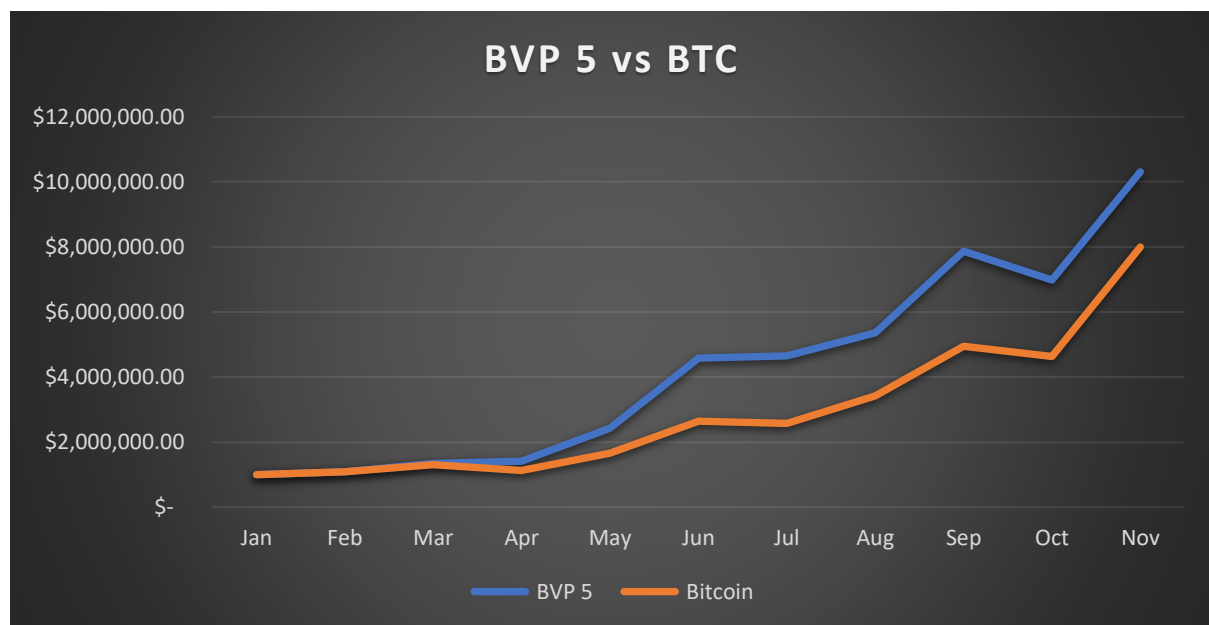
The fund will charge an annual fee of 2% of assets under management paid monthly in arrears.

It is also worth noting that the correlation of Bitcoin compared to many other major constituents is a factor in our choice to weight the fund purely by market capitalisation.

BVP 5 Fund Performance in 2017

To give an indication of how BVP 5 would have performed from the start of this year (January 1st 2017), we have developed a simulated portfolio with an initial notional investment of \$1,000,000 to show how the fund would have performed up to November 5th 2017.

We then compared this against buying \$1,000,000 of Bitcoin and holding over the same timeframe.



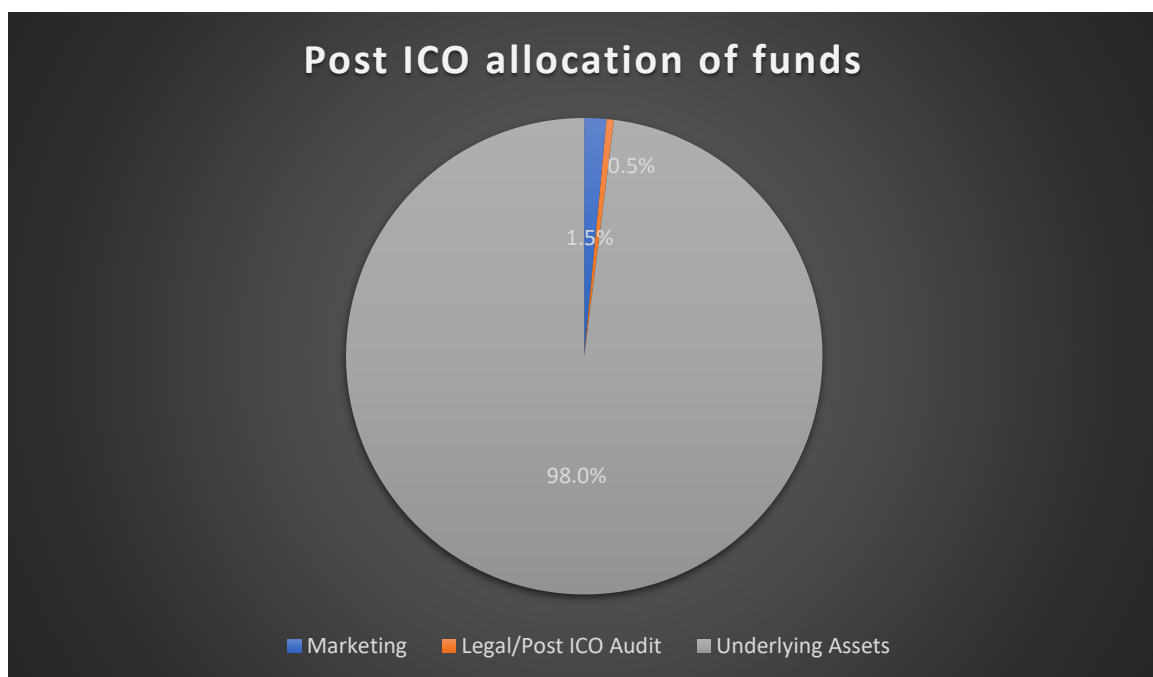
The BVP 5 fund has outperformed Bitcoin by over 230%, with an overall return of 1030.7%. However, it is also worth noting that the performance of the fund is inextricably linked to that of Bitcoin. This is due to the BVP 5 fund tracking the top 5 crypto-currencies with weighting distributed through market capitalisation. As Bitcoin is the main constituent of the top 5 Cryptocurrencies, it holds the most sway over the fund. We decided that given the unique blend of the cryptocurrency eco system, the weighting of the fund would be based solely on market capitalisation as opposed to capping the maximum allocation per constituent. This is due to the correlation of the coins making up the top 5.



ICO contribution utilisation

The BVP 5 team has completed the development of the trading system. The ICO funds (98%) will go towards purchasing the underlying assets. A small allocation (0.5%) is made for legal fees to ensure that BVP 5 is compliant with regulation upon commencement of exchange trading and a complete audit of received funds by KPMG, a major auditing firm. BVP 5 and its cryptocurrency diversification value proposition will be heavily promoted to retail investors and a 1.5% allocation is made to facilitate this.

- 1.5% Continued Marketing Pre-Exchange Listing - 0.5% Legal Fees and Post-ICO Audit - 98% Underlying assets





Post ICO Roadmap

After completion of the ICO on May 4th 2018, the following key dates are tentatively scheduled (potentially subject to change):

June 2018 - fully balanced portfolio launches, with live price ticker on updated website.

July 2018 – Development of a new App to make buying and selling Block Venture Project funds quicker and easier.

November 2018 – Prospective launch date for app.

Block Venture Project Team

Our team is as small as we can keep it, due to wanting to offer our token holders value for money. After researching and analysing many teams from other ICOs, we could not figure where the value was driven from so many members and advisers, so we have taken our core team back to basics.

Paul Cliffe, Chief Executive Officer – a seasoned analyst and manager in financial services and holding qualifications in wealth management, financial advice, compliance and operations, Paul is founder and Chief Executive Officer of BVP. He is also about to finish an executive MBA from one of the top business schools in the world (Economist ‘which MBA?’ top 100).

He saw the ‘blue ocean’ of bridging the gap between traditional investors and crypto-markets and Block Venture Project is the realisation of this vision.

Nimesh Godhania, Chief Investment Officer – A qualified and experienced stockbroker and investment manager with a graduate degree in Mathematics, Nimesh will oversee the efficacy of the BVP 5 fund. Sharing the vision of BVP, Nimesh understands blockchain and cryptocurrencies to be a new asset class capable of increasing returns for traditional investors whilst managing risk of overall portfolio construction.



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. The distribution of this White Paper and the offer and sale of the Tokens in certain jurisdictions may be restricted by law. 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. BVP 5 is not providing you legal, business, financial or tax advice about any matter. You may not legally be able to 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 us 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 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 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 BVP 5, and each potential ICO Participant acknowledges that BVP 5 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: 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 and 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 BVP 5 communications, media and documentation to be the only official version.