

WHITE PAPER

SharesPost Token Index



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EXECUTIVE SUMMARY

The emergence of cryptocurrencies and Blockchain tokens could fundamentally remake the private capital market. Companies raised a total of USD\$5.4 billion¹ through initial coin offerings (ICOs) last year and has surpassed USD\$14 billion² in 2018. By comparison, U.S. startups (i.e., seed and Series A) raised an estimated USD\$8 billion³ in 2017 using traditional methods like venture capital.

We are proud to announce the launch of the SharesPost Token Index (the "Index") to better track the growth of the security token market. The Index focuses on a select group of tokens based on the ERC20 protocol, which has been the most-used standard by companies as a starting point for their projects. These security token companies are usually younger than typical venture capital (VC) startups and have yet to make a product.

The following white paper details the methodology and rules we will initially use to calculate the Index. Using factors like market capitalization and trading history, we assign a weight to each token based on its price and circulating supply. We believe this approach better reflects the market's overall maturity and minimizes liquidity risk and transaction costs. The Index pulls real-time pricing data from a white list of ten exchanges and uses market cap and trading volume data from Coinmarketcap.com.

The current list of ERC20 tokens included in the index is [here]. We will rebalance and reconstitute the Index weightings and tokens at or around the end of each calendar quarter.

Published by SharesPost Research LLC, the SharesPost Token Index was initiated on July 1, 2018. The Index publishes pricing data that is updated daily. Information and updates about the Index are always available at www.sharespost.com including detailed descriptions of the Index methodology, rules, governance, and important legal disclosures and disclaimers.

1 Coindesk ICO Tracker (<https://www.coindesk.com/ico-tracker/>)

2 Coindesk ICO Tracker (<https://www.coindesk.com/ico-tracker/>); SharesPost Research

3 Pitchbook, SharesPost Research

SHARESPOST TOKEN INDEX FACTSHEET

	Description
Name	SharesPost Token Index
Index Overview	The SharesPost Token Index (the "Index") is designed to be a proxy of the growth of, or losses within, the token market.
Index Type	Price return only. Based on closing price of index constituents.
Publisher	SharesPost Research LLC (the "Publisher")
Inception Date	July 1, 2018
Eligibility Requirements	ERC20-standard tokens that have: (a) average market capitalization value of at least \$75million in the 12 weeks prior to each quarterly rebalance; (b) average trading volume of at least \$1 million in the 12 weeks prior to each quarterly rebalance; and (c) have 45 days of trading history.
Weighting	Index constituents are market capitalization-weighted, which is calculated using the price and number of tokens available in the circulating supply at the quarterly rebalance.
Index Constituents	The list of Index Constituents can be found [here]. The number of Index Constituents will vary depending on the number of tokens meeting the Index Eligibility Requirements at the quarterly rebalancing and will be capped at a max of 15 constituents, based on market capitalization.
Index Rebalancing and Reconstitution	Quarterly
Index Publishing Frequency	The Index will be calculated and published once daily.
Historic Data Available	<p>Since October 1, 2017</p> <p>Historic data is for informational purposes only, to help understand the nature of the index, its components, and the token market. No investment should be based on investment expectations resulting from a review of the historic data. Historic data is considered to be backtested performance; this means that it is susceptible to being chosen based on its favorable historic investment results rather than being based on objective standards, and thus it could be artificially favorable. Further, the historic data is hypothetical, and no particular account invested based on the index from the above date. The index was not formally in place since the above date, but rather was developed and adjusted after that date. Because it is hypothetical performance and is not based on actual trading, the data does not reflect transaction fees, the application of market pricing to actual trades including any market impact or intraday volatility that could have different results from the reported prices on which the index is based, issues of illiquidity that could delay rebalancing of certain tokens, and other occurrences that effect actual trading but not the hypothetical presentation of results based on general criteria. It is possible that the Publisher could make certain changes may be made to the index methodology over time, and the historic data does not reflect any such determination to make changes to the index. Despite the foregoing limitations, the historic data of the index is provided upon request and should be used only for the limited uses described above, and not to assess the past or prospective investment performance of a product that is based on the index. Immense levels of volatility and differences in service, pricing, and liquidity on different exchanges or other venues can result in two investors experiencing significantly different results despite buying a token at the same time. Past performance reflects significantly different token market conditions, conditions applicable to the token economy or to the overall economy (both domestic and global), and regulatory environment, all of which should be expected to continue to evolve significantly.</p>
Further Index Details	Index eligibility requirements, methodology, rules, governance, and legal disclosures and disclaimers are available at [here]. The Publisher ultimately has discretion on tokens that are part of the Index, and no person has a right to see a particular token included in the Index.

INDEX CONSTRUCTION

The SharesPost Token Index (the “Index”) is designed to be a proxy of the growth of, or losses within, the token market. The tokens in the index represent a broad array of Blockchain solutions for various industries. All of the components of the Index are ERC20 tokens. ERC20 is one of the more prominent standards for transferable tokens used by technologists and market participants. The technology underlying ERC20 tokens - the Ethereum protocol - is different from bitcoin and other protocols that pertain to blockchain and distributed ledger technologies, and neither bitcoin nor other tokens based on non-ERC20 standards are eligible for the Index. Ether (sometimes called ETH) is a virtual currency that is an element of transactions that use the Ethereum protocol, but ETH itself is not part of the Index. It is conceivable, however, that the value of certain ERC20 tokens may be affected by fluctuations in the market value of ETH or by the overall popularity of the Ethereum protocol.

ERC20 tokens are easily transferable tokens that are created to offer a special functionality, often to help establish smart contracts. A smart contract is, essentially, self-executing software code that unlocks a payment once a product is delivered or otherwise automatically completes a transaction once all required conditions are met. Bitcoin, on the other hand, is a one-way transfer of value. Each different kind of ERC20 token offers a different form of functionality, and some are more complex than others. Some ERC20 tokens may see their technology become more widely adopted and used than others, which will affect the price and market capitalization of the tokens themselves.

Other standards are constantly being developed, even standards that use and build upon the Ethereum protocol. It is possible that, in the future, ERC20 could fall out of popularity, and the Publisher reserves the right to adjust the Index to account for such developments, although no such changes are currently anticipated.

The Index uses a market capitalization formula to calculate a total value based on real-time pricing data from a white list of exchanges. Any white list of exchanges reflects certain diligence but does not reflect a formal approval or endorsement of those exchanges for any other purpose than for index calculations.

Index Eligibility Requirements

The Index will include the top 15 ERC20 tokens (the “Index Constituents”) by market capitalization and must meet the following criteria:

- Average market capitalization (*) of at least \$75 million in the 12 weeks prior to each quarterly rebalance;
- Average daily trading volume of at least \$1 million in the 12 weeks prior to each quarterly rebalance;
- At least 45 days of trading history.

Average market capitalization and average daily trading volume for each index constituent is evaluated on a weekly basis.

Index exclusions:

- Tokens “pegged” or linked to the value of bank-issued currencies like the US dollar or physical assets like gold
- Tokens that have announced the launch of a new chain (“mainnet”) with the migration expected to occur in the 45 days
- Such other exclusions as the Publisher may determine in its discretion, such as if a token ceases legal trading or has its liquidity drop in advance of the quarterly rebalancing despite otherwise meeting the eligibility thresholds

The index may have fewer than 15 tokens if fewer than 15 tokens meet eligibility standards. Finally, the Publisher reserves the right to exclude any company from the Index that it believes would undermine the integrity of the Index and its effectiveness in representing a broad array of Blockchain solutions.

(*) Market capitalization is defined by the average daily token price multiplied by the number of tokens in its circulating supply as of each quarterly rebalance, and is as reasonably determined by the Publisher.

Index Calculation

The Index uses a market capitalization formula to calculate a total value based on real-time pricing data. Specifically, the Index draws upon the volume-weighted average price of each token from a white list of up to ten (10) exchanges (not every token will necessarily be priced on every exchange that is consulted, so the number may be fewer than 10 in some cases). As a price return index, the Index only considers price movements (token price gains or losses) of the tokens that make up the Index, and does not include dividends, interest, rights offerings and other distributions realized over a given period of time.

As a capitalization-weighted Index, the Index weighs each token's value relative to its market cap as a share of the Index's total market cap. This approach insulates the Index from fluctuations in value from smaller-cap tokens versus an equal-weighted calculation.

The formula used to calculate the Index is:

$$\text{Index Price} = \Sigma(\text{price of token} * \text{token supply}) \div \text{Divisor}$$

The numerator is the sum of the price of each token in the Index multiplied by an estimated number of tokens circulating on the global market, as reasonably determined by the Publisher.

The denominator is the Divisor. The initial Divisor is time zero price divided by the base level of the Index. Prior to each Index publication, we will adjust the Divisor to ensure that the introduction or removal of a token does not disproportionately impact the existing weightings.

In setting Index eligibility requirements and in calculating the Index, the Publisher will exercise judgment. We may adjust the market capitalization and volume requirements from time to time should market dynamics change. We strive for consistency and will work to ensure that personnel responsible for the Index possesses the required expertise. Furthermore, the Publisher regularly evaluates the appropriateness and accuracy of prior judgments when new data becomes available.

INDEX MAINTENANCE

Quarterly Rebalancing and Reconstitution

At or around the end of every calendar quarter, the Publisher reviews the Constituents to ensure all tokens meet eligibility requirements and accurately represent the growth of security token offerings. Per schedule below, we will review index constituents on the 15th of the last month of each quarter, and publish the updates effective as of the 1st day of the following quarter (generally as of 12:00am Pacific time).

Quarterly Review	Publishing Date
March 15	April 1
June 15	July 1
September 15	October 1
December 15	January 1

Addition of New Tokens to Index

During the quarterly rebalancing, the Publisher will review token data from Coinmarketcap.com (or such other source as the Publisher may determine appropriate and notify to Index users) and may add new tokens to the Index and subtract tokens from the Index. The change in tokens will change the Divisor. We will announce each new Constituent with the release of the subsequent Index publication. You can find the 2018 Index Constituents in Appendix B and a current list on the SharesPost website.

Removal of Tokens from the Index

During the quarterly rebalancing, the Publisher will review Index data and remove each token that no longer meets our eligibility requirements. Removing a token from the Index does not mean we will add a new one. This removal will change the Divisor. We will update the list of Constituents and Divisor with the release of the subsequent Index publication.

Burning, Minting, and Other Token Events

We will update the Index to reflect events that impact the circulating supply of each Constituent. We will also update the Divisor to adjust for any significant token events such as large numbers of tokens being minted or burned.

The Index depends on the following data: (a) real-time pricing data from a whitelist of exchanges; (b) circulating supply data from publicly available data sources; and (c) trading volume data from publicly available sources. The Publisher will provide a limited evaluation of such sources, and may change sources from time to time. The Publisher cannot guarantee the accuracy of any of the data received from such sources.

INDEX POLICIES

Publishing Schedule

The Publisher intends to publish daily pricing data for the Index.

Index Announcements and Dissemination

The SharesPost Token Index is published on the SharesPost website. Visitors can review the most recent announcements, download the current white paper describing the Index's construction and maintenance, and find important legal notices and disclaimers. The website also features daily pricing and list of Constituents. Pricing will be based on publicly available information but will not necessarily reflect the prices of any actual trading or the price at which a current buyer or seller of a token or of all tokens in the Index could attain.

From time to time, we will disseminate Index information via email to registered SharesPost members and through content partnerships and licensing arrangements with third parties.

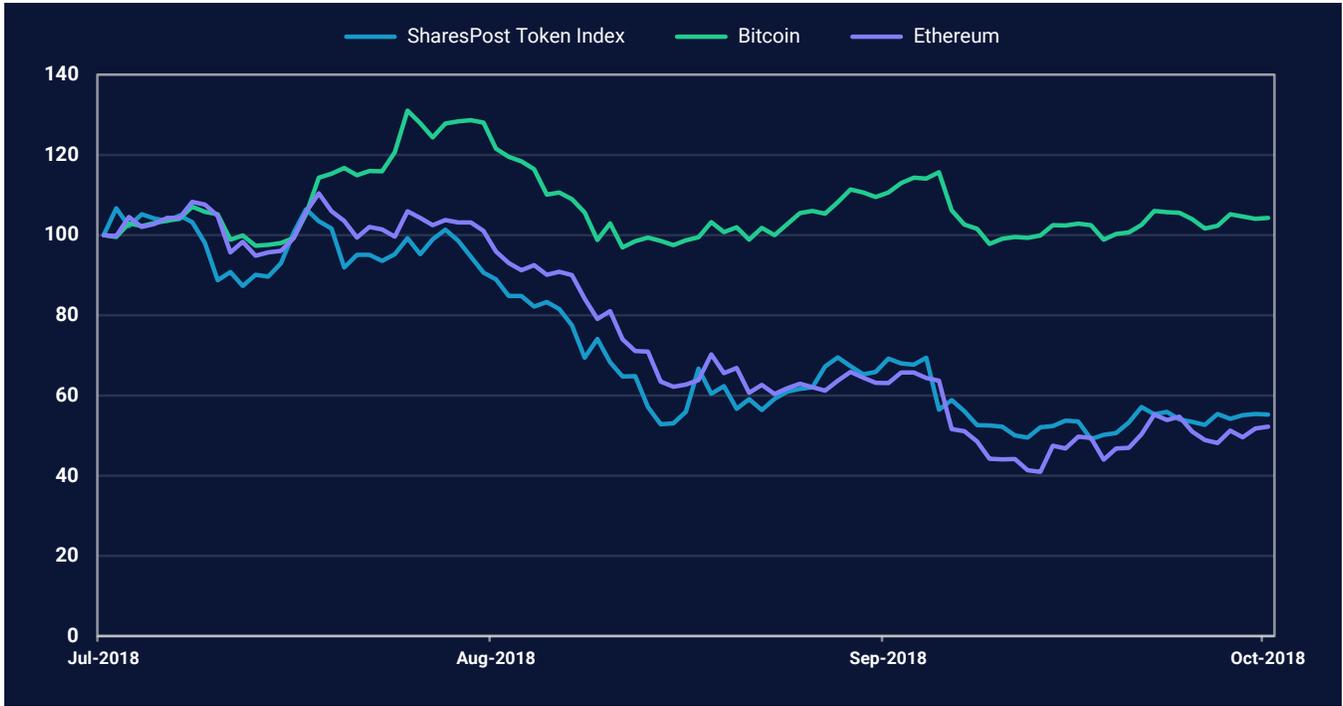
Index Governance

The SharesPost Token Index is constructed, maintained and governed by SharesPost Research LLC, a wholly owned subsidiary of SharesPost Inc., in accordance with the Index's published rules and policies. To ensure the Index timely reflects cryptocurrency market news and meets our standards for construction and maintenance, the Publisher reserves the right to add and/or modify these rules and policies from time to time. To review the Publisher's Conflicts of Interest, Internal Governance, Business Continuity, and Disaster Recovery Policies, please visit the Index Governance section of the SharesPost Token Index page.

Inquiries and Complaints

To request a copy of the Publisher's Inquiries and Complaints policy or to submit an inquiry or complaint regarding the Index, please email correspondence to info@sharespost.com or write to the following postal address: SharesPost Inc., 555 Montgomery St, Suite 1400, San Francisco, CA 94111, Attn: SharesPost Research LLC.

INDEX PERFORMANCE SINCE INCEPTION



Source: SharesPost Research; CryptoCompare.com; All values indexed at 100 relative to USD as of July 1, 2018.

APPENDIX

Appendix A: Index Divisor Calculation Example

T=(days)	Token 1			Token 2			Token 3			Token 4			MC	Divisor	Index
	Price	Supply	MC A	Price	Supply	MC B	Price	Supply	MC C	Price	Supply	MC D	Total TC=A+B+C+D		Value
0	\$1.50	800	\$1,200	\$6.00	200	\$1,200	\$0.50	2000	\$1,000				\$3,400	34	100
1	\$1.25	800	\$1,000	\$5.00	200	\$1,000	\$0.80	2000	\$1,600				\$3,600	34	106
2	\$2.00	800	\$1,600	\$3.60	200	\$720	\$1.00	2000	\$2,000				\$4,320	34	127
3	\$1.85	800	\$1,480	\$3.50	200	\$700	\$0.65	2000	\$1,300				\$3,480	34	102
90	\$2.65	800	\$2,120	\$1.00	200	\$200	\$0.70	2000	\$1,400				\$3,720	34	109
91	\$2.80	800	\$2,240				\$0.90	2000	\$1,800				\$4,040	37	109
92	\$2.75	800	\$2,200				\$0.85	2000	\$1,700				\$3,900	37	106
93	\$3.00	800	\$2,400				\$1.20	2000	\$2,400				\$4,800	37	130
180	\$3.10	800	\$2,480				\$1.00	2000	\$2,000				\$4,480	37	121
181	\$5.25	800	\$4,200				\$1.30	2000	\$2,600	\$9.00	300	\$2,700	\$9,500	78	121
182	\$4.50	800	\$3,600				\$2.00	2000	\$4,000	\$10.50	300	\$3,150	\$10,750	78	137
183	\$5.00	800	\$4,000				\$2.10	2000	\$4,200	\$9.50	300	\$2,850	\$11,050	78	141

Appendix B: Index Constituents

(as of October 1, 2018)

	Token	Ticker	Weight
1	Binance Coin	BNB	31.1%
2	OmiseGO	OMG	13.5%
3	Ox	ZRX	9.1%
4	Zilliqa	ZIL	7.6%
5	Aeternity	AE	6.6%
6	Pundi X	NPXS	4.8%
7	Basic Attention Token	BAT	4.6%
8	Augur	REP	3.9%
9	Holochain	HOT	3.4%
10	Waltonchain	WTC	3.1%
11	Populus	PPT	3.1%
12	IOST	IOST	2.9%
13	Aelf	ELF	2.4%
14	Bancor	BNT	2.3%
15	Loopring	LRC	1.5%

Appendix C: Exchanges Whitelist

(as of October 1, 2018)

	Name
1	Binance
2	Huobi
3	OKEx

INDEX DISCLOSURES AND LIMITATIONS

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Charts and graphs are provided for illustrative purposes. Past performance is not an indication of future results. Prospective application of the methodology used to construct the Index may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the Index. Please refer to the Index Methodology, for additional information on Index calculation and rebalancing policies.

One limitation of the approach used to calculate the Index is that the Publisher relies upon its own proprietary models to calculate the market capitalization values of Index Constituents. In doing so, the Publisher uses discretion to make judgments and estimations regarding, for example, the number of tokens in the circulating supply of Index Constituents. To the extent that such judgments and estimations are inaccurate, the implied valuations underlying the Index would be inaccurate as well.

Another limitation of back-tested hypothetical information is that generally the back-tested calculation is prepared with the benefit of hindsight. Back-tested data reflect the application of the Index methodology and selection of Index Constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the cryptocurrency markets in general which cannot be, and have not been, accounted for in the preparation of the Index information set forth, all of which can affect actual performance.

The Index Constituents are necessarily limited to only those that the Publisher is aware meet the Index Eligibility Requirements. There may be tokens that in fact meet the Index Eligibility Requirements and thus should be included among the Index Constituents, but which have not been included in the Index on the basis that the Publisher has not been able to

confirm eligibility. For example, there may be a token that appears to belong to the Index Universe, but the Publisher is unable to confirm, based on available Index Data, that it meets the Index Eligibility Requirements. Such a token would not be included in the Index, notwithstanding the fact that it meets the Index Eligibility Requirements. Similarly, although the Publisher uses commercially reasonable efforts to track data on ERC20 tokens, the data it relies on may be inaccurate or it may not be published in such a fashion that it becomes known to the Publisher. This may result in tokens being included in the Index that, had the Publisher been aware of the accurate data, would not have been.

The Index does not represent the results of actual trading of investor assets. The Publisher maintains the Index and calculates the Index levels and performance shown or discussed, but does not manage actual assets.



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