



# THE FORTUNE FUND

## Tokenized Cryptocurrency Index Fund

NE FUNDFUN = THE FORTU\*

JULY 1<sup>st</sup>, 2018

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This White Paper has been prepared in more than one languages. In the event of any inconsistencies between one version and some other, the English language version shall prevail. You aren't eligible, and you are not to buy any (FUN) Token in THE FORTUNE FUND token sale (as cited in this White Paper) 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, the USA or a resident of the British Virgin Islands.

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### EXECUTIVE SUMMARY

Cryptocurrencies have grown exponentially since their creation in 2009, with the total cryptocurrency market capitalization currently standing at over \$150 billion. While growth has been strong, the market capitalization of cryptocurrencies as a whole is still only a fraction of that of the S&P 500 index - which is itself only a fraction of the global stock investment market. There is still room for considerable growth.

Choice paralyzes - choice adds cost, complexity and the need for advice. High risk, extreme volatility and practical difficulty compound to render buying and safely storing an effective and diverse portfolio of coins (cryptocurrencies) a complex problem

There are now thousands of cryptocurrencies to choose from, with more appearing each day. Choice paralyzes - choice adds cost, complexity and the need for advice. High risk, extreme volatility and practical difficulty compound to render buying and safely storing an effective and diverse portfolio of coins (cryptocurrencies) a complex problem.

THE FORTUNE FUND is the worlds first cryptocurrency-only Hybrid tokenized index and managed fund and aims to provide a solution to this problem. The portfolio will autonomously maintain a diverse portfolio of the top 20 cryptocurrencies by market capitalization (INDEX) in the same way that funds such as the Vanguard 500 maintain a portfolio based on the market capitalization of the top 500 publicly listed US companies (the S&P 500). In order to continue to track the market (index) over time. The (MANAGED) section of the fund consists of 40 Alt coins and ICO's. THE FORTUNE FUND's asset portfolio is adjusted regularly in a process called rebalancing.

THE FORTUNE FUND is not a platform; it is a fully functioning product. THE FORTUNE FUND cuts out the middleman and is thus able to offer the lowest fees in the industry.

For the 12-month period ending May 2016, investors poured more than \$375 billion into index funds, while actively managed funds experienced outflows of roughly \$308 billion during the same period. One reason why index funds outperform actively managed funds is due to their low annual fees. THE FORTUNE FUND has an annual fee of only 0.5% whereas competing crypto offerings have fees of 3% per year. All crypto offerings built on one of the many recently launched fund platforms will apply their fees over and above those of the platform. THE FORTUNE FUND 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.

FUN is a utility token that is representative of a portion of the total value of THE FORTUNE FUND cryptocurrency Hybrid Fund. The initial tokens can only be acquired during the token offering process which is a one-off, closed cap offering. The tokens provided will represent a participant's share of the portfolio. 98% of the total amount contributed during the offering will go directly towards buying the underlying cryptocurrencies. (FUN) is an ERC20 token based upon the Ethereum blockchain. Operating on the blockchain allows for global accessibility, 24/7 trading, transparency, public verification of THE FORTUNE FUND's holdings and no expensive legacy banking fees.

The tokens value is linked directly to the top 20 underlying cryptocurrency assets and 40 of Alt coins and ICO's held by THE FORTUNE FUND via the innovative price floor mechanism implemented in our smart contract. The smart contract allows participants to cash out for their share of the underlying assets at any time. This means that FUN's value on the exchange will be protected - it will be irrational to sell at a price lower than the tokens share of the underlying assets if a higher price is offered via the smart contract. Token holders are free to sell or exchange their tokens at any time and pay no exit fees, broker fees or advisory fees.

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The only opportunity for future participants to buy these tokens post-ICO will be from ICO participants on the exchange – no further tokens will be sold or minted. 98% of the ICO funds will go towards purchasing the underlying assets. A full breakdown of funds utilization and token distribution is available in sections VI and XIII.

The index hyperparameters for the portfolio and rebalancing methodology were carefully determined via a structured data science approach. A trading strategy was put in place to mitigate 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. A maximum component weight of 3% was selected to prevent any single asset from dominating the index section of the fund. So the Index section will consist of a maximum holding of 60% of the portfolio the other 40% is divided over the Managed section consisting of 40 Alt coins and ICOs A maximum component weight of 1% was selected to prevent any single asset from dominating the managed section of the fund

Security is extremely crucial, and the clever contract code will be audited through an independent 3<sup>rd</sup> party. expert advisors were consulted, great practices applied, and robust identity verification tactics installed. THE FORTUNE FUND's holdings might be audited, and the audit file made public post-ICO. A full listing of advisors will be available on THE FORTUNE FUND website.

A public ICO could be held from the 16th of October to the thirtieth of April 2018. THE FORTUNE FUND will use the ICO contributions to acquire assets and look at rebalancing over December, and the coin is anticipated to be indexed in April 2019.

All buying and selling information may be saved during THE FORTUNE FUND's operations this precious data consists of order books, pricing, coin volumes and more. After approximately six months of buying and selling this deep dataset could be used by our gadget getting to know companion, Data Prophet, to optimize rebalancing and produce buying and selling techniques for future fund sorts. THE FORTUNE FUND ICO participants can have priority get right of entry to these very limited cap finances, and the (FUN) Token might be convertible.

In the end, THE FORTUNE FUND is a hybrid closed-cap, tokenized cryptocurrency portfolio that autonomously tracks the top 20 Mega Caps by market capitalization and 40 alt coins and ICO cryptocurrencies with weekly rebalancing.

### LEGAL DISCLAIMER:

1. Potential ICO members should inform themselves as to the felony requirements and tax outcomes inside the countries in their citizenship, house, dwelling house, and administrative centre with appreciate to the acquisition, preserving or disposal of the Tokens, and any forex regulations that can be relevant thereto. The distribution of this White Paper and the provision and sale of the Tokens in certain jurisdictions may be constrained by way of regulation. This White Paper does not constitute a proposal to promote or the solicitation of a suggestion to shop for to any person for whom it is unlawful to make such provision or solicitation.

2. THE FORTUNE FUND is not presenting you a felony, enterprise, economic or tax recommendation about any matter. you could not legally have the ability to take part in this personal, unregistered presenting. You must discuss with your very own attorney, accountant and different advisors about those matters (which include figuring out whether you could legally participate in this ICO). You ought to touch us with any questions on this ICO or the Tokens.

3. It is the duty of any people wishing to gather the Tokens to inform themselves of and to have a look at all applicable laws and guidelines of any relevant jurisdictions. Prospective ICO members should inform themselves as to the prison requirements and tax consequences within the nations of their citizenship, house, home and place of a job with recognizing to the purchase, retaining or disposing of the Tokens, and any restrictions that may be applicable thereto

4. This White Paper constitutes a suggestion of Tokens most effective in those jurisdictions and to those men and women wherein and to whom they lawfully can be provided on the market. This White Paper does now not constitute a suggestion to subscribe for securities besides to the quantity accredited with the aid of the laws of each relevant jurisdiction.

5. Nothing on this White Paper is intended to create a settlement for investment into THE FORTUNE FUND, and each capacity ICO player

acknowledges that THE FORTUNE FUND will depend upon this assertion of an ICO individuals statements with admire to compliance with the laws of the jurisdiction wherein 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 THE FORTUNE FUND communications, media and documentation to be the only official version.

**ABSTRACT**

THE FORTUNE FUND is a self-reliant cryptocurrency-only portfolio composed by using utilizing an hybrid strategy. The token sale funding will be used to buy the underlying cryptocurrency assets, and THE FORTUNE FUND will hold the pinnacle 20 cryptocurrencies using market capitalization. THE FORTUNE FUND cuts out the intermediary, the platform, and is, therefore, able to offer appreciably decrease charges.

THE FORTUNE FUND is not always a platform, it is a completely functioning product, and its token cost is not based totally on hypothesis however rather the product blessings and internet asset cost of the 20 underlying cryptocurrencies. There aren't any broking prices, recommendation charges or exit prices. THE FORTUNE FUND's application token is referred to as FF. it can be traded at any time, holdings are fully obvious, and there aren't any legacy banking charges or high-priced fund managers.

(FUN) Tokens are without delay tied to the underlying belongings with a singular liquidation alternative that may be exercised via the clever contract. This characteristic ensures the best decrease certain (infimum) in the marketplace cost of all tokens.

THE FORTUNE FUND lets in for getting admission to a diverse cryptocurrency portfolio via conserving an unmarried token. The tokens will be tradable on alternate submit-ICO, and no further tokens will be issued. The top 20 cryptocurrencies by way of marketplace capitalization exchange and 40 alt coins and ICO's, and so will THE FORTUNE FUND's holdings.

A cryptocurrency portfolio based totally on a hybrid index machine inclusive of the top 20 crypto currencies with the aid of marketplace cap, with weekly rebalancing and a thin cap of 10% produces an aggregate that has extensive market exposure and suited turnover without allowing a single asset, and as a result single supply of risk, to dominate. This paper seeks to shape and justify our hypotheses and conclusions.

**I. ADVENT**

The advantages are easy and many: convenience, no dealer costs, no go out costs, complete transparency, complete control and a lower price bound. There is no want to preserve your (FUN) Tokens on a centralized platform, and you are free to sell or change your tokens without restricting. Automation lets in THE FORTUNE FUND to function with charges of simplest 0.5% p/ an in preference to the marketplace average of 3% p/a.

No, except as true with is required in the ability of human fund directors/buyers – an index fund part of the fund does not require any discretion or judgment, just adherence to a technique decided via statistics science. The variety of tokens, rebalancing frequency and asset weightings had been cautiously determined, and our method is exact in this white paper.

The ICO price range may be used to buy the underlying assets. Tokens can be liquidated thru the FUN clever contract for his or her proportion of the portfolio's internet asset cost (NAV). That is key: it protects the token rate as it'd now not be rational to sell at a decrease value on trade when tokens may be directly liquidated for a higher fee.

Price range with stellar overall performance entices enormous amounts of latest money. A supervisor will most probably ought to use that new cash to "chase" a particularly small organisation of cash. This buying stress can force up coin fees, forcing the fund manager to pay higher fees than might otherwise be the case – affecting all token holders by way of decreasing the fund's destiny gains. this is the incentive for issuing no further tokens Post-ICO.

Exposure to crypto returns with a huge, confined danger profile gives a compelling case to both crypto and fiat investors. THE FORTUNE FUND's fee proposition (diversification using retaining a single token) can be closely promoted thru advertising and marketing and investor outreach. The best opportunity to buy those tokens post-ICO might be on alternate from ICO individuals – highlighting the actual demand for reduced hazard crypto investments while concurrently developing cost for contributors.

THE FORTUNE FUND can be of benefit to the network as an entire – marketplace transparency and liquidity will increase because of our buying and selling hobby. We can carry sparkling help, funding, and knowledge to the network. Conventional investors who were unsure approximately investing in a single technology or system will now have an option to guide the rising cryptocurrency market through THE FORTUNE FU.ND

**II. TYPICAL PORTFOLIO & FUND STRUCTURES**

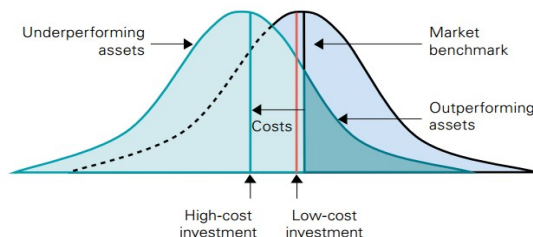


Fig. 1. Comparison of managed vs index funds

**Definitions:**

Open-end mutual fund:

An open-end fund is a mutual fund issuing limitless shares of investments in shares and bonds. Investing creates greater shares, whereas selling shares takes them out of the movement. Shares are offered and bought on call for at their internet asset fee, which is based totally on the fee of the fund's underlying securities and is calculated at the stop of the buying and selling day. When a large wide variety of stocks are redeemed, the fund may also sell several of its investments to pay the investor. Shares are offered directly from the fund directors.

Exchange-traded fund (ETF):

A trade-traded fund is like an open-cess mutual fund but alternatively trades as a not unusual inventory on a stock alternate. It isn't bought at once from fund directors. An ETF may exchange at a premium or bargain to the NAV, but that is regularly very quick-lived because of arbitrage by institutional investors.

Closed-end fund (CEF):

A closed-quit fund is seeded as soon as-off thru an IPO after which traded on trade after that. No further stocks are issued, and CEFs may additionally change above internet asset value as shopping for and promoting the stocks on change does not affect the underlying asset.

The shape of THE FORTUNE FUND is analogous to a new hybrid type; a closed-hybrid fund (CHF):

- A CHF is a closed-end fund that trades with an index strategy whereas traditionally all closed-end funds have been actively managed.
- post-ICO, buyers will simplest be able to purchase the (FUN) Tokens on exchange. No further tokens can be sold. Buying and selling tokens on an exchange does not affect the underlying NAV and CHFs 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.

**III. RATIONALE BEHIND A CRYPTO HYBRID STRATEGY**

With index funds out preforming managed funds we have taken the approach that looking at managed and index stock funds they tent to invest in the same sectors we here at THE FORTUNE FUND know that indexing the top 20 crypto currencies and at the same time using 40% of the portfolio to invest in alt coins and ICO's because this is where the HUGE returns have been seen over the past year so we look at 60% stability via the index and 40% divided over 40\$ alt coins and ICO's

Index investing has visible exponential increase amongst buyers since the first index mutual fund became released in 1976. This has confirmed to be a successful form of funding because the low-cost involved has allowed index budget to outperform the public of energetic managers throughout the marketplace and asset patterns.

Over a 10-yr investment horizon, greater than 80% of massive-cap fund managers failed to outperform their benchmark index. The percentages of selecting a triumphing fund supervisor are also low: studies display that regardless of beyond performance, future overall performance is random.

Simply, an index fund allows traders to track the index – the underlying trend in the back of the choice of property without being reliant on a specific one. There may be no lively trading other than the rebalancing of belongings at constant time periods. This permits the fund to consistently tune the imply overall marketplace performance even if some of the unique property fall out of fashion.

THE FORTUNE FUND tokenized portfolio will be the first of its type – it is bought with crypto and holds simplest cryptocurrencies. It's going to bring stability and antique-financial system money into the ecosystem, to increase liquidity and provide a solid instrument for people who previously idea it changed into too risky to invest in an unmarried technology.

It's miles hypothesized that one is not capable of characterizing the dearth of cryptocurrency take-up by way of retail buyers looking to allocate 'excessive-risk' portfolio budget entirely to the issue of buying cryptocurrencies. The variety of exchanges, offerings and payment methods available to buy cryptocurrencies is growing exponentially. In lots of cases, it's miles less difficult and less burdensome to purchase bitcoin than to invest in a USD denominated mutual fund.

The authors accept as true with this lack of investment may be due to the reality that no such product has formerly been available, communicated effectively in simple non-technical language and actively marketed to this quarter. There may be a distinction between 'high hazard' and 'unacceptable chance' inside the minds of many investors – cryptocurrencies have traditionally been the latter. THE FORTUNE FUND ambitions to deliver the chance to an acceptable degree for allocation to a retail investor's portfolio.

#### SERO SUM GAME

The central concept underlying the case for hybrid fund investing is that of the zero-sum game. This theory states that, at any given time, the market consists of the cumulative holdings of all investors, and that the aggregate market return is equal to the asset-weighted return of all market participants. Since the market return represents the average return of all investors, for each position that outperforms the market, there must be a position that underperforms the market by the same amount, such that, in aggregate, the excess return of all invested assets equals zero.

This zero-sum around the market-weighted mean return means that for every profitable trade an investor makes, another investor must make the opposite side of that trade and incur a loss relative to the market. This holds true regardless of whether the coin or token in question is mispriced or not, and for the same reason, the zero-sum game theory must apply regardless of market direction.

The distribution of market returns will thus be centred around a mean - THE FORTUNE FUND 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.

#### Low-fee Fund Benefits

Active traders and fund managers generally have a far higher fund expense ratio than that of THE FORTUNE FUND – around 6 times higher than an index fund (3% p/a compared to 0.5% p/a). The effect of this is that the aggregate return of investors is less than zero sum which makes outperformance compared to an index strategy and to the market much less likely.

Data from the Financial Research Corporation has been used to evaluate the predictive value of different fund metrics such as a fund's past performance, Morningstar rating, alpha, and beta. In the study, a fund's expense ratio was the most reliable predictor of its future performance, with low-cost funds delivering above-average performance relative to the funds in their peer group in all the periods examined. Likewise, Morningstar performed a similar analysis across its universe of funds and found that, regardless of fund type, low expense ratios were the best predictors of future relative outperformance.

A position as a large player in the crypto markets will afford THE FORTUNE FUND access to lower exchange fees and none of the legacy banking costs. Fiat

investors looking for crypto returns with broad exposure and limited risk profile will be drawn to THE FORTUNE FUND.

Low-rate Fund benefits: Energetic investors and fund managers normally have a far higher fund cost ratio than that of an index fund – around 6 instances better than an index fund (3% p/a compared to 0.5% p/a). The impact of that is that the mixture return of buyers is much less than zero sum which makes outperformance as compared to an index method and the marketplace tons less likely.

Statistics from the monetary research corporation has been used to assess the predictive cost of different fund metrics including a fund's beyond performance, Morningstar score, alpha, and beta. In the look at, a price range fee ratio changed into the most reliable predictor of its future overall performance, with low-price finances turning in above-common overall performance relative to the finances of their peer group in all of the periods examined. Likewise, Morningstar performed a comparative evaluation across its universe of budget and located that, irrespective of fund type, low fee ratios had been the first-class predictors of destiny relative outperformance.

A function as a large player inside the crypto markets will find the money for THE FORTUNE FUND giving access to decrease change expenses and none of the legacy banking fees. Fiat buyers seeking out crypto returns with extensive exposure and constrained risk profile could be attracted to THE FORTUNE FUND.

#### IV. SMART CONTRACT SPECIFICATIONS

Reasons for Choosing the Ethereum Blockchain:

- security and predictability (as opposed to, for example, having to run a separate blockchain),- Use of robust and properly-supported customers (Ethereumbased tokens may be managed with reputable Ethereum customers),
- excessive liquidity (transferable to ether),
- easier list of exchanges with infrastructure already in the area,
- Ethereum clever contracts allow a totally obvious way of imparting a liquidation alternative.

The clever agreement complies with the ERC20 Token popular and may be used from any like-minded Ethereum wallet. The settlement code helps an ICO crowd sale using specifying a start and cease block range so that you can restriction certain features during the ICO period. The token to ether rate can be adjusted dynamically at some point of the presale such that token rate tracks \$1 (the bonus structure is then implemented on top of this).

Participants can send ether to the contract directly or via the buy or buyTo functions. The ether purchase amount is used to calculate the tokens bought which are then added to the balance of the participant account. The participant account (the account that is debited with tokens) is the sender account when using the buy and fallback function or the specified address when using the buyTo function and passing an address as an argument. The smart contract has a two-tier control functionality which gives two controlling wallets different levels of authority. This allows future blockchain development and full on-chain automation without sacrificing the control of fund managers.

The withdraw function automatically calculates the ether amount to send to the participant account based on a forward pricing policy which uses the asset-backed price of the tokens less a 1% trading fee. This trading fee is not a fee that THE FORTUNE FUND imposes - it is levied by the exchanges necessary to execute the liquidation procedure. The price will be updated regularly to accurately reflect the value of the underlying crypto assets.

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// simplified contract withdrawal function for illustrative purposes

```
function withdraw(uint withdrawAmount) { 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:

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

Where  $\mu_i$  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  $\mu_i$ . The implications of this are explained below.

#### V. LIQUIDATION OPTION

high-volume investors may seek to take advantage of pricing to the detriment of the network through initiating sell-offs that cascade and bring about flash crashes so that they should purchase the cheap tokens. The liquidation option gives a rate ground protection – this guarantees the fee by no means drops under that of the underlying property due to marketplace manipulation. Charges are, but, unfastened to boom as the speculative fee is created using the excessive call for a low-price, varied and automated cryptocurrency portfolio that may be held as a single token. A small, dynamically allocate a percent of THE FORTUNE FUND's property could be held by way of the smart contract (in ether) to facilitate the liquidation option. This quantity might be managed mechanically as utilization demands. The large majority of other cryptocurrency assets could be held in numerous cold garage wallets. For the duration of a withdrawal, the (FUN) Tokens are transferred lower back to THE

FORTUNE FUND's managers. Those tokens are then resold on change on the contemporary NAV per token or market price, whichever is higher. This guarantees that the underlying property may be rebought inside the occasion that an investor makes use of the liquidation option – which could be unlikely because of the marketplace charge ground defined above.

#### VI. TOKEN DISTRIBUTION AND STRUCTURE

There could be no token creation, minting or mining after the ICO length. Tokens may be transferable and tradable as soon as the ICO is efficaciously completed and the underlying assets were acquired. Funding may be made in ETH, BTC or LTC. The USD equivalent amount of any ETH, BTC or LTC invested could be locked in at the time of investment according to marketplace quotes and considered the player's contribution.

Token Type:	ERC20 – Ethereum Blockchain
Token Symbol:	FUN
Token Name:	THEFORTUNEFUND
Maximum Supply (Hard Cap):	88,888,888
Available for Purchase:	77,333,333

Price per token:	
Pre-sale (up to 7 500 000 tokens):	\$0.95
First 48 hours of ICO:	\$1.00
48 hrs to Week 4 of ICO:	\$1.05
Week 4-10 of ICO:	\$1.10

#### Summary:

- 7.5% FUN Team
- 0.5% Advisory team
- 2.5% advertising and Investor members of the family
- 1.0% Legal
- 1.0% protection - structures and smart settlement
- 0.5% Bounty application
- 87% ICO participants

THE FORTUNE FUND team tokens will vest over the years to make certain that team incentives are aligned with ICO participants. This is enabled thru a public clever contract 'vault'.

#### VII. PORTFOLIO HYPERPARAMETERS

future-proofing: ultimately crypto returns will possibly settle and resemble real-global investment returns because the marketplace will become more efficient, and as altcoins reduce bitcoin marketplace cap dominance. Exchange fees will then be greater relevant as they grow to be larger with recognize profits. Predicting the rise and fall of cryptocurrencies is close to not possible – and remarkably hard even in installed markets with a long time of statistics.

#### CHECK ASSUMPTIONS AND CONDITIONS:

Back-exams for portfolio fee in addition to costs were performed for 105 a hundred seventy five-day rolling windows, each separated by means of four days, over the period 1 April 2016 - sixteen August 2018. The rolling home windows are implemented to ensure the outcomes are exceedingly time-invariant. The cost and rate graphs are for disjoint windows; line graphs are used for clarity.

Expenses are calculated as 0.2% of every trade required to rebalance the portfolio and are collected within every window. This consists of each the promoting off and buying of entire coin holdings that enter or go out the top N wide variety of cash, in addition to trades required to maintain the best cap-ceiling.

Blockchain forks had been treated as anomalies and any new coins created had been disparate from another coin holdings for the cause of these tests. This becomes accomplished to ensure that test consequences do no longer incorrectly fee a smaller range of cash or a higher cap-ceiling due to this precise anomaly being a gift inside the records set.

Discrete values have been chosen for evaluation to prevent overfitting to the restricted information. Tests of the various hyperparameters had been carried out concurrently, however, are supplied in ordered sections for clarity.<sup>1</sup>

#### Section A: Rebalancing Frequency

Rebalancing is the act of periodically adjusting a portfolio. Rebalancing an index fund most effective reduces chance however additionally will increase the median go back. Each day, weekly and month-to-month rebalancing intervals have been investigated as well as no rebalancing.

#### Hypotheses:

A1: it is hypothesized that a rebalanced portfolio is likely to offer a greater median go back. Which means that a rebalanced portfolio is probable to outperform a non-rebalanced portfolio over a couple of periods. The look conducted will, therefore, be over more than one home windows with each point on the line graph representing the portfolio price at the end of the window.

A2: The rebalancing frequency wishes to achieve a balance between as it should be monitoring the index and retaining turnover, and accordingly expenses, low. It's far hypothesized that a weekly rebalancing frequency will acquire this aim.

Tests:

A back-take a look at of portfolio cost for various rebalancing frequencies for tracking an index of the top 20 coins via marketplace cap was carried out.

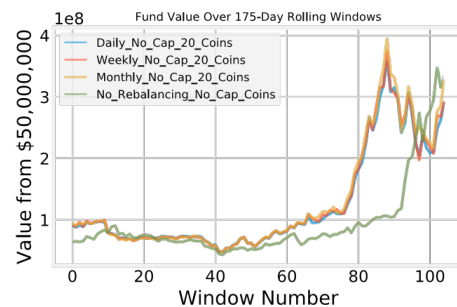


Fig. 2. Portfolio Performance for Market-weighted Portfolios with Different Rebalancing Frequencies



<sup>1</sup> Note that the test results shown for each of the hypotheses presented below do not constitute the entirety of the data analyzed to reach their respective

As can be seen in Figure 2 above, a portfolio without rebalancing does not track the index effectively. In Figure 3 below, weekly rebalancing seems to achieve the greatest portfolio value most often out of the four rebalancing frequencies.

As the rebalancing frequency increases from weekly to daily, there is a dramatic increase in expenses. This is undesirable. Figure 4 illustrates this difference.

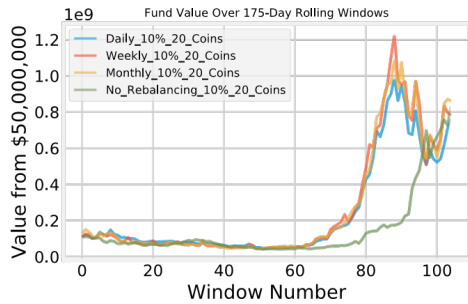


Fig. 3. Portfolio Performance for Different Rebalancing Frequencies

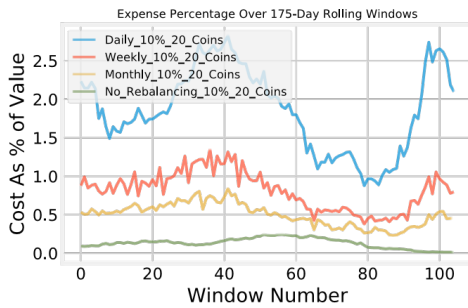


Fig. 4. Expenses for Different Rebalancing Frequencies

**Analysis and Conclusion:**

A1: In Figure 2 it can be noted that rebalancing outperforms no-rebalancing across most of the observations regarding value. A rebalancing strategy is thus selected.

A2: As can be seen in Figure 4 above the expense ratio increases dramatically with daily rebalancing. As crypto returns in the long-term begin to normalize the much greater expenses incurred by daily rebalancing will have a more significant effect on the total value of THE FORTUNE FUND's holdings. A Weekly rebalancing frequency tracks the index more accurately than monthly and has a more acceptable cost ratio than daily.

**Section B: Number of Tracked Coins Hypotheses:**

B1: Is it hypothesized that portfolio expenses and returns are correlated with the number of coins held in the portfolio.

**Tests:**

A back-test of portfolio value with a number of coins  $E \in \{10,20,30,40\}$  with a weekly rebalancing frequency and a 10% cap-ceiling was performed.

Figure 6 below illustrates the frequency at which each coin selection has the greatest value at the end of each testing window.

Figure 7 illustrates how expenses as a percentage of portfolio value vary by the number of coins the portfolio tracks. Each point represents total expenses per rolling window period.

conclusions. A large test space was simultaneously analyzed, and only the most relevant graphs are presented here.

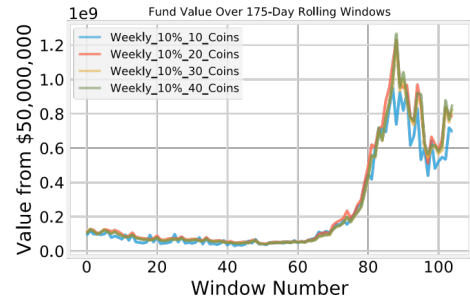


Fig. 5. Portfolio Performance for Different Number of Coins

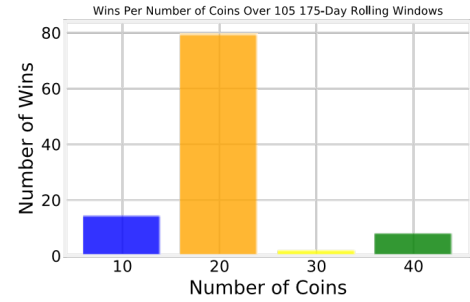


Fig. 6. Direct Return Comparison for Different Number of Coins

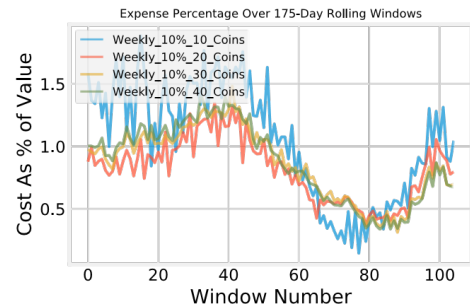


Fig. 7. Expenses for Different Number of Coins

**Analysis and Conclusions:**

B1: The number of coins in the tracked index does seem to be correlated to the portfolio's return and expense ratio. The number of outperforming windows is substantially higher for 20 coins when compared to the alternatives in Figure 6 above. The portfolio value incorporates turnover and thus expenses. 20 coins are therefore selected to represent THE FORTUNE FUND index.

**Section C: Cap-Ceiling**

A hybrid-market cap index strategy protects against a single coin dominating portfolio composition whether it be bitcoin now or another coin in future. The higher the market cap ceiling the closer the hybrid model emulates a pure market-share model, with a 50% cap being roughly functionally identical to the market-share model.

**Hypotheses**

C1: It is hypothesized that a hybrid-market capped portfolio will increase returns and give broader market exposure in comparison to a pure market-cap weighted portfolio due to the greater weighting altcoins will receive.

C2: It is hypothesized that decreasing the cap correlates to an increased total expense ratio as coins with lower market cap (and thus lower index ranking) will have a higher than normal weighting and thus incur greater expenses when they churn in and out of the index.

**Tests:**

A back-test of portfolio value for top 20 coins at market cap ceiling  $\in\{10\%,20\%,30\%,40\%\}$  with weekly rebalancing was performed. A pure market-share weighted (no cap) portfolio was also back-tested for comparison.

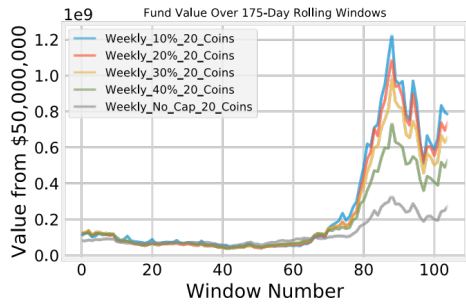


Fig. 8. Portfolio Performance for Different Market Caps

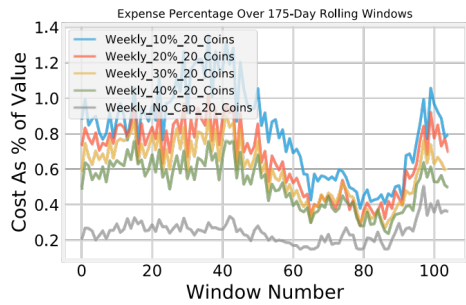


Fig. 9. Expenses for Different Market Caps

#### Analysis and Conclusions:

C1: Figure 8 confirms that a capped portfolio performs substantially better over the most recent 30 windows (spanning the past 275 days).

It is also seen that a 10% cap ceiling performs most consistently overall observed windows. A 10% cap is more profitable more often, and it offers a decreased risk profile when compared to a portfolio without a cap where a single coin may entirely dominate.

C2: A decreasing cap does correlate with an increasing expense ratio as hypothesized (Figure 9). This is due to the increased churn caused by a more evenly spread asset distribution and is a consequence of the greater weighting of the lower market-cap coins. A lower cap does, however, allow the portfolio to achieve greater and more consistent returns.

#### HYPERPARAMETER SUMMARY

A portfolio utilizing a hybrid-market cap weighted index strategy that tracks 20 coins with a 10% cap weighting provides broad market exposure with acceptable turnover and mitigates risk by more evenly weighting the tracked assets. The cap also assists in future-proofing the portfolio because a single asset, and thus the single source of risk, is not allowed to dominate. A weekly rebalancing frequency offers an acceptable balance between portfolio turnover and the ability to accurately track the underlying index.

#### VIII. REBALANCING METHODOLOGY

THE FORTUNE FUND's portfolio will be rebalanced by FTSE Russel's capping methodology. The Constituent Capping Factor  $c_i$  is given by:

$$c_i = \frac{Z}{I \times (p_i \times s_i)} \sum_{j \in J} (p_j \times s_j) \quad (2)$$

Where,

- $I$  denotes the crypto to be capped
- $j$  denotes an uncapped crypto
- $J$  is the subset of cryptos that are uncapped
- $p_i$  is the official closing price of the  $k^{\text{th}}$  crypto
- $s_j$  is the circulating supply of the  $k^{\text{th}}$  crypto
- $I$  am the percentage of the index represented by all uncapped constituents
- $Z$  is the percentage capping level (i.e. 10%)

The constituent capping component is calculated and applied to all ingredients whose uncapped weighting is above 10%. The weights of the uncapped materials are then calculated, and if any previously uncapped crypto now has a weighting greater than 10%, the constituent capping factor is recalculated including this crypto in the subset that requires capping. This procedure is repeated till all cryptocurrencies are capped correctly.

#### IX. SECURITY & TRANSPARENCY

THE FORTUNE FUND has carried out safety industry best practices for protection against Sybil 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.

Transparency in THE FORTUNE FUND's trading activities and contemporary holdings can be ensured thru the usage of view only alternate APIs as well as via evidence of reserve for non-alternate wallets (this consists of both warm and cold storage wallets).

THE FORTUNE FUND will at any stage maintain various quantities of the 60 coins. 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 – THE FORTUNE FUND'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 may be carried out over a couple of exchanges at various times within our weekly rebalancing window to mitigate the threat of front-strolling. The following phase, trading strategy, contains a quantitative analysis on liquidity and front-running.

Ledger Nano Ss 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 THE FORTUNE FUND might be facilitated through light clients strolling inside their personal containerized offerings. See the AUTOMATION phase for an additional element.

## X. AUTOMATION

THE FORTUNE FUND will be computerized thru API integration with more than one exchanges. The total listing of exchanges applied can be available on our internet site while trading starts. Extra exchanges may be introduced when vetted, and APIs with the minimum enough functionality are made available.

The liquidation charge of the (FUN) Tokens might be determined thru using an alternate provider developed by using THE FORTUNE FUND. Automation of liquidation fee updates is an essential a part of easy enterprise operation. However, automation also can reveal protection risks because of the necessity of online personal key storage. We sidestep this hazard via enforcing a -tier permissions machine, with a couple of addresses allotted only the vital permissions to meet a selected challenge, inclusive of updating the liquidation charge. This strategy allows chance-mitigating automation without having to store vital personal keys online.

THE FORTUNE FUND backend runs as a cluster of containerized services using a thoroughly scalable and redundant structure jogging on Kubernetes. Protection and reliability are principal to our machine design – we rely on public-key cryptography, more than one issue authentication and machine isolation of private keys. Most of THE FORTUNE FUND's holdings might be saved offline in cold wallets.

Backend calls to change API offerings will be used to discover top-rated routes for exclusive buying and selling pairs that allows you to achieve excellent feasible fees on trades. This approach will ensure underlying assets are usually offered on the maximum aggressive rates and exchange fees.

THE FORTUNE FUND's gadget structure uses a microservice design sample, incorporating messaging and project queues with full event logging. Separating services which can act as ability attack vectors from the rest of our systems will permit us to enforce tight security stopping the kind of breaches a few other Ethereum-primarily based ventures have visible.

## XI. MARKETING AND INVESTOR MEMBERS OF THE FAMILY

THE FORTUNE FUND group will make investments good sized time and effort into submit-ICO advertising and marketing targeted toward traders in the traditional financial quarter through the manufacturing of statistics sheets, explainer videos and planning files that are easily understandable. Token holders may be capable of view distinct facts on their holdings and portfolio composition at THE FORTUNE FUND internet site. THE FORTUNE FUND will support awareness advertising efforts totally on nonregulated markets. No promotion or solicitation can be achieved wherein participation is forbidden or likely to be forbidden inside the close to future so one can continue to be compliant with nearby rules.

## XII. ICO FUNDS USAGE

THE FORTUNE FUND team has completed the development of the trading gadget. The ICO budget (98%) will go closer to purchasing the underlying assets. A small allocation (0.5%) is made for prison expenses to ensure that THE FORTUNE FUND is compliant with law upon commencement of change trading and a complete audit of received funds via a primary auditing company. THE FORTUNE FUND and its cryptocurrency diversification fee proposition can be closely promoted to retail traders, and a 1.5% allocation is made to facilitate this. Any unused price ranges from the 2% running expense allocation will be applied in a discretionary ability as soon as THE FORTUNE FUND has started on-going trading.

- 1.5% endured advertising Pre-change list
- 0.5% felony costs and post-ICO Audit
- 98 % Underlying belongings

## XIII. REPORTING .

Accounting standards for cryptocurrencies continue to be unclear. The worldwide Accounting Standards Board (IASB) will either create a brand-new trendy or trade present standards to address accounting for investments in intangible assets, consisting of virtual currencies. They may be recognized to set standards primarily based on successful organizations leading the manner in how to account for his or her investments, as an instance in the case of commodity dealer-investors. The IASB would possibly take years to develop and put into effect a new fashionable – considering all opportunities early may enable THE FORTUNE FUND to pioneer a standard and deliver tokens credibility as an opportunity investment automobile.

THE FORTUNE FUND has carried out an analysis of the audit and debts requirements so that you can offer high-quality attempt in complying with existing law. THE FORTUNE FUND will perform on a quarterly reporting foundation with annual debts. The quarterly reviews will include facts on governmental threat and rules, threat/go back analysis, portfolio performance and end of year predictive market evaluation.

Economic reports will include the subsequent:

- A balance sheet and an announcement of the portfolio's total investment value
- An earnings announcement for the period blanketed
- A listing of the portfolio's quantities and values at the date the balance sheet become issued
- An announcement of salaries or any other monies paid to the directors, advisory board and officers
- Total amounts of crypto purchases and sales

The information will be made available on the investor portal of THE FORTUNE FUND website, and THE FORTUNE FUND's assets will be viewable at any time with a blockchain explorer.

## XIV. TASK TIMELINE

### Initial studies and development

January – February 2018 – developed the crew and idea; carried out thorough back tests to decide portfolio hyperparameters; set the wheels in motion to create a compliant criminal shape.

### Develop smart contract and self-sustaining trading machine

March - June 2018 – developed modern THE FORTUNE FUND smart settlement to satisfactory practice specs; evolved lower back-stop for multi-exchange buying and selling.

### Finalize smart settlement and trading Protocol

May 2018 – an entire smart agreement optimized self-sufficient hybrid buying and selling algorithm to mitigate front-running and slippage. Consultation with professional enterprise advisors.

### Test trading machine; protection Audit

June 2018 – security audit and code assessment procedure. Buying and selling gadget examined and completed.

### FUN Token Pre-Sale

14<sup>th</sup> August - 31<sup>st</sup> August 2018 – Token pre-sale.

### FUN Token ICO

1<sup>st</sup> September – 14<sup>th</sup> November 2018 – Token ICO.

### Public Audit of ICO funds

December 2018 – Public auditing firm to audit THE FORTUNE FUND ICO and release declaration verifying holdings.

### Initial Coin Acquisitions; On-going marketing and Investor relations; First Rebalancing process

December 2018 – January 2019 – preliminary coin holdings received; very last facts sheets and reporting structures launched to retail investors. The first portfolio rebalance is accomplished and monitored.

### Public launch on Exchange

January 2019 – FUN Token is indexed for alternate on the exchange.

## STATISTICS COLLECTION; ORDINARY OPERATION

January 2019 - destiny – The data pulled from a couple of exchanges - order books, volumes etc. will be saved. After approximately 6 months of operation, this valuable deep data sets. THE FORTUNE FUND ICO participants could have priority acceptance into those very restrained cap price range, and (FUN) Tokens could be transferable into these price range.

## XV. THE CONCLUSION

A hybrid market-cap weighted (60%) index strategy and 40% managed portfolio consisting of the top 60 coins, 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.

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

contact@THEFORTUNEFUND.com

<https://www.THEFORTUNEFUND.com>

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- (a) you settle and well known that the (FUN) Tokens do not constitute securities in any form in any jurisdiction;
- (b) you settle and acknowledge that this White Paper does not constitute a prospectus or provide record of any type and isn't always supposed to represent a proposal of securities in any jurisdiction or a solicitation for investment in securities and also you aren't bound to enter into any settlement or binding legal commitment and no cryptocurrency or different shape of payment is to be popular on the premise of this White Paper;
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- (d) you compromise and renowned that this White Paper, the undertaking and/or the of completion of the (FUN) Token sale, or future trading of the (FUN) Tokens on any cryptocurrency trade, shall now not be construed, interpreted or deemed by using you as an illustration of the reserves of the company, the (FUN) Tokens, the (FUN) Token sale and the underlying property (each as cited in this White Paper);
- (e) the distribution or dissemination of this White Paper, any part thereof or any reproduction thereof, or popularity of the identical through you, is not prohibited or limited by means of the applicable legal guidelines, rules or policies for your jurisdiction, and wherein any restrictions with regards to possession are applicable, you've got discovered and complied with all such regulations at your personal expense and without legal responsibility to the corporation;
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  - (i) any form of foreign money aside from cryptocurrency;
  - (ii) debentures, stocks or shares issued by using any man or woman or entity;
    - (i) rights, options or derivatives in admire of such debentures, stocks or shares;
    - (ii) rights under a settlement for differences or under any other contract the purpose or pretended cause of that's to secure a earnings or avoid a loss;
    - (iii) gadgets in a collective investment scheme;
    - (iv) units in a commercial enterprise agree with;
    - (v) derivatives of gadgets in a business consider; or
    - (vi) any other security or class of securities.
- (g) you are fully aware of and remember that you aren't eligible to purchase any (FUN) Tokens if you are a citizen of the British Virgin Islands, the USA or South Africa ;
- (h) you've got a primary degree of information of the operation, capability, utilization, storage, transmission mechanisms and different cloth characteristics of cryptocurrencies, blockchain-primarily based software

systems, cryptocurrency wallets or different associated token garage mechanisms, blockchain era and smart settlement generation;

- (i) you are conscious and understand that inside the case in which you wish to purchase any (FUN) Tokens, there are dangers related to the enterprise and its respective business and operations, the (FUN) Tokens, (FUN) Token sale and the underlying belongings (each as cited inside the White Paper);
- (j) you settle and well known that the corporation or any of THE FORTUNE FUND team isn't always chargeable for any oblique, special, incidental, consequential or different losses of any type, in tort, contract or in any other case (together with however not confined to lack of revenue, income or earnings, and lack of use or information), bobbing up out of or in reference to any popularity of or reliance in this White Paper or any component thereof by means of you; and
- (k) all the above representations and warranties are genuine, complete, correct and non-deceptive from the time of your get right of entry to and/or popularity of ownership this White Paper or such component thereof (because the case may be).

**CAUTIONARY note ON ahead-looking STATEMENTS** All statements contained on this White Paper, statements made in press releases or in any region handy by way of the public and oral statements that may be made through the business enterprise or any of THE FORTUNE FUND team on behalf of the organization, that aren't statements of historical fact, represent ahead-searching statements. a number of these statements may be recognized by forward-looking phrases which include aim, target, anticipate, agree with, may want to, estimate, assume, if, intend, may also, plan, feasible, probable, challenge, must, would, will or other similar terms. however, these terms aren't the one of a kind method of figuring out ahead-looking statements. All statements regarding the Company's economic position, enterprise strategies, plans and prospects and the future possibilities of the enterprise which the company is in are forward-searching statements. these forward-searching statements, such as but now not restricted to statements as to the Company's revenue and profitability, possibilities, destiny plans, other predicted industry traits and other matters discussed on this White Paper regarding THE FORTUNE FUND are topics that aren't historical records, however only predictions. those forward-searching statements involve regarded and unknown dangers, uncertainties and different factors which can reason the real future outcomes, overall performance or achievements of the budget, cryptocurrencies, or the organization to be materially one-of-a-kind from any destiny results, overall performance or achievements anticipated, expressed or implied by using such ahead-looking statements. these factors encompass, among others:

- (a) adjustments in political, social, monetary and inventory or cryptocurrency market situations, and the regulatory surroundings in the countries wherein the enterprise conducts its respective agencies and operations;
- (b) the risk that the enterprise may be not able or execute or implement their respective enterprise techniques and destiny plans;
- (c) modifications in hobby costs and change quotes of fiat currencies and cryptocurrencies;
- (d) changes inside the predicted growth strategies and expected internal growth of the business enterprise;
- (e) adjustments within the availability and prices payable to the enterprise in connection with their respective agencies and operations;
- (f) adjustments inside the availability and salaries of employees who are required through the business enterprise to operate their respective agencies and operations;
- (g) changes in choices of customers of the employer;
- (h) adjustments in aggressive conditions beneath which the Company operate, and the ability of the business enterprise to compete below such situations;
- (i) changes inside the future capital desires of the business enterprise and the availability of financing and capital to fund such wishes;
- (j) warfare or acts of global or home terrorism;
- (k) occurrences of catastrophic events, natural screw ups and acts of God that affect the agencies and/or operations of the organization;
- (l) other elements beyond the control of the organization; and
- (m) any danger and uncertainties related to the business enterprise and its business and operations, the (FUN) Tokens, the (FUN) Token sale and the underlying assets (every as stated inside the White Paper).

All forward-looking statements made by using or because of the business enterprise and THE FORTUNE FUND crew or others performing on behalf of the employer are expressly certified in their entirety with the aid of such elements. Given that risks and uncertainties that may motivate the real destiny

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**Market AND enterprise records AND NO CONSENT OF different humans:** This White Paper consists of marketplace and industry information and forecasts that have been obtained from internal surveys, reports and research, where suitable, as well as market studies, publicly available facts and enterprise guides. Such surveys, reviews, research, marketplace studies, publicly to be had records and publications typically kingdom that the statistics that they contain have been acquired from sources believed to be dependable. However, there can be no assurance as to the accuracy or completeness of such covered information.

Keep for the company and its respective directors, executive officials and personnel, no character has supplied his or her consent to the inclusion of his or her name and/or different statistics attributed or gave the impression to be attributed to such person in connection therewith on this White Paper and no illustration, warranty or venture is or speculated to be provided as to the accuracy or completeness of such records by using such character and such persons shall not be obliged to provide any updates at the identical.

Neither the agency nor any of THE FORTUNE FUND team has carried out an independent assessment of the records extracted from third celebration sources, confirmed the accuracy or completeness of such records or ascertained the underlying monetary assumptions relied upon therein. Consequently, neither THE FORTUNE FUND nor its directors, govt officers and employees performing on its behalf makes any representation or warranty as to the accuracy or completeness of such data and shall not be obliged to offer any updates on the same.

#### **TERMS USE**

To facilitate a better understanding of the (FUN) Tokens being presented for buy by way of the enterprise, and the groups and operations of the organization, certain technical terms and abbreviations, in addition to, ensure instances, their descriptions, were used in this White Paper. Those descriptions and assigned meanings ought to now not be handled as being definitive in their meanings and might not correspond to standard industry meanings or usage.

Phrases uploading the singular shall, where applicable, encompass the plural and vice versa and words uploading the masculine gender shall, where relevant, encompass the female and neuter genders and vice versa. References to folks shall include corporations.

#### **NO ADVICE**

No information on this White Paper must be taken into consideration to be a commercial enterprise, prison, economic or tax advice concerning the company, the (FUN) Tokens and (FUN) Token sale and the underlying property (every as mentioned within the White Paper). You should seek advice from your own felony, financial, tax or another professional adviser concerning the company and its business and operations, the (FUN) Tokens, the (FUN) Token sale and the underlying belongings (each as stated inside the White Paper). You ought to be aware that you will be required to bear the financial threat of any buy of THE FORTUNE FUND tokens for an indefinite period.

#### **NO FURTHER STATISTICS OR UPDATE**

No character has been or is authorized to give any facts or illustration not contained on this White Paper in connection with the employer and its commercial enterprise and operations, the (FUN) Tokens, the (FUN) Token sale and the underlying property (every as mentioned in the White Paper) and, if

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