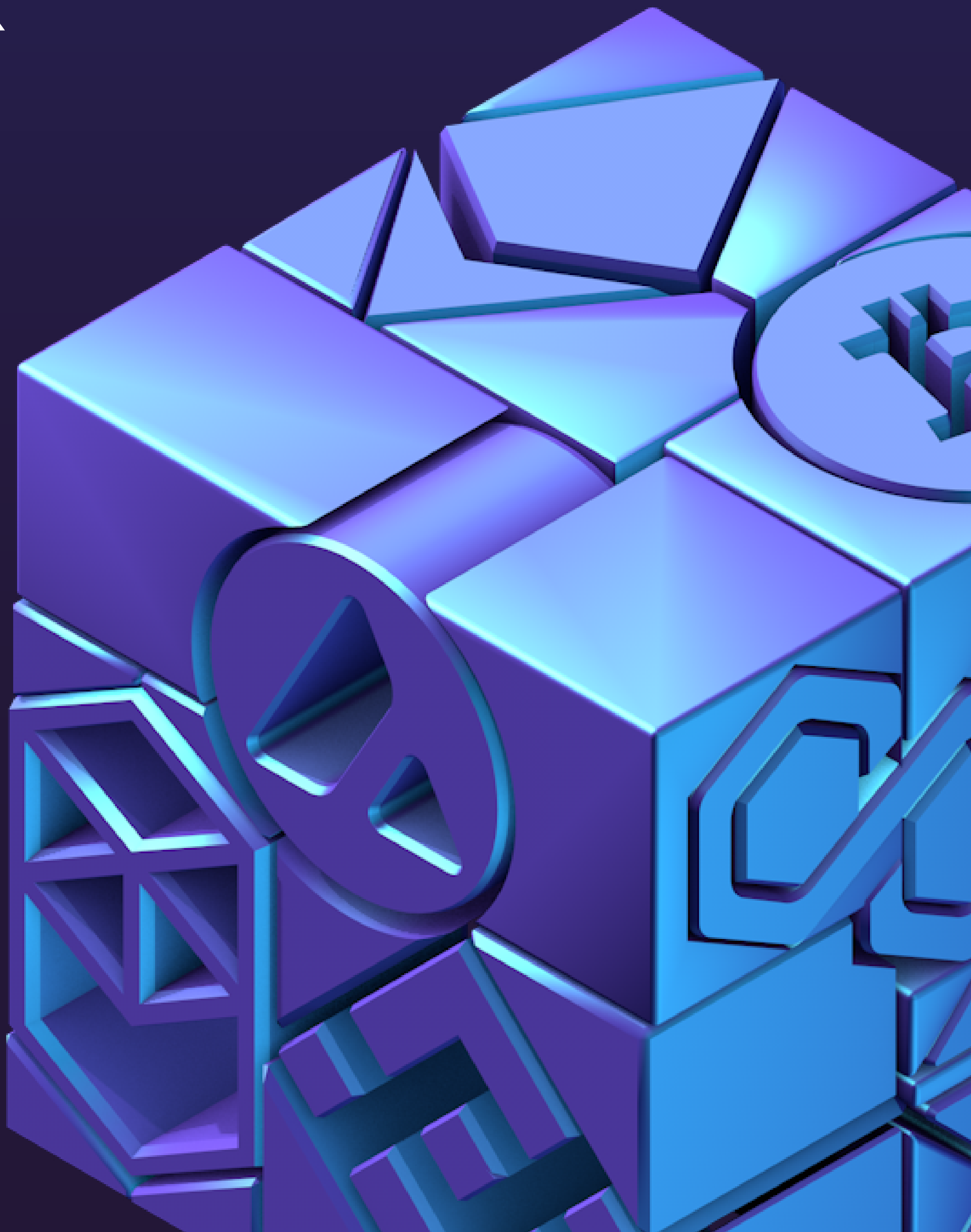
Polylastic

A Dynamic Index



Litepaper

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I. An Era of Value

Decentralized finance or Defi's rise following the exploit of Ethereum's stable coin DAI came unexpectedly. Ethereum, once considered an impossible technology, came to be known as the future's claim to financial services on the blockchain in rather short order. Despite the bumps of past, present and ongoing, this has incontrovertibly come to fruition as we are seeing an inclusive system of autonomous protcols that offers simple earning products to exotic financial instruments. The promise of DeFi and Ethereum seemed far off for optimists and implausible to most, yet it became, in a matter of months, a Layer 1 blockchain where relative novices were versed in TVL (total value locked) and the more savvy were interacting with sophisticated contracts and arbitraging stable coins. In the following year, the total monies locked in DeFi contracts grew parabolically and is currently in the neighborhood of 100 billion USD with no signs of a slow down.

For blockchain technologies, they were finally making a mark and it would be in the arena of financial services. However, what followed was perhaps more unexpected than the migration of monies in DeFi contracts. Digital art i.e. NFTs broke the bank beginning with Beeple's "Everydays — The First 5000 Days," a JPG file that sold for 69.5M USD. This has gone on to evolve and create what some might call a massive bubble. Simultaneously, the forgotten promise of gaming on the blockchain finally began to make waves. This was after all the "no brainer" of crypto. Gaming and esports are massive with a decidedly young demographic. Were there a business model built in a laboratory that would cause crypto to thrive, one could not think of a better pairing than in-game purchases and digital money. Alas, the "play to earn" model emerged and worlds are colliding as "GamFi" is now becoming a thing unto itself.

The vibrant underworld of tech geeks, anarchists, doomsdayers, monetary enthusiasts and dark web users represented a storied, if not unsavory past that had now taken root on Main Street as well as Wall Street. Bitcoin, the "magical internet money," has survived years of outspoken detractors and a slew of formal excoriations doled out by the titans of investment banks and regulating authorities and thrived; yet, the recent developments in altcoins are becoming similarly impressive.

There is a question that remains and that is, what's next? The effort to be next has led to the creation of roughly ten thousand token projects clamoring to be hailed as the answer. As Bitcoin appears to have found its footing as a store of value, as Decentralized Finance appears to be on its way to creating inclusive and sustainable yields, while NFTs are ringing in an era of digital art and authenticating real world assets, as gaming and eSports evolve and iterate on the blockchain, we know one thing is certain—there is a next and we are anything but finished.

1.1 SIP: Systematic Investment Plans

To be clear, Polylastic doesn't claim to be the next big thing, rather, its aim is to participate and contribute to what is, in fact, next. In traditional finance, indexes have consistently outperformed broader market, individual picks as well as managed funds. The Godfather of the index, Jack Bogle was once quoted as saying, "Don't look for the needle in the haystack. Just buy the haystack." Polylastic and similar style products can be automated as indexes apply a set of rules which can be applied via algorithm; it is rife with potential in the realm of smart contracts. There is proven merit in this approach and the blockchain has yet to take advantage of this simple model let alone identify the myriad ways to improve upon it with a token. Polylastic intends to change this very thing.

The benefits of automation in a tokenized index are considerable and easy to overlook. The convenience of a 24/7 system helps to maintain fluidity, any and all fees can be returned to token holders and there is verifiable transparency. Moreover, the token is a tradable asset which reflects the underlying assets. Decentralization is trustless and requires no human oversight as live indexes are composed of rules to perform weighting and rebalancing. Therefore, there are no judgment calls to make; only rules which can be changed, optimized and iterated upon through governance.

First launched in 1976, Index investing has experienced enormous growth and historically, proven itself to be a near ideal way to invest. Indexes are lower in cost than typical managed funds and decade-long studies have shown that more than 80% of large cap managers have failed to outperform a benchmark index. Crypto seems especially poised for such a simple style offering to take hold. To date, most crypto index products have failed to incorporate the advantageous elements of having a token and have either— attempted to replicate what the traditional world has to offer or— have gone so far to make the products customizable that they became inaccessible. Polylastic's proposition aims to choose assets based on community support and bolster performance through the staking of POLX—the token of the Polylastic network.

Index funds attempt to track underlying trends behind the chosen assets in a given grouping. It is a way to hedge risk by not being solely reliant on betting on the right horse. Typically, they are rebalanced at predetermined intervals in order to assess performance against a broader marketplace and manage against risk of any underperforming assets. They vary in type and the following are two of the most common:

Exchange-traded fund (ETF): This is of course something crypto has been clamoring for and awaiting approval for a number of years now. The ETF trades as a solitary asset representative of its underlying assets. It is similar to a mutual fund but takes on the form of a representative asset, similar to the way an LP token in crypto represents provided liquidity.

Mutual Fund: A mutual fund is typically open-ended, where purchasers save themselves a number of steps by buying a share which then effectively purchases the index's asset. Buying of a mutual fund share creates more purchases of the assets it represents, where selling of the share means that the assets are sold and the shares themselves are removed from circulation.

Simply, an index fund allows investors to track the index – the underlying trend behind the selection of assets and the key to its success is not being reliant on a single pick. There is no active trading apart from the rebalancing of assets at fixed time intervals. This allows the fund to consistently track the mean market performance even if some of the original assets fall out of favor.

1.2 Exposure Through Dynamic Staking

Institutional money has found its way into crypto, beginning with Bitcoin as the gateway and into alternative assets. Their selection among alt coins are limited by a lack of liquidity and the absence of effective ways to assess and access early stage opportunities. Therefore, outside of the proverbial blue chips, choice is limited while the biggest upside resides in places where there is no easy way to gain exposure. Furthermore, identifying the pockets of activity that presage growth is not a matter of research but sentiment. Polylastic believes that its index can solve these problems, allowing larger users the chance to gain access to a basket of tokens which are designed to identify early stage projects with growing community support.

The benefits of Polylastic extend beyond the reach of its users. By creat ing a boutique index that is dedicated to an ecosystem, it creates a centralized identity for trending projects within it. Given that the assets will be chosen by the community following the launch, it creates a veritable heat map to determine the hottest regions of a given ecosystem. This sort of sentiment transparency removes much of the manipulation that takes place in the usual and customary arenas where individual projects are shilled. Polylastic accomplishes this by direct staking which allows users to put "their money where their mouth is." One can not spam Polylastic, rather, it is only through the staking of the POLX token that can land an asset in the aggregator/index. Once this happens, it provides funding and support to early stage projects who may be gaining their first real visibility.

1.3 A New Financial Primitive

While there is no shortage of opportunity in crypto on the whole, the speed in which sectors trend makes it feel, holistically speaking, inaccessible. For the more experienced and even the most savvy, it is virtually impossible to get one's "arms" around the entire space. Invariably, people find the sectors where they are the most comfortable participating and stay there, as opportunities come and go outside their purview. Choosing to specialize is to know more about less and one can easily miss out on emerging trends. Conversely, to be everywhere is to be nowhere which amounts to chasing a horizon that never quite comes into view. How does Polylastic intend to straddle these two opposing approaches?

Systematic investing is not new but the Polylastic offering is to be far more than a static index and it requires a token that is inherently bonded to its network. Why? Because never before has there been a financial instrument that considers community, culture and people in such a quantifiable way, let alone have them imbued into the product itself. Trends, whether in finance or fashion, are the product of gathered sentiment and it drives global markets.

Polylastic is more than a way to track sentiment; it is an identifier and accelerator of it.

II. Enter Polygon

2.1 A "Committed" L2

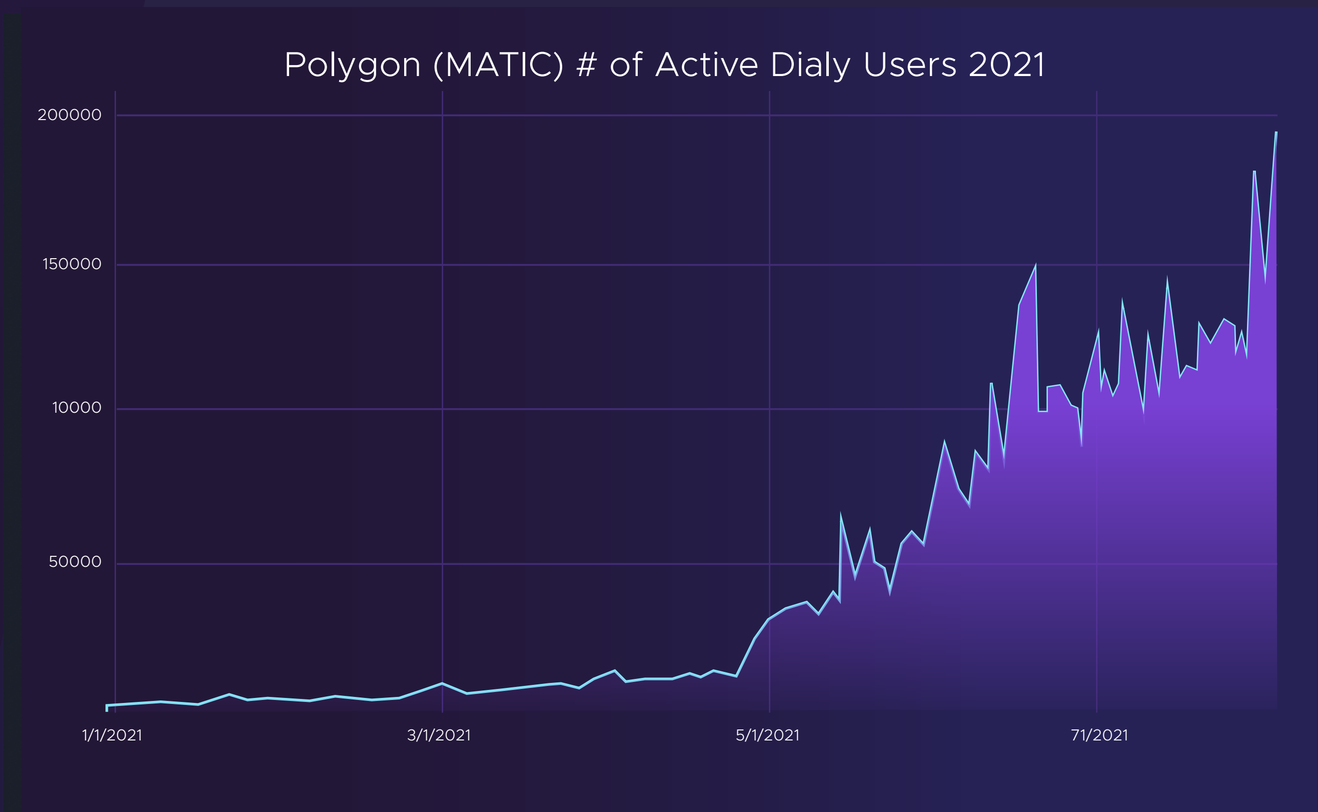
There are numerous ways to create an index but crypto is built around ecosystems where decentralized applications act as incumbent residents. Rather than choose to specialize in credit card tokens or DeFi aggregators, for example, Polylastic believes that taking residence in an ecosystem which is established with considerable room for growth represents the needed broad based exposure in order to exploit opportunity while remaining "local" enough to find it early on. This represents a crucial beginning.

Layer 1 blockchains are where many things are built—the Ethereum ecosystem remains far and away, the most active blockchain on the planet. There are distant competitors and to date, they threaten with potential but not usage. Moreover, the advent of the Layer 2 blockchains makes Ethereum all the more potent. Layer two blockchains act as side chains, veritable service roads that are faster and less expensive. They make the Layer 1 blockchains they support far more efficient. The most successful Layer 2 project was Matic which has since rebranded to Polygon with some notable differences. Matic was the consummate layer 2 side chain that was built on the Ethereum network as its layer 1. Polygon is now separate and is considered a "commit chain" that is no longer reliant on its own validators for security. Polygon's embedment into Ethereum allows its network security to use Ethereum validators. This effectively allows Polygon to efficiently scale as a side-chain while accessing the security of Ethereum.

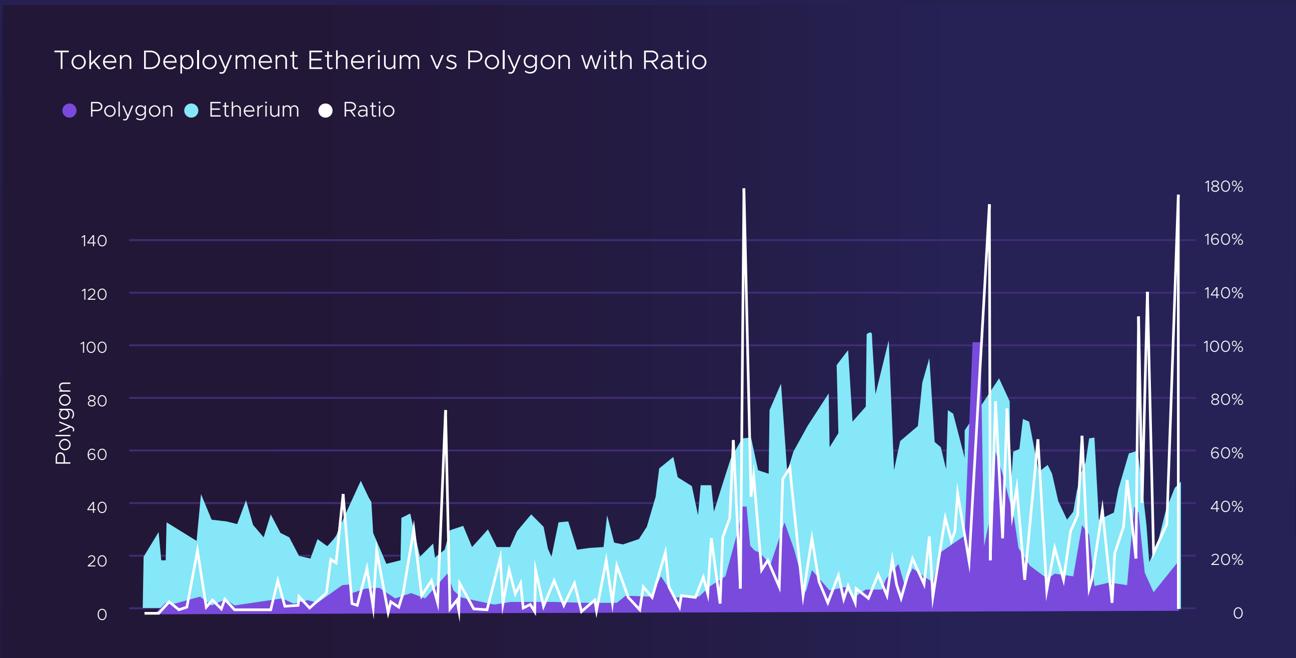
Polygon is able to achieve finality in seconds with its multi-layer system while maintaining its connection to Ethereum.
Polygon's advanced Dapp infrastructure makes it easy for new projects to launch on-chain and for existing Ethereum
projects to port their code. Over the next few months, we will likely see most existing projects built on Ethereum begin to move exclusively onto L2 solutions like Polygon in order to reduce transaction prices and increase speed.

2.2 By The Numbers

The number of daily active users on the Polygon network has experienced a precipitous increase from the beginning of 2021 through August. In this time period, the number of daily users has increased ~25,000%, from 750 to 192,000.



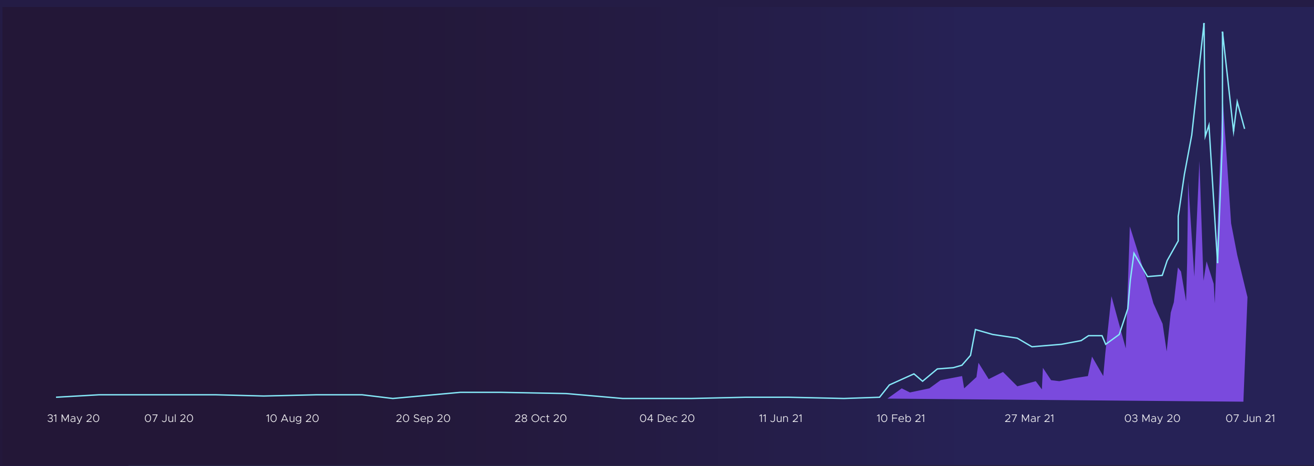
According to the blockchain analytics platform, Nansen, daily transactions on Polygon have actually surpassed Ethereum transactions from the month of May onward, with the gap continuing to grow. Currently, the number of daily transactions are roughly 400% higher than Ethereum.



Polygon's scaling solution makes it possible to connect and communicate with different scaling solutions in an ecosystem environment. This gives developers the ability to easily customize new projects and decentralized applications (dApps) by selecting a scaling solution of their choice. This ranslates into higher speeds, cheaper transaction costs, more independence, and more security within the single network. With near-zero gas fees and fast transactions not seen in any other network, this brings a positive
correlation between the demand for dapps and Polygon.

While such declarations of superior performance are commonly shouted from the rafters, Polygon has proven development and growth within its network, which makes all the difference. Consider the current roster:
https://www.coingecko.com/en/categories/polygon-ecosystem. With hundreds of decentralized applications using the Polygon network, Polylastic's decision to build upon this ecosystem came following considerable analysis of layer 1 and layer 2 solutions. The team felt there is unequaled opportunity in Polygon especially given the following:

Polygon's surge in social volume speaks to an unprecedented level of adoption in the Ethereum and Polygon networks. This, for Polylastic, is where the rubber meets the road.



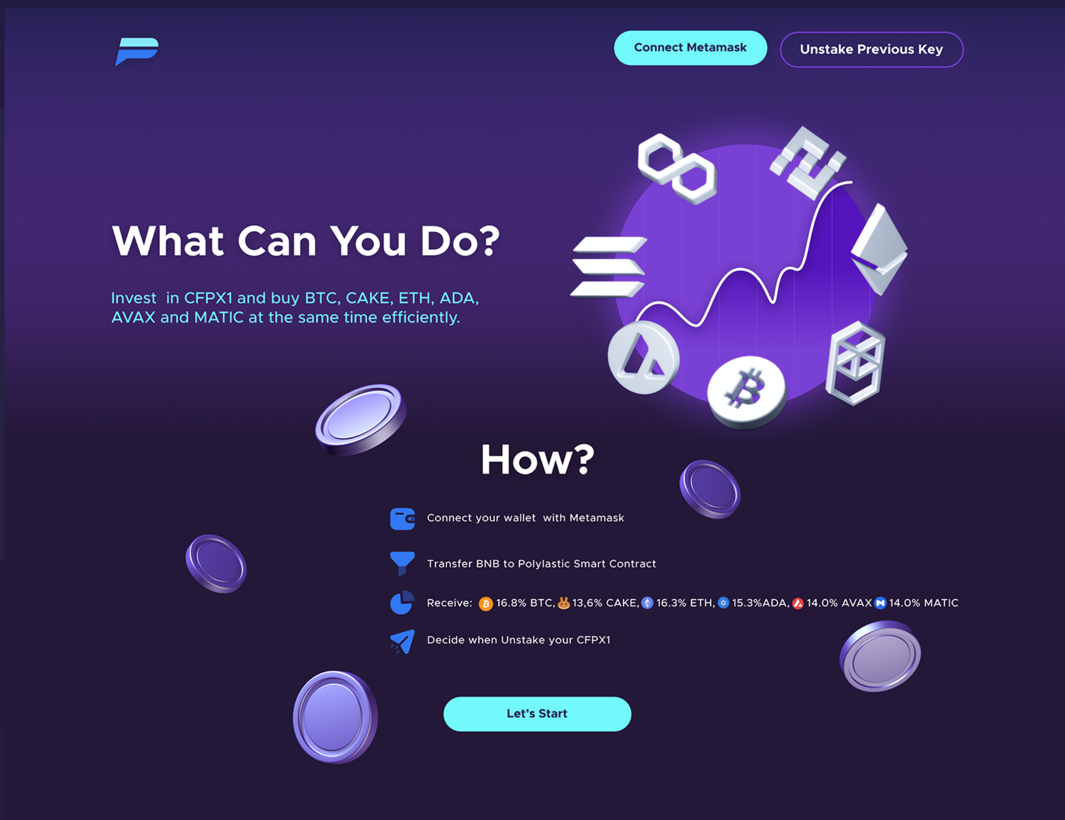
2.3 An Eco-Friendly Option

As blockchain adoption continues to grow, the technology must be sustainable,and its long-term environmental, societal, and economic impact is a crucial consideration. Many blockchains leave behind a large carbon footprint that makes them a detriment to the environment. This is not the case with Polygon. Polygon's environmentally friendly proof-of-stake consensus algorithm makes the network a most desirable choice for developers and traders alike.

Polygon’s validators use two types of nodes: validator and sentry nodes. Each of these nodes has a draw that is very minimal. These validators collectively consume approximately 0.00079TWh of electricity annually, with an approximate continuous draw of 0.00009GW. This makes Polygon a leader in the eco-friendly cryptocurrency space.

2.4 Polx and Polygon

Another rationale behind the deployment on Polygon is simple—team and projects within ecosystems become supporters of one another. Additionally, having real familiarity and an intimate understanding of the inner workings of where you invest is just prudent. As POLX, the native token of the Polylastic Index, approaches deployment, creating a destination for the thriving assets of Polygon is something that other blockchains do not have.



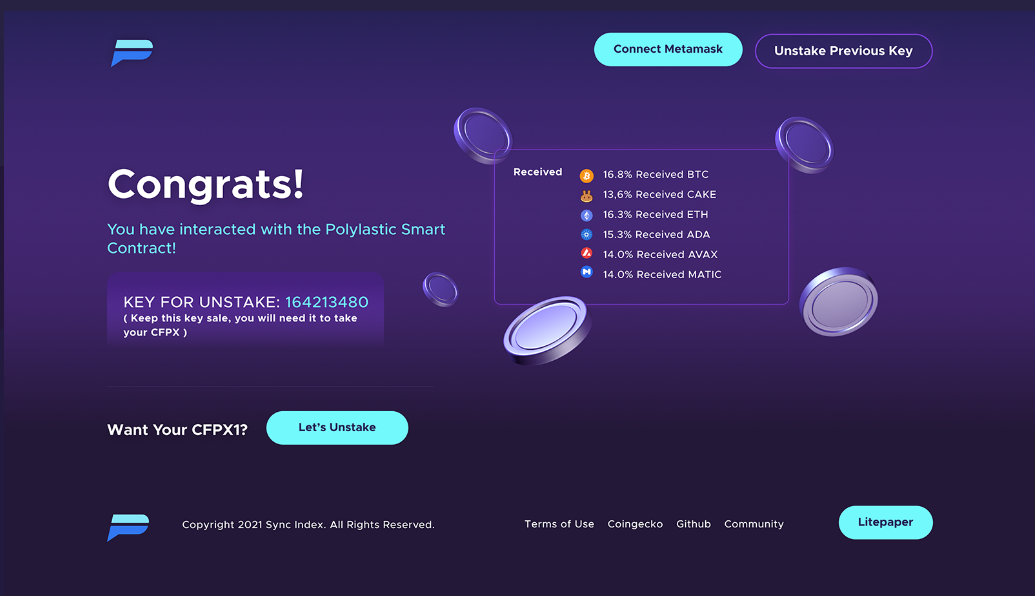
As festooned with projects as crypto are, the fact that there

are not systematic investment protocols where assets can be aggregated, parked and attained is unfortunate. We believe that Polylastic offering exposure to a curated list of projects from the Polygon ecosystem is a worthy prospect.
For listed projects there is value-add in terms of visibility, credibility, as a marketing and listing event, and it offers a group of buyers purchasing in relative bulk. For the investor, it would effectively allow someone to gain exposure to trending tokens at the earliest stage. Strategic staking as a sentiment tracker is an optimizer that provides the index itself the opportunity to contribute to the success of the project it supports by offering proponents a rallying point and exposure to other communities. A listing is a bullish event that can be sustained because it represents buying and holding.

III. The Polylastic Proposition

The traditional index is constricted by regulation and further limited by the fact that it is not tokenized. At first glance, this may not be striking, however, Polylastic does act as a traditional index through the construction of a curated basket of assets that represent a segment of the market, however, it can serve itself far greater than what is seen in traditional markets.

3.1 Coalescing



Crypto societies are often fragmented and siloed on social media. The commonality of being part of a select basket of assets represents some approximation of an elite club. Together, projects can support each other, virally expose each other to their respective communities, partner where synergy exists and effectively create opportunities for each other. It is not yet another group of DAO; it is bound by the dollars placed in the index.

There is much favor to be gained in creating a boutique systematic investment program which is not limited by sector but part of a given blockchain. The Polygon suite of projects runs the gamut and there is no shortage of DeFi protocols, NFT or gaming solutions for that matter. As crypto on the whole evolves, this network is sure to be at the forefront. Some of Polygon's extended, infrastructure partnerships include:

• The Trace Network- a place for NFT and DeFi with a hope to establish a go-to for retailers to bring NFT's to the public.

• M-Setu- will act as an open-source bridge that allows enterprises to cross-operate using the ethereum blockchain.

• Google Cloud's BigQuery- BigQuery users can run queries on Polygon and access various blockchain-related data sets on its network.

As the esteemed cyber security expert and longtime crypto advocate, Andreas Antonopolous noted on Bitcoin, "it is not what it appears to be at first glance," and so it is with Polylastic—a native chain index that can aggregate, champion and support the Polygon projects it comes to list via the POLX token.

3.2 Not Your Father's Index

Consider the role of the POLX token:
• Required for entry into the index

• POLX token is automatically staked by entrants into the ecosystem

• Governance—users can signal

support for an asset via direct staking

• Community—supported projects gain access to the POLX community and vice versa

• Taxation—gamified taxation rewards holders, deters sellers, adds depth to liquidity

• Deflationary—a portion of all taxes is used to buy and burn POLX
• Rolling—unlike traditional indices, blockchain supports the continued iteration of the index giving users myriad choice

What this becomes is effectively a sentiment tracker, an aggregator, an accelerator and a dynamic way to gain exposure to an ecosystem through a single token. For participating projects on the index, consider that they gain:

• Automatic buyers for their tokens and no sellers

• Exposure to a new and vibrant community

• Access to complementary projects

• Reduced circulating supply by way of tokens being locked in the contract

The POLX token becomes robust in myriad ways and can become a great identifier in revealing the unanswerable question of what comes next. When supporters of a given project opt to directly stake the POLX token to signal support for an asset, this can be indicative of an early opportunity. Certainly there are precursors to trends and in crypto, the earliest supporters of a given sector are the ones most willing to engage with the technology. Moreover, it is not spam. Users must have skin in the game if they want to champion a given cause so the metrics of users and dollars together becomes a significant indicator of momentum.

The Polylastic “big picture” is to curate, track, demystify and represent the growing universe of Polygon through the Polylastic Index and its native token, POLX. The index will remain firmly above the fray of pure trend chasing as governance functionality and a proprietary staking/voting system will be implemented in order to track the true pulse of this rapidly growing ecosystem. Aspiring tokens that are able to demonstrate demand and support via POLX’s “skin in the game” warrant inclusion in the index and are weighted in a proprietary fashion. This will be achieved through a first-of-its-kind staking proposition as well as a tiered-taxation structure. Polylastic offers something new technically in a burgeoning market; attempting to harness the very best of Polygon assets and realize significant growth for the POLX token.

3.3 Future Polylastic

Polylastic is an ecosystem aggregator, identifying Polygon projects that are gathering momentum, building communities and gaining position in the marketplace in order to put a needed spotlight on them. To that end, it creates a rallying point where proponents can offer quantifiable support in order to have these initiatives listed on the index. The company believes that this can ultimately create stability in the greater Polygon habitat and help fortify the position of young projects by grouping and locking their tokens with contributors who have the longer-term in mind.

Once there are indexes i.e. groupings of Polygon alts locked in smart contracts, Polylastic believes that the collective value of these volatile tokens can be leveraged. The saying, “what can’t be done alone can be done together,” comes to mind as Polylastic wishes to explore the possibility of minting Ethereum against these assets or allowing a given basket of assets to have lending and borrowing power. In due course, the Polylastic Index will have multiple versions and differing risk profiles. Loan to value ratios for a given lineup of Polygon altcoins may be established to allow “hodlers” to find additional earning power by simply holding their positions.

3.4 In Closing

Crypto is dynamic and yet, even in this evolving marketplace, most assets are static; to merely be held or traded. DeFi has taught us that altcoins can represent earning power although it is not fully explored yet. NFTs have shown us that the unique properties of digital assets have verifiable value. Gamification has shown us the power of tokenomics. The team believes that by committing to the Polygon blockchain and creating a rallying point for its protocols through systematic investing, that a brave new world can await us.