

# Fundamental

## Prime Rating Report V2.0

**Protocol:** Set Protocol

**Version:** 1.0

**Previous Report:** [Link to previous report](#)

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**Season/competition:** Season 2 / rate-athon #2

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## 1. Value Proposition

The Value Proposition section describes the value a protocol delivers to its users. Based on the proportion of the problem the protocol aims to solve and the potential of the protocol to effectively solve the problem - better than other industry solutions - a Value Proposition rating is created.

### a) Novelty of the solution (15 points)

This score evaluates the novelty (uniqueness) of the protocol. Has the protocol introduced any new innovations that help solve users' problems more efficiently? Is the project a fork? To what extent did they copy/fork the original?

**Answer:** The Set Protocol was started in 2017 with the idea to create ETF-like products for DeFi, while building these products the bear market forced the company strategy to shift, and Set Protocol V1 focused on tranche trading strategies and simple rebalancing strategies. In 2020 after DeFi summer they were able to launch the first DeFi index together with DeFi pulse, the [DeFi Pulse Index](#), currently with a \$140 M market cap. This marked the regathered focus on token sets of the set protocol, and they pioneered the marked as a platform for everyone create different token sets representing a portfolio that is managed with some sort of strategy ( Indexing, Yield farming, Leveraging, in general on-chain asset management). Making investing in the space more accessible and more gas efficient, while opening the possibility to everyone to become a money manager. While Set protocol, does not create nor manage indexes themselves, out of the Set community the index coop DAO formed which together with DeFi Pulse has created and manages the most popular indexes on the platform.

**Score:** 15

### b) Market fit/demand (15 points)

This score evaluates the degree to which the protocol satisfies strong market demand. The market fit

evaluates if the protocol is able to satisfy the needs of a specific market (can also be measured by user adoption/ #of users). To what extent has the protocol proven to meet the demand of a specific market? Is the timing of the product right for the market? Is the protocol targeting the right market?

**Answer:** The protocol enabled 60+ TokenSets that users can very simply invest in, with a total of \$450 M AUM. The most popular token sets are created and curated by DeFi Pulse and Index Coop DAO:

1. [ETH 2x Flexible Leverage Index](#) ~ \$ 180 M Market Cap; Holders: 3030
2. [DeFi Pulse Index](#) ~ \$ 141 M Market Cap; Holders: 14008
3. [Metaverse Index](#) ~ \$ 50 M Market Cap; Holders: 2054
4. [BTC 2x Flexible Leverage Index](#) ~12 M Market Cap; Holders: 464

The success of the featured token sets - created with the help of Set is a very good indication that there is demand for the product that was built by Set protocol. The market for token sets which represent a more accessible form of investing, more accessible to retail users is a market with very high potential.

**Score: 12**

## c) Target market size? (10 points)

The target market size evaluates the current and future size of the problem the protocol is aiming to solve. The category of the Open Finance solution can be used as a reference to the target market (for example: Lending). Because Open Finance is by definition global, the global market for a specific problem equals the target market size.

**Answer:** Currently the token sets enabled by the Set Protocol represent ~ \$450 m, roughly 0.5% of all of DeFi's TVL currently. ETFs in TradFi is a [\\$ 7 trillion market](#). With broader adoption of DeFi and reduced friction from the advancements in the Ethereum infrastructure, the market for Set's products will grow proportionally.

**Score: 10**

## d) Competitiveness within market sector(s) (10 points)

This score evaluates the competitiveness of the protocol within the market sector(s) it operates in. This score offers a relative comparison of the protocol and other protocols operating in the same market sector(s). To evaluate this, metrics to directly compare with the competition can be used (e.g. TVL, trading volume, number of users).

**Answer:** The indexes created with the Set Protocol are a big step ahead of other indexes in terms of TVL, as mentioned above TVL: ~ \$ 450 M, going off of the [listed Index tokens](#) on Coingecko, the closest competitors are [Powerpool.finance](#) (TVL: \$18 M) [PieDAO](#) (TVL: \$ 13 M) [Indexed.finance](#) (TVL: \$11 M). They have a direct competitor that also enables people to build their own indexes, called vaults which is [enzyme.finance](#). They have less AUM but the functionality and documentation is very similar to the Set Protocol.

**Score: 8**

## e) Integrations & Partnerships (15 points)

Due to crypto's open-source nature, the code of most protocols can easily be forked. This score represents a piece of "unforkable value". Some indicators to look at are the number of applications built on top of the protocol (vertical integration), other entities integrating the protocol's services (horizontal integration) or the number of relevant partnerships (be careful of logo collections/partnerships without much purpose).

**Answer:** The protocol has very important partnerships with DeFi Pulse, creator/contributor to the token sets with the highest market caps as mentioned above. But the open availability of the protocol does not require a partnership, as anyone can use the infrastructure provided by Set without asking for permission.

**Score: 9**

## 2. Tokenomics

The Tokenomics section assesses the function of a protocol's token. This includes the token distribution, functionalities of the token, the ability of the token to incentivize positive behavior in the protocol, and the ability of the token to capture a portion of the value created.

**No protocol token available**

## 3. Team

The Team section describes the quality of the team behind the protocol. The current version of Prime Rating favors teams that are publicly identifiable. In the case of an anon team, the track record of the specific anons involved can be taken into account

### a) Is the team credible and public? (15 points)

Are the identities of the core contributors and team publicly identified? In the case of anon team members, is there any way to track their background/record?

**Answer:** The founders and the core team is [listed](#) on the company website:

Set Protocol was founded by:

- [Felix Feng](#) CEO
- [Alex Soong](#) CTO
- [Justin Chen](#) founding engineer

According to [LinkedIn](#) Set Labs has a total of 32 employees. The currently mentioned CPO [Inje Yeo](#) moved on to Netflix as of October 2021.

**Score: 13**

## **b) Does the team have relevant experience? (10 points)**

Are there any documents or trails available to showcase the track record of the team? Do the team members have relevant backgrounds and skill sets?

**Answer:** Co-founders and core team members have relevant experience in the respective field, as well as crossover experience, i.e. CEO Felix Feng, worked in investment banking as well as software engineering prior to starting Set Protocol, CTO Alex Soong prior experiences include Apple, Zynga & Square, both hold degrees from UC Berkeley. Also, the people in other core positions have relevant experience, forming a very capable team which also was shown with the companies ability to adapt to a quickly changing industry and develop products with such great success.

**Score: 9**

## **c) Does the team participate and help shape the public debate? (5 points)**

To what extent do the protocol contributors participate in the public debate around open finance? Are the team members giving presentations, sharing their thoughts and opinions, and do they help raise the collective intelligence of the industry?

**Answer:** The team is public and holds occasional AMAs and writes a lot of articles regarding their products and their impact on the industry.

**Score: 3**

## **d) Is the team able to effectively attract and coordinate resources? (10 points)**

How effective is the team at attracting and coordinating resources for the benefit of the protocol? Has the team raised sufficient funding or are there mechanisms in place to attract resources when needed?

**Answer:** Set Protocol is VC backed and was able to raise a total amount of \$16 M (\$2 M Seed and [\\$14 M Series A](#)) from a total of 23 Investors including: Coinbase Ventures, Defiance Capital, 1kx, Hashed and ParaFi Capital.

All the innovation of the protocol was delivered before the Series A was raised and the roadmap and plans for how the Series A money is going to be used is not extensive and the communication with the

community on what they plan is also very limited.

**Score: 5**

## 4. Governance

The Governance section evaluates how the protocol is governed and who the governors are. The different governance functionalities and processes are evaluated to determine to what extent the Protocol will be able to self-govern in a way that ensures the development of the protocols while respecting the needs of all current and future stakeholders.

**Not a DAO**

## 5. Regulatory

The Regulatory section describes the extent and quality of the regulatory environment that affects the Protocol. To be able to guarantee functionality, security, and legality the protocol should comply with regulatory requirements, or limit itself to facilitating services to users who are willing to operate outside of the traditional regulatory environment.

### a) Does the protocol have any legal accountability? (15 points)

Does the protocol have any form of legal accountability? Can users and partners hold the protocol accountable in case of a breach of the agreement?

**Answer:** Yes, The protocol is curated by the Delaware company Set Labs Inc. [registered](#) with the SEC.

**Score: 15**

### b) What is the quality of the legal jurisdiction? (10 points)

If the protocol has a legal entity, what is the quality of the jurisdiction the entity is established in? Will the jurisdiction be able to facilitate the legal framework for the protocol to expand while remaining accountable.

**Answer:** USA, Delaware; top-tier jurisdiction with applicable laws

**Score: 10**

## Scorecard

<b>1. Value Proposition</b>	<b>Points (65)</b>
a) Novelty of the solution	15 / 15
b) Market fit/demand	12 / 15
c) Target Market Size	10 / 10
d) Competitiveness within market sector(s)	10 / 10
e) Integrations & Partnerships	9 / 15
<b>Total Points - Value Proposition</b>	<b>56 / 65</b>
<b>3. Team</b>	<b>Points (40)</b>
a) Is the team credible and public? (No, Partly, Yes & Anon , Yes & Public)	13 / 15
b) Does the team have relevant experience?	9 / 10
c) Does the team participate and help shape the public debate?	3 / 5
d) Is the team able to effectively attract and coordinate resources?	5 / 10
<b>Total Points - Team</b>	<b>30 / 40</b>
<b>5. Regulatory</b>	<b>Points (25)</b>
a) Does the protocol have any legal accountability?	15 / 15
b) What is the quality of the legal jurisdiction?	10 / 10
<b>Total Points - Regulatory</b>	<b>25 / 25</b>
<b>Total</b>	<b>114 / 130</b>

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