

PLAY - Metaverse NFT Index



PLAY is the result of a collaborative effort between the PieDAO and the NFTX communities, established with the clear goal to create the best and broadest Metaverse Index currently on the market, providing full exposure to most sectors defining the Metaverse ecosystem, including blockchain gaming and infrastructure, collectibles, and art.

The metaverse can be defined as a virtual shared space created by the convergence of virtually enhanced physical reality, augmented reality and the internet. While no one knows for sure what the metaverse will look like, its basic characteristics are established – it spans physical and virtual worlds, is centered around a fully functioning economy, and allows users to experience its different places with relative ease: The virtual world of the metaverse could become its own trillion-dollar industry, being built using blockchains and decentralized applications.

Blockchain gaming and metaverses, in particular, are an ambitious category of the crypto ecosystem in general and within ethereum. The combination of virtual reality and crypto, where ownership inside the virtual world is retained by users is a match made in heaven. By some, this is considered to be the natural evolution of MMORPGs and more generally social games, especially in the intersection of e-sports, online betting, and the ownership economy.

At this point in time, there are no clear winners just yet, as a matter of fact, a diversified allocation to get broad exposure to the blockchain gaming industry would be extremely compelling.

PLAY allows investors to simply:

- 1) Invest in the paradigm-shifting Metaverse ecosystem empowered by blockchain
- 2) Diversify their portfolios while delegating the research due diligence to the PieDAO and NFTX communities
- 3) Mitigate gas costs from managing their positions

Acceptance Criteria for Asset Inclusion

The PieDAO community has established a set of criteria to determine eligibility of a project to a vote for inclusion. When considering projects for potential inclusion, the projects must be focused at large on the Metaverse ecosystem based on Ethereum or other blockchain technologies. The project inclusion criteria described below seek to achieve a diversified exposure to serious projects, whose tokens have reasonable distribution and liquidity, security, and provide a real value proposition to **PLAY** token holders.

Criteria	KPI	Range	Threshold	Note
Metaverse / NFT / Gaming Project	Project connected to the development of the Metaverse, Gaming or NFT ecosystems on Ethereum	Y / N	Y	Project must be offering and/or developing blockchain solutions connected to either the Metaverse, Blockchain Gaming or NFT clusters.
ERC20 Token	Token Issued and aligned to standard	Y / N	Y	PieVaults include standard ERC20 tokens, thus projects need to have one such token to be investable. For projects represented through an NFTX floor fund, an equivalent ERC20 should exist.
Fractionability	Asset is fractionable	Y / N	Y	In order to align with the Pie minting functionality of the <i>PieDAO recipes</i> , it should be

				possible to purchase fractions of each token pro-rata to their resulting allocation and overall size of minting. Minimum 2 decimals required.
Liquidity	Sufficient DEX Liquidity exists	Y / N	Y	Low liquidity tokens are inefficient to include in the Pie. Token should either have: 1) liquidity on DEX \geq 10% of the token Circulating Market Cap or 2) liquidity on DEX $>$ \$ 0.5M Token liquidity on DEX measured as the average between current liquidity and its liquidity 30days ago.
History	Token has been around for a min of 60 days	Y / N	Y	Tokens should demonster an established history of trading, over at least the past 60 days
Audited Contracts	Audit Passed	Y / N	Y	An audit should have been conducted with no critical vulnerabilities un-addressed, to mitigate the contract risk

The inclusion of assets respecting the above criteria / removal of existing assets no longer respecting the above criteria could be requested by any community members. The respect/conflict of the criteria will be confirmed by the core team, to be eventually validated through an ad-hoc snapshot vote.

Asset Allocation

The composition for PLAY aims to include the most relevant projects in the segment, including metaverses and infrastructures which make this new generation of game & NFT possible.

PLAY is an emerging-market tokenized portfolio, defined by ongoing community inputs aiming at ensuring a continuous stream of candidates for inclusion and overall sentiment on the Metaverse, NFT and Gaming ecosystems, with the common ultimate goal of maximizing the alpha generated by the pie.

The allocation methodology considered for initial reference is the **Correlated Risk-Adjusted Market Cap**, same as for other Pies offered by PieDAO, taking in consideration the 30 Day Average Circulating Market Cap for each underlying asset.

The resulting % allocation is further adjusted by introducing the following criteria:

- for each underlying asset allocation should be capped so that its **\$ value is \leq 10% of its pooled \$ liquidity found on DEXes (L1)**
- Weighting in the **trend of the asset Market Cap over the past 30 days (momentum)**, defined as the ratio between the 15days and the 30days average Market Caps.
- Minimum allocation of 2% for each underlying asset**, introduced in order to ensure both a proper degree of diversification and the correct representation in the Pie of small cap assets.
- Max allocation of 30% for single large cap holding**, to limit the predominance of a single large cap holding
- Max cumulative allocation of 60%** for the **top 3 large cap** holdings, to eventually prevent the excessive skewness of the Pie toward large caps tokens.

Pie Rebalancing Policy

The rebalancing criteria adopted for **PLAY** is ruled-based, taking in consideration both a subset of objective conditions playing as **triggers for rebalancing**, and a broader community consensus, which would decide on the **rebalancing urgency** based on some reference guidelines (below), as a conscious effort to optimize the overall rebalancing cost by preventing unnecessary rebalancings.

Triggers for rebalancing (either one of the 2 below triggers a rebalancing):

- 1) **Max allocation of largest holding $>$ 50% for 7 consecutive days**
- 2) **Max cumulative allocation of top 3 holdings $>$ 80% for 7 consecutive days**

Rebalancing Urgency (criteria below define the rebalancing urgency)

- 1) To avoid obsolescence, **a minimum of 1 rebalancing every 6 months** should take place
- 2) A **maximum of 1 rebalancing per calendar month** should be deemed as acceptable
- 3) The sole inclusion of **new underlying assets won't trigger** per se a rebalancing, whose inclusion will be considered during the first available rebalancing.

Rebalancing Procedure

Based on the existence of either one of the 2 **Triggers for rebalancing** and the respect of all guidelines defining the **Rebalancing Urgency**, any community member could call for a rebalancing of the **PLAY** pie.

The new allocation considered for rebalancing **shall also include the addition/removal of any assets** previously voted on by the community.