



Compass SESAMm Crypto Sentiment Adaptive Indices

Benchmark Statement



March 4nd, 2024

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1 General Information

Index Name : Compass SESAMm Crypto Sentiment Adaptive Indices

Initial Date of Publication : March 11th, 2024

Index Administrator : Compass Financial Technologies (France)

Index Calculation Agent : Compass Financial Technologies (France)

2 Index Description Objective

The Compass SESAMm Crypto Sentiment Adaptive Indices (the *CSA*, the *Indices* or the *Index*) is a family of strategy indices which leverage on crypto sentiment scores generated by the generative AI and NLP expert SESAMm to provide a dynamic exposure to the digital asset space (bitcoin or any other crypto indices). The strategies aim to allocate to the crypto assets when the global crypto sentiment is positive and to switch the exposure to a safe asset when the global crypto sentiment becomes negative.

The Indices can be accessed online on the Compass Financial Technologies website (www.compass-ft.com) or on Bloomberg or Refinitiv.

The Indices are owned by Compass Financial Technologies S.A.

3 Regulatory Information

Compass SESAMm Crypto Sentiment Adaptive Indices are non-significant benchmarks according to EU Regulation 2016/1011 given:

1. they are not used directly or indirectly within a combination of benchmarks as a reference for financial instruments or financial contracts or for measuring the performance of investments funds having a total average value of at least EUR 50 billion on the basis of all the range of maturities or tenors of the benchmark, where applicable, over a period of six months; and
2. they have market-led substitutes and, in the event that the benchmarks cease to be provided or are provided on the basis of input data no longer fully representative of the underlying market or economic reality or unreliable input data, the benchmark administrator do not anticipate a significant and adverse impact on market integrity, financial stability, consumers, the real economy or the financing of households or businesses in the EU.

4 Index Methodology

4.1 Underlying Component

Risky Assets

Strategy risky assets are digital asset indices.

Safe Assets

Safe assets used in the Indices as of March 2024 are listed below:

| Safe Assets - Underlying Components | | | |
|-------------------------------------|----------------|----------------|--------|
| Index | Bloomberg Code | Refinitiv Code | Type |
| 13-Week US Treasury Bill High Rate | USB3MTA Index | US3MINV=RR | Rate |
| Invesco Physical Gold ETC | SGLD LN Equity | SGLD.LN | Equity |

Table 1: Safe Assets - Underlying Components

4.2 Index Mechanism

The strategy leverages on Crypto Sentiment Scores provided by the AI and NLP expert SESAMm to allocate more in the risky asset when the global crypto sentiment is positive and to switch the exposure to a safe asset when the global crypto sentiment becomes negative.

To maximize the robustness of the strategy, the sentiment based signal (the Sentiment Signal) is coupled with a trend following signal on the price of Bitcoin (the Price Signal). In the case of uncertainty when the two signals aren't synchronized, the strategy uses a risk approach coupled with the strength of the active signal to define the risky asset exposure.

Signals Input data

The Sentiment Signal uses the Global Crypto Sentiment Indicator which is an aggregation of the main Crypto Sentiments Scores provided by SESAMm.

The Price Signal is based on Risky Asset prices.

Signals construction

The Sentiment Signal and the Price Signal are based on triple moving average crossings providing a strong confirmation signal of the market direction. The output of both signals is either 0 or 1.

The signal is 1 if and only if the signal underlying value (the Global Crypto Sentiment Indicator or the price of the Risky Asset) is higher than the short moving average, that itself is higher than the longer moving average.

Risky Asset and Safe Asset Exposures

Once signals have been computed, the risky asset exposure is defined by aggregating both signals and coupling it, if necessary, to a risk and strength allocation process.

We identify three regimes when determining the risky asset exposure:

- Both primary signals are equal 1

This means that the strategy favors an allocation towards the risky asset. In this case, the exposure to the risky asset is set to $Expo_{Max}$,

$$RiskyExposure_t = Expo_{Max}$$

- Both primary signals are equal 0

This means that the strategy favors an allocation towards the safe asset. In this case, the exposure to the risky asset is set to $Expo_{Min}$,

$$RiskyExposure_t = Expo_{Min}$$

- Only one of the two signals (the "active signal") is equal to 1, the other equals 0

This means there is no strong consensus on the expected price evolution. In this situation, the minimum exposure allocated to the risky asset is 50% of the available allocation budget ($Expo_{Max} - Expo_{Min}$) and the exposure can increase up to to $Expo_{Max}$. The excess exposure above the minimum exposure will depend on the risky asset volatility ($RiskAppetite$) and on the strength of the active signal ($SignalStrength$).

5 Amendment to the Index methodology

The Index methodology may be supplemented, amended in whole or in part, revised or withdrawn at any time. Supplements, amendments, revisions and withdrawals may also lead to changes in the way the Index is compiled or calculated or affect the Index in another way. In the absence of exceptional circumstances affecting the Index calculation or methodology, the Index is reviewed annually. Changes in Index methodology decided during the annual review will be published on the Compass website (www.compass-ft.com).

The Index Administrator shall inform Index licensees of any amendment to the Index methodology with reasonable prior notice. The notification document shall provide Index licensees with the amendments, the reasons for making such amendment and the effective date of the changes.

6 Cessation of the Index

The Index Administrator has established procedures to be followed for termination of the Index. The termination of the Index must be approved in advance by the Index Committee. A notice to licensees will be published in advance of the termination. Before dis-activating the index, the Index Administrator always determines whether there are any listed financial products issued on that index as the underlying. The Index Administrator terminates the Index only provided that:

- All existing commercial customers have been consulted, and commercial relationships have been terminated or transitioned accordingly.
- Consultations with stakeholders have not led to the decision to continue the index.

The Index Administrator is not responsible for determining or offering an alternative index to its subscribers or other stakeholders when the Index is terminated. However, the Index Administrator may recommend an alternative index if it considers, based on various criteria, that this alternative index could be a credible substitute index.

7 Disclaimer

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