ILSI – Rebalancing post Q2-2022

This post will provide an overview of the rebalancing process post Q2-2022 of the "Invest Like Stakeborg Index" ("ILSI").

Rebalancing Process

As per ILSI's index maintenance rules the index is rebalanced on a 3-month basis, with the second rebalancing phase occurring immediately post Q2-2022. The process consists of two phases, namely the evaluation phase and the rebalancing phase. The first includes processes such as evaluating existing tokens, screening the list of aspiring new tokens in each category and taking decisions on any changes to the prevailing portfolio composition. Revised index weights and portfolio changes are incorporated in the final week of the rebalancing month. The second phase is due to occur in the first week post-the rebalancing month (in this case, post-June 2022) and consists of aligning the portfolio composition with the underlying index.

The evaluation phase has yielded one change to the index construct: Polygon ($MATIC) will be added as the asset representing the smart contracts exposure of the index following the removal of Terra Classic asset. An overview of the project is available towards the end of this post.

An overview of the pre- and post-rebalancing index breakdown is highlighted in the table below. The table includes a summary of the assets' weightings on the last day before the rebalancing phase (1st column), the target index composition (2nd column) and the achieved portfolio composition (3rd column). There are small differences between the target and achieved weightings given a series of factors such as the need to transact in a sequential manner, where timing could have an effect on pricing and transaction costs.

Token Symbol	pre-Rebalance Allocations	Target Allocations	Achieved Allocations	pre- vs. Achieved % change	Δ vs. target %
WBTC	26.51%	20.00%	20.05%	-6.46%	0.05%
ETH	20.14%	20.00%	20.20%	0.06%	0.20%
LINK	12.04%	11.36%	11.39%	-0.65%	0.03%
MATIC	0.00%	13.56%	13.35%	13.35%	-0.21%
APE	9.27%	7.60%	7.58%	-1.69%	-0.01%
YFI	2.79%	3.11%	3.08%	0.29%	-0.03%
AAVE	5.70%	6.10%	6.11%	0.41%	0.01%
SNX	3.62%	3.00%	2.99%	-0.63%	-0.01%
DYDX	2.94%	3.00%	2.93%	-0.01%	-0.07%
FTT	16.99%	12.27%	12.31%	-4.68%	0.04%
	100.00%	100.00%	100.00%	0.00%	0.00%

Current Index Breakdown (as of July 2022)
1. WBTC (20%)
2. Ethereum (20%)
3. Polygon (14%)
4. FTX Token (12%)
5. Chainlink (11%)
6. ApeCoin (8%)

7. Aave (6%)
8. Synthetix (3%)
9. dYdX (3%)
10. Yearn Finance (3%)

Overview of Index Changes

Polygon ($MATIC) is the leading platform for Ethereum scaling and infrastructure development. Its core component is Polygon SDK, a modular, flexible framework that supports building multiple types of applications. Using Polygon, one can create Optimistic Rollup chains, ZK Rollup chains, stand-alone chains or other type of chains required by developers. Polygon aims to transform Ethereum into a full-fledged multi-chain system similar to other ones such as Polkadot or Cosmos, with the characteristics of Ethereum's security and broad ecosystem.

The Polygon ecosystem's key metrics include: 19k+ dApps, 130m+ users, 3m+ daily transactions and a string of high-profile partnerships (e.g., Polygon Nightfall with E&Y).

Polygon raised $450 million in February 2022 in a venture round from 40 different investors. The round was led by Sequoia Capital India and saw participation from Tiger Global and SoftBank Vision Fund II.

One for all and all for DAO