FREEPORT MARKETS

INVESTABLE UNIVERSE METHODOLOGY

FREEPORT MARKETS, INC.

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1. INTRODUCTION

1.1 BACKGROUND & PURPOSE

This document sets out the ground rules for Freeport's investable universe and constituent selection. The goal is a replicable, institution-grade universe of digital assets suitable for portfolio construction, products, and research. Our design borrows the rule-driven style of formal index methodologies and adapts it to Freeport's thesis: hold only assets with meaningful scale, deep tradable liquidity relative to size, and durable legitimacy—either as enterprise/utility platforms or as culturally significant networks with staying power—then filter by chain availability with a focus on mainstream hot-wallet coverage (primarily Ethereum and Solana). Where helpful, we align terminology with established practice in multi-asset crypto indices (e.g., "investible universe," liquidity ratios, turnover screens, free-float conventions, reconstitution cadence).

1.2 INVESTABLE UNIVERSE PHILOSOPHY

Most failures in digital-asset selection stem from two errors: (i) over-weighting cap without verifying depth of tradable float, and (ii) confusing transient attention for durable adoption. Our framework addresses both by (a) scaling eligibility with liquidity-to-size rather than size alone and (b) requiring verifiable enterprise/utility traction or persistent cultural relevance before any asset is admitted. Additionally, because self-custody transacting is increasingly concentrated in ETH and SOL wallets, we add a chain-availability filter to ensure holdings are straightforward to own and move in common self-custody set-ups.

2. MARKET CAPITALIZATION

2.1 MARKET CAPITALIZATION FILTER

At each review we snapshot the global asset set and compute Full Market Capitalization = Fungible Supply × Prevailing Price. We then sort descending to form two concentric cohorts: Top-50 (Core) and next 200 (Extended). All subsequent screens act within these bands (i.e., an asset failing quality screens may be excluded, but new candidates must come from the live Top-250 table). The Fungible Supply definition avoids overstating scale by excluding units that cannot move between addresses; it is explicitly preferred over raw "circulating" counts in institutional methodologies.

2.2 FUNGIBLE SUPPLY

We compute Full Market Capitalization as Fungible Supply × Prevailing Price, not simply "reported supply," to reflect what can move between addresses. This aligns with established methodology distinguishing fungible from merely "available" supply. Prevailing Price is defined as the median of eligible venue close prices over the observation window. Fungible Supply excludes unspendable genesis units, locked/staked units beyond 14 days, permanently lost UTXOs, and similar encumbrances, per customary rules.

2.3 VARIANT ELIGIBILITY

Where an economic exposure exists in multiple representations (e.g., canonical wrapped forms), we identify the native chain by an exchange-support and liquidity test, falling back to expert judgment only where necessary. This ensures consistent treatment when an asset is present across chains or as a wrapped representation.

3. LIQUIDITY ADMISSIBILITY

3.1 RELATIVE LIQUIDITY RATIO (RLR)

Within each rank band we require demonstrable tradability using a venue-agnostic metric: (1) For each candidate, compute Median Daily Traded Value across the prior 30 days (UTC windows) on approved, fee-charging markets against the index currency; (2) Rank assets by this median; (3) RLR = Asset's median ÷ Top asset's median; (4) Minimum RLR ≥ 0.10% (stricter than the 0.025% commonly used to define an investable set). This approach is a direct adaptation of the established Liquidity Determination and Relative Liquidity Ratio framework (with a tighter threshold to reflect our operational posture and rank-band constraint).

3.2 TURNOVER

Compute Turnover Ratio = 30-day units traded ÷ prevailing total supply. Require ≥ 0.10%, a more conservative varia of the 0.05% benchmark used for broad universes, to avoid constituents whose observable float is functionally static.

3.3 PRICING SOURCES AND VENUE SET

Prices default to a hierarchical input stack (robust FX translation if necessary; then digital-asset quotes with transparent conversion), and calculations rely on Constituent/Qualifying Exchanges that pass formal listing and surveillance criteria, this keeps our liquidity/turnover measures auditable and avoids venue bias.

4. EVM/SVM AVAILABILITY

4.1 WHY REQUIRE ETH/SOL AVAILABILITY

Because the intersection of mainstream hot-wallet support is typically Ethereum and Solana, a candidate must be natively available on ETH or SOL or have a canonical wrapped/bridged representation on ETH or SOL that is redeemable and widely supported for deposits/withdrawals.

4.2 VARIANT ELIGIBILITY

Where the economic exposure is split across representations, we determine the native chain (for supply and pricing) by: (i) most exchange support for deposits/withdrawals; (ii) higher cross-venue RLR; or (iii) explicit expert judgment of where liquidity truly concentrates; this is the recognized, rules-based way to settle multi-chain assets. We also apply "deemed bridging account" look-throughs in free-float workups to avoid misclassifying bridged supply held in majority accounts.

5. LEGITIMACY GATE

5.1 ENTERPRISE/UTILITY LEGITIMACY

The network demonstrably provides infrastructure (L1/L2, compute/DA layers), mission-critical middleware (staking, oracle, messaging, bridges with adoption), or widely used application-layer utility (DEX base, payments rail, storage/compute primitives), with ongoing development and integrations (developer repos, credible roadmaps, partnerships).

5.2 VARIANT ELIGIBILITY

The asset exhibits multi-cycle endurance as a community, meme, or brand layer: persistent users/holders through down-cycles, repeated price discovery without catastrophic abandonment, and social mindshare that translates into on-chain activity.

5.3 DURABILITY SCORE

We operationalize this using the Durability Score (DS), a composite (0–100) combining: (1) Age & cycle survival (up to 25 pts), (2) Sustained activity (addresses / txs normalized by MC, up to 25 pts), (3) Developer continuity (active repos, core client updates, up to 25 pts), (4) Social persistence (non-paid community metrics across cycles, up to 25 pts). Threshold: DS ≥ 60 or documented enterprise/utility integrations meeting predefined materiality tests.

6. CALENDAR & EXCEPTIONAL ACTIONS

6.1 ENTERPRISE/UTILITY LEGITIMACY

We follow a quarterly rhythm: determination snapshots feed a published Reconstitution schedule; pricing and supply queries reference explicitly defined block heights/ledger numbers for reproducibility.

6.2 EXCEPTIONAL CONSTITUENT REVIEWS

Outside the cycle, we may remove/replace assets for regulatory/operational impairment, pricing suspension, or token migrations that threaten replication (e.g., MATIC→POL) via an ad-hoc Exceptional Review with clear licensee notice.

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7. NOTICES AND DISCLAIMERS

This document describes Freeport's rules-based approach for defining an investable universe of digital assets within rank-constrained cohorts and applying additional quality, liquidity, operability, and legitimacy screens. It is provided for informational purposes only to explain methodology design and governance.

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