



Tribe DAO Q1 Financial Report

January 2022 - March 2022



Table of Contents

What is FEI and Tribe DAO	<u>1</u>
How has Tribe DAO integrated with DeFi through Q1	<u>2</u>
Tribe DAO <> Rari Capital merge	<u>3</u>
Summary of Q1 performance	<u>4-5</u>
Consolidated Income Statement	<u>6</u>
PCV performance	<u>7</u>
FEI Peg analysis	<u>8-10</u>
References	<u>11</u>

What is Tribe DAO?

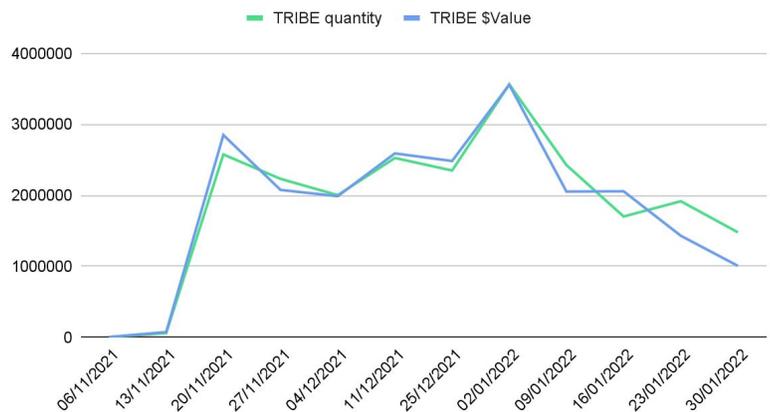
Tribe DAO maintains the PCV and FEI, the DeFi-native stablecoin

TRIBE is the governance token that controls the Protocol Controlled Value (PCV). TRIBE's total initial supply is 1 billion. The minting capability is controlled by an appointed minter address and the total supply is uncapped, meaning that TRIBE can be inflated. However, to date the community has performed on-market TRIBE buybacks and not minted any new supply.

The original distribution of TRIBE was split between the DAO, Community, Team, and Investors. TRIBE is an ERC20 governance token that is used to govern the community and the PCV in supporting the FEI peg. The community discusses governance proposals on the governance forum and then votes on-chain via Tally to implement proposals.

The FEI stablecoin is an ERC20, backed by the PCV which is managed via decentralized governance and governed by Tribe DAO's TRIBE token. Tribe DAO's purpose is to create and maintain a decentralised permissionless stablecoin.

\$TRIBE Buybacks



The PCV is used to grow the protocol and encourage the adoption of FEI across the DeFi ecosystem. Tribe DAO pioneered LaaS (Liquidity as a Service), offering DAOs the ability to pair a token with FEI liquidity. The PCV also provides the collateral supporting FEI.

The total supply of FEI is effectively unlimited with the release of FEI being controlled through minter and burner contracts. Users can mint FEI by depositing DAI into a Peg Stability Module (PSM) and receive FEI at 0 bps fee and also redeem DAI by depositing FEI for a 10 bps fee. At the end of Q1 2022, there was 559,481,383 FEI in circulation, of which 245.1m was "User FEI" and 314.3m was "Protocol FEI". When considering the trading volume of FEI as a percentage of "User FEI", trading volume was up by 20% at the end Q1 2022.

'The mission of Tribe DAO is to is to create an entirely decentralized stablecoin. Most of the reserve backing FEI is ultrasound money (ETH and ETH derivatives), no tokens issues by trusted third parties are used as collateral and the whole system is managed via decentralized governance'

References

<https://fei-protocol.github.io/docs/>

Tribe DAO integrations in Q1

Tribe DAO has seen positive growth in business integrations across the ecosystem throughout Q1, bootstrapping their position in the stablecoin market.

Ondo Finance

LaaS (Liquidity as a Service) through the Tribe DAO partnership with Ondo Finance enables protocols with limited capital to pair their native governance or utility token with FEI to create a liquidity pool through Ondo. The FEI is effectively rented for a set period of time before being returned to the protocol plus any fees, which are converted and paid in FEI. This is an effective alternative for many organisations that may resort to traditional methods such as liquidity mining to bootstrap product liquidity, which largely attracts mercenary capital that captures the rewards then moves on. Since inception Tribe DAO has earned \$178.9k in fees representing a ROI (Return on Investment) of 1.08%.

Balancer

Tribe DAO has increased its involvement with Balancer DAO and has positioned itself well to utilise the relationship to launch FEI v2, which will have a large reliance upon the Balancer interface to allow management of risk, liquidity and yield via Balancer v2 PCV pools. This Partnership is supported by the DAO to DAO token swap that took place whereby ~4.4m of BAL, TRIBE and FEI were swapped. Tribe DAO has migrated large amounts of its PCV to Balancer throughout Q1 which represents an increase of 1,067% in funds deposited Balancer v2 since December 2021.

The integration with Balancer v2 Investment Pools allows for configurable liquidity rates, provides asset management for metagovernance, and enables yield generation through rehypothecation, allowing deposited funds to be made productive. In turn this will also ensure good maintenance of the PCV, algorithmic weight adjustments change the PCV composition depending on the collateralization ratio (defined as user owned FEI/Total PCV). The PCV will be reweighted towards lower vol assets if the ratio is in decline or to assets with a greater volatility and thus return exposure as the ratio grows. This allows for active management of the PCV which in turn should provide better stability to the PCV.

Volt Protocol

The Tribe DAO recently passed a Snapshot vote to strengthen the strategic partnership with Volt Protocol. Volt Protocol is a fork of FEI and is essentially an inflation adjusted stablecoin. The protocol directs value to outperform inflation, resulting in a maintenance of purchasing power relative to inflation. The proposal is to purchase an additional 24% of Volt Protocol by swapping 2.4m FEI and 3.63m TRIBE for 240m VCON tokens. Tribe will emerge as 30% holder of VCON tokens, and will provide \$10m FEI liquidity backstop for Volt Protocol.

References

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<https://tribe.fei.money/t/fip-33-swap-between-balancer-dao-and-fei-dao/3555>
<https://www.voltprotocol.io/>

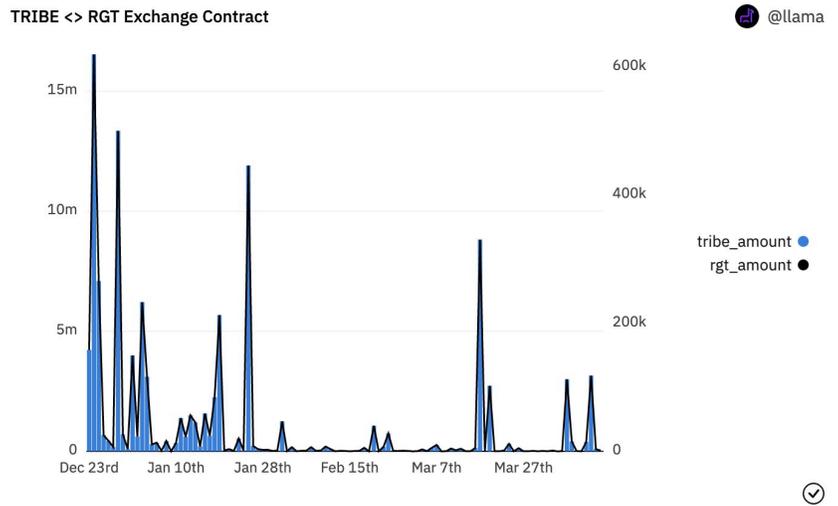
Tribe DAO <> Rari Capital Merger

The first DAO merger...FeiRari

The Tribe DAO <> Rari Capital merger marked a pivotal point in the crypto space as it was the first DAO acquisition by another DAO. This was concluded in January of Q1. The merger focuses on providing a platform by which customers can bootstrap liquidity, creating manipulation-resistant oracles for long tail assets. In turn this will accelerate the adoption of FEI via Rari's Fuse Pools. The merge, which saw overwhelming support from both communities, created the formation of Tribe DAO. As part of the merge, RGT (Rari Governance Token) is to be made redundant, with all governance for both communities going forward being governed by the TRIBE token.

A contract was created to manage TRIBE claims for RGT at a ratio of 26.7TRIBE:1RGT. At quarter end there has been 111.4m TRIBE claimed from RGT, with the vast majority of claims being made just after the merger went live peaking at 11.9m on 25th January.

Although opposition to the merger was low a Tribe ragequit smart contract was created which allowed TRIBE holders to opt out of the merger and exchange TRIBE for newly minted FEI at a TRIBE valuation of \$1.08. This contract was live for 3 days following the Tribe DAO vote on the merge. It saw a large number of TRIBE holders swap for FEI. As part of the merge, Tribe DAO committed to taking on Rari Capital's liabilities stemming from a protocol hack; at month end, total payments to refund victims of the hack stood at ~\$12m.



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https://twitter.com/ioeu_santoro/status/1460693387426729987
<https://www.youtube.com/watch?v=zco37eTWN2w>
<https://forums.rari.capital/d/177-feirari-token-merge>

Q1 Financial Performance review of Tribe DAO

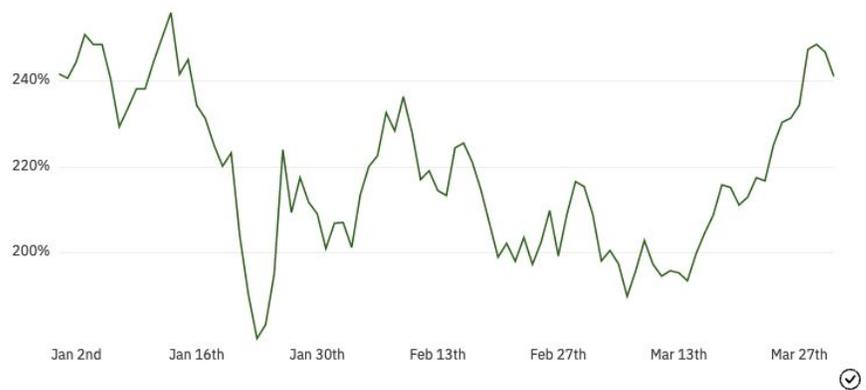
January 2022 - March 2022

The Tribe DAO has generated a strong brand recognition within the DeFi Ecosystem and crypto more generally. Fei has the potential to be a leading stablecoin in the market and the launch of v2 will build on an already successful platform.

Q1 for FEI, and the crypto market, has seen challenging market conditions with poor performance since the start of the new year. It is, however, promising to see strong collateralization ratios throughout the period (remaining greater than 180% throughout Q1). The PCV is predominantly comprised of ETH, which represented 70% of total holdings at the quarter end.

The PCV has performed well generally throughout Q1 with revenue generated in excess of \$5m (page 8). Annualized, this represents ~\$20m in revenue and is a promising start given the poor market conditions at the beginning of the year. The most profitable deployments from the PCV have been Lido, Convex and Uniswap.

FEI Collateralisation - PCV / User Controlled FEI FEI - PCV Collateralisation



Protocol	\$ of PCV invested	Q1 income
Lido	\$158.8m	\$1.58m
Convex	\$1.28m	\$1.36m
Uniswap	\$9.81m	\$1.07m

The PCV deployments have been successful in generating a positive ROI. This is something that will be important to consider when determining what asset allocation should be made when setting the parameters for algorithmic reweights on the risk curve for FEI v2.

It should be noted that the Income Statement presented takes into account Impermanent Loss within liquidity pools.

The PCV deployments have been successful in generating a positive ROI. This is something that will enable Tribe DAO to further enhance the PCV's valuation and ability to provide stability to the peg, and will be used to further support the growth and development of the organisation.

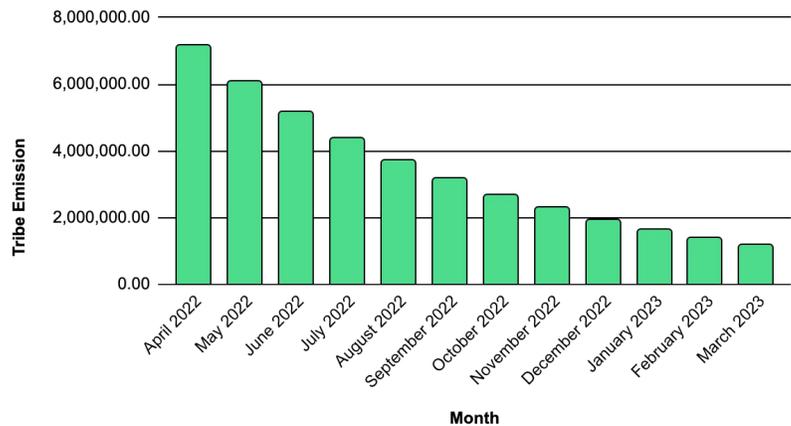
Q1 Financial Performance review of Tribe DAO

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We have seen high spending throughout Q1, the most notable being the incentivisation of providing liquidity on various FEI pools. The total cost for Q1 is in excess of \$36.5m. A vast majority of the rewards programs are initiated through the TribalChief staking contract which allows new pools to be created to incentivize users to stake a standard ERC20 token.

There is a cap to the amount of TRIBE emissions per day that can be emitted in liquidity mining rewards. This cap reduces monthly in line with the emissions chart (right). Each new program dilutes other programs inside of the TribalChief as each pool gets rewards based on its share of the total allocation points. In addition to the TribalChief staking contract, Tribe DAO also decided to integrate and provide rewards on external programs, of which two were of note within Q1 and contribute largely to the increase in cost.

Monthly Tribe emissions Q2 onwards



Aave and Saddle liquidity mining programs ran for most of the duration of Q1, with Aave’s program concluding on 23rd March 2022 and with the Saddle liquidity program running until 6th November 2022.

In addition to PCV deployment it is important to consider the performance of FEI the stablecoin. During volatile market conditions, FEI held its peg and the price ranged from \$0.9965 to \$1.0005 during Q1 2022. With the introduction of FIP-73, the “Contractionary Monetary Policy”, the amount of FEI in circulation was reduced as various PCV liquidity positions were scaled down. This led to the peg tightening and FEI trading above \$1 for the first time in Q1 2022. The introduction of FIP-73 was a great success for the Tribe DAO and significantly improved the peg during February into March.

Throughout Q1, FEI was over-collateralised by the value held with the PCV reserve. The over-collateralisation ratio, which is the value of the PCV / “User FEI” ranged between 255.9% and 180.1% during Q1 2022.

Overall, Q1 has been challenging for many protocols in the space with depreciating asset prices and tough market conditions. Tribe DAO has weathered the storm and has innovated throughout.

References

<https://tribe.fei.money/t/tribe-liquidity-mining-emission-schedule/3549>

Consolidated Income Statement

Q1 Tribe DAO Income statement January - March 2022

Please note that this P/L account takes into account impermanent loss on some positions. Liquidity provision in uncorrelated asset pairs in Balancer and Uniswap incur impermanent loss. The earnings figures stated include both LP fees and the unrealised IPL in these positions.

 Fei Protocol	January	February	March	Total
Net Profit/(loss)	\$	\$	\$	\$
PCV income	4,470,141	(834,824)	1,367,309	5,002,626
Fei Fees	3,196,616	6,961	20,530	3,224,107
Rari Fees and Yield	283,067	110,094	126,788	519,949
Exploit recovery	-	-	42,641	42,641
Total Income	7,949,824	(717,769)	1,557,268	8,789,323
Expenses				
Admin expenses	-	-	(35,295)	(35,295)
Community Grants	-	(5,214)	(45,412)	(50,626)
Contributor rewards	(21,863)	(41,987)	-	(63,850)
Ecosystem Partnerships	-	(100,166)	-	(100,166)
Gas Expense	(57,122)	-	(23,818)	(80,940)
Liquidity Mining	(14,739,788)	(10,908,994)	(11,124,297)	(36,773,079)
REPT-b Repayment	(12,024,624)	-	-	(12,024,624)
Exploit Loss	(249,959)	-	-	(249,959)
Total Expenses	(27,093,346)	(11,056,361)	(11,228,822)	(49,378,529)
Total Profit/(Loss)	(19,143,522)	(11,774,130)	(9,671,554)	(40,589,206)

References

<https://dune.com/llama/Fei-Protocol>

Protocol Controlled Value Performance

The PCV has seen strong resilience over the past quarter

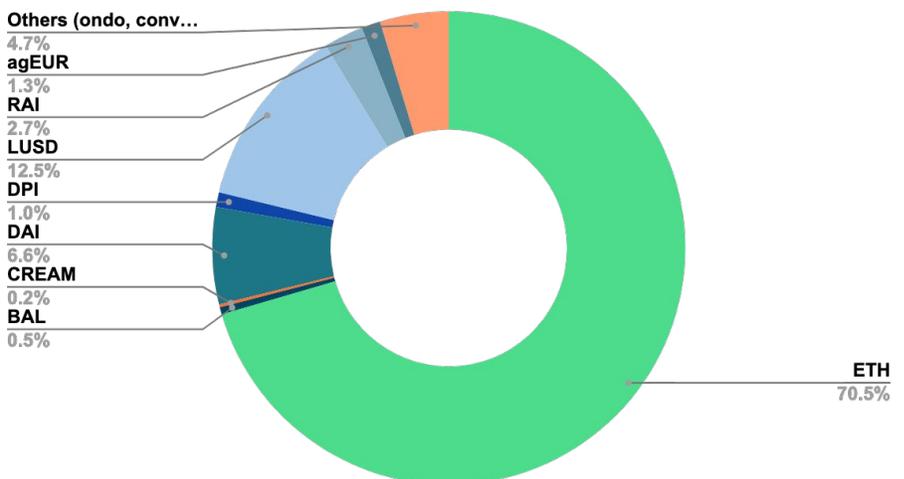
The PCV represents all assets under the DAO's control that are used to support FEI and is managed by TRIBE holders. The composition of the PCV varies monthly and is amended through Tribe DAO's governance process. An example of this can be found [here](#) whereby a proposal was made to move PCV ETH <> FEI liquidity from Uniswap to Balancer v2.

The PCV balance at the quarter end was **\$773.2m** which was comprised mainly of \$178.5m Aave's aETH, \$158.8m of Lido's stETH and \$98.1m of unproductive ETH. The overall ETH and productive variations make up around 70.5% of the PCV at the end of Q1 2022. (*Analysis of the PCV income is detailed on page 4*).

The PCV supports the FEI peg and allows users to redeem FEI for PCV reserve assets such as DAI and ETH. Throughout Q1 Tribe DAO has seen strong returns on its PCV positions within the DeFi Ecosystem. The largest provider of returns are Lido and Convex which together generated **\$2.9m** or **47%** of total positive income streams.

A number of assets held within the PCV being low vol stablecoins underpinning the collateralisation ratio. At quarter end, stablecoin derivatives total **23.1%** or **\$178.6m** resulting in 56.8% of user circulating supply of FEI being backed by stablecoins within the PCV.

PCV by asset



As part of FEI v2, the PCV will be monitored by algorithmic weight adjustments depending on the collateralization ratio. This will allow for a more stable PCV that can ensure appropriate amounts of collateral even in poor market conditions, furthering the stability of FEI as a stablecoin.

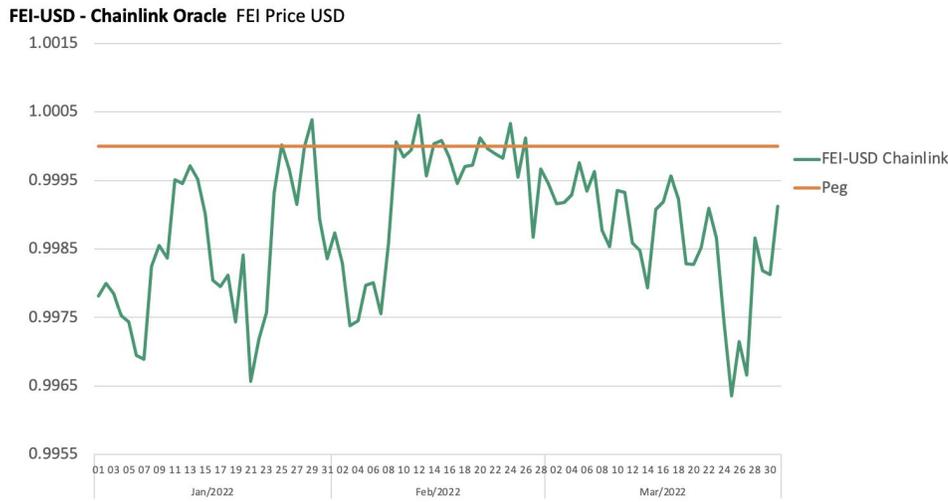
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FEI - Peg Analysis

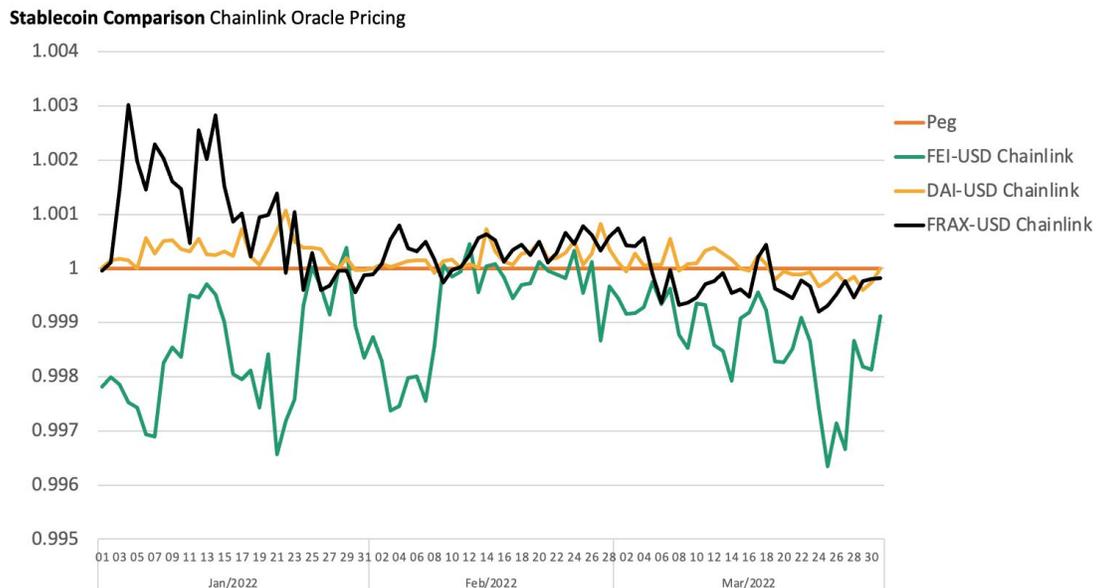
How well does FEI keep its peg?

Despite testing market conditions, the FEI peg has remained relatively stable and ranged from \$0.9965 to \$1.0005 during Q1 2022[1]. This was especially evident during mid-late January, when assets prices were very volatile when the ETH price fell by 34% over a 4 day period.



The “Stablecoin Comparison” chart shows the performance of FEI, DAI and FRAX relative to the \$1 peg. For most of Q1 FEI traded marginally beneath \$1. During the volatile market conditions of early Q1, both FEI and FRAX drifted from peg but in the opposite direction. FRAX traded above \$1, as high as 1.003 and FEI beneath \$1, as low as \$0.9965.

From early February, FEI’s peg, like FRAX’s tightened all three stablecoins traded closer \$1. During late Q1, FEI’s peg drifted relative to FRAX’s; DAI continues to be the industry standard for decentralised stablecoins. The most notable difference between the performances of FRAX and FEI is that when markets are volatile, FRAX has a tendency to trade above peg and FEI beneath peg.



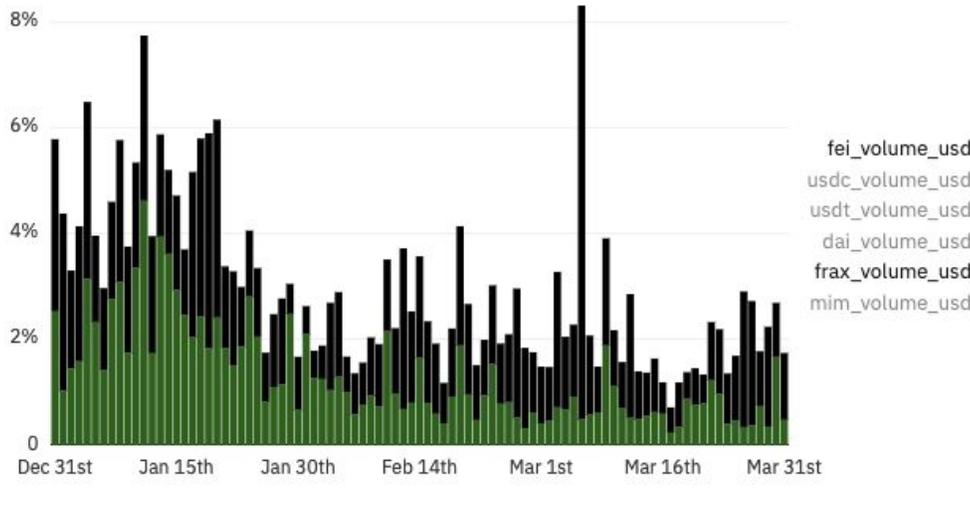
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FEI - Peg Analysis

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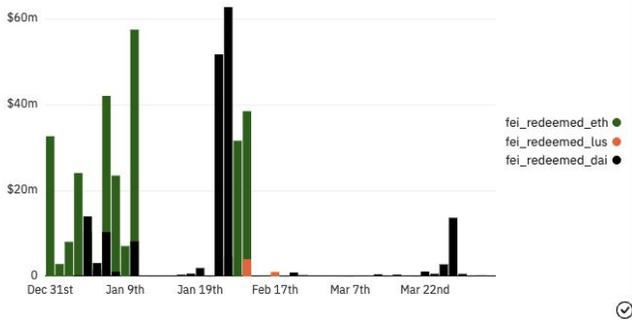
Comparing the Decentralised Exchange (DEX) volume of FEI and FRAX, the “Distribution (% Of Top 6 Stablecoins Volume)” chart shows FEI’s DEX volume on Ethereum exceeding FRAX’s for the majority of January and early February. Thereafter, FRAX’s trading volume exceeded FEI’s. This happens to coincide with the implementation of AIP-73, which over led to the reduction of liquidity in the FEI/wETH liquidity pool on Uniswap V3.

Distribution (% Of Top 6 Stablecoins Volume) FEI DEX Trading Volume VS Other Stablecoins @llama

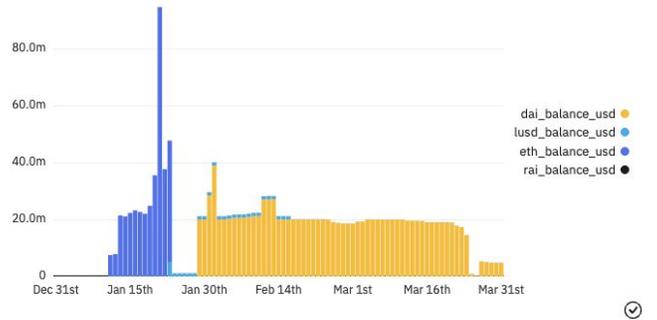


During Q1, FEI’s peg was well supported by three Peg Stability Modules (PSM) which enable users to deposit FEI and redeem either ETH, LUSD or DAI directly from the PCV. Volatile market conditions led to the LUSD PSM being heavily drawn down as FEI holders redeemed LUSD for their FEI. The “Value of FEI Redeemed” chart shows the amount of LUSD, ETH, and DAI redeemed for FEI during Q1. The spike in redemptions corresponds to days of high volatility and over a two day period \$114.7m of DAI was redeemed from the PSM.

Value Of FEI Redeemed (Assuming 1 FEI = \$1) FEI Redemptions Against ETH Or DAI @llama



Total Non-Fei PSM Balance in USD FEI PSM Balances @llama

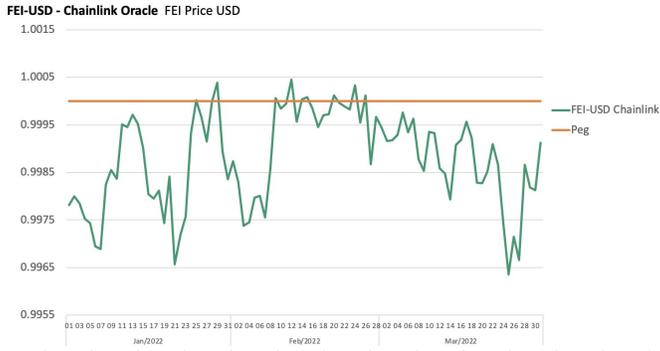


References

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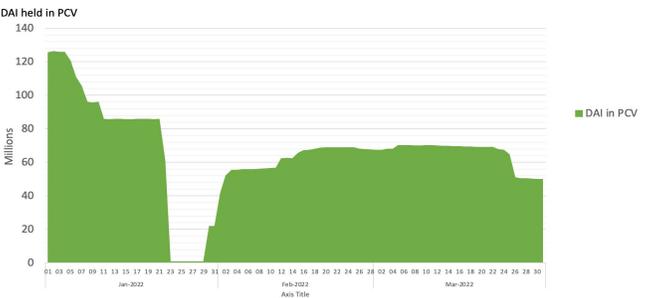
FEI - Peg Analysis

How does the PCV support FEI ?



Between the 21st - 22nd January, \$114.7m of DAI was redeemed from the PSM, and the peg tightened (shown on the “FEI-USD - Chainlink Oracle” chart). There were approximately 800 FEI swaps of greater than \$100K and over \$220m of DEX volume during this two day period.

On the 28th January, TRIBE holders voted to amend the DAI PSM parameters via FIP-72, which enabled FEI to be minted from DAI deposits for a 0 bps fee and for DAI to be redeemed at a 10 bps redemption fee.

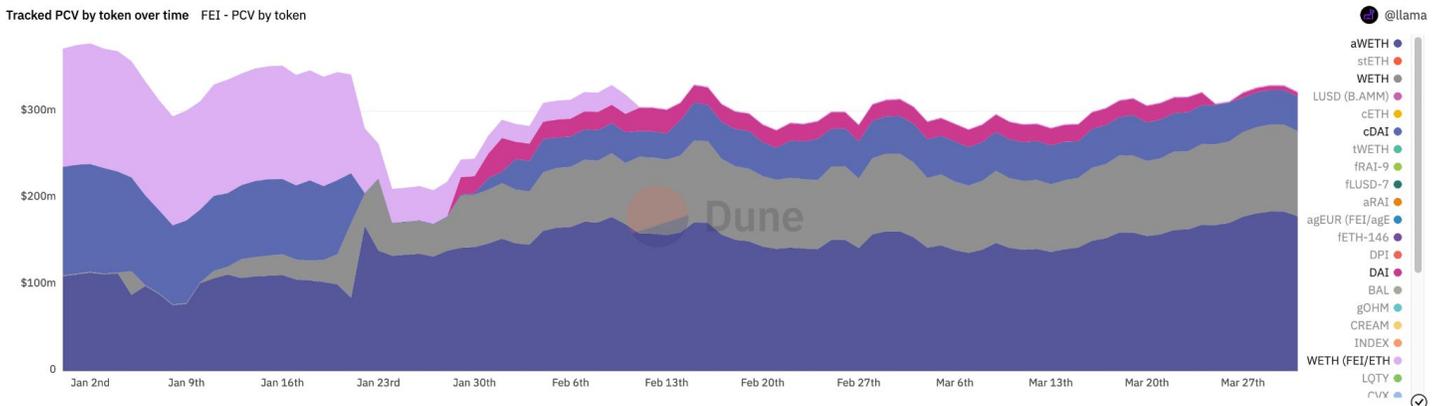


This led to the PCV accumulating \$55M of DAI over the next 5 days and can be seen in the “DAI held in PCV” chart. The inflow of DAI partially reversed the outflow of \$85M of DAI between the 20th and 22nd January that were used in stabilising the FEI peg.

On January 24th, the “Contractionary Monetary Policy” was approved and the amount of FEI in circulating supply was to be reduced. As the changes started coming into effect, the FEI peg improved significantly. Prior to this improvement proposal the FEI price was hovering around the lower bound, with a \$0.9975 redemption floor.

The effects of the gradual removal of FEI liquidity across FEI-ETH, FEI-DPI, FEI from Saddle’s D3 pool, and FEI from Aave’s V2 market on mainnet can be seen on the “Tracked PCV by token over time” chart below. The filtered view shows the main aWETH, wETH, cDAI, DAI, and FEI/wETH positions held within the PCV over time and the gradual increase in ETH and DAI nominated assets. The contractionary policy was aimed at reducing circulating FEI and increasing demand.

When several PCV liquidity positions were scaled down, the FEI peg tightened. This is shown by the “FEI-USD - Chainlink Oracle” chart as FEI peg tightening and FEI trading above \$1 for the first time in the quarter. FEI then later traded lower to \$0.9944 in early February before tightening again. FIP-73 was very successful at bringing FEI closer to \$1.



Report references

List of references used for information gathering

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