

Executive Summary: Custom Allocation Weight Index

This formula-driven index aims to optimise my crypto portfolio by balancing momentum-driven assets. The core idea is to allocate capital dynamically based on relative volume squared and Market cap, ensuring that retail interest has a larger influence on allocation than market cap alone.

Obviously only on the condition of a positive tpis

Key elements of the strategy include:

1. **Daily Updates:** To avoid alpha decay of the index, only the most volatile assets with upward momentum are retained.
2. **Weighted Formula:** Allocations are based on the new formula:

$$Weight_i = \frac{MC_i \cdot (RV_i^2)}{\sum_{j=1}^n (MC_j \cdot (RV_j^2))}$$

That is based on a previous formula that I used

(the optimal way to create indexes in Tradfi)

$$Weight = \frac{Market\ Cap \times Average\ Daily\ Volume}{Total\ Market\ Cap \times Total\ Average\ Daily\ Volume}$$

MC is not my main focus, although its still important to make sure I don't fully allocate to complete trash.

This ensures that high retail demand drives larger allocations, not just market cap.

3. **Portfolio Balance:** limited to 7% (insane) of the overall portfolio.

This index provides a systematic way to maintain exposure to trending assets, balancing short-term momentum with “long”-term stability, while actively reducing exposure to underperformers. It's designed to be nimble and responsive to market conditions, ensuring my portfolio remains aligned with evolving trends.

In backtesting I found that upon the creation of an index the alpha decay on the efficiency side is immense. In a couple weeks the index has diminishing returns.

With that much beta and low MC, it makes sense.

So a tip for those who intend to use this.

- Have 3-6 winning token from Rsps + their Supply amount
- Update your index at least once every 3-4 days.
- More tokens = more stable index!, less tokens = big nono MEGA BETA -99%.

I recommend checking me, my code, my method, prove me wrong and improve it.

Link:

<https://www.tradingview.com/script/YXrzie6Q-Custom-Allocation-Weight-Index/>