

# **3iQ CoinShares Bitcoin Feeder ETF**

## **Product Disclosure Statement**

Replacement Product Disclosure Statement in relation to the quotation and offer of units in the 3iQ  
CoinShares Bitcoin Feeder ETF

**Exchange code: BT3Q**  
**ARSN: 656 935 938**  
**Responsible Entity and Issuer: The Trust Company (RE Services) Limited**  
**Investment Manager: 3iQ Corp.**  
**Dated: 7 June 2022**

## IMPORTANT INFORMATION

### About this PDS

This document is a replacement Product Disclosure Statement (**PDS**) and is dated 7 June 2022 (**PDS Date**) and relates to the quotation on the Cboe Australia market (**Securities Exchange**) of units in the 3iQ CoinShares Bitcoin Feeder ETF (the **Fund**).

The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 (**Perpetual** or the **Responsible Entity**) is the responsible entity of the Fund and the issuer of this PDS and is responsible for its contents. In this PDS references to the "Responsible Entity", "we", "our" and "us" refer to Perpetual in its capacity as responsible entity of the Fund.

The Investment Manager for the Fund is 3iQ Corp. (ARBN 655 771 010) (**3iQ**). The Responsible Entity has appointed 3iQ to provide investment management and other services to the Fund, pursuant to the Investment Management Agreement (see section 7.3 for more details).

3iQ has been appointed as a corporate authorised representative of Perpetual Corporate Trust Limited (ABN 99 000 341 533), AFS licence no. 392 673 (**Perpetual Corporate Trust**).

A copy of this PDS has been lodged with the Australian Securities and Investments Commission (**ASIC**) and Cboe Australia Pty Ltd ("**Securities Exchange Operator**") on the PDS Date. It replaces the product disclosure statement in respect of the Fund (**Original PDS**) issued by the Responsible Entity dated 28 April 2022 (**Original PDS Date**) and the replacement product disclosure statement in respect of the Fund dated 27 May 2022 (**First Replacement PDS**) that were each lodged with ASIC and the Securities Exchange Operator on those respective dates.

This PDS differs from the First Replacement PDS by including custody risk as a key risk of the Fund in the table at section 1.3.

Neither ASIC nor the Securities Exchange Operator takes any responsibility for the contents of this PDS.

The Target Market Determination (TMD) for the Fund is available free of charge from the website for the Fund at [www.3iQ-au.com](http://www.3iQ-au.com) or you can request a paper copy free of charge by contacting the Responsible Entity. The TMD is prepared under Part 7.8A of the Corporations Act and, among other things, describes the class of retail client that comprises the target market for the Fund.

The TMD should be read carefully by regulated persons that engage, or intend to engage, in retail product distribution conduct in respect of the Fund. Potential investors may wish to refer to the TMD to assist in making a decision on whether to apply for or acquire an interest in the Fund.

### Admission to trading status

The Fund is an Australian registered management investment scheme with units in the Fund (**Units**) admitted to quotation and trading on the Securities Exchange under the Securities Exchange Rules.

A copy of this PDS for the Fund is available on the website for the Fund at [www.3iQ-au.com](http://www.3iQ-au.com) or by contacting Mainstream on 1300 133 451. A paper copy will be provided free of charge on request.

### The Offer

The Offer under this PDS is for persons who have been authorised as 'trading participants' under the Securities Exchange Rules (or who have engaged such a person to act on their behalf) and have entered into an agreement with the Responsible Entity, called "Authorised Participants". Certain sections of the PDS (particularly those relating to applications for and redemptions of Units in the normal course) are of direct relevance to such persons only.

Other investors cannot apply for Units under this PDS, but can buy Units on the Securities Exchange through a stockbroker, or via a financial adviser. Such investors may use this PDS for information purposes only.

The Offer to which this PDS relates is available to Authorised Participants receiving the PDS (electronically or otherwise) in Australia.

This PDS does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer. The Units: (i) have not been qualified for distribution by prospectus in Canada, and (ii) may not be offered or sold in Canada except pursuant to a Canadian prospectus or prospectus exemption.

No action has been taken to register or qualify the Fund in any jurisdiction outside Australia and New Zealand, although the Responsible Entity reserves the right to do so at any time. The distribution of this PDS outside Australia and New Zealand may be restricted by law and persons who come into possession of this PDS outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

Units have not been registered under the United States Securities Act of 1933 (as amended) and except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of such Act).

### **PDS updates**

Information in this PDS that is not materially adverse to investors is subject to change from time to time and may be updated by publishing such information on the website for the Fund at [www.3iQ-au.com](http://www.3iQ-au.com). A paper copy of any updated information will be provided free of charge on request. Any new or updated information that is materially adverse to investors will be available to investors via a supplementary or new PDS accessible via the Securities Exchange announcements platform and on the website for the Fund at [www.3iQ-au.com](http://www.3iQ-au.com).

### **Risks**

An investment in the Units is subject to risk (refer to section 5), which may include loss of income and capital invested.

None of the Responsible Entity, 3iQ or any of their related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital or income reinvested in, the Fund. The Responsible Entity, 3iQ and their related entities may invest in or provide other services to the Fund.

### **Not personal advice**

This PDS is prepared for general information only and is not financial product advice. It is not intended to be a recommendation by the Responsible Entity, any of the Responsible Entity's associates, 3iQ or any other person to invest in the Fund. In preparing this PDS, the Responsible Entity did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors need to consider whether an investment in the Fund is appropriate to their needs, objectives and circumstances.

Investors should consult a professional financial adviser and ensure they understand the risks of the Fund before investing.

### **Definitions**

Certain capitalised terms used in this PDS are defined in the Glossary in section 9. All references to dollar amounts in this PDS are to Australian dollars unless otherwise stated.

For further details about the Fund, please contact a stockbroker or financial adviser or visit [www.3iQ-au.com](http://www.3iQ-au.com).

# Product Disclosure Statement

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# 1 Key Features

## 1.1 About The Fund

This PDS relates to the 3iQ CoinShares Bitcoin Feeder ETF (the **Fund**). The Fund is domiciled in Australia and acts as a 'feeder fund' giving investors access to the 3iQ CoinShares Bitcoin ETF, a fund that is domiciled in Canada (**Underlying Fund**).

The Fund primarily holds units in the Underlying Fund. The Underlying Fund is an alternative mutual fund within the meaning of National Instrument 81-102 – *Investment Funds* established as a trust under the laws of the Province of Ontario and is listed and trades on the Toronto Stock Exchange (**TSX**). The Underlying Fund invests in the digital currency bitcoin (**bitcoin**).

The Fund will not directly hold any bitcoin or other cryptocurrencies.

## 1.2 Benefits and risks of investing in the Fund

Investing in the Fund offers a range of benefits including the following:

- **Exposure to bitcoin via the Securities Exchange:** the Fund will provide investors with the ability to gain exposure to bitcoin and the bitcoin market through the Fund's holding of units in the Underlying Fund.
- **Transparent costs:** for many investors, the costs and risks associated with buying, holding and selling the Units and the payment of the Fund's ongoing expenses will be more transparent than the costs and risks associated with buying, holding and selling bitcoin at a digital asset trading platform or through opening an individual digital asset wallet that supports bitcoin.
- **Liquidity and CHES settlement:** market makers will undertake market making activities to facilitate a liquid market in the Units and investors can trade the Units on the Securities Exchange throughout the day and benefit from CHES settlement and reporting.
- **Regulatory oversight of Underlying Fund:** the Underlying Fund is subject to regulatory oversight by the Canadian securities regulators and the TSX.
- **Investment Manager's expertise:** as the first Canadian investment fund manager to agree to terms and conditions with the Canadian securities regulatory authorities to manage a public bitcoin investment fund and multi-cryptoasset fund, 3iQ has a deep level of experience in managing funds invested in cryptocurrencies including the Underlying Fund.

The Fund carries investment risks. For information on the risks applicable to the Fund, see section 5.

## 1.3 Summary of Key Information

The following table briefly summarises some of the key information contained in this PDS. It is not a complete summary of this PDS and you should read the PDS in its entirety. You should seek your own professional investment advice before deciding to invest in the Fund.

Table 1: Summary of Key Information

Topic	Summary	Section
Feeder fund investment structure	The Fund offered in this PDS is domiciled in Australia and acts as a 'feeder fund' giving investors access to the 3iQ CoinShares Bitcoin ETF (TSX code: BTCQ, BTCQ.U), a fund that is domiciled in Canada ( <b>Underlying Fund</b> ). The Fund is regulated by ASIC and traded on the Securities Exchange while the Underlying Fund is regulated by the Ontario Securities Commission and currently traded on TSX.	2.1

<b>Topic</b>	<b>Summary</b>	<b>Section</b>
	The Fund primarily holds units in the Underlying Fund denominated in U.S. dollars (TSX code: BTCQ.U). The Underlying Fund in turn invests in the digital currency bitcoin ( <b>bitcoin</b> ) to achieve the investment objective. The Fund will not directly hold any bitcoin or other cryptocurrencies.	
<b>Investment objective</b>	<p>The Fund aims to provide investors with exposure to bitcoin and the daily price movements of the U.S. dollar price of bitcoin and the opportunity for potential long-term capital growth.</p> <p>There is no assurance or guarantee that the returns of the Fund will meet the investment objective.</p>	3
<b>Investment strategy</b>	<p>The Fund employs a passive management strategy of investing in units in the Underlying Fund.</p> <p>The Underlying Fund invests in long-term holdings of bitcoin purchased from bitcoin exchanges and OTC trading counterparties deemed reputable by the Investment Manager in order to provide investors with a convenient, safer alternative to a direct investment in bitcoin.</p> <p>The Fund does not intend to use derivatives. The Underlying Fund may use derivative instruments for non-hedging purposes from time to time as described under section 3.3(1).</p>	3.3(1)
<b>MVIS Index</b>	<p>The Underlying Fund's bitcoin is valued based on the MVIS® CryptoCompare Bitcoin Benchmark Rate Index (<b>MVIBBR</b>). The MVIBBR is designed to be a robust price for bitcoin in U.S. dollars and is available publicly on the MVIS website (<a href="https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-bitcoin-benchmark-rate">https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-bitcoin-benchmark-rate</a>).</p> <p>See section 3.6 for further information on the MVIBBR.</p>	3.6
<b>Investing</b>	<p>The Offer in this PDS is only available to Authorised Participants. Applications for and Redemptions of Units in the Fund must be for whole multiples of Creation Units, unless otherwise agreed with the Responsible Entity.</p> <p>Units in the Fund are quoted on the Securities Exchange under the Securities Exchange Rules. Subject to market conditions, investors may purchase Units by trading on the Securities Exchange. The purchase of Units on the Securities Exchange is not governed by the terms of this PDS and therefore the minimum investment does not apply to purchases of Units on the Securities Exchange.</p>	6
<b>Redemptions</b>	<p>Except in exceptional circumstances, a Unitholder can generally only redeem Units if it is an Authorised Participant.</p> <p>In certain specified circumstances, redemption requests may be delayed, rejected or scaled down.</p> <p>Units in the Fund are quoted on the Securities Exchange under the Securities Exchange Rules. Subject to market conditions, investors may sell their Units by trading on the Securities Exchange. The sale of Units on the Securities Exchange is not governed by the terms of this PDS and therefore the minimum redemption does not apply to sales of Units on the Securities Exchange.</p>	6, 7.2(8), 7.6(1)
<b>Distributions</b>	The Fund does not intend to pay distributions to Unitholders.	3.4
<b>Risks</b>	There are a number of risks associated with investing in the Fund. The key risks include the following:	5

Topic	Summary	Section
	<p><b>General Risks</b></p> <ul style="list-style-type: none"> <li>• Investment objective risk - There is no guarantee that the Fund's investment strategy will be successful or that the investment objective will be achieved.</li> <li>• Concentration risk - The Fund's assets will be comprised of units in the Underlying Fund which invests in bitcoin. The Fund is not expected to have exposure to any other investments or assets, other than cash.</li> <li>• Counterparty risk - There is a risk of loss due to a counterparty to the Fund not honouring a financial commitment. Counterparties include service providers such as the Fund's unit registrar, fund administrator and custodian.</li> <li>• Trading price risk - The trading price of Units on the Securities Exchange may differ from the Net Asset Value per Unit.</li> <li>• Liquidity risk - Although the Units are quoted on the Securities Exchange, there can be no assurance that there will be a liquid market for Units.</li> </ul> <p><b>Risks Associated with Investing in Bitcoin</b></p> <ul style="list-style-type: none"> <li>• Cryptocurrency Risk - Cryptocurrency operates without the oversight of a central authority. Federal or state governments may restrict the use and exchange of cryptocurrency as it is not legal tender.</li> <li>• Limited History of the Bitcoin Market - Bitcoin represents new technological innovation with a limited history of only 13 years. There is no assurance that usage of bitcoin and its blockchain will continue to grow.</li> <li>• Volatility in the Price of Bitcoin - The bitcoin market is sensitive to new developments and any changes in market sentiment can induce large swings in volume and subsequent price changes.</li> <li>• Underlying Value Risk - There is a risk that the current means of valuing bitcoin prove to be fundamentally flawed. If the market undergoes a repricing of bitcoin, it could have an adverse impact on the NAV of the Units.</li> <li>• Regulation of Bitcoin - The regulation of bitcoin is still a work in progress. There remains a chance that a hostile regulatory environment will develop.</li> <li>• Custody Risk - The digital nature of cryptocurrency may mean it is more susceptible to loss, theft or destruction as a result of unauthorised access.</li> </ul> <p>This is not a comprehensive summary of all the risks of investing in the Fund. There are also risks related to the Bitcoin Network and the bitcoin trading platforms on which bitcoin is bought and sold. For further details of the risks of investing, see section 5.</p> <p>Before investing in the Fund, investors should carefully consider the risks associated with an investment in the Fund and obtain financial advice on whether an investment in the Fund is suitable for their objectives, financial situation and needs.</p>	
<b>Fees and other costs</b>	Fees and other costs as described in section 4 of this PDS will apply.	4
<b>Tax</b>	Tax information of a general nature is set out in section 8. Investors should seek their own professional tax advice which takes into account their particular circumstances.	8

Topic	Summary	Section
<b>Complaints</b>	The Responsible Entity has a process in place to deal with complaints from Unitholders.	7.4(1)
<b>Responsible Entity</b>	Perpetual is the Responsible Entity of the Fund and is the issuer of this PDS.	1.3

#### 1.4 **About 3iQ**

Founded in 2012, 3iQ is a Canadian investment fund manager that offers investors convenient and familiar investment products to gain exposure to digital assets. 3iQ is the Investment Manager of the Fund and manages the Fund in line with its investment strategy.

The Investment Manager was incorporated under the *Canada Business Corporations Act* on July 9, 2012 and is registered in Australia as a foreign company.

The Fund has appointed 3iQ as the Investment Manager to provide investment management and other services to the Fund in line with the investment strategy of the Fund as set out in the Investment Management Agreement.

3iQ has been appointed as a corporate authorised representative of Perpetual Corporate Trust.

3iQ is also the trustee and manager of the Underlying Fund.

#### 1.5 **About Perpetual**

The Trust Company (RE Services) Limited (**Perpetual** or the **Responsible Entity**) is the Responsible Entity of the Fund and the issuer of this PDS and the Units and is responsible for the management, operation and administration of the Fund in Australia. The Responsible Entity holds an Australian Financial Services Licence (number 235 150) issued by ASIC, which authorises it to operate the Fund.

The Responsible Entity is a wholly owned subsidiary of Perpetual Limited (ABN 86 000 431 827) and part of the Perpetual Group which has been in operation for over 135 years. Perpetual Limited is an Australian public company that has been listed on the Australian Securities Exchange for over 55 years.

The Responsible Entity is bound by the Constitution, the Corporations Act and the Securities Exchange Rules. The Responsible Entity has lodged a compliance plan with ASIC which sets out the key measures which the Responsible Entity will apply to comply with the Constitution, the Corporations Act and the Securities Exchange Rules.

The Responsible Entity has established a compliance committee with a majority of external members. The compliance plan is overseen by the compliance committee and is audited annually with the audit report being lodged with ASIC.

The Responsible Entity has the power to delegate certain aspects of its duties. The Responsible Entity has appointed 3iQ as the Investment Manager of the Fund.

For more information about the Responsible Entity's powers and duties as a responsible entity see section 7.2.

#### 1.6 **Admission to trading under the Securities Exchange Rules**

The Units in the Fund are admitted to quotation on the Securities Exchange under the Securities Exchange Rules. The Securities Exchange Rules are accessible at [www.cboe.com.au](http://www.cboe.com.au).

The following table sets out the key differences between the Securities Exchange Rules and the Listing Rules.



Requirement	Listing Rules	Securities Exchange Rules
<b>Continuous disclosure</b>	Issuers <b>are subject</b> to continuous disclosure requirements under Listing Rule 3.1 and Section 674 of the Corporations Act.	<p>Issuers of products quoted under the Securities Exchange Rules are not subject to the continuous disclosure requirements in Listing Rule 3.1 and Section 674 of the Corporations Act. The Responsible Entity will comply with the continuous disclosure requirements in Section 675 of the Corporations Act as if the Fund were an unlisted disclosing entity.</p> <p>This means that the Responsible Entity will disclose to ASIC information which is not generally available and that a reasonable person would expect, if the information were generally available, to have a material effect on the price or value of the Units, provided that such information has not already been included in this PDS (as supplemented or amended). The Responsible Entity will publish such information on the announcements platform of the Securities Exchange Operator and the Fund's website <a href="http://www.3iq-au.com">www.3iq-au.com</a> at the same time as it is disclosed to ASIC.</p> <p>Under the Securities Exchange Rules the Responsible Entity must disclose:</p> <ul style="list-style-type: none"> <li>• information about the NAV of the Fund's underlying investments daily;</li> <li>• information about redemptions from the Fund and the number of Units on issue;</li> <li>• information about distributions paid in relation to the Fund;</li> <li>• any other information which is required to be disclosed to ASIC under Section 675 of the Corporations Act; and</li> <li>• any other information that would be required to be disclosed to the Securities Exchange Operator under section 323DA of the Corporations Act if the Units were admitted under the Listing Rules.</li> </ul> <p>In addition, the Responsible Entity must immediately notify the Securities Exchange Operator of any information the non-disclosure of which may lead to a false market in the Units or which would otherwise affect the price of the Units.</p>
<b>Periodic disclosure</b>	Issuers <b>are required</b> to disclose half-yearly and annual financial information and reports to the announcements platform of the relevant securities exchange operator.	<p>Issuers of products quoted under the Securities Exchange Rules <b>are not required</b> to disclose half-yearly or annual financial information or reports to the announcements platform of the Securities Exchange Operator.</p> <p>The Responsible Entity will disclose financial information and reports in respect of the Fund to the announcements platform of the Securities Exchange Operator and will also lodge such financial information and reports</p>

		with ASIC under Chapter 2M of the Corporations Act.
<b>Corporate governance</b>	Listed companies and listed managed investment schemes <b>are subject</b> to notification requirements under the Corporations Act and the Listing Rules relating to takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings.	<p>Although the Units are quoted under the Securities Exchange Rules, neither the Fund nor the Responsible Entity itself is listed and they are therefore <b>not subject</b> to certain corporate governance requirements.</p> <p>The Responsible Entity will still be required to comply with the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act and Section 601FM of the Corporations Act including that the Responsible Entity may be removed by an extraordinary resolution of members on which the Responsible Entity would not be entitled to vote.</p>
<b>Related party transactions</b>	Chapter 10 of the Listing Rules relates to transactions between an entity and a person in a position to influence the entity and sets out controls over related party transactions.	<p>Chapter 10 of the Listing Rules <b>does not apply</b> to products quoted under the Securities Exchange Rules.</p> <p>The Responsible Entity will still be required to comply with the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.</p>
<b>Auditor rotation obligations</b>	Division 5 of Part 2M.4 of the Corporations Act imposes specific rotation obligations on auditors of listed companies and listed managed investment schemes.	<p>Issuers of products quoted under the Securities Exchange Rules are not subject to the auditor rotation requirements in Division 5 of Part 2M.4 of the Corporations Act.</p> <p>An auditor will be appointed by the Responsible Entity to audit the financial statements and Compliance Plan of the Fund.</p>

## **2 About the Fund**

### **2.1 Registered managed investment scheme**

The Fund is registered with ASIC and regulated as a 'registered managed investment scheme'. The Fund issues a class of units (**Units**) which, like shares, are traded on the Securities Exchange. The Fund operates like most other managed investment schemes:

- the Fund is constituted as a 'unit trust';
- when you invest you acquire 'Units' in the trust which give you a beneficial interest in the assets of the Fund;
- your money is pooled together in the Fund with other investors' money. A responsible entity is appointed to professionally manage the investments under fiduciary obligations to act in the best interests of all investors.

The Fund acts as a 'feeder fund' providing investors access to an Underlying Fund by primarily holding units in the Underlying Fund. For more information about the Underlying Fund, see section 3.

### **2.2 Primary and secondary markets**

Large numbers of Units are first issued by the Responsible Entity in the 'primary market' to institutional investors (**Authorised Participants**) in exchange for cash or units in the Underlying Fund. The units in the Underlying Fund become the assets of the Fund designed to meet the Fund's investment objective.

Once Units have been received by the Authorised Participant, the Units are generally made available by the Authorised Participant for trading on the 'secondary market', i.e. on the Securities Exchange.

Securities Exchange Investors can then buy and sell the Units with the Authorised Participants, market makers, or other Securities Exchange Investors in exchange for cash through CHESS.

A summary of the creation and redemption process that applies to transactions between the Fund and Authorised Participants is set out in section 6.

### **2.3 Rights of a Unitholder**

Whether you invest in the Fund as an Authorised Participant or as a Securities Exchange Investor you hold Units and have the rights of a Unitholder, as set out in the Constitution of the Fund. For more information on your rights as a Unitholder see section 7.2.

### **2.4 Roles and responsibilities**

The key roles involved in the operation of the Fund are set out in section 7.1.

### **3 Investment objective of the Fund and Underlying Fund arrangements**

#### **3.1 Investment Objective**

The Fund seeks to provide investors with exposure to bitcoin and the daily price movements of the U.S. dollar price of bitcoin and the opportunity for potential long-term capital growth.

#### **3.2 Investment strategy**

To achieve its investment objective, the Fund primarily acts as a 'feeder fund' employing a passive management strategy of investing in the Underlying Fund issued and operated by 3iQ in Canada.

The Fund will hold units in 3iQ CoinShares Bitcoin ETF (**Underlying Fund**) which is a trust established under the laws of the Province of Ontario. The units of the Underlying Fund are listed and traded on the TSX (BTCQ / BTCQ.U) and offered on a continuous basis. The Fund will invest in units of the Underlying Fund that are denominated in U.S. dollars (TSX code: BTCQ.U).

The Fund will not directly hold any bitcoin or other cryptocurrencies.

The Fund does not intend to use derivatives. The Underlying Fund may use derivative instruments from time to time as described under section 3.3(1).

#### **3.3 Investment Policy of the Underlying Fund**

##### **(1) Investment strategy**

The Underlying Fund invests in long-term holdings of bitcoin. Bitcoin is purchased from bitcoin trading platforms (commonly referred to as bitcoin exchanges) and OTC trading counterparties deemed reputable by 3iQ, in order to provide investors with a convenient, safer alternative to a direct investment in bitcoin.

Bitcoin trading platforms are spot markets in which bitcoin can be exchanged for U.S. dollars. Bitcoin trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Australia, Canada, the United States or other global jurisdictions. The Investment Manager seeks to ensure that the bitcoin trading platforms on which the Underlying Fund transacts are reputable, stable and in compliance with AML Regulation.

The Underlying Fund does not speculate with regard to short-term changes in bitcoin prices. The Fund will provide investors with the ability to effectively invest in bitcoin without the inconvenience and additional transaction and storage costs associated with a direct investment in bitcoin.

The Underlying Fund does not and will not hedge any U.S. dollar currency exposure back to the Canadian dollar or Australian dollar. For a description of how the Underlying Fund purchases bitcoin for its portfolio see section 3.5.

The Investment Manager may also indirectly invest in bitcoin through the use of futures contracts, the underlying interest of which is bitcoin, for non-hedging purposes consistent with the Underlying Fund's investment objectives and investment strategies to gain exposure to bitcoin, subject to its investment restrictions. For example, the Underlying Fund may trade in bitcoin futures listed on the Chicago Mercantile Exchange (CME:BTC) and other commodity futures exchanges regulated by the U.S. Commodity Futures Trading Commission. Any trading in futures by the Underlying Fund is incidental to the Underlying Fund's core investment strategy of investing in bitcoin. The Underlying Fund will not transact in any futures contract if, as a result of such transaction, the Underlying Fund's aggregate exposure to derivatives would exceed 5% of the net asset value of the Underlying Fund.

Generally, the Underlying Fund does not intend to borrow money or employ other forms of leverage to acquire bitcoin for its portfolio. The Underlying Fund may however borrow money on a temporary short term basis to acquire bitcoin in connection with a subscription for units in the Underlying Fund by a registered dealer. Any borrowing by the Underlying Fund will be made in

accordance with the borrowing restrictions applicable to an alternative mutual fund under National Instrument 81-102 – Investment Funds (Province of Ontario) (**NI 81-102**).

(2) **Investment Restrictions**

The Underlying Fund is subject to certain restrictions and practices contained in Canadian securities legislation applicable to alternative mutual funds. Additionally, the Underlying Fund is subject to certain investment restrictions that, among other things, limit the assets that the Fund may acquire for its portfolio. The Underlying Fund is managed in accordance with these restrictions and practices, except as otherwise permitted by exemptions provided by Canadian securities regulatory authorities.

(3) **Labour standards and environmental, social and ethical considerations**

The Fund and the Underlying Fund do not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising investments.

(4) **Performance**

Performance information for the Fund, and the Net Asset Value for the Fund, will be published on the website for the Fund at [www.3iQ-au.com](http://www.3iQ-au.com). Information relating to past performance is not a reliable indicator of future performance.

(5) **Changes to investment objectives and strategy**

The Responsible Entity may from time to time vary the investment mandate (i.e. the investment objective and strategy) for the Fund.

Any significant change to the investment mandate will be notified to investors and potential investors via a supplementary or new PDS accessible through the Securities Exchange announcements platform.

3.4 **Distributions**

The Fund does not intend to pay distributions to Unitholders.

The Fund may earn interest on cash balances held from time to time, however, the Fund anticipates to invest all of its assets in units in the Underlying Fund. There is no guarantee that any income will be greater than the Fund's fees and expenses and therefore there is no guarantee that the Fund will distribute any income to Unitholders.

Unitholders holding Units in the Fund at the end of a distribution period are entitled to a pro-rata share of the distributable income (if any) for that period based on the number of Units held in the Fund at the end of the distribution period. Although the Fund does not intend to pay distributions, any income of the Fund will be distributed at least annually in respect of the period ending on 30 June each year. The amount of distributable income at the end of any distribution period will be determined by the Responsible Entity.

For information regarding the Australian tax consequences of distributions to Unitholders, refer to section 8 of this PDS.

3.5 **Purchasing Bitcoin for the Underlying Fund**

The Investment Manager will purchase bitcoin for the Underlying Fund from bitcoin trading platforms and OTC counterparties (each, a "**Bitcoin Source**"). The Investment Manager will conduct due diligence on each proposed Bitcoin Source prior to transacting with such Bitcoin Source in order to confirm its reputation and stability, including by conducting research on the executive officers and significant shareholders of the Bitcoin Source and the regulatory regime, if any, applicable to the Bitcoin Source.

The Investment Manager will also confirm that each Bitcoin Source maintains appropriate KYC policies and procedures and will not transact with any person or entity that is on a list of designated

persons or entities established and maintained under applicable AML Regulation in the jurisdiction of the Bitcoin Source. The Investment Manager will ensure that each Bitcoin Source has its head office in a jurisdiction which is a member of the FATF or its global network of FATF-Style Regional Bodies.

### 3.6 Valuation of bitcoin held by Underlying Fund

The Underlying Fund's bitcoin will be valued based on the MVIS® CryptoCompare Bitcoin Benchmark Rate Index (**MVIBBR**).

MVIBBR, maintained by MV Index Solutions GmbH (**MVIS**), is designed to be a robust price for bitcoin in U.S. dollars. There is no component other than bitcoin in the MVIBBR. The MVIBBR is reviewed by MVIS on a semi-annual basis. MVIS selects the top 5 rated bitcoin trading platforms for inclusion in the MVIBBR based on their CryptoCompare Benchmark Rating. All bitcoin trading platforms that provide input data to the calculation of the MVIBBR adhere to AML and KYC regulations, as they are requirements enforced by the benchmark administrator.

The CryptoCompare Benchmark ranks more than 165 global digital currency trading platforms through an assessment of their risk profile based on the following factors: legal/regulatory, data provision, security, team/exchange, market quality, KYC/transaction risk, asset quality/diversity and includes a penalty factor for negative events. CryptoCompare employs a qualitative (due diligence) and quantitative (market quality, based on order book and trade data) approach and uses correlation of volume to volatility and standard deviation of volume as inputs to the analysis.

MVIS is an index provider based in Frankfurt, Germany and regulated as an index administrator by the German Federal Financial Supervisory Authority (BaFin). MVIS has adopted indexing practices and operations for its digital assets indices, including MVIBBR, which comply with the EU benchmark regulations. MVIS's pricing benchmarks are also compliant with International Organisation of Securities Commissions regulations. At this time, there are no guidelines for the calculation of indices that are based on digital assets under the EU benchmark regulations, however MVIS expects to comply with any such guidelines when they are released. MVIS follows the ESMA Regulatory Technical Standards (RTS) in the creation and maintenance of its indices.

The MVIBBR is a time-specific index disseminated in US dollars and the closing value is calculated at 16:00 ET with fixed 16:00 ET exchange rates. The MVIBBR is published on the MVIS website at around 16:30 ET daily, represented by the "Last Close" price. The indices are calculated daily between 00:00 and 24:00 (ET) and the index values are disseminated to data vendors every 15 seconds. The "Last" price represents the live index price while the "Change" value represents the percentage change between "Last" and "Last Close". The "Last Close" price and the "Last" price are available publicly on the MVIS website (<https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-bitcoin-benchmark-rate>).

Further information regarding the MVIBBR is available at <https://mvis-indices.com/indices/digital-assets/mvis-cryptocompare-bitcoin-benchmark-rate>.

### 3.7 Custody arrangements of the Underlying Fund

#### (1) Custodian

Cidel Trust Company (**Custodian**) is the custodian of the assets of the Underlying Fund, pursuant to the Custodian Agreement between the Underlying Fund and the Custodian. The Custodian is a federally regulated trust company based in Calgary, Alberta and provides services to the Underlying Fund from its office in Toronto, Ontario. The Custodian is a wholly-owned subsidiary of Cidel Bank Canada, a Schedule II Bank regulated by the Office of the Superintendent of Financial Institutions. The Custodian is responsible for safekeeping of all the investments and other assets of the Underlying Fund delivered to it (but not those assets of the Underlying Fund not directly controlled or held by the Custodian, as the case may be). The Custodian does not hold bitcoin for the Underlying Fund, and has entered into a sub-custodian arrangement in that regard.

The Custodian, in carrying out its duties concerning the safekeeping of, and dealing with, the portfolio assets of the Underlying Fund directly controlled or held by it, is required to exercise (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the

circumstances; or (b) at least the same degree of care as they exercise with respect to their own property of a similar kind, if this is a higher degree of care than the degree of care referred to in (a).

## (2) **Sub-Custodian**

Gemini Trust Company, LLC (**Gemini** or **Sub-Custodian**) acts as sub-custodian of the Underlying Fund in respect of the Underlying Fund's holdings of bitcoin pursuant to a sub-custodian agreement between the Custodian, the Underlying Fund, and Gemini (**Sub-Custodian Agreement**). Gemini has been appointed as a sub-custodian by the Custodian in accordance with applicable Canadian securities legislation, principally NI 81-102.

Gemini is a trust company licensed and regulated by the New York State Department of Financial Services and is qualified to act as a sub-custodian of the Underlying Fund for assets held outside of Canada in accordance with NI 81-102. Gemini operates in 50 U.S. states, Canada and certain other international jurisdictions.

As a fiduciary under Section 100 of the New York Banking Law, Gemini is held to specific capital reserve requirements and banking compliance standards. Gemini is also subject to the laws, regulations and rules of applicable governmental or regulatory authorities, including: money service business regulations under the Financial Crimes Enforcement Network (**FinCEN**); U.S. state money transmission laws; laws, regulations, and rules of relevant tax authorities; applicable regulations and guidance set forth by FinCEN; the Bank Secrecy Act of 1970; the USA PATRIOT Act of 2001; AML Regulations as mandated by U.S. federal law and any other rules and regulations regarding anti-money laundering/counter-terrorist financing; issuances from the Office of Foreign Assets Control; the New York Banking Law; regulations promulgated by the New York State Department of Financial Services from time to time; the National Futures Association; the Financial Industry Regulatory Authority; and the Commodity Exchange Act.

Gemini uses segregated cold storage bitcoin addresses for the Underlying Fund which are separate from the bitcoin addresses that Gemini uses for its other customers and which are directly verifiable via the Bitcoin blockchain. Gemini will at all times record and identify in its books and records that such bitcoins constitute the property of the Underlying Fund. Gemini will not loan, hypothecate, pledge or otherwise encumber the Underlying Fund's bitcoins without the Underlying Fund's instruction. Gemini, in carrying out its duties concerning the safekeeping of, and dealing with, the Underlying Fund's bitcoins, is required to take reasonable care and use commercially reasonable efforts in executing its responsibilities under the Sub-Custodian Agreement, and has agreed to adhere to the standard of care required by law.

## (3) **Bitcoin Storage, Security Policies and Practices**

Bitcoin private keys are stored in two different forms: "hot wallet" storage, whereby the private keys are connected to the internet, and "cold" storage, where digital currency private keys are stored completely offline. The bitcoin that Gemini will hold for the Underlying Fund will be stored offline in cold storage. When under the purview of Gemini, bitcoin will only enter "hot" storage in the case of deposits and redemptions, meaning that the bitcoin will only be in "hot" storage for a temporary period.

Gemini has adopted the following security policies and practices with respect to digital assets held in cold storage: hardware security modules (**HSMs**) are used to generate, store and manage cold storage private keys; multi-signature technology is used to provide both security against attacks and tolerance for losing access to a key or facility, eliminating single points of failure; all HSMs are stored offline in air-gapped environments within a diverse network of guarded, monitored and access-controlled facilities that are geographically distributed; multiple levels of physical security and monitoring controls are implemented to safeguard HSMs within storage facilities; and all fund transfers require the coordinated actions of multiple employees.

Gemini has adopted the following security policies and practices with respect to digital assets held in its hot wallet: HSMs are used to store and manage hot wallet private keys; operational redundancy is achieved through geographic disbursement of failover storage facilities and hardware, thus protecting against service disruptions and single points of failure; all hot wallet HSMs are stored within secured facilities that are access-controlled, guarded, and monitored; tiered access-controls are applied to Gemini's production environment to restrict access to employees based on role,

following the principle of least-privilege; administrative access to its production environment requires multi-factor authentication; and Gemini offers additional account level protections such as crypto address whitelisting, which allows customers to restrict withdrawals to addresses only included in the customer's whitelist.

#### (4) **Gemini BSA / AML Program**

Gemini has adopted a program for the purpose of compliance with the U.S. Bank Secrecy Act and U.S. AML Regulation (**Gemini BSA / AML Program**) for its digital asset exchange and custody service in an effort to maintain the highest possible compliance with applicable laws and regulations relating to anti-money laundering in the United States and other countries where it conducts business. This program includes robust internal policies, procedures and controls that combat any attempted use of Gemini for illegal or illicit purposes, including a customer identification program, annual training of all employees and officers in AML Regulations, filing of Suspicious Activity Reports and Currency Transaction Reports with the U.S. Financial Crimes Enforcement Network and annual internal and independent audits of the Gemini BSA / AML Program.

#### (5) **Website Security**

Gemini has implemented certain security policies and practices to enhance security on its website, including through the use of two-factor authentication for certain user actions, such as withdrawals; a requirement for strong passwords from its users, which are cryptographically hashed using modern standards; encryption of sensitive user information, both in transit and at rest; the application of rate-limiting procedures to certain account operations such as login attempts to thwart brute force attacks; the transmission of website data over encrypted transport layer security connections; the leveraging of content-security policy and HTTP strict transport security features in modern browsers; partnerships with enterprise vendors to mitigate potential distributed denial-of-service attacks; and the use of separate access controls or internal-only sections of Gemini's website.

#### (6) **Internal Controls**

In addition to the security policies and procedures discussed above, Gemini has also instituted the following internal controls: multiple signatories are required to transfer funds out of cold storage; Gemini's Chief Executive Officer and President are unable to individually or jointly transfer funds out of cold storage are stored offsite in secure facilities; all employees undergo criminal and credit background checks, and are subject to ongoing background checks throughout their employment; and all remote-access by employees uses public-key authentication (eg. no password, one-time passwords or other phishable credentials are used).

#### (7) **SOC 2 Type 2 Report of Gemini**

Gemini has advised 3iQ that a SOC 2 Type 2 Report of its internal controls will be available for review by the auditor of the Underlying Fund in connection with the audit of the annual financial statements of the Underlying Fund. While the SOC 2 Type 2 Reports have been available and received in the past, there is a risk that such SOC 2 Type 2 Report of Gemini will not be available in the future. In the event that the SOC 2 Type 2 Report is not available, 3iQ will request confirmation from Gemini in writing to permit the auditor of the Underlying Fund to test its internal controls. Although 3iQ has received reasonable assurances from the Custodian and Gemini that such written confirmation will be provided in the event that a SOC 2 Type 2 Report of Gemini is not available, there is a risk that such written confirmation will not be provided and/or that the auditor will not be able to test the internal controls of the Custodian or Gemini directly. The Underlying Fund will file an undertaking with applicable securities regulatory authorities that provides that while it remains a reporting issuer, the Underlying Fund will obtain from Gemini, as sub-custodian of the bitcoin of the Underlying Fund either a SOC 2 Type 2 Report or written confirmation from Gemini to permit the auditor of the Underlying Fund to test its controls.

### 3.8 **Overview of Bitcoin**

#### (1) **Introduction to Bitcoin**



The Underlying Fund will invest substantially all of its assets in bitcoin. Bitcoin is a digital asset that is not issued by any government, bank or central organization. Bitcoin is based on the decentralized, open source protocol of the peer-to-peer bitcoin computer network (the “**Bitcoin Network**”), which creates the decentralized public transaction ledger, known as the “blockchain”, on which all bitcoin transactions are recorded. Movement of bitcoin is facilitated by a digital, transparent and immutable ledger, enabling the rapid transfer of value across the internet without the need for centralized intermediaries.

The Bitcoin Network software source code includes the protocol that governs the creation of bitcoin and the cryptographic operations that verify and secure bitcoin transactions. It is common practice to refer to Bitcoin with a capital “B” when referring to the protocol or network, and bitcoin with a lowercase “b” when referring to the digital asset. The blockchain is an official record of every bitcoin transaction (including creation or “mining” of new bitcoin) and every bitcoin address associated with a quantity of bitcoin.

The Bitcoin Network, and software applications built atop it, can interpret the blockchain to determine the exact bitcoin balance, if any, of any public bitcoin address listed in the blockchain. A bitcoin private key controls the transfer or “spending” of bitcoin from its associated public bitcoin address. A bitcoin “wallet” is a collection of public bitcoin addresses and their associated private key(s). It is designed such that only the owner of bitcoin can send bitcoin, only the intended recipient of bitcoin can unlock what the sender sent and the transactional validation and bitcoin ownership can be verified by any third party anywhere in the world.

## (2) **Mechanics of the Bitcoin Network**

The entire Bitcoin Network can be described using the analogy of a computer. The most basic level of any computer is the hardware that all of the software runs upon. The hardware providers for the Bitcoin Network are called “miners”. Miners buy specialised computational equipment in the form of servers that are composed of primarily application specific integrated circuits, and these servers have been constructed entirely for the purpose of verifying bitcoin transactions, building bitcoin’s blockchain and thereby minting new bitcoin.

## (3) **Bitcoin operating system**

Miners’ servers run Bitcoin software, which can be thought of as the operating system on top of the hardware, just as personal computers have installed an operating system. Bitcoin software is maintained in the open source model, with the community collaborating on GitHub. GitHub is a platform for software creation, orchestrating the storage, version control and integration of code for different software projects. Bitcoin’s software is available for all developers and non-developers to peruse and discuss. For example, from GitHub one can download the entire source code of Bitcoin software. While there are a few different implementations of Bitcoin software, the one used by most miners is called “Bitcoin Core” and is maintained by over 600 developers. By running similar software on similar hardware the miners have created a basic worldwide computer that operates in sync, despite being geographically distributed.

## (4) **Bitcoin’s application ecosystem**

Just as one may run applications on top of the hardware and operating system of their computer, various companies have built applications that run on top of the hardware and operating system of the Bitcoin Network. Applications include wallets that store users’ bitcoin, exchanges that allow users to swap bitcoin for other currencies, remittances providers that send money to people in other countries and decentralized marketplaces that function similar to an online distributor (e.g. eBay). Accordingly, there is no central company.

The end user relies on the hardware, operating system, and applications provided by bitcoin miners, developers and companies, respectively. The greater the number of bitcoin users, the greater the incentive will be potentially for miners, developers and companies to continue to develop their systems, which in turn should promote the Bitcoin Network as a whole.

## (5) **Security of the Bitcoin Network**

The Investment Manager believes that there are a few key metrics that determine the security of the Bitcoin Network. First, there are the number of nodes connected to the network. A “node” is a computer that is connected directly to the Bitcoin Network. If a node discovers that a block contains an invalid transaction or has otherwise violated the consensus rules, then that block is rejected and not appended to Bitcoin’s blockchain. While some of these nodes are miners, not all of them are miners. Some are there to forward transactions around the network and keep track of Bitcoin’s blockchain while not getting involved with Bitcoin’s proof of work process to create new blocks. Non-mining nodes are referred to as “full nodes”, and many bitcoin companies and enthusiasts run full nodes so that they have their own store of the blockchain, which proves useful for interacting with the network and creates strong redundancy within the system.

The Bitcoin Network is dispersed across the globe. If a nation banned miners from supporting Bitcoin, the majority of the nodes would continue unaffected. If a large segment of miners were to be taken offline, the economics would improve for the remaining miners as they would have less competition, likely leading to an influx of new miners from unaffected geographies.

Another important metric for the security of the Bitcoin Network is the hash rate. A “hash” is the output of a hash function, which takes data of arbitrary length and crunches it into a fixed-length string of alphanumeric characters. As it relates to bitcoin, the “hash rate” is the frequency at which a miner guesses a new solution to create a valid “block hash” (i.e., proof-of-work), which allows a miner to append a new block of transactions to Bitcoin’s blockchain. For single entities, the more mining machines that they own, the higher the hash rate they will control, which will increase their opportunity of finding the next block hash and receiving the block reward of newly minted bitcoin. For the Bitcoin Network as a whole, a higher hash rate signifies more competition amongst the miners, likely dissuading one nefarious group from trying to take over the network in what is commonly referred to as a “51% attack”.

As of 28 February 2022, no single miner or pool controlled more than 18.63% of the Bitcoin Network. In terms of the Herfindahl-Hirschman Index, which is commonly used to measure market concentration, the Bitcoin Network classifies as a competitive industry.

Over time, the number of bitcoin available to the public will reach an equilibrium state of 21 million units. This differs from a traditional currency, which does not have a theoretical cap on the amount of the currency that will be circulated to the public.

## **(6) Bitcoin Mining**

The “minting” of new bitcoin is part of the mining process. Each time a block is created, the first transaction in the block issues a certain number of bitcoin to the miner who created the block. This transaction is called a “coinbase transaction”. Every 210,000 blocks, or roughly every 4 years, the amount of bitcoin issued to miners in the coinbase transaction is cut in half. This is called “block reward halving” or “halving”.

For example, from the time of launch of the Bitcoin Network on 3 January 2009 up until 28 November 2012, coinbase transactions issued 50 bitcoin to the miner who created the block. Starting from a base of zero bitcoin outstanding, this made the currency highly inflationary. However, on 28 November 2012, the coinbase transaction was switched to 25 bitcoin. This switch was hard wired into Bitcoin’s protocol, so that once the 210,000<sup>th</sup> block had been mined all subsequent blocks created only issued 25 bitcoin as the miner’s fee transaction. On July 9, 2016, the issuance was cut in half again, to only 12.5 bitcoin per miner’s fee transaction. The most recent halving event occurred on 11 May 2020 when the block reward decreased from 12.5 bitcoin to 6.25 bitcoin, which means that currently there are only 900 newly minted bitcoin issued per day.

## **(7) Bitcoin Trading Platforms**

Bitcoin trading platforms operate websites that facilitate the purchase and sale of bitcoin for various government-issued currencies, including the U.S. dollar, Canadian dollar, the euro and the Chinese yuan. Activity on the bitcoin trading platforms should not be confused with the process of users sending bitcoin from one address to another bitcoin address. The latter is an activity that uses bitcoin as a means of exchange and is largely conducted directly using Bitcoin’s blockchain, whereas the former is mostly an activity around bitcoin as a store of value and largely occurs within the trade books of exchanges (i.e., off-blockchain).

Bitcoin trading platforms generally report publicly on their websites the bid and ask prices for the purchase or sale of bitcoin. Although each bitcoin trading platform has its own market price, it is expected that reputable bitcoin trading platforms' market prices should be relatively consistent with the bitcoin trading platform market average since market participants can choose the bitcoin trading platform on which to buy or sell bitcoin. Price differentials across bitcoin trading platforms may enable arbitrage between bitcoin prices on the various bitcoin trading platforms.

Bitcoin trading platforms are open 24 hours a day and 365 days of the year. There currently exist globally over 200 bitcoin trading platforms.

## 4 Fees and Other Costs

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (**ASIC**) Moneysmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### 4.1 Fees and other costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Information on tax appears in section 7 of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

The Responsible Entity has elected to apply the fees and costs disclosure requirements in ASIC Corporations (Disclosure of Fees and Costs) Instrument 2019/1070 to this PDS.

### 4.2 Fees and costs summary

3iQ CoinShares Bitcoin Feeder ETF		
TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>Ongoing annual fees and costs</b>		
<b>Management fees and costs</b> The fees and costs for managing your investment <sup>1</sup> :	<b>1.20% per annum of NAV<sup>1, 3, 4</sup></b>	The management fees and costs comprise indirect costs of 1.20% which are paid out of the assets of the Underlying Fund as incurred. Indirect costs are reflected in the unit price of the Underlying Fund, in which the Fund invests. <sup>5</sup>
<b>Performance fees</b> Amounts deducted from your investment in relation to performance of the product	Nil	Not applicable.
<b>Transaction Costs</b>	Nil <sup>3</sup>	Not applicable.

<sup>1</sup> Unless otherwise stated, all fees and costs are quoted inclusive of goods and services tax (GST) and net of any input tax credits (ITCs) or reduced input tax credits (RITCs) that are expected to be available to the Fund. Where RITCs are available, the prescribed rate is currently 55% or 75%, depending on the nature of the fee or cost incurred. Due to the impact of GST, ITC and RITC calculations, actual fees may vary slightly from those stated. .

The costs incurred by the scheme when buying or selling assets

**Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)**

<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable.
<b>Contribution fee</b> The fee on each amount contributed to your investment	If you are not an Authorised Participant – \$0 If you are an Authorised Participant – \$200	Payable only by Authorised Participants <sup>2</sup> . This fee will be payable by Authorised Participants at the time of the application.
<b>Buy Spread / Sell Spread</b> An amount deducted from your investment representing costs incurred in transactions by the scheme	Nil	Not applicable.
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	If you are not an Authorised Participant – \$0 If you are an Authorised Participant – \$200	Payable only by Authorised Participants <sup>2</sup> . This fee will be paid at the time of the redemption.
<b>Exit fee</b> The fee to close your investment	Nil	Not applicable.
<b>Switching fee</b> The fee for changing investment options	Nil	Not applicable.

<sup>1</sup> Any fees which may in the future be charged directly to the Fund may be individually negotiated if you are a wholesale client (as defined in the Corporations Act). Management fees and costs reduce the NAV of the Fund and are reflected in the Unit price. Management costs and expenses (to the extent applicable) include costs for administering and investing in the assets of the Fund and other expenses and reimbursement in relation to the Fund which are variable. For more information on the management fee and costs, please refer to "Management fees and costs" in the "Additional Explanation of Fees and Costs" section below. Certain additional costs may apply, such as transaction costs. See the "Additional Explanation of Fees and Costs" section below for more information.

<sup>2</sup> An Authorised Participant is a person who has entered into an agreement with the Responsible Entity in relation to Unit applications and redemptions.

<sup>3</sup> As the Fund is newly established, this figure reflects the transaction costs and indirect costs that the Responsible Entity, at the date of this PDS, reasonably estimates will apply for the current financial year. For more information on the meaning and calculation of transaction costs and indirect costs, see "Transaction costs" and "Management fees and costs" in the "Additional Explanation of Fees and Costs" section below.

<sup>4</sup> *The management fees and costs of the Funds will be waived by the Underlying Fund for a period of 3 months from 27 May 2022.*

<sup>5</sup> *The indirect costs of 1.20% per annum of NAV are a discount on the cost to the Fund of the fees and expenses of the Underlying Fund, which are ordinarily capped at 1.25% per annum of the Underlying Fund's NAV. The Investment Manager will reimburse the Underlying Fund up to 0.05% per annum of NAV to effectively cap the cost of these fees and expenses to the Fund at 1.20% per annum of NAV.*

All fees and costs in the table above include Goods and Services Tax ("GST") net of any reduced input tax credits.

### 4.3 Example of Annual Fees and Costs for the Fund

This table gives an example of how the ongoing annual fees and costs for the Fund can affect your investment over a 1-year period. You should use this table to compare this product with other products offered by managed investment schemes.

Example for an investment in the 3iQ Coinshares Bitcoin Feeder ETF		BALANCE OF \$50,000* <sup>1, 2, 3, 4</sup> WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	\$0 if you are not an Authorised Participant; or \$200 if you are an Authorised Participant.	For every additional \$5,000 you put in, you will be charged: <b>\$0</b> if you are not an Authorised Participant; or <b>\$200</b> if you are an Authorised Participant
<b>PLUS</b> Management fees and costs	1.20% p.a. of NAV <sup>2</sup>	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment <b>\$600</b> in management fees and costs each year.
<b>PLUS</b> Performance fees	Nil	<b>And</b> , you will be charged or have deducted from your investment <b>\$0</b> in performance fees each year.
<b>PLUS</b> Transaction costs	Nil	<b>And</b> , you will be charged or have deducted from your investment <b>\$0</b> in transaction costs.
<b>EQUALS</b> Cost of the Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees and costs of: <ul style="list-style-type: none"> <li>• <b>\$600</b> if you are not an Authorised Participant; or</li> <li>• <b>\$800</b> if you are an Authorised Participant.</li> </ul> <b>What it costs you will depend on the fees you negotiate.</b>

\*Additional fees may apply.

<sup>1</sup> Please note the minimum investment in the Fund by an Authorised Participant is one Creation Unit, unless the Responsible Entity agrees otherwise.

<sup>2</sup> Assumes the maximum contribution fee set out above applies.

<sup>3</sup> Management costs are made up of indirect costs. The figure used for the management fees and costs in the example above reflects the Responsible Entity's reasonable estimate at the time of this PDS of the typical ongoing amounts. Certain additional costs may apply, such as any transaction costs. For more information, refer to "Management Costs" in the "Additional Explanation of Fees and Costs" section below.

<sup>4</sup> Assumes the \$50,000 is invested for the entire year and the \$5,000 investment occurs on the last day of the year.

### 4.4 Additional Explanation of Fees and Costs

#### Ongoing annual fees and costs

(1) **Management fees and costs**

Management fees and costs include indirect costs (the Investment Manager receives a fee from the Underlying Fund, as further described below).

The Fund does not pay a management fee to the Investment Manager.

The Responsible Entity's fee is estimated to be 0.05% per annum of the Fund's Net Asset Value. This amount is paid by the Investment Manager in accordance with the terms of the IMA (see section 7.3).

Normal operating expenses of the Fund will be paid for by the Investment Manager in accordance with the terms of the IMA (see section 7.3).

Indirect costs form part of management costs and include fees and expenses arising from any investment which qualifies as an interposed vehicle (e.g. any underlying fund that the Fund may invest in) and certain OTC derivative costs, where relevant. The Underlying Fund pays the Investment Manager an annual management fee of 1.00% of the net asset value of the Underlying Fund, calculated daily and payable monthly in arrears, plus applicable taxes. Expenses of the Underlying Fund are capped at 0.25% per annum of the Underlying Fund's NAV and any expenses in excess of this amount will be paid by the Investment Manager. The Investment Manager will reimburse the Underlying Fund up to 0.05% per annum of the NAV in respect of expenses of the Underlying Fund to effectively cap the cost of these fees and expenses to the Fund at 1.20% per annum of NAV. The fees for managing the Fund's investment will be accrued daily within the net asset value and reflected in the unit price of the Underlying Fund, in which the Fund invests.

The Fund's indirect costs are therefore estimated to be 1.20%, which is based on a 12 month estimate as the Fund has been recently established. The actual indirect costs payable (if any) will depend on the investments of the Fund and the indirect costs estimate provided may not be a reliable indicator of future indirect costs of the Fund.

(a) Normal operating expenses

We are entitled to charge to the Fund or be reimbursed from the Fund for any expenses incurred in the proper performance of our duties and obligations relating to the management and administration of the Fund. These costs may include items such as legal, audit, tax, registry, ASIC, ASX, administration, service provider fees, custody, market making and expenses for publishing this PDS.

There is no limit in the Constitution on the amount that can be recovered for expenses that are reasonably and properly incurred. However, as noted above, the Investment Manager will reimburse the Fund for normal operating expenses. Accordingly, the Fund's normal operating expenses are estimated to be 0%. The actual operating expenses payable by the Fund may differ in the future.

(b) Abnormal operating expenses

Abnormal operating expenses are not generally incurred during the day-to-day operation of a Fund and are not necessarily incurred in any given year. They are due to abnormal events like the cost of running an Investor meeting, or legal costs incurred by changes in the Constitution. The Constitution allows the Responsible Entity to charge these abnormal operating expenses as a cost that is additional to our management fees and recoverable normal operating expenses for the relevant year. We may charge these abnormal operating expenses incurred in any year without notice to Investors.

(c) Other indirect management costs

As at the date of this PDS, the Fund does not currently expect to incur indirect costs other than those mentioned above in respect of the Underlying Fund.

(d) Differential fees

We may negotiate a rebate of all or part of any directly charged fee with wholesale clients (as defined by the Corporations Act). The payment and terms of rebates or waivers are negotiated with wholesale clients but are ultimately at our discretion, subject to the Corporations Act and ASIC policy.

(2) **Transaction Costs**

In managing the investments of the Fund, Transaction Costs such as brokerage, settlement costs and clearing costs may be incurred in the Fund's investment portfolio, or when the Fund experiences cash flows in or out of it.

When the Fund incurs Transaction Costs from changing its investment portfolio, they are paid out of the Fund's assets and reflected in its Unit price.

To the extent that any Transaction Costs are incurred because Authorised Participants buy or sell Units, they are also paid from the Fund's assets, but they would be recovered from those transacting investors by the Buy Spread/Sell Spread allowances that are included in the calculation of the Fund's Application Price or Withdrawal Price, where relevant, as described under 'Buy Spread/Sell Spread' in this section 4. However, it is not expected that any Transaction Costs will be incurred and accordingly no Buy Spread or Sell Spread will be applied. The Responsible Entity reserves the ability introduce a Buy Spread or Sell Spread if Transaction Costs are incurred in the future and will notify Investors where this is the case.

Any net Transaction Costs after any Buy Spread/Sell Spread recoveries charged on Authorised Participants, are as shown in the 'Fees and costs summary' table in this section 4, and are a cost to all investors in the Fund.

Transaction Costs may vary from year to year without notice to Investors but for the current financial year are estimated to be nil.

The following ongoing annual transaction cost information for the Fund based on the most recently completed financial year can be obtained free of charge by contacting us:

- (a) estimated total gross Transaction Costs;
- (b) estimated Transaction Costs recovered by any Buy Spread/Sell Spread; and
- (c) estimated net Transaction Costs (if applicable) borne by all investors (the estimated percentage by which the Fund's investment return has been reduced by Transaction Costs not recovered by any Buy Spreads/Sell Spreads).

The Responsible Entity's reasonable estimate of gross Transaction Costs incurred by the Fund for the current financial year as at the date of this PDS is 0% p.a. of the NAV of the Fund. The dollar value of these net Transactional Costs over a 1 year period based on an average account balance of \$50,000 is \$0. However, such costs for future years may differ.

**Member activity related fees and costs**

(3) **Buy Spread/Sell Spread**

Where they apply, estimated Transaction Costs are allocated when an Authorised Participant buys or sells Units in the Fund by incorporating a Buy Spread/Sell Spread between the Fund's Application Price and Withdrawal Price, where applicable. This aims to ensure that other investors are not impacted by the Transaction Costs associated with a particular Authorised Participant buying or selling Units in the Fund. We have discretion to waive the Buy Spread/Sell Spread on applications or withdrawals where no Transaction Costs are incurred. However, it is not expected that any Transaction Costs will be incurred and accordingly no Buy Spread or Sell Spread will be applied. The Responsible Entity reserves the ability introduce a Buy Spread or Sell Spread if Transaction Costs are incurred in the future and will notify Investors where this is the case.



A Buy Spread/Sell Spread is an additional cost to Authorised Participants and will impact the return on their investment. The spread, if applicable, is based on our estimates of the average Transaction Costs incurred by the Fund. However, it is not a fee paid to us and is retained in the Fund to cover any actual Transaction Costs as they are incurred.

Estimated Transaction Costs, which are used to determine the Buy Spread/Sell Spread, are reviewed regularly. Consequently, while no Buy Spread/Sell Spread applies as at the date of this PDS, as shown in the 'Fees and costs summary' table in this section 4, this may change (and also, if introduced, increase or decrease) during the life of this PDS.

Details of the amount of any Buy Spread/Sell Spread for the Fund at any time (as amended) can be obtained free of charge by contacting us.

GST is not applicable to any Buy Spread/Sell Spread when you buy or sell Units in the Fund.

At the time of issue of this PDS, no Buy Spread/Sell Spread is applicable to the Fund.

(4) **Bid-offer spread**

Investors should note that any Buy Spread/Sell Spread is only directly applicable to Units applied for or redeemed by Authorised Participants directly with the Responsible Entity. However, investors buying and selling Units on the Securities Exchange may incur a bid-offer spread as is usually the case with on-market transactions.

For an investor that buys or sells Units on the Securities Exchange, the price at which they transact may vary from the NAV. The prices on the Securities Exchange are determined in the secondary market by market participants who set their own prices at which they wish to buy or sell Units in the Fund. Any difference, or spread, from the NAV may represent a cost, or possible benefit, of an investment in the Fund. Where the Responsible Entity buys or sells Units on the Securities Exchange, the price at which it buys or sells Units will generally include an allowance to cover transaction costs but will also reflect market conditions and supply and demand for Units during the trading day. As such, the cost of the spread on the Securities Exchange may be different to the cost of the 'buy spread' or 'sell spread' for Authorised Participants who apply or withdraw directly with the Responsible Entity. Where the Responsible Entity buys or sells Units the Fund retains the benefit of this spread.

**Further information about fees and costs**

(5) **Borrowing costs**

If the Fund incurs any incidental borrowing costs for short-term operation purposes, these costs may be paid out of the Fund's assets and reflected in its Unit price. Any borrowing costs are additional to the management fees and costs shown in the 'Fees and costs summary' table in this section 4.

(6) **Miscellaneous fees**

If we incur a fee because a cheque or direct debit for your investment in the Fund is dishonoured by your financial institution, the amount will be charged to your investment.

(7) **Maximum fees and charges**

The Constitution of the Fund permits higher fees to be charged as well as other fees which are not currently levied. The maximum management fee that may be paid by the Fund under the Constitution is 3.0% of the gross asset value of the Fund per annum.

All estimates of fees in this section are based on information available as at the date of this PDS.

(8) **Increases or alterations to our fees**

We may change our fees without your consent. However, we won't increase our management fees, or introduce any new fees, without giving you at least 30-days' written notice.

Management costs and transaction costs may vary each year without notice.

(9) **Can we charge fees not currently levied?**

The Fund's Constitution provides that we can charge the following fees in respect of Authorised Participants who apply for and redeem Units directly with the Fund:

<b>Fee</b>	<b>Description</b>	<b>Maximum Allowable</b>
Entry fee	The fee on each amount contributed to your investment.	5.0% of the Application Price.
Exit fee	The fee on each amount you take out of your investment.	5.0% of the proceeds of redemption of the Unit.

At the date of this PDS, we do not charge these fees. If we introduce them, we will give Investors 30 days written notice in advance.

To find out more or to receive a copy of the Fund's Constitution, please contact the Responsible Entity.

(10) **Tax**

Tax information, including GST, is set out in section 8. Unless otherwise stated, all fees and other costs disclosed in this PDS are inclusive of the net effect of GST.

(11) **Market making agent cost**

The market making agent appointed by the Responsible Entity will execute its market making activities to provide liquidity for the Units on the Securities Exchange and also to facilitate settlement. The market making agent will earn a fee as a result of these activities. This fee will be payable out of the Fund assets and will be subject to GST.

(12) **Brokerage fees for Investors**

Investors are likely to incur brokerage fees and charges from their stockbroker when buying and selling Units in the Fund via the Securities Exchange. Investors should consult their stockbroker for more information in relation to their fees and charges.

(13) **Commissions and soft dollar payments**

The Responsible Entity and the Investment Manager do not pay any fees or commissions to your financial adviser. However, your adviser may charge you certain fees for the services they provide to you. You should consult your statement of advice for further information.

No commissions are paid to any intermediaries.

(14) **Other benefits**

As a result of your investment in the Fund your intermediary may receive other non-monetary benefits (where allowed by law), which are not an additional cost to you.

(15) **Benefits received**

As a result of brokerage paid by the Fund, we may receive benefits such as investment research, which we may use for any investment purpose, including for the Fund.

## 5 Risks

Unitholders in the Fund face a number of investment risks. There are risks associated with any investment. Generally, the higher the expected return of an investment, the higher the risk and the greater the variability of returns.

The market price and Net Asset Value per Unit can fluctuate within a wide range. When considering an investment in the Fund, personal tolerance for fluctuating market values should be taken into account.

The most common risks associated with investing in the Fund are described below, but there could be other risks that affect the performance of the Fund. The discussion below is general in nature.

The Responsible Entity does not provide assurances or guarantees on future profitability, returns, distributions or return of capital. An investment in the Fund could lose money over short or long periods.

You should seek your own professional advice on the appropriateness of this investment to your circumstances. You should also consider how an investment in the Fund fits into your overall investment portfolio.

### 5.1 Risks relating to an investment in the Fund

#### (1) Investment Objective Risk

There is no guarantee that the Fund's investment objective will be achieved or that an investment in the Fund will earn any positive return in the short, medium or long-term.

#### (2) Concentration Risk

The Fund primarily holds shares in the Underlying Fund.

The Underlying Fund was created to invest in bitcoin and is not expected to have exposure to any other investments or assets. Other than cash or cash equivalents, the Underlying Fund will invest substantially all of its assets in bitcoin. The NAV per Unit for the Fund may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the NAV of the Units of the Fund.

#### (3) Derivatives Risk

The Fund does not intend to use derivatives. However, to the extent the Underlying Fund has exposure to derivatives, the Fund may be subject to derivatives risk indirectly via its holding of units in the Underlying Fund.

Although the Underlying Fund does not use derivatives as at the date of this PDS, the Underlying Fund may use derivative instruments from time to time as described under section 3.3(1). The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include:

- there is no guarantee that hedging to reduce risk will not result in a loss or that there will be a gain;
- there is no guarantee that a market will exist when the Underlying Fund wants to complete or settle the derivative contract, which could prevent the Underlying Fund from reducing a loss or making a profit;
- securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Underlying Fund from completing or settling the derivative contract;
- the Underlying Fund could experience a loss if the other party to the derivative contract is unable to fulfil its obligations;

- if the Underlying Fund has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Underlying Fund could experience a loss and, for an open futures or forward contract, a loss of margin deposited with that dealer; and
- if a derivative is based on a market index and trading is halted or disrupted on a substantial number of stocks or bonds in the index or there is a change in the composition of the index, there could be an adverse effect on the derivative.

Any of the above factors could cause the Underlying Fund to incur losses, suffer increased costs, fail to realise gains or fail to achieve a high correlation with the performance of the price of bitcoin.

The Investment Manager will aim to ensure that there is sufficient cash and other liquid assets available in the Underlying Fund at all times to meet any payment obligations under derivatives.

#### (4) **Market and Economic Risk**

Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment, the causes of which may include changes in governments or government policies, political unrest, wars, terrorism, pandemics and natural, nuclear and environmental disasters. The duration and potential impacts of such events can be highly unpredictable, which may give rise to increased and/or prolonged market volatility.

#### (5) **General Regulatory Risk**

This is the risk that a government or regulator may introduce regulatory and/or tax changes, or a court makes a decision regarding the interpretation of the law, which affects the value of the Units or the tax treatment of the Fund and its Unitholders.

The Fund may be affected by changes to legislation or government policy in Canada or Australia. These changes are monitored by the Responsible Entity and action is taken, where appropriate, to facilitate the achievement of the investment objective of the Fund. The Responsible Entity may not always be in a position to take such action.

#### (6) **Tax risk**

Taxation law is complex and subject to changes, possibly with retrospective effect.

As the circumstances of each investor are different, the Responsible Entity strongly recommends that investors obtain professional independent tax advice relating to the tax implications of investing in and dealing in Units.

Investors in the Fund should consider the Australian tax consequences of the ownership and disposition of Units. These and other taxation matters are dealt with in section 8 of this PDS.

#### (7) **Fund Risk**

There is a risk that the Fund could terminate, that fees and expenses could change or that the Responsible Entity may not be able to continue to act, for example if it loses its Australian financial services licence (in which case it could be replaced as the responsible entity of the Fund or the Fund could be wound up). Any replacement responsible entity might achieve different results for investors, positive or negative, than would otherwise be the case.

There is also a risk that investing in the Fund may give a different result than investing directly in the Underlying Fund or the constituents or assets that make up the Underlying Fund.

#### (8) **Underlying Fund Risk**

The Fund will predominantly implement its investment strategy by investing in the Underlying Fund. The Fund and Underlying Fund are managed and operated as separate entities. There is no guarantee that the Underlying Fund will continue to be managed in accordance with its current investment objective or remain open to investment in the future. Certain changes to the Underlying

Fund may be made without Unitholder approval. In addition, there is a risk that the fees and costs applicable to the Underlying Fund could change, or its investment manager could change and the Underlying Fund could terminate, resulting in changes to or termination of the Fund.

**(9) Operational Risk**

The day to day operations of the Fund may be adversely affected by circumstances beyond the reasonable control of the Responsible Entity or its service providers, such as failure of technology or infrastructure, or natural disasters. A breakdown in administrative procedures and risk control measures implemented by the Responsible Entity or its service providers may also adversely affect the operation and performance of the Fund.

**(10) Fund Trading Risk**

There is a risk that the value of the Units changes while investors are unable to trade during normal trading hours resulting in a loss of value to their investment.

In certain circumstances, the Securities Exchange may suspend trading of the Units and in that event Unitholders would not be able to buy or sell Units on the Securities Exchange. In these circumstances, the Responsible Entity may suspend the application and redemption process for Authorised Participants.

There may be other occasions where the Responsible Entity may suspend the application and redemption process, such as where other factors prevent the accurate calculation of Unit prices, such as the suspension or restriction of trading in units of the Underlying Fund held by the Fund. This may cause the Units to be suspended from trading on the Securities Exchange.

The Securities Exchange also imposes certain requirements for Units to continue to be quoted. The Responsible Entity will endeavour to meet these requirements at all times to ensure the Units remain quoted, although there can be no assurance that Units will remain quoted on the Securities Exchange. Under these circumstances, the Responsible Entity may take measures such as suspending the application and redemption process or potentially terminating the Fund.

**(11) Liquidity Risk**

Although the Units are quoted on the Securities Exchange under the Securities Exchange Rules there can be no assurances that there will be a liquid market for Units. The Responsible Entity has in place market making arrangements to assist in maintaining liquidity for the Fund on the Securities Exchange. The Responsible Entity cannot guarantee that a market maker will fulfil its obligations or that a market maker will continue to be appointed.

The market making arrangements agreed by the Responsible Entity with a market maker also specify certain permitted circumstances where the market making obligations may be suspended (such as operational disruptions, market disruptions or unusual conditions (including those which make the market maker's ability to perform the market making function impossible, impracticable or unduly onerous such as an unusually volatile or "fast market"), other events set out in the Securities Exchange Rules, the suspension or rejection of applications for Units or redemption requests, or the market maker not having ASIC relief to allow short selling of Units). If a market maker defaults on its obligations, the Responsible Entity may seek to replace the market maker, although the arrangements with the market maker may limit or exclude any liability on the part of the market maker. A market maker retains for its own account any trading profits and bears any losses generated by its market making activities.

**(12) Trading price of Units may differ from Net Asset Value per Unit**

As with any quoted managed fund, it is possible that the trading price of Units on the Securities Exchange may differ from the Net Asset Value per Unit. The trading price is dependent on a number of factors including the demand for and supply of Units, investor confidence, the availability of market maker services during the course of the trading day, the bid-offer spread charged by a market maker and how closely the value of the assets of the Fund tracks the performance of bitcoin. The trading price may be affected if there is a suspension of the application and redemption process. The application and redemption facility is designed to reduce the likelihood of Units trading at a significant

discount or premium to the Net Asset Value per Unit. If the application or redemption facility for the Fund is closed on a particular day, the trading price might diverge further from the Net Asset Value per Unit of the Fund.

If the trading of bitcoin which constitute the assets of the Underlying Fund is restricted, the Net Asset Value of the Fund may also be affected.

Periods of increased market volatility or disruptions to the market making function may result in wider bid-offer spreads for Units and trading prices that differ significantly from the Fund's Net Asset Value per Unit. This risk may be higher in the period shortly after the Securities Exchange opens for trading and near the close of trading. If an investor purchases Units at a time when the market price is at a premium to the Net Asset Value per Unit or sells at a time when the market price is at a discount to the Net Asset Value per Unit, then the investor may sustain losses. Investors should consider placing "limit orders" to reduce the risk of trading at unfavourable prices.

**(13) Settlement Risk**

The application and redemption processes associated with the issue or redemption of Units are subject to the normal settlement procedures through CHESSE. The Fund is exposed to some risk if an Authorised Participant or other market participant fails to comply with its settlement obligations. These risks are mitigated by the fact that Authorised Participants and other market participants are subject to usual CHESSE trading practices including sanctions for failure to comply with obligations. The Fund may also suffer loss if an Authorised Participant fails to deliver the application consideration for Units, or redeliver Units in relation to a redemption, by the settlement time and the Fund has entered into transactions in reliance on delivery occurring.

**(14) Counterparty Risk**

Counterparties used in connection with the Fund's investment activities may default on their obligations, for instance by failing to make a payment when due. This may be due to insolvency or other events of default. Such counterparties may include service providers and trading and derivatives counterparties, as well as the Fund's custodian. Default on the part of a counterparty could result in financial loss to the Fund.

**(15) Investment Manager Risk**

Unitholders will be dependent on the abilities of the Investment Manager to effectively implement the investment strategy of the Fund. No assurance can be given that the trading systems and strategies utilised by the Investment Manager will prove successful under all or any market conditions.

**(16) Cyber-Security Risk**

With the increased use of technologies such as the internet and other electronic media to conduct business, the Responsible Entity, the Fund and their service providers can be susceptible to information security and related risks including cyber-security attacks or incidents.

Cyber incidents can result from deliberate attacks or unintentional events, and include gaining unauthorised access to digital systems, networks or devices for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e. efforts to make network services unavailable to intended users).

Cyber-security breaches may cause disruptions to the Fund's operations, potentially resulting in financial loss.

**(17) U.S. Currency Exposure**

The Fund invests in units of the Underlying Fund which are denominated in U.S. dollars (TSX code: BTCQ.U) and the Fund does not hedge its currency exposure. Further, the functional and presentation currency of the Underlying Fund is U.S. dollars. The Underlying Fund will purchase bitcoin which is currently denominated in U.S. dollars and values its bitcoin in U.S. dollars.

There is a risk that unfavourable fluctuations in the value of the Australian dollar relative to the U.S. dollar will adversely affect the value of the Fund measured in Australian dollars. A rise in the value of the Australian dollar relative to the U.S. dollar could decrease the value of the Units and any income received by the Fund.

(18) The Securities Exchange **trading time differences**

Units are only able to be traded during the Securities Exchange trading hours. Market factors could adversely impact the value of the Fund while the Securities Exchange is closed for trading. This could result in substantial losses due to being unable to trade until the Securities Exchange re-opens.

(19) **COVID-19 Outbreak**

The novel coronavirus (COVID-19) outbreak was characterized as a pandemic by the World Health Organization on March 11, 2020. The outbreak has spread throughout the world, causing companies and various governments to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and the measures taken by companies and governments to combat the coronavirus negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of bitcoin.

At this point, the extent to which the coronavirus may impact, or may continue to impact, the market price of bitcoin and, in turn, the market price of the Units, is uncertain and cannot be predicted, however, there is a risk that it will create volatility in the price of bitcoin which could adversely affect the NAV of the Units.

## 5.2 Risks Specific to the Underlying Fund

(1) **SOC 2 Type 2 Report of Gemini - Audit risk**

Gemini has advised 3iQ that a SOC 2 Type 2 Report of its internal controls will be available for review by the auditor of the Underlying Fund in connection with the audit of the annual financial statements of the Underlying Fund. While the SOC 2 Type 2 Reports have been available and received in the past, there is a risk that such SOC 2 Type 2 Report of Gemini will not be available in the future.

In the event that the auditor of the Underlying Fund cannot: (i) review a SOC 2 Type 2 Report of Gemini; or (ii) test the internal controls of Gemini directly in connection with its audit of the Underlying Fund's annual financial statements, the auditor would not be able to complete its audit of the annual financial statements of the Underlying Fund in accordance with the current guidance of the Canadian Public Accountability Board.

### ***Risks Associated with Investing in Bitcoin***

(2) **Cryptocurrency Risk**

Cryptocurrency (notably, bitcoin), often referred to as 'virtual currency' or 'digital currency', operates as a decentralised, peer-to-peer financial exchange and value storage that is used like money. Cryptocurrency operates without the oversight of a central authority or the banks and is not backed by any government. Even indirectly, cryptocurrencies (i.e. bitcoin) may experience high volatility and related investment vehicles may be affected by such volatility. Funds holding cryptocurrency may also trade at a significant premium to net asset value. Cryptocurrency is not legal tender and hence, federal or state governments may restrict the use and exchange of cryptocurrency. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware which could have an adverse impact on the NAV of the Units.

(3) **Short History Risk**

Due to bitcoin's short history of only 13 years, it is not clear how all elements of Bitcoin will unfold over time, specifically with regard to governance between miners, developers and users, as well as the long-term security model as the rate of inflation of bitcoin decreases. Since the Bitcoin community has successfully navigated a considerable number of technical and political challenges



since its inception, the Investment Manager believes that it will continue to engineer its way around future challenges. The history of open source software development would indicate that vibrant communities are able to change the software under development at a pace sufficient to stay relevant. That said, the continuation of such vibrant communities is not guaranteed, and insufficient software development or any other unforeseen challenges that the community is not able to navigate could have an adverse impact on the NAV of the Units.

#### **(4) Limited History of the Bitcoin Market**

Bitcoin is a new technological innovation with a limited history. There is no assurance that usage of bitcoin and its blockchain will continue to grow. A contraction in use of bitcoin or its blockchain may result in increased volatility or a reduction in the price of bitcoin, which could adversely impact the NAV of the Units.

#### **(5) Volatility in the Price of Bitcoin**

The investment performance of bitcoin can be highly volatile and there is a risk that bitcoin could have little to no value in the future.

The bitcoin markets are sensitive to new developments, and since volumes are still maturing, any significant changes in market sentiment (by way of sensationalism in the media or otherwise) can induce large swings in volume and subsequent price changes. Such volatility can adversely affect the NAV of the Units.

The price of bitcoin on public bitcoin trading platforms has a limited history. Bitcoin prices on the bitcoin trading platforms as a whole have been volatile and subject to influence by many factors including the levels of liquidity on bitcoin trading platforms. Bitcoin trading platforms are subject to operational interruption, limiting the liquidity of bitcoin on the bitcoin trading platform market and resulting in volatile prices and a reduction in confidence in the Bitcoin Network and the bitcoin trading platform market generally.

It is possible that another digital asset could become materially popular than bitcoin. If a digital asset obtains significant market share (either in market capitalisation, mining power or use as a payment technology), this could reduce bitcoin's market share and have a negative impact on the demand for, and price of, bitcoin and thereby adversely affect the NAV of the Units.

#### **(6) Potential Decrease in Global Demand for Bitcoin**

As a currency bitcoin must serve as a means of exchange, store of value, and unit of account. If consumers stop using bitcoin as a means of exchange, or its adoption therein slows, then bitcoin's price may suffer, adversely affecting the Underlying Fund.

Investors should be aware that there is no assurance that bitcoin will maintain its long-term value in terms of purchasing power in the future or that the acceptance of bitcoin for payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of bitcoin declines, the Investment Manager expects the NAV of the Units to decline proportionately.

A significant portion of bitcoin demand is generated by speculators and investors seeking to profit from the short- or long-term holding of bitcoin. Price volatility undermines bitcoin's role as a medium of exchange as retailers are much less likely to accept it as a form of payment. Market capitalization for bitcoin therefore, as a medium of exchange and payment method, may continue to be low. A lack of expansion by bitcoin into retail and commercial markets, or a contraction of such use, may result in increased volatility which could adversely impact the NAV of the Units. The Investment Manager believes that, like any commodity, bitcoin will fluctuate in value, but over time will gain a level of acceptance as a store of value, similar to precious metals.

#### **(7) Financial Institutions may refuse to Support Transactions involving Bitcoin**

In the uncertain regulatory climate for cryptoassets, including bitcoin, Canadian or Australian regulated financial institutions may cease to support transactions involving cryptoassets, including the

receipt of cash proceeds from sales of cryptoassets. Should this occur, the Underlying Fund would be unable to pay out redemption proceeds within the relevant timeframes.

**(8) Limited Insurance**

Neither the Underlying Fund nor its custodian will maintain insurance against risk of loss of bitcoin held by the Underlying Fund.

The Underlying Fund's bitcoins are held by Gemini offline in "cold storage". Gemini currently maintains \$200 million in specie coverage for digital assets held in Gemini's cold storage system. The amounts and continuing availability of this coverage are subject to change at Gemini's sole discretion. Digital assets held in cold storage are also protected by Gemini's security measures, which reflect best practices in the payment industry generally and in the cryptoasset space in particular. The Underlying Fund's bitcoins may also be temporarily held online in a Gemini "hot wallet". Gemini maintains separate commercial crime insurance coverage for digital assets custodied in its "hot wallet". As at the date of this PDS, Gemini has never experienced a loss due to unauthorised access from its hot wallet or the cold storage vaults where the Underlying Fund's bitcoin is custodied.

**(9) Underlying Value Risk**

Bitcoin represents a new form of digital value that is still being digested by society. Its underlying value is driven by its utility as a store of value, means of exchange, and unit of account, and the demand for bitcoin within those use cases. Just as oil is priced by the supply and demand of global markets, as a function of its utility to, for instance, power machines and create plastics, so too is bitcoin priced by the supply and demand of global markets for its own utility within remittances, B2B payments, time-stamping, etc.

If these means of valuing bitcoin prove to be fundamentally flawed, then the market may undergo a repricing of bitcoin, which could have an adverse impact on the NAV of the Units.

**(10) Top Bitcoin Holders Control a Significant Percentage of the Outstanding Bitcoin**

The top 115 bitcoin addresses hold roughly 16% of the bitcoin currently outstanding. While this concentration has decreased significantly over the years it is still concentrated. If one of these top holders were to exit their bitcoin position it could cause volatility that may adversely affect the NAV of the Units.

**(11) Regulation of Bitcoin**

Due to bitcoin's short history, and its emergence as a new asset class, regulation of bitcoin is still a work in progress.

The Investment Manager believes that the bitcoin regulatory situation will continue to evolve to allow for innovation while also protecting consumers. Regulators worldwide are increasingly recognising the powerful innovation of bitcoin and blockchain technology, and therefore the Investment Manager believes that it is unlikely that a hostile regulatory environment will develop. However, if a hostile regulatory environment were to emerge against bitcoin, it may restrict the use of bitcoin or otherwise impact the demand for bitcoin which would have an adverse impact on the NAV of the Units.

**(12) Custody Risk, Including Loss of "Private Keys"**

As described in section 3.7, Gemini has been engaged as sub-custodian of the Underlying Fund in respect of the Underlying Fund's holdings of bitcoin private keys (the numerical codes required by the Underlying Fund to access its bitcoin). The keys that Gemini will hold for the Underlying Fund will be stored offline in cold storage and will only enter "hot" storage in the case of deposits and redemptions, meaning that the bitcoin will only be in "hot" storage for a temporary period.

During the periods that the keys enter "hot" storage and are in a system connected to the internet they become more susceptible to unauthorized access, hacks and other vulnerabilities which increases the risks that the keys may be lost, stolen or destroyed in a cyber attack. The risk of

physical loss, theft or destruction is also present while keys are in cold storage but can be appropriately mitigated by the security arrangements described in section 3.7.

The loss, theft or destruction of private keys could prevent the Underlying Fund from accessing its bitcoin. Loss, theft or destruction of these private keys may be irreversible and could result in the loss of all or substantially all of an investment in the Underlying Fund.

**(13) Bitcoin May Become Illiquid**

The Underlying Fund may not always be able to liquidate its bitcoin at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on bitcoin trading platforms. Unexpected market illiquidity may cause major losses to the holders of bitcoin. The large size of bitcoin that the Underlying Fund may acquire increases the risks of illiquidity by both making its bitcoin difficult to liquidate and in liquidating, the Underlying Fund may affect bitcoin's price significantly.

**(14) Improper Transfers**

Bitcoin transfers are irreversible. An improper transfer (whereby bitcoin is accidentally sent to the wrong recipient), whether accidental or resulting from theft, can only be undone by the receiver of the bitcoin agreeing to send the bitcoin back to the original sender in a separate subsequent transaction. To the extent the Underlying Fund erroneously transfers, whether accidental or otherwise, bitcoin in incorrect amounts or to the wrong recipients, the Underlying Fund may be unable to recover the bitcoin, which could adversely affect an investment in the Units.

***Risks associated with the Bitcoin Network***

**(15) Dependence on Bitcoin Developers**

While many contributors to Bitcoin's software are employed by companies in the industry, most of them are not directly compensated for helping to maintain the protocol. As a result, there are no contracts or guarantees that they will continue to contribute to Bitcoin's software.

**(16) Issues with the Cryptography Underlying the Bitcoin Network**

Although the Bitcoin Network is the most established digital asset network, the Bitcoin Network and other cryptographic and algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of factors that are difficult to evaluate. In the past, flaws in the source code for digital assets have been exposed and exploited, including flaws that disabled some functionality for users, exposed users' personal information and/or resulted in the theft of users' digital assets. The cryptography underlying bitcoin could prove to be flawed or ineffective, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in such cryptography becoming ineffective. In any of these circumstances, a malicious actor may be able to take the Underlying Fund's bitcoin, which would adversely affect an investment in the Units. Moreover, functionality of the Bitcoin Network may be negatively affected such that it is no longer attractive to users, thereby dampening demand for bitcoin. Even if another digital asset other than bitcoin were affected by similar circumstances, any reduction in confidence in the source code or cryptography underlying digital assets generally could negatively affect the demand for digital assets and therefore adversely affect an investment in the Units.

**(17) Disputes on the development of the Bitcoin Network may lead to delays in the development of the network**

There can be disputes between contributors on the best paths forward in building and maintaining Bitcoin's software. Furthermore, the miners supporting the network and companies using it can disagree with the contributors as well, creating greater debate. Therefore, the bitcoin community often iterates slowly upon contentious protocol issues, which many perceive as prudently conservative, while others worry that it inhibits innovation.

**(18) Significant increase in Bitcoin Interest could affect the ability of the Bitcoin Network to accommodate demand**

One of the most contentious issues within the bitcoin community has been around how to scale the network as user demand continues to rise. The debate goes back to the earliest days of bitcoin. There are many possible solutions, and most of them boil down to different ideologies on how bitcoin should be used. However, it will be important for the community to continue to develop at a pace that meets the demand for transacting in bitcoin, otherwise users may become frustrated and lose faith in the network which would have an adverse impact on the NAV of the Units.

(19) **Bitcoin's Blockchain may Temporarily or Permanently Fork and/or Split**

The Bitcoin software and protocol are open source. When a modification is released by the developers and a substantial majority of miners consent to the modification, the change is implemented and the Bitcoin Network continues uninterrupted. However, if a change were activated with less than a substantial majority consenting to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "hard fork" (i.e. a split) of the Bitcoin Network (and the blockchain). One blockchain would be maintained by the pre-modified software and the other by the post-modification software. The effect is that both blockchain algorithms would be running parallel to one another, but each would be building an independent blockchain with independent native assets (e.g., bitcoin 1 and bitcoin 2).

Although forks are likely to be addressed by a community-led effort to merge the two groups, such a fork could adversely affect bitcoin's viability. There is a precedent for this occurring, as witnessed with two bitcoin hard forks in 2017. Following long-term debate on how to scale the Bitcoin Network's transaction capacity, on August 1, 2017 the digital currency forked into Bitcoin Classic (BTC) and Bitcoin Cash (BCH). On October 24, 2017, bitcoin further forked to create Bitcoin Gold (BTG). Bitcoin Classic, Bitcoin Cash, and Bitcoin Gold continue to exist today, and though their combined value exceeds the value of the network prior to the fork, future forking events could prove substantially more detrimental to the value of the Bitcoin Network.

In the event that a fork in the Bitcoin blockchain results in: (i) issuance to the Underlying Fund of an additional cryptoasset alongside the bitcoin held by the Underlying Fund; or (ii) a choice to keep the existing bitcoin or exchange or replace it with a different cryptoasset, the Investment Manager will make the investment decision that it believes is in the best interest of the Underlying Fund and the Unitholders at the time.

The Sub-Custodian Agreement provides that the Sub-Custodian will support the forked network that requires the greatest total threshold number of hash attempts to mine all existing blocks measured during the 48-hour period following the fork, subject to its ability to, under certain circumstances and in consultation with the New York State Department of Financial Services and its licensing partners, make a good faith determination as to the forked network that is most likely to be supported by the greatest number of users and miners and support that network. The Sub-Custodian may, in its discretion, choose to not support the forked network, in which case the Sub-Custodian may abandon the Fork Asset (as defined below), retain the Fork Asset for itself or allow a one-time withdrawal of the Fork Asset by the Underlying Fund. The Sub-Custodian may also choose to support the forked network.

It is ultimately an investment decision of the Investment Manager to determine how the Underlying Fund will deal with a fork in the Bitcoin blockchain. There will likely be many factors relevant to such decision, including the value and liquidity of the new/replacement asset (the "**Fork Asset**") and whether a disposition of such Fork Asset would trigger a taxable event for the Underlying Fund. As such, if it was in the best interest of the Underlying Fund to receive a Fork Asset or otherwise participate in a fork in the Bitcoin blockchain that is not supported by the Sub-Custodian, the Investment Manager could instruct the Custodian to move the Underlying Fund's bitcoin from the Sub-Custodian to an account with another sub-custodian which would support such fork.

The Investment Manager will consult with the auditor of the Underlying Fund to ensure that all Fork Assets held by the Underlying Fund are properly valued in accordance with International Financial Reporting Standards for the purpose of calculating the NAV of the Underlying Fund. The Investment Manager has confirmed with the auditor of the Underlying Fund that in the event of a fork or split of the Bitcoin blockchain (or the blockchain of another Fork Asset held by the Underlying Fund), the Underlying Fund would not be required to reflect ownership of any resulting Fork Asset on its financial statements until such asset is released by the Sub-Custodian (or the relevant Fork Asset custodian) into the Underlying Fund's account.

The Investment Manager will ensure that redeeming Unitholders receive the appropriate redemption price for their Units of the Underlying Fund, including in circumstances where a Fork Asset held by the Underlying Fund cannot be liquidated due to restrictions imposed by the custodian of the Fork Asset or other market forces.

**(20) Dependence on the internet**

Bitcoin miners (and full nodes) relay transactions to one another via the internet, and when blocks are mined they are also forwarded via the internet. Companies access Bitcoin's blockchain via the internet, and most customers access these companies via the internet. Thus, the entire system is dependent upon the continued functioning of the internet.

**(21) Risk if Entity Gains a 51% Share of the Bitcoin Network**

If an entity gains controls over 51% of the compute power (hash rate) the entity could use its majority share to double spend bitcoin. Essentially, the entity would send bitcoin to one recipient, which is confirmed in the existing blockchain, while also creating a shadow blockchain that sends that same bitcoin to another entity under its control. After a period of time, the entity will release its hidden blockchain and reverse previously confirmed transactions, and due to the way mining works, that new blockchain will become the record of truth. This would significantly erode trust in the Bitcoin Network to store value and serve as a means of exchange which may significantly decrease the value of the bitcoin and in turn the NAV of the Units.

**(22) Possible Increase in Transaction Fees**

Bitcoin miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners confirm transactions by adding previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees because miners have very low marginal cost of validating unconfirmed transactions. If miners collude in an anticompetitive manner to reject low transaction fees, then bitcoin users could be forced to pay higher fees, thus reducing the attractiveness of the Bitcoin Network. Bitcoin mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely impact the NAV of the Units.

**(23) Attacks on the Bitcoin Network**

The Bitcoin Network is periodically subject to distributed denial of service attacks to clog the list of transactions being tabulated by miners, which can slow the confirmation of authentic transactions. Another avenue of attack would be if a large number of miners were taken offline then it could take some time before the difficulty of the mining process algorithmically adjusts, which would stall block creation time and therefore transaction confirmation time. So far these scenarios have not plagued the network for long or in a systemic manner.

**(24) Decrease in Block Reward**

The block reward will decrease over time. On May 11, 2020, the block reward reduced from 12.5 to 6.25 bitcoin. The block reward will decrease to 3.125 bitcoin in 2024. As the block reward continues to decrease over time, the mining incentive structure will transition to a higher reliance on transaction verification fees in order to incentivize miners to continue to dedicate processing power to the blockchain. If transaction verification fees become too high, the marketplace may be reluctant to use bitcoin. Decreased demand for bitcoin may adversely affect the NAV of the Units.

**(25) Competitors to Bitcoin**

To the extent a competitor to bitcoin gains popularity and greater market share, the use and price of bitcoin could be negatively impacted, which may adversely affect an investment in units of the Underlying Fund. Similarly, bitcoin and the price of bitcoin could be negatively impacted by competition from incumbents in the credit card and payments industries, which may adversely affect the NAV of the Units.

**(26) Significant Energy Consumption to run the Bitcoin Network and environmental impact**

Because of the significant computing power required to mine bitcoin and the potential harm to the environment from carbon dioxide emissions generated from bitcoin mining, the network's energy consumption as a whole may ultimately be deemed to be or indeed become unsustainable (barring improvements in efficiency which could be designed for the protocol). This could lead to increased regulation or negative market sentiment and pose a risk to broader and sustained acceptance of the network as a peer-to-peer transactional platform.

***Risks Associated with Bitcoin Trading Platforms***

**(27) Regulation of Bitcoin Trading Platforms**

Bitcoin trading platforms are spot markets in which bitcoin can be exchanged for U.S. dollars. Bitcoin trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Australia, Canada, the United States or other global jurisdictions. The Investment Manager seeks to ensure that the bitcoin trading platforms on which the Underlying Fund transacts are reputable, stable and in compliance with AML Regulation.

**(28) Limited Operating History of Bitcoin Trading Platforms**

Bitcoin trading platforms have a limited operating history. Since 2009 several bitcoin trading platforms have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks. In many of these instances, the customers of such trading platforms were not compensated or made whole for the partial or complete loss of funds held at bitcoin trading platforms. The potential for instability of bitcoin trading platforms and the closure or temporary shutdown of bitcoin trading platforms due to fraud, business failure, hackers, distributed denial of service attacks or malware or government-mandated regulation may reduce confidence in bitcoin, which may adversely affect the NAV of the Units.

**(29) Closure of Bitcoin Trading Platform(s)**

Since 2013, a number of bitcoin trading platforms have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such bitcoin trading platforms were not compensated or made whole for the partial or complete losses of their account balances in such bitcoin trading platforms. While smaller bitcoin trading platforms are less likely to have the infrastructure and capitalization that make larger bitcoin trading platforms more stable, larger bitcoin trading platforms are more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems).

**(30) Hacking of Bitcoin Trading Platforms May Have a Negative Impact on Perception of the Security of the Bitcoin Network**

While Bitcoin's blockchain has never been compromised by hackers, bitcoin trading platforms frequently have. Bitcoin trading platforms that adhere to best practices are insured, and most of these have not been hacked, or if they have the loss has been minimal. Although there is ample evidence which indicates that almost all of the economic trading volumes in bitcoin occur on the top ten global trading platforms, many of which are regulated by the New York State Department of Financial Services, carry insurance for their hot wallet assets, such bitcoin trading platforms, or other, smaller or less reputable bitcoin trading platforms, may get hacked.

Bitcoin's price is at risk if a platform is hacked as it can shake consumer confidence for those that do not understand the difference between a weakness in the platform versus a weakness in bitcoin and its blockchain.

**(31) Different Prices of Bitcoin on the Bitcoin Trading Platforms May Adversely Affect the NAV of the Units**

Most platforms operate as isolated pools of liquidity, and so when demand spikes for a specific platform the market price for bitcoin on that platform can also spike, making it trade at a premium to

other platforms. This tendency is common geographically, with Chinese platforms frequently trading at a premium to platforms in Europe or America.

**(32) Liquidity Constraints on Bitcoin Markets may Impact the Underlying Fund's Holdings**

While the liquidity and traded volume of bitcoin are continually growing, they are still maturing assets. The Underlying Fund may not always be able to acquire or liquidate its assets at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on cryptoasset exchanges. When transacting in the cryptoasset markets, the Underlying Fund will be competing for liquidity with other large investors, including speculators, miners and other investment funds and institutional investors.

Unexpected market illiquidity, and other conditions beyond the Investment Manager's control, may cause major losses to the holders of a cryptoasset, including bitcoin. The large position in bitcoin that the Underlying Fund may acquire increases the risks of illiquidity by making its bitcoin difficult to liquidate. In addition, liquidation of significant amounts of bitcoin by the Underlying Fund may impact the market price of bitcoin.

**(33) Risk of Manipulation on Bitcoin Trading Platforms**

Bitcoin trading platforms are spot markets in which bitcoin can be exchanged for U.S. dollars. Bitcoin trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions.

Some bitcoin trading platforms have been known to permit and/or report artificially high order volumes and/or trading volumes. Bitcoin trading platforms are not required to adopt policies and procedures for the purpose detecting and preventing manipulative and deceptive trading activities and, in the event that manipulative and deceptive trading activities are detected, bitcoin trading platforms may not have procedures for, or jurisdiction to, sanction or otherwise deter such activities and/or to detect, investigate and prosecute fraud.

The Investment Manager seeks to ensure that the bitcoin trading platforms on which the Underlying Fund transacts are reputable, stable and in compliance with AML Regulation.

**(34) Settlement of Transactions on the Bitcoin Network**

There is no central clearing house for cash-to-bitcoin transactions. Current practice is for the purchaser of bitcoin to send fiat currency to a bank account designated by the seller, and for the seller to broadcast the transfer of bitcoin to the purchaser's public bitcoin address upon receipt of the cash. The purchaser and seller monitor the transfer with a transaction identification number that is available immediately upon transfer and is expected to be included in the next block confirmation. When the Underlying Fund purchases bitcoin from a Bitcoin Source, there is a risk that the Bitcoin Source will not initiate the transfer on the Bitcoin network upon receipt of cash from the Underlying Fund, or that the bank where the Bitcoin Source's account is located will not credit the incoming cash from the Underlying Fund for the account of the Bitcoin Source. The Investment Manager mitigates this risk by transacting with Bitcoin Sources that have undergone due diligence and by confirming the solvency of the Bitcoin Source and the bank designated by each Bitcoin Source based on publicly available information.

## 6 How to buy and sell Units

**This section provides a summary of the creation and redemption process that applies to transactions between the Fund and Authorised Participants only. Subject to sections Error! Reference source not found. and 7.6(1), the procedures do not apply to Securities Exchange Investors who may buy and sell Units by trading on the Securities Exchange through a stockbroker or via a financial adviser.**

**Only Authorised Participants may apply for Units directly through this PDS.**

Prior to being issued Units, an Authorised Participant must execute an Authorised Participant Agreement that deals with, amongst other things, the rights and obligations of the Authorised Participant in relation to applying for Units. See section 7.5 for further information about the Authorised Participant Agreement.

To effect an application or redemption, Authorised Participants must complete an Application Form or Redemption Form in the form approved by the Responsible Entity by contacting Mainstream on 1300 133 451 (or +61 2 8259 8888 from outside Australia).

Applications for, and redemptions of, Units will be settled through the CHESS system.

### 6.1 Creation and redemption

The issuing of Units is known as a 'creation'. When Units are redeemed at the request of the Authorised Participant this is known as a 'redemption'. Authorised Participants can apply to create or redeem Units based on the NAV of the Units at the end of the relevant Business Day.

Securities Exchange Investors can trade generally throughout each Securities Exchange Business Day at trading prices quoted on the Securities Exchange.

### 6.2 Minimum applications and redemptions for an Authorised Participant

The minimum application and redemption amount is one Creation Unit, unless otherwise agreed with the Responsible Entity. The number of Units that constitute a Creation Unit for the Fund is determined by the Responsible Entity and notified to Authorised Participants.

Applications and redemptions must be for whole multiples of Creation Units, unless otherwise agreed with the Responsible Entity.

### 6.3 Processing of applications and redemptions

Application/Redemption forms received from Authorised Participants before the Dealing Deadline on a Securities Exchange Business Day are processed at the Application Price/Withdrawal Price (being the Net Asset Value per Unit) for the Fund applicable to that day.

Application/Redemption forms received from Authorised Participants on or after the Dealing Deadline on a Securities Exchange Business Day, or on a non-Securities Exchange Business Day, will be treated as being received on the next Securities Exchange Business Day.

### 6.4 Applications and redemptions

For applications, Authorised Participants must deliver to the Responsible Entity or custodian a cash amount equal to the Application Price for the relevant Units (plus the application fee). In return, they will receive the relevant Units.

For redemptions, Authorised Participants will receive cash equal to the Withdrawal Price for the relevant Units (less the redemption fee).

Units will generally be issued on the Securities Exchange Business Day after the trade date and quoted with effect from the settlement of the issue of the relevant Units through CHESS.



By signing an Authorised Participant Agreement, an Authorised Participant agrees to be bound by certain execution and settlement procedures in relation to applications for and redemptions of Units which are set out in the Authorised Participant Agreement. Settlement failure procedures apply if an Authorised Participant does not comply with its obligations under the procedures. The procedures allow the Responsible Entity to cancel an application or redemption in certain circumstances and to take certain other action. The Responsible Entity may also reject any application in whole or in part at any time, without giving reasons.

## 6.5 Suspensions of applications and redemptions

There may be occasions where the Responsible Entity may suspend the issue of Units or delay or reject redemption requests. This may occur, for example, in circumstances such as adverse market conditions where the Responsible Entity cannot accurately determine the NAV per Unit. The Responsible Entity will advise Authorised Participants of any suspension of application or delay or rejection of redemptions.

## 6.6 Valuations and pricing

The amount per Unit payable by an Authorised Participant upon an application for Units is known as the Application Price, and is equal to the Net Asset Value per Unit.

The amount per Unit to which an Authorised Participant is entitled on the redemption of Units is known as the Withdrawal Price, and is equal to the Net Asset Value per Unit.

The Application Price and the Withdrawal Price are calculated in the same manner and will have the same value at any time. This value is determined by dividing the Net Asset Value of the Fund by the number of Units on issue in the Fund at the time the Application Price and/or Withdrawal Price are determined (the valuation time).

The NAV of the Fund on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund. The NAV will be calculated using the fair value of the Fund's assets and liabilities.

The valuation time for the Fund is generally 8.00am (Sydney Time) on each Securities Exchange Business Day. As the Fund will primarily hold units in the Underlying Fund, the value of the investment in the Underlying Fund is based on the Underlying Fund's net asset value (**Underlying Fund NAV**) at the close of trading on TSX, being 4.00pm (ET). The Underlying Fund NAV on a particular date will be equal to the aggregate value of the assets of the Underlying Fund attributable less the aggregate value of the liabilities of the Underlying Fund, expressed in US dollars at the applicable exchange rate on such date. The Underlying Fund NAV will be calculated using the fair value of the Underlying Fund's assets and liabilities, with the value of the bitcoin held by the Underlying Fund based on the MVIS® CryptoCompare Bitcoin Benchmark Rate Index as described in section 3.6. The Underlying Fund NAV per unit on any day will be obtained by dividing the Underlying Fund NAV on such day by the number of units then outstanding. The Underlying Fund NAV is then converted to Australian dollars based on the relevant exchange rate quoted by an independent pricing provider for that day and will be published at [www.3iQ-au.com](http://www.3iQ-au.com) the next Securities Exchange Business Day.

Details of the daily Net Asset Value per Unit (and hence the Application Price and Withdrawal Price), the daily net asset value of the Underlying Fund, the daily price of units in the Underlying Fund, and a link to the MVIBBR will be made available on the website for the Fund at [www.3iQ-au.com](http://www.3iQ-au.com).

## 6.7 Redemption by members who are not Authorised Participants in exceptional circumstances

For the purposes of ASIC's Class Order relief (CO 13/721) discussed in section 7.6 (and for so long as the Responsible Entity is permitted to rely on it), except in exceptional circumstances, only Authorised Participants may withdraw from the Fund, but other Unitholders may sell their Units on the Securities Exchange.

However, if the Units are suspended from trading on the Securities Exchange for more than 5 consecutive trading days, investors will have the right to withdraw from the Fund and receive

payment for their interests in money within a reasonable time of request unless any of the following apply:

- the Fund is being wound-up;
- the Fund is not liquid as defined in subsection 601KA(4) of the Corporations Act; or
- the Responsible Entity has suspended the redemption of Units in the Fund in accordance with the Constitution.

In the event that such a redemption occurs, any redemption fee per Unit payable by Unitholders who are not Authorised Participants will not be greater than the redemption fee per Unit that would generally be payable by an Authorised Participant.

## 7 Additional Information

### 7.1 The role of certain entities in regard to the Fund

There are a number of parties, in addition to the Responsible Entity, involved in the ongoing operation and administration of the Fund or who otherwise provide services in connection with the Fund:

#### (1) Investment Manager

The Investment Manager is appointed under the Investment Management Agreement and is responsible for making investment decisions for the Fund. For a summary of the Investment Management Agreement see section 7.3.

#### (2) Custodian

The custodian provides custodial services to the Responsible Entity, including holding the assets of the Fund. The custodian may, from time to time, appoint sub-custodians. The custodian has a limited role and has no obligation to monitor whether the Responsible Entity is complying with its obligations as responsible entity of the Fund.

Mainstream Fund Services Pty Limited (“**Mainstream**”) is the custodian of the assets of the Fund, pursuant to the Custody and Fund Administration Agreement.

Mainstream, in carrying out its duties concerning the safekeeping of, and dealing with, the portfolio assets of the Fund, is required to exercise the degree of skill and care reasonably expected from a skilled and experienced professional engaged to provide the same or similar services.

#### (3) Administrator

The Responsible Entity has engaged Mainstream to provide certain administrative services to the Fund including fund accounting, maintenance of books and records, calculating the NAV and the NAV per Unit, calculating the Application Price and Withdrawal Price, and taxation and other services pursuant to the Custody and Fund Administration Agreement.

#### (4) Registrar

As for any quoted security, the role of the Registrar is to keep a record of the Unitholders in the Fund. This includes details such as the quantity of Units held and tax file numbers (if provided).

As of the date of this PDS, the Registrar for Units for the Fund is Mainstream pursuant to the Custody and Fund Administration Agreement.

#### (5) Market maker

The role of a market maker is to provide liquidity in the market for Units and to satisfy supply and demand for Units. They do this by:

- subject to certain conditions, providing liquidity to the market through acting as the buyer and seller of Units during a significant part of the trading day; and
- creating and redeeming Units in the primary market pursuant to this PDS, which helps to ensure the number of Units on issue matches supply and demand.

The Responsible Entity seeks to appoint market making firms:

- that have experience in making markets in exchange-traded securities both in Australia and internationally;
- that have the necessary skill and expertise to perform market making functions; and

- that are Cboe trading participants (or trade through a Cboe trading participant).

To qualify for admission as a Cboe trading participant, a firm must meet admission requirements set out in the Securities Exchange Operating Rules, which require the firm to hold an Australian financial services licence that authorises it to carry on its business as a market participant and to satisfy the Securities Exchange Operator of various matters including organisational competence and business integrity.

Information about the market maker(s) selected by the Responsible Entity from time to time can be obtained by contacting the Responsible Entity.

Under the Market Maker Deed entered into with the Responsible Entity, the market maker will use reasonable endeavours to provide continuous two-way quotes for the Units based on the NAV per Unit and taking into account any applicable transaction costs.

The arrangements with the market maker specify certain permitted circumstances where the market making obligations may be suspended (such as operational disruptions, market disruptions or unusual conditions (including those which make the market maker's ability to perform the market making function impossible, impracticable or unduly onerous such as an unusually volatile or "fast market"), other events set out in the Securities Exchange Rules, the suspension or rejection of applications for Units or redemption requests, or the market maker not having ASIC relief to allow short selling of Units).

If a market maker defaults on its obligations, the Responsible Entity may seek to replace the market maker, although the arrangements with the market maker may limit or exclude any liability on the part of the market maker. The arrangements with the market maker may also provide that the market maker has no liability or responsibility to Unitholders for any act or omission made in connection with the market making arrangements.

Unitholders should be aware that a market maker will retain for its own account any trading profit and bear any loss which may be generated by its market making activities. Subject to the Securities Exchange Rules and the agreement with the market maker, the Responsible Entity may appoint or terminate a market maker in respect of the Fund. The Responsible Entity may determine to no longer appoint a market maker in respect of the Fund in circumstances where it is no longer required to do so under the Securities Exchange Rules.

(6) **Auditor**

Ernst & Young has been appointed as the auditor of the Fund's financial statements.

## 7.2 **Fund Constitution**

The Constitution of the Fund, along with the Corporations Act and other relevant laws, governs the way in which the Fund operates and the rights and responsibilities and duties of the Responsible Entity and investors.

The terms and conditions of the Constitution are binding on each Unitholder and all persons claiming through them respectively, as if the Unitholder or person were a party to the Constitution.

Under the Constitution, the Responsible Entity has all the powers of a natural person, corporation, trustee or responsible entity in respect of the operation of the Fund. The Constitution gives the Responsible Entity the right to be paid fees and expenses from the Fund and governs matters such as the rights of Unitholders, conducting Unitholder meetings, the creation and redemption of Units and Unit pricing, as well as what happens when the Fund is terminated.

Some of the more important provisions of the Constitution are outlined below:

(1) **Amendments to the Constitution**

The Responsible Entity may by deed modify, repeal or replace the Constitution subject to the Corporations Act.

(2) **Retirement of the Responsible Entity**

The Responsible Entity may retire or be required to retire as responsible entity when required to do so by law.

(3) **Termination**

The Fund will terminate two days before the 80<sup>th</sup> anniversary of the date of the Constitution, but the Responsible Entity may terminate it earlier by notice to Unitholders or on such a date on which an event occurs which under the Corporations Act or the Constitution obliges the Responsible Entity to wind up the Fund. On termination, the Responsible Entity will realise the Fund's assets and pay to Unitholders their share of the net proceeds of realisation.

(4) **Limitation of liability of Unitholders**

The Constitution states that the liability of a Unitholder is limited to the amount, if any, which remains unpaid on the Unitholder's Units.

A Unitholder need not indemnify the Responsible Entity or any creditor of the Fund or Responsible Entity if the Fund's assets are not sufficient to discharge the Fund's liabilities or meet the claim of any creditor of the Fund or the Responsible Entity in respect of the Fund.

The Constitution also provides that the Responsible Entity may deduct from any money payable to a Unitholder any taxes which it is required or authorised to deduct or which it considers should be deducted. While the Constitution limits the liability of the Unitholders in the manner described above, this position has not been fully tested in the courts of law.

(5) **Rights of Unitholders**

A Unit confers a beneficial interest in the assets of the Fund to the Unitholder but not an entitlement or interest in any particular part of the Fund or any particular asset.

(6) **Meeting of Unitholders**

Meetings of Unitholders will be called and held in accordance with Part 2G.4 of the Corporation Act. Unitholders may appoint proxies to attend and vote at a meeting of Unitholders on their behalf. Voting will be conducted in accordance with Division 6 of Part 2G.4 of the Corporations Act. The Responsible Entity may at any time convene a meeting of Unitholders (electronically or otherwise).

(7) **Borrowings**

Generally, the Fund does not intend to borrow money or employ other forms of leverage to execute its investment strategy. However, under the Constitution, the Responsible Entity has the power to enter into borrowing arrangements on behalf of the Fund and grant security over the assets in the Fund in favour of a lender.

(8) **Redemptions**

The Constitution includes withdrawal procedures in relation to the Fund and redemption rights afforded to Unitholders. In particular, the Constitution provides for the ability to make direct withdrawals where market trading in the Units has been suspended. Refer to section 6 for more information about buying and selling Units.

(9) **Further information**

The Constitution of the Fund contains provisions dealing with a broad range of matters relevant to the operation of the Fund. For a detailed understanding of the Constitution, you should review this document, a copy of which is available at no charge from the Responsible Entity on request.

### 7.3 Investment Management Agreement

The Responsible Entity has appointed the Investment Manager as manager of the Fund, pursuant to the Investment Management Agreement entered into on the Original PDS Date (**IMA**). Certain rights and obligations of each party under the IMA are conditional upon the Securities Exchange admitting the Fund's Units to trading status on the Securities Exchange pursuant to the Securities Exchange Rules.

A summary of the key material terms of the IMA are set out below.

#### (1) **Services**

Pursuant to the IMA, the Investment Manager agrees to promote, administer, invest and manage the assets of the Fund on behalf of the Responsible Entity in compliance with the investment strategy for the Fund.

In providing investment management and other services, the Investment Manager's responsibilities include, but are not limited to:

- reviewing the portfolio of the Fund at regular intervals to ensure the portfolio is managed in accordance with the investment strategy for the Fund;
- ensuring that there is adequate segregation between decisions to trade on the one hand and the execution and recording of those decisions on the other;
- monitoring market liquidity and risks in relation to the Fund, and ensuring that appropriate portfolio management techniques are in place in order to minimise such risks;
- ensuring that levels of securities trading for the Fund are appropriate, and not intended to generate brokerage;
- taking reasonable steps to ensure that it obtains best execution for trades in the portfolio;
- providing proper instructions to the Custodian in relation to transactions concerning the portfolio and use all reasonable endeavours to ensure that the assets of the portfolio are vested as soon as practicable with the Custodian; and
- exercising due care and skill in selecting, appointing and reviewing the performance of any agent of the Investment Manager in connection with the portfolio or any broker engaged by the Investment Manager.

#### (2) **Powers and discretions of the Investment Manager**

The Investment Manager may:

- request the Responsible Entity to summon a meeting of Unitholders which the Responsible Entity must do, subject to its duties under any relevant law;
- request the Responsible Entity consider retirement and appointment of a replacement responsible entity of the Fund;
- perform similar management or investment services for other persons;
- act as responsible entity for any one or more managed investment schemes or as manager or trustee of any trusts;
- invest in, or engage the services of, a related body corporate engaged in separate business activities which are entitled to charge fees, brokerage and commissions on arms length terms, in the ordinary course of business, and that are first approved by the Responsible Entity; and

- invest the Fund in another trust or scheme of which it or its related body corporate is the manager on the basis that any fees or costs charged by the other trust or scheme will be disclosed in the product disclosure statement and in accordance with relevant law.

(3) **Amendments**

The IMA may be amended by the Responsible Entity and the Investment Manager.

(4) **Responsible Entity Indemnity**

The Responsible Entity must indemnify and hold harmless the Investment Manager against any liabilities reasonably incurred by the Investment Manager arising out of, or in connection with the Investment Manager or any of its officers or agents properly acting under the IMA except to the extent that any liability is caused by negligence, fraud, default or dishonesty of the Investment Manager or any of its officers, employees or agents, the Investment Manager's breach of the agreement or failure to meet the required standard of care or any act or omission of the Investment Manager or any of its officers, employees or agents that causes the Responsible Entity to be liable to Unitholders for which the Responsible Entity has no right of indemnity from the Fund (**Excluded Acts**). This obligation continues after the termination of the IMA. This indemnity does not extend to any consequential or indirect costs, charges, expenses or damages and the Responsible Entity is not otherwise liable to the Investment Manager for any other liability.

(5) **Investment Manager indemnity**

The Investment Manager must indemnify and hold harmless the Responsible Entity against any liabilities reasonably incurred by the Responsible Entity and the Fund arising out of or, or in connection with, any of the Excluded Acts, or any failure by the Investment Manager to comply with any obligation it has under the DDO Regime in relation to the Fund that causes the Responsible Entity to be in breach of its own obligations under the DDO Regime (and/or to be liable to any person as a result of the breach of its own obligations under the DDO Regime) for which the Responsible Entity has no right of indemnity from the Fund. This obligation continues after the termination of the IMA.

(6) **Responsible Entity Fee**

The Responsible Entity is entitled to be paid a fee for acting as the responsible entity of the Fund. The fees are payable to the Responsible Entity from remuneration collected in accordance with the Constitution or if agreed by the parties, payable by the Manager directly (and not the Fund).

(7) **Management fee**

In consideration for the Investment Manager investing and managing the portfolio of the Fund and providing the services specified in the IMA, the Responsible Entity will pay the Investment Manager a management fee. Please refer to section 4 for a detailed explanation of fees and costs.

(8) **Expenses**

The Investment Manager is responsible for paying all expenses it incurs in performing the services.

(9) **Term and termination**

The IMA remains in force until it is terminated in accordance with the terms of the IMA.

The Responsibility Entity may at any time terminate the IMA, in respect of a Fund, to take effect immediately if:

- the Fund terminates in accordance with the Constitution or the Corporations Act;

- the Responsible Entity ceases to be the responsible entity of the Fund; or
- a special resolution is passed by the Unitholders of the Fund at a meeting properly convened directing the Responsible Entity to terminate the appointment of the Investment Manager in respect of the Fund.

The Investment Manager may at any time give notice in writing to the Responsible Entity terminating the IMA:

- to take effect 6 months after the date of the notice (or such lesser period as the Responsible Entity agrees); or
- to take effect immediately if:
  - the Responsible Entity ceases to be the responsible entity of the Fund; or
  - an event which gives rise to a right of either the Responsible Entity or the Investment Manager to terminate the IMA occurs.

In addition to the rights set out above, the Responsible Entity or the Investment Manager may terminate the IMA with immediate effect on written notice if:

- a receiver, receiver and manager, administrative receiver or similar person is appointed with respect to the assets and undertaking of either the Investment Manager or the Responsible Entity, as applicable;
- either the Investment Manager or the Responsible Entity, as applicable:
  - goes into liquidation (other than for the purpose of a reconstruction or amalgamation on terms previously approved in writing by either the Investment Manager or the Responsible Entity, as applicable);
  - is placed under official management or an administrator is appointed to its affairs;
  - ceases to carry on business in relation to its activities as an investment manager;
  - breaches or fails to observe or perform any duty, obligation, representation, warranty or undertaking required of it under the IMA that, in the opinion of either the Investment Manager or the Responsible Entity (as applicable), adversely affects the rights of Unitholders, and fails to rectify the breach or failure to rectify the breach to the reasonable satisfaction of either the Investment Manager or the Responsible Entity (as applicable) within a reasonable period specified by the relevant party in a notice to do so; or
- either the Responsible Entity or the Investment Manager (as applicable) is required to do so at any time or considers it reasonably necessary to do so in order to ensure compliance with its duties and obligations under the relevant law and in any circumstances by the relevant law, trust law or any other law or by any court of competent jurisdiction.

(10) **Limitations on removal of Investment Manager**

Subject to section 7.3(9), the Responsible Entity must not terminate the IMA or the appointment of the Investment Manager or otherwise remove or change the Investment Manager or appoint a new investment manager for the Fund unless the Investment Manager consents or the Responsible Entity obtains the approval of a special resolution of Unitholders of the Fund.

The information set out in this PDS about the content of the IMA is a summary only.



## 7.4 Other information you need to know

### (1) If you have a complaint

If you have any enquiries regarding the Fund, please contact 1300 133 451 (within Australia) or +61 2 8259 8888 (outside Australia) for more information.

The Responsible Entity has established procedures for dealing with complaints. If an investor has a complaint, they can contact the Responsible Entity and/or the Investment Manager during business hours, using contact details provided in this PDS.

We will endeavour to resolve your complaint fairly and as quickly as we can. We will respond to your complaint within the maximum response timeframe of 30 days. If we are unable to respond within the maximum response time because we have not had a reasonable opportunity to do so, we will write to you to let you know of the delay.

All investors can access the Responsible Entity's complaints procedures outlined above.

If a retail investor is not satisfied with the final complaint outcome proposed, any aspect of the complaints handling process or a delay in responding by the maximum response time, the Australian Financial Complaints Authority (**AFCA**) may be able to assist. AFCA operates the external complaints resolution scheme of which the Responsible Entity is a member. If you seek assistance from AFCA, their services are provided at no cost to you.

You can contact AFCA on 1800 931 678, or by writing to:

Australian Financial Complaints Authority

GPO Box 3

Melbourne VIC 3001

Email: [info@afca.org.au](mailto:info@afca.org.au)

Website: [www.afca.org.au](http://www.afca.org.au)

### (2) Protecting your privacy

The Responsible Entity may collect personal information from you in the application and any other relevant forms to be able to process your application, administer your investment and comply with any relevant laws. If you do not provide us with your relevant personal information, we will not be able to do so. In some circumstances we may disclose your personal information to the Responsible Entity's related entities or service providers that perform a range of services on our behalf and which may be located overseas.

Privacy laws apply to our handling of personal information and the Responsible Entity will collect, use and disclose your personal information in accordance with its privacy policy, which includes details about the following matters:

- the kinds of personal information the Responsible Entity collects and holds;
- how the Responsible Entity collects and holds personal information;
- the purposes for which the Responsible Entity collects, holds, uses and discloses personal information;
- how you may access personal information that the Responsible Entity holds about you and seek correction of such information (note that exceptions apply in some circumstances);
- how you may complain about a breach of the Australian Privacy Principles (**APP**), or a registered APP code (if any) that binds the Responsible Entity, and how the Responsible Entity will deal with such a complaint; and

- whether the Responsible Entity is likely to disclose personal information to overseas recipients and, if so, the countries in which such recipients are likely to be located if it is practicable for the Responsible Entity to specify those countries.

The privacy policy of the Responsible Entity is publicly available at [www.perpetual.com.au](http://www.perpetual.com.au) or you can obtain a copy free of charge by contacting the Responsible Entity.

### (3) **Compliance Committee and Compliance Plan**

The Responsible Entity has lodged a compliance plan for the Fund with ASIC, which sets out the key measures that the Responsible Entity takes to ensure that it complies with the *Corporations Act* and the Constitution of the Fund in relation to the operation of the Fund. Each year the Responsible Entity's compliance with the compliance plan is independently audited, as required by the *Corporations Act* and the auditor must not be the auditor of the Fund's financial statements but may be from the same firm. The auditor's report is lodged with ASIC.

The Responsible Entity has a compliance committee which comprises at least three members, of which the majority are external members. The compliance committee monitors the Responsible Entity's compliance with the Fund's compliance plan, assesses the adequacy of the compliance plan and reports breaches of the Constitution and the *Corporations Act* to the directors of the Responsible Entity, and in some circumstances to ASIC.

### (4) **Conflicts of interest**

The Perpetual Group, including the Responsible Entity, have in place governance frameworks, group policies and divisional procedures to ensure conflicts are identified and managed appropriately. These conflict policies are aimed at ensuring that conflicts involving individuals or related entities in the Perpetual Group are identified, reported, assessed and managed in a timely and appropriate manner in order to uphold the best interests of clients, members and shareholders. This ensures that Perpetual and its related entities are adopting and promoting a culture of awareness and effective management of conflicts of interests when carrying out its operations.

As part of the management of conflicts, Perpetual maintains a register of generic corporate conflicts, including related party conflicts, acting in multiple capacities on the same transaction and service provider to multiple entities, and how these conflicts are to be managed. When such a conflict is identified, the register provides for certain controls to be utilised in order to manage this conflict. Examples of controls include engaging on 'arm's length' or third party terms, use of information barriers and compliance plans.

The Investment Manager has been appointed as a corporate authorised representative of Perpetual Corporate Trust and is also the investment manager of the Underlying Fund and may be subject to conflicts of interest when performing their duties in relation to the Fund. The Investment Manager has conflicts of interest policies and procedures in place that are designed to appropriately manage these conflicts of interest that arise in relation to managing the Fund.

### (5) **Anti-money laundering and counter-terrorism financing**

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML Act)* and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to the Responsible Entity (**AML Requirements**), regulate financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. The AML Act is enforced by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**). In order to comply with the AML Requirements, the Responsible Entity is required to, amongst other things:

- verify your identity and source of your application monies before providing services to you, and to re-identify you if we consider it necessary to do so; and

- where you supply documentation relating to the verification of your identity, keep a record of this documentation for 7 years.

The Responsible Entity and any agent acting on our behalf reserve the right to request such information as is necessary to verify your identity and the source of the payment. In the event of delay or failure by you to produce this information, the Responsible Entity may refuse to accept an application and the application monies relating to such application or may suspend the payment of withdrawal proceeds if necessary to comply with AML Requirements applicable to them. Neither the Responsible Entity nor its agents shall be liable to you for any loss suffered by you because of the rejection or delay of any subscription or payment of withdrawal proceeds.

The Responsible Entity has implemented several measures and controls to ensure we comply with our obligations under the AML Requirements, including carefully identifying and monitoring investors. Because of the implementation of these measures and controls:

- transactions may be delayed, blocked, frozen or refused where the Responsible Entity has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country, including the AML Requirements;
- where transactions are delayed, blocked, frozen or refused, the Responsible Entity or our agents are not liable for any loss you suffer (including consequential loss) caused by reason of any action taken or not taken by them as contemplated above, or because of the Responsible Entity's compliance with the AML Requirements as they apply to the Fund; and
- the Responsible Entity or any agents acting on our behalf may from time to time require additional information from you to assist it in this process.

The Responsible Entity has certain reporting obligations under the AML Requirements and is prevented from informing you that any such reporting has taken place. Where required by law, the Responsible Entity may disclose the information gathered to regulatory or law enforcement agencies, including AUSTRAC. Neither the Responsible Entity nor our agents are liable for any loss you may suffer because of the Responsible Entity's compliance with the AML Requirements.

(6) **US Tax Withholding and Reporting under the Foreign Account Tax Compliance Act (FATCA)**

The United States of America has introduced rules (known as FATCA) which are intended to prevent US persons from avoiding tax. Broadly, the FATCA rules may require the Fund to report certain information to the Australian Taxation Office (**ATO**), which may then pass the information on to the US Internal Revenue Service (**IRS**). If you do not provide this information, we will not be able to process your application.

To comply with these obligations, the Responsible Entity will collect certain information about you and undertake certain due diligence procedures to verify your FATCA status and provide information to the ATO in relation to your financial information required by the ATO (if any) in respect of any investment in the Fund.

(7) **Common Reporting Standard**

The Australian government has implemented the OECD Common Reporting Standards Automatic Exchange of Financial Account Information (**CRS**) from 1 July 2017. CRS, like the FATCA regime, will require banks and other financial institutions to collect and report information to the ATO.

CRS will require certain financial institutions to report information regarding certain accounts to their local tax authority and follow related due diligence procedures. The Fund is expected to be a 'Financial Institution' under the CRS and intends to comply with its CRS obligations by obtaining and reporting information on relevant accounts (which may include your Units in the Fund) to the ATO. For the Fund to comply with its obligations, we will request that you

provide certain information and certifications to us. We will determine whether the Fund is required to report your details to the ATO based on our assessment of the relevant information received. The ATO may provide this information to other jurisdictions that have signed the “CRS Competent Authority Agreement”, the multilateral framework agreement that provides the mechanism to facilitate the automatic exchange of information in accordance with the CRS. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS.

**(8) Warning statement for New Zealand investors**

(a) The following disclosure is made to enable the Fund’s Units to be offered by the Responsible Entity in New Zealand under the mutual recognition scheme between Australia and New Zealand:

- (i) This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
- (ii) This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
- (iii) There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
- (iv) The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
- (v) Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
- (vi) The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
- (vii) If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

**(b) Currency exchange risk**

- (i) The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
- (ii) If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

(c) **Trading on financial product market**

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

(d) **Dispute resolution process**

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

## 7.5 **Material Contracts**

The Responsible Entity has entered into (or will enter into prior to the date Units are first issued in the Fund) a number of contracts in relation to the offer of the Fund, as set out below.

Table 7.5: **Material Contracts**

<b>Contract and party</b>	<b>Description</b>
<b>Constitution</b>	See section 7.2.
<b>Investment Management Agreement</b> <b>3iQ</b>	See section 7.3.
<b>Custody and Fund Administration Agreement</b> Mainstream (Custodian, Administrator and Registrar)	This agreement sets out the services provided by Mainstream Fund Services Pty Limited, which include custody, fund accounting, investment administration and share registry services.
<b>Authorised Participant Agreement</b> Authorised Participants	An Authorised Participant Agreement deals with execution and settlement procedures in relation to the application for and redemption of Units. The terms of each Authorised Participant Agreement may vary and each may be amended from time to time.  Under the Authorised Participant Agreement, the Authorised Participant makes certain representations to the Responsible Entity about its status as an appropriately licensed entity and agrees to comply with the Constitution and with the execution and settlement procedures.
<b>Market Maker Deed</b> Market makers	This agreement appoints certain parties to act as market maker for the Units of the Fund.

## 7.6 **ASIC Relief**

(1) **Equal Treatment Relief**

ASIC Class Order 13/721 exempts the Responsible Entity from the equal treatment requirement in section 601FC(1)(d) of the Corporations Act, to the extent necessary to allow the Responsible Entity to restrict eligibility to submit redemption requests in relation to Units to Authorised Participants. The Responsible Entity will not treat Unitholders of the same class equally to the extent that it restricts redemptions from the Fund to such Authorised Participants.

For the purposes of this relief (and for so long as we are permitted to rely on it), except in exceptional circumstances, only Authorised Participants may withdraw from the Fund, but other Unitholders may sell their Units on the Securities Exchange. However, if Units are suspended from trading on the Securities Exchange for more than five consecutive trading

days, investors will have the right to withdraw from the Fund and receive payment for their interests in money within a reasonable time of request unless any of the following apply:

- the Fund is being wound-up;
- the Fund is not liquid as defined in subsection 601KA(4) of the Corporations Act; or
- the Responsible Entity has suspended the redemption of Units in the Fund in accordance with the Constitution.

In the event that such a redemption occurs, any redemption fee per Unit payable by Unitholders who are not Authorised Participants will not be greater than the redemption fee per Unit that would generally be payable by an Authorised Participant receiving redemption proceeds in cash when withdrawing the minimum parcel of Units.

(2) **Ongoing Disclosure Relief**

ASIC Class Order 13/721 exempts the Responsible Entity from the ongoing disclosure requirements in section 1017B of the *Corporations Act* on the condition that the Responsible Entity complies with the continuous disclosure provisions of section 675 the *Corporations Act* that apply to an unlisted disclosing entity as if the Fund was a registered managed investment scheme and an unlisted disclosing entity and the Responsible Entity was the responsible entity of the Trust. The Responsible Entity will comply with these continuous disclosure provisions as if the Fund was a registered managed investment scheme and was an unlisted disclosing entity.

(3) **Periodic Statements Relief**

ASIC Class Order 13/1200 exempts the Responsible Entity from certain periodic statement requirements. In particular, the Responsible Entity is not required (and does not propose) to include in periodic statements details of the price at which an investor transacts in Units on the Securities Exchange, or information on the return on an investment in Units acquired on the Securities Exchange (for the year in which the Units are acquired), if the Responsible Entity is not able to calculate this and the periodic statement explains why the information was not included and how it can be obtained.

(4) **Unit Pricing Discretion Relief**

ASIC Corporations (Managed investment product consideration) Instrument 2015/847 permits the Responsible Entity to exercise certain discretions when determining the Unit price of the Fund. The Responsible Entity has a documented policy on how it exercises discretions when determining Unit prices. Records relating to the Unit pricing policy are maintained by the Responsible Entity and available to Unitholders free of charge.

## 7.7 Documents lodged with ASIC

The Responsible Entity is subject to certain regular reporting and disclosure obligations in relation to the Fund under the *Corporations Act*. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

As an investor in the Fund, a Unitholder may obtain the following documents from the Responsible Entity and such documents will be made available on the website for the Fund at [www.3iq-au.com](http://www.3iq-au.com) (as at the date of this PDS, no such documents have been lodged with ASIC):

- the annual report most recently lodged with ASIC in respect of the Fund;
- any half-year financial report lodged with ASIC in respect of the Fund after the lodgement of the abovementioned annual report and before the date of this PDS; and
- any continuous disclosure notices given in respect of the Fund after the lodgement of the abovementioned annual report and before the date of this PDS.

The Responsible Entity will send a requesting Unitholder a printed or electronic copy of any of the above documents free of charge within 5 business days of the request.

#### 7.8 **Cooling Off**

There is no cooling off period in relation to the subscription for Units in the Fund. This means that once an Application Form is submitted, an applicant cannot decide to withdraw the application.

#### 7.9 **Information available from the Responsible Entity**

The Responsible Entity is subject to regular reporting and disclosure obligations, in its capacity as Responsible Entity of the Fund and issuer of the Units. The following information can be obtained by visiting the website for the Fund at [www.3iq-au.com](http://www.3iq-au.com) or by contacting 1300 133 451 (within Australia) or +61 2 8259 8888 (outside Australia):

- The daily Net Asset Value (NAV) for the Fund;
  - The daily NAV per Unit for the Fund;
  - The latest PDS for the Fund;
  - Copies of announcements made to the Securities Exchange via the Securities Exchange announcements platform (including continuous disclosure notices and distribution information);
  - Information about distributions as soon as possible after they are declared;
  - Annual and any half-year reports and financial statements for the Fund; and
- 
- The Target Market Determination prepared by the Responsible Entity for the Fund pursuant to the “design and distribution” obligations set out in Part 7.8A of the Corporations Act, which sets out the class of consumers that comprise the target market for the Fund.

#### 7.10 **Consents**

Each of 3iQ and Mainstream:

- has made no statement included in this PDS or on which a statement made in this PDS is based other than the details about it, and the other sentences in this PDS that refer to it;
- has consented to those statements being included in this PDS in the form and context in which they appear and has not withdrawn this consent before the date of this PDS;
- specifically disclaims responsibility for, and liability to any person in the event of, any omission from, or any false or misleading statement included in, any other part of this PDS; and
- has not authorised or caused the issue of any part of this PDS.

#### 7.11 **MVIS Disclaimer**

MVIS is a wholly-owned subsidiary of Van Eck Associates Corporation (“Van Eck”) and receives an annual licensing fee based on the Net Asset Value of the Underlying Fund in consideration for providing the MVIS® CryptoCompare Bitcoin Benchmark Rate Index. Van Eck is a shareholder of the Investment Manager and may nominate up to two directors to the Board of Directors of the Investment Manager. Van Eck has nominated one director to the Board of Directors of the Investment Manager.

The Fund is not sponsored, endorsed, sold or promoted by MVIS. MVIS makes no representation or warranty, express or implied, to the owners of the Fund or any member of the public regarding the advisability of investing in securities generally or in the Fund particularly or the ability of MVIBBR to

provide a robust rate for bitcoin in U.S. dollars. MVIS's only direct relationship to the Fund and the Investment Manager is the licensing of certain service marks and trade names of MVIS and of MVIBBR that is determined, composed and calculated by MVIS without regard to the Fund or the Investment Manager. MVIS has no obligation to take the needs of the Fund or the owners of the Fund into consideration in determining, composing or calculating MVIBBR. MVIS is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Fund to be issued or in the determination or calculation of the equation by which the Fund is to be converted into cash. MVIS has no obligation or liability in connection with the administration, marketing or trading of the Fund.

MVIS DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF MVIBBR OR ANY DATA INCLUDED THEREIN AND MVIS SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. MVIS MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE INVESTMENT MANAGER, THE FUND, OWNERS OF THE FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF MVIBBR OR ANY DATA INCLUDED THEREIN. MVIS MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO MVIBBR OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL MVIS HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

The Fund is not sponsored, promoted, sold or supported in any other manner by CryptoCompare Data Limited nor does CryptoCompare Data Limited offer any express or implicit guarantee or assurance either with regard to the results of using MVIBBR and/or MVIBBR trade mark or MVIBBR price at any time or in any other respect. MVIBBR is calculated and published by CryptoCompare Data Limited. CryptoCompare Data Limited uses its best efforts to ensure that MVIBBR is calculated correctly. Irrespective of its obligations towards MVIS, CryptoCompare Data Limited has no obligation to point out errors in MVIBBR to third parties including but not limited to investors and/or financial intermediaries of the Fund. Neither publication of MVIBBR by CryptoCompare Data Limited nor the licensing of MVIBBR or MVIBBR trade mark for the purpose of use in connection with the Fund constitutes a recommendation by CryptoCompare Data Limited to invest capital in the Fund nor does it in any way represent an assurance or opinion of CryptoCompare Data Limited with regard to any investment in the Fund. CryptoCompare Data Limited is not responsible for fulfilling the legal requirements concerning the accuracy and completeness of the Fund's prospectus.

The Fund is not sponsored, endorsed, sold or promoted by Van Eck Associates Corporation or any of its affiliates or any other VanEck entity (altogether, "VanEck"). VanEck makes no representation or warranty, express or implied, nor accepts any responsibility, regarding the accuracy or completeness of this PDS, or the advisability of investing in securities or financial instruments, or in the Fund.

VANECK SHALL NOT HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS, AND MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY OWNERS OF THE FUND OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE FUND. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL VANECK OR ANY OF ITS AFFILIATES HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSSES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF.



## 8 Taxation

The taxation information in this PDS is provided for general information only. It is a broad overview of some of the Australian tax consequences associated with investing in the Fund for a potential Australian resident investor.

It does not take into account the specific circumstances of each person who may invest in the Fund. It should not be used as the basis upon which potential investors make a decision to invest.

As the circumstances of each investor are different, the Responsible Entity strongly recommends that investors obtain professional independent tax advice relating to the tax implications of investing in and dealing in Units.

The taxation information in this PDS has been prepared based on tax laws and administrative interpretations of such laws available at the date of this PDS. These laws and interpretations may change.

This summary assumes that the investor is, and will continue to be, an Australian resident for Australian income tax purposes and holds the investment on capital account.

### 8.1 Taxation of the Fund

From 1 July 2016, an eligible managed investment trust (**MIT**) may choose to apply the attribution rules in Division 276 of the *Income Tax Assessment Act 1997*. Where this choice is made, the MIT is referred to as an Attribution Managed Investment Trust (**AMIT**). An AMIT, in broad terms, is a MIT whose unitholders have clearly defined interests in relation to the income and capital of the trust and the trustee or responsible entity of the MIT has made an irrevocable election to apply the attribution regime.

As at the date of this PDS, the Responsible Entity intends to make an irrevocable election for the Fund to enter the AMIT regime with effect from the financial year in which the Fund was established.

The AMIT rules contain several provisions that will impact on the taxation treatment of the Fund. The key features include:

- an attribution model for determining member tax liabilities, which also allows amounts to retain their tax character as they flow through the trust to its members;
- the ability to carry forward understatements and overstatements of taxable income, instead of re-issuing investor statements;
- deemed fixed trust treatment under the income tax law;
- upwards cost base adjustments to Units to address double taxation; and
- legislative certainty about the treatment of tax deferred distributions.

The Responsible Entity does not generally expect the Fund to be subject to tax on the income of the Fund, as it is intended that:

- If the Fund enters the AMIT regime: all taxable income and other relevant amounts will be “attributed” to the Unitholders in each financial year; or
- If the Fund does not enter the AMIT regime or ceases to be eligible to be an AMIT: Unitholders will be presently entitled to all income of the Fund in each financial year, with the existing non-AMIT tax rules for managed funds continuing to apply.

Instead, Unitholders pay tax on their share of the Fund’s income. See “Taxable income of the Fund” below.

## 8.2 Taxation of Australian resident Unitholders

The Fund does not intend to pay regular distributions to Unitholders.

However, to the extent that the Fund derives taxable income (e.g. net interest on cash balances), the taxable income of the Fund which is attributed to Unitholders, or to which a Unitholder becomes entitled, during a financial year forms part of the Unitholder's assessable income for that year, even if payment of the entitlement does not occur until after the end of the financial year.

A Unitholder may receive an entitlement to the income of the Fund for a financial year if the Unitholder holds Units at the end of a distribution period, or if the Unitholder redeems any Unit during the financial year.

## 8.3 Taxable income of the Fund

The tax implications for a Unitholder of receiving an entitlement to the income of the Fund will depend upon the character of the Fund's income, including whether the relevant investment by the Fund is held on revenue or capital account (in accordance with Australian taxation principles).

Generally, an entitlement to the income of the Fund comprising interest income or gains from investments made by the Fund on revenue account will be included in the assessable income of the Unitholder, although tax credits (e.g. foreign tax credits) may be available to offset some or all of any resulting tax liability.

A trust that qualifies as a managed investment trust (**MIT**) can elect to treat its gains and losses on disposal of certain investments as capital gains and losses.

Any assessable capital gains derived by the Fund to which a Unitholder becomes entitled or which is attributed to a Unitholder forms part of the Unitholder's assessable income.

A Unitholder may be eligible for the 50% CGT discount (where the Unitholder is an individual or trust) or a 33 1/3% CGT discount (where the Unitholder is a complying superannuation fund) in respect of the gain that forms part of that Unitholder's assessable income, depending on the Unitholder's circumstances. Unitholders should seek professional advice in relation to the availability of any CGT concession.

## 8.4 Selling or transferring Units

If a Unitholder disposes of Units by selling or transferring the Units to another person (e.g. selling on-market), the Unitholder may be liable for Australian tax on any gains realised on that disposal of Units.

If a Unitholder is assessed under the CGT provisions on a disposal of Units, the Unitholder may make a capital gain or loss on the disposal of those Units, in the year in which the contract for the disposal is entered into. Some Unitholders may be eligible for the CGT discount upon a disposal of Units if the Units have been held for at least 12 months (excluding the acquisition and disposal dates) and the relevant requirements are satisfied. Unitholders should obtain professional independent tax advice about the availability of the CGT discount. Any capital loss arising on a disposal of Units may be offset against capital gains made in that year or in subsequent years, subject to the satisfaction of the loss utilisation rules.

If a Unitholder is assessed otherwise than under the CGT provisions on a disposal of Units (e.g. if the Unitholder is in the business of dealing in securities like Units), any profits made on the disposal of the Units should be assessable as ordinary income. Such Unitholders may be able to claim an immediate tax deduction for any losses made on the disposal of Units.

## 8.5 Goods and Services Tax (GST)

The issue and redemption of Units should not be subject to GST. However, fees and expenses, such as management costs, incurred by the Fund would likely attract GST (at the rate of 10%).

## 8.6 **Tax reform**

Tax reform activity that affects trusts is generally ongoing, and such reforms may impact on the tax position of the Fund and its investors. Accordingly, Unitholders should monitor the progress of any proposed legislative changes or judicial developments, and seek their own professional advice, specific to their own circumstances, in relation to the taxation implications of investing in the Fund.

## 8.7 **Tax File Number (TFN) or Australian Business Number (ABN)**

Unitholders will be requested by the Fund to provide their TFN or ABN (if applicable) or claim an exemption in relation to their investment in the Fund. It should be noted that there is no obligation to provide a TFN, however, Unitholders who do not provide their TFN or ABN or claim an exemption may have tax deducted from distributions at the highest marginal rate.

## 9 Glossary

These definitions are provided to assist investors in understanding some of the expressions used in this PDS:

<b>3iQ</b>	3iQ Corp. (ARBN 655 771 010), a corporation established under the laws of Canada and registered as an investment fund manager, commodity trading manager, exempt market dealer and portfolio manager with the Ontario Securities Commission and registered as a foreign company under the Corporations Act on 2 December 2021.
<b>Administrator</b>	The company appointed from time to time by the Investment Manager to calculate the NAV and the NAV per Unit, currently Mainstream.
<b>AML Regulation</b>	Statutes, regulations and other laws enacted by the government of the applicable jurisdiction aimed at the prevention and detection of money laundering and terrorist financing activities.
<b>Application Price</b>	The Net Asset Value divided by the number of Units on issue in the Fund.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Australian Resident</b>	An Australian resident for tax purposes.
<b>Authorised Participant</b>	A financial institution, which is a trading participant under the Securities Exchange Rules (or who has engaged such a person to act on their behalf), who has entered into an Authorised Participant Agreement with the Responsible Entity.
<b>Authorised Participant Agreement</b>	An agreement between the Responsible Entity and an Authorised Participant in relation to Unit applications and redemptions.
<b>bitcoin</b>	The digital currency that is the native unit of account within the Bitcoin Network.
<b>Bitcoin Network</b>	The network of computers running the software protocol underlying bitcoin, which maintains the database of bitcoin ownership and facilitates the transfer of bitcoin among parties.
<b>Bitcoin Source</b>	Bitcoin trading platforms and OTC counterparties.
<b>Cboe</b>	Cboe Australia Pty Ltd
<b>CHESS</b>	The Clearing House Electronic Sub-register System.
<b>Constitution</b>	The trust deed registered with ASIC establishing the managed investment scheme underlying the Fund, as varied or replaced from time to time.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Creation Unit</b>	A particular number of Units of the Fund, as determined by the Responsible Entity from time to time and notified to Authorised Participants.
<b>DDO Legislation</b>	The <i>Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019</i> , the <i>Corporations Amendment (Design and Distribution Obligations) Regulations 2019</i> , the <i>ASIC Corporations (Design and Distribution Obligations – Exchange Traded Products) Instrument 2020/1090</i> and ASIC Regulatory Guide 274: Product design and distribution obligations, each as amended from time to time along with any additional or supplementary regulations and any instruments, modifications, exemptions and guidance granted by ASIC.
<b>DDO Regime</b>	The design and distribution obligations set out in the DDO Legislation.

<b>Dealing Deadline</b>	2:00 pm, Sydney time on each Securities Exchange Business Day (or such other time advised by the Responsible Entity to Authorised Participants), being the time by which an Application/Redemption Form must be received by the Responsible Entity to be processed for that Securities Exchange Business Day.
<b>FATF</b>	The Financial Action Task Force, an inter-governmental body established to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
<b>Fund</b>	The 3iQ CoinShares Bitcoin Feeder ETF
<b>Gemini</b>	Gemini Trust Company, LLC.
<b>Investment Manager</b>	3iQ Corp.
<b>Listing Rules</b>	Means the Listing Rules of the Australian Securities Exchange.
<b>Mainstream</b>	Mainstream Fund Services Pty Limited ABN 81 118 902 891
<b>MVIS</b>	MV Index Solutions GmbH, an index provider based in Frankfurt, Germany regulated under the EU benchmark regulations.
<b>Net Asset Value or NAV</b>	The net asset value of the Fund calculated in accordance with section 6.6.
<b>Offer</b>	The offer to acquire Units on the terms of this PDS.
<b>PDS</b>	This replacement Product Disclosure Statement.
<b>Registrar</b>	Mainstream, or any other registry that the Responsible Entity appoints to maintain the register.
<b>Responsible Entity</b>	The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150
<b>Retail Product Distribution Conduct</b>	Conduct that is defined as retail product distribution conduct under the DDO Legislation.
<b>Securities Exchange</b>	The securities exchange operated by Cboe.
<b>Securities Exchange Business Day(s)</b>	The days identified as a business day by the Securities Exchange Operator in the Securities Exchange Rules.
<b>Securities Exchange Investor</b>	Unitholders who acquire Units on the Securities Exchange.
<b>Securities Exchange Operator</b>	Cboe Australia.
<b>Securities Exchange Rules</b>	The operating rules of the Securities Exchange Operator that apply from time to time to the quotation of managed funds and products such as the Units.
<b>Tax Act</b>	The Income Tax Assessment Act 1936 (Cth), the Income Tax Assessment Act 1997 (Cth) or both, as appropriate.
<b>Underlying Fund</b>	The Canadian domiciled ETF in which the Fund primarily invests, being the 3iQ CoinShares Bitcoin ETF (TSX code: BTCQ / BTCQ.U).
<b>Unit</b>	A unit in the Fund.
<b>Unitholder</b>	A holder of a Unit in the Fund as recorded in the register maintained by the Registrar.
<b>Withdrawal Price</b>	The Net Asset Value divided by the number of Units on issue in the Fund.

## Directory

### **Responsible Entity**

The Trust Company (RE Services) Limited  
Level 12, Angel Place  
123 Pitt Street  
SYDNEY NSW 2000  
T: +61 2 9229 9000  
W: [www.perpetual.com.au](http://www.perpetual.com.au)

### **Investment Manager**

3iQ Corp.  
181 Bay Street, Suite 1020,  
Toronto, Ontario M5J 2T3, Canada

### **Custodian, Registrar & Administrator**

Mainstream Fund Services Pty Limited  
1/51-57 Pitt Street  
Sydney NSW 2000  
T: 1300 133 451 (or +61 2 8259 8888 from outside  
Australia)  
E: [registry@mainstreamgroup.com](mailto:registry@mainstreamgroup.com)

### **Solicitors to 3iQ**

Norton Rose Fulbright Australia  
Level 38, Olderfleet, 477 Collins Street, Melbourne, Australia