

Monochrome Bitcoin ETF (IBTC)

PRODUCT DISCLOSURE STATEMENT (PDS)

Responsible Entity



Vasco Trustees Limited
ACN 138 715 009 | AFSL 344486

Investment Manager



Monochrome Asset Management Pty Ltd
ACN 647 701 246 | CAR 1286428

23 May 2024

ARSN 661 385 244 | APIR VIL2063AU

Important information

This is an important document that you should read in full. If you do not understand it, consult your professional advisers.

Contents

1. Important Information	1
1.1 Description of the Offer	1
1.2 About this Product Disclosure Statement	1
1.3 Disclaimer	1
1.4 No representations other than this PDS	1
1.5 Definitions	1
1.6 Offering restrictions apply	2
1.7 Risks	2
1.8 Financial amounts and times	2
1.9 Updating the PDS	2
1.10 Cooling-off	2
2. Key Information Summary	2
2.1 Investment overview	2
2.2 Key parties	5
2.3 Information about bitcoin	5
2.4 Risks	6
2.8 Fees and expenses	10
2.9 About Cboe	10
3. Overview of Bitcoin Interests	13
3.1 Investment objective	14
3.2 Key Features of a Bitcoin Interest	14
3.3 Investment benefits	14
3.4 Applications	15
3.5 Redemptions	16
3.6 Bitcoin Delivery Method	17
3.7 Bitcoin Sale Method	17
3.8 Compulsory Redemption	18
3.9 Redemptions during trading suspensions and other circumstances	18
3.10 Transfer of Bitcoin Interests	19
3.11 Lodgement of Applications and Redemptions	19
3.12 Summary Comparison of Applications/Redemptions for Direct Investors and Investors on Cboe	19
4. Key Parties	21
4.1 Investment Manager	21
4.2 Responsible Entity	22

4.3 Registry	23
4.4 Administrator and Cash Custodian	23
4.5 Bitcoin Custodian	23
4.6 Market Maker	23
4.7 Authorised Participants	24
4.8 Other service providers	25
5. About Bitcoin	25
5.1 What is bitcoin?	25
5.2 How is bitcoin transferred?	25
5.3 Bitcoin's position in the Digital Asset market	26
6. General Risks	26
6.1 Market risk	27
6.2 Pricing risk	27
6.3 Political, regulatory and legal risk	27
6.4 Cyber risks	28
6.5 Environmental risk	28
6.6 Service provider risk	28
6.7 Custody risk	28
6.8 Regulatory risk	29
6.9 Taxation and legislative change risk	29
6.10 Product risk	29
6.11 Industry risk	29
6.12 Liquidity risk	30
6.13 Settlement risk	30
6.14 Currency risk	30
6.15 Limited recourse risk	31
6.16 Bare trust risk	31
6.17 Responsible Entity risk	31
6.18 Authorised Participant risk	31
6.19 Compulsory Redemption of Bitcoin Interests	31
6.20 Entry price risk	32
7. Digital Asset Risks	32
7.1 Bitcoin Network risks	32
7.2 Immutability risk	33
7.3 Technology risk and operational disruptions	33
7.4 Bitcoin valuation risks	35
7.5 Bitcoin trading risks	37
7.6 BRRAP Index Price risk	37
7.7 Extreme volatility	37

7.8 Unsuitability of Digital Currencies for most purposes, including investment	38
7.9 Government regulation	38
8. Valuation and NAV	38
8.1 Valuation pricing of Bitcoin Interests	38
8.2 Calculation of Bitcoin Interests	39
8.3 Liabilities of the Fund	39
8.4 Pricing policy	39
9. Fees and Other Costs	39
9.1 Consumer advisory warning	39
9.2 Fees and other costs	40
9.3 Example of annual fees and costs	42
9.4 Additional explanation of fees and costs	43
10. Additional Information	46
10.1 Constituent documents	46
10.2 Compliance plan	47
10.3 Investment management agreement	48
10.4 Reporting and information requests	48
10.5 Related party transactions	49
10.6 Litigation	49
10.7 Consents	49
10.8 Privacy Policy	49
10.9 AML/CTF procedures	49
10.10 Enquiries	49
10.11 Making a complaint	50
11. Taxation	50
11.1 Australian taxation comments	51
11.2 Traditional capital versus revenue treatment if bitcoin not a 'foreign currency'	52
11.3 Alternative treatment	53
11.4 Part IVA of the 1936 Act	54
11.5 Taxation of financial arrangements (TOFA)	54
11.6 Stamp duty	54
11.7 Australian Goods and Services Tax (GST)	54
11.8 Tax paid by investors	54
12. Glossary	54
13. Directory	58

1. Important Information

1.1 Description of the Offer

This Product Disclosure Statement (PDS) is an offer document for Bitcoin Interests in the Monochrome Bitcoin ETF. The Monochrome Bitcoin ETF is a registered managed investment scheme. Under the terms of the Constitution, the Responsible Entity may issue Bitcoin Interests. Each Bitcoin Interest will confer an interest in a Separate Trust which holds bitcoin.

The Offer is only available to persons receiving this PDS (electronically or otherwise) in Australia.

Investors may apply for Bitcoin Interests under this PDS or Bitcoin Interests may be purchased in the secondary market on Cboe via a broker.

1.2 About this Product Disclosure Statement

This PDS is dated 23 May 2024. It has been prepared and issued by Vasco Trustees Limited (Responsible Entity or RE) AFSL 344486.

A copy of this PDS has been lodged with ASIC and Cboe. ASIC and Cboe do not take any responsibility for the content of this PDS.

At the time of lodgement of this PDS with ASIC, Bitcoin Interests are yet to be quoted for trading on Cboe. An application has been made to Cboe for Bitcoin Interests to be quoted for trading on Cboe under the Cboe Operating Rules.

1.3 Disclaimer

The information provided in this PDS is not investment advice and has been prepared without taking into account your investment objectives, financial circumstances and needs. You should

read the whole of this PDS and consider all of the risk factors that could affect the performance of an investment in Bitcoin Interests and other information concerning the Bitcoin Interests in light of your own particular investment objectives, financial circumstances and particular needs (including financial and taxation issues) before deciding whether to invest in Bitcoin Interests.

An investment in Bitcoin Interests is subject to investment risk and other risks, including possible loss of capital invested. Neither the Responsible Entity nor any other person gives any guarantee or assurance as to the performance of Bitcoin Interests or the repayment of any capital invested. Key risks that should be considered by potential investors are set out in sections 6 and 7 of this PDS. No dividends or distributions are expected to be paid on Bitcoin Interests. If you have any questions or are uncertain as to whether Bitcoin Interests are a suitable investment for you, you should seek professional advice from your stock broker, accountant, financial adviser or other professional adviser before deciding whether to invest in Bitcoin Interests.

The Responsible Entity and the Investment Manager do not take into account labour standards or environmental, social or ethical considerations in the selection, retention or realisation of an investment by the Fund.

1.4 No representations other than this PDS

No person is authorised to give any information or to make any representation in connection with the Offer or the Fund which is not contained in this PDS. Any information or representation that is not in this PDS

may not be relied upon as having been authorised by the Responsible Entity or any associate of the Responsible Entity in connection with the Offer.

Except as required by law, and then only to the extent so required, neither the Responsible Entity nor any other person warrants the future performance of the Fund or any return on any investment made in connection with Bitcoin Interests issued under this PDS.

1.5 Definitions

Capitalised terms used in this PDS have the meaning given to them in section 12, unless the context dictates otherwise.

1.6 Offering restrictions apply

The offer to which this PDS relates is only available to persons receiving this PDS (electronically or otherwise) in Australia. This PDS does not constitute a direct or indirect offer of securities in the US or to any US Person as defined in Regulation S under the Securities Act of 1933 as amended ('US Securities Act'). The Responsible Entity may vary this position and offers may be accepted on merit at the Responsible Entity's discretion. Bitcoin Interests in the Fund have not been, and will not be, registered under the US Securities Act unless otherwise approved by the Responsible Entity and may not be offered or sold in the US to, or from, the account of any US Person except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

1.7 Risks

An investment in Bitcoin Interests is an investment in a financial product. An investor should take time to understand

the risks associated with an investment in Bitcoin Interests to determine whether the investment is suitable for them.

The material risks associated with an investment in Bitcoin Interests of which the Responsible Entity is aware as at the date of this PDS are set out in sections 6 and 7.

1.8 Financial amounts and times

All financial amounts contained in this PDS are expressed in Australian currency unless otherwise stated. Some amounts in this PDS have been rounded and as a result some totals may not add up exactly.

A reference to time in this PDS is a reference to Sydney, New South Wales, Australia time.

1.9 Updating the PDS

Information contained in this PDS is subject to change and may be updated by the Responsible Entity from time to time. Any updated information (which is not materially adverse to investors) will be available from the Responsible Entity's website. Material updates will also be notified to the Cboe Market Announcements Platform.

An electronic copy of this PDS and updates regarding the Fund can be accessed at <https://vascofm.com/> and <https://www.monochrome.au/>. We will provide you with free paper copies of this PDS and updates to it on request.

1.10 Cooling-off

If you change your mind about investing in the Monochrome Bitcoin ETF you need to be aware that cooling-off rights do not apply to an investment in the Fund.

2. Key Information Summary

The information set out in this section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this PDS. In deciding whether to invest in the Fund you should read this PDS carefully and in its entirety. You should seek relevant professional advice before making an investment decision.

2.1 Investment overview

What is the Monochrome Bitcoin ETF?	<p>This PDS relates to Bitcoin Interests in a bare trust managed investment scheme which has been registered with ASIC. The Bitcoin Interests offered under this PDS are designed to provide investors with a beneficial interest in bitcoin without taking on the technical challenges associated with storing and protecting bitcoin.</p> <p>The Responsible Entity has applied for the Bitcoin Interests in the Monochrome Bitcoin ETF to be quoted and traded on Cboe under the Cboe Operating Rules under the code IBTC. Bitcoin Interests may also be acquired by lodging an Application with the Registry.</p> <p>The issue of Bitcoin Interests under this PDS is covered by the Responsible Entity's Australian financial services licence.</p>	Section 3
What is the investment objective of the Monochrome Bitcoin ETF?	<p>The investment objective of the Monochrome Bitcoin ETF is to provide Holders with an investment return that tracks the performance of the price of Bitcoin in Australian dollars (before taking into account fees, costs and tax) by reference to the CME CF Bitcoin Reference Rate Asia Pacific Variant converted to Australian dollars. The value of an investment in a Bitcoin Interest will be subject to fluctuations in the AUD:USD exchange rate as well as fluctuations in the price of Bitcoin.</p> <p>The Responsible Entity will not borrow money or invest in derivatives to implement the investment strategy. The Fund will not engage in securities lending. Fund asset allocation ranges are Bitcoin: 95-100%, Cash: 0-5%.</p>	Section 3

	<p>These may vary from time to time while the Fund is being established or due to market conditions. In these circumstances, the Investment Manager will seek to bring the Fund's investments within the guidelines within a reasonable period of time.</p>	
Benchmark	CF Benchmarks Ltd CME CF Bitcoin Reference Rate Asia Pacific Variant ("BRRAP Index Price")	Sections 3, 7 and 8
Net Asset Value	<p>The Net Asset Value ("NAV") is:</p> <ul style="list-style-type: none"> • for a Bitcoin Interest, the AUD value of the Bitcoin Allocation held in each Separate Trust less any charged Management Fees attributable to that Separate Trust, and • for the Fund, all of the Bitcoin Interests for the Fund plus cash, less its total liabilities. <p>The NAV published on a particular Business Day reflects the value of a Bitcoin Interest or of the Fund at the close of trading on the previous Business Day.</p> <p>An indicative NAV per Bitcoin Interest ("iNAV") will be published by the Fund throughout the Cboe Trading Day. The iNAV reflects the real time movements in the price of bitcoin during the Cboe Trading Day and will be calculated and disseminated by the iNAV Provider based on the CF Benchmarks Ltd CME CF Bitcoin Real Time Index ("BRTI"), a real time index of the USD price of one bitcoin, published once per second. The iNAV will be published on the Responsible Entity's and Investment Manager's websites throughout the Cboe Trading Day.</p>	Section 8
What is a Bitcoin Interest?	<p>Each Bitcoin Interest confers on the Holder a beneficial interest in an amount of bitcoin held in a Separate Trust. The amount of bitcoin represented by such beneficial interest from time to time is known as the Bitcoin Allocation. The Bitcoin Allocation will be published daily at https://monochrome.au/.</p>	Section 3

<p>Assets of the Monochrome Bitcoin ETF</p>	<p>The Monochrome Bitcoin ETF will invest in bitcoin, which shall be held by the Bitcoin Custodian, a third party service provider which specialises in the secure storage of Digital Assets.</p> <p>The Responsible Entity will maintain a separate record of the Bitcoin Allocation corresponding to each Separate Trust.</p>	<p>Section 3</p>
<p>Who is able to subscribe to the Offer?</p>	<p>Persons receiving this PDS in Australia can acquire Bitcoin Interests by completing the online Application Form available at https://apply.automic.com.au/ibtc or by purchasing Bitcoin Interests on Cboe via your trading platform or stockbroker. The minimum initial investment amount to invest in the Fund directly via the Registry is \$5,000. There is no minimum number of Bitcoin Interests investors must buy on Cboe. Investors may only apply for or purchase whole numbers of Bitcoin Interests.</p>	<p>Section 3</p>
<p>Redemptions</p>	<p>All Holders (including Authorised Participants) who wish to redeem Bitcoin Interests directly with the Responsible Entity may submit in specie Redemption Requests (referred to as the Bitcoin Delivery Method) whereby the Holder will receive bitcoin as their Redemption proceeds or cash Redemption Requests (referred as the Bitcoin Sale Method). Redemption Requests may be for some or all of the Holder's Bitcoin Interests.</p> <p> Holders who acquire Bitcoin Interests on Cboe or who acquire Bitcoin Interests via the Registry and subsequently transfer their holding to a CHESS account may exchange their Bitcoin Interests for cash on Cboe. Where a Holder transfers their holding to a CHESS account, the Holder irrevocably authorises and directs the Responsible Entity to redeem any fractional Bitcoin Interest held by the Holder and offset the redemption proceeds against the Conversion Fee. There is no Redemption Fee or Buy/Sell Spread applied for redemptions of a</p>	<p>Sections 3 and 9</p>

	<p>fractional Bitcoin Interest in connection with a Holder transferring their holding from the issuer sponsored subregister to a CHES account.</p> <p>A Redemption Fee is payable for the Bitcoin Delivery Method. A Buy/Sell spread is payable for cash Applications and Redemptions. Your broker may charge you brokerage fees when buying and selling Bitcoin Interests on Cboe.</p> <p>An election for the Bitcoin Delivery Method is only valid if the requesting Holder has nominated a Digital Wallet for the transfer which they can prove their ownership of to the satisfaction of the Responsible Entity and have completed all know your client and anti-money laundering checks as may be requested by the Responsible Entity. The Responsible Entity will generally require that the Holder's Digital Wallet is one which is associated with the Bitcoin Custodian.</p> <p>Under certain circumstances, the Responsible Entity may carry out a Compulsory Redemption following 60 days' notice to the relevant Holder.</p> <p>As at the date of the PDS, there is no minimum number of Bitcoin Interests required for a Redemption Request, and there is no minimum residual holding required.</p>	
Trading Bitcoin Interests on market	The Responsible Entity has applied to Cboe to have Bitcoin Interests quoted on Cboe. While Bitcoin Interests are Quoted, Holders with a Cboe brokerage account may realise the value of their investment by selling their Bitcoin Interests on Cboe.	Section 3

2.2 Key parties

Investment Manager	Monochrome Asset Management Pty Ltd ACN 647 701 246	Sections 4 and 13
Responsible Entity	Vasco Trustees Limited ACN 138 715 009	Sections 4 and 13

Registry	Automic Pty Ltd ACN 152 260 814	Sections 4 and 13
Administrator and Cash Custodian	State Street Australia Limited ACN 002 965 200	Sections 4 and 13
Bitcoin Custodian	Gemini Trust Company, LLC	Sections 4 and 13
iNav Provider	Solactive AG*	Section 13
BRRAP Index Price Provider	CF Benchmarks Ltd	Section 13
Auditor	Ernst & Young ABN 75 288 172 749	Section 13

* The iNAV is calculated by Solactive AG (Solactive). The Monochrome Bitcoin ETF is not sponsored, endorsed, promoted or sold by Solactive in any way and Solactive makes no express or implied representation, guarantee or assurance with regard to the iNAV, iNAV calculation or the Monochrome Bitcoin ETF.

2.3 Information about bitcoin

What is bitcoin?	Bitcoin is a Digital Asset that uses Blockchain technology to record ownership and transactional data on a widely distributed and decentralised public ledger. The Bitcoin Network has a native unit of account, bitcoin, which is strictly limited to 21 million units that are issued on a predetermined algorithmic schedule.	Section 5
Bitcoin's price history	Bitcoin has seen exceptional price volatility since it was created. Investors should be advised that past performance is no guarantee of future performance. Returns are not guaranteed and investors in the Fund may lose their entire investment amount.	Sections 6 and 7
What is bitcoin's position in the Digital Asset market?	Bitcoin has held the largest market capitalisation of any Digital Asset since the invention of Digital Assets.	Section 5

2.4 Risks

An investment in Bitcoin Interests has similar general risks to those associated with any investment fund quoted by and traded on Cboe, as well as a number of risks specific to an investment in bitcoin. These are set out in detail in sections 6 and 7. Before deciding to invest in Bitcoin Interests, prospective investors should read this PDS in its entirety and carefully consider these risk factors.

General risks		
Market risk	Digital Assets can be extremely volatile and are usually highly speculative. There is a high risk your investment could fall in value or be lost entirely.	Section 6
Pricing risk	It may be difficult to value some Digital Assets accurately and reliably for reasons including the nature of their trading, susceptibility to manipulation, and a lack of identifiable fundamentals. Some Digital Assets may be purely speculative assets.	Section 6
Political, regulatory and legal risk	<p>Government and/or regulatory changes or actions may alter the nature of an investment in or restrict the use of bitcoin in a manner that adversely affects an investment in Bitcoin Interests.</p> <p>The effect of any future regulatory change on bitcoin or an entity dealing or holding bitcoin is impossible to predict, but such a change could adversely impact the price of Bitcoin Interests.</p> <p>It may be illegal now, or in the future, to acquire, own, hold, sell or use bitcoin in one or more countries.</p> <p>Regulatory changes or interpretations could create the need for the Fund, the Responsible Entity and/or the Investment Manager to comply with new regulations or apply for new licences, resulting in potentially extraordinary, non-recurring, and unanticipated expenses.</p> <p>Future developments in the tax treatment of bitcoin could adversely affect an investment in the Fund.</p>	Section 6

Cyber risk	The nature of Digital Assets may mean they are more susceptible to cyber risks than other asset classes.	Section 6
Environmental risk	To the extent Bitcoin has a large environmental impact, this may raise other risks, such as increased regulation or negative market sentiment, which could affect the value of Bitcoin Interests.	Section 6
Service provider risk	Your investment may be adversely impacted if any of the various parties involved in the operation of the Monochrome Bitcoin ETF, including the Responsible Entity, the Investment Manager, or other underlying agents, fail to perform their obligations.	Section 6
Custody risk	<p>If Private Keys held by the Bitcoin Custodian for the Fund's bitcoin are lost or compromised, this may result in the Fund's bitcoin becoming inaccessible or accessed by unknown third parties without authorisation.</p> <p>The performance and operations of the Fund may be adversely impacted if the Bitcoin Custodian terminates the Custody Agreement.</p>	Section 6
Taxation and legislative change risk	Changes in taxation rates, tax rules or tax law interpretation may impact your investment returns.	Section 6
Product risk	Changes may be made to the Bitcoin Interests from time to time including changes to fees or minimum investment amounts.	Section 6
Industry risk	The Digital Asset sector is rapidly changing and there may be risks that arise which are currently unforeseen by the Responsible Entity or Investment Manager.	Section 6

Liquidity risk	The market for bitcoin is likely to be more liquid than the market for Bitcoin Interests. Holders of Bitcoin Interests should not expect their investment to be as liquid as the market for bitcoin itself.	Section 6
Settlement risk	The Monochrome Bitcoin ETF is exposed to some risk if an Authorised Participant fails to comply with its settlement obligations.	Section 6
Currency risk	Bitcoin prices are generally quoted in USD and Bitcoin Interests are priced in AUD. To the extent a Holder values Bitcoin Interests in another currency (such as AUD), that value will be affected by changes in the exchange rate between the USD and that other currency.	Section 6
Limited recourse risk	Holders only hold an interest in the assets of their respective Separate Trust, they do not have an interest in the assets of the Fund as a whole.	Section 6
Bare trust risk	The tax treatment of Bitcoin Interests depends upon the investor being 'absolutely entitled' to the Bitcoin Allocation of a Separate Trust. The meaning of 'absolute entitlement' is not entirely settled law, and future decisions by the ATO or the Courts may have a material adverse impact on an investment in the Fund.	Section 6
Responsible Entity risk	The Responsible Entity plays a central role in the Fund's operations and the departure or removal of the Responsible Entity could adversely impact the performance of the Fund.	Section 6
Authorised Participant risk	Authorised Participants are vital to the ongoing liquidity of the Fund on Cboe. The value of an investment in the Fund may be adversely affected in circumstances where	Section 6

	there are no Authorised Participants to provide liquidity for the Fund on Cboe.	
Compulsory Redemption	Under certain circumstances, the Responsible Entity may compulsorily redeem Bitcoin Interests. Compulsory Redemption may have an adverse effect if the timing is not appropriate to an investor's personal circumstances and investment strategy.	Section 6
Digital asset risks		
Bitcoin Network risks	<p>The slowing or stopping of the development or acceptance of bitcoin may adversely impact an investment in the Bitcoin Interests.</p> <p>Programming amendments could be proposed to the bitcoin protocol that, if accepted and authorised by the Bitcoin Network community, could adversely affect bitcoin.</p>	Section 7
Technology risk and operational disruptions	<p>The loss or destruction of a Private Key required to access bitcoin may be irreversible.</p> <p>If a malicious actor obtains control of more than 50% of the processing power of bitcoin miners, that actor could manipulate the Bitcoin Network which could adversely affect an investment in Bitcoin Interests.</p> <p>If fees increase for recording transactions in the Bitcoin Network, demand may be reduced which could adversely affect the Net Asset Value of the Monochrome Bitcoin ETF.</p> <p>Bitcoin Network software modifications could result in a 'fork' in the Bitcoin</p>	Section 7

	<p>Blockchain, resulting in the operation of two separate Blockchains.</p> <p>As this is a new sector, there is very little meaningful history in operating an investment vehicle which invests in bitcoin.</p> <p>Bitcoin transactions are irrevocable and stolen or incorrectly transferred bitcoin may be irretrievable.</p>	
Bitcoin exchange market risks	<p>The value of an investment in Bitcoin Interests relates directly to the value of the bitcoin held by the Monochrome Bitcoin ETF and fluctuations in the price of bitcoin could materially and adversely affect the value of an investment in Bitcoin Interests.</p> <p>The value of bitcoin as represented by the BRRAP Index Price may be subject to momentum pricing due to speculation regarding future appreciation in value.</p> <p>The impact of geopolitical or economic events on the supply and demand for Digital Assets, in particular bitcoin, is uncertain.</p> <p>Demand for bitcoin is partly driven by its status as the most prominent Digital Asset. Another Digital Asset could have features that make it more desirable to a material portion of the Digital Asset user base, resulting in a reduction in demand for bitcoin.</p>	Section 7
BRRAP Index Price risk	<p>Limitations to the availability or quality of the BRRAP Index Price due to system errors or outages in underlying exchange constituents may have an impact in the calculation of the NAV, which could adversely affect an investment in Bitcoin Interests.</p>	Section 7
Extreme volatility	<p>There is extreme volatility in the price of bitcoin.</p>	Section 7

Unsuitability of bitcoin for some investment purposes	High volatility and the market uncertainty of bitcoin makes an investment in Bitcoin Interests unsuitable for some investors.	Section 7
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2.8 Fees and expenses

Management fee	0.98% p.a.	Section 9
Establishment fee	\$0	Section 9
Redemption fee	\$500 for the Bitcoin Delivery Method.	Section 9
Buy/Sell spread	0.2% (not applicable for the Bitcoin Delivery Method).	Section 9
Wholesale clients	Holder who are wholesale clients (as defined in the Corporations Act) may negotiate differential fee arrangements based on individual negotiations with the Responsible Entity.	Section 9

Other fees and expenses may apply. For further information, refer to section 9.

2.9 About Cboe

Cboe is Cboe Australia Pty Limited (ABN 47 129 584 667), the operator of the Cboe market which is a regulated Australian exchange that uses its own trading system. An investment product quoted on Cboe under the Cboe Operating Rules is typically an investment vehicle through which investors obtain exposure to underlying assets.

As most investors are more familiar with the ASX Listing Rules in relation to listed securities, it is important to note there are differences between the Cboe Operating Rules and the ASX Listing Rules. Key, but not exhaustive, differences are outlined below.

Requirement	Securities of listed entities on the ASX	Investment products quoted on Cboe under the Cboe Operating Rules
Control	An issuing entity controls the value of its own securities as	An issuer of a product quoted on the Cboe platform does not

Requirement	Securities of listed entities on the ASX	Investment products quoted on Cboe under the Cboe Operating Rules
	<p>their conduct and performance directly influences the value of the securities. For example, the board has a direct role in the day to day operations of the business which influences the share price.</p>	<p>control the value of the assets underlying its product. It offers a product that gives investors exposure to underlying assets – such as shares, bonds, indices, currencies or commodities. The value (price) of products quoted under the Cboe Operating Rules is dependent on the performance of the underlying assets rather than the financial performance of the issuer itself e.g. a managed fund issuer does not control the value of the shares it invests in.</p>
<p>Continuous Disclosure</p>	<p>Products issued under the ASX Listing Rules are subject to continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.</p>	<p>Issuers of products quoted under the Cboe Operating Rules and Procedures are not subject to the continuous disclosure requirements in section 674 of the Corporations Act.</p> <p>The Responsible Entity will comply with the disclosure requirements in section 675 of the Corporations Act. 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 Bitcoin Interests, provided that such information has not already been included in this PDS (as supplemented or amended).</p> <p>The Responsible Entity will publish such information on the Cboe announcements platform</p>

Requirement	Securities of listed entities on the ASX	Investment products quoted on Cboe under the Cboe Operating Rules
		<p>and its website at the same time as it is disclosed to ASIC.</p> <p>Under Cboe Operating Rule 14.29, the Responsible Entity must disclose information about:</p> <ul style="list-style-type: none"> ● information about the NAV of the Fund's underlying investments daily; ● Total redemptions issued in the prior month; ● Information about dividends or distributions; ● any other information which is required to be disclosed to ASIC under section 675 or section 1017B of the Corporations Act; ● Any other information that would be required to be disclosed under section 323DA of the Corporations Act, if either the Responsible Entity or the Fund were listed; and ● any information, the non-disclosure of which may lead to the establishment of a false market in the Bitcoin Interests or which would otherwise impact on the price of the units.
Periodic Disclosure	Under chapter 4 of the ASX Listing Rules, issuers are required to disclose their annual and half-yearly financial information or annual reports to the ASX.	Issuers of products quoted under the Cboe Operating Rules and Procedures are not required to disclose half-yearly or annual financial information or reports to the Cboe announcements platform. The Responsible Entity is however, required to lodge financial information and reports

Requirement	Securities of listed entities on the ASX	Investment products quoted on Cboe under the Cboe Operating Rules
		in respect of the Fund with ASIC under Chapter 2M of the Corporations Act and lodge with the Cboe announcements platform under Cboe Operating Rule 14.28.
Corporate Control	The ASX Listing Rules and the Corporations Act outline requirements relating to matters such as substantial shareholding disclosures, replacement of the RE, takeovers, buy-backs, change of capital, restricted securities, new issues and directors' interests which apply to companies and schemes listed on the ASX.	<p>Although the Bitcoin Interests are quoted under the Cboe Operating Rules and Procedures, the Fund itself is not listed and is therefore not subject 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>
Related Party Transactions	Restrictions of transactions between a listed entity and a person that is in a position to influence that entity are in place for listed entities pursuant to Chapter 10 of the ASX Listing Rules.	<p>No listing rules apply to Cboe Operating Rules and Procedures quoted products.</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>
Auditor Rotation Requirements	Listed entities are subject to Part 2M.4 Division 5 of the Corporations Act which outlines	Issuers of products quoted under the Cboe Operating Rules and Procedures are not subject to the auditor rotation requirements in

Requirement	Securities of listed entities on the ASX	Investment products quoted on Cboe under the Cboe Operating Rules
	specific requirements regarding auditor rotation.	<p>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>
Spread requirements	There are requirements under the ASX Listing Rules that issuers satisfy certain minimum spread requirements (i.e. a minimum parcel size must be held by a certain number of holders).	Typically there are requirements under listing rules that main board issuers satisfy certain minimum spread requirements (i.e. a minimum number of holders each having a minimum parcel size). Equivalent requirements do not apply to issuers of fund products quoted under the Cboe Operating Rules. Unless and until a suitable spread of holders is achieved, the Responsible Entity must ensure a reasonable bid and volume is maintained for the Fund on Cboe except in permitted circumstances or must have in place other arrangements which meet Cboe’s requirements for providing liquidity, generally through the appointment of a market maker.

3. Overview of Bitcoin Interests

This PDS relates to the issue of Bitcoin Interests in a registered managed investment scheme which invests in bitcoin.

The Monochrome Bitcoin ETF is a registered managed investment scheme which has applied to have its Bitcoin Interests quoted on Cboe under the Cboe Operating Rules. Bitcoin Interests may also be acquired outside of Cboe by lodging an Application with the Registry. Bitcoin Interests confer on the Holder a beneficial interest in an amount of bitcoin referred to as the Bitcoin Allocation. Under the Fund’s Constitution, a Separate

Trust is established for each Bitcoin Interest. Each Bitcoin Allocation represents the beneficial interest in bitcoin that is held by the Responsible Entity in a bare trust for the relevant Holder.

The Fund has been established to provide investors with an accessible way of gaining exposure to bitcoin without being responsible for the technical intricacies associated with acquiring, holding and designing a secure storage solution.

The Fund will be asset-backed. Under the Fund's Constitution, the Responsible Entity is required to hold the actual bitcoin that is the subject of the Separate Trusts.

3.1 Investment objective

The investment objective of the Fund is to provide Holders with an investment return that tracks the performance of the price of bitcoin in Australian dollars (before taking into account fees, costs and tax) by reference to the BRRAP Index Price converted to Australian dollars. The value of an investment in a Bitcoin Interest will be subject to fluctuations in the AUD:USD exchange rate as well as fluctuations in the price of Bitcoin. There is no assurance or guarantee that the Fund will meet its investment objective.

The Responsible Entity will use the Application Consideration to implement a buy and hold investment strategy for bitcoin. The Responsible Entity will not borrow money or invest in derivatives to implement the investment strategy. The Fund will not engage in securities lending.

The Fund will adhere to the following asset allocation ranges Bitcoin: 95-100%, Cash: 0-5%.

These allocations may vary from time to time while the Fund is being established or due to market conditions. In these circumstances, the Investment Manager will seek to bring the Fund's investments within the guidelines within a reasonable period of time.

3.2 Key Features of a Bitcoin Interest

Ownership of a Bitcoin Interest confers on the Holder a beneficial interest in a Bitcoin Allocation held by the Responsible Entity in a bare trust. Bitcoin Allocations will be held by the Responsible Entity on trust in accordance with the terms of the Fund's Constitution. The Responsible Entity has appointed experienced third party service providers to provide a range of services including administration, registry and custody.

The Bitcoin Allocation on all Bitcoin Interests will be reduced daily by the Management Fee. The Bitcoin Allocation for every Bitcoin Interest shall be equal, ensuring that all Bitcoin Interests are fully fungible.

The Bitcoin Allocation for each Bitcoin Interest will be calculated daily by the Responsible Entity, to six decimal places and shall be published on <https://monochrome.au/>, and will also be available through the Cboe announcements portal.

3.3 Investment benefits

Bitcoin Interests provide an indirect method of investing in bitcoin for investors who do not wish to manage the risks of direct ownership and custody. Bitcoin Interests aim to track the performance of bitcoin, while allowing Holders to buy and sell the Bitcoin Interests seamlessly on Cboe or to apply for and redeem Bitcoin Interests directly with the Fund, via the Registry.

By investing in Bitcoin Interests, an investor can gain exposure to bitcoin without having to personally handle the operational and technological risks associated with bitcoin ownership and storage. An investment in bitcoin can be lost entirely if an investor loses access to their Private Key. However, unlike bitcoin, the ownership of Bitcoin Interests is not contingent upon possession of a Private Key. The Fund enables Holders to outsource storage and security of their bitcoin investment to third party service providers experienced in Digital Assets.

In Australia, Bitcoin Interests are subject to more robust regulatory standards than bitcoin. Bitcoin Interests are regulated as a financial product and will be traded on a licensed financial market. ASIC does not currently treat bitcoin as a financial product, resulting in bitcoin falling outside securities and financial services licensing legislation. Holders of Bitcoin Interests benefit from certain consumer protections afforded to clients of Australian financial services licensees and registered managed investment schemes, which are otherwise not available from a direct investment in bitcoin.

The Responsible Entity has access to well established and experienced bitcoin liquidity providers. The Investment Manager oversees trade execution, investment and operational risk management and also works closely with external businesses and technical expert advisors.

3.4 Applications

The Offer contained in this PDS is a continuous offer. Unless the Responsible Entity determines otherwise, the Offer under this PDS is only available to persons receiving this PDS (electronically or otherwise) in Australia.

Investors can acquire and dispose of Bitcoin Interests by:

- transacting on Cboe via a broker;
- acquiring Bitcoin Interests by completing the online Application Form available at <https://apply.automic.com.au/ibtc>; or
- redeeming Bitcoin Interests via the Registry investor portal at <https://investor.automic.com.au/#/home>.

The method by which you enter the Fund does not affect the method by which you can exit the Fund. Investors can buy Bitcoin Interests on Cboe and sell Bitcoin Interests on Cboe or redeem directly with the Registry. Please refer to the sections below for more information.

An investor that applies for Bitcoin Interests directly via the Registry may pay a different price for Bitcoin Interests to an investor who buys Bitcoin Interests on Cboe at the exact

same time. Similarly, a Holder who redeems Bitcoin Interests via the Registry is likely to receive a different price for Bitcoin Interests to a Holder who sells Bitcoin Interests on Cboe at the exact same time. These differences in prices may result in a different return from an investment in the Fund between Holders who acquire and dispose of Bitcoin Interests at the same time, using different methods.

a. Purchasing Bitcoin Interests on Cboe

While the Fund is Quoted, investors may purchase Bitcoin Interests on the secondary market via Cboe. Application forms are not required to be completed and there is no minimum investment amount (however the investor must have an account with a Cboe broker). The price applied to the investor's buy order will be the market price at the time of purchase as reflected by the price at which they have bought Bitcoin Interests on Cboe.

b. Applications by Authorised Participants

An Application from an Authorised Participant received by 4.30pm on a Cboe Trading Day will generally enable the Authorised Participant to have Bitcoin Interests issued to their CHES account on the Settlement Date, provided the Application Consideration is received in time for settlement.

c. Applications by persons who are not Authorised Participants

If we accept your Application and receive your Application Consideration:

- before 1pm on a Business Day, you will generally receive the Application Price calculated for that Business Day; or
- on or after 1pm on a Business Day, or a day which is not a Business Day, you will generally receive the Application Price calculated for the next Business Day.

Application Consideration must be in cash.

Application Consideration paid in cash shall be used to purchase bitcoin from an OTC Provider. Any interest earned on Application Consideration will be paid to the Fund.

You can make additional investments into the Fund at any time by submitting an additional application to the Registry. You can pay using EFT or BPay®. The minimum additional investment into the Fund via EFT is \$1,000 for direct investors. There is no minimum additional investment amount for payments made via BPAY.

The Registry will send you a transaction confirmation once Bitcoin Interests have been issued to you. Please note that your funds may take some time to be transferred to the Fund from your financial institution. Bitcoin Interests will be issued when we accept your Application and receive your Application Consideration.

The price at which applications for Bitcoin Interests are acquired is determined in accordance with the Constitution ("Application Price"). The cash Application Price on a Business Day is, in general terms, equal to the NAV, divided by the number of Bitcoin Interests on issue and adjusted for transaction costs ("Buy Spread"). As at the date of this PDS, the Buy Spread is 0.2%.

We reserve the right to refuse any Application without giving a reason. If for any reason your Application to invest in the Fund is refused, we will return your application money to you, subject to regulatory considerations, less any taxes or bank fees in connection with the application and without interest.

3.5 Redemptions

a. Selling Bitcoin Interests on Cboe

While the Fund is Quoted, investors may sell Bitcoin Interests on the secondary market via Cboe (however the investor must have an account with a Cboe broker). The price applied to the investor's Sell order will be the market price at the time of sale as reflected by the price at which they have sold Bitcoin Interests on Cboe. Bitcoin Interests acquired initially via the Registry may be sold on Cboe however the Holder must first transfer the Bitcoin Interests into an account with a Cboe broker. Fractional Bitcoin Interests cannot be transferred into an account with a Cboe broker. For example, if you hold 100.5 Bitcoin Interests you may only transfer 100 into an account with a Cboe broker. Holders who transfer Bitcoin Interests into an account with a Cboe broker must pay a Conversion Fee equal to the amount of any fractional Bitcoin Interest held.

b. Redeeming Bitcoin Interests directly with the Fund

All Holders can redeem their Bitcoin Interests directly with the Fund, via the Registry, by using the Bitcoin Delivery Method or the Bitcoin Sale Method.

Bitcoin Interests subject to a Redemption Request cannot be transferred. Upon receipt of a valid Redemption Request, the Responsible Entity will do everything necessary to process the Redemption Request. A Redemption Request is valid only if:

- it is complete and contains all information required
- it is given by the person who, in the knowledge or reasonable opinion of the Responsible Entity, was registered as the Holder of the corresponding Bitcoin Interest at 5pm on the Business Day the Redemption Request is received, and
- in the case of the Bitcoin Delivery Method, the Redemption Fee has been received.

The Responsible Entity may in its absolute discretion determine whether a Redemption Request is valid and will promptly notify the Holder if a Redemption Request is invalid. In such cases the Holder must lodge a new and valid Redemption Request in respect of those Bitcoin Interests. Redemption Requests lodged after 1pm on a Business Day (4:30pm for Authorised Participants) will be treated as having been lodged on the next Business Day. Subject to the Corporations Act and the Cboe Operating Rules, a Redemption Request for Bitcoin Interests may not be revoked without the consent of the Responsible Entity.

Following the transfer of the Sale Proceeds or the bitcoin, each relevant:

- Bitcoin Interest will be redeemed and cancelled; and
- the Separate Trusts associated with those Bitcoin Interests will be dissolved.

The Responsible Entity shall not be responsible or liable for any failure by the Bitcoin Custodian or Cash Custodian or a sale counterparty to affect a delivery or payment in respect of the bitcoin in accordance with the instructions of the Holder. However, in the event of such failure, the Responsible Entity shall to the extent practicable assign to the redeeming Holder its claims in relation to such bitcoin or cash (as applicable) in satisfaction of all claims of such Holder in respect of the Bitcoin Interests to be redeemed and the Holder shall have no further claims against the Fund or the Responsible Entity.

3.6 Bitcoin Delivery Method

Where a Holder lodges a Redemption Request for the Bitcoin Delivery Method, they must nominate a Digital Wallet into which the Responsible Entity will arrange for delivery of the Bitcoin Allocation, and pay the \$500 Redemption Fee to the Responsible Entity (the Redemption Fee is not deducted from the amount of bitcoin transferred to the Holder). The Holder must prove ownership of this Digital Wallet to the satisfaction of the Responsible Entity and have completed all know your client and anti-money laundering checks as may be requested by the Responsible Entity.

Redemptions using the Bitcoin Delivery Method shall be made by withdrawing bitcoin in an amount equal to the aggregate Bitcoin Allocation of the Bitcoin Interest being redeemed (rounded up to the nearest six decimal places) and procuring delivery of that amount of bitcoin. The bitcoin will be transferred to the Digital Wallet nominated by the Holder and such transfer shall settle the Delivery Obligations in respect of such Bitcoin Interests. In order to manage operational risk for Holders electing the Bitcoin Delivery Method, the Responsible Entity may require Holders to nominate a Digital Wallet associated with the Bitcoin Custodian, or another Digital Asset custodian or Digital Wallet provider, at the sole discretion of the Responsible Entity.

The Responsible Entity's Delivery Obligations will be satisfied by transferring bitcoin using the Digital Wallet address specified by the Holder in the Redemption Request. Upon transfer of the Bitcoin Allocation using the Digital Wallet address specified in the Redemption Request, all title to the bitcoin and all risk in and relating to the bitcoin pass to the Holder.

The Responsible Entity is not responsible or liable for any theft, loss, inability to recover or damage whatsoever that occurs to the bitcoin after such transfer.

3.7 Bitcoin Sale Method

Redemptions for the Bitcoin Sale Method will follow the same procedures as the Bitcoin Delivery Method except that the Responsible Entity will sell the Bitcoin Allocation of the Bitcoin Interest being redeemed and will pay those funds less the Sell Spread in Australian dollars to the bank account nominated by the Holder.

If the Bitcoin Sale Method applies:

- the Responsible Entity is irrevocably authorised to procure that the Bitcoin Allocation is sold for and on behalf of the Holder

- the Holder irrevocably authorises the Responsible Entity to procure the sale of the Bitcoin Allocation at the current market price at the time of the disposal, and the Holder irrevocably directs and authorises the Responsible Entity or any of its nominees to take all action necessary or desirable to effect the sale by the Responsible Entity of the bitcoin
- the Responsible Entity will pay the Sale Proceeds as soon as reasonably practicable to the Holder as instructed by the Holder in the Redemption Request and the Holder acknowledges and agrees that:-
 - the Responsible Entity agrees to procure the sale of the Bitcoin Allocation on behalf of the Holder, as agent for the Holder, at the price achieved in the spot market
 - the Holder agrees to accept the price obtained by the Responsible Entity in accordance with this PDS and the Constitution and to sell its Bitcoin Allocation at that price
 - the Responsible Entity makes no representations or warranties as to the price at which the Bitcoin Allocation will be sold or the amount of the Sale Proceeds
 - to the maximum extent permitted by law, the Responsible Entity is not responsible or liable for any loss, costs or expense incurred by or on behalf of the Holder as a result of the sale of the Bitcoin Allocation on behalf of the Holder, except to the extent that such loss, cost or expense arises as a result of the Responsible Entity's gross negligence, default, fraud or dishonesty, and
 - when the Responsible Entity directs the Cash Custodian to transfer the Sale Proceeds to the Holder, the Responsible Entity will have discharged all of its obligations to the Holder and the Holder will cease to have any right, title or interest in respect of the redeemed Bitcoin Interest, the Responsible Entity or the Fund (other than in respect of other Bitcoin Interests that were not redeemed, and any other rights that survive termination of membership if any).

3.8 Compulsory Redemption

Under certain prescribed circumstances, the Responsible Entity can compulsorily redeem all or a portion of the Bitcoin Interests for some or all Holders. The Responsible Entity must give the affected Holders 60 days' notice of any such Compulsory Redemption (see section 10.1 for more detail), unless the Responsible Entity determines it is not practicable to provide the Holder with notice.

By purchasing the Bitcoin Interests, the Holder is deemed to have instructed the Responsible Entity to apply the Bitcoin Sale Method for the purposes of Compulsory Redemption. A Holder may elect to change its instruction to the Bitcoin Delivery Method instead for the purposes of Compulsory Redemption by providing written notice at least five Business Days prior to the relevant Compulsory Redemption Date.

If an affected Holder fails to provide updated information requested by the Responsible Entity by 5pm at least two Business Days prior to the Compulsory Redemption Date,

then the Responsible Entity may process the Redemption using the delivery details previously advised by the relevant Holder.

A Redemption Fee is payable for Compulsory Redemptions using the Bitcoin Delivery Method.

In addition, where a Holder transfers their holding from the issuer sponsored subregister to a CHES account, the Holder irrevocably authorises and directs the Responsible Entity to redeem any fractional Bitcoin Interest held by the Holder and offset the redemption proceeds against the Conversion Fee. There is no Redemption Fee or Buy/Sell Spread applied for redemptions of a fractional Bitcoin Interest in connection with a Holder transferring their holding from the issuer sponsored subregister to a CHES account.

3.9 Redemptions during trading suspensions and other circumstances

Holders who have acquired Bitcoin Interests on Cboe may normally sell their Bitcoin Interests by trading on Cboe. If trading on Cboe is suspended or otherwise unavailable Holders may also redeem using the Bitcoin Sale Method or Bitcoin Delivery Method, unless:

- the Fund is being wound up
- the Fund is not 'liquid' as defined in the Corporations Act, or
- the Responsible Entity has suspended Redemptions in accordance with the Constitution of the Fund.

3.10 Transfer of Bitcoin Interests

The Responsible Entity has engaged the Market Maker to ensure a liquid secondary market for Bitcoin Interests on Cboe. There is no guarantee or assurance as to the price at which a market will be made. This allows Holders to sell their Bitcoin Interests on Cboe through a stockbroker. The Responsible Entity or Market Maker does not charge a fee when a Holder sells their Bitcoin Interests on Cboe but a stockbroker may charge brokerage fees.

The economic value of each Bitcoin Interest lies in the corresponding Bitcoin Allocation. Whenever there is a transfer in ownership of a Bitcoin Interest, there is a transfer in the ownership of the corresponding Bitcoin Allocation applicable to that Bitcoin Interest.

3.11 Lodgement of Applications and Redemptions

Requests for Applications and Redemptions must be in the form provided by the Responsible Entity and available at the website of the Registry:

- Applications – <https://apply.automic.com.au/ibtc>
- Redemptions – <https://investor.automic.com.au/#/home>

3.12 Summary Comparison of Applications/Redemptions for Direct Investors and Investors on Cboe

	Buying Bitcoin Interests on Cboe	Applying for Bitcoin Interests directly via the Registry
How do I make an investment?	<p>You can invest during any Cboe Trading Day by purchasing Bitcoin Interests via your stockbroker.</p> <p>You do not need to submit an application form or supporting documentation to the Registry.</p>	<p>You must submit a valid application form and supporting documentation to the Registry by 1pm on a Business Day (4:30pm for Authorised Participants).</p> <p>Applications received after 1pm (4:30pm for Authorised Participants) or on a day which is not a Business Day will be processed on the following Business Day.</p>
What is my entry price?	<p>The price at which you purchase Bitcoin Interests on Cboe.</p> <p>You should consult your stockbroker with respect to any fees and charges which may apply.</p> <p>The price at which Bitcoin Interests are traded on Cboe may differ from the Application Price applicable to direct investors.</p>	<p>If you invest:</p> <ul style="list-style-type: none"> before 1pm on a Business Day (4:30pm for Authorised Participants), you will generally receive the Application Price calculated for that Business Day; or on or after 1pm on a Business Day (4:30pm for Authorised Participants), or a day which is not a Business Day, you will generally receive the Application Price calculated for the next Business Day.

		<p>The Application Price will be adjusted for the Buy Spread.</p> <p>The Application Price may differ from the price at which Bitcoin Interests are traded on Cboe.</p>
<p>Is there a minimum application amount?</p>	<p>No</p>	<p>\$5,000 for initial applications and \$1,000 for additional applications where the investor wishes to pay via EFT. There is no minimum for additional applications where the investor pays via BPay.</p>
<p>Selling Bitcoin Interests on Cboe</p>		<p>Redeeming Bitcoin Interests directly via the Registry</p>
<p>How do I withdraw my investment?</p>	<p>You can sell your Bitcoin Interests during any Cboe Trading Day via your stockbroker.</p> <p>You do not need to submit a redemption form or supporting documentation to the Registry when selling your Bitcoin Interests on Cboe.</p>	<p>You must submit a valid redemption form and supporting documentation to the Registry by 1pm on a Business Day (4:30pm for Authorised Participants).</p> <p>Redemption requests received after 1pm (4:30pm for Authorised Participants) or on a day which is not a Business Day will generally be processed on the following Business Day.</p> <p>Investors may redeem using either the Bitcoin Delivery Method or Bitcoin Sale Method.</p>

<p>What is my exit price?</p>	<p>The price at which you sell Bitcoin Interests on Cboe.</p> <p>You should consult your stockbroker with respect to any fees and charges which may apply.</p> <p>The price at which Bitcoin Interests are traded on Cboe may differ from the price at which direct investors redeem Bitcoin Interests.</p>	<p>Investors redeeming using the Bitcoin Delivery Method will receive the Bitcoin Allocation applicable as at the day their redemption is accepted, paid in bitcoin into their nominated wallet. Investors must pay the Redemption Fee to use this redemption option.</p> <p>Investors redeeming using the Bitcoin Sale Method appoint the Responsible Entity to sell the Bitcoin Allocation represented by their Bitcoin Interests on their behalf at the applicable bitcoin spot price as at the day their redemption is accepted as determined by the Responsible Entity. Investors will receive the sale proceeds less the Sell Spread.</p> <p>The price at which Bitcoin Interests are traded on Cboe may differ from the price at which direct investors redeem Bitcoin Interests.</p>
<p>Is there a minimum withdrawal amount?</p>	<p>No</p>	<p>No</p>

4. Key Parties

4.1 Investment Manager

The Responsible Entity has appointed Monochrome Asset Management Pty Ltd ('Monochrome') as the Investment Manager for the Fund. Monochrome is a Corporate Authorised Representative of Vasco Trustees (Corporate Authorised Representative No.

1286428). As Investment Manager, Monochrome oversees trade execution, and investment and operational risk management. The team also works closely with external service providers and technical expert advisors.

Monochrome is committed to providing a secure and compliant solution for Australian investors to gain exposure to Digital Assets. Monochrome believes that in an uncertain financial landscape, bitcoin has the potential to revolutionise the financial system and provide a globally accessible store of value.

Key persons at Monochrome are:

<p>Jeff Yew</p> <p>Chief Executive Officer</p>	<p>Jeff Yew has been involved in the crypto-asset markets since 2013. In 2021 he founded Monochrome to solve an industry problem of a lack of regulated access and secure custody for crypto-assets within traditional finance structures. Monochrome is an asset manager that specialises in providing investment management services for eligible crypto-assets within regulated structures for Australian markets. Jeff is Monochrome’s CEO and is also a member of its Governance Committee. Jeff is also a Responsible Manager for Vasco Trustees Ltd.</p>
<p>Derek Henningsen</p> <p>General Counsel, Head of Legal & Compliance</p>	<p>Derek Henningsen has been involved in crypto asset markets since 2017. He has over 20 years of experience as a legal, risk and compliance professional working in both traditional finance and crypto asset markets. Derek’s experience includes establishing, and leading the legal and compliance function for, the digital currency exchange, Huobi Australia; being the Head of Fund & Mandate Compliance at IFM Investors and additionally holding a number of senior legal and compliance roles including at Orchard Funds Management, Bell Asset Management and the Financial Ombudsman Service (now AFCA). Derek is a member of Monochrome’s Governance Committee.</p>
<p>Andre de Almeida</p> <p>Senior Legal Counsel & Compliance Manager</p>	<p>Andre de Almeida has over 15 years of experience in traditional finance markets and prior to that as an insurance litigation lawyer. He has held a number of senior legal and compliance roles including at the Financial Ombudsman Service (now AFCA), Integrity Legal and Compliance, Astute Financial Services and Equity Trustees. He has been an investor in crypto-asset markets since 2018.</p>
<p>Grayson McLeod</p> <p>Investments Operations Manager</p>	<p>Grayson McLeod has been involved in crypto-asset markets since 2016, and began running educational workshops on this asset class whilst at University of Queensland where he co-founded the UQ Trading and Investing Society. He has worked in crypto-asset markets since leaving university. In</p>

	2019 he worked for PayBtc, a bitcoin payments provider. In 2021 he joined Monochrome as Operations Lead supporting the investment operations function before transitioning to his current role as Investment Operations Manager.
Bridget Nichols Governance Committee Chairman (Independent)	Bridget is a business development specialist and financial markets lawyer, with 20 years' experience in building commercial, operating and regulatory frameworks for new businesses/products in the financial markets industry. Bridget has held business leadership and legal roles at ETF market-making firm Nine Mile Trading, exchange operators in Australia and Europe (ASX, Chi-X Europe) and Institutional Banks in APAC, Europe and America (UBS, State Street). She is the external chair of Monochrome's Governance Committee.

4.2 Responsible Entity

Vasco Trustees Limited ACN 138 715 009 is the Responsible Entity of the Fund and the issuer of the Bitcoin Interests under this PDS.

The Responsible Entity is part of the Vasco group of companies that provide corporate trustee services and fund administration to over 80 funds managed by Australian and international fund managers.

The Responsible Entity is responsible for the overall management of the Fund in accordance with its duties to Holders. The Responsible Entity's responsibilities and obligations, as the responsible entity of the Fund, are governed by the Fund's Constitution and the Corporations Act. Under the Corporations Act and the Constitution, the Responsible Entity is required to act in the best interests of Holders.

4.3 Registry

Atomic Pty Ltd has been appointed as the Registry for the Fund.

The services to be provided by the Registry include:

- maintaining the Fund's register of Holders
- generally performing actions related to the Application and Redemption of Bitcoin Interests
- furnishing annual transaction records, and
- performing certain other administrative and clerical services in connection with the Fund as agreed between the Responsible Entity and the Registry.

4.4 Administrator and Cash Custodian

The Responsible Entity has engaged State Street Australia Limited as the Cash Custodian and Administrator for the Fund.

4.5 Bitcoin Custodian

The Responsible Entity has appointed Gemini Trust Company, LLC as the Bitcoin Custodian for the Fund.

The Bitcoin Custodian provides bitcoin custodial services to the Responsible Entity. The Responsible Entity will ensure that the Bitcoin Custodian complies with the relevant regulatory requirements that apply to custodians, including requirements set out in ASIC Regulatory Guide 133 Managed investment and custodial and depository services: Holding assets.

The Bitcoin Custodian has been providing crypto custody services since 2015 and is a chartered limited purpose trust company with fiduciary powers under the New York Banking Law, which is licensed by the State of New York to custody crypto assets. As a fiduciary and qualified custodian under New York Banking Law, the Bitcoin Custodian is regularly audited and subject to the capital reserve requirements, and cybersecurity and compliance standards that apply to traditional financial institutions. It is the world's first SOC 1 Type 2 and SOC 2 Type 2 certified crypto exchange and custodian.

The Bitcoin Custodian uses a 'multi-sig' approach for transaction signing to reduce the risk of unauthorised parties accessing crypto assets held in custody. This means that custodied crypto assets can only be moved when authorised by multiple people in multiple locations, so that they cannot be accessed by a single bad actor. This also prevents a single point of failure risk in case one key is lost. All custodied crypto assets are held in offline air-gapped cold storage systems and hot wallets are only used to meet daily fund flows.

4.6 Market Maker

Under the Cboe Operating Rules, the Responsible Entity is required to facilitate liquidity in the Bitcoin Interests on Cboe to support a fair and orderly market. The Responsible Entity has satisfied these requirements by appointing a lead Market Maker.

The role of the lead Market Maker is to provide liquidity by:

- facilitating Creation and Redemption of Bitcoin Interests directly with the Fund to manage volume; and
- posting two-way quotes on the Cboe secondary market within agreed spread limits and order size requirements.

The quotations are generally available for the majority of each trading day so that investors can consistently trade at a price that is close to the intraday NAV of the Bitcoin Interests. A Market Maker may also apply to the Responsible Entity as an Authorised Participant to create and redeem Bitcoin Interests.

The arrangements with the Market Maker specify special circumstances under which the market making obligations will not apply (such as trading suspensions, operational disruptions as well as including circumstances in which there is unusual trading activity that may adversely affect the Market Maker's ability to perform its market making function).

Subject to the Responsible Entity's agreement with the Market Maker and the requirements of the Cboe Operating Rules, the Responsible Entity may replace or terminate the Market Maker. The Responsible Entity may decide to no longer appoint market makers in respect to Bitcoin Interests in circumstances where it is no longer required to do so under the Cboe Operating Rules.

Investors in the Fund should be aware that the Market Maker will retain for its own account profits or losses generated from its own market making activities and may charge fees to the Responsible Entity for its role and responsibilities as the lead Market Maker.

The Market Maker is an Authorised Participant but it may be the case that not all Authorised Participants are Market Makers.

4.7 Authorised Participants

Authorised Participants are generally persons who apply for large amounts of Bitcoin Interests to facilitate liquidity of Bitcoin Interests on Cboe. A person can only be an Authorised Participant if it:

- is a bank, securities house or other market professional approved by the Responsible Entity (in its absolute discretion); and
- has entered into an Authorised Participant Agreement with the Responsible Entity.

The Authorised Participant Agreement sets out certain requirements which must be met by the Authorised Participant. These include participation in CHESSE, compliance with certain selling restrictions in respect of the Bitcoin Interests, maintenance of all applicable registrations and qualifications required to meet its obligations under the Authorised Participant Agreement and compliance with the Corporations Act, Cboe Operating Rules, and other applicable laws.

If the relevant requirements cease to be met by any such entity, the Responsible Entity may take such steps as it believes are necessary to ensure that the interests of the Fund and Holders as a whole are protected (which may include rejecting any further Applications from that entity).

The Responsible Entity encourages eligible candidates to sign up as Authorised Participants and eligible candidates should contact the Responsible Entity for more information about how to become an Authorised Participant.

The Responsible Entity will provide the following information to Authorised Participants before other members of the Fund pursuant to ASIC Corporations (Relief to Facilitate Admission of Exchange Traded Funds) Instrument 2024/147:

- (a) the price or value of the assets of the Fund and the price or value of the BRRAP Index Price
- (b) the amount of bitcoin or cash required to acquire a Bitcoin Interest by Authorised Participants on the trading day that first ends after the information is provided, and
- (c) the amount of bitcoin or cash transferred on withdrawal from the Fund by Authorised Participants on the trading day that first ends after the information is provided.

4.8 Other service providers

As at the date of this PDS, the Responsible Entity has also engaged additional service providers as detailed in the Directory in section 13 of this PDS. These service providers may be changed, or added to, at any time without notice to Holders.

5. About Bitcoin

5.1 What is bitcoin?

Bitcoin, with an upper-case B, is an open-source software project that first introduced the concept of using a shared digital ledger, distributed among a large, voluntary, distributed network of computers (or 'nodes'), requiring real-world energy to be spent by miners to process and verify transactions, to create provable digital scarcity and ownership of data. In the Bitcoin Network's case, this data is its underlying monetary unit, bitcoin, with a lower-case b. Anybody in the world with basic hardware and a communications link can be a node in the network. Bitcoin's ledger, referred to in the original source code as 'the Timechain', but more popularly known as 'the Blockchain', forms the basis of Blockchain technology throughout the wider Digital Asset ecosystem.

The Bitcoin Network's underlying Digital Asset is bitcoin. Launched in January 2009, bitcoin was initially issued as rewards to miners based on a predetermined controlled supply algorithm. Every time a block of transactions was added to bitcoin's Blockchain, programmatically every 10 minutes or so, miners were rewarded with 50 bitcoins, alongside transaction fees paid by users. Every 210,000 blocks, or roughly 4 years, this reward is halved. In May 2020, Bitcoin's reward halved for the 3rd time, with the current block reward being 6.25 bitcoins, with almost 90% of all bitcoins having now been mined. The application of this formula enshrines a maximum number of 21 million bitcoins in another 28 reward halvings' time. However, 95% of bitcoins will be mined by 2025, and 99% by 2035. The final percentage will take an additional century, at which point the mining incentive model switches to transaction fees only.

Bitcoin is created by a mining protocol. Bitcoin miners are responsible for producing blocks of transactions for the users and timestamping them into bitcoin's ledger. Miners are rewarded for this service with transaction fees and a block reward, as mining requires the expenditure of energy in order to link the physical world to the digital one, known as Proof-of-Work. Since the nodes ban any peers or miners who attempt to submit a block that violates the rules, the high energy and specialised hardware costs

associated with the Proof-of-Work disincentivises dishonest play and potential bad actors.

5.2 How is bitcoin transferred?

Fundamentally, a bitcoin holding is linked to a string of text known as a Public Key that exists on the Bitcoin Network. The Bitcoin Network is recorded on the hard-drives of tens of thousands of nodes all around the world. Every Public Key has a corresponding Private Key, which is required to authorise transactions for that Public Key. As a bearer asset, whoever is in possession of the Private Key, whether legitimately or not, has full control over the bitcoin associated with a Digital Wallet and can transfer that bitcoin to another Digital Wallet.

The bitcoin transaction process ensures that transactions are legitimate, secure, and transparent. It involves four key steps:

- The person wishing to send the bitcoin creates a transaction which details the sender's Public Key, the recipient's Public Key, the amount of bitcoin to be sent, and a transaction fee the sender is willing to pay miners to verify.
- The sender needs to prove they are the owner of the bitcoin to be sent and does this by using their Private Key through a cryptographic process. This is known as a digital signature and it is essential to keep the Private Key secret because it is in essence a digital password.
- Once signed with the Private Key, the transaction is broadcasted to the Bitcoin Network and goes into the mempool, which is like a waiting room for transactions that are waiting to be confirmed. Miners can pick transactions from the mempool to form new blocks. The first miner to solve a difficult mathematical problem confirming the transfer of the bitcoin, gets to make the next block. That winning miner broadcasts its new block, which gets confirmed by the rest of the Bitcoin Network.
- Once confirmed, the new block is added to each Bitcoin Network participant's copy of the blockchain. The transactions in the new block are then considered to be confirmed, however, it is common practice to wait for at least six confirmations (six more blocks to be added after the block containing your transaction) to consider the transaction final. This is to ensure that the transaction will not be reversed or double-spent in case of a temporary fork in the blockchain. Once confirmed, the transaction is immutable and cannot be reversed without the active participation of the receiver of the bitcoin. See also Section 7.2 Immutability Risk.

5.3 Bitcoin's position in the Digital Asset market

Bitcoin holds a unique position in the Digital Asset market in that it introduced distributed ledger technology. Bitcoin is decentralised, and importantly, competes in the space of money, rather than in the space of technology where almost all other Digital Assets compete.

These attributes are referenced by investment giant Fidelity in their detailed January 2022 report on Bitcoin and the wider digital asset ecosystem, entitled, 'Bitcoin First: Why

Investors Need to Consider Bitcoin Separately From Other Digital Assets'.¹ In this report, Fidelity noted that 'other non-bitcoin projects should be evaluated from a different perspective than bitcoin', and 'investors should hold two distinctly separate frameworks for considering investment in this digital asset ecosystem.' The first framework examines the inclusion of bitcoin as an emerging monetary good, and the second considers the addition of other Digital Assets that exhibit venture capital-like properties. As the industry continues to mature, it is possible but not assured that this will become the predominant institutional approach to Digital Asset investment.

6. General Risks

All investments carry risk. Applicants should consider the risk factors described in this section, together with the information contained elsewhere in this PDS, before deciding whether to apply for Bitcoin Interests.

Applicants should consider whether an investment in the Fund is suitable, having regard to their own individual investment objectives, financial circumstances, financial resources available to them, and the risk factors set out below. This PDS carries no guarantee with respect to the price at which the Bitcoin Interests will trade, and none of the parties associated with the issue of Bitcoin Interests make any such guarantee. Prospective investors should be aware that the market price of the Bitcoin Interests may be influenced by many unpredictable factors and that investing in the Fund involves various risks.

This section 6 together with section 7 outline the general and specific risks relating to the Bitcoin Interests and to the Fund. These sections are not exhaustive statements of all potential risk factors applicable to Bitcoin Interests. Applicants should consult their professional advisers before deciding whether to invest in the Fund.

6.1 Market risk

Digital Assets can be extremely volatile and are usually highly speculative. Anyone who invests in Digital Assets directly or indirectly should be aware that there is a high risk that their investment could dramatically fall in value or, in some cases, be lost entirely. By acquiring exposure to bitcoin, you are exposed to various risks including those set out below.

6.2 Pricing risk

It may be difficult to value some Digital Assets accurately and reliably for reasons including the nature of their trading, susceptibility to manipulation, and a lack of identifiable fundamentals. Some Digital Assets may be purely speculative assets. To minimise this risk, the Fund invests only in bitcoin which is a Digital Asset with a high level of institutional support and acceptance of use for investment purposes, has service providers available and willing to support its use in an exchange traded fund, has a mature spot market, has a regulated futures market for trading derivatives linked to it,

¹ C Kuiper and J Neureuter, '[Bitcoin First: Why Investors Need to Consider Bitcoin Separately From Other Digital Assets \(fidelitydigitalassets.com/articles/bitcoin-first/\)](https://fidelitydigitalassets.com/articles/bitcoin-first/)', Fidelity Digital Assets, 31 January 2022, accessed 10 February 2022

and has robust and transparent pricing mechanisms available throughout the trading day and to strike the daily NAV.

6.3 Political, regulatory and legal risk

Regulatory changes or actions may alter the nature of an investment or restrict the use of Digital Assets in a manner that adversely affects an investment.

Bitcoin currently faces an uncertain regulatory landscape, not only in Australia but internationally. The treatment varies between jurisdictions and any adjustments in one jurisdiction may adversely impact the value of an investment.

The effect of any future regulatory change on bitcoin or an entity dealing or holding bitcoin is impossible to predict, but such change could be substantial and adverse.

Banks may not provide banking services, or may cut off banking services, to businesses that provide bitcoin-related services or that accept bitcoin as payment, which could damage the public perception of bitcoin and the utility of bitcoin as a payment system, and could decrease the price of bitcoin and adversely affect an investment in the Fund.

It may be illegal now, or in the future, to acquire, own, hold, sell or use bitcoin in one or more countries.

Although presently bitcoin is not regulated, or is lightly regulated in some countries, one or more countries may take regulatory actions in the future that severely restrict the right to acquire, own, hold, sell, or use bitcoin or to exchange bitcoin for Fiat Currency. Such an action may result in the restriction of ownership, holding, or trading in bitcoin and cause the price of bitcoin to substantially decrease.

Regulatory changes or interpretations could create the need for the Fund, the Responsible Entity and/or the Investment Manager to comply with new regulations or apply for new licences, resulting in potentially extraordinary, non-recurring and unanticipated expenses.

Current and future legislation may impact the manner in which bitcoin is treated for classification and clearing purposes. Such changes could involve gaining professional accounting and legal advice, applying for licences or being imposed with other costs in order to continue to hold bitcoin.

Future developments in the tax treatment of bitcoin could adversely affect an investment in the Fund.

The interpretation and application of taxation legislation in this industry is subject to change and it is expected to evolve as bitcoin is better understood by the Australian Government. As such there is a possibility that changes to the taxation treatment could adversely impact an investment in Bitcoin Interests.

6.4 Cyber risks

Thefts and cyber attacks can have a negative impact on the reputation of Bitcoin and thus negatively affect the value of Bitcoin Interests. Holders would suffer direct losses if any bitcoin held by the Fund was subject to theft. While the Responsible Entity and the

Bitcoin Custodian have taken reasonable measures to prevent a theft or hacking of bitcoin held by the Fund, such an event cannot be fully excluded and the losses associated with such an event would be borne by the Holders.

6.5 Environmental risk

The Responsible Entity does not take into consideration the environmental or social impact of the bitcoin held by the Fund. The mining of bitcoin requires substantial quantities of energy, which may be sourced from non-renewable sources and may adversely impact the perception and reputation of Bitcoin. This, in turn, may negatively impact the price of Bitcoin and therefore the value of Bitcoin Interests in the Fund.

6.6 Service provider risk

The price of Bitcoin Interests could be adversely affected if any of the various parties involved in the operation of the Fund, including the Responsible Entity, Investment Manager or other underlying agents or service providers fail to perform or breach their obligations. This risk is mitigated (but not eliminated) by undertaking due diligence on all third-party service providers to the Fund, and using third party service providers who are well regarded in the Australian market or their respective overseas markets.

6.7 Custody risk

If Private Keys held by the Bitcoin Custodian for the Fund's bitcoin are lost or compromised, for instance due to an operational failure, this may result in the Fund's bitcoin becoming inaccessible or accessed by unknown third parties without authorisation.

Under the crypto custody agreement, the Bitcoin Custodian is only liable for losses that are the direct result of its own gross negligence, fraud or wilful default in the performance of its duties, and then only up to the market value of the bitcoin lost or damaged at the time such gross negligence, fraud or wilful default is discovered by the Bitcoin Custodian. In addition, the Bitcoin Custodian is not liable for any delay in performance or any non-performance of any of its obligations under its custody agreement by reason of any cause beyond its reasonable control, including breakdown, malfunction or failure of transmission, communication or computer facilities. If any bitcoin forming part of the Assets attributable to any Bitcoin Interests is lost, damaged, stolen or destroyed under circumstances in which the Bitcoin Custodian is liable, the liability will be attributable to the Responsible Entity, because the Responsible Entity is ultimately liable to Holders for the acts and omissions of the Bitcoin Custodian. The Responsible Entity may not have the financial resources (including liability insurance coverage) sufficient to satisfy the claim and consequently may not be able to satisfy its obligations in respect of the Bitcoin Interests resulting in a loss to Holders.

Although the Bitcoin Custodian currently maintains insurance in respect of its custody services, there is a risk that it may not continue to do so. Consequently, a loss may be suffered with respect to the bitcoin which is not covered by insurance. Accordingly, there is a risk that some or all of the bitcoin could be lost, stolen or damaged and that the Fund would not be able to satisfy its obligations in respect of each Separate Trust or recover the Fund's losses from the Bitcoin Custodian or its insurer.

The Bitcoin Custodian is entitled to terminate its custody agreement upon 90 days' written notice to the Responsible Entity. If following such a notice of termination, the Responsible Entity is not able to appoint a new custodian, it may be forced to redeem some or all of the Bitcoin Interests which may lead to a Holder realising their investment earlier than desired and potentially crystallising investment losses.

6.8 Regulatory risk

Returns may be affected by any adverse regulatory changes in Australia or elsewhere, which could have an impact on the Fund's existing investments or adversely affect the Fund's ability to trade in the future. The Responsible Entity monitors the factors influencing the Fund's regulatory status on a regular basis and maintains a working knowledge of proposed regulatory changes that may impact the Fund. Where appropriate, the Responsible Entity and/or the Investment Manager will make submissions to regulators with a view to ensuring investors' interests are represented.

6.9 Taxation and legislative change risk

Changes in taxation rates, tax rules or tax law interpretation may impact Holders' investment returns. The taxation assumptions made in this PDS are based on existing Australian tax legislation. Any changes to such legislation may materially impact the returns of the Fund. It is recommended that you seek advice from a tax adviser before making an investment into the Fund. To mitigate risk, the Responsible Entity maintains a working knowledge of proposed legislative and taxation changes that may impact the Fund and where relevant, the Responsible Entity and/or the Investment Manager will make submissions to regulators with a view to ensuring investors' interests are represented.

6.10 Product risk

Changes may be made to the Fund from time to time including changes to the Fund's investment strategy, changing fees or minimum investment amounts. These changes could impact the Fund's returns.

The portfolio of the Fund may be subject to change if it is considered to be in the best interests of the Holders. Furthermore, the Fund may not achieve its investment objective. This might mean that the return generated may differ from the stated investment objective.

6.11 Industry risk

The Digital Asset sector is rapidly changing and there may be risks that arise which are currently unforeseen by the Responsible Entity. The Responsible Entity will use its best endeavours to identify these risks as they arise and mitigate them to manage any potential impacts to the Fund. An investment in Bitcoin Interests can be extremely risky and is highly speculative, with the price of bitcoin also potentially being exposed to or correlated with the failures of other, higher risk crypto assets. Anyone who acquires bitcoin directly or indirectly, should be aware that there is a high risk that their investment could fall in value and, in the event of an unforeseen or unforeseeable catastrophic failure, be lost.

6.12 Liquidity risk

There is no guarantee that there will be a liquid market for Bitcoin Interests. There is a risk that the Bitcoin Interests will be illiquid, resulting in Holders being unable to sell Bitcoin Interests at the Holder's anticipated price or causing market impact. An illiquid market is one in which it is difficult to sell or buy Bitcoin Interests due to a lack of demand for the Bitcoin Interests. In accordance with the Cboe Operating Rules and the agreement between the Responsible Entity and the Market Maker, it is possible that the Market Maker will not be able to provide liquidity for the Bitcoin Interests and thus there is no guarantee by the Responsible Entity that a Market Maker will be present or active in relation to the Bitcoin Interests at all times or at the time investors wish to buy or sell a Bitcoin Interest. Market Makers are only appointed in respect of Bitcoin Interests traded on Cboe

The market for bitcoin is likely to be more liquid than the market for Bitcoin Interests. Regardless of the market capitalisation of bitcoin, the total capitalisation of the Bitcoin Interests may be small. There is a risk that this could impact liquidity for Bitcoin Interests.

If Bitcoin Interests cease to meet Cboe liquidity requirements, Cboe may suspend or remove the Bitcoin Interests from Quotation. If the Bitcoin Interests are illiquid, there is a risk that:

- you may not be able to buy or sell Bitcoin Interests at a reasonable price or at all, or
- the price of Bitcoin Interests may be volatile and diverge materially from the price of the bitcoin.

It is possible that the Fund's Market Maker will not provide liquidity for Bitcoin Interests. There is no guarantee that a Market Maker will be present or active in relation to Bitcoin Interests at all times or at the time you wish to buy or sell a Bitcoin Interest.

6.13 Settlement risk

The Application and Redemption processes associated with the Creation or Redemption of Bitcoin Interests for Authorised Participants are subject to the normal settlement procedures through CHES. The Fund is exposed to some risk if an Authorised Participant fails to comply with its settlement obligations. These risks are mitigated by the fact that Authorised Participants are subject to usual Cboe trading practices including all Cboe fail fees.

In certain circumstances, Cboe may suspend trading of Bitcoin Interests and therefore Holders would not be able to buy or sell Bitcoin Interests on Cboe. In these circumstances, the Responsible Entity may suspend the Creation and Redemption process. There may be other occasions where the Responsible Entity may suspend the Creation and Redemption process, such as where other actors prevent the accurate calculation of Bitcoin Interest prices.

Cboe also imposes certain requirements for Bitcoin Interests to continue to be quoted. The Responsible Entity will endeavour to meet these requirements at all times to

ensure Bitcoin Interests remain quoted, although there can be no assurance that Bitcoin Interests will remain quoted on Cboe in future. Although Bitcoin Interests are quoted on Cboe, there can be no assurances that there will be a liquid market for Bitcoin Interests.

6.14 Currency risk

Bitcoin prices which the Fund seeks to track are generally quoted in USD and Bitcoin Interests are priced in AUD. To the extent a Holder values Bitcoin Interests in another currency (such as AUD), that value will be affected by changes in the exchange rate between the USD and that other currency.

6.15 Limited recourse risk

Upon Redemption, the Holder only has recourse to an entitlement to receive delivery of an amount of bitcoin or its cash equivalent equal to the amount of bitcoin represented by the Bitcoin Interest from the Responsible Entity pursuant to the Separate Trust over that bitcoin.

Should there be insufficient bitcoin in the Separate Trust, the Holder will have no recourse to any other assets of the Responsible Entity or the Fund (except to the extent that the shortfall is due to fraud, wilful default or gross negligence). If the Bitcoin Custodian should fail to deliver the bitcoin from the relevant account, the Responsible Entity may transfer its rights against the Bitcoin Custodian to the Holder in settlement of the Responsible Entity's obligation to deliver the bitcoin.

6.16 Bare trust risk

The tax treatment of this product depends on the investors being 'absolutely entitled' (for tax purposes) to the Assets. The state of the law relating to absolute entitlement is subject to some uncertainty and it is important that investors are aware of the general risks relating to the tax treatment of bare trust investments such as Bitcoin Interests. These risks are discussed in further detail in section 11 of this PDS.

6.17 Responsible Entity risk

There is a risk that an investment in the Fund could be adversely impacted by the termination of the Fund, changes to fees and expenses, or the retirement or replacement of the Responsible Entity. Further, operational risks which arise as a result of carrying on a funds management business require the Responsible Entity and its external service providers to implement sophisticated systems and procedures. Some of these systems and procedures are specific to the operation of the Fund, and inadequacies within these systems and procedures or the people operating them could lead to a problem with the Fund's operation.

6.18 Authorised Participant risk

The Responsible Entity has agreed to use reasonable endeavours to ensure that at all times there are at least two Authorised Participants. There can, however, be no assurance that there will at all times be an Authorised Participant to deal with the Fund. In circumstances where there are no Authorised Participants, the Fund's liquidity on Cboe may be limited. It may also be difficult or impossible to sell Bitcoin Interests on-market at a price which accurately reflects the price of the bitcoin represented by such

Bitcoin Interests or within a reasonable time period (although Holders will be entitled to redeem their Bitcoin Interests in accordance with this PDS).

6.19 Compulsory Redemption of Bitcoin Interests

The Fund may in certain circumstances redeem all or a portion of a Holder's Bitcoin Interests. Compulsory Redemption of Bitcoin Interests may have a detrimental impact on a Holder's investment if the timing of the Redemption does not suit the Holder's personal circumstances and investment strategy.

Circumstances which may result in the Responsible Entity compulsorily redeeming a Holder's Bitcoin Interests, and the relevant notice requirements are summarised in section 10.1 of this PDS. Compulsory Redemption may occur where the Responsible Entity forms the view that the continued operation of the Fund has become uneconomic, or in circumstances where the Responsible Entity is unable to find an appropriate custodian for the Fund's bitcoin.

6.20 Entry price risk

The price at which investors buy and sell Bitcoin Interests on Cboe and the price at which investors apply for and redeem Bitcoin Interests with the Registry may differ. This may be due to factors such as where Bitcoin Interests are bought and sold on Cboe, the price at which an investor buys or sells Bitcoin Interests will generally include an allowance to cover transaction costs but will also reflect market conditions and supply and demand for Bitcoin Interests during the Cboe trading day. As such, the cost of the spread on Cboe may be different to the cost of the 'buy spread' or 'sell spread' for investors who apply or redeem Bitcoin Interests directly with the Registry.

7. Digital Asset Risks

Digital Assets can be extremely volatile and are usually highly speculative. Anyone who invests in Digital Assets directly or indirectly should be aware that there is a high risk that their investment could dramatically fall in value or, in some cases, be lost entirely. By acquiring exposure to bitcoin, you are exposed to various risks including those set out below.

7.1 Bitcoin Network risks

a. The slowing or stopping of the development or acceptance of bitcoin may impact an investment

The further development and acceptance of bitcoin is subject to a variety of factors that are difficult to predict. The slowing or stopping of the development or acceptance of bitcoin may adversely affect an investment in the Fund.

Bitcoin is a new and rapidly evolving form of payment, store of value, and unit of account that employs a computer generated mathematical and cryptographic protocol. The growth of this industry in general is subject to a high degree of uncertainty. The factors affecting the further development of this industry include, but are not limited to:

- continued worldwide growth in the adoption and use of bitcoin
- government and quasi-government regulation of bitcoin and its use, or restrictions on or regulation of access to and operation of the Bitcoin Network
- changes in consumer demographics and public tastes and preferences
- the maintenance and development of the open-source software protocol of the Bitcoin Network
- the availability and popularity of other forms or methods of buying and selling goods and services or stores of value
- general economic conditions and the regulatory environment relating to bitcoin, and
- negative consumer perception of bitcoin in general.

b. The Bitcoin Core Contributors or other programmers could propose amendments to the Bitcoin Network that, if accepted and authorised by the Bitcoin Network community, could adversely affect bitcoin

Bitcoin uses a cryptographic protocol to govern the peer-to-peer interactions between computers connected to the Bitcoin Network ('nodes'). The code that sets forth the protocol is informally managed by a development team typically known as the Bitcoin Core Contributors. The members of the Bitcoin Core Contributors evolve over time, largely based on self-determined participation in bitcoin. The Bitcoin Core Contributors can propose amendments to the Bitcoin Network's source code through updates that alter the protocols and software of the Bitcoin Network and the properties of bitcoin.

To the extent that a significant majority of the users and miners on the Bitcoin Network install such software upgrades, the Bitcoin Network would be subject to new protocols and software that may adversely affect an investment. An example of an attempt to gather majority consensus for the purpose of altering the Bitcoin Network is the 'block size war' that took place between 2015 and 2017, where miners and large players in the space attempted (but failed) to increase the block size limit. It is important to note that a majority of miners and nodes must consent to such software modifications by supporting the altered software part of the software or upgrade, otherwise the modifications do not become a part of the Bitcoin Network.

7.2 Immutability risk

Bitcoin transactions are not reversible without the consent and active participation of the transferee. Once a transaction has been verified and recorded on the Blockchain, an incorrect transfer or theft of bitcoin will not be reversible. It is possible that, through computer or human error, or through theft or other criminal action, the Fund's bitcoin held by the Bitcoin Custodian could be irretrievably transferred to unauthorised third parties, or to uncontrolled accounts.

7.3 Technology risk and operational disruptions

a. Loss or destruction of a Private Key results in a loss of bitcoin

Bitcoin is controllable only by the possessor of both the unique Public Key and Private Key relating to the local or online Digital Wallet in which the coins are held. While each bitcoin requires a Public Key relating to a Digital Wallet to be published when used in a spending transaction, Private Keys must be safeguarded and kept private in order to prevent a third party from accessing the bitcoin held in such wallets. Whilst bitcoin cannot be destroyed, to the extent that a Private Key is lost, destroyed or otherwise compromised and no backup of the Private Key is accessible, the Fund will be unable to access the bitcoin held in the related Digital Wallet and this will result in a loss of that bitcoin. The Responsible Entity attempts to reduce this risk through the use of a professional custodian, where Digital Wallets and Private Keys are stored in guarded, monitored, and access-controlled facilities that are geographically distributed.

b. Technology risk

The Digital Asset sector is relatively new and as a result there are very few investment providers that have experience globally in operating an investment vehicle that holds Digital Assets. This risk is mitigated by the Responsible Entity appointing service providers with experience in both traditional financial markets and in managing Digital Assets.

c. If a malicious actor or botnet obtains control of more than 50% of the processing power of bitcoin miners, that actor or botnet could manipulate the Bitcoin Network to adversely affect an investment

If a malicious actor obtains a majority of the processing power dedicated to mining the Bitcoin Network, it may be able to alter the Blockchain by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor could control, exclude or modify the ordering of transactions, though it could not generate new coins nor access other peoples' coins. The malicious actor could 'double-spend' its own coins (i.e., spend the same coins in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintains control.

d. If fees increase for recording transactions on the Blockchain, demand for coins may be reduced and prevent the expansion of the Bitcoin Network to retail merchants and commercial businesses, resulting in a reduction in the price of bitcoin that could adversely affect an investment

As the number of bitcoins awarded for solving a block in the Blockchain decreases, the incentive for miners to contribute processing power to the Bitcoin Network will transition from a set reward to transaction fees. Decreased use and demand for bitcoins may adversely affect their value and result in a reduction in an investment. Although on-chain transaction fees are increasing, scaling solutions such as the lightning network are being developed to introduce a faster and cheaper 'payments layer' to bitcoin.

e. The acceptance of network software modifications or upgrades by a significant percentage of the users and miners in the Bitcoin Network could result in a 'fork' in the Blockchain, resulting in the operation of two separate networks

There is no official developer or group of developers that formally controls the majority of the Bitcoin Network. Any individual can download the Bitcoin Network software and make any desired modifications, which are proposed to users and miners on the Bitcoin Network through software downloads and upgrades. There have been many examples of this occurring in the Bitcoin Network since its inception.

Modifications to the Bitcoin Network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin Network remains a coherent economic system. If however, a proposed modification is not accepted by a vast majority of miners and users but is nonetheless accepted by a substantial population of participants in the Bitcoin Network, a 'fork' in the Blockchain could develop, resulting in two separate Bitcoin Networks.

If a permanent fork were to occur, the Fund would look to divest the fork determined to not be the dominant chain and reinvest the proceeds into the dominant chain. The decisions regarding which is the dominant chain, and the timing of these transactions are to be determined by the Investment Manager in its sole discretion.

f. As this is a new sector, there is very little meaningful history in operating an investment vehicle which invests in Digital Assets and as a result, there may be some aspects of this investment which are not fully understood and which could impact the investment

This sector is relatively new and as a result there are very few investment providers that have experience globally in operating an investment vehicle that holds Digital Assets. A commitment to continuous research in this sector and fostering an environment in which meaningful knowledge growth is collated and built upon is critical to endeavouring to ensure the Fund meets its investment objectives.

g. Digital Asset transactions are irrevocable and if they are incorrectly transferred or stolen and as a consequence, any incorrectly executed Digital Asset transactions may be irretrievable and could adversely affect an investment

Digital Asset transactions are not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of coins or a theft of coins will generally not be reversible and you may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, the Fund's coins could be irretrievably transferred to unauthorised third parties, or to uncontrolled accounts.

h. Banking risk

A number of companies that provide bitcoin-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to bitcoin-related companies or companies that accept bitcoin for a number of reasons, such as perceived compliance risks or costs.

The difficulty that many businesses that provide bitcoin related services have and may continue to have in finding banks willing to provide them with bank accounts and other

banking services may be currently decreasing the usefulness of bitcoin as a payment system and harming public perception of bitcoin or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of bitcoin as a payment system and the public perception of bitcoin could be damaged if banks were to close the accounts of many or a few key businesses providing bitcoin-related services. This could decrease the market value of bitcoin and therefore adversely affect an investment in Bitcoin Interests.

7.4 Bitcoin valuation risks

The most common means of determining the value of a bitcoin is through one or more Digital Asset Exchanges where bitcoin is traded. Bitcoin prices are available from Bitcoin markets which operate at different times but the fragmentation of different Bitcoin markets can potentially lead to divergence on prices. Digital Asset Exchanges publicly disclose the times and sales of the various listed pairs and some indices have been developed to produce a composite average value for bitcoin across several Digital Asset Exchanges. Data aggregators can be used to capture prices from different markets.

The Fund aims to track the CF Benchmarks Ltd BRRAP Index Price, a once a day benchmark index price for bitcoin that aggregates trade data from multiple BTC:USD markets operated by major cryptocurrency exchanges that conform to the CME CF Constituent Exchange Criteria. It is the pre-eminent index price for Bitcoin risk settlement that is synchronized to 1600 Hong Kong Time. The CME CF Bitcoin Reference Rate - Asia Pacific Variant was inceptioned on September 11th 2023. The Index is a Registered Benchmark under UK BMR and as such is a Third Country benchmark under the EU BMR Regime. CF Benchmarks Ltd is authorised and regulated by the UK Financial Conduct Authority (FRN 847100) and this supervision ensures it is compliant with all aspects of EU BMR obligations. The BRRAP Index Price is designed as a reference rate to track liquidity while also adjusting for deviations caused by anomalies and manipulation attempts at individual exchanges. Key elements of the algorithm and methodology are outlined at <https://www.cfbenchmarks.com/data/indices/BRRAP>.

a. The value of a Holder's Bitcoin Interest relates directly to the value of the Bitcoin Allocation and fluctuations in the bitcoin price could materially and adversely affect an investment

Bitcoin Interests are designed to track as closely as possible the performance of the price of bitcoin, net of fees and charges and before taxation. Several factors may affect the bitcoin price, including but not limited to:

- the total amount of bitcoin in existence
- global supply and demand, which is influenced by, amongst other things, the growth of retail merchants' and commercial businesses' acceptance of bitcoin as payment for goods and services, the security of online Digital Asset Exchanges and Digital Wallets that hold bitcoins, the perception that the use and holding of bitcoin is safe and secure, the lack of regulatory restrictions on their use and the reputation of bitcoin for illicit use
- the bitcoin block reward and halving events
- investors' expectations with respect to the rate of inflation of Fiat Currencies

- interest rates
- currency exchange rates, including the rates at which Digital Assets, in particular bitcoin, may be exchanged for Fiat Currencies
- Fiat Currency withdrawal and deposit policies of Digital Asset Exchanges and liquidity of such Digital Asset Exchanges
- interruptions in service from or failures of major Digital Asset Exchanges
- cyber theft from online wallet providers, or news of such theft from such providers, or from individuals' wallets
- investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in Digital Assets
- monetary policies of central banks, trade restrictions, currency devaluations and revaluations
- regulatory measures, if any, that restrict the use of Digital Assets as a form of payment or the purchase of Digital Assets on the Digital Asset market
- the availability and popularity of businesses that provide Digital Asset related services
- the maintenance and development of the open-source software protocol of the Bitcoin Network
- increased competition from other forms of Digital Asset or payments services
- global or regional political, economic or financial events and situations
- expectations among Digital Asset economy participants that the value of Digital Assets will soon change, and
- fees associated with processing bitcoin transactions.

b. Counterparty risk with Digital Asset Exchanges

Due to the unregulated nature and lack of transparency surrounding the operations of Digital Asset Exchanges, the marketplace may lose confidence in Digital Asset Exchanges. The Digital Asset Exchanges on which the Digital Assets trade are relatively new and often unregulated or subject to minimal regulatory oversight.

Over the past eight years, several Digital Asset Exchanges have shut down due to fraud, business failure or security breaches. In many of these instances, the customers of those exchanges were not able to withdraw their account balances and were not otherwise compensated.

A lack of stability in the Digital Asset Exchange market and the closure or temporary shutdown of Digital Asset Exchanges due to fraud, business failure, hackers, malware or government-mandated regulation may reduce confidence in the Bitcoin Network and result in greater volatility in the BRRAP Index Price. Furthermore, the permanent or temporary closure of an exchange used in the calculation of the BRRAP Index Price may result in the loss of confidence in the valuation of the Fund on a daily basis. However, the BRRAP Index Price provider has documented procedures to mitigate against this scenario and to continue to publish the index. These potential consequences of a Digital Asset Exchange's failure could adversely affect an investment in the Bitcoin Interests.

Due to the 24-hour nature of the spot market, the price of bitcoin can move negatively outside of Australian business hours and result in a significant difference in the end of day price for a Bitcoin Interest compared to the BRRAP Index Price. Furthermore, spot bitcoin market activity may adversely impact the BRRAP Index Price and therefore adversely affect the NAV. This effect on the BRRAP Index Price may also be a result of market activity in the purchase or sale of other investment vehicles and products that track the price of bitcoin.

Purchasing or selling large volumes of bitcoin on Digital Asset Exchanges can cause significant market impact or price slippage if any of the exchanges selected have low liquidity or execution is performed during periods of low market liquidity. An alternative approach is to use specialised over-the-counter providers to source liquidity; however, this may incur additional or different costs.

c. The impact of geopolitical or economic events on the supply and demand for Digital Assets, in particular bitcoin, is uncertain, but could motivate large-scale sales of Digital Assets, which could result in a reduction in the price and adversely affect an investment

As an alternative to Fiat Currencies that are backed by central governments, bitcoin is subject to supply and demand forces based upon the desirability of an alternative, decentralised means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of bitcoin either globally or locally. Large-scale sales of Digital Assets that are not met with countervailing demand would result in a reduction in the BRRAP Index Price and could adversely affect an investment.

d. Demand for bitcoin is driven, in part, by its status as the most prominent and cryptographically secure Digital Asset and it is possible that another Digital Asset could have features that make it more desirable to a material portion of the Digital Asset user base, resulting in a reduction in demand for bitcoin which could have a negative impact on the investment

The Bitcoin Network, and bitcoin as an asset, hold a 'first-to-market' advantage over other Digital Assets. This advantage is driven in large part by having the largest market capitalisation and, more importantly, the largest combined mining power in use to secure its Blockchain and transaction verification system. Having a large mining network results in greater user confidence regarding the security and long-term stability of a Digital Asset's network and its Blockchain. As a result, the advantage of more users and miners makes a Digital Asset more secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens the first-to-market advantage.

However, despite the marked first-mover advantage of the Bitcoin Network over other Digital Assets, it is still possible that another Digital Asset could become materially more popular due to either a perceived or exposed shortcoming of the Bitcoin Network protocol that is not immediately addressed by the Bitcoin Core Contributors, or a perceived advantage of another Digital Asset that includes features not incorporated into bitcoin.

7.5 Bitcoin trading risks

Bitcoin can be traded between any two counterparties who are in possession of both the unique Public Key and Private Key relating to the local or online Digital Wallet in which the bitcoin is held. This includes trading on Digital Asset Exchanges, however, purchasing or selling large volumes of bitcoin on Digital Asset Exchanges can cause significant market impact or price slippage if any of the exchanges selected have low liquidity or execution is performed during periods of low market liquidity. To manage this risk, the Fund uses specialised OTC Providers to source liquidity and in doing so it ensures the OTC Providers it uses:

- are registered with AUSTRAC, or regulated by one or more laws of a foreign country giving effect to the Financial Action Task Force recommendations relating to customer due diligence and record-keeping, and
- implement risk-based AML/CTF systems and controls that are supervised or monitored by a body empowered by law to supervise and enforce the customer due diligence and record-keeping obligations.

7.6 BRRAP Index Price risk

There may be times that the pricing methodology used by the Fund falls short of capturing market conditions.

The BRRAP Index Price Provider, CF Benchmarks Ltd, may experience outages or errors which may impact the availability or quality of the BRRAP Index Price. If the BRRAP Index Price is not available, trading of Bitcoin Interests may be suspended for a period of time. The BRRAP Index Price is used for calculating the NAV and consequently, any losses or costs associated with these errors or risks will generally be borne by the Holders.

7.7 Extreme volatility

Most Digital Assets are subject to extreme price volatility. Before investing in Bitcoin Interests, investors should be aware that they could lose a large amount, or even all, of the money invested. In addition, the price formation of Digital Assets is often not transparent. There is a high risk that investors may not receive a fair and accurate price when buying or selling products that invest in Digital Assets.

7.8 Unsuitability of Digital Currencies for most purposes, including investment

The high volatility of Digital Assets, the uncertainty about their future and the risks associated with Digital Asset exchanges and wallet providers make Digital Assets unsuitable for many consumers, particularly those with a short to medium term investment horizon or less than a very high tolerance to risk.

7.9 Government regulation

- a. Regulatory changes or actions may alter the nature of an investment or restrict the use of Digital Assets in a manner that adversely affects an investment**

Bitcoin currently faces an uncertain regulatory landscape, both in Australia and internationally. The treatment varies between jurisdictions and any regulatory changes in one jurisdiction may adversely impact the value of an investment in Bitcoin Interests.

b. The effect of any future regulatory change on Digital Assets or an entity dealing or holding Digital Assets is impossible to predict but such changes could be substantial and adverse

As mentioned above, banks may not provide banking services, or may cut off banking services, to businesses that provide bitcoin-related services or that accept bitcoin as payment (commonly referred to as ‘de-banking’), which could damage the public perception of Digital Assets and the utility of Digital Assets as a payment system, and could decrease the price of Digital Assets and adversely affect an investment in Bitcoin Interests.

8. Valuation and NAV

8.1 Valuation pricing of Bitcoin Interests

The valuation methods applied by the Responsible Entity to value the Fund’s assets and liabilities must be consistent with ordinary commercial practice for valuing property of the relevant kind and the production of a value that is reasonably current at the relevant time.

The NAV of a Bitcoin Interest will be the AUD value of the Bitcoin Allocation held in the Separate Trust, calculated by reference to the BRRAP Index Price, less daily charged Management Fees.

The NAV of the Fund and of the Bitcoin Interests will be determined in AUD. Each input will be calculated as at the Valuation Time for the Fund.

An indicative NAV per Bitcoin Interest (“iNAV”) will be published by the Fund throughout the Cboe Trading Day. The iNAV reflects the real time movements in the price of bitcoin during the Cboe Trading Day and will be calculated and disseminated by the iNAV Provider based on the CF Benchmarks Ltd CME CF Bitcoin Real Time Index (“BRTI”), a real time index of the USD price of one bitcoin, published once per second. The BRTI is a registered benchmark under the European Union’s Benchmark Regulation regime.

The iNAV will be published on the Responsible Entity’s and Investment Manager’s websites throughout the Cboe Trading Day and is provided for informational purposes only. Any iNAV is not, and should not be taken to be or relied on as being, the value of a Bitcoin Interest or the price at which Bitcoin Interests may be applied for or redeemed, or bought or sold on the Cboe market, and may not reflect the true value of a Bitcoin Interest. Investors interested in applying for or redeeming Bitcoin Interests, or buying or selling Bitcoin Interests on the Cboe market, should not rely on any iNAV which is made available in making investment decisions but should consider other market information and relevant economic factors. Neither the Responsible Entity nor any designate or other service provider to the Responsible Entity shall be liable to any person who relies

on the iNAV. No assurance can be given that any iNAV will be published continuously, will be up to date or free from error.

8.2 Calculation of Bitcoin Interests

The Bitcoin Allocation is the amount of bitcoin represented by each Bitcoin Interest. The Bitcoin Allocation as at the date of this PDS is 0.000099157 bitcoin. On each day thereafter, the Bitcoin Allocation reduces by the daily charged Management Fee.

8.3 Liabilities of the Fund

The Responsible Entity retains the right to deduct extraordinary expenses (if any) in calculating each Bitcoin Allocation and the aggregate NAV of the Fund if any are incurred by the Responsible Entity.

8.4 Pricing policy

The Fund's portfolio will be priced based on the Fund's NAV. The NAV of the Fund is calculated by deducting from the aggregate value of the Assets of the Fund all liabilities such as charged fees and other costs and provisions relating to the Fund.

Management Fees are normally charged daily. The value of any assets or liabilities denominated in a foreign currency is converted to Australian dollars using the applicable closing spot and forward rates as at the valuation time for the Fund. The valuation methods applied by the Responsible Entity to value the Fund's assets and liabilities are consistent with applicable industry standards and result in NAV per Bitcoin Interest calculations that are independently verifiable.

The value of the Bitcoin Allocation for Bitcoin Interests will be calculated using the BRRAP Index Price converted to AUD. The BRRAP Index Price is a once a day benchmark index price for bitcoin denominated in USD. Launched on 11 September 2023, the BRRAP Index Price is a registered benchmark under the European Union's Benchmark Regulation regime and its provider, CF Benchmarks Ltd, is authorised and regulated by the United Kingdom Financial Conduct Authority (FRN 847100). This supervision ensures CF Benchmarks Ltd is required to act in compliance with all aspects of UK Benchmarks Regulation ('BMR') requirements. The Index is a Registered Benchmark under UK BMR and as such is a Third Country benchmark under the EU BMR Regime.

The Responsible Entity has adopted a policy for pricing discretions it uses in relation to the Fund ('Pricing Policy'). The Pricing Policy and records of any discretions exercised by the Responsible Entity in respect of the Fund are available at no charge, upon request.

9. Fees and Other Costs

9.1 Consumer advisory warning

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) has a managed funds fee calculator to help you check out different fee options.

9.2 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.

Taxes are set out in section 11 of this document.

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

Table: Fees and costs summary

Monochrome Bitcoin ETF (IBTC)		
Type of fee or cost	Amount	How and when paid
Ongoing annual fees and costs		
Management fees and	Management fees and costs	The management fees and costs

<p>costs</p> <p>The fees and costs for managing your investment</p>	<p>- up to 0.98% p.a. Indirect costs - 0.00% p.a.</p>	<p>incorporates the Responsible Entity's and Investment Manager's fees, estimated Fund expenses and an estimate of indirect costs (if applicable).</p> <p>Management fees and costs are calculated as a percentage of the Fund's Net Asset Value. They are accrued daily and are paid monthly in arrears.</p>
<p>Performance fees</p> <p>Amounts deducted from your investment in relation to the performance of the product</p>	<p>\$0</p>	<p>The Fund does not charge a performance fee.</p>
<p>Transaction costs</p> <p>The costs incurred by the Fund when buying or selling assets</p>	<p>0.00%</p>	<p>Transaction costs are costs deducted from the Fund's Net Asset Value. The frequency of these deductions depends on the type of transaction and are incurred usually when the cost arises or on a regular invoice schedule. This transaction costs amount is net of any amounts recovered by the Buy-Sell Spread.</p>
<p>Member (Holder) activity related fees and costs (fees for services or when your money moves in or out of the product)</p>		
<p>Establishment Fee</p> <p>The fee to open your investment</p>	<p>Not applicable</p>	<p>Not applicable</p>
<p>Contribution fee</p> <p>The fee on each amount contributed to your investment</p>	<p>Not applicable</p>	<p>Not applicable</p>

Withdrawal fee The fee on each amount you take out of your investment	Redemption Fee: Bitcoin Delivery Method: \$500 Bitcoin Sale Method: \$0	Redemption fees are payable before the Redemption Request is processed. Redemption fees are applied to cover withdrawal expenses incurred by the Fund with any excess being retained by the Investment Manager
	Compulsory Redemption Election Fee: \$500	The Compulsory Redemption Election Fee will be payable by any Holder to the Investment Manager upon any change to the redemption preference for a Compulsory Redemption.
Buy-Sell spread An amount deducted from your investment representing costs incurred in transactions by the Fund	Buy Spread: +0.2% Sell Spread (Bitcoin Sale Method): -0.2% Sell Spread (Bitcoin Delivery Method): 0.00% The Sell Spread will not apply to redemptions using the Bitcoin Delivery Method.	Paid from an investor's money when an investor applies to purchase or redeem Bitcoin Interests. Retained by the Responsible Entity to cover the costs of applications and redemptions. The Bitcoin Delivery Method is subject to a \$500 Redemption Fee as described above and below.
Exit fee The fee to close your investment	Not applicable	Not applicable
Switching fee The fee for changing investment options	Not applicable	Not applicable

* Certain additional costs may apply. Please refer to "Additional explanation of fees and costs" below.

Unless otherwise stated, all fees and costs throughout this PDS include Goods and Services Tax (GST) net of any reduced input tax credits claimable by the Fund.

9.3 Example of annual fees and costs

The following table demonstrates an example of how the ongoing fees and costs outlined in the Fund can affect the performance of your investment over a one year period. You should use this table to compare this product with other products offered by managed investment schemes.

Table: Example of annual fees and costs

EXAMPLE - Monochrome Bitcoin ETF (IBTC)	Amount	Balance of \$50,000 with a cash contribution of \$5,000 during the year
Contribution fee	Nil	For every additional \$5,000 you put in, you will be charged: \$0
PLUS Management fees and costs	0.98% p.a. of Net Asset Value	And , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$490* each year.
PLUS Performance fees and costs	Nil	And , you will be charged or have deducted from your investment \$0 in performance fees each year.
PLUS Transaction costs	Estimated 0.00% p.a. of Net Asset Value	And , you will be charged or have deducted from your investment \$0 in transaction costs each year.
EQUALS Cost of Fund		If you had an Investment valued at \$50,000 at the beginning of the year and contributed another \$5,000 during the year, you would be charged fees and costs of \$490*. What it costs you will depend on the investment option you choose and the fees you negotiate.

* Additional fees and costs may apply. Please note that this example does not capture all the fees and costs that may apply to you such as the Buy/Sell spread. This example assumes the additional \$5,000 was invested at the end of the year. If it is assumed the

additional \$5,000 was invested at the beginning of the year, the management fees and costs would be \$539 ($\$55,000 \times 0.98\%$). Please note this is an example only as the actual investment balance of your holding will vary on a daily basis.

Note that Government fees, duties and bank charges may also apply to investments and withdrawals.

9.4 Additional explanation of fees and costs

a. Management fees and costs

The management fees and costs for the Fund includes the applicable ongoing fees and costs involved to operate and manage the Fund.

The management fees and costs are deducted from the Fund's assets by the Responsible Entity for managing the Fund. These fees and costs are calculated and charged daily as a percentage of the Fund's Net Asset Value, where they are reflected within the daily Net Asset Value per Bitcoin Interest. The management fees and costs are deducted from the Fund's assets monthly on or after the first day of the following month.

The Fund's ordinary expenses, being the expenses incurred in the day to day operation of the Fund are included within the figure given for the management fees and costs in the table above. However, in addition to ordinary expenses, the Fund may from time to time incur additional extraordinary expenses not listed above. Extraordinary expenses are expenses that are not normally incurred in the day to day operation of the Fund and are not necessarily incurred in any given year. They may include costs associated with holding Fund meetings, changing the Constitution, or defending or pursuing legal proceedings. Extraordinary expenses may not be paid out of the Responsible Entity's or Investment Manager's fees and may be recovered from the Fund and result in a reduction of the Net Asset Value and Bitcoin Allocation. The Responsible Entity, as at the date of this PDS, reasonably estimates that the extraordinary expenses of the Fund that will apply for the current financial year (adjusted to reflect a 12 month period) will be nil.

b. Indirect costs

Indirect costs are any amounts that we know, or reasonably estimate will reduce the Fund's return that are deducted from the Fund's assets, other than the management fees and costs and other transaction costs. The Responsible Entity as at the date of this PDS, reasonably estimates that the indirect costs of the Fund, that will be applicable for the current financial year (adjusted to reflect a 12 month period), will be 0.00% p.a. of the Net Asset Value of the Fund.

c. Transaction costs

Transaction costs are the costs incurred when buying and selling the Fund's assets. These costs include brokerage fees, clearing costs, transactional custodian fees and other fees associated with the buying and selling of assets. Transaction costs are not included within the management fees and costs, and are deducted from the Fund's assets. How and when the costs are deducted from the Fund's assets depends on the

type of transactional cost. The Responsible Entity expects to recover all transaction costs through the Buy/Sell Spread. To the extent that the Responsible Entity is unable to recover any transaction costs, such transaction costs will be an additional cost to members. The Responsible Entity, as at the date of this PDS, reasonably estimates that the gross and net transaction costs of the Fund for the current financial year (adjusted to reflect a 12 month period) will be as set out in the table below:

Total gross transaction costs	Recovery through the buy/sell spread	Net transaction costs	For every \$50,000 you have in the Fund you will likely incur approximately:
0.2% p.a.	0.2% p.a.	0% p.a.	\$0

d. Buy/Sell Spread

The price at which an investor can apply for or redeem Bitcoin Interests may include an allowance for actual or estimated transaction costs incurred in selling or buying assets of the Fund to meet the withdrawal or application (a Sell Spread or Buy Spread). The Sell Spread or Buy Spread is a cost to the withdrawing or applying investor, additional to the management costs noted in the table above and will be reflected in the withdrawal or application price. As at the date of this PDS, a Sell Spread of 0.2% (or \$100 for a \$50,000 withdrawal) will apply for withdrawals using the Bitcoin Sale Method. A Sell Spread will not apply to the Bitcoin Delivery Method (however this method will be subject to a \$500 Redemption Fee as described above and below). A Buy Spread of 0.2% (or \$100 for a \$50,000 application) will apply for applications. The Sell Spread and Buy Spread may change without prior notice including between the time you submit an Application or Redemption Request and the time your Application or Redemption Request is accepted by the Responsible Entity. The current Sell Spread and Buy Spread can be obtained by contacting the Responsible Entity.

e. Redemption Fees

A \$500 Redemption Fee is payable for redemptions using the Bitcoin Delivery Method. There is no Redemption Fee for redemptions using the Bitcoin Sale Method (however a Sell Spread will apply as described above). The Redemption Fee must be paid to the Responsible Entity by the investor at the time of lodging a Redemption Request under the Bitcoin Delivery Method. The Redemption Fee is not deducted from the Redemption proceeds. Redemptions using the Bitcoin Delivery Method will only be satisfied following the Responsible Entity's receipt of the Redemption Fee.

f. Conversion Fee

Where a Holder transfers their holding from the issuer sponsored subregister to a CHESS account (i.e. from the off market register to the on market register) a Conversion Fee is payable. The Conversion Fee is payable by the Holder to the Investment Manager

in bitcoin where such amount of bitcoin is equal to the Bitcoin Allocation of any fractional Bitcoin Interest held by the Holder.

By requesting their holding is transferred from the issuer sponsored subregister to a CHES account the Holder irrevocably authorises and directs the Responsible Entity to redeem any fractional Bitcoin Interest held by the Holder and offset the redemption proceeds against the Conversion Fee. As such, the Conversion Fee is deducted from the Holder's investment in the Fund and is not an additional outlay required to be made by the Holder.

For example, if you held 100.5 Bitcoin Interests and requested your holding to be transferred from the issuer sponsored subregister to a CHES account, the Conversion Fee would be equal to the Bitcoin Allocation applicable to 0.5 Bitcoin Interests as at the time of transfer. If you held 100.9 Bitcoin Interests, the Conversion Fee would be based on 0.9 Bitcoin Interests and if you held some other fractional amount the Conversion Fee would be based on that fractional amount. By requesting the transfer, you also direct the Responsible Entity to redeem the fractional Bitcoin Interest (0.5 Bitcoin Interests in the first example) however you will not receive the redemption proceeds from the redemption of the fractional Bitcoin Interest as the redemption proceeds will be offset against the Conversion Fee payable. In the case of the first example above, your holding would reduce from 100.5 Bitcoin Interests held on the issuer sponsored subregister to a holding of 100 Bitcoin Interests held in your CHES account.

As the Conversion Fee depends on the amount of fractional interests held by a Holder, the Conversion Fee ranges from an amount of bitcoin equal to the Bitcoin Allocation for 0.000001 Bitcoin Interests up to the Bitcoin Allocation for 0.999999 Bitcoin Interests. The dollar value of the Conversion Fee will depend on the bitcoin price as at the time the Conversion Fee is deducted from the Holder's investment in the Fund and can be approximated as the bitcoin price at that time multiplied by the amount of the Conversion Fee in bitcoin.

There is no Redemption Fee or Buy/Sell Spread applied for redemptions of a fractional Bitcoin Interest in connection with a Holder transferring their holding from the issuer sponsored subregister to a CHES account.

g. Advice fees

Your financial adviser may receive payment for providing advice services to you. You may separately negotiate an advice fee for these services. Refer to the Statement of Advice and Financial Services Guide prepared by your financial adviser in which details of these fees are set out.

h. Can the fees change?

Yes, all fees can change without investor consent, subject to the maximum fee amounts specified in the Constitution. At least 30 days' notice will be given if there is any proposed change to the management fees. The Sell Spread and Buy Spread may change without prior notice as described above. The Fund's Constitution defines the maximum that can be charged for fees described in this PDS.

i. Differential fees

In accordance with ASIC Corporations (Registered Schemes and CCIVs—Differential Fees) Instrument 2017/40, Vasco may from time to time negotiate a different fee arrangement with certain Wholesale Investors.

j. Fee calculators

ASIC provides a fee calculator on its MoneySmart website (moneysmart.gov.au) which can be used to calculate the effect of fees and costs on your investment balances.

10. Additional Information

10.1 Constituent documents

The operation of the Fund is governed under the Corporations Act and the Constitution of the Fund which has been lodged with, and registered by ASIC as a managed investment scheme under Chapter 5C of the Corporations Act.

The Constitution and the Corporations Act govern the rights and obligations of investors in Bitcoin Interests. The Constitution sets out the conditions under which the Fund will operate, terminate, and the rights, obligations and liability of the Responsible Entity.

The Constitution also addresses matters such as pricing, Creations, Redemptions, the transfer of Bitcoin Interests, investors' rights, the Investment Manager's powers to invest, borrow and generally manage the Assets of the Fund, and the Responsible Entity's fee entitlements. The Constitution provides that, while Bitcoin Interests are quoted on Cboe, Holders may make transfers in any manner permitted by CHES and the Cboe Operating Rules.

A Bitcoin Interest confers a beneficial interest on the Holder in the assets of the Separate Trust relating to the Bitcoin Interest. The Constitution provides that the liability of each Holder is limited to the amount subscribed, or agreed to be subscribed by the Holder, for Bitcoin Interests. Recourse of the Responsible Entity and Fund creditors is limited to the Assets.

The Responsible Entity may convene meetings of Holders at any time (e.g., to approve certain amendments to the Constitution or to wind up the Fund). Holders also have limited rights to call meetings and have the right to vote at any Holder meetings.

Except where the Constitution provides otherwise, or the Corporations Act requires otherwise, to pass, a resolution of Holders must be passed by Holders who hold Bitcoin Interests exceeding 50% of the total value of all Bitcoin Interests held by Holders who vote on the resolution. A resolution passed at a meeting of Holders held in accordance with the Constitution binds all Holders of the Fund.

No significant change to the investment objective will be made unless such change is approved by a resolution of Holders passed by Holders representing at least 75% of votes cast. The Constitution states that while the Bitcoin Interests are quoted, the Responsible Entity will not acquire any property unless it reasonably believes the

property is and will be likely to remain a 'liquid' asset as the Corporations Act defines that term, or unless ASIC relief is otherwise provided.

The Responsible Entity may alter the Constitution if it reasonably considers the amendments will not adversely affect Holders' rights, or with the consent of Cboe or notification to Cboe in certain circumstances. Otherwise, the Responsible Entity must obtain Holders' approval at a meeting of Holders. Under the Constitution, if the Corporations Act or ASIC Relief (including ASIC Class Orders) on which the Responsible Entity has determined it wishes to rely on, or which is expressly applicable to the Fund and the Responsible Entity, requires the Constitution to contain certain provisions (Regulatory Required Provisions), then to the extent Corporations Act allows, the Constitution is taken to be amended so that the relevant Regulatory Required Provisions are included as separate provisions. The Holders authorise the Responsible Entity to make the amendments required in this respect in a deed and, if required, to lodge it with ASIC.

The Holders are deemed to agree that, subject to the Corporations Act, their rights under the Constitution do not include or extend to a right not to have the Constitution amended to comply with the relevant regulatory requirements or to include the Regulatory Required Provisions. The Responsible Entity may retire or be required to retire (if Holders vote for its removal). No Bitcoin Interests may be issued after the 80th anniversary of the date of the Constitution. The Responsible Entity may exercise a right to terminate the Fund earlier. Following the winding up of the Fund, the Responsible Entity must distribute the Bitcoin Allocation in each Separate Trust (after deducting liabilities and expenses referable to that Separate Trust) to the relevant Holders.

The Responsible Entity of the Fund is indemnified out of the Assets for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the Fund's Constitution and at law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity.

The Fund may retain and pay out of any money in its hands all sums necessary to effect such an indemnity. Holders can inspect a copy of the Fund's Constitution at the head office of the Responsible Entity during normal business hours or it will provide Holders with a copy free of charge on request.

The Constitution provides for circumstances in which the Responsible Entity may compulsorily redeem all or a portion of the Bitcoin Interests held by any or all Holders. The Responsible Entity may, in its absolute discretion and upon a minimum of 60 days' notice to a Holder or Holders, redeem all or a portion of the Bitcoin Interests held by any or all Holders if:

- the Responsible Entity believes that the Bitcoin Interests are held in breach of prohibitions contained within the Constitution
- the Responsible Entity determines that the Fund is uneconomical to operate
- a Holder made a misrepresentation in acquiring their Bitcoin Interests
- the Bitcoin Interests held by a Holder comprise less than a marketable parcel as provided in the ASX Settlement Operating Rules

- a Holder is a registered owner of Bitcoin Interests having an aggregate value of less than the Minimum Holding, provided that it does so in accordance with the terms of the Constitution, the Corporations Act (including any ASIC Relief) and the Cboe Operating Rules (while the Fund is quoted) - as at the date of this PDS there is no Minimum Holding for Bitcoin Interests
- the Bitcoin Custodian terminates its custody agreement and the Responsible Entity is unable to find a suitable replacement Bitcoin Custodian, or
- subject to the Corporations Act and the Cboe Operating Rules, such other circumstances as the Responsible Entity determines in its absolute discretion.

The Responsible Entity may, in its absolute discretion and upon a minimum of 3 Business Days' notice to a Holder or Holders, redeem all or a portion of the Bitcoin Interests held by any or all Holders if:

- the Responsible Entity believes that the Bitcoin Interests are held in circumstances which might result in a violation of an applicable law or regulation, or subject the Fund to taxation or otherwise adversely affect the Fund in any material respect, or
- the Responsible Entity determines that the continued participation of a Holder might cause the Responsible Entity or any Holder to violate any law or if any litigation is commenced or threatened against the Responsible Entity or any Holder arising out of the participation of the Holder in the Fund.

10.2 Compliance plan

The Responsible Entity has prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan sets out a compliance framework designed to ensure that the Fund complies with the requirements of the Corporations Act and the Constitution. A copy of the compliance plan is available free of charge from the office of the Responsible Entity during normal business hours. If the compliance plan is breached in a significant way such that the breach has an adverse effect on Holders, the Responsible Entity is obliged to report such a breach to ASIC.

10.3 Investment management agreement

The investment management agreement between the Responsible Entity and the Investment Manager appoints the Investment Manager to provide investment management services to the Fund. The investment management agreement sets out the Investment Manager's obligations to the Responsible Entity and to the Fund. The agreement also contains the arrangements in relation to fees and costs that are summarised in section 9.

The investment management agreement will remain in force until the Fund is wound up, unless the agreement is terminated earlier in accordance with its provisions. The agreement can be terminated by the Responsible Entity if the Investment Manager is in material breach of the agreement, and that breach has not been remedied after a certain time. There are also provisions allowing the Responsible Entity to terminate if, for example, the Investment Manager becomes insolvent.

If the Responsible Entity is replaced then the investment management agreement will continue to operate on the same terms as between the Investment Manager and the new responsible entity of the Fund.

10.4 Reporting and information requests

a. Documents lodged with ASIC

The Responsible Entity is subject to reporting and disclosure obligations in relation to the Fund, as though the Fund were a 'disclosing entity' under the Corporations Act. Documents lodged by the Responsible Entity with ASIC in relation to the Fund can be obtained from ASIC's website or are otherwise available for inspection at ASIC's offices.

The following documents are available to Holders from the Responsible Entity upon request:

- the annual report for the Fund most recently lodged with ASIC
- half-yearly reports lodged with ASIC after the lodgement of the annual report referred to above and before the date of this PDS, and
- any continuous disclosure notices given in respect of the Fund after the lodgement of the annual report referred to above and before the date of this PDS.

b. Other information requests

The following information is available from the website of Monochrome <https://monochrome.au>:

- the daily NAV of the Fund
- the daily NAV per Bitcoin Interest
- the intra day NAV
- the full portfolio holdings on a daily basis
- the BRRAP Index
- the latest PDS and Target Market Determination for the Fund
- copies of announcements made to Cboe via the Cboe Announcements Platform (including continuous disclosure notices and distribution information)
- information in relation to the Fund to enable Authorised Participants and Market Makers to estimate the Net Asset Value per Bitcoin Interest during the course of a trading day; and
- any other information required to disclose under applicable law or the Cboe Operating Rules.

10.5 Related party transactions

The Responsible Entity is not aware of any related party transactions requiring disclosure in this PDS. Except as set out in this PDS, no amount has been paid or agreed

to be paid, and no benefit has been given or agreed to be given, to a Director to induce them to become a Director or for services provided in connection with the formation or promotion of the Responsible Entity, Monochrome or the Offer. Where a related party arrangement is being considered by the Responsible Entity, the Responsible Entity's policy is to seek appropriate legal and financial advice as part of the decision-making process. The Directors and senior management are responsible for monitoring this policy.

10.6 Litigation

The Responsible Entity is not involved in any pertinent legal or arbitration proceedings nor, as far as the Directors of Vasco are aware, are any such proceedings pending or threatened against it.

Monochrome is not involved in any legal or arbitration proceedings nor, so far as the Directors of Monochrome are aware, are any such proceedings pending or threatened against Monochrome.

10.7 Consents

All named parties have given their written consent to be named in this PDS in regards to the Offer, in the form and context in which they are named.

10.8 Privacy Policy

The Responsible Entity manages Holders' personal information in accordance with both the Privacy Act 1988 (Cth) and the Responsible Entity's own Privacy Policy. The Responsible Entity's Privacy Policy outlines how investors may access the information it holds about investors and how they may seek to correct this information if believed to be incorrect or out of date. It also contains information about how complaints may be made about a possible breach of privacy and how the Responsible Entity will deal with such a complaint. A copy of the Privacy Policy and any additional information relating to how personal information is managed is available by contacting the Responsible Entity

10.9 AML/CTF procedures

The Responsible Entity, Registry and Administrator must comply with anti-money laundering laws, including the AML/CTF Act, which requires the Responsible Entity of the Fund to have an AML/CTF Program and comply with a range of other requirements. Subject to exclusions for exempt financial market operator issues, under its AML/CTF Program and the AML/CTF Act, the Responsible Entity is required to collect and verify certain identification information (Know Your Customer (KYC)) from Holders of Bitcoin Interests. If KYC Information is not provided when requested, processing of Applications or Redemptions may be delayed or refused.

The Responsible Entity may be required to disclose personal information or transactions to AUSTRAC. Under the AML/CTF Act, the Responsible Entity may be required to deny (on a temporary or permanent basis) access to a Holder's investment. This could result in a loss of the capital invested, or significant delays when wishing to transact. The Responsible Entity and the Investment Manager shall not be liable for any loss suffered

as a result of the Responsible Entity's compliance or attempted compliance with the AML/CTF Act.

10.10 Enquiries

Enquiries regarding this PDS should be directed to the Responsible Entity at info@vascofm.com or Investment Manager at info@monochrome.au.

10.11 Making a complaint

Persons who wish to make a complaint about the Fund should contact the Responsible Entity by telephone on (03) 8352 7120, by email to info@vascofm.com, or in writing addressed to:

The Complaints Officer
Vasco Trustees Limited
Level 4,99 William Street
Melbourne VIC 3000

The Responsible Entity will acknowledge a complaint as soon as practicable after receiving it and will notify the complainant of its decision, remedies and other information within 30 days of the complaint being made.

A 'Dispute Resolution Guide' is available on the Responsible Entity's website at www.vascofm.com.

Complaints that cannot be resolved internally by the Responsible Entity can be taken to the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution that is free to consumers. You can contact AFCA as follows:

Website: www.afca.org.au
Telephone: 1800 931 678 (free call within Australia)
Facsimile: (03) 9613 6399
Email: info@afca.org.au
Post: GPO Box 3, Melbourne Victoria, 3001.

11. Taxation

The tax treatment of a bitcoin managed investment scheme (Scheme) in Australia has not been the subject of any published binding guidance by the Commissioner of Taxation ('Commissioner'), nor have any bitcoin Scheme ATO product product rulings been obtained at this date of the PDS, and there are uncertainties regarding the application of traditional tax principles to a bitcoin Scheme.

To obtain greater certainty, Monochrome had commenced an early engagement process with the Commissioner with respect to the 'absolute entitlement' issue in addition to the 'foreign currency' issue (each set out below). The Commissioner advised that they would not provide a ruling or comfort letter for either issue, and since commencing the early engagement the Government has announced that it seeks to introduce

retrospective legislation to clarify that bitcoin is not treated as a foreign currency for tax purposes. The Board of Taxation is also conducting its review into the tax treatment of Digital Assets and Digital Asset transactions ('BoT Review').

Monochrome has engaged Mills Oakley to prepare this summary of Australian tax considerations for Australian tax residents that acquire Bitcoin Interests and remain an Australian tax resident for the duration of holding the Bitcoin Interest. We recommend that foreign residents seek independent professional tax advice about the applicable tax laws, proposed laws and the application of the relevant double tax agreement, if any.

Due to this Fund being structured as a series of bare trusts, a data statement will be prepared and distributed in lieu of a typical tax statement. Vasco is not in the position of a typical trustee of a trust estate and cannot make tax determinations or tax statements for investors. Instead, each investor can access a data statement that documents key data components relevant for an investor's record keeping for tax purposes in relation to their Bitcoin Interests and which can be provided to the investor's tax agent.

This summary does not consider the tax implications for taxpayers that invest in the Fund:

- in their capacity as trustee of a self-managed superannuation fund, and
- in their capacity as trustee of a trust.

This summary is a guide only and is not a complete statement of the relevant tax law nor does it take account of your individual circumstances. This summary is based on our interpretation of the Australian tax law and administrative practice at the date of publication of this PDS, including applicable case law and published guidance by the Commissioner, which may be subject to change. The ultimate interpretation of taxation law rests with the Courts and the way the Commissioner and state and territory revenue authorities administer the law, and may change at any time and with respect to Digital Assets is anticipated to be modified following the BoT Review, including with possible retrospective effect. Accordingly, we recommend that you seek independent, professional taxation advice about the tax implications of investing in Bitcoin Interests in your specific circumstances. It is possible for you to obtain certainty regarding the tax treatment of this product by applying for a private ruling from the Commissioner.

The draft public ruling TR 2004/D25 represents the Commissioner's current interpretation of the law with regard to 'absolute entitlement'. This should mean that, if the Commissioner changes his position in relation to this concept a taxpayer may still be liable for any resulting tax payable, but should not be subject to administrative penalties or interest as a result of relying on the public ruling, which represents the Commissioner's current view of the law.

References in this section to the '1936 Act' and the '1997 Act' are references to the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth) respectively. References to taxpayer are references to Australian resident taxpayers only.

11.1 Australian taxation comments

Typically, a taxpayer may hold an interest in a fund on revenue or capital account, depending on their individual circumstances and general tax comments are set out below for the two main categories of ETP participants – investors dealing on capital account and traders dealing on revenue account.

It is possible for an investor to trade a portion of their Digital Asset portfolio as trading stock on revenue account without tainting the portfolio assets held for investment; and likewise, for a trader to hold a portion of their portfolio as investments on capital account without tainting the assets used for trading. In such cases, accurate and contemporaneous record-keeping is essential to demonstrate that a split portfolio is being maintained.

a. Preliminary comments – ‘absolute entitlement’

The Australian income tax consequences of acquiring, disposing or redeeming a Bitcoin Interest are discussed below. If a taxpayer is not ‘absolutely entitled’ (for Capital Gains Tax (‘CGT’) purposes) to the Bitcoin Allocation for that Bitcoin Interest, the alternative tax treatment is also discussed below.

The state of law relating to the concept of absolute entitlement, and interpretation of that law by the Commissioner, is subject to uncertainty. The Commissioner’s views are set out in a draft public ruling – TR 2004/D25 – that has remained in draft since its release in 2004. As a general rule, the Commissioner takes the approach that if there is more than one beneficiary with interests in a trust asset, it is not possible for any single beneficiary to call for the asset to be transferred to them, because their entitlement is not to the entire asset.

However, the Commissioner may treat a taxpayer as absolutely entitled to an asset if:

- the assets are fungible
- the beneficiary is entitled against the trustee to have their interest in those assets satisfied by a distribution or allocation in their favour of a specific number of them, and
- there is a clear understanding between the parties that the beneficiary is entitled to that specific number of the trust’s assets.

Given the extended period of time in which the Commissioner has kept TR 2004/D25 in ‘draft form’ and the ongoing Treasury review, the Investment Manager, on behalf of the Responsible Entity, had commenced an early engagement process with the Commissioner seeking to confirm that the Commissioner will not seek to disturb the current administrative treatment of bare trusts in relation to this Fund. The Commissioner advised that it was unwilling to provide a ruling or comfort letter with respect to the interpretation of ‘absolute entitlement’. At the date of this PDS the Commissioner reiterates that in the event of a change in view or treatment, the Commissioner would follow the administrative practice set out in PS LA 2011/27 which describes the circumstances in which the Commissioner would not apply compliance resources to review and challenge positions adopted by taxpayers prior to the Commissioner’s change in view or treatment.

b. Bitcoin as a ‘foreign currency’

On 22 June 2022, the Australian Government published a joint media release stating that parliament would introduce legislation to exclude crypto-assets such as bitcoin from being treated as a foreign currency for Australian income tax purposes (‘Media Release’).

Subsequent to the Media Release, the Australian Government has released exposure draft legislation ‘Treasury Laws Amendment (Measures for Consultation) Bill 2022: Taxation treatment of digital currency’ (‘Exposure Draft’) for public consultation. In short, the draft legislation seeks to exclude crypto-assets (including bitcoin) from being treated as foreign currency for Australian taxation purposes, in response to El Salvador (and other countries) recognising bitcoin as legal tender. The Exposure Draft purports to amend the existing definition of ‘digital currency’ in the GST legislation and excluding ‘digital currency’ from the definition of ‘foreign currency’ in the 1997 Act (and therefore from the Foreign Currency Rules). It appears that the Exposure Draft aims to ensure that the relevant crypto-assets (such as bitcoin) continue being subject to the CGT rules if they are capital assets in the hands of the taxpayer, rather than the Foreign Currency Rules. However, submissions made have argued for taxpayers to be permitted to choose to apply the Foreign Currency Rules, so until the detail is legislated it is difficult to convey the extent of law reform that will be introduced.

For completeness, we note that if bitcoin were characterised as a ‘foreign currency’, then the Foreign Currency Rules of the tax law take priority and a taxpayer’s assessable income would include a foreign exchange realisation gain or their allowable deductions include a foreign exchange realisation loss that the taxpayer makes as a result of a foreign exchange realisation event when dealing with bitcoin (via their Bitcoin Interest and associated Bitcoin Allocation).

11.2 Traditional capital versus revenue treatment if bitcoin not a ‘foreign currency’

If bitcoin is not a ‘foreign currency’, the potential income tax consequences for an Australian resident taxpayer in relation to an investment in the Fund depends on whether the investor holds their Bitcoin Interest (or rather, the associated Bitcoin Allocation) on revenue account or on capital account. Whether an investor holds their investment on revenue or capital account will generally depend on the investor’s particular circumstances, including their purpose in acquiring their investment.

a. Capital account

If the ‘Foreign Currency’ Rules do not apply and you are an Australian resident investor dealing on capital account, you may be liable for CGT when you redeem all or a portion of your Bitcoin Interests electing to use the Bitcoin Sale Method. No CGT event should occur if you take delivery of bitcoin on Redemption via the Bitcoin Delivery Method. You must calculate your capital gain or loss on sale or redemption under the CGT rules in the 1997 Act. If you are an eligible taxpayer and have held your Bitcoin Interest (including the associated Bitcoin Allocation) for at least 12 months, you may be entitled to claim the general CGT discount.

If your capital proceeds exceed your cost base upon disposal, a capital gain will arise. If the capital proceeds are less than your reduced cost base of your Bitcoin Interest, a capital loss will arise.

Where bitcoin is used to pay fees and expenses, a transfer of ownership of bitcoin arises which requires the taxpayer to calculate their capital gain or loss on disposal of that bitcoin. The capital proceeds would equal the amount of the expense being paid in Australian dollar terms and the capital gain or loss determined by subtracting the CGT cost base or reduced CGT cost base from those capital proceeds. The Australian dollar value of the expense may be added to the CGT cost base of the remaining Bitcoin Allocation unless the nature of fees is such that it is not appropriate to add them to the CGT cost base of the remaining Bitcoin Allocation.

b. Revenue account

If the 'Foreign Currency' Rules do not apply and you are an Australian resident investor dealing on revenue account as part of a business of buying and selling bitcoin or Bitcoin Interests, the trading stock rules in Division 70 of the 1997 Act apply.

Where a taxpayer's activities are on revenue account as a profit-making scheme, the taxpayer would be liable to income tax on a net profit basis.

A taxpayer dealing on revenue account who opts for the Bitcoin Delivery Method on Redemption should not be taxed on the proceeds of Redemption because no transfer of ownership occurs (subject to the paragraph below). On Redemption, the Separate Trust and Bitcoin Interest collapses and the bitcoin is transferred to its beneficial owner.

With respect to bitcoin used to pay fees, a taxpayer dealing in Bitcoin Interests on revenue account as:

- trading stock, should treat that amount of bitcoin debited from their Bitcoin Allocation on account of fees as an ordinary expense and allowable deduction as part of carrying on a trading business, or
- part of a profit-making scheme, should treat that amount of bitcoin debited from their Bitcoin Allocation on account of fees as an expense to be taken into account as part of the net profit calculation.

The taxpayer would also be required to calculate and include in assessable income or allowable deductions the revenue gain or loss, respectively, on the bitcoin disposed of to pay the expense.

11.3 Alternative treatment

For completeness, if an investor is not treated as being absolutely entitled to their bitcoin (for tax purposes), then the tax consequences of the investment would be different to those described above. Broadly:

- each Separate Trust for each investor would be recognised for tax purposes and the investor would be subject to tax under Division 6 of the 1936 Act on the net income of the Separate Trust

- a taxing event may happen to the investor if the investor transfers bitcoin in order to pay the Application Price (if applicable)
- similarly, a taxing event may happen to the Responsible Entity (in its capacity as trustee of a Separate Trust) if the Holder makes a Redemption Request using the Bitcoin Delivery Method, and
- any loss made in respect of an investment in Bitcoin Interests may be trapped in the separate trust estate.

There may be other tax consequences for the investors if the alternative treatment applies.

11.4 Part IVA of the 1936 Act

Part IVA of the 1936 Act contains the general anti-avoidance regime for income tax. Broadly, Part IVA can apply to a taxpayer's investment if any party has entered into the arrangement for the dominant purpose of enabling the investor to obtain a tax benefit.

11.5 Taxation of financial arrangements (TOFA)

Division 230 of the 1997 Act contains rules relating to the taxation of financial arrangements, for which there are a number of exclusions. Specifically, the TOFA rules do not mandatorily apply to managed investment schemes and superannuation entities with assets of less than \$100 million, or individuals. However, taxpayers may elect to opt into the TOFA regime.

11.6 Stamp duty

As the Bitcoin Interests (and corresponding Bitcoin Allocations) should not constitute 'dutiabie property' as that term is defined in each State and Territory's respective stamp duty laws, no stamp duty should be payable on the issue or transfer of Bitcoin Interests.

11.7 Australian Goods and Services Tax (GST)

Applications for, and purchase of, Bitcoin Interests should not be subject to GST. The sale of Bitcoin Interests should also not be subject to GST.

Fees, including those paid in bitcoin, are subject to GST and, unless otherwise stated, are quoted in this document on a GST-inclusive basis.

11.8 Tax paid by investors

The Responsible Entity is not liable for any taxes, duty or other charges payable by an investor in relation to or in connection with their investment in the Fund or, as a consequence of, or in connection with, the purchase, sale or transfer of Bitcoin Interests. Investors are responsible for payment of all taxes (including GST) and other charges for which the investor becomes liable in relation to their investment in the Fund.

12. Glossary

Administrator means the entity named in Section 13 below.

AFSL means Australian Financial Services Licence issued by ASIC.

AML/CTF Act means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and any related regulations, rules and instruments and any amendments made from time to time.

Applicant means a person who has applied for Bitcoin Interests under this PDS.

Application means an application by an Applicant to the Responsible Entity to subscribe for Bitcoin Interests, being an offer on terms referred to in the form prescribed by the Responsible Entity and this PDS from time to time.

Application Consideration means the prescribed fee payable on Creation of a Bitcoin Interest calculated in accordance with this PDS and the Constitution.

Application Price means the price at which applications for Bitcoin Interests are acquired, determined in accordance with the Constitution.

ASIC means the Australian Securities and Investment Commission.

Assets means in respect of each Bitcoin Interest issued under this PDS, the bitcoin together with any income, capital, property and rights of the Fund referable to that Bitcoin Interest.

ASX means ASX Limited ACN 008 624 691.

ASX Listing Rules means the listing rules of the ASX as amended, varied or waived from time to time.

ATO means the Australian Taxation Office.

AUD means Australian dollars.

Auditor means the audit firm named in Section 13 below.

AUSTRAC means the Australian Transaction Reports and Analysis Centre or any government agency that replaces it or performs its functions.

Authorised Participant means entities who are authorised as 'trading participants' under Cboe Operating Rules (or which have engaged a trading participant to act on their behalf), which have entered into an Authorised Participant Agreement with the Responsible Entity.

Authorised Participant Agreement means an agreement between the Responsible Entity and an Authorised Participant under which such person is appointed to act as an 'Authorised Participant' in relation to Bitcoin Interests and if such agreement is subject to conditions precedent, that those conditions precedent are satisfied.

bitcoin means the asset native to the Bitcoin Network, the issuance of which is governed by the Bitcoin Network's monetary policy and will not exceed a total supply of 21 million bitcoins.

Bitcoin Allocation means the amount of bitcoin held in a Separate Trust for each Bitcoin Interest less fees and costs. On the first issue date, the Bitcoin Allocation was equal to 0.0001 bitcoin.

Bitcoin Core means the cryptographic protocol code which governs the peer-to-peer interactions between computers connected to the Bitcoin Network.

Bitcoin Core Contributors means the programmers and engineers that develop the reference implementation of a software client for bitcoin.

Bitcoin Custodian means the entity named in Section 13 below.

Bitcoin Delivery Method means a method used by the Responsible Entity to discharge its Delivery Obligations whereby the bitcoin represented by the Bitcoin Interests to be redeemed is transferred to the redeeming Holder as set out in this PDS and the Constitution.

Bitcoin Interest means an interest in the Fund issued under the terms of this PDS and in accordance with the Constitution pursuant to which the Holder has a beneficial interest in the Assets which are held in a Separate Trust.

Bitcoin Network means a peer-to-peer digital settlement network that powers its native asset – bitcoin. The Bitcoin Network is governed by a predefined set of rules which is cross-validated by network participants to minimise the central points of failure.

Bitcoin Sale Method means a method used by the Responsible Entity to discharge its Delivery Obligations whereby the bitcoin representing the Bitcoin Interests to be redeemed is sold and the Sale Proceeds (less the Redemption Fee and Redemption Costs) are transferred to the redeeming Holder as set out in this PDS and the Constitution.

Blockchain means a digital ledger database in which different types of information can be stored including ownership and transaction data for bitcoin or other Digital Assets.

BRRAP Index Price means CF Benchmarks Ltd CME CF Bitcoin Reference Rate Asia Pacific Variant.

BRRAP Index Price Provider and **BRTI Provider** means the entity named in Section 13 below.

BRTI means CF Benchmarks Ltd CME CF Bitcoin Real Time Index.

Business Day is a 'business day' as defined in the Cboe Operating Rules, unless the Responsible Entity determines otherwise.

Cash Custodian means the entity named in Section 13 below.

Cboe means Cboe Australia Pty Ltd ABN 47 129 584 667 or the market operated by it, as the context requires.

Cboe Operating Rules means the Cboe Operating Rules and related rules and procedures, as published by Cboe, and as amended, varied or waived from time to time.

Cboe Trading Day means any day on which Cboe is open for trading.

CHESS means the Clearing House Electronic Subregister System.

Compulsory Redemption means the compulsory redemption of a Holder's or Holders' Bitcoin Interests.

Compulsory Redemption Date means the date notified by the Responsible Entity to the Holders as a date on which all or part of the Bitcoin Interests will be compulsorily redeemed by the Responsible Entity.

Constitution means the Constitution of the Fund, as amended from time to time;

Conversion Fee means the fee payable for a Holder to transfer their holding from the issuer sponsored subregister into a CHESS account.

Corporations Act means the *Corporations Act 2001* (Cth).

Creation means the process by which a Bitcoin Interest is issued under the terms of this PDS and in accordance with the Constitution.

Delivery Obligations means the obligation of the Responsible Entity, on behalf of the Fund, to deliver the bitcoin to the Holder in accordance with the terms of the Constitution.

Digital Asset means a digitally stored property interest in which encryption techniques are used to secure ownership and verify the transfer of funds, including without limitation bitcoin, ether, litecoin, virtual currencies, central bank digital assets, and e-Cash.

Digital Asset Exchange means a digital marketplace where traders can buy, sell, and trade bitcoin or other Digital Assets for fiat currencies.

Digital Wallet means a system or software-based program that stores user payment and password information and allows the user to send, receive, and store Digital Assets.

Fiat Currencies means those currencies issued by a government, typically used to refer to physical currencies such as Australian dollar, US dollar, Japanese Yen and other currencies.

Fund means the Monochrome Bitcoin ETF ARSN 661 385 244.

GST means the goods and services tax imposed under the A New Tax System (Goods and Services Tax) Act 1999 (Cth), as amended or replaced from time to time.

Holder means the person or entity recorded in the Register as the owner of a Bitcoin Interest (including persons jointly registered).

Investment Manager means the entity named in Section 13 below.

Legal Advisor means the law firm named in Section 13 below.

Market Maker means an institution appointed by the Responsible Entity to assist it in maintaining the liquidity of the Bitcoin Interests on Cboe. A Market Maker may also be an Authorised Participant.

Minimum Holding means the amount (if any) from time to time determined by the Responsible Entity to be the minimum required holding of Bitcoin Interests by a Holder.

Net Asset Value or **NAV** means:

- for a Bitcoin Interest, the AUD value of the Bitcoin Allocation held in the Separate Trust less any charged Management Fees attributable to the Separate Trust, and
- for the Fund, all of the Bitcoin Interests for the Fund plus cash, less its total liabilities.

Offer means the offer of Bitcoin Interests under this PDS.

OTC Provider means an entity that enters into over-the-counter bitcoin transactions with the Fund.

Private Key means a secret number that allows Digital Assets to be spent. Every Digital Asset Wallet contains one or more Private Keys, which are saved in the Digital Wallet. The Private Keys are mathematically related to all Digital Asset addresses generated for the Digital Wallet.

Public Key means the cryptographic code that allows users to receive Digital Assets into their Digital Wallet. The public key and the private key are the tools required to ensure the ownership of the Digital Asset.

Quoted means officially quoted on Cboe.

Redemption means the process of redeeming a Bitcoin Interest in accordance with the terms of this PDS and the Constitution.

Redemption Fee means a fee payable for a Redemption Request.

Redemption Request means a written request lodged by a Holder in a form approved by the Responsible Entity from time to time to redeem Bitcoin Interests which includes sufficient instructions to allow the Responsible Entity to effect the delivery or sale of the Bitcoin relating to the relevant Bitcoin Interests.

Register means the register of Holders kept by the Registry.

Registry means the entity named in Section 13 below.

Responsible Entity means the entity named in Section 13 below.

Sale Proceeds means the cash amount received for the sale of a Bitcoin Allocation, less the Sell spread (if applicable).

Separate Trust means each separate trust constituted in respect of each Bitcoin Interest under the Constitution.

Settlement Date means:

- (a) for Applications, the fourth Business Day (T+4) or lesser period as determined by the Responsible Entity, following the relevant Cboe Trading Day (T) provided that there has been at least one Cboe Trading Day, or
- (b) for Redemptions, the later of:
 - (i) the fourth Business Day (T+4) or lesser period as determined by the Responsible Entity, following the relevant Cboe Trading Day (T) on which the Responsible Entity accepts a Redemption Request provided that there has been at least one Cboe Trading Day, or
 - (ii) any Compulsory Redemption Date.

SOC 1 Type 2 and SOC 2 Type 2 means the service organizational control compliance frameworks that attest to the controls used by an organisation. Specifically, the SOC 1 Type 2 report details how financial information is being handled safely and securely over a period. The SOC 2 Type 2 framework looks at the effectiveness of the organisation’s security controls over an extended period.

Tax Advisor means the law firm named in Section 13 below.

USD means United States dollars.

Valuation Time means a time determined by the Responsible Entity at which the Responsible Entity calculates the Net Asset Value.

Year means the period commencing from 1 July to 30 June in any given year, unless stated otherwise.

13. Directory

Investment Manager	Monochrome Asset Management Pty Ltd ACN 647 701 246 Suite 1, Level 54 111 Eagle St Brisbane City QLD 4000 and Suite 303 3 Hoskins Place Sydney NSW 2000
Responsible Entity	Vasco Trustees Limited ACN 138 715 009 4/99 William St Melbourne VIC 3000
Registry	Automic Pty Ltd ABN 27 152 260 814 Deutsche Bank Tower Level 5

	126 Phillip St Sydney NSW 2000
Administrator and Cash Custodian	State Street Australia Limited ACN 002 965 200 Level 14 420 George Street Sydney NSW 2000
Bitcoin Custodian	Gemini Trust Company, LLC 600 3rd Avenue 2nd Floor New York, NY 10016 United States
iNav Provider	Solactive AG Platz der Einheit 1 60327 Frankfurt am Main Germany
BRRAP Index Price and BRTI Provider	CF Benchmarks Ltd Company Number 11654816 4th Floor 25 Copthall Avenue London UK EC2R 7BP
Auditor	Ernst & Young The EY Centre Level 34 200 George Street, Sydney NSW 2000
Legal Advisor	Baker McKenzie Tower One - International Towers Sydney Level 45 100 Barangaroo Avenue Sydney NSW 2000
Tax Advisor	Mills Oakley Lawyers Level 6 530 Collins St Melbourne VIC 3000

