

# MHC Digital Asset Fund

## Information Memorandum

Confidential

June 2024

**Investment Manager**  
MHC Digital Finance Pty Limited  
ACN: 646 614 397

**Authorised Representative of:**  
MH Carnegie & Co Pty Limited  
ACN: 146 859 341  
AFSL: 411216

**Trustee**  
MHC Digital Fund Services Pty Limited  
ACN: 646 776 534

# Important Information

## The Offer

The MHC Digital Asset Fund is an Australian unregistered wholesale managed investment scheme (Fund). The offer contained in this Information Memorandum (Memorandum) is an invitation to acquire Units in the Fund (Offer).

## The Trustee and the Manager

MHC Digital Fund Services Pty Limited (ACN 646 776 534) is the trustee of the Fund (**Trustee**) and MHC Digital Finance Pty Limited (ACN 646 614 397) (**Manager**) is the investment manager and issuer of this Memorandum.

The Fund is a newly constituted wholesale managed investment scheme structured as a unit trust. The Trustee has appointed M.H. Carnegie & Co Pty Limited (ACN 146 859 341, AFSL 411216) (**MH Carnegie or Carnegie**) to arrange for the issue of the Units in the Fund. The Memorandum has been prepared and issued by the Manager which has been appointed by the Trustee to act as the Manager of the Fund under an investment management agreement between the Manager and the Trustee (**Management Agreement**).

## Offer Only Open to Eligible Investors

The Memorandum:

- is not a product disclosure statement under the Corporations Act, and has been prepared for use only by Wholesale Clients;
- is not required to be, and has not been, lodged with ASIC or any other government agency; and
- may be updated or supplemented by the Manager at any time and without prior notice.

The Offer is only available to persons receiving this Memorandum in Australia and New Zealand. If you have any queries regarding your investment or if you would like a paper copy of the Memorandum you should contact us.

## New Zealand Wholesale Investors Only

This Memorandum is not a product disclosure statement for the purposes of the Financial Markets Conduct Act 2013 (**FMCA**) in New Zealand and does not contain all the information typically included in such offering documentation.

This offer of Units in the Fund does not constitute a “regulated offer” for the purposes of the FMCA and, accordingly, there is neither a product disclosure statement nor a register entry available in respect of the offer. Units in the Fund may only be offered in New Zealand in accordance with the FMCA and the Financial Markets Conduct Regulations 2014.

Units in the Fund are not being, and will not be, offered or sold in New Zealand to persons other than “wholesale investors” within the meaning of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA Schedule 1**) which covers “investment businesses”, persons meeting the “investment activity criteria”, “large” persons and “governmental agencies” as defined in each case in FMCA Schedule 1, “eligible investors” within the meaning of clause 3(3)(a) in FMCA Schedule 1, and persons who meet the NZ\$750,000 minimum investment exclusion in FMCA Schedule 1.

## Warning Statement for New Zealand Wholesale Investors (Minimum Investment Criteria)

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to this offer because there is an exclusion for offers where the amount invested upfront by the investor (plus any other investments the investor has already made in the financial products) is NZD \$750,000 or more. As a result of this exclusion, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for this investment.

Investments of this kind are not suitable for retail investors.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

## Note to Applicants

The distribution of this Memorandum outside Australia and New Zealand may be restricted by law. Persons who come into possession of this Memorandum outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Unless otherwise agreed with the Trustee, any person applying for Units in the Fund will by virtue of such application be deemed to represent that they are not in a jurisdiction which does not permit the making of an offer or invitation as detailed in this Memorandum and are not acting for the account or benefit of a person within such jurisdiction.

This Memorandum is confidential and is provided to you as a prospective investor in the Fund. Its use for any other purpose is not permitted. You must not reproduce or redistribute it, in whole or in part and its contents must not be disclosed to any other person.

To the maximum extent permitted by law, neither the Trustee, the Manager, MH Carnegie nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer. The licensee is not obliged to accept applications and reserves the absolute discretion to refuse any application.

To the maximum extent permitted by law, neither the Trustee, the Manager, MH Carnegie nor any of their associates, related parties, directors, officers, employees, advisors (including financial, accounting and legal advisors) or representatives make any recommendation in relation to the Fund, or make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this Memorandum.

This Memorandum does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in the Fund. This Memorandum must be read in conjunction with the Fund's Trust Deed, a copy of which is available (free of charge) by emailing the Manager at [info@mhcdigitalfinance.com](mailto:info@mhcdigitalfinance.com).

To the extent there are any inconsistencies between the Trust Deed and this Memorandum, the Trust Deed will prevail.

An investment in the Fund is subject to risks, including the loss of the capital you invest. Neither the Trustee, the Manager, MH Carnegie nor any of their directors, officers, associates, employees, advisors or representatives guarantee the rate of return or performance of the Fund. Nor do they guarantee the Fund will meet its objectives or the repayment of your investment.

The Manager, the Trustee, MH Carnegie and their related entities may acquire Units in the Fund on the same terms and with the same rights as other Unitholders.

The Manager, the Trustee and MH Carnegie have each provided consent to the statements about it in the form and context in which they are included. Neither the Manager, the Trustee nor MH Carnegie have withdrawn their consent before the date of this Memorandum.

References to 'we', or 'our' or 'us' is a reference to the Manager unless stated otherwise.

All dollar amounts in this Memorandum are in Australian Dollars (AUD), (unless stated otherwise).

## Forward-Looking Statements

This Memorandum contains forward-looking statements that are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Trustee and the Manager.

The forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 4 and other information contained in this Memorandum.

The Manager cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Memorandum will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. The Manager does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Memorandum, except where required by law.

## Applications

Applications may be made only by completing the Application Form attached to, or accompanying, this Memorandum in its paper copy form, or in its electronic form, which must be downloaded in its entirety from the Fund Website. By making an Application, you represent and warrant that you were given access to the Memorandum, together with an Application Form.

## No Guarantee

All prospective Unitholders should consider the summary of key risks set out in Section 4 of this Memorandum. An investment in the Fund does not represent a deposit with, or liability of, the Trustee or any of its related bodies corporate and is subject to certain investment risks, including possible delays in repayment and loss of income and capital invested. None of the Trustee, the Manager, MH Carnegie or their respective related bodies corporate guarantee the performance of the Fund, the repayment of capital or any particular rate of return.

The Manager has prepared this Memorandum based on information available to it at the time of preparation and from sources believed to be reliable. The Manager does not make any representation that it has verified the information. No representation or warranty is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in this Memorandum or any other information the Manager otherwise provides to you. The Manager does not accept any responsibility or liability for any loss or damage, which results from an action or reliance, in whole or part, on such material. Past performance is not indicative of future results.

## Updated Information

Information in this Memorandum may need to be updated from time to time. Any updated information that is considered not materially adverse to Unitholders will be made available on the Fund website [www.mhcdigitalfinance.com](http://www.mhcdigitalfinance.com) and the Manager will provide a copy of the updated information, free of charge, to any Unitholder who requests a copy by emailing [info@mhcdigitalfinance.com](mailto:info@mhcdigitalfinance.com).

## Privacy

By filling out an Application Form to apply for Units, you are providing personal information to the Manager and the Trustee. The Manager and the Trustee may collect, hold and use that personal information in order to process your Application, service your needs as a Unitholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including *the Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in an Application Form, the Manager and the Trustee may not be able to process or accept your Application. Your personal information may also be provided to the Manager or the Trustee's agents and service providers on the basis that they deal with such information in accordance with the Manager's privacy policy.

The agents and service providers of the Manager or the Trustee may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Unitholder base and for product development and planning;
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering; and
- advising on, the Units and for associated actions.

If an Applicant becomes a Unitholder, the Trustee requires the Fund to include information about the Unitholder (including name, address and details of the Units held) in its register. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Fund's register of Unitholders will remain there even if a person ceases to be a Unitholder. Information contained in the Fund's register of Unitholders is also used to facilitate distribution payments and corporate communications (including financial results, annual reports and other information that the Fund may wish to communicate to its Unitholders) and compliance by the Fund with legal and regulatory requirements. An Applicant has a right to access and correct the information that the Manager and the Trustee hold about that person, subject to certain exemptions under law.

Applicants can obtain a copy of the privacy policy by visiting the Manager's website, [www.mhcdigitalfinance.com](http://www.mhcdigitalfinance.com). The privacy policy contains further details regarding access, correction and complaint rights and procedures.

The Trustee's complete privacy policy can be accessed by emailing the Manager at [info@mhcdigitalfinance.com](mailto:info@mhcdigitalfinance.com).

## General Information Only

In preparing this document we have not taken into account the investment objectives, financial situation or particular needs of any particular Applicant. Before making an investment decision, Applicants should obtain their own investment advice, taking into account their own investment needs and financial circumstances.

This Memorandum is not to be considered as a recommendation by the Manager or the Trustee, or any of their respective officers, employees, agents or advisers that a prospective Unitholder should invest in Units, or that an investment in the Fund is a suitable investment for any particular Unitholder.

Any prospective Unitholder should conduct and rely upon their own investigation and analysis of the information in this Memorandum and other matters that may be relevant to them in considering whether to acquire Units. In considering an investment in the Fund, prospective Unitholders must make, and will be taken to have made, their own independent investigation and analysis of the information in this Memorandum. Independent expert advice (including from an accountant, lawyer or other professional adviser) should be sought before making a decision to invest in the Fund.

This Memorandum and its contents: (a) must be kept confidential; (b) must not be used except for the sole purpose of evaluating a possible investment in the Fund; and (c) may not be reproduced or used by or distributed to any person, in whole or in part, without the prior written consent of the Manager, other than to a financial advisor, legal advisor, accountant or other professional advisor of the recipient whom it may consult before investing in the Fund. Upon request by the Manager, this Memorandum and any copies are to be returned in their entirety to the Manager.

By accepting this Memorandum, you are:

- representing that you are a Wholesale Client, or a New Zealand Wholesale Investor (as the case may be); and
- agreeing to keep the Memorandum and its contents confidential and not to reproduce it or provide it to other persons, other than your advisers provided they also maintain such confidentiality.

## Definitions and Abbreviations

Defined terms and expressions used in this Memorandum are explained in the Glossary at the end of this Memorandum. Unless otherwise stated or implied, references to times in this Memorandum are to Australian Eastern Standard Time (AEST).

## Contact Details

Please contact:

Enquiries at [info@digitalfinance.com](mailto:info@digitalfinance.com)

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## Letter from the Investment Manager

Dear Investor

If you are reading this, you no doubt know enough about cryptocurrencies to consider an investment in the space. If so, currently your choices include: open an account and simply buy Bitcoin, open an account and buy Bitcoin, Ethereum or other cryptocurrencies, or invest in a fund such as ours.

Your choices are currently constrained by the Australian regulatory landscape and, as such, the two obvious ways of investing in this asset class (via an ETF or a LIC) are not currently available to you, though ASIC has recently released guidelines around funds listing BTC and ETH ETFs. The view of our investment committee is that, though these offerings will be limited in offering only two cryptocurrencies, this decision could not come sooner because ETFs and LICs are the two most obvious investment vehicles for giving investors exposure to this asset class. In fact, it is important to know that it is our current intention to migrate this fund towards becoming a listed fund in the future.

So why are you reading the introductory letter for an unlisted fund? Because after a long period of investigation and thumb sucking, I concluded that the best way for me personally to invest in the cryptocurrency space was with an investment committee that will apply professional investment discipline and methodology, while giving access to opportunities beyond just buying and holding single digital assets.

Cryptocurrency is a crazy space and if you want to ski off-piste with digital assets you need a well credentialed and experienced guide.

Do we need an Investment Committee? I think so. Do I trust the one we have created? Yes, I do.

If you just want to buy Bitcoin and HODL (hold on for dear life) then we can point you to a number of honest brokers, or you can wait for listed investment vehicles to launch.

If you want someone who understands the digital asset world managing your cryptocurrency portfolio with the investment objective of 'not all the upside but a lot less of the downside', and with access to experience in new areas from staking tokens to NFT's and leveraging obscure DeFi bots, I think we are a plausible location for your money. And rest assured, I have money invested alongside yours in the Fund.

Yours,

Mark Carnegie

Principal

**MHC Digital Finance Pty Limited**



# 1 Investment Overview

## 1.1 Fund Summary

MHC Digital Finance Pty Limited (the **Manager**) is seeking capital commitments for its MHC Digital Asset Fund (the **Fund**) from Wholesale Investors. This capital will be invested in the Fund alongside \$1 million\* in capital commitments (either in the form of cash or cryptocurrencies) from the entity controlling the principal of the Manager, being Mark Carnegie. For more information, see Section 9.5.

The information set out below is a non-exhaustive executive summary of the principal terms that will govern the Fund. Such terms may be subject to change. Please refer to the full terms set out in the Constituent Documents governing the Fund which will prevail to the extent of any inconsistencies with this Memorandum, and copies of which will be forwarded to potential Investors on request.

NON-EXHAUSTIVE SUMMARY OF THE PRINCIPAL TERMS	
<b>The Fund</b>	<p>The MHC Digital Asset Fund is an unregistered managed investment scheme, domiciled in Australia.</p> <p>The governing rules of the Fund are outlined in the Fund's Trust Deed, a copy of which is available upon request.</p>
<b>Subscription Price</b>	<p>For the initial issuance of Units in the Fund, the subscription price will be \$1.00 per Unit.</p> <p>For the purposes of subsequent applications, the Trust Deed provides that the subscription price will be equal to the sum of Net Asset Value of the Fund and the Transaction Costs divided by the number of Units on issue.</p>
<b>Investment Manager</b>	<p>MHC Digital Finance Pty Limited (ACN 646 614 397) is the investment manager of the Fund. The Manager is an authorised representative of MH Carnegie &amp; Co Pty Limited (ACN 146 859 341 and AFSL 411216).</p> <p>The Manager has been appointed by the Trustee as the investment manager of the Fund in accordance with the Management Agreement.</p> <p>A summary of the key terms of the Management Agreement can be found in Section 9.2</p>
<b>Trustee</b>	<p>MHC Digital Fund Services Pty Limited is the Trustee of the Fund. The Trustee is a related body corporate of the Manager. The Trustee is an authorised representative of MH Carnegie &amp; Co Pty Limited (ACN 146 859 341 and AFSL 411216).</p> <p>Refer to Section 3.2 for further information.</p>
<b>Fund's Investment Objective</b>	<p>The Fund seeks to deliver exceptional returns for Investors through an actively managed portfolio of digital assets.</p> <p>There is no assurance or guarantee that the Fund will meet its investment objective.</p> <p>Refer to Section 2 for further information.</p>

\* Please refer to Appendix A regarding a historical change to Founders' holdings in the Fund.

NON-EXHAUSTIVE SUMMARY OF THE PRINCIPAL TERMS	
<b>Fund's Investment Strategy</b>	<p>The Fund's investment strategy is to take advantage of the opportunities in the global digital asset space (both established and emerging) through a multi- investment asymmetrical strategy which aims to maximise the Fund's returns whilst safeguarding the principal invested through prudent asset allocation and decentralised finance innovations.</p> <p>Refer to Section 2 for further information.</p>
<b>Who will Manage the Investment Strategy</b>	<p>The Fund's investment strategy has been devised by the Manager. Refer to Section 3 for the biographies of each of the Manager's key investment professionals involved in the day-to-day management of the Fund.</p>
<b>Minimum Investment</b>	\$50,000
<b>Minimum Additional Contributions</b>	\$50,000
<b>Application</b>	<p>Monthly by the 20<sup>th</sup> day of each month for entry on the last Business Day of the month in the United States.</p>
<b>Distributions</b>	<p>The Fund will generally pay distributions annually with the option for Unitholders to reinvest all or part of their distributions by subscribing for additional Units.</p> <p>The Trustee and the Manager cannot provide any guarantee as to the extent of future distributions as these will depend on a number of factors.</p> <p>Refer to Section 9 for further information.</p>
<b>Redemptions and Redemption Fee</b>	<p>Redemptions may be requested by Unitholders, which may be accepted at the discretion of the Trustee. The redemption price will be the current unit value calculated by reference to the valuation on the relevant Redemption Date. For more information regarding the valuation process, see "Valuations" below.</p> <p>The Trustee will be entitled to an "Early Withdrawal Fee" for redeeming Ordinary Units within two years of an Investor making their investment. The Early Withdrawal Fee is calculated as follows:</p> <p>1st year: Where the redemption is made during the first year of the period of two years from the date of an Investor making their investment ("Early Exit Period"), 2% of the Fund's Net Asset Value on a per Unit basis, for each Unit redeemed;</p> <p>2nd year: where the redemption is made during the second year of the Early Exit Period, 1% of the Fund's Net Asset Value on a per Unit basis, for each Unit redeemed;</p> <p>Following the end of the Early Exit Period – nil.</p> <p>Refer to Section 7 for further information.</p>
<b>Valuations</b>	<p>The Trustee may determine the Net Asset Value of the Fund or obtain valuations for assets of the Fund or a particular class of Units at any time.</p> <p>The Net Asset Value of each Unit will be calculated on the last Business Day of each calendar month in the United States.</p> <p>Refer to Section 6 for further information.</p>

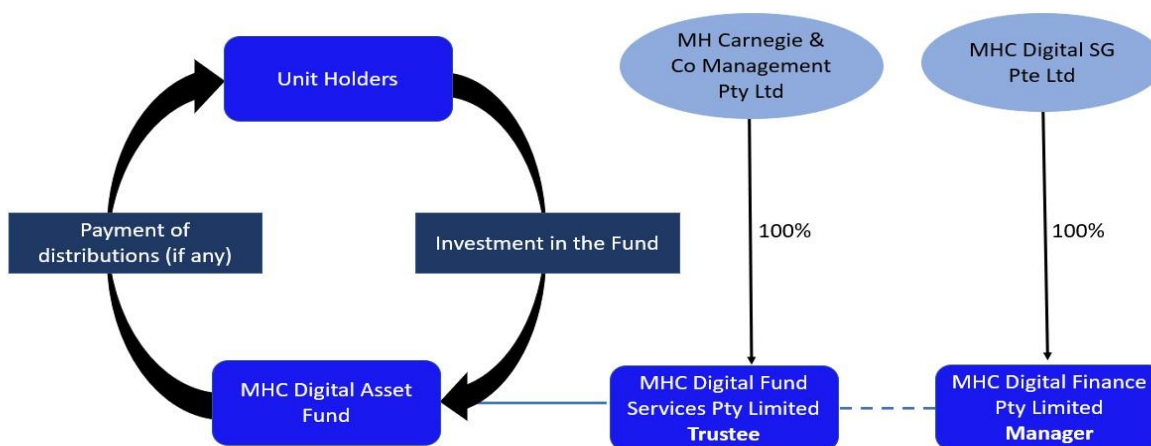
**NON-EXHAUSTIVE SUMMARY OF THE PRINCIPAL TERMS**

<b>Management Fee</b>	2.00% per annum of the Net Asset Value of the Units in the Fund (other than Management Units), payable quarterly. There is no Management Fee payable in respect of the Management Units.
<b>Performance Fee</b>	The Manager will be entitled to an annual "Performance Fee" in respect of the financial performance of the Fund, of 25% of the Return (both realised and unrealised) of the Fund (net of fees and costs), based on the Net Asset Value of the Units in the Fund (other than Management Units) at the end of the relevant financial year, subject to delivering Investors a cumulative net 10% IRR (post all fees).
<b>Risks</b>	There are inherent risks with investing in the Fund. Refer to Section 4 for further information.
<b>Taxation</b>	The Fund has been established as an Australian resident unit trust. Investors will be subject to Australian income tax on distributions from the Fund and the extent of Australian tax payable will depend on the nature of the income and whether the Investor is a resident or non-resident of Australia for tax purposes. Investors should seek their own independent advice. Refer to Section 8 for further information.
<b>Eligible Investors</b>	Wholesale Investors as defined by the Australian Corporations Act, and New Zealand Wholesale Investors.
<b>AFSL</b>	The Manager and the Trustee are Corporate Authorised Representatives of M H Carnegie & Co Pty Limited (AFSL: 411216).
<b>Tax Advisor</b>	Deloitte
<b>Auditor</b>	BDO
<b>Lawyer</b>	Piper Alderman

## 1.2 Fund Structure

The Fund is an unregistered managed investment scheme that is an unlisted Australian unit trust, domiciled in Australia. Investors in the Fund will hold an indirect economic interest in the digital asset class by subscribing for Ordinary Units in the Fund. As an unregistered managed investment scheme, the Fund will be regulated under the Australian Corporations Act. The Fund is only open to Wholesale Clients, and will not require registration with ASIC.

The diagram below shows how the Fund is structured with the corporate entities that are involved in the management of the Fund.



## 1.3 Fund Benefits

The key benefits of investing in the Fund are:

### *Experienced team*

The Fund's multidisciplinary team combines their experiences across many facets of the digital asset ecosystem, from being early adopters themselves, to digital currency mining and trading, and as strategic advisors of IEOs and formative IEO concepts.

### *Downside protection*

The Fund's asymmetrical strategy is designed to protect digital assets in volatile markets. The Manager believes it can protect asset value through downturns and achieve significant gains in market upswings.

### *Professional Manager*

The investment management team oversees execution, investment and operational risk management of its internal strategies. The team also works closely with external business and technical expert advisors to validate ideas and generate new perspectives. The management team reduces key-man risk through shared responsibilities and systematised procedures.

### *Aligned interests*

The interests of the Manager are aligned closely with Investors in the Fund due to the principals' seed Fund investment and the team's extensive involvement in the digital asset ecosystem.

### *Access broader exposure*

Through the pooling of assets in the Fund, the Investors can achieve exposure to a wider range of strategies that might otherwise be difficult to access and invest in.

### *Convenient access*

The Fund is a wholesale unit trust structure which provides a convenient alternative to direct investment in digital assets by allowing Investors to subscribe for Ordinary Units in the Fund. Investors are provided regular reports including monthly -

unitholder statements, monthly performance reports, quarterly distribution reports, annual taxation statements and audited annual reports.

#### *Industry networks*

Some of the key members of the Manager's team have been professionally involved in the digital asset space since its inception in 2011, and actively attend leading international conferences, engage with founders, teams and advisors, and contribute to the broader ecosystem. Building these wide relationships contributes to the Fund's research processes and access to market intelligence and deal flow.

#### *Scale*

The Manager holds accounts with multiple international aggregators and liquidity providers ensuring the Fund can acquire (and liquidate) authentic digital assets, in large tranches, at the best market rates to minimise market spot price movements.

#### *Distribution Reinvestment*

Distributions will generally be made on an annual basis. Distribution reinvestment is also available allowing Investors to create a compounding component. A percentage of distributions can be reinvested allowing Investors to combine regular distributions with compounding reinvested distributions in any proportion.

## 2 Investment Objective and Strategy

### 2.1 Investment Objective

The investment objective of the Fund is to deliver exceptional returns for Investors through an actively managed portfolio of assets in the cryptocurrency ecosystem.

The Manager will draw on its experience to identify suitable opportunities and assess their appropriateness having regard to the overall investment objectives.

### 2.2 Investment Strategy

The Fund's investment strategy is focused on monetising opportunities in the global digital asset space through a multi-investment asymmetrical approach which aims to maximise the Fund's returns whilst safeguarding the principal invested through prudent asset allocation.

The Fund uses an active approach that combines both traditional financial funds management and digital asset expertise to invest across the spectrum of opportunities available in the digital ecosystem. This includes:

- investing into digital assets and protocols across a range of products (including spot and derivatives) available through a network of liquidity providers ranging from centralized exchanges, decentralized exchanges and over-the-counter providers; and
- sourcing and executing other opportunities with correlation or exposure to identified themes within the sector available through traditional financial investment products.

By combining active asset allocation with institutional grade custody, monitoring and risk management systems, the Manager believes strong risk-adjusted returns can be delivered.

#### 2.2.1 Portfolio Composition

The Fund has been established to provide exposure to a portfolio composition combining both larger, more liquid digital assets (such as Bitcoin (BTC) and Ethereum (ETH)), as well as a small allocation for higher risk opportunities that aim to provide significant outperformance. The Fund will also hold an allocation to market neutral, fixed income and special situation strategies to mitigate against digital asset volatility and/or improve overall Fund performance. The target composition of the Fund's portfolio is set out below.

ASSET CLASS	INVESTMENT EXPOSURE RANGE*
Larger, more liquid cryptocurrencies (such as BTC and/or ETH)	40 - 75%
Stablecoin denominated staking strategies, fixed income investing and market neutral trading	20 - 60%
Alternative opportunities	0 - 20%

*\* The Manager may change the investment strategy, asset allocation ranges and processes of the Fund, provided that the changes are not inconsistent with the terms of the Trust Deed and the Management Agreement. Unitholders will be notified in writing if any such change is considered by the Trustee to be material or would not have been reasonably expected by Unitholders. Any material change to the Fund's investment strategy or asset allocation ranges as a consequence of a change in market conditions will require the prior approval of the Fund's Investment Committee.*

#### *Larger, more liquid cryptocurrencies (such as BTC and/or ETH)*

Between 40% and 75% of the Fund will be exposed to larger, more liquid cryptocurrencies (such as BTC and/or ETH), held either directly or through DeFi strategies (detailed below in 2.2.2).

The Manager will utilise a combination of 'over the counter' services and exchanges for acquiring holdings in such cryptocurrencies and, if relevant, will seek the most appropriate liquidity pool providers to minimise transaction costs and fees whilst maximising yield.

### Market Neutral and Fixed Income Strategies

Between 20% and 60% of the Fund will be allocated to market neutral and fixed income strategies which give non-directional exposure to products mitigating against typical digital asset volatility.

Market neutral trading strategies utilize a variety of derivative and cash products to profit from non-directional pricing dislocation and market inefficiency. Combined with DeFi strategies, market neutral trading can help hedge the Fund against market volatility. The Fund's DeFi strategies are detailed below in section 2.2.2.

Fixed income strategies include:

- Investments in centralized and decentralized yield-bearing products within the digital ecosystem (typically denominated in stablecoins). Stablecoins are a type of cryptocurrency that are designed to maintain a stable value by being pegged to a specific asset or basket of assets. As a result, they are typically less volatile than other cryptocurrencies. The Fund uses stablecoins to invest in yield-bearing projects, providing an alternative, fixed-income return profile for the portfolio whilst also insulating from exposure to overall market volatility.
- Opportunistic allocation to other fixed income products (e.g corporate debt) of companies with exposure to the digital ecosystem.

### Alternative opportunities

Between 0% and 20% of the Fund can be allocated to alternative digital asset opportunities, namely investments in early-stage tokens, emerging blockchain companies, special situations (including distressed credit investments)\*, and direct equity investments into companies with exposure to blockchain. This allocation is intended to give scope to invest in higher-risk, esoteric investments whereby the Manager sees opportunities to improve the diversification and aggregate return profile of the Fund without undermining overall risk concentration or performance.

\*The purchase of distressed credit includes the acquisition of insolvency claims owed to creditors.

### 2.2.2 DeFi and Staking Strategies

Up to 100% of the Fund may be exposed to DeFi strategies with the objective of producing above market yields. The Fund's DeFi strategies primarily consist of staking strategies, including but not limited to, validator staking, liquidity staking and lending staking. Other DeFi strategies implemented may include the arbitraging of inter-market dislocations across different markets.

The Fund may lend crypto assets to liquidity pools (liquidity pool staking) to offer liquidity to decentralized exchanges in exchange for additional returns.

The Fund may also lend crypto assets to lending pools (lending staking) to receive interest paid by borrowers.

The Fund may directly or indirectly participate in validator staking pools as part of a Proof of Stake network's consensus mechanism. By participating in such networks, an investor (such as the Fund) is able to generate additional returns on staked assets.

When using these strategies, the Manager utilises a combination of yield aggregating protocols to ensure 'rewards' (yield) returned as part of the staking process is continually reinvested, ensuring maximum yields are achieved and further, significantly reducing gas (transaction fees) and exposure to the price movements of the 'reward'. The main protocol used for yield aggregation is Beefy Finance.

Please see Appendix B for further details on the Fund's DeFi strategies.

### 2.2.3 Borrowings, Currency, Derivatives and Hedging

The Trust Deed permits the Trustee to incur debt; however, the Trustee and the Manager will generally not borrow on behalf of the Fund, except from time to time to cover short-term cash flow needs or if emergency or extraordinary situations arise.

The Fund may engage in interest rate, exchange rate and other hedging activities.

The Fund may buy or sell crypto related derivatives such as futures or options.

All contributions, distributions, redemptions, investments, and investment return calculations will be made in Australian dollars (unless the Trustee determines otherwise).

## 2.2.4 Storage

The Fund's digital assets will be stored in either staking pools, exchange wallets, cold storage, multi-signature wallets or by a third-party custodial services provider approved by the Trustee, depending on the type of asset and how those assets are being used to generate returns.

- Staking, liquidity and lending pools (up to 100% of FUM)

Assets can be locked in staking, liquidity and lending pools as part of the Fund's DeFi strategies to earn returns. These pools take the form of smart contracts written on a given protocol, with yield earned by locking assets within these smart contracts. Where assets are locked in such a pool, the protocol's smart contract determines the timing and manner in which the assets will become unlocked at a future date.

The Manager actively manages the staking of assets across a number of different pools and protocols to maximise returns and minimize concentration risk. Staked assets are linked to a compatible cold or multi-sig wallet into which earned yield and the locked assets can be returned at any time. The Manager will monitor the risk-return profile of the pools and protocols that assets are locked in.

- On-Exchange (up to 30% of FUM)

An exchange wallet address is one which is managed by an exchange. These wallets offer maximum liquidity and practicality but sacrifice security. Assets will be held across several trusted exchanges where the Manager determines maximum liquidity is needed and for the purpose of derivatives trading. Multi-factor authentication is used to protect unauthorized access to exchange accounts, and no more than 30% of funds under management (**FUM**) will be held on one exchange to minimise concentration risk.

- Multi-sig wallets (up to 100% of FUM)

The Fund has also chosen to adopt a third-party multi-signature storage approach for some of its assets and has selected Fireblocks as its provider. Fireblocks' MPC (multi-party computation) multi-signature process requires a defined number of private keys to sign and send transactions. An embedded Transaction Authorisation Policy within Fireblocks enables the Manager to place limitations on all parties with access to the private keys. This ensures no party is able to transact over a certain amount or quantity per day without the approval of additional private key holders. This in combination with Fireblocks' MPC technology protects all private keys from being compromised by both cybercriminals and from internal fraud and collusion, preventing any employee, or group of employees, from stealing the digital assets. The manager has also implemented Coincover, a third-party end-to end-encrypted vault for ultra-secure storage and recovery of private keys. Coincover holds all backups of the private keys which will only be used in the instance that Fireblocks is no longer available.

- Cold storage (up to 50% of FUM)

Cold storage involves storing a wallet's private key offline, as well as signing transactions offline, and is widely recognized as the safest form of cryptocurrency storage. Cold storage does sacrifice the liquidity of assets as the device is required whenever a transaction is made. The Trustee uses multiple Ledgers as its preferred cold-storage custodial services. All Ledgers are held in fireproof vaults and locked securely at all times to prevent the loss of theft of the wallet.

These custodial arrangements may change from time to time if the Trustee considers that the change would be in the best interests of the Unitholders. Hot wallets may also be used where necessary to temporarily facilitate the movement of digital assets.



### 2.2.5 Risk management and compliance

Investors benefit from the Manager's skills and experience in implementing the investment strategy of the Fund and its directors' experience in operating managed investment schemes.

Although the number of personnel of the Manager is small, this may also be a benefit since it enables a more nimble, hands-on and active management style to be adopted by the Manager. Digital asset exposures are constantly monitored to ensure all the assets of the Fund are aligned to the Fund's investment parameters. Operating and investment processes are continuously reviewed through a combination of internal and external audit, regular compliance monitoring, management self-assessment procedures and risk management oversight.

Management of key controls and performance measurement is accomplished through routine reporting on investment activities.

The Manager adopts the following measures (but not limited to) to manage the risks of the Fund:

- continuous analysis of BTC and ETH (and other cryptocurrencies) prices;
- 24/7 access to the underlying holdings with the Digital Exchanges;
- due diligence performed on all counter-parties prior to their appointment;
- subscriptions to news feeds and legislative updates to ensure that the Fund is complying with legislation and aware of any changes to legislation applicable to the Fund;
- frequent monitoring and analysis of staking, lending and liquidity pools' risk;
- external annual review of the Trustee's valuation policy, including sample testing of the valuations of the assets of the Fund; and
- routine reporting on the investment activities of the Fund.

In relation to the compliance of the Fund, members of the team (primarily Kate Thompson and Ben Ly— refer to Section 3 for further information in relation to each of these individuals) will be responsible for ensuring the Trustee and the Manager exercise due care and skill in relation to their respective roles in relation to the Fund and will:

- review systems and procedures, including risk management systems, to ensure they are being adhered to;
- monitor and supervise compliance, training and capacity of employees, directors, authorised representatives and third-party service providers to the Fund;
- ensure that any asset holders for the Fund, including the Custodian, have adequate organisational structure, staffing capabilities, capacity and resources to perform core administrative activities, and hold assets on trust for the client;
- review reporting to ensure it is being completed in a timely and accurate manner; and
- monitor general compliance with applicable laws, regulations, standards and best practice guidelines.

In addition to the above, the Manager will utilise a number of established tools to assist it in monitoring and verifying trading activity, including but not limited to; CryptoQuant (<https://cryptoquant.com/>), Glassnode (<https://glassnode.com/>) and all blockchain scanners (e.g. <https://etherscan.io/>).

In relation to the Fund's AML/CTF Law requirements, the Trustee uses Rapid ID to assist it with its verification obligations (<https://www.rapidid.com>). Refer to Section 9.4 for further information about the Fund's AML/CTF Law obligations.

### 2.2.6 Service Providers

The Trustee has entered into service agreements with the service providers to the Fund and will, with the assistance of the Manager, regularly monitor the performance of the service providers against the service levels set out in the relevant agreements. The Trustee and the Manager will also undertake appropriate diligence and oversight in respect of the service providers to the Fund.

As at the date of this Memorandum, the service providers of the Fund are:

- The Manager: The Trustee has engaged MHC Digital Finance to provide investment management services to the Fund under the Investment Management Agreement. For further information regarding the Manager, see Section 3.1.
- The Custodian: The Trustee has engaged Fireblocks to provide multi-layer security for the Fund's storage of digital assets. Fireblocks combination of MPC-CMP with hardware isolation creates multi-layer security technology. This eliminates a single point of failure and insulates digital assets from cyber-attacks, internal collusion, and human error.
- The Exchange: The Trustee may use a variety of exchange services for the Fund to obtain digital assets.
- The Fund will also use several centralized and decentralized trading platforms including but not limited to; Binance, Kucoin, Huobi, Interactive Brokers, Bybit, Deribit, 1inch, Uniswap, Sushiswap, Pancakeswap, Curve and GMX to execute trades.

## 3 The Manager and the Trustee

### 3.1 The Manager

MHC Digital Finance Pty Limited is a focused Australian digital currency and emerging technology asset manager with a unique mix of digital asset and traditional financial funds management expertise. The Manager is an active investor looking to keep ahead of trends in a rapidly developing sector. The Manager applies a disciplined and methodical approach to managing investments through a continued assessment of risk and performance of its investment strategies.

The Manager was appointed as investment manager of the Fund under the Management Agreement. See Section 9 below for a summary of the Management Agreement.

The Manager is wholly owned by MHC Digital SG Pte Ltd. MHC Digital SG was established in 2022 to bring a comprehensive digital asset offering to the market. It currently comprises three active business units across global markets, venture capital and funds management. A fourth complimentary business unit, Corporate Finance, is currently in the early stages of development.

### 3.2 The Trustee

MHC Digital Fund Services Pty Limited is the trustee of the Fund and is owned by MH Carnegie & Co Management Pty Ltd.

The Trustee has appointed MHC Digital Finance Pty Limited as the investment manager of the Fund, a related party of the Trustee.

The Trustee has ultimate responsibility for overseeing, and is legally in charge of, the overall operation and management of the Fund, under both the Fund's governing Trust Deed and by the Trustee's rights and duties under general law. However, the Trustee will be guided in its decisions by the investment advice and expertise of the Manager. The Trustee's duties and obligations to Investors are imposed, and functions and powers conferred, by the Trust Deed, the Corporations Act and general law. Examples of the Trustee's powers include acquiring and disposing of the Fund's investments, entering into agreements, operating accounts, and raising money. The Trustee has the right to be indemnified out of the assets of the Fund on a full indemnity basis in respect of any matter, unless it has acted negligently, dishonestly or fraudulently. Except in the case of fraud, gross negligence, breach of duty or trust, the Trustee will not be liable to an Investor.

The Trust Deed (together with this Information Memorandum, the Application Form, and the Corporations Act and other laws) governs the Fund and the Trustee's and Manager's relationship with Unitholders. The Trust Deed provides the framework for the operation of the Fund and sets out certain rights, duties and obligations of the Trustee and each Unitholder. It also sets out the manner in which Investor meetings will be convened and conducted. The Trustee may amend the Trust Deed in accordance with its terms. A copy of the Trust Deed will be provided to prospective Investors upon request.

To assist it in operating the Fund, the Trustee has entered into services agreements (including with the Manager) with a number of key service providers. The Trustee, with the assistance of the Manager, will regularly monitor the performance of the services providers against the service levels set out in the relevant agreements. The Trustee and the Manager will also undertake appropriate due diligence and oversight in respect of the services providers to the Fund.

### 3.3 Investment Committee

The Investment Committee, comprising Mark Carnegie, Andrew Palmer, Ed Carroll and Matt Milson, is responsible for overseeing investment decisions within the framework of the Fund's investment strategies and processes. Majority approval is required for investment decisions, though the members of the Investment Committee strive to reach unanimous agreement.

The Investment Committee is supported by Kate Thompson, Ben Ly and Liam Byrne who all assist in the management and administration of the Fund.

A brief summary of their biographies is set out below.

KEY PERSONNEL	
<b>Mark Carnegie</b>	<p>Mark has over 30 years of experience as an entrepreneur, investor and corporate adviser in New York, London and Sydney. From 1990 to 2000 Mark was the Australian and Asian representative of Hellman &amp; Friedman following his training on Wall Street with James D. Wolfensohn and in London at Hudson Conway with Lloyd Williams.</p> <p>In 2000 Mark co-founded leading Australian boutique corporate advisory and private equity firm Carnegie, Wylie &amp; Co Pty Limited with John Wylie. Carnegie Wylie was acquired by leading Wall Street bank, Lazard Inc in 2007, and following the sale, Mark was appointed the CEO of Lazard Australia Private Equity. In 2011 Mark Carnegie founded MH Carnegie &amp; Co, an alternative asset manager currently managing committed funds in excess of A\$900 million.</p> <p>Throughout his career Mark has been involved in a range of diverse Australian and Asian investments and has participated in groups that have acquired major stakes in the Courage Pub Estate, John Fairfax Holdings, Hoyts Cinemas, Formula One Holdings, SCTV, Macquarie Radio Network, Lonely Planet Publications and London Sumatra Plantations. As a corporate adviser, Mark has advised Qantas and Coles Myer on general strategic matters, Westfield on its \$22 billion merger and Qantas on its Jetstar Asia start-up in Singapore.</p> <p>Mark holds a BA from Oxford University and a BSc (Hons) from Melbourne University. He is a former Treasurer of the Oxford Union.</p> <p>Mark is a member of the Fund's Investment Committee.</p>
<b>Andrew Palmer</b>	<p>Andrew Palmer has over 20 years of experience at the cutting edge of global financial markets with over 10 years in leadership roles on Wall St and five years in the City of London.</p> <p>In 1996 he joined JPMorgan's innovative structured products group and was instrumental in developing the then nascent credit derivative and securitisation markets. In 2002, Andrew moved to London where he became CEO of Scotia Capital Europe running the wholesale banking businesses in Europe and Asia for the second largest bank in Canada.</p> <p>In 2013 Andrew joined ANZ as Head of their Financial Institutions Group.</p> <p>Since leaving ANZ in late 2019, Andrew has become a consultant to newer technology driven players and investors in the finance industry by leveraging his broad international and domestic perspective and connections across financial markets.</p> <p>Andrew has a Bachelor of Sciences from the University of Wales, a Masters in Economics from the University of Western Australia, and an MBA from Columbia University in USA.</p> <p>Andrew is the senior portfolio manager and a member of the Fund's Investment Committee.</p>
<b>Ed Carroll</b>	<p>As Head of Global Markets and Corporate Finance, Ed's focus is on leading the buildout of the MHC Digital Group business from Singapore. He has been actively involved in all aspects of the Group business plan and rollout from inception, including establishing strategic partnerships, licensing and regulatory engagement, recruitment and operational buildout for the firm.</p> <p>Prior to joining Carnegie, Ed spent more than 10 years at Macquarie Group, most recently within the Infrastructure and Real Assets division. He brings broad-based experience including \$5b+ M&amp;A, divestitures, distressed credit opportunities, debt and equity raisings, platform bolt-on strategy, credit rating and capital markets strategy, treasury, and risk oversight functions.</p> <p>Ed holds a Bachelor of Commerce from the University of New South Wales and a Master of Science from Singapore Management University.</p> <p>Ed is a member of the Investment Committee.</p>

<b>Matt Milsom</b>	<p>As Director, Proprietary Trading, Matt's focus is generating absolute returns from pricing inefficiencies in the crypto ecosystem.</p> <p>Prior to joining MHC Digital Group, Matt spent more than 20 years in the equity &amp; derivative trading departments of JP Morgan Chase, Deutsche Bank, CIBC &amp; HSBC.</p> <p>He brings broad-based sales and trading experience including derivative trading, equity arbitrage and capital markets book running.</p> <p>He is a member of the Australian Institute of Company Directors, holder of the Financial Risk Manager Certification from Global Association of Risk Professionals and has a Bachelor of Science (Economics) from the London School of Economics.</p> <p>Matt is a member of the Investment Committee.</p>
<b>Kate Thompson</b>	<p>Kate has more than 20 years' experience as a corporate and legal advisor, specialising in mergers and acquisitions. She has worked closely with Mark Carnegie for over 10 years.</p> <p>Prior to joining the Carnegie Group, Kate was a Director of Lazard Australia and Senior Legal Counsel and Head of Compliance at Lazard Australia for both private equity and corporate advisory. Kate spent a number of years at law firms King &amp; Wood Mallesons and Herbert Smith Freehills prior to joining Mark at Carnegie Wylie &amp; Co.</p> <p>In her role at MHC Digital Group, Kate has overall responsibility for managing the key relationships amongst the Group's extensive network of contacts. She is also heavily involved in transaction negotiation, structuring and execution and has overall responsibility for all legal, regulatory, licensing and compliance functions for the Group.</p> <p>Kate is currently Chairperson of Revtech Media, Carsingha Investments (owner of the Entertainment Quarter, Moore Park) and serves on a number of portfolio company boards, together with being a non-executive director of a large financial services company and an ASX listed e-commerce business.</p> <p>Kate holds a Bachelor of Laws (Hons) from Bond University.</p>
<b>Ben Ly</b>	<p>Ben is the Chief Financial Officer of M.H. Carnegie &amp; Co. and MHC Digital Group. Ben has over 20 years experience, initially in chartered accounting and the last 10 years in senior financial roles in financial services and private equity.</p> <p>Prior to joining the Carnegie Group, Ben was responsible for the finance function of Lazard Australia's private equity funds. He oversees the finance function at M.H. Carnegie and MHC Digital including fund administration, reporting, risk and compliance.</p> <p>Ben has a Bachelor of Commerce (Accounting and Finance) from the University of Sydney and is a member of Chartered Accountants Australia &amp; New Zealand.</p>
<b>Liam Byrne</b>	<p>As a trader and analyst, Liam concentrates on assisting the portfolio manager with funds management and the identification of position entries and exits.</p> <p>Prior to joining MHC Digital Group, Liam spent more than 4 years at Lendlease most recently within the building/engineering division. Liam's well-rounded knowledge and history in project management allows for analytical and in-depth analysis with a key focus on risk mitigation and early detection of problems. Further, Liam brings broad-based experience derived from his time as an early investor in cryptocurrency including positions in Solana, LINK and Ethereum.</p> <p>Liam completed a degree in Construction Management and Property at the University of New South Wales, graduating in 2019 with high distinctions and subsequently earning the coveted DUX award for the highest overall mark of all students.</p>

### 3.4 Advisory Committee

The Advisory Committee is established to represent investors in the Fund and will be an open forum for discussing investments (both current and prospective as appropriate) in a straightforward manner. The Advisory Committee's role will encompass, but not be limited to, the following:

- advising on conflicts of interest;
- receiving updates from the senior management team regarding investments;
- reviewing investment opportunities that fall outside of the normal parameters of the Fund;
- reviewing changes to the membership of the Investment Committee; and
- reviewing fees, financial statements and other audit findings.

The Advisory Committee will have no power to approve or disapprove any investment.

The top three Investors in the Fund will have the right to submit one person for consideration by the Manager as a member of the Advisory Committee and the Manager may not withhold its consent for such a person unreasonably. The Trustee will have the right to nominate one representative to the Advisory Committee. Once agreed by the Manager, each nominated person will become a member of the Advisory Committee. A member of the Advisory Committee must retire if so directed by their appointor or if their appointor ceases to be one of the top three Investors in the Fund.

The Manager intends that the Advisory Committee will meet at least semi-annually and at any other time, having received reasonable notice (including a written agenda), to consider matters which the Manager refers to the Advisory Committee.

## 4 Risk Factors

### 4.1 Risks of investing in the Fund

All investments carry risk. When investing in a managed investment scheme such as the Fund, it is important to note that the value of assets in the managed investment scheme and the level of returns will vary. No return is guaranteed. Future returns may differ from past returns and Unitholders may lose some or all of their money invested.

The level of acceptable risk will vary across Unitholders and will depend upon a range of factors.

Prospective Investors should carefully consider the risk and uncertainties described below and the other information contained in this Memorandum before making an investment in the Fund. They are not an exhaustive description of all the risk associated with an investment in the Fund.

If any of the risks described below (or any risk not described below) occurs, the value of the assets in the Fund could decline, and a Unitholder could lose all or part of their investment.

Prospective Investors should rely on their own advice and enquiries and factor in their individual circumstances and investment requirements. Prospective Investors should consult their professional advisers in relation to the legal, commercial, accounting and tax implications of an investment in the Fund.

An investment in the Fund should be regarded as speculative in nature.

#### *Concentration Risk*

The performance of a concentrated fund tends to be more volatile than the performance of a more diversified fund. This is because a concentrated fund is generally exposed to a smaller range of assets, in this case, mainly Bitcoin and Ethereum, and is therefore more sensitive to fluctuations in the value of Bitcoin/Ethereum.

#### *Counterparty Risk*

Third-party service providers or other contracted counterparties may breach their obligations, causing loss to the Fund. There is a risk that third party service providers or other contracted counterparties may intentionally or unintentionally breach their obligations to the Trustee or provide services below standards which are expected, causing loss.

#### *Foreign Currency Risk*

Digital assets, including cryptocurrency and decentralised finance instruments, are generally priced either in USD or in the currency of another country (including Australia) at the prevailing exchange rate between USD and the currency of the other country. Accordingly, the return on an investment in digital assets by Australian investors will be affected by both changes in the price of Bitcoin (in USD) as well as changes in the AUD/USD exchange rate.

#### *Investment Risk*

The success and profitability of the Fund will largely depend upon the return generated by the underlying digital assets of the Fund.

#### *Investment Manager Risk*

The Manager is a relatively newly incorporated entity and does not have a track record. However, each of its principals has between 10 years and 30 years' experience in managing investment funds or digital assets. There is a risk that the Manager's investment strategy is not successful, or not successfully implemented, resulting in the Fund failing to meet its objectives. No assurance can be given that the systems and strategies utilised by the Manager will prove successful under all or any market conditions.

#### *Fund Risk*

There is a risk that the Fund could terminate, that fees and expenses could change or that the Trustee or the Manager could be replaced as the trustee or manager (respectively) of the Fund.

Further, given that the Fund has been newly established, no historical performance is available.

#### *Operational Risk*

Operational risk includes those risks which arise from carrying on a fund's management business. The operation of the Fund requires the Trustee, the Manager and other service providers to implement sophisticated systems and procedures. Some of these systems and procedures are specific to the Fund. Inadequacies with these systems and procedures or the people operating them could lead to a problem with the Fund's operations and result in a decrease in the value of the Units.

#### *Fund Liquidity Risk*

There is a risk that the assets in which the Fund is invested, or the Fund itself, may become illiquid. The absence of an established market or shortage of buyers for an investment may result in a loss if the holder of the investment needs to sell it within a particular timeframe.

#### *Redemption Risk*

There is a risk that we may not meet the generally applicable timeframe for redemption requests, may suspend redemptions or may deem the Fund to be illiquid.

#### *Market Risk*

There is a possibility for a Unitholder to experience losses due to factors that affect the overall performance of the markets outside the control of the Fund.

#### *Service Provider Risk*

The Fund may be reliant on external service providers in connection with its operation and investment activities. There is a risk with these arrangements that the service providers may default in the performance of their obligations or seek to terminate the services, affecting the investment activities of the Fund.



## 4.2 Risks Specific to Digital Assets

In addition to the general risks with investing in the Fund as outlined above, investing in digital assets and blockchain technology (for example, by acquiring Units in the Fund) carries additional specific risks. Digital assets and blockchain technology can be very volatile, highly speculative and carry a higher degree of risk than some other investment classes. Some of the specific risks (noting they are not an exhaustive list of all the specific risks) associated with investing in digital assets and blockchain technology are set out below. Prospective Investors should carefully consider these specific risks and the other information contained in this Memorandum before making an investment in the Fund.

Digital assets can be extremely risky and are usually highly speculative. Anyone who acquires digital assets directly or indirectly (for example by acquiring Units in the Fund), should be aware that there is a high risk that their investment could be lost. Risks associated with investing in a managed investment scheme (such as the Fund) exposed to digital assets include:

### *Extreme Volatility and Bubble Risk*

Most digital currencies are subject to extreme price volatility and have shown clear signs of a pricing bubble (being a significant, sustainable rise above the reasonable value). If you invest in cryptocurrency or an investment product exposed to cryptocurrency, such as the Fund, you should be aware that you could lose a large amount, or even all, of the money invested. The digital currency market to which the Fund is exposed is changing rapidly.

This market is speculative and volatile with the risk that prices of digital currencies move quickly.

The price and value of digital currencies are constantly changing, their price is relative to other digital currencies and their ability to be converted to fiat currency are important factors. The price and value of all digital currencies (and their volatility) especially Bitcoin have a major impact for the Fund. If the price of Bitcoin depreciates significantly, this will have a direct adverse impact on the return to Unitholders.

*Mitigation strategy:* A prudent use of stable coins and measured diversification across cryptocurrency instruments that allow for speedy trade executions and a return to fiat currency when sustained volatility exists. Constant price monitoring and general market awareness are also key factors in downside management.

### *Absence of protection*

Despite anti-money laundering requirements being introduced globally, digital currencies remain relatively unregulated under laws globally. Similarly, Digital Exchanges and digital wallets used to hold, store and transfer digital currencies are largely unregulated under law too. This means that if you buy or hold digital currencies, you will not benefit from the guarantees and safeguards associated with regulated financial services. Global financial laws generally do not offer any specific legal protection covering you from losses or guaranteeing that you will regain access to your digital currencies holdings if a Digital Exchange or a digital wallet provider fails, goes out of business, or is subject to a cyber-attack, funds' embezzlement or asset forfeiture as a result of law enforcement actions.

*Mitigation strategy:* The use of audited custody providers and maintaining access to the most progressive insurance offerings.

### *DeFi protocol and smart contract risks*

DeFi and smart contracts have been known to carry exploitable bugs and mistakes. While every care is taken to make sure that contracts, their underlying code and the protocols are well-researched and audited, it is still possible for smart contracts to malfunction or be the subject of an exploit or hack.

*Mitigation strategy:* The Manager actively manages the staking of assets across a number of different pools and protocols to minimise concentration risk. The Manager will perform extensive research on a smart contract before committing substantial capital to said smart contract.

### *Lack of price transparency*

The price formation of digital currencies is not always transparent. There is a high risk that Investors will not receive a fair and accurate price when buying or selling products that invest in digital currencies.

*Mitigation strategy:* Deep experience in trading cryptocurrencies and awareness of the fee structure ecosystems that are operating and evolving.

### Digital Exchange operational risk

Some Digital Exchanges have experienced severe operational problems, such as trading disruptions. Consumers have suffered losses during these disruptions as it restricted their ability to buy and sell digital currencies. It is possible that a Digital Exchange may become insolvent or it is possible that other clients of a Digital Exchange may cause a default which reduces the financial resources or capacity for the Digital Exchange to perform its obligations owed to the Trustee and Manager in relation to (among other things) exchanging its digital currencies for fiat currencies.

There is also a chance that a Digital Exchange may experience security failures, operational issues, and be the subject of hackers and malware.

*Mitigation strategy:* Multi-factor authentication is used to protect unauthorized access to exchange accounts, and no more than 20% of funds under management (**FUM**) will be held on one exchange to minimise concentration risk.

### Low liquidity pools and slippage risk

DeFi relies on liquidity pools of funds to exchange tokens between each other. The amount of tokens exchanged in relation to the pool size at any particular time may mean a favourable price may not be achieved quickly. Generally, the higher the value of the trade, the higher the possibility of not being able to sell the entire position at once. This may result in a loss of the Fund's assets.

*Mitigation strategy:* The Fund uses a variety of decentralised exchanges (in addition to Digital Exchanges) that route orders through more than one DeFi protocol.

### Misleading information

The information available to consumers wishing to buy digital assets is limited and may be misleading as it tends to be incomplete, difficult to understand and fails to properly disclose the risks of digital assets.

*Mitigation strategy:* The procurement of digital assets should be exercised in consultation with seasoned investment professionals. The Manager has the experience and oversight to minimise this risk.

### Cryptocurrencies have no PDS

Investors should be aware that there is no Product Disclosure Statement (PDS) or equivalent for Bitcoin or other cryptocurrencies. Cryptocurrencies do not have a performance objective. Any performance objective relating to cryptocurrencies in this Memorandum is the performance objective of the Fund and how cryptocurrencies form part of the underlying assets of the Fund.

*Mitigation strategy:* Sound investor education through personal communication and required reading of this Memorandum prior to investing in the Fund.

### Private Key risk

The Private Key required to access a digital asset may be lost, destroyed or stolen resulting in the Manager being unable to liquidate the digital assets, which would adversely affect Investors' investment in the Fund. Most of the Private Key(s) of the Fund's investments will be held in Cold Storage.

*Mitigation Strategy:* Wherever reasonably practicable from an operational perspective, the Fund's Private Key(s) will be held in offline digital hardware storage devices that are locked in physical vaults in geographically diverse locations, and where each vault is secured by multiple levels of physical and biometric security (for example, in a high security bank vault). While these arrangements are intended to minimise the risk of the Private Keys being lost, destroyed or stolen, there is no guarantee that these events will not occur. A multi-signatory process is maintained to maximise security standards across both our cold storage wallets and multisignature wallets.

### AML Exchange Risk

The Fund (through the Trustee) uses one or more Digital Exchanges to convert the digital currencies to fiat currencies or other digital currencies. In Australia, a Digital Exchange is a "digital currency exchange provider" for the purposes of the AML/CTF Laws and is registered with AUSTRAC. It is possible that the AML/CTF Laws may change in the future such that they impose impediments or other barriers on the Fund such as (but not limited to) restricting the number of transactions that the Fund can make or imposing other restrictions on it.

*Mitigation strategy:* The Manager evaluates the AML/CTF Law exchange risk, including management and history for each Digital Exchange and allocates usage to reduce exposure to AML/CTF Law exchange risk.

### *Cryptocurrency adoption risk*

The slowing or stopping of the development or acceptance of the Bitcoin Network and other cryptocurrencies such as Ethereum may severely impact the returns on an investment in the Fund.

*Mitigation strategy:* The Manager will closely monitor the cryptocurrency environment for trends of adoption or lack of adoption in cryptocurrency networks and take due corrective measures where appropriate.

### *Commercial use case risk*

Currently, there is relatively small use of Bitcoins and other digital currencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect your investment in the Fund.

*Mitigation strategy:* Identifying and monitoring actual emerging uses of the technology that are making a measurable impact on the digital asset ecosystem.

### *Loss of market share risk*

Although Bitcoin is currently regarded as the most valuable digital currency, other cryptocurrencies may surpass Bitcoin's market share and market capitalisation.

*Mitigation strategy:* The Manager will closely monitor the cryptocurrency market share levels for trends of gain or loss and take due corrective measures where appropriate.

### *Cryptocurrency protocol amendment risk*

As most cryptocurrencies are distributed, open source, consensus-driven protocols, the core developers or other programmers could propose amendments to the Bitcoin Network or other cryptocurrency protocols that, if accepted and authorised by the network community, could adversely affect Investors' investment in the Fund.

*Mitigation strategy:* The Manager will closely monitor cryptocurrency social networks and various information sources for such an event and take preventive or corrective measures where necessary. If an event is likely to affect the performance of the Fund, Investors will be notified before the occurrence.

### *Cryptocurrency network attack risk*

If a malicious actor obtains a controlling percentage of the processing power on the Bitcoin Network or a similar cryptocurrency network, such actor or botnet could manipulate the Blockchain, which could adversely affect the Fund and your investment in it.

*Mitigation strategy:* The Manager will closely monitor cryptocurrency processing power networks and various information sources for risk of such an event and take preventive or corrective measures where necessary.

### *Halving event risk*

A Bitcoin halving occurs when block rewards, being the number of Bitcoins entering circulation whenever a block is produced, are reduced by half. Halving events are scheduled into Bitcoin's programming to gradually reduce the supply of new Bitcoins being mined. Previous halving events have been followed by a short-term increase in Bitcoin prices. Despite this, there remains a risk that a future halving event is followed by a fall in the price of Bitcoin.

*Mitigation strategy:* The Manager and the Investment Committee may modify the asset allocation of the Fund to take into account the risks and opportunities presented by each halving event.

### *Quantum computing cryptography risk*

Cryptocurrencies rely on cryptography to ensure the integrity of their accounting process. If a quantum computer is created that can decrypt the encryption used in cryptocurrency protocols, it could possibly be used to dismantle the integrity of all cryptocurrencies, rendering them useless and greatly affecting the performance of the Fund.

*Mitigation strategy:* The Manager will monitor quantum computing developments and various information sources for risk of such an event and take preventive or corrective measures where necessary.

#### *Cryptocurrency network transaction fee risk*

If fees increase for recording transactions on the Bitcoin Network or other cryptocurrency networks, demand for digital currencies may reduce and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of coins that could adversely affect your investment in the Fund.

*Mitigation strategy:* The Manager will monitor cryptocurrency networks for major changes in transaction fees and take preventive or corrective actions where necessary. A network of participation tokens is procured to stabilise transaction fees.

#### *Fraud, hacking or theft risk*

Digital currency transactions are irrevocable, digital currencies can be stolen or incorrectly transferred and digital currencies may be irretrievable. As a result, if these events were to occur, they could adversely affect your investment in the Fund.

*Mitigation strategy:* The Manager undertakes fraud and hacker security training and maintains the highest level of security reasonable to prevent fraud, hacking or theft risk. The Manager will inform Investors and/or take preventive or corrective actions where necessary.

#### *Future use of Digital Currencies risk*

Digital currencies are a relatively new concept and asset class, so there is still some degree of uncertainty and pessimism about their use and so whether their popularity will gain further traction is difficult to predict. If the popularity and use of digital currencies diminish and lead to their value decreasing, the Fund's existing and potential further interest in digital currencies would be detrimentally affected.

*Mitigation strategy:* The identification of upcoming trends and investment in alternative digital asset technologies is constantly evaluated.

### 4.3 Regulatory Risk

#### *Unregulated Asset Class*

Currently, in Australia, Bitcoin (and other cryptocurrencies) is not a financial product nor is digital currency regarded as money or currency for the purpose of the Corporations Act. There is a risk that amendments to the Corporations Act or a change in ASIC policy results in Bitcoin and other digital assets being regulated as financial products. The effect of any future regulatory change on digital currencies or an entity dealing in or holding digital currencies is impossible to predict, but such change could be substantial and adverse to the returns sought by the Fund.

#### *Regulation of crypto transactions*

Regulatory changes or actions may alter the nature of an investment or restrict the use of digital currencies in a manner that could adversely affect your investment in the Fund.

#### *Banning/outlawing the ownership/use case*

While Bitcoin (and other cryptocurrencies) is presently legal in Australia, it may be illegal now, or in the future, to acquire, own, hold, sell or use Bitcoins in one or more countries.

#### *Future regulation for management of the Fund*

Regulatory changes or interpretations could cause the Fund, the Trustee and the Manager to register and comply with new regulations, resulting in potentially extraordinary, recurring or non-recurring expenses to those holding digital currencies.

#### *Australian Taxation Office Position*

Future developments in the tax treatment of Bitcoin and other digital assets could have an adverse impact on the Net Asset Value of the Fund.

The Australian Taxation Office has released Taxation Determination TD 2014/26 (dated 17 December 2014) which, in short, states that Bitcoin is a CGT asset for the purposes of subsection 108-5(1) of the *Income Tax Assessment Act 1997* (Cth).

As such the Manager believes that the purchase, holding and disposal of the Bitcoin is subject to the capital gains tax (CGT) regime in Australia.

TD 2014/26 also states that the disposal of Bitcoin may be ordinary income if it is held as part of a profit-making undertaking or plan. Whether an asset is acquired as part of a profit-making undertaking or plan depends upon whether the intention or purpose of the taxpayer in entering into the transaction was to make a profit or gain and whether the transaction was entered into in carrying out a commercial transaction. Where an amount from the disposal of a CGT asset is ordinary income, the amount is excluded from being assessed under the CGT regime and, therefore, is denied certain concessions that apply under the CGT regime in Australia.

Refer to Section 8 for further taxation information.

#### *Global Tax Regulation Risks*

Current global regulatory risks demonstrate that there are multiple governments which have released guides, policy and laws to deal with the treatment of cryptocurrencies. Given the Fund is principally investing, holding and trading cryptocurrencies in Australia, it does not expect to fall under the jurisdiction of any foreign tax obligations; however, is aware that changes to a foreign country's tax position could affect the value of cryptocurrencies and the ability for the Fund to liquidate cryptocurrencies.

*Mitigation strategy:* In relation to the above regulatory risks, the Manager will monitor the legal and regulatory environment and inform investors and/or take preventive or corrective actions where necessary. Ongoing compliance is actively pursued with regulators and international trends are also closely monitored to proactively adjust to the changes in the regulatory environment.

## 5 Investing in the Fund

### 5.1 Eligible Investors

The Fund is open to persons who qualify as Wholesale Clients (as defined in Section 761G(7) of the Corporations Act), and “wholesale investors” within the meaning of clause 3(2) of Schedule 1 of the FMCA (as the case may be), (“eligible investors” within the meaning of clause 3(3)(a) in FMCA Schedule 1, and persons who meet the NZ\$750,000 minimum investment exclusion in FMCA Schedule 1.). The Trustee will not issue Units in the Fund to a person unless it is satisfied that the person is a Wholesale Client, or a New Zealand Wholesale Investor.

### 5.2 Minimum Investment and issue price

The minimum initial investment amount for the Fund is \$50,000. Investors can invest any amount over that minimum. Any subsequent investments by existing Investors must be for a minimum of \$50,000.

The first Units will be issued at \$1.00. Subsequently, the price of Units will change from time to time as the market value of the Fund’s assets rise and fall. Each Unit is a proportional interest in assets of the Fund, having regard to the total number of issued Units. The value of Units is determined by dividing the Net Asset Value of the fund by the number of Units on issue, adjusted for transaction costs.

### 5.3 Applying for Units

Investors can apply for Units by completing the Application Form that forms part of, is attached to, or accompanies this Memorandum. The Application Form must be completed in accordance with the instructions on the Application Form. Application Monies may be paid by cheque, or by EFT as described in Section 9. Once completed, Investors should lodge their Application Form and Application Monies so that they are received at the following address or deposited by EFT by 5.00pm (AEST) on the Transaction Date:

*By mail to:*

MHC Digital Asset Fund  
Suite 210-F3  
The Entertainment Quarter  
122 Lang Road, Moore Park NSW 2021  
Australia

*By hand delivery to:*

MHC Digital Asset Fund  
Suite 210-F3  
The Entertainment Quarter  
122 Lang Road, Moore Park NSW 2021  
Australia

### 5.4 Application Monies

Application Monies may be paid by cheque or by EFT:

*Cheque(s) must be:*

- in Australian currency;
- drawn on an Australian branch of a financial institution;
- crossed “Not Negotiable”; and
- made payable to “MHC Digital Asset Fund”.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover their cheque(s). If the amount of an Applicant's cheque(s) for Application Monies (or the amount for which your payment clears in time for the allocation) is insufficient to pay for the amount they have applied for in their Application Form, the Applicant may be taken to have applied for such lower amount as their cleared Application Monies will pay for (and to have specified that amount in their Application Form) or their Application may be rejected.

#### EFT:

National Australia Bank

BSB: 082356

Account: 298278119

Account Name: MHC Digital Fund Services Pty Ltd atf MHC Digital Asset Fund

#### Allocation Policy

The basis of the allocation of Ordinary Units under the Offer will be determined by the Trustee after consultation with the Manager.

There is no guarantee on the number of Ordinary Units available for allocation. The Trustee reserves the right in its absolute discretion not to issue Ordinary Units to an Investor.

The Trustee reserves the right to give certain Investors preference in the allotment of Ordinary Units.

The Trustee reserves the right to aggregate any Applications under the Offer which it believes may be multiple Applications from the same person.

The Trustee may reject any Application, or allocate to an Investor a lesser amount of Ordinary Units than those applied for in its absolute discretion.

The Trustee will hold all received Application Monies in relation to the Offer until the date of Allotment when the Units are issued to successful Applicants. Application Monies may be held for up to 30 days starting on the day on which the money was received, before the Ordinary Units are issued or the Application Monies are returned.

Application Monies will be refunded in Australian dollars to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded amounts.

### 5.5 Allotment

The Trustee will issue the Ordinary Units to successful Investors on the last Business Day of each month in the United States following calculation of the NAV.

Holding statements confirming Applicants' allocations under the Offer are expected to be sent to successful Applicants generally within 10 Business Days of allotment.

### 5.6 Redemption of Units

Redemption requests can be made in writing to the Trustee.

The Trustee may refuse to accept or process redemption requests or may suspend this redemption offer entirely in exceptional circumstances.

Accepted redemptions will generally be processed monthly within 14 days of the end of each quarter. Redemption requests must be received by the Trustee on or before the 25<sup>th</sup> day of each quarter for the request to be processed at the start of the next quarter.

### 5.7 Redemption Price

Accepted redemption proceeds will equal the number of Units being redeemed multiplied by the applicable per Unit Net Asset Value (NAV) of the relevant class of Units on the date of the calculation, adjusted for the notional transaction costs of selling the Fund's assets and any applicable management and/or performance fees due, taxes and other expenses as determined by the Trustee in consultation with the Manager.

### 5.8 Soft lock-up

Redemptions are discouraged within the first 24 months of investment to enable the Fund to adopt a long-term investment approach. Redemption of some or all of an Investor's Units within the first 12 months of the issue of those Units will be permitted upon payment of an exit fee equal to 2% of the total Net Asset Value (NAV) per Unit redeemed and 1% of the NAV per Unit redeemed where the redemption is made during the second year of the issue of those Units.

### 5.9 Transfers

A transfer of Units must be approved by the Trustee at its absolute discretion in accordance with the Trust Deed. The Trustee reserves the right to refuse to register any transfers.

### 5.10 Brokerage, commission and stamp duty

No brokerage or stamp duty is payable by Applicants on acquisition of Units under the Offer. However, the Manager may pay an introduction fee, commission or rebate to a party that has referred an Investor to the Fund. Such fees and rebates are negotiated between the third party and the Manager.



## 6 Distributions, Valuations and Reporting

### 6.1 Distribution Policy

The net income of the Fund will generally be distributed at the end of each Financial Year in accordance with the Trust Deed. In some circumstances, the Trustee may distribute net income more frequently than once per year (known as “Special Distributions”).

All distributions will be made net of Fund expenses and reserves for anticipated or contingent expenses (including management and other fees and costs).

The Trustee will calculate distributions on a per Unit basis. The distributions will be based on the Fund’s remaining net income for that tax year after taking into account income distributed as redemption proceeds and Special Distributions (if any) as described above.

Investors may elect to have net income distributions reinvested into new Units in the Fund. Such election may be made on the Application Form.

There is no guarantee that any income will be greater than the Fund’s fees and expenses. As such, there is no guarantee that the Fund will distribute any income to its Unitholders (including the Fund).

### 6.2 Distribution Reinvestment Plan

The Trustee has established a Distribution Reinvestment Plan (DRP) in respect of distributions (if any) made by the Fund. Under the DRP, Unitholders may elect to have all or part of their distributions reinvested in additional Units. The Trustee may determine whether a Unitholder may not, or continue to participate in the DRP if the Trustee, in its absolute discretion, considers that such participation will result in the Fund no longer complying with applicable regulatory requirements.

If participation in the DRP is elected, Unitholders will be allocated Units in accordance with the DRP rules.

### 6.3 Valuations

The Net Asset Value (NAV) of each Unit in the Fund is generally calculated monthly on the last Business Day of each month in the United States. For each valuation, all the investments are valued using their last closing price on a Digital Exchange nominated by the Trustee and for unquoted investments, at fair market value as may be determined by the Trustee. In determining the Net Asset Value (NAV) of each Unit in the Fund, the Trustee is required to determine the amount that, in the Trustee’s opinion and in accordance with the Trust Deed, is independently verifiable.

The Trustee will determine the Net Asset Value (NAV) of the Units in the Fund by taking the value of assets allocated to the Units adjusted for accrued income, liabilities, expenses, fees and taxes.

The valuation methods applied by the Trustee 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.

Each year an external accountant that is independent of the Trustee and the Manager and who is duly qualified and experienced in performing such calculations will undertake sample testing of valuations of the assets of the Fund, review compliance with the Trustee’s valuation policy and provide a report to the Trustee’s compliance officer.

## 6.4 Reporting

Investors in the Fund are provided with comprehensive reporting comprised of the following:

### *Transaction Confirmation Report*

Investors will receive a confirmation report for any applications and redemptions to and from the Fund.

### *Monthly Unitholder Statement*

Investors will receive a monthly statement that summarises their investment in the Fund. The statement details and Investor's total Unit holdings, applicable Unit price and the current value of their investment.

### *Distribution Reports*

Investors will receive a distribution report upon allocation of any annual (or special) distribution notifying them of the value of their reinvestment and/or payment to their nominated bank account.

### *Annual Taxation Statement*

These are issued annually to provide Investors with taxation information including a detailed summary of the components of distributions that have been paid.

### *Audited Annual Reports*

Investors will receive an audited annual report including the most recent financial statements as required.

### *Monthly Performance Reports*

Investors will receive a monthly report that provides an overview of the Fund's performance.

## 7 Fees and Expenses

### 7.1 Management Fee

The Manager is paid a management fee equal to 2.0% per annum of the Net Asset Value of the Units in the Fund (other than Management Units) in consideration for the management of the Fund. The Management Fee is calculated on the last Business Day (in the United States) of each calendar quarter and paid quarterly in arrears. There is no Management Fee payable in respect of the Management Units.

### 7.2 Performance Fee

The Manager will be entitled to an annual "Performance Fee" in respect of the financial performance of the Fund, of 25% of the Return (both realised and unrealised) of the Fund (net of fees and costs), based on the Net Asset Value of the Units in the Fund (other than Management Units) at the end of the relevant financial year, subject to delivering Investors a cumulative net 10% IRR (post all fees). The calculation will be adjusted pro-rata if a calculation period is less than a year, including in respect of any redemption of Units.

An illustrative example of how the performance fee is determined is set out below:

PERFORMANCE FEE				
YEAR 1	Gross Return Scenario			
	20%	5%	12%	(5)%
Invested amount (31/03/2021)	(100.00)	(100.00)	(100.00)	(100.00)
NAV Yr1 (31/03/2022)	120.00	105.00	112.00	95.00
<b>Gross return</b>	<b>20.00</b>	<b>5.00</b>	<b>12.00</b>	<b>(5.00)</b>
Performance fee (25%)	5.00	1.25	3.00	-
<b>Net NAV</b>	<b>115.00</b>	<b>103.75</b>	<b>109.00</b>	<b>95.00</b>
Hurdle return (10% net IRR)	110.00	110.00	110.00	110.00
Above hurdle (full performance fee)	Y	N	N	N
Partial performance fee	N	N	Y	N
<b>Performance fee payable</b>	<b>5.00</b>	<b>-</b>	<b>2.00</b>	<b>-</b>
IRR return post performance fee	15.0%	5.0%	10.0%	(5.0)%

PERFORMANCE FEE				
YEAR 2	Gross Return Scenario			
	20%	5%	12%	10%
Invested amount (31/03/2021)	(100.00)	(100.00)	(100.00)	(100.00)
NAV Yr2 (31/03/2022)	138.00	110.25	123.20	104.50
<b>Gross return</b>	<b>38.00</b>	<b>10.25</b>	<b>23.20</b>	<b>4.50</b>
Performance fee (25%)	9.50	2.56	5.80	1.13
Performance fee paid to date	(5.00)	-	(2.00)	-
<b>Performance fee Yr2</b>	<b>4.50</b>	<b>2.56</b>	<b>3.80</b>	<b>1.13</b>
Net NAV	133.50	107.69	119.40	103.38
Hurdle return (10% net IRR)	121.00	121.00	121.00	121.00
Above hurdle (full performance fee)	Y	N	N	N
Partial performance fee	N	N	Y	N
<b>Performance fee payable</b>	<b>4.50</b>	<b>-</b>	<b>2.20</b>	<b>-</b>
IRR return post performance fee	15.5%	5.0%	10.0%	2.2%

### 7.3 Redemption Fee

The Trustee is entitled to an early redemption fee equal to 2% of the Fund's NAV on a per unit basis for each Unit redeemed (where the redemption is made during the first year from the date of subscription) and 1% of the Fund's NAV on a per unit basis for each Unit redeemed in the second year. After two years, no redemption fee is payable. The Investment Manager is entitled to a Performance Fee in respect of the Units to be redeemed based on the notional amount of Performance Fee accrued on the Units on the redemption date.

### 7.4 Expenses

The Trustee and the Manager are entitled to recover from the Fund their expenses which include, but are not limited to, costs associated with the establishment and operation of the Fund, dealing with investments, legal fees, administration fees, custodian fees, preparation of marketing material, prospectus or disclosure documents, Investor meetings, distribution fees, accounting/audit fees and government duties and taxes, tax advice fees, brokerage, termination or retirement costs, litigation costs, compliance committee meetings, paid independent research and consultancies relating to the Fund.

### 7.5 Changes to Fees

The fees and expenses set out in this document are applicable for investments in the Fund as at the date of this Memorandum. The Trustee in consultation with the Manager may alter the fees outlined in this Memorandum on giving written notice to you in accordance with the Trust Deed.

Fees are disclosed in this document exclusive of GST.



## 8 Taxation

This section is not tax advice. The taxation information in this Information Memorandum is of a general nature and is current at its date. This information provides a general taxation overview for the Australian tax resident investors that hold units in the MHC Digital Asset Fund (the Fund) on capital account. The application of these laws depends on the individual circumstances of each investor. The following comments should not be regarded as tax advice, and it is recommended that investors obtain independent professional tax advice about their specific circumstances. This section applies to Australian resident unit holders only. Non-resident investors should obtain their own independent professional tax advice in relation to their tax implications arising from investing in the Fund.

### 8.1 Generally

The Fund is an Australian resident trust estate for Australian tax purposes. Pursuant to the Trust Deed, where unit holders are entitled to all of the distributable income of the Fund for a financial year, the Fund itself should not be subject to income tax. The taxation liability for the taxable income of the Fund will rest with the unit holders. However, if, for any reason, there is a taxable income to which no unit holder is presently entitled, the Fund will be taxed at the highest marginal tax rate for that income.

If the Fund makes a loss for Australian tax purposes, the Fund cannot distribute the loss to unit holders. That said, subject to the Fund meeting certain conditions, the Fund may be able to take into account the losses (including the extent that the Fund has carried forward capital losses) to offset against income or capital gains (as appropriate) in subsequent years.

With regard to the Fund's focus of investment in the digital asset space and, specifically, cryptocurrency, the tax treatment thereof will depend on the intention of the Fund (which may change from time to time):

- If the Fund holds cryptocurrency for sale or exchange in the ordinary course of business, the cryptocurrency held will be trading stock. In simple terms, this means that proceeds from the sale of cryptocurrency held as trading stock in business would be ordinary income, and the cost of acquiring cryptocurrency held as trading stock would be deductible.
- If the Fund holds cryptocurrency with the intention of making a profit, any gain or loss made from the disposal would be treated as ordinary income for the Fund.
- If the Fund invests in cryptocurrency simply with the hope that it increases in value, any gain or loss made from the disposal would be treated on capital account.

The way the Fund prepares its tax return will reflect the nature of the investment.

The Fund will send unit holders all the information they need each year to complete their tax return.



## 8.2 Tax on Distributions

Unit holders may have a tax liability when they receive distributions from the Fund. The amount of the tax liability will depend on what makes up the distributions, and on the personal circumstances of the unit holder.

Where a unit holder is presently entitled to a share of the Fund's income for a financial year, the unit holder will be liable to tax on their proportionate share of the taxable income of the Fund. Investors will be assessed on their proportionate share of the Fund's net taxable income in the financial year for which their entitlement to the distributable income arises, even though it may not have been received in that financial year.

Distributions from the Fund may comprise different components including interest, dividends, net capital gains, other income, franking credits, foreign income, foreign income tax offsets and tax-deferred amounts.

For unit holders who hold their units on capital account, the tax-deferred income should not form part of their assessable income in the year that the tax-deferred distribution is paid. Instead, the investor's cost base in the units would be reduced by the tax-deferred amount and may affect the capital gains tax position of the investment. However, for unit holders who have a zero cost base in their units, or where the tax-deferred distribution exceeds the cost base of their investment, any tax-deferred amounts received should be treated as a capital gain by the unit holders. Investors should maintain records of their cost base and adjustments.

Any distributions of income that are reinvested in further units are treated the same way as cash distributions.

## 8.3 Disposal/Redemption of Units

A tax liability may arise when a unit holder chooses to exit the Fund. Unit holders must include any realised capital gain or loss on disposal or redemption of their units in calculating their net capital gain or loss for a financial year. This is in addition to any capital gain that may be distributed by the Fund for the relevant financial year.

A net capital gain will be included in the unit holder's assessable income. A net capital loss may be carried forward by the unit holder to be offset against capital gains of the unit holder in subsequent years, subject to the unit holder meeting any necessary conditions, but may not be offset against ordinary income.

In calculating the taxable amount of the capital gain, a 50% discount for individuals and trusts or 33.33% for superannuation entities may be allowed where the units have been held for more than 12 months.

## 8.4 Franking Credits

The Fund does not expect to receive any franked dividends due to its investment focus on digital assets. However, where the Fund receives franked dividends, the taxable net income of the Fund will include the franked dividends as well as the attached franking credit. An offset (or credit) for the franking credit may be available in calculating the tax liability of a unit holder, depending on their specific circumstances. Availability of such a credit will also be subject to the operation of various integrity measures, including the 45 day holding period rule. Excess franking credits may be refundable to certain resident individuals and complying superannuation entities or, in certain cases, may generate tax losses for corporate entities.



## 8.5 Other Matters

It is unlikely that the Fund will initially qualify as a Managed Investment Trust (MIT) on the basis that it will not satisfy the “widely held” requirements. Accordingly, until such time as this test is satisfied, the Fund will not be eligible to make the available election for treatment of certain covered assets on capital account. Gains and losses realised on the disposal of assets will be subject to tax determined under ordinary tax concepts.

If the Fund qualifies as a MIT in a subsequent year, and it also satisfies the additional Attribution MIT (AMIT) requirements, the Trustee of the Fund may make an irrevocable election to apply the AMIT tax legislation. The AMIT legislation applies an attribution model whereby the Trustee attributes amounts of the trust components of a particular character to investors on a fair and reasonable basis.

If the Fund makes an election to operate under the AMIT regime, the AMIT rules contain a number of provisions that will impact on the taxation treatment of the Fund. The key features of this include:

- The Trustee of the Fund is able to allocate the taxable income (and certain other tax attributes, such as tax offsets) of the Fund to unitholders pursuant to an attribution model, which allows attributed amounts to retain their character for incometax purposes in the hands of unitholders.
- The Fund will be deemed to be a “fixed trust” for income tax purposes, and the unitholders are taken to have a vested and indefeasible right to the income and capital of the Fund.
- Tax would be assessed each financial year based on the Fund’s determination of its income and its attributions thereof to unitholders. If the Fund’s estimate of its income for a financial year falls short of or exceeds its actual income, the income of the Fund is adjusted in a later income year to compensate (rather than by amending prior year tax returns and unitholder statements). This approach is commonly known as “unders and overs”.
- Upward adjustments may be made to the cost base of a unitholder’s units to address double taxation. Under the AMIT regime, each unitholder’s CGT cost base of their interest in the relevant MIT is adjusted each year for the difference between their gross cash distributions and the taxable income attributed to the investor in respect of an income year.

## 8.6 ABN and TFN

Unit holders are not required to quote their Tax File Number (TFN) or Australian Business Number (ABN). However, failure to quote a TFN or ABN may cause the Fund to withhold tax at the highest marginal rate plus the Medicare Levy on gross payments (including distributions).

Unit holders may be able to claim a credit in their tax return for any TFN/ABN tax withheld.

## 9 Further Information

### 9.1 The Trust Deed of the Fund

The Trust Deed contains the rules relating to a number of issues including:

- unitholder rights;
- the process by which units are issued and redeemed;
- the calculation and distribution of income;
- the investment powers of the Trustee;
- the Trustee's right to claim indemnity from the Fund and charge fees and expenses to the Fund;
- the creation of other classes of Units; and
- the termination of the Fund.

Unitholders can inspect a copy of the Trust Deed at the Manager's head office or the Manager will provide them with a copy free of charge, on written request. The Trustee may alter the Trust Deed if it reasonably considers the amendments will not adversely affect Unitholders' rights. Otherwise (subject to any exemption under the law), the Trustee must obtain a special majority Unitholder approval at a meeting of Unitholders.

#### *Units*

The beneficial interest in the Fund is divided into Units. A Unit confers on the Unitholder an undivided beneficial interest in the assets of the Fund as a whole, subject to the liabilities of the Fund and not in parts or single assets. A Unitholder holds a Unit subject to the rights, restrictions and obligations attaching to that particular class of Unit.

#### *Classes of Units*

The Trust Deed permits the Trustee to:

- establish separate classes of Units;
- establish additional classes of Units as required;
- allocate a part or parts of the assets of the Fund to a particular class, or particular classes of Units;
- a class of Units may have interests and rights differing from each other class of Units.

#### *Liability of Unitholders*

Subject to any separate agreement of acknowledgment by the Unitholder or any tax amount arising in connection with Unitholder as set out in the Trust Deed, the liability of each Unitholder is stated in the Trust Deed to be limited to the amount (if any) which remains unpaid in relation to the Unitholder's subscription for their Units.

#### *Trustee's powers and duties*

The Trustee has all the powers in respect of the Fund that may be conferred on a trustee under the law and as though the Trustee was the absolute owner of the assets of the Fund and acting in its personal capacity. This includes the power to borrow and raise money, and to grant securities, guarantees and indemnities.



*Entitlement to fees and expenses*

The Trustee is entitled to be paid the fees as provided for in the Trust Deed and to recover expenses from Fund assets that are incurred by it in performing its role in connection with the Fund, subject to the proper performance of its duties.

*Trustee's indemnity*

The Trustee is indemnified out of the assets of the Fund and can be reimbursed for any liability incurred by it, in its own capacity or through a delegate, in relation to the proper performance of any of its duties or exercise of any of its powers in relation to the Fund.

*Trustee's liability*

The Trustee will generally not be liable to Unitholders except to the extent that the Corporations Act imposes such liability. The Trustee's liability is generally limited to the extent to which it is entitled to recover through its right of indemnity from the assets of the Fund.

*Distributions/reinvestment*

The Trust Deed provides for the Trustee to make distributions and the Trustee may decide whether to permit or require Unitholders to reinvest some or all of any distribution to acquire Units.

*Meetings*

Meetings of Unitholders may be convened and conducted in accordance with the Corporations Act and the Trust Deed.

*Amendments to the Trust Deed*

The Trust Deed may be amended by a resolution passed by 50% of the votes cast by Unitholders. The Trustee may also amend the Trust Deed if it reasonably considers the change will not adversely affect Unitholder's rights, that the change is minor or incident or is required to correct errors or mistakes.

*Removal and retirement of the Trustee*

The Trustee may retire by giving notice to Unitholders and nominating a replacement entity to be the trustee of the Fund. Unitholders may, after 4 years (except where the Trustee commits a breach of the Trust Deed), remove the Trustee by a resolution passed by 75% of the votes cast by Unitholders.

**9.2 Investment Management Agreement**

The Trustee and the Manager are party to an Investment Management Agreement under which the Manager agrees to provide investment management services to the Fund.

The Investment Management Agreement contains provisions dealing with matters including the role of the Manager, powers of the Manager, notification obligations and fee arrangements.

The Investment Management Agreement will remain in force for the life of the Fund, unless terminated earlier in accordance with its terms. The Investment Management Agreement can be terminated by the Trustee by giving 30 days' written notice. There are also provisions allowing the Trustee to terminate immediately if, for example, the Manager becomes insolvent.

The Manager is permitted to terminate the agreement in certain circumstances, such as if the Trustee is in material breach of the agreement and that breach has not been remedied after a certain time.

### 9.3 Related Party Transactions and Conflicts of Interest

The Trustee may use the services of related parties in the management of the Fund (in addition to the Manager) and pay fees for their services. All related party transactions are conducted on arm's length normal commercial terms and conditions.

From time to time, the Trustee and the Manager, their related bodies corporate or their directors and employees may hold Units in the Fund.

The Trustee may be subject to conflicts of interest when performing its duties in relation to the Fund.

The Trustee has procedures in place to manage appropriately these conflicts of interest.

### 9.4 Anti-Money Laundering

Australia has laws governing money laundering and counter-terrorism financing. These laws were introduced to identify transactions of a suspicious nature.

The Trustee is deemed a 'reporting entity' pursuant to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML/CTF Law). Accordingly, the Trustee is required to undertake the following actions:

- a) verify an Investor's identity prior to providing services on behalf of the Investor and re-identify a Investor if they deem it necessary to do so; and
- b) maintain a record of any documentation provided by the Investor as part of the verification referred to above for 7 years.

The AML/CTF Law requires the Trustee to be 'reasonably satisfied' that an Investor exists and is who they claim to be prior to Units being issued to them. Accordingly, the Trustee must report any 'suspicious matters' as defined by the AML/CTF Law to the regulator.

The Trustee may at its discretion, delay, suspend or refuse to process an application until such time as it is satisfied that verification has been conducted. The Trustee accepts no liability for any loss (whether direct or consequential) suffered by the Investor for any such delays, suspensions or rejections.

An application will not be accepted until the Trustee is satisfied that the investor can be adequately identified in accordance with the AML/CTF Law. The Trustee will maintain all information collected from investors in a secure manner in accordance with the AML/CTF Law and relevant privacy principles. Information about an investor will only be disclosed where it is required by the laws of Australia.

### 9.5 Management Units

Key Personnel of the Fund may subscribe for Management Units in the Fund. Management Units will be on the same terms as Ordinary Units, but shall not be subject to any fees. When calculating the Net Asset Value of each Management Unit, including for the purposes calculating redemption proceeds under Section 5.7 of this Memorandum, an adjustment will be made to exclude past fees on other classes of Units.

# Glossary

**Advisory Committee** means the investment committee appointed from time to time by the Manager in respect of the Fund;

**AML/CTF Law** means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth);

**Application** means a valid application to subscribe for Units;

**Application Form** means the application form attached to, or accompanying, this Memorandum;

**Application Monies** means monies paid by Investors in respect of an Application to subscribe for Units in the Fund;

**ASIC** means the Australian Securities and Investments Commission;

**Bitcoin or BTC** means Bitcoin, a decentralised digital currency that uses Blockchain technology;

**Bitcoin Network** means the peer-to-peer payment network that operates on a cryptographic protocol on which users send and receive Bitcoins by broadcasting digitally signed messages to the network using Wallets;

**Blockchain** means the underlying technology platform that Bitcoin and most other Digital Currencies use to record and validate transactions using a linked list of transaction updates on a virtual digital public ledger;

**Business Day** means a day that is not a Saturday, Sunday or public holiday in the United States.

**Cold Storage** means holding Private Keys in an offline digital hardware storage device;

**Constituent Documents** means constituent documents of the Trust, including the Trust Deed and each Application Form, which contain the details of the rights and obligations of Investors in the Trust;

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

**Custodian** means Fireblocks;

**DeFi** means decentralised finance instruments;

**Digital Currency** means currencies that are issued and transferred electronically through the Blockchain, including Bitcoin;

**Digital Exchange** means a platform that allows customers to trade Digital Currencies for other assets such as Fiat Currency or Digital Currency.

**ETH** means Ethereum

**Fiat Currency** means those currencies issued by a government, typically used to refer to physical currencies such as Australian dollar, US dollar, Japanese yen, the Euro and other currencies;

**Financial Year** means a 12-month period commencing on 1 July in each calendar year and ending on 30 June in the following calendar year;

**Fireblocks** means Fireblocks Inc

**Fund** means the MHC Digital Asset Fund;

**Hot Storage** means the holding of a Private Key on an online device or service (other than Cold Storage);

**IEO** means initial exchange offering;

**Investment Committee** means the investment committee appointed from time to time by the Manager in respect of the Fund;

**Investor** means an actual or prospective investor in the Fund that is a Wholesale Client that is eligible to subscribe for Units;

**Key Personnel** means Mark Carnegie and those persons listed at sections 3.3 and 3.4 of this Memorandum;

**Management Agreement** means the investment management agreement between the Trustee and the Manager dated 25 March 2021;

**Manager** means MHC Digital Finance Pty Limited (ACN 646 614 397);

**Memorandum** means this information memorandum;

**MH Carnegie or Carnegie** means M.H. Carnegie & Co. Pty Limited (ACN 146 859 341, AFSL 411216);

**Net Asset Value or NAV** has the meaning given to that term in the Trust Deed;

**Offer** means the invitation by the licensee to subscribe for Units in the Fund;

**Ordinary Units** means the class of Units issued as “Ordinary Units”, including Units issued under the Offer;

**Management Units** means the class of Units issued as “Management Units”;

**Private Key** means a cryptographic password which enables a holder to transact digital assets on a blockchain;

**Return** means the sum of all Unitholder Cashflows plus the Net Asset Value of the Fund;

**Stake** means to lock up cryptocurrency in a staking, lending or liquidity pool.

**Trust Deed** means the trust deed for the Fund dated 16 February 2021;

**Trustee** means MHC Digital Fund Services Pty Limited (ACN 646 776 534);

**Unit** means a unit in the Fund;

**Unitholder** means the owner of a Unit;

**Unitholder Cashflows** means the pre-tax net flow of monies (income and capital) to Unitholders from the Trustee or from Unitholders to the Trustee for the period from the date of the Management Agreement to date on which the Return is calculated;

**Wallet** means a piece of software that maintains digital keys and manages digital addresses of Digital Currencies, with a **multi-signature wallet** being a cryptocurrency wallet that requires two or more private keys to sign and send transactions.

**Wholesale Client** has the meaning given to that term in section 761G(4) of the Corporations Act.

**New Zealand Wholesale Investor** means a “wholesale investor” as defined in clause 3(2) of Schedule 1 of the FMCA, “eligible investors” within the meaning of clause 3(3)(a) in FMCA Schedule 1, and persons who meet the NZ\$750,000 minimum investment exclusion in FMCA Schedule 1.

## Appendix

### Appendix A: Investor Letter regarding Founders' Reallocation

The following letter was sent to the Fund's Investors on the 26<sup>th</sup> of August, 2021:

Dear Investors,

We wrote to you recently regarding an investment opportunity we are offering our investors in the play-to-earn gaming space. MHC Digital Finance is building a global gaming network for individuals wishing to engage in Decentralised Finance through a combination of gaming and education.

Our new venture, Crypto Gaming United (CGU), will focus initially on the game Axie Infinity with the aim to then branch into other platforms. While highly speculative, we believe that this opportunity is one that cannot be passed up, and that the potential rewards of being an early investor in play-to-earn gaming are worth the risk.

We have successfully allocated 5% of the MHC Digital Asset Fund's capital to CGU's expansion into Axie Infinity with which we have onboarded 300 participants in the Philippines and have 10,000 more waiting to join. Our ambitions are to take this model into Zambia, Myanmar, South Africa, Indonesia and Papua New Guinea as soon as we can fund it, however it requires a large initial capital outlay in order to ensure minimum time to scale by limiting recruitment friction. To help defray that capital requirement, Mark Carnegie and Sergei Sergienko have decided to liquidate some of their units from the MHC Digital Asset Fund and the Market Neutral Fund to expediate this expansion.

Mark has always said that no investor should allocate more than 1% of their net wealth to crypto, and with the recent appreciation of both funds and his continued investment in the space, he is now overallocated. As such, Mark will re-allocate \$350,000 of value from his unit holdings in both funds (\$700,000 total) to CGU, which will leave Mark with over \$1.35m still invested across the two funds.

Sergei will also re-allocate \$350,000 from the Digital Asset Fund to CGU to maintain parity with Mark's holdings in the company. Sergei however will not sell any of his units from the Market Neutral Fund due to his limited holdings therein.

Mark and Sergei will redeem units equivalent to a total of \$1.05 million at the end of the quarter. Their position in the funds will change according to the dollar amount redeemed as per above, and the unit prices of the funds calculated at the time of redemption.

We want all our investors to understand that Mark and Sergei are re-allocating their investments across the funds as opposed to withdrawing capital. Mark and Sergei remain co-investors for each fund. Their belief in the funds and cryptocurrency is as strong as ever. However, CGU requires the growth capital to establish itself through expansion as soon as possible, and an internal re-allocation will contribute significantly to this.

Kind regards,

MHC Digital Finance