



Blockchain Assets

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Blockchain Assets Pty Ltd

Information Memorandum
(up-dated 30 May 2022)

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1. About Blockchain Assets Pty Ltd

Blockchain Assets Pty Ltd (*'BCA'*) is the trustee and investment manager of the Blockchain Early Opportunities Fund (*'the Fund'*).

It is the objective of *BCA* as the investment manager of *the Fund* to accumulate wealth for unitholders and to achieve over the long term a return greater than ten percent. *BCA* will invest only in assets which are directly or indirectly involved with Blockchain Technology.¹ An example of a direct investment would be investment in a Protocol Token (such as Ethereum) or a Distributed Application (Daap). An indirect investment is where a new or existing business is utilising Blockchain Technology to reduce significantly operational costs, or barriers to entry or to otherwise disrupt an existing business or industry. In any case, all investments in *the Fund's* portfolio are continually under review and may change in response to any perception by *BCA* of changing technology landscapes, economics and market conditions.

BCA is majority owned by its management and full details about the directors and the investment team are available on *BCA* website.

In order to avoid conflicts of interest, *BCA* managers hold all their Net New Investments² in Blockchain Technology investments via *the Fund*, as investors.

BCA will initially act as administrator and custodian for all assets of *the Fund* but will seek to appoint an independent custodian and an independent administrator as soon as practically possible and in any case as soon as the Net Value of *the Fund* exceeds AUD 10 million.

The unit registry is managed by *BCA*, *The Fund* will not be independently audited until such a time as Net Value of *the Fund* exceeds AUD 20 million.

¹ There is no one definition of Blockchain Technology and in any case, it would most likely change. In this document and elsewhere we use the term Blockchain Technology to refer to the shared, distributed ledger system developed, in the first use case, to support the digital currency known as bitcoin.

² Net New Investments are investments into any Blockchain Assets made after the commencement of the Fund. New investments means investment resulting from the conversion of AUD or other fiat currency not Bitcoin, Ethereum or similar cryptocurrencies or tokens

2. How the Blockchain Early Opportunities Fund works

How the Fund operates

The Fund is an investment vehicle where unitholders' funds are collectively invested and each unitholder acquires units in *the Fund* in proportion to the money invested. Unitholders' beneficial interests in *the Fund* are divided into units and every unit confers an equal undivided interest in *the Fund*, but does not confer any interest in any particular part of or particular investment held.

The Fund is established under a Constitution, under the Constitution, *BCA* is authorised to manage *the Fund* and is required to act in the interests of all unitholders.

Value of units will vary

The Fund is valued by *BCA* when deemed necessary, having regard to market conditions and other factors. At each valuation date, all investments are valued at their last price and for unquoted securities, at cost or fair market value as may be determined by an independent valuer, or by *BCA*. The unit price will fluctuate depending on market conditions and in line with the underlying value of *the Fund's* investments.

In valuing *the Fund*, no provision is made for income tax or capital gains tax. The unit price is calculated by dividing the net value of *the Fund* by the number of units on issue.

Initial investment

The minimum initial investment amount is \$250,000, although *BCA* reserves the right, at any time, to reduce or increase this amount on a case by case basis. *BCA* may refuse to accept any application for an investment without assigning a reason.

Information you will receive

As a Unitholder you will receive a:

- statement confirming each application and redemption;
- annual tax statement;
- updates detailing the Trust's performance, holdings and a brief commentary; and
- a quarterly newsletter.

How unitholders can increase or decrease their investment in the Fund

Existing unitholders of *the Fund* may increase their investment by applying for additional units or reinvesting their distributions.

Unitholders can redeem units by lodging a redemption form with *BCA*, which must be received by the third last business day of each quarter. Redemptions are processed on a quarterly basis and usually paid within seven business days of the quarter end, except at the end of June when *the Fund* is processing a distribution payment. The payment could take up to the maximum of 21 business days as specified in the Constitution. All applications, change of distribution and redemption forms are available upon request.

Restrictions on redemptions

The Fund should be considered a long term investment.

BCA may delay or refuse the processing of redemption requests and payment of the unit proceeds where:

1. it receives, over a period of two consecutive business days, redemption requests totaling 10% or more of the units on issue in *the Fund*; or
2. there is a sudden decline or collapse in the value of cryptocurrency markets as reflected in market monitoring websites such as CoinCap and others; or
3. the assets underlying *the Fund* are considered illiquid, such as equity in unlisted securities.

If any of these events occur, *BCA* may delay indefinitely or decline the processing of the redemption request from the date that the unit pricing was expected to occur.

BCA may also delay a redemption payment if *the Fund* becomes illiquid as defined in the Corporations Act. This could be attributable to the closure of any relevant exchange due to a catastrophic event.

Distributions

BCA will distribute all of *the Fund's* income to unitholders annually, as at 30 June of each year. The distribution includes income earned less expenses incurred (such as management, performance and custodial fees), plus net capital gains realised on investments sold.

In some circumstances, *the Fund* may pay distributions more frequently than once per year. When the total trust distribution for a period has been determined, the distribution amount per unit is calculated by dividing the total trust distribution by the number of units on issue at the distribution date. The distribution unitholders receive will be based on the number of units held by the unitholder at the end of the distribution period. It is not prorated according to the time that unitholders have held units. Distributions are paid in Australian dollars. Unitholders can choose to have their distributions directly credited to their Australian dollar bank account or reinvested as additional units in *the Fund* at the ex-distribution unit price (value).

3. Benefits of investing in the Blockchain Early Opportunities Fund

Significant features

BCA has an open mandate to allocate funds to a broad spectrum of assets involved directly or indirectly in the Blockchain Technology ecosystems. The investments in *the Fund's* portfolio are continually under review and may well change dramatically in response to any perception by BCA that technological, economical, political or other factors are going to impact the value of the assets in the portfolio.

Significant Benefits

The Fund is an efficient investment vehicle which provides unitholders with the opportunity to collectively invest, this reduces administration costs and the need for technological knowhow.

4. Risks of investing in the Blockchain Early Opportunities Fund

It should be noted that *the Fund*, is by nature speculative and should be considered to be at the highest end of the risk/reward spectrum. Cryptographically based assets such as cryptocurrencies and tokens are not yet and may never be considered to be an asset class.³ As the name of *the Fund* suggests, *BCA* are looking for early opportunities in the blockchain space, it is a certainty that some, perhaps many, of these opportunities will fail.

Just like shares, bonds, fixed interest and currencies, blockchain assets are capable of dramatic movements up and down attributable to:

1. changes in economic factors such as inflation, GDP growth, interest rates and commodity prices;
2. changes in government policy and regulatory requirements; international crises, wars, natural disasters, famines and plagues to name but a few;
3. acts by regulatory authorities such as suspending trading in stock, currency and bond markets and imposing capital controls; and
4. company specific risks where individual companies may be impacted by managements' actions and the environment in which they operate.

³ An asset class is a category of investments that exhibit similar characteristics in the market place. The investments within a single asset class are expected to:

1. have similar risks and returns
2. be subject to the same laws and regulations
3. perform in a similar manner in particular market conditions.

Each different asset class is expected to:

1. reflect different risk and return characteristics
2. perform differently in different market conditions.

Understanding what to expect from each asset class helps you make appropriate investment decisions based on your varying needs and timeframes. Financial theory suggests that by investing in more than one asset class investors can diversify their investments and reduce risk while maintaining an overall target return.

In addition to these general risks, you should be aware that there are specific risks associated with an investment in *the Fund*. Cryptocurrency and tokens are a type of 'currency' in themselves and the value of each token will need to be converted to Australian dollars for accounting and other purposes. This conversion, at intersection between the cryptocurrency and fiat currency world, is an additional layer of risk that investors need to be aware of at all times.

Risk can be managed but cannot be eliminated. It is important to understand that:

1. the value of your investment will go up and down;
2. returns from *the Fund* are not guaranteed and that unitholders may lose money;
3. the level of returns from investments will vary and future returns may well differ from past returns; and
4. laws relating to the regulatory environment of investment schemes may change in the future.

The appropriate level of risk for you will depend on your age, investment time frame, where other parts of your wealth are invested and how comfortable you are with the possibility of losing money.

5. Fees and costs Mandatory Warning

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. You should consider whether features such as superior investment performance or the provision of better unitholder services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs, where applicable. Ask the fund or your financial advisor.

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

Fee Structure

The following fees and costs for managing your investment in *the Fund* are paid from or reimbursed directly from *the Fund*:

Management and Performance Fees:

Management fees: these are calculated as 1.5% per year based on the gross value of *the Fund's* assets. The calculation will be made each quarter and the fee will be payable quarterly to *BCA*, plus goods and services tax.

Performance fee: Where *the Fund* outperforms its benchmark, a performance fee of 20% plus goods and services tax on the outperformance amount is payable to *BCA*. This fee is calculated quarterly and is determined and payable annually at 30 June or at the time of redemption of funds. The benchmark performance level is set at 10%.

7. How the Fund is taxed

This section summarises in broad terms the general income tax implications of an investment in *the Fund* and is based on the income tax laws prevailing as at the date of this document. It is a brief guide only and does not purport to be a complete statement of the relevant tax laws.

Investing in *the Fund* is likely to have tax consequences. Before investing in the *the Fund* you are strongly advised to seek professional tax advice that takes account of your particular circumstances. The Australian taxation laws are complex and different taxation outcomes may apply based on individual unitholder circumstances.

Taxation of Australian resident investors

The Fund has elected to be an Attribution Managed Investment Trust (AMIT) for taxation purposes. In simple terms, by adopting the AMIT regime the Trustee of the Fund is able to allocate the taxable distribution of the Fund in a way that ensures the right amount is allocated to the right investors at the right time and that there is no loss of revenue to the Australian Taxation Office (ATO) and no double taxation.

For further information regarding taxation please contact BCA.

US Citizens and Residents

Under the Foreign Account Tax Compliance Act, *BCA* is required to disclose information to the Australian Tax Office about any unitholders who are US citizens or residents or have US citizens as shareholders or beneficiaries. If you are a US citizen you will be liable for US tax.

8. How to apply

Application forms are available upon request.

Complaints Resolution

BCA has procedures in place to address and consider any complaints from unitholders within 45 days of receiving them. If you have a query or complaint to make, as a first step please contact *BCA* and we will do our best to resolve your concern.

9. Other information

Anti-money laundering/counter-terrorism financing laws

Under the law *BCA* is required to collect and verify certain information from unitholders. If you do not provide the relevant information applications and redemptions may be delayed or refused. We may be required to provide your personal information to AUSTRAC. AUSTRAC may require us to deny you access to your investment. This could result in a loss of your investment or significant delays leading to loss. *BCA* is not liable for any loss you may suffer due to the Government's actions.

Politically-Exposed Person

You must advise us if you are a Politically-Exposed Person. AUSTRAC defines 'Politically-Exposed Person' as individuals who are, or have been entrusted with

prominent functions in Australia or in a foreign country. This encompasses senior politicians and government officials and their immediate family.

Privacy

We collect, hold, and use personal information in accordance with the Privacy Act.