

Target Market Determination for the Monochrome Bitcoin Trust (IBTC)

ARSN 661 385 244

About this document

This Target Market Determination (TMD) is required under section 994B of the Corporations Act 2001 (Cth) (the Act). This TMD seeks to provide consumers, distributors and staff with an understanding of the class of consumers for which this product has been designed, having regard to the objectives, financial situation and needs of the target market.

This document is not a Product Disclosure Statement (PDS) and does not provide a summary of the product's features or terms and conditions. It does not take into account any person's individual objectives, financial situation or needs and does not provide financial advice. Persons interested in investing in this product should refer to the PDS for the Monochrome Bitcoin Trust (IBTC) (Fund) and any supplementary documents which provide the relevant terms and conditions for the Fund before making a decision about this product.

Important terms used in this TMD are defined in the Definitions at the end of this document. Capitalised terms have the meaning given to them in the product's PDS unless otherwise defined. The PDS can be accessed here: <https://monochrome.au/>.

Summary

This product is likely to be appropriate for retail investors seeking exposure to bitcoin as a Satellite/small allocation of their portfolio where the consumer has a long term investment time frame (strategic allocation), a very high risk profile and needs long term access to capital.

Fund and Issuer Identifiers

Fund	Monochrome Bitcoin Trust (IBTC)	Issuer	Vasco Trustees Limited
Fund ARSN	661 385 244	Issuer ABN	71 138 715 009
Date TMD Approved	10 February 2023	Issuer AFSL	344486
TMD Status	Available/Current	TMD Version	1.0

Description of Target Market

Note: This section is required under section 994B(5)(b) of the Act.

TMD Indicator Key

The Consumer Attributes for which the product is likely to be appropriate have been assessed using a red/amber/green rating methodology with appropriate colour coding:

In target market	Potentially in target market	Not considered in target market
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Instructions

In the tables below, Column 1, Consumer Attributes, indicates a description of the likely objectives, financial situation and needs of the class of consumers that are considering this product. Column 2, TMD indicator, indicates whether a consumer meeting the attribute in Column 1 is likely to be in the target market for this product.

Consumers are unlikely to be within the target market for this product if:

- one or more of their Consumer Attributes correspond to a **red** rating, or
- three or more of their Consumer Attributes correspond to an **amber** rating.

Investment products and diversification

A consumer (or class of consumer) may intend to hold a product as part of a diversified portfolio (typically with an intended product use of satellite/small allocation or core component). In such circumstances, the product should be assessed against the consumer's attributes for the relevant portion of the portfolio, rather than the consumer's portfolio as a whole. For example, a consumer may seek to construct a conservative portfolio with a satellite/small allocation to growth assets. In this case, it may be likely that a product with a High or Very High risk/return profile is consistent with the consumer's objectives for that allocation notwithstanding that the risk/return profile of the consumer as a whole is Low or Medium. In making this assessment, distributors should consider all features of a product (including its key attributes).

Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer's Investment Objectives		
Capital Growth	In target market	<p>The Fund is a registered managed investment scheme which invests in bitcoin in order to achieve capital growth. Capital losses can occur in circumstances where the price of bitcoin drops or if capital growth is insufficient to cover the Fund's ongoing fees. Therefore, it is higher risk and more volatile than cash, fixed income securities, property and domestic and global equities.</p> <p>The Fund is designed to give investors indirect exposure to the capital fluctuations in the price of bitcoin. It is not capital guaranteed. The Fund will not provide income distributions.</p>
Capital Preservation	Not considered in target market	
Capital Guaranteed	Not considered in target market	
Income Distribution	Not considered in target market	
Consumer's intended product use (% of Investable Assets)		
Whole portfolio (up to 100%)	Not considered in target market	<p>The Fund may be suitable as a satellite/small allocation as part of a broader portfolio. Bitcoin has historically had extreme price volatility, which can make it a portfolio diversification option for investors seeking a higher risk/return allocation. The Fund's portfolio diversification is Low (see diversification definitions below) as it is fully invested in one type of asset. Given the low diversification of the Fund, we suggest a portfolio allocation of not greater than 5%. Therefore, only Investors of a Satellite/small allocation are considered to be within the target market.</p>
Major allocation (up to 75%)	Not considered in target market	
Core component (up to 50%)	Not considered in target market	
Minor allocation (up to 25%)	Not considered in target market	
Satellite/small allocation (up to 5%)	In target market	
Consumer's investment timeframe		
Short (\leq 2 years)	Not considered in target market	<p>Although there are daily redemption opportunities, the price of bitcoin can experience high volatility, it is therefore recommended that Investors consider this investment as a long term investment for persons seeking exposure to bitcoin as part of their investment portfolio.</p>
Medium ($>$ 2 years)	Not considered in target market	
Long ($>$ 5 years)	In target market	

Consumer Attributes	TMD Indicator	Product description including key attributes
Consumer's Risk (ability to bear loss) and Return profile		
Low	Not considered in target market	The price of bitcoin (and therefore the value of an investment in the Fund) may be subject to significant price volatility (up or down). An investment in the Fund should therefore be considered very high risk in nature as described in the Fund's PDS. The Fund aims to provide investors with indirect economic exposure to the price of bitcoin, net of fees, costs and tax. The Fund does not provide income distributions and capital returns from the Fund are not guaranteed.
Medium	Not considered in target market	
High	Not considered in target market	
Very High	In target market	<p>Specific risks relevant to an investor's risk appetite include the following:</p> <ul style="list-style-type: none"> • There is no guarantee the Fund's investments will increase in value or that the value of the investment will not fall. • The price of bitcoin may be subject to significant price volatility which will impact on the value of your investment. • Custodial risks associated with the retention of assets in the Fund, such as security breaches, loss of the assets or termination of the custody agreement, may directly impact the value of your investment in the Fund. <p>Reminder: This section looks at an investor's objectives for the relevant portion of their portfolio only, rather than the investor's portfolio as a whole. A very high risk product may be appropriate for a growth allocation as part of a mixed portfolio, notwithstanding that the risk/return profile of the investor as a whole may be medium or high.</p>
Consumer's need to withdraw money		
Daily	Not considered in target market	The Fund intends to offer daily redemption opportunities with investors able to submit a Redemption Request at any time. Typically, investors will be able to request to redeem on any business day with proceeds or bitcoin delivery usually occurring within 21 days. Given the Redemption Requests may take up to 4 to 21 days for satisfaction, clients with a need to withdraw and have access to their funds daily are not considered within the target market. Investors should note that in some circumstances withdrawals may be delayed, suspended, or rejected depending on market conditions.
Weekly	Potentially in target market	
Monthly	In target market	
Quarterly	In target market	
Annually or longer	In target market	

Appropriateness

Note: This section is required under RG 274.64–66.

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the anticipated objectives, financial situation and needs of consumers in the target market as described above, as the features of this product in Column 3 of the table above are likely to be suitable for consumers with the attributes identified with a green TMD Indicator in Column 2.

Distribution Conditions/Restrictions

Note: This section is required under section 994B(5)(c) of the Act.

Distribution conditions/restrictions	
Distribution Condition	Distribution Condition Rationale
Direct	<p>Direct investors who are wholesale or sophisticated investors can invest in this product.</p> <p>Direct investors who are retail investors are asked to complete an online application form, including a series of questions designed to assist the Issuer to understand whether the investor is likely to be within the target market. The Issuer will review the information provided in response to the questions, assess those answers against the Fund's key attributes (set out above), and assess whether it is likely the investor is in the target market and an investment in the Fund would likely be consistent with the likely objectives, financial situation and needs of the investor. Where the Issuer concludes the investor is not likely to be within the target market, the Issuer may reject the application or seek further information from the investor.</p>
Platform / Wrap	<p>Advised clients - additional steps are not required for clients who received personal financial product advice beyond consideration of the issuer's TMD by the adviser.</p> <p>Unadvised clients - may not be able to access the Fund unless the platform provider has a process where the client is asked basic filtering questions designed to assist the Issuer to understand whether the investor is likely to be within the target market.</p>
Adviser	<p>Investor is to confirm through an online application if they are financially advised.</p> <p>Financial advisers to provide details of their AFS licence, including their adviser number from the Moneysmart website, and confirm that they have reviewed and considered the TMD in providing personal advice to the investor.</p>

Review Triggers

Note: This section is required under section 994B(5)(d) of the Act.

Material change to key attributes, fund investment objectives and/or fees.
Material deviation from benchmark / objective over sustained period.
Key attributes have not performed as disclosed by a material degree and for a material period.
Determination by the Issuer of an ASIC reportable Significant Dealing.
Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product.
The use of Product Intervention Powers, regulator orders or directions about or relating to the product's features, target market or distribution strategy.

Mandatory Review Periods

Note: This section is required under section 994B(5)(e) and (f) of the Act.

Review Period	Maximum period for review
Initial review	12 months from the date on which the Fund is operational.
Subsequent review	At least once every year since the date of the last review of the TMD (for whatever reason).

Distributor Reporting Requirements

Note: This section is required under section 994B(5)(g) and (h) of the Act.

Reporting requirement	Reporting period	Which distributors this requirement applies to
Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy.	Within 10 business days following the end of the calendar quarter.	All distributors
Significant dealing outside of the target market, under section 994F(6) of the Act. See Definitions for further detail.	As soon as practicable but no later than 10 business days after the distributor becomes aware of the significant dealing.	All distributors
To the extent a distributor is aware, dealings outside the target market, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Within 10 business days following the end of the calendar quarter.	All distributors

If practicable, distributors should adopt the Financial Services Commission data standards for reports to the Issuer. Distributors must report to the Issuer by sending reports by email to monochrome@vascofm.com or as otherwise agreed.

Definitions

Term	Definition
Consumer's investment objective	
Capital Growth	The consumer seeks to invest in a product designed to generate capital return. The consumer prefers exposure to growth assets (such as shares or property) or otherwise seeks an investment return above the current inflation rate.
Capital Preservation	The consumer seeks to invest in a product to reduce volatility and minimise loss in a market down-turn. The consumer prefers exposure to defensive assets (such as cash or fixed income securities) that are generally lower in risk and less volatile than growth investments.
Capital Guaranteed	The consumer seeks a guarantee or protection against capital loss whilst still seeking the potential for capital growth (typically gained through a derivative arrangement). The consumer would likely understand the complexities, conditions and risks that are associated with such products.
Income Distribution	The consumer seeks to invest in a product designed to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (typically, high dividend-yielding equities, fixed income securities and money market instruments).
Consumer's intended product use (% of Investable Assets)	
Whole portfolio (up to 100%)	The consumer may hold the investment as up to 100% of their total investable assets. The consumer is likely to seek a product with high portfolio diversification.
Major allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total investable assets. The consumer is likely to seek a product with medium to high portfolio diversification.
Core component (up to 50%)	The consumer may hold the investment as up to 50% of their total investable assets. The consumer is likely to seek a product with at least medium portfolio diversification.
Minor allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total investable assets. The consumer is likely to seek a product with low to medium portfolio diversification.
Satellite/small allocation (up to 5%)	The consumer may hold the investment as up to 5% of the total investable assets. The consumer may seek a product with low portfolio diversification.
Investable Assets	Those assets that the investor has available for investment, excluding the residential home.
Portfolio diversification (for completing the key product attribute section of consumer's intended product use)	
Low	Single asset class, single country, low or moderate holdings of securities - e.g. high conviction Aussie equities.
Medium	1-2 asset classes, single country, broad exposure within asset class, e.g. Aussie equities "All Ords".
High	Highly diversified across either asset classes, countries or investment managers, e.g. Australian multi-manager balanced fund or global multi-asset product (or global equities).
Consumer's intended investment timeframe	
Short (\leq 2 years)	The consumer has a short investment timeframe and may wish to redeem within two years.
Medium (2-5 years)	The consumer has a medium investment timeframe and is unlikely to redeem within two to five years.
Long ($>$ 5 years)	The consumer has a long investment timeframe and is unlikely to redeem within five years.

Term	Definition
Consumer's Risk (ability to bear loss) and Return profile	
Low	The consumer is conservative or low risk in nature, seeks to minimise potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period) and is comfortable with a low target return profile. The consumer typically prefers defensive assets such as cash and fixed income.
Medium	The consumer is moderate or medium risk in nature, seeking to minimise potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period) and is comfortable with a moderate target return profile. The consumer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.
High	The consumer is higher risk in nature and can accept higher potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period) in order to target a higher target return profile. The consumer typically prefers predominantly growth assets such as shares, property and alternative assets with only a smaller or moderate holding in defensive assets such as cash and fixed income.
Very High	The consumer has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses (e.g. has the ability to bear 6 or more negative returns over a 20 year period and possibly other risk factors, such as leverage). The consumer typically prefers growth assets such as shares, property and alternative assets.
Consumer's need to withdraw money	
Issuers should consider in the first instance the redemption request frequency under ordinary circumstances. However, the redemption request frequency is not the only consideration when determining the ability to meet the investor's requirement to access capital. To the extent that the liquidity of the underlying investments or possible liquidity constraints (e.g. ability to stagger or delay redemptions) could impact this, this is to be taken into consideration in completing this section.	
Daily/Weekly/Monthly/ Quarterly/ Annually or longer	The consumer seeks to invest in a product which permits redemption requests at this frequency under ordinary circumstances and the issuer is typically able to meet that request within a reasonable period.

Distributor Reporting	
Significant dealings	<p>Section 994F(6) of the Act requires distributors to notify the Issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.</p> <p>The Issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> • they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or • they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer). <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> • the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes), • the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss), and • the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red or amber ratings attributed to the consumer). <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none"> • it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period, • the consumer's intended product use is Whole Portfolio, or • the consumer's intended product use is Core component and the consumer's risk (ability to bear loss) and return profile is Low.

Important Notice

Monochrome Asset Management Pty Ltd ABN 80 647 701 246 (Monochrome) is a Corporate Authorised Representative (CAR No. 1286428) of Vasco Trustees Ltd ABN 71 138 715 009 | AFSL 344486 (Vasco Trustees). Monochrome is the Investment Manager for the Monochrome Bitcoin Trust (IBTC) (ARSN 661 385 244). Vasco Trustees is the Responsible Entity and the issuer of interests in IBTC. The PDS and TMD are available at <https://monochrome.au/> and should be considered prior to investing. This information is general in nature and does not take into account any person's individual objectives, financial situation or needs. In deciding whether to acquire an interest in IBTC and before investing, investors should read the PDS, TMD and Reference Guide, and with the assistance of a financial adviser, consider if the investment is appropriate for their circumstances. Past performance is not indicative of future performance.