

EC10 - Cryptocurrency Bundle

Global – Virtual Currency – Index 30/09/2021

Portfolio Manager EasyCrypto SA (Pty) Ltd
 Inception 15/09/2018
 Total Bundles R 482 939 551.93
 NAV price R103.79
 Tokens in issue 4 659 045.103

Bundle Information

Classification Global – Virtual currency – Index
 Asset allocation 100% Cryptocurrencies
 NAV/Index Ratio TBC
 Financial Year End 28 February
 Index Tracking Top 10 tokens by market capitalisation
 Dividend Distribution -
 NAV Publication Daily on easycrypto.co.za & EasyEquities
 Portfolio valuation Continuously quoted: GMT+2 day-end
 Exchange source TBC
 Custodian BitGo & First World Trader (FWT)

Cumulative Investment Performance

September 2021



Since Inception

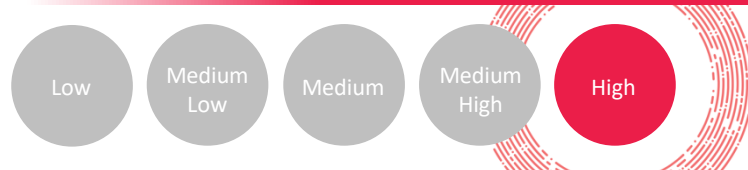


Cumulative investment performance is for illustrative purposes only and is calculated using the NAV inclusive of the management fee.

Recommended Investment Horizon



Risk Profile



Investment objective

The EasyCrypto 10 (EC10) bundle employs a passive investment strategy that seeks to track the top 10 largest cryptocurrencies by market capitalisation. The fund's assets are predominantly held cold storage with a regulated, insured custodian, and are audited annually. The underlying index — the EC10 Large Cap Crypto Index — has a public, formal methodology that includes eligibility rules meant to embrace best investment practices, and screen critical risks regarding custody, liquidity, regulatory hurdles, and other concerns. Rebalancing and reconstitution of the EC10 is implemented on a weekly basis. The EC10 harnesses a passive market cap-weighted approach to index rebalancing, in consonance with the methodology of the eligibility requirements.

Holdings

Bitcoin	55.3%
Ethereum	24.3%
Binance Coin	4.4%
Cardano	4.3%
Solana	3.1%
XRP	3.0%
Polkadot	1.9%
Dogecoin	1.7%
Terra	1.1%
UniSwap	1.0%

Risk statistics

For the period 01/01/2016-09/30/2021:

% Negative days	44.17%
% Negative quarters	30.43%
Average negative quarter	-27.48%
Maximum drawdown	-85.75%
Standard deviation of daily price change	4.07%

- EasyCrypto provides immediate access to multiple secure, liquid and reputable crypto exchanges to offer superior trade execution pricing for both buy and sell transactions.

Downside deviation	3.23%
Highest annual return: 2017-2018	341.59%
Lowest annual return: 2018-2019	-86.58%
Annualised tracking error (Active return)	-

Risk statistics are subject to survivorship bias of the EC10 constituent as at 30/09/2021.

Fees

Management fee	2% p/a
Withdrawal fee	R18.42
VAT	0.08%
Transaction cost (TC)	
EC10/ZAR:	0.25% of trade value (buy and sell)
BTC/ZAR:	0.25% of trade value (buy and sell)
ETH/ZAR:	0.25% of trade value (buy and sell)
EC10/BTC:	0.25% of trade value (buy and sell)

Listing Information

Exchange	TBC
Exchange code	TBC
Trading currency	ZAR
Portfolio currency	USD
ISIN	TBC
RIC	TBC
Bloomberg ticker	TBC
Trading hours	TBC
Transaction cut-off	TBC

EC10 commentary

The EC10 instrument is South Africa's leading index tracking instrument of the cryptocurrency asset class. It offers secure exposure to top 10 global virtual assets by market capitalisation. Our experience and expertise in cryptographic index tracking allow us to dependably partner with clients to enhance portfolio diversification. Multinational conglomerates such as Goldman Sachs, Morgan Stanley, MasterCard, PayPal, Tesla, and many more have publicly announced their deliberate involvement in the crypto space. Investment in crypto technology has grown exponentially in recent years with subsequent institutional adoption in South Africa gaining traction. EasyCrypto provides a secure platform offering efficient exposure to the crypto assets. Institutional investors require an established, trusted, and accountable partner to help them navigate digital currency investing, which is why EasyCrypto is trusted by leading South African institutions to offer safe exposure to cryptocurrencies. The EC10 instrument offers a transparent investment product that facilitates access to this new digital asset class and provides a springboard to investing in the new digital currency-powered "internet of money". EasyCrypto is a FIC registered company, acting as an accountable institution filed for preliminary FSCA registration compliance in 2021. Through our partnership with the listed Purple Group ("Easy Equities"), EasyCrypto will act as a juristic representative once regulation of the sector becomes sanctioned.

EC10, originally named DCX10, was launched on 15 September 2018. The EC10 index consists of the top 10 cryptocurrencies by market capitalization, exclusive of Stablecoins. EasyCrypto provides an investment platform which caters to institutional, professional and non-professional investors alike. We offer a secure bundle of cryptocurrencies that we refer to as crypto assets, cryptos, or simply "the EC10 bundle or instrument" throughout the methodology below. The EC10 bundle is a basket of cryptocurrencies which grants investors access to a low-cost index instrument to easily own and manage a diversified crypto portfolio. The EC10 bundle is a ready-made investment which provides clients with direct exposure and ownership to the underlying cryptocurrencies within the Bundle. This approach provides bundle holders with a means to obtain effortless low-cost diversified exposure to the crypto market. The EC10 seeks to appeal to a diverse investor base with a longer-term investment horizon and a greater tolerance for risk.

Benefits of a bundling approach to cryptoasset investing include:

- A mitigation of crypto-specific risk with investing attributed to greater crypto diversification. Many professional investors prefer a diversified approach, so you're 'not putting all your eggs in one basket'. This follows the investment principles laid out by modern portfolio theory.
- Your crypto holdings are kept up to date with the dynamic crypto market through the automated weekly reconstitution of the EC10 bundle, and

EC10 Bundle Methodology

Our Principles

We aim to consistently provide investors with a hassle-free, rules-based, and transparent way to invest in crypto assets. The crypto market is relatively new and presents several challenges to traditional investment protocols associated with stocks and bonds. The EC10 instrument aims to combine the best of traditional asset investing methodologies with appropriate adjustments to adapt to the decentralised characteristics exhibited in the cryptocurrency investment sphere.

The principles of the EC10 bundle include:

- Maintaining a systematic and transparent approach to investment management.
- The pricing and corresponding performance of our bundle follows a structured, transparent, and predefined rules-based approach.
- Maintaining investability.
- The EC10 bundle is designed in all aspects to be investable through the direct acquisition of the underlying crypto assets. So, our bundle will consider factors impacting liquidity, exchange trading pairs, spreads, exchange stability, custody limitations, custody charges and other notable factors.
- Minimising bundle turnover.
- Maintaining fully backed collateral.

Trading fees

Applied as per disclosure above. Deposit and withdrawal fees: South African Rand (ZAR)
No fees charged on EFT deposits - R29 fee charged on deposits below minimum.
A withdrawal fee of R18.42 applies.
No cash deposits will be accepted.

Index Administration fees

An aggregate index management, administration, and custody fee of 2% per annum. This Total Expense Ratio ("TER") is already reflected in the price of EC10, and holders are not charged additionally. The TER fee structure is distributed across a 52-week period such that a weekly fraction of the TER is expensed on all accounts.

Minimum Deposits and Withdrawals:

South African Rand (ZAR): R500

What does it mean to reconstitute a Bundle?

Reconstitution & Rebalancing

Every Sunday at 23:59 (SAST) we reconstitute the EC10 bundle to ensure that:

1. You hold the largest cryptocurrencies as measured by market capitalisation in consonance with the rules of the EC10 Index, within your bundle, and
2. The cryptocurrencies within the EC10 are appropriately distributed in consonance with market capitalisation weightings and deployed across the EasyCrypto and EasyEquities client base.
3. Deviations in constituent pricing are adjusted on a weekly basis (rebalancing).

The weekly reconstitution is considered a re-weighting and is performed by EasyCrypto direct indexing algorithmic computation methodology. This process is fully automated and ensures that your portfolio stays up to date with the fast-paced crypto market. We analyse the crypto market and compare the relative size of individual cryptocurrencies as measured by free-float market capitalisation. If a cryptocurrency that is not included in the EC10 has grown in value so that it has become more valuable than a cryptocurrency that was held within our bundle during the prior week, then we would sell the cryptocurrency which has declined in relative value and purchase the cryptocurrency that has increased in value and include it in the Bundle. For example, if we look at the Top 10 bundle, at week-end we could see that Bitcoin Cash (BCH) has declined in relative value and fallen out of the top 10 largest cryptocurrencies. While VeChain (VET) has increased in relative value and overtaken BCH in market capitalisation. In this instance, we would automatically sell out of BCH in the Bundle and replace them by purchasing VET. This aligns with rebalancing methodologies employed by funds across the globe.

Any amount held in a bundle over a rebalancing period will have a distributed rebalancing fee levied and deducted from the total value held. The process to complete a rebalance is as follows:

1. The value of a single unit of the bundle in USD is calculated using price data from CMC.
2. The EasyCrypto rebalancing fee is levied on the total bundle value being rebalanced.
3. The list of the largest cryptocurrencies as measured by market capitalisation is retrieved from CMC. This includes a closing value for each cryptocurrency in the list.
4. The post-rebalance bundle composition is calculated by using the new asset closing values, the list of largest cryptocurrencies by market capitalisation and the USD bundle unit price calculated above in step 1.
5. The differences between the old and new composition of the bundle are calculated and our system automatically initiates transactions to bring the underlying asset holdings in line with the new bundle composition.

Buffer Rules

Market Capitalization: The EC10 Index harnesses a “5% market capitalization buffering rule” to accommodate sustainable turnover. An eligible crypto asset that is held in the EC10 index will only be removed if there is an eligible crypto asset that exceeds its inflation-adjusted, free-float market capitalization by 5% as of 0:00 SAST on each of the 7 consecutive days up to and including the reconstitution.

Eligibility requirements

Crypto assets that are included in the EC10 bundle are required to fulfil a set of eligibility requirements which are also subject to a monthly review. The eligibility requirements provide grounds for any discretionary omissions imposed on the bundle. The EC10 bundle draws its core constituents from a list of eligible crypto assets, which comprise those items that meet each of the following eligibility requirements:

1. The cryptoasset is a cryptographically secure digital bearer instrument.
2. The cryptoasset has sufficient liquidity, community support and trading history to ensure that the cryptoasset is investable for an average retail investor. Additionally, any cryptoasset to be included in the EC10 bundle must be listed on CMC on the rebalancing date for eligibility.
3. The cryptoasset has a price that is not pegged to another crypto asset, fiat currency, group of those currencies, or hard asset. So, it cannot be a Stablecoin.
4. The cryptoasset trades on two or more eligible exchanges.
5. The cryptoasset has no more than 90% of its past trailing 30-day average trading volume on any single eligible exchange.
6. The cryptoasset has no known security vulnerabilities, including critical bugs, undue exposure to 51% attacks, or other factors, as determined by the DCX10 Index Committee.
7. Allows for air-gapped cold storage, including offline wallet generation and offline transaction signing

Bundle Pricing

In calculating crypto Bundle prices, we incorporate USD based pricing data from CoinMarketCap (CMC) and CoinGecko together with ZAR based data from Luno and VALR. On 18 September 2018 a single EC10 bundle (at the time referred to an EC10 Token) was arbitrarily pegged at a price of \$1.00. This valuation was apportioned to the relative coins that constituted the EC10 index at the time and from this a number of coins per bundle (Token) was determined. Following the creation date, multiple reconstitutions ensued to the present moment and we are left with a “coins per bundle” breakdown. The price per bundle (P_B) is calculated as the sum of the number of individual coins per bundle (c_i), multiplied by their respective prices (p_i).

$$P_B = \sum_{i=1}^{n=10} (c_i \times p_i)$$

As a reconciliatory mechanism, this value is compared to the total amount of coins across all EC10 bundles in the ecosystem, traditionally referred to the Assets under Management (“AUM”) divided by the number of EC10 bundles in existence.

$$P_B \text{ cf. } \frac{AUM}{\sum(\text{Client Bundles})}$$

Security & Custody

Your trust and security are important to us. We're committed to keeping your assets and personal information safe. We invest heavily to ensure both a secure system and a continually developing internal process for identifying and remedying any vulnerabilities detected. To offer additional investment security facilities, DCX (EasyCrypto) is contracted with First World Trader (Pty) Ltd and BitGo as reliable custody solutions. BitGo's custody solution was built for firms based in jurisdictions that have a regulatory requirement to manage keys locally in deep cold storage. BitGo's self-managed custody is the same technology utilized by BitGo Trust Company, the world's largest, regulated, and purpose-built digital asset custodian. BitGo provides powerful enterprise-grade features and complete customer control over how and where both client and backup keys are stored and generated. To ensure system integrity, we employ industry-standard information security practices. These include, but are not limited to:

1. The separation and full isolation of the production environment from all development or testing environments. The production system cannot be accessed, nor deployed via any other means than a pre-configured delivery pipeline.
2. The use of key vaults, operated on globally distributed hardware security modules (HSMs) to securely store an application secret key or access key for the production environment.
3. All accounts and integration partners, or provider accounts, are protected by multi-factor authentication and disable all unneeded functionality.
4. Bi-directional authentication between front and backend systems, network address restriction and whitelisting for communication between distinct applications in the EasyCrypto universe.
5. Distinct identity server for central user authentication across all EasyCrypto services.
6. Standard web protection techniques to combat injection attacks.
7. Full SSL protection.

a proprietary investment management technology which allows EasyCrypto, and EasyEquities clients to directly trade and securely store a specified set of crypto assets with defined operational rules. EasyCrypto provides no assurance as to the size of the anticipated tracking error incurred by the EC10 bundle. Transactional fees, rebalancing fees and deviations in pricing across exchanges may cause varying tracking errors to arise between the EC10 bundle and its underlying constituents. Crypto asset prices historically exhibit significant standard deviations of price and pose the risk of loss of invested capital. As such, EasyCrypto clients are encouraged to invest responsibly. The future value of crypto assets are conjectural, and returns are not guaranteed. The recommended investment horizon of investments using the EC10 is a long term. To the maximum extent allowed by law, EasyCrypto, its licensors, respective employees, contractors, agents, suppliers and vendors shall bear no liability for any injury, damages or loss - whether direct or indirect, consequential, incidental, punitive or otherwise - arising in connection with the EasyCrypto bundle or any data or values relating thereto - whether arising from their negligence or otherwise. Without limiting any of the foregoing, in no event shall EasyCrypto have any liability for loss of capital or indirect, punitive, special or consequential damages or losses, even if notified of the possibility thereof.

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5. are completed in good faith and subject to ongoing systematic reviews,
6. seek to align with best investment practices and adhere to the CFA® Code of Ethics.

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Disclaimer

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