EC10 Risk Disclosure Statement

This document delineates a set of identifiable risk factors associated with the EC10 bundle. Prospective investors and clients are encouraged to acquaint themselves with the following disclosure prior to any capital contributions to the EC10. Easy Crypto SA (Pty) Ltd t/a EasyCrypto (subsequently referred to as "EasyCrypto" or "We") and its affiliates ("Purple Group Ltd." or "EasyEquities") offer the EC10 bundle technology as a means for investors to gain direct and secure exposure to the top ten cryptocurrencies by market capitalisation, exclusive of Stablecoins, which embody various risk factors. EasyCrypto does neither expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure document. This disclosure seeks to shed light on identifiable risk factors, and may omit unidentifiable, or unforeseen considerations of risk.

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Risk of loss

Investing in cryptocurrencies involves risk of loss that clients and prospective clients should be prepared to bear. No investment process is free of risk and no strategy or risk management technique can guarantee returns or eliminate risk in any market environment. There is no guarantee that our bundle technology will be profitable. Past performance is not a representation of future performance. The value of cryptocurrencies and their respective price appreciation is not guaranteed and can fluctuate based on market conditions. The diversification benefits of the EC10 bundle does not ensure a profit nor protect against loss.

Volatility in the price of cryptocurrency risk

The cryptoasset sector is subject to a high standard deviation of price (volatility), and since volumes are still maturing, any significant changes in market sentiment (by way of regulatory considerations, and other factors subsequently discussed) can induce large swings in volume and subsequent price changes. Such volatility has the potential to adversely affect the value the EC10 bundle. EasyCrypto discloses risk statistics associated with the EC10 bundle on a monthly basis within its minimum disclosure document (MDD). This is provided to inform clients and prospective investors of statistical changes and developments in the price behaviour of the EC10 volatility. The risk of price volatility warrants an investor base with a higher ability and willingness to adopt risk.

Fluctuations in NAV and NAV per bundle unit (token) risk

The NAV per bundle unit (token) of the EC10 will vary according to, among other things, the value of the cryptocurrencies held by EasyCrypto, BitGo and its affiliates. EasyCrypto and its affiliates influence no control over the external factors that affect the value of the cryptocurrencies managed under the mandate of the bundle, including factors that affect the cryptocurrency markets generally such as general economic, market, regulatory and political conditions etc. Net asset value can then be defined as the best available estimate of the value of a marginal exchange applied to the full position managed by EASYCRYPTO. The internal risk management processes at EasyCrypto are exercised in the spirit of best investment practices and seek to minimize the tracking error exhibited between the bundle, and the cryptocurrency sector. 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. The buffer rule imposed by EasyCrypto may result in marginally higher tracking errors of the cryptocurrency sector, and thus may influence fluctuations in NAV and NAV per bundle unit/token.

Decrease in demand for and usage of cryptocurrency risk

There is no assurance that the cryptocurrencies in the EC10 bundle will maintain their long-term value in terms of purchasing power in the future or that the acceptance of cryptocurrencies as a means for payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of the cryptocurrency sector declines, EasyCrypto expects the NAV per bundle unit to decline proportionately. Banks and other established financial institutions may refuse to process funds for cryptocurrency transactions, process wire transfers to or from cryptocurrency trading platforms, cryptocurrency related companies or service providers, or maintain accounts for persons or entities transacting of cryptocurrencies. Conversely, a significant portion of cryptocurrency demand is generated by speculators and investors seeking to profit from the short- or long-term holding of such cryptoassets. A decrease in demand and use of cryptocurrencies could adversely affect the NAV per bundle unit.

Attacks on network risk (DoS attacks and BDoS attacks)

Cryptocurrency networks are periodically subject to distributed denial of service attacks to clog the list of transactions being tabulated by miners, which can slow the confirmation of authentic transactions. Another avenue of attack would be if a large number of miners were taken offline then it could take some time before the difficulty of the mining process algorithmically adjusts, which would stall block creation time and therefore transaction confirmation time. Developing cybersecurity research highlight previously unknown ways to execute a denial-of-service attack on a proof-of-work blockchain system. This is called a blockchain denial of service (BDoS). We find that the inherent properties of certain cryptocurrency protocol expose them to significantly cheaper DoS attacks. We acknowledge the fact that blockchain protocols rely on incentives for security. Miners are rewarded for their participation with cryptocurrency. When those incentives no longer align to promote good behaviour, the system is at risk. BDoS exploits miners’ rationality by awarding them higher profit for playing against the system than following its rules. Research shows this would require a significant 21% control of the entire blockchain network of the cryptocurrency. Thus EasyCrypto recognizes this as a potential risk which may adversely impact the prices of cryptocurrencies in the future.

Regulatory risk

EasyCrypto acknowledges domestic regulatory risk may materially influence future bundle management decisions and alter the mandate of the EC10 instrument. Cryptoassets are unregulated in South Africa, and consumers do not have legal recourse, or the protection of a regulator should something go wrong with their investment. There is also the risk that new legislation could materially change the cryptocurrency landscape or their legality. The current state of South African cryptocurrency regulation is currently ambiguous and subject to change. EasyCrypto and its affiliates are closely monitoring regulatory developments to ensure legal compliance. Furthermore, while South Africa does not currently appear to have any laws regulating custodianship of cryptocurrencies, the Crypto Assets Regulatory Working Group (CARW), in its recently released consultation paper, proposed regulatory action that would encompass this area of activity. A domestic cryptocurrency ban may materially jeopardize the current format of the EC10 bundle. EASYCRYPTO is also monitoring developments in the legislation of cryptocurrency custodianship. Moreover, EasyCrypto recognizes international changes in the regulatory environment may materially influence the price of cryptocurrencies in the EC10 bundle, especially such changes made by leading global economies.

Risk relating to the cryptography underlying cryptocurrency networks

Although the Bitcoin network is currently the most widely-adopted digital asset network, it’s accompanying blockchain and other cryptographic & algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of cryptographic risks. The cryptography underlying cryptocurrencies may prove to be vulnerable to cyberattacks, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in such cryptography becoming ineffective or outdated. Given the current state of technology, tremendous computing power would be required to infiltrate the cryptographic procedures of say, Bitcoin, however, the same may not be true for altcoins in the EC10 bundle. Cryptocurrencies with a smaller reach of widespread adoption, or lower market capitalisation may be susceptible to malicious actors taking advantage of the lower margin of participants in the network, thus potentially jeopardizing their cryptographic procedures. If any technological developments do arise possessing the capability to breach cryptographic protocols, altcoins may be the first targets ensuing such developments.

Risk of De-Fi Developments Materially Influencing Price

Contributors such as software developers and miners may not agree on the most appropriate means of maintaining and developing cryptocurrency software. These disputes may adversely affect the supply and price of cryptocurrencies which in turn may adversely affect the NAV per bundle unit. Any divergence in future cryptocurrency-based software may materially influence the efficacy of De-Fi applications and the widespread route of implementation that business choose to implement. If such divergences were to arise subsequent to widespread adoption it carries a greater potential for material influence of cryptocurrency prices in the EC10 bundle. Though unlikely, the ensuing incentive structure for miners in such a scenario may also materially change incentives and exhibit activities detrimental to cryptographic protocol such as those embodied by BDoS attacks.

While many contributors to Bitcoin and altcoin software are employed by companies in the industry, most of them are not directly compensated for helping to maintain the protocol. As a result, there are no contracts or guarantees that such individuals will continue to contribute to such software development. Thus, any forthcoming reliance of developers of De-Fi applications may, or may not, heighten the extent to which prices of the EC10 constituents are materially influenced. EasyCrypto acknowledges, future technology may rely on cryptographic procedures of instruments in the EC10, and consequently, may pose a potential risk as to the associated volatility embedded in such dependencies. Though such developments may bode well for forthcoming price fluctuations, it may also be worthy of long-term determinant of cryptocurrencies depending on the nature of occurrences of developmental risk factors. In the wake of such developments, additional unforeseen risk factors may arise.

Increase in transaction fees risk

Cryptoasset miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners confirm transactions by adding previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees because miners have very low marginal cost of validating unconfirmed transactions. If miners collude in an anticompetitive manner to reject low transaction fees, then bitcoin users could be forced to pay higher fees, thus reducing the attractiveness of various cryptographic network in the EC10. Bitcoin mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. EasyCrypto recognizes any collusion among miners may adversely impact the NAV per bundle unit. However, the current incentive structures across the globe do not currently accommodate such corroborated levels of effective collusion, and is thus unlikely. Nevertheless, this risk factors is worthy of contemplation.

Decrease in block reward risk

The block reward of Bitcoin will decrease over time. On May 11, 2020, the block reward reduced from 12.5 to 6.25 Bitcoin. The block reward will decrease to 3.125 Bitcoin in 2024, and so forth. As the block reward continues to decrease over time, the mining incentive structure will transition to a higher reliance on transaction verification fees in order to incentivize miners to continue to dedicate processing power to the blockchain. If transaction verification fees become too high, the marketplace may be reluctant to use Bitcoin, or other cryptocurrencies. Such decreased demand for cryptocurrencies may adversely affect the NAV per bundle unit.

Dependence on the internet risk

Bitcoin miners (and full nodes) relay transactions to one another via the internet, and when blocks are mined they are also forwarded via the internet. Vendors of goods and services that accept cryptoassets access their blockchain via the internet, and most customers access a Vendor's goods and services via the internet. Thus, the entire system is dependent upon the continued functioning of the internet. EasyCrypto acknowledges any events jeopardising the global internet system will carry the potential to materially influence of the price constituents in the EC10 bundle. Such drastic events may be the occurrence of solar flares disabling all electronic communication systems on Earth, meteoric collision with crucial satellites, or the outbreak of global war.

Control of the outstanding Bitcoin risk

Approximately 20% of Bitcoin which is currently outstanding is held by 115 bitcoin addresses. While concentration in respect of Bitcoin holdings has decreased significantly over the past couple years it is still concentrated. If one of these top holders of Bitcoin were to liquidate their position, this could cause volatility in the price of Bitcoin and in turn adversely affect the NAV per bundle unit. The same concentration structures may exists for the other constituents in the EC10, whereby, major holders of such cryptoassets may materially influence the price if they were to sell a significant proportion of their holdings. EasyCrypto acknowledges such concentration risks are inherently embedded in most financial markets, including the cryptoasset sector.

Control of the Bitcoin network risk

If an entity gains controls over 51% of the compute power (hash rate) the entity could use its majority share to double spend bitcoin. Essentially, the entity would send bitcoin to one recipient, which is confirmed in the existing blockchain, while also creating a shadow blockchain that sends that same bitcoin to another entity under its control. After a period of time, the entity will release its hidden blockchain and reverse previously confirmed transactions, and due to the way mining works, that new blockchain will become the record of truth. This would significantly erode trust in the Bitcoin Network to store value and serve as a means of exchange which may significantly decrease the value of the bitcoin and in turn the NAV per bundle unit. EasyCrypto acknowledges the same risk of control and market manipulation may occur for other constituents in the EC10 bundle.

Concentration of transaction confirmation in China risk

Due to preferential electricity discounts, there are large mining pools operating in China which have significant sway over the cryptoasset networks. The Chinese government could influence the operations of these miners in a number of ways (i.e. the Chinese government could cut off the miners' connection to the Bitcoin Network). In the past the Chinese government partially banned Bitcoin, and there is no guarantee that it will not attempt to impose a full ban on Bitcoin. If it were to ban Bitcoin, it may dissuade miners in China from continuing to mine Bitcoin which could be detrimental to cryptoasset networks. EasyCrypto acknowledges the potential influence Chinese regulation may have on the behaviour of price for constituents in the EC10 bundle.

Risk relating to energy consumption required to operate cryptocurrency networks

Because of the significant computing power required to mine cryptoassets, the network's energy consumption as a whole may ultimately be deemed to be or indeed become unsustainable (barring improvements in efficiency which could be designed for the protocol). This could pose a risk to broader and sustained acceptance of the network as a peer-to-peer transactional platform. EasyCrypto acknowledges the energy requirements to validate cryptographic transactions may disincentivize miners, negatively influence public perception of cryptographic technology, and thus potentially negatively influence the price constituents in the EC10 bundle.

Improper transfers risk

Cryptocurrency transfers may be irreversible. An improper transfer (whereby a cryptoasset is accidentally sent to the wrong recipient), whether accidental or resulting from theft, can only be undone by the receiver of the cryptoasset agreeing to send the asset back to the original sender in a separate subsequent transaction. To the extent the bundle erroneously transfers, whether accidental or otherwise, cryptoassets in incorrect amounts or to the wrong recipients, the bundle may be unable to recover the cryptoassets, which could adversely affect an investment in the bundle units.

Loss of "private keys" risk

The loss or destruction of certain "private keys" (numerical codes required by the bundle to access its cryptoassets) could prevent EASYCRYPTO from accessing its cryptoassets. Loss of these private keys may be irreversible and could result in the loss of all or substantially all of the bundle's assets. EasyCrypto acknowledges the severity of this risk and applies stringent risk management procedures to ensure client assets are secure.

Limited history of cryptocurrency and cryptocurrency trading platforms risk

Bitcoin and other cryptocurrencies in the EC10 bundle generally are new technological innovations with a limited history. There is no assurance that usage of cryptoassets and their blockchains will continue to grow. Cryptocurrency exchanges have a limited operating history. Since 2009, several bitcoin trading platforms have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks. In many of these instances, the customers of such trading platforms were not compensated or made whole for the partial or complete loss of funds held at such cryptoasset trading platforms. The potential for instability of cryptoasset trading platforms and the closure or temporary shutdown of bitcoin trading platforms due to fraud, business failure, hackers, distributed denial of service attacks or malware or government-mandated regulation may reduce confidence in cryptocurrencies, which may adversely affect the NAV per ETF Unit. Public cryptoasset trading platforms have a limited history. The price of cryptocurrencies on trading platforms throughout the world has historically been volatile and subject to influence by any number of factors including supply and demand, geo-political uncertainties, macroeconomic concerns such as inflation, speculative investor interest, and the level of liquidity on such exchanges (among other factors discussed in this report). As an appropriate resolve, EASYCRYPTO distributes this risk by harnessing several exchanges in the purchasing procedures of cryptoassets in the EC10 (See EC10 Index Rules & Ancillary Disclosures on the EASYCRYPTO website).

Hacking of cryptocurrency exchange risk

Certain cryptocurrency trading platforms have in the past been compromised by hackers and malware. In the event that a cryptoasset trading platform is hacked such an event may result in the in the closure or temporary closure of a trading platform (or exchange) or reduce investor confidence in cryptoassets generally which could affect the price of EC10 constituents and in turn adversely affect the NAV per bundle unit. EasyCrypto acknowledges the infancy of the cryptocurrency sectors may expose it to a greater degree of risk through hacking of crypto-exchanges. As an appropriate resolve, EASYCRYPTO distributes this risk by harnessing several exchanges in the purchasing procedures of cryptoassets in the EC10 (see EC10 Index Rules & Ancillary Disclosures on the EASYCRYPTO website).

Regulation of cryptocurrency exchange risk

Cryptoasset trading platforms are spot markets on which Bitcoin can be exchanged for U.S. dollars. Cryptoasset trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of South Africa. EasyCrypto seeks to ensure that the cryptocurrency exchanges on which the bundle transacts are reputable, stable and in compliance with domestic regulatory standards and best investment practices. EasyCrypto acknowledges any forthcoming regulation pertaining to cryptocurrency exchanges may materially influence the prices of constituents in the EC10 bundle.

Risk relating to valuation of the Bundle's assets

The valuation of the bundle's assets may involve uncertainties and judgement determinations, and, if such valuations should prove to be incorrect, the NAV per bundle unit could be adversely affected. EasyCrypto may face a conflict of interest in valuing the cryptoassets held by the bundle because the values assigned will affect the calculation of the management fee payable by the bundle to it. EasyCrypto acknowledges certain price deviations may arise between EASYCRYPTO and its affiliates due to divergences price principals. Namely, the EasyEquities closing price occurs upon the value they close trading for their clients (close on US markets hours). EasyCrypto affiliates may adopt an aggregation of their buy and sell price which is illustrated to all clients using such platforms. EasyCrypto affiliates may charge a spread on buy and sell, so their prices may differ to the prices quoted on the EASYCRYPTO website or minimum disclosure documents. The attached prices from our system used in consonance with minimum disclosure documents are based on midnight UTC time, 2AM SAST.

Illiquidity risk

The bundle may not always be able to liquidate its cryptoasset position at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, across the elected cryptoasset exchange platforms. Unexpected market illiquidity may cause major losses to the holders of cryptoassets. The amount of cryptoassets that the bundle may acquire increases the risks of illiquidity by both making its cryptocurrencies difficult to liquidate and in liquidating, the bundle may significantly affect the price of the EC10 constituents.

Concentration risk

The EC10 bundle was created to invest in the top 10 cryptocurrencies by market capitalisation and is not expected to have significant exposure to any other investments or assets. The NAV per bundle unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the NAV per bundle unit. EasyCrypto acknowledges since the weighting principals of the bundle are market-cap weighted; a significant concentration risk may foster heavily weighted exposure of the largest cryptocurrency in the sector (e.g. Bitcoin). Thus the predominantly weighted asset may deliver significant contributions to the volatility of the EC10 bundle.

Currency exposure risk

The EC10 bundle will purchase U.S. dollar denominated cryptoassets. South African investors should be aware that the bundle will not hedge the investor's investment in the bundle against South African currency exposure. Fluctuations in the value of the South African Rand relative to the U.S. dollar will impact the relative value of an investor's investment in South African Rands. If the value of the South African Rand has increased relative to the U.S. dollar, the return on the cryptoasset converted into South African Rands may be reduced, eliminated or made negative. The opposite can also occur and if it does occur, a South African investor and the value of such investor's investment converted into South African Rand may benefit from an increase in the value of the U.S. dollar relative to the South African Rand. EasyCrypto acknowledges exchange rate fluctuations may pose a currency exposure risk in the EC10 instrument.

Exchange rate risk

The assets and liabilities of the bundle are valued in US Dollars. The bundle will purchase EC10 cryptocurrency constituents which are denominated in U.S. dollars. For the purposes of calculating the NAV per bundle unit, EASYCRYPTO will convert, on a weekly basis, the value of the cryptoassets held in the bundle's portfolio into South African Rand. Fluctuations in the value of the South African Rand relative to the U.S. dollar will impact the NAV per bundle unit. If the value of the South African Rand has increased relative to the U.S. dollar, the return on the EC10 cryptoassets may be reduced, eliminated or made negative. The opposite can also occur and if it does occur, the bundle may benefit from an increase in the value of the U.S. dollar relative to the South African Rand.

Tax risk

South African residents, be that companies or individuals, are taxed on their worldwide income and not simply income generated within the republic. This fundamental tax principle means that there are multiple considerations regarding cryptocurrency tax risk in South Africa which extend to the EC10 bundle. Such considerations include legal and technological aspects that pose both risks and opportunities for investors and traders alike. Legal considerations impact the tax liability itself such as gross income, capital gains, foreign exchange currency, VAT and deductibility while technological considerations impact on the administrative side of tax law. It is therefore crucial that all taxpayers involved in this familiarise themselves with these considerations to take advantage of as well as avoid the various legal consequences. The first of these considerations, namely gross income, entails that the income generated from trade constitutes income in nature. Such an income is typically linked in South Africa with a taxpayer's trade i.e. where a person's profession entails the trading of cryptocurrencies (be that in the form of indices or other investment vehicles.) This amount will be included in his gross income in the calculation of tax payable to the South African Revenue Service (SARS.) Trade in this sense means that these cryptocurrencies will be treated as trading stock in the pursuit of making a profit through speculation, meaning that the disposal thereof will constitute gross income (which is the basis upon which taxable income is calculated. In addition to the income that is generated, if the trader is in the highest income tax bracket as an individual (45% tax bracket) and seeks to deduct a loss from its trade to limit tax liability, section 20A of the Income Tax Act will come into play (the 'ringfencing' provision.) It is important to note then that this provision does not apply to companies. However, section 11(a) of the Income Tax Act sets out the general deduction formula, meaning that expenses meeting these requirements will be deductible against its gross income to calculate taxable income. If an investor decides to hold onto cryptocurrency shares on the side for a period of 3 years or more however, these expenditures will not be deductible as SARS will view this as a change of intention from income to capital in nature in terms of section 9C of the Income Tax Act.

The second of these considerations is capital gains tax. The trade of cryptocurrencies both within and outside South Africa (cross-border) will attract capital gains consequences at the effective prescribed rate of 22.4% for companies. Tax note especially for cross-border transactions of cryptocurrencies, that paragraph 43 of the Eight Schedule applies rather than the traditional section 26A in terms of foreign exchange transactions. VAT implications constitutes the third legal consideration in terms of the provision of financial services. Cryptocurrencies provided for by financial services in terms of its trade are exempt from VAT. This falls under the exemption of all other financial services in the country, with the effect being that an investor cannot charge or claim VAT on those products. This principle is based on the decentralised nature of cryptocurrency, making it difficult to track and monitor in terms of VAT implications. Additionally, the question around trading stock's deductibility arises. In terms of section 22 of the Income Tax Act, left over/unsold stock at the financial year-end are deductible during the calculation of its taxable income. An investor would naturally then enquire whether any left of cryptocurrency unsold at year-end would be deductible in terms of this section. But this deduction, according to current legislation, is not allowed as legislation currently only provides this deduction for physically manufactured goods. Therefore, even though the cryptocurrencies themselves are considered stock as per their trade, such a deduction will not be allowed as this stock has not been physically manufactured.

One last consideration of the risks of cryptocurrencies is the current administrative movements of SARS and recent developments. This comes in the form of SARS issuing audit letters to cryptocurrency investors to discourage undisclosed cryptocurrency holdings. This highlights that despite its prima facie anonymity, SARS has the ability (through working with people with the technical expertise) of tracing the technological source of such trading and so those who have not disclosed such investments will be subject to SARS' investigations. According to SARS, all cryptocurrencies must be declared to it even if the cryptocurrency has not yet been realised/cashed out in Rands. This extends to any strict cryptocurrency exchange (i.e. where no exchange of Rands was involved) or even mined. Intentional/fraudulent failure to disclose this will constitute in an offence that, upon conviction, results in a fine and possible 2 year imprisonment. Gross failure to disclose this could result in penalties more than double the tax owed plus interest and if found guilty of tax evasion, up to triple the original amount. It is important however, that these administrative considerations are based on tax principles not tax laws i.e. no laws have been promulgated strictly in terms of cryptocurrencies as of yet, SARS is merely implementing existing tax principles. With all these administrative hurdles, it is important to note that upon an erroneous decision by SARS, the taxpayer can object and subsequently appeal (if the objection is rejected) SARS' decisions. For companies this will be heard in the Tax Court as it deals with issues over R1 million, otherwise the first port of call would be the Tax Board. Crucially, however, that even if there is a dispute/appeal, the taxpayer will still be liable on the initial amount pending the outcome of the appeal and will only be reimbursed (if successful) after the appeal has been decided. Therefore, a taxpayer cannot delay paying this tax even for decisions being appealed or objected to. In conclusion, EasyCrypto acknowledges individual and corporate taxpayers have many factors that must be considered when dealing with cryptocurrencies in a legal taxation context. Consequences range far and wide from income, capital and administrative hurdles that must be overcome and/or complied with to avoid SARS' scrutiny on this matter. SARS is developing tax nomenclature of cryptocurrencies as a new untapped revenue source, especially in light of the strained nature of the public fiscus before and during the COVID-19 pandemic.

Reliance on key personnel risk

EasyCrypto depends, to a great extent, on the services of a limited number of individuals in connection with the services provided to the EC10 bundle. The loss of such services or the loss of some key individuals could impair the ability of EasyCrypto to perform its management, portfolio management and administrative services on behalf of the bundle.

Risk Distribution Table & Heat Map

The following disclosure of risk distribution is entirely conjectural, whereby the determination of impact, likelihood and risk rating of the respective risk factors are subjective. The following analysis is compiled in the spirit of sound risk disclosure, and best investment practices. EasyCrypto does neither expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of the following impact, likelihood and risk rating of aforementioned risk factors.

Brief Risk Description	**Impact**	**Likelihood**	**Risk Rating**
Risk of loss	Severe	Likely	Critical
Volatility in the price of cryptocurrency risk	Severe	Almost Certain	Critical
Fluctuations in NAV and NAV per bundle unit (token) risk	Major	Almost Certain	Critical
Decrease in demand for and usage of cryptocurrency risk	Major	Possible	High
Attacks on network risk (DoS attacks and BDoS attacks)	Severe	Unlikely	Medium
Regulatory risk	Major	Likely	Critical
Risk relating to the cryptography underlying cryptocurrency networks	Moderate	Possible	Medium
Risk of De-Fi developments materially influencing price	Moderate	Possible	Medium
Increase in transaction fees risk	Major	Possible	High
Decrease in block reward risk	Moderate	Almost Certain	High
Dependence on the internet risk	Major	Unlikely	Medium
Control of the outstanding Bitcoin risk	Severe	Possible	High
Control of the Bitcoin network risk	Severe	Possible	High
Concentration of transaction confirmation in China risk	Moderate	Likely	High
Risk relating to energy consumption required to operate cryptocurrency networks	Minor	Almost Certain	Medium
Improper transfers risk	Major	Unlikely	Medium
Loss of "private keys" risk	Major	Unlikely	Medium
Limited history of cryptocurrency and cryptocurrency trading platforms risk	Moderate	Possible	Medium
Hacking of cryptocurrency exchange risk	Major	Rare	Low
Regulation of cryptocurrency exchange risk	Major	Possible	High
Risk relating to valuation of the Bundle's assets	Minor	Possible	Medium
Illiquidity risk	Minor	Possible	Medium
Concentration risk	Major	Likely	Critical
Currency exposure risk	Moderate	Almost Certain	High
Exchange rate risk	Moderate	Almost Certain	High
Tax risk	Severe	Likely	Critical

Brief Risk Description	Impact	Likelihood	Risk Rating
Reliance on key personnel risk	Severe	Unlikely	Medium

Risk Factor Heat Map

# of risks per each impact/likelihood scenario

Impact	Severe		2	2	2	1
	Major	1	3	3	2	1
	Moderate			3	1	3
	Minor			2		1
	Insignificant					
Risk Heat Map		Rare	Unlikely	Possible	Likely	Almost Certain
		Likelihood				

Totals

Critical Risks	22%	6
High Risks	33%	9
Medium Risks	41%	11
Low Risks	4%	1
		27