Monochrome
Exchange Traded Funds

# Target Market Determination for the Monochrome Ethereum ETF (IETH)

ARSN 661 386 198

## 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 Ethereum ETF (IETH) (**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 Ethereum as a Satellite/small allocation of their portfolio where the consumer has a long-term investment time frame (strategic allocation), an extremely high-risk profile and needs long term access to capital.

### Fund and Issuer Identifiers

| | | | |
|---|---|---|---|
| **Fund** | Monochrome Ethereum ETF (IETH) | **Issuer** | Vasco Trustees Limited |
| **Fund ARSN** | 661 386 198 | **Issuer ABN** | 71 138 715 009 |
| **Date TMD Approved** | 2 October 2024 | **Issuer AFSL** | 344486 |
| **TMD Status** | Available/Current | **TMD Version** | 1.0 |

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# 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 | See Issuer Instructions | Not considered in target market |

### 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.

## 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 Very High or Extremely 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 | The Fund is a registered managed investment scheme which passively invests in Ethereum in order to achieve capital growth. Capital losses can occur in circumstances where the price of Ethereum drops or if capital growth is insufficient to cover the Fund's ongoing fees. Therefore, it is expected to be higher risk and more volatile than cash, fixed income securities, property and domestic and global equities.<br><br>The Fund is designed to give investors direct exposure to the capital fluctuations in the price of Ethereum. The Fund will not provide income distributions. |
| Capital Preservation | Not considered in target market | |
| Income Distribution | Not considered in target market | |
| **Consumer's intended product use (% of Investable Assets)** | | |

| | | |
|---|---|---|
| Solution/Standalone (up to 100%) | Not considered in target market | The Fund may be suitable as a satellite/small allocation as part of a broader portfolio. Ethereum 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. |
| 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 (⩽ 2 years) | Not considered in target market | Although there are daily redemption opportunities, the price of Ethereum can experience high volatility, it is therefore recommended that Investors consider this investment as a long-term investment for persons seeking exposure to Ethereum as part of their investment portfolio. |
| 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 Ethereum (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 extremely high risk in nature as described in the Fund's PDS. The Fund aims to provide investors with passive exposure to the price of Ethereum, net of fees, costs and tax. The Fund does not provide income distributions and capital returns from the Fund are not guaranteed.<br><br>Specific risks relevant to an investor's risk appetite include the following:<br><br>• There is no guarantee the Fund's investments will increase in value or that the value of the investment will not fall.<br>• The price of Ethereum may be subject to significant price volatility which will impact on the value of your investment.<br>• 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.<br><br>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. An extremely 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. |
| Medium | Not considered in target market | |
| High | Not considered in target market | |
| Very High | Not considered in target market | |
| Extremely High | In target market | |
| **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. Under normal circumstances, holders |

| | | |
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| **Weekly** | Potentially In target market | are also able to exit the Fund by selling their interest on the Cboe Australia market on any trading day, with sale proceeds generally available within 2 trading days.<br><br>Typically, investors will be able to request to redeem on any business day with proceeds or Ethereum 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.<br><br>Clients with a need to withdraw and have access to their funds weekly are potentially within the target market. This is because clients who exit the Fund by selling their interest on the Cboe Australia market will generally have access to their money within 2 trading days. However, clients who do only wish to redeem from the fund directly may take longer than a week (up to 4 to 21 days as described) to receive their redemption proceeds. |
| **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** | Direct investors who are wholesale or sophisticated investors can invest in this product.<br><br>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. |
| **Platform / Wrap** | 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.<br><br>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. |
| **Adviser** | Investor is to confirm through an online application if they are financially advised.<br><br>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. |

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| **Execution-only broking services** | Not applicable |

| **Review Triggers**<br>Note: This section is required under section 994B(5)(d) of the Act. |
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| 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<br>Note: This section is required under section 994B(5)(g) and (h) of the Act. | | |
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| **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. | As soon as possible, but no later than 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 or expected to generate capital return over the investment timeframe. 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 designed or expected to have low volatility and minimise capital loss. The consumer prefers exposure to defensive assets that are generally lower in risk and less volatile than growth investments. |
| **Income Distribution** | The consumer seeks to invest in a product designed or expected to distribute regular and/or tax-effective income. The consumer prefers exposure to income-generating assets (this may include 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 very high portfolio diversification. |
| **Major allocation (up to 75%)** | The consumer may hold the investment as up to 75% of their total investable assets.<br>The consumer is likely to seek a product with at least high portfolio diversification |
| **Core component (up to 50%)** | The consumer may hold the investment as up to 50% of their total investable assets.<br><br>The consumer is likely to seek a product with at least medium portfolio diversification. |
| **Minor allocation** | The consumer may hold the investment as up to 25% of their total investable assets. |

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| **(up to 25%)** | The consumer is likely to seek a product with at least low portfolio diversification. |
| **Satellite/small allocation (up to 5%)** | The consumer may hold the investment as up to 5% of the total investable assets.<br>The consumer may seek a product with very low portfolio diversification.<br>Products classified as extremely high risk are likely to meet this category only. |
| **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)** | |
| **Very Low** | The product provides exposure to a single asset (for example, a commercial property) or a niche asset class (for example, minor commodities, crypto-assets or collectibles). |
| **Low** | The product provides exposure to a small number of holdings (for example, a portfolio of real property assets or fewer than 25 securities) or a narrow asset class, sector or geographic market (for example, a single major commodity (e.g. gold) or equities from a single emerging market economy). |
| **Medium** | The product provides exposure to a moderate number of holdings (for example, up to 50 securities) in at least one broad asset class, sector or geographic market (for example, Australian fixed income securities or global natural resources). |
| **High** | The product provides exposure to a large number of holdings (for example, over 50 securities) in multiple broad asset classes, sectors or geographic markets (for example, global equities). |
| **Very High** | The product provides exposure to a large number of holdings across a broad range of asset classes, sectors and geographic markets with limited correlation to each other. |

<table>
<tr><th>Term</th><th>Definition</th></tr>
<tr><td colspan="2">Consumer’s intended investment timeframe</td></tr>
<tr><td>Short (≤ 2 years)</td><td>The consumer has a short investment timeframe and may wish to redeem within two years.</td></tr>
<tr><td>Medium (2-5 years)</td><td>The consumer has a medium investment timeframe and is likely to redeem within two to five years.</td></tr>
<tr><td>Long (> 5 years)</td><td>The consumer has a long investment timeframe and is unlikely to redeem within five years.</td></tr>
<tr><td colspan="2">Consumer’s Risk (ability to bear loss) and Return profile<br><br>The Issuer has adopted the Standard Risk Measure (SRM) to estimate the likely number of negative annual returns for this product over a 20-year period, using the guidance and methodology outlined in the Standard Risk Measure Guidance Paper For Trustees (note the bands in the SRM guidance differ from the bands used in this TMD). However, SRM is not a complete assessment of risk and potential loss. For example, it does not detail important issues such as the potential size of a negative return (including under conditions of market stress) or that a positive return could still be less than a consumer requires to meet their investment objectives/needs. The Issuer has supplemented the SRM methodology by other risk factors. For example, the potential impact of liquidity or withdrawal limitations, valuation risks or risks of capital loss, which have been documented together with the SRM to substantiate the product risk rating.<br><br>A consumer’s desired product return profile would generally take into account the impact of fees, costs and taxes.</td></tr>
<tr><td>Low</td><td>For the relevant part of the consumer’s portfolio, the consumer:<ul><li>has a conservative or low risk appetite,</li><li>seeks to minimise volatility and potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)), and is comfortable with a low target return profile.</li></ul>The consumer typically prefers defensive assets such as cash and fixed income.</td></tr>
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| **Medium** | For the relevant part of the consumer's portfolio, the consumer:<br>• has a moderate or medium risk appetite<br>• seeks low volatility and potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)), and<br>• is comfortable with a moderate target return profile.<br>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** | For the relevant part of the consumer's portfolio, the consumer:<br>• has a high-risk appetite,<br>• can accept high volatility and potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 5 or 6)), and<br>• seeks high returns (typically over a medium or long timeframe).<br>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** | For the relevant part of the consumer's portfolio, the consumer:<br>• has a very high-risk appetite,<br>• can accept very high volatility and potential losses (e.g. has the ability to bear 6 to 7 negative returns over a 20 year period (SRM 6 or 7)), and<br>• seeks to maximise returns (typically over a medium or long timeframe).<br>The consumer typically prefers growth assets such as shares, property and alternative assets. |
| **Extremely High** | For the relevant part of the consumer's portfolio, the consumer: |

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| | • has an extremely high-risk appetite,<br>• can accept significant volatility and losses, and<br>• seeks to obtain accelerated returns (potentially in a short timeframe).<br>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles). |
| **Consumer's need to access capital** | |
| This consumer attribute addresses the likely period of time between the making of a request for redemption/withdrawal (or access to investment proceeds more generally) and the receipt of proceeds from this request under ordinary circumstances. Issuers should consider both the frequency for accepting the request and the length of time to accept, process and distribute the proceeds of such a request. 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 aligning the product to the consumer's need to access capital. Where a product is held on investment platforms, distributors also need to factor in the length of time platforms take to process requests for redemption for underlying investments. Where access to investment proceeds from the product is likely to occur through a secondary market, the liquidity of the market for the product and likely realisable value on market should be considered, including in times of market stress. | |
| **Distributor Reporting** | |
| **Significant dealings** | 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. Section 994G of the Act requires the Issuer to notify ASIC if it becomes 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. |

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|---|---|
| | 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.<br><br>Dealings outside this TMD may be significant because 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).<br><br>The distributor should have regard to:<br>• the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),<br>• 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<br>• the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red ratings attributed to the consumer).<br><br>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:<br>• the consumer's intended product use is solution/standalone,<br>• the consumer's intended product use is core component or higher and the consumer's risk/return profile is low, or<br>• the relevant product has a green rating for consumers seeking extremely high risk/return. |

# Disclaimer

This document is issued by Vasco Trustees Limited (ACN 138 715 009) (AFSL 344486) (**Issuer**) as responsible entity of the Monochrome Ethereum ETF (IETH) (ARSN 661 386 198) (**Fund**). Monochrome Asset Management Pty Ltd (ACN 647 701 246) is the investment manager of the Fund (**Investment Manager**).

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You should obtain and carefully consider the Product Disclosure Statement (**PDS**) for the Fund before making any decision about whether to acquire, or continue to hold, an interest in the Fund. Applications for units in the Fund can only be made pursuant to the application form relevant to the Fund. A copy of the PDS, continuous disclosure notices and relevant application form may be obtained from www.vascofm.com.