

## FACTORS Operational Due Diligence Process

Australian Fund Monitors ("AFM") has conducted operational due diligence (AFM FACTORS) on Digital Asset Funds Management ("the Manager") and the Digital Income Fund (Digital Income Class). The following areas were reviewed and our findings on each section are included in this report:

1. Management Company and Key Staff.
2. Investment Strategy and Process.
3. Risk Management
4. Operational Procedures.
5. Fees, Terms and Conditions.

AFM's due diligence on the Manager included extensive interviews with senior staff, directors and significant shareholders, document collection and verification where appropriate. The full results of AFM's findings are contained in the following AFM Factors Due Diligence Report. AFM FACTORS provides information and opinions without taking into consideration the financial position or objectives of individual investors and should be read after taking into account the disclaimer and terms and conditions on the [www.fundmonitors.com](http://www.fundmonitors.com) website.

## FACTORS Operational Due Diligence Score



Approved

Digital Asset Funds Management's (DAFM) principals have extensive High Frequency Trading (HFT) experience in traditional financial markets which they apply to cryptocurrency markets. The Digital Income Fund (Digital Income Class) is designed to appeal to investors looking for active exposure to digital asset markets, but with no directional bias, and low or limited volatility.

While cryptocurrencies are volatile, the Fund has made money in all but one month since inception. The Fund exhibits a significantly lower level of volatility than the underlying asset class and all other funds in AFM's Digital Assets peer group.

This report should be read in conjunction with AFM's comments and the performance analysis on pages 9-13.

|                                  | Weighting | Poor | Below Average | Approved | Commended | Highly Commended |
|----------------------------------|-----------|------|---------------|----------|-----------|------------------|
| Management Company and Key Staff | 25%       |      |               |          | ✓         |                  |
| Investment Strategy and Process  | 25%       |      |               |          | ✓         |                  |
| Risk Management                  | 20%       |      |               | ✓        |           |                  |
| Operational Procedures           | 20%       |      |               | ✓        |           |                  |
| Fees, Terms and Conditions       | 10%       |      |               | ✓        |           |                  |
| <b>Overall Ranking</b>           |           |      |               | ✓        |           |                  |

A ranking of Approved or above in each category indicates the minimum score required.

### Ranking Description

- Poor:** The Manager and/or Fund have significant or structural issues.
- Below Average:** The Manager and/or Fund have various issues which need to be resolved prior to achieving Approved.
- Approved:** The Manager and Fund meet relevant or appropriate standards.
- Commended:** The Manager and Fund meet or generally exceed relevant or appropriate standards.
- Highly Commended:** The Manager and Fund consistently exceed relevant or appropriate standards.

## Executive Summary

Digital Asset Funds Management (DAFM) is a Sydney based fund manager specialising in Cryptocurrency. DAFM's directors and founders, Clint Maddock and Mike Gilbert are also the founders of Ark International Group (AIG), an Australian owned proprietary trading company established in 2012. DAFM has a team of 29 financial markets and software professionals, who have decades of experience trading traditional financial markets.

The objective of the Fund is to generate profits by identifying the highest digital asset yields and by investing, directly or indirectly, in established cryptocurrencies using low risk arbitrage opportunities. The Digital Income Class employs a high frequency inspired market neutral strategy trading 24/7 which uses a systematic approach designed to offer uncorrelated returns to the underlying highly volatile cryptocurrency markets.

### Management Company and Key Staff

Digital Asset Funds Management (DAFM), having evolved out of Ark International Group (AIG), is a Sydney-based investment manager focusing on Digital Asset markets. The synergy of 29 specialists, both from financial markets and software development industries, fosters a multi-perspective approach to trading. This collaborative strategy yields advanced systems emphasising risk management, capital allocation, security, and trade management within traditional markets, further tailored to the budding digital market realm.

Key staff include Clint Maddock, Founder and Director, with an Aerospace Engineering background and significant experience in derivative products trading. Maddock's leadership drives a risk-averse stance in DAFM. Mike Gilbert, another Founder and Director, offers a background in derivative trading, high-frequency trading, and clearing, assuming responsibilities in business development, compliance, and operations at DAFM. Dan Nicolaides, as the Head of Digital Assets Trading, has a significant background in the valuation and trading of exotic derivatives in global financial hubs. Colin Pickup, leading as the Head of Technology, harnesses his broad software and hardware expertise to spearhead DAFM's trading system development.

FundMonitors is of the view that DAFM's leadership has a commendable history in traditional financial domains, especially high-frequency trading, beneficially channeled to the evolving cryptocurrency sphere. The blend of experienced professionals from both finance and tech realms is anticipated to allow for adept adaptation to the dynamic crypto environment.

### Investment Strategy and Process

The Digital Income Fund (Digital Income Class), managed by DAFM, targets investors keen on active digital asset market involvement without a dominant directional bias, prioritising reduced volatility. Building on Ark International Group and DAFM's decade-long proficiency in global regulated derivatives markets, the initiative extends this expertise to the cryptocurrency derivative arena. A preparatory 18-month phase saw the integration of derivatives trading acumen to devise cutting-edge proprietary trading and risk mitigation tools for the crypto sector.

The fund's market-neutral stance employs low-risk arbitrage strategies in cryptocurrency derivatives, capitalising on market discrepancies, and trading around 30 leading cryptocurrencies and their derivatives. Rooted in high-frequency trading principles, sophisticated algorithms enable round-the-clock trades, yet with consistent human monitoring. The methodology, anchored in the principals' quantitative trading legacy, is enriched by the team's diverse competencies. Investment strategies undergo collaborative evaluation between trading and research units, tested via an exhaustive backtesting system. Only those enhancing return prospects progress from simulation to live operations, signifying a cycle of evolution and assessment.

FundMonitors perceives the founders' expertise in high speed automated trading of intricate derivatives as suitable for the opportunities created by cryptocurrencies. The strategy's aptitude for dampening market volatility will likely appeal to investors desiring market engagement without pronounced risks. Conversely, those favouring or indifferent to volatility might find the arbitrage approach less enticing.

### Risk Management

DAFM adopts a meticulous trading approach, balancing risks against potential rewards and intensifying its trades only after thoroughly understanding the risks. The intricacies of native crypto exchanges, which lack intermediaries, are navigated by DAFM's in-depth examination based on security, risk, and strategy alignment. Their traditional derivatives platform underpins a new trading system, enriched by their high-frequency trading insights. This advanced platform offers numerous risk management tools and prompts immediate action when risk parameters are exceeded. DAFM primarily trades in Centralised Exchange derivatives, ensuring most positions can be liquidated within a day. After FTX's 2022 collapse, DAFM isolated their exposure, protecting 87.1% of assets. It should be noted that this only affects those invested as at Nov 2022, and the directors are confident that a significant portion of the exposure to FTX will be recovered.

FundMonitors believes that the leadership's history at Ark Investment Group, coupled with their proficiency in trading traditional financial market derivatives, has culminated in a sophisticated and automated risk process tailored for the distinct demands of cryptocurrency markets. Trading risks are integrally managed through DAFM's structured systems. The most significant risk to capital remains counterparty threats, evident in the collapse of FTX due to fraud in November 2022. DAFM expect the impact of the collapse of FTX to amount to approximately 3% or less of AUM.

**Operational Procedures**

DAFM acknowledges the amplified counter-party risk in the emerging, less-regulated cryptocurrency derivatives markets. To mitigate this, they rigorously assess exchanges based on security, risk, and strategic alignment, choosing only the most reputable for trading. Their approach restricts exposure to a single exchange by capping their equity and spreads trades across over 12 exchanges, minimising potential impacts of an exchange's failure. DAFM prioritises robust network security, real-time in-house position reconciliation, and swift issue resolution through collaboration with exchanges. Their Sydney and Bordeaux offices utilise proprietary trading software, sourcing data from providers like Bloomberg. They also maintain stringent compliance, highlighted by regular reviews for Quay Wholesale Fund Services.

FundMonitors notes that DAFM has engaged Ascent Fund Services, now with a Sydney branch, for administrative and NAV pricing services, streamlining communication for stakeholders. Quay Wholesale Fund Services affirms no prevailing compliance concerns. However, FundMonitors draws attention to the inherent operational risks attributed to the unregulated character of cryptocurrency markets. DAFM's decision to disperse trades over several exchanges minimises, but doesn't eliminate, the potential consequences of an exchange's failure. This is exemplified by the collapse of FTX due to fraud in 2022, necessitating the creation of a "side pocket".

**Fees, Terms and Conditions**

DAFM charges a 2% monthly management fee and a 25% quarterly performance fee, contingent upon a High Water Mark with a hurdle (RBA Cash Rate). They don't impose buy/sell spreads, and investments and withdrawals are facilitated monthly with an initial AU\$100,000 minimum. The fund, domiciled in Australia, is tailored for Wholesale investors and circulates monthly performance reports. Targeting High Net Worth individuals and family offices, DAFM witnessed several redemptions post the FTX collapse, yet the directors and many senior staff retain substantial investments.

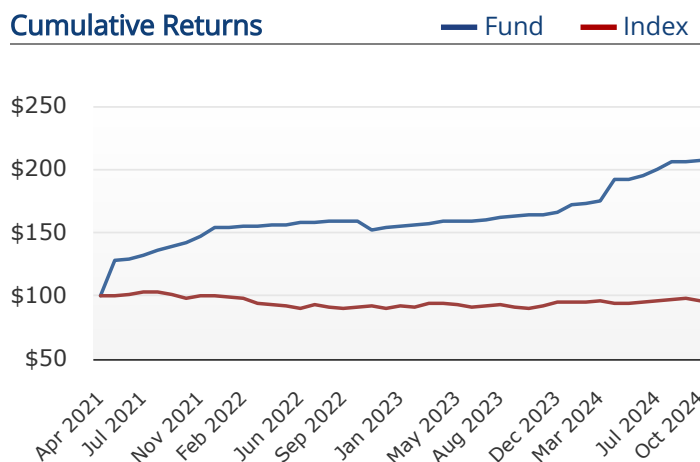
FundMonitors notes that DAFM's fees are on the higher end among peers, reflecting the company's robust infrastructure and expertise. Investors can redeem with 15 days' notice (incurs a fee of 0.25% plus GST) or with 45 days' notice at no cost, with a potential 2% early redemption fee if exits are made within the first year. Importantly, there's a "side pocket" representing approximately 12.9% of the Fund's NAV, established due to the FTX collapse, relevant only to those invested as at November 2022. The significant personal investments by the directors and senior staff underline a marked alignment with external investors.

| Period                           | Returns |        | Volatility |        |
|----------------------------------|---------|--------|------------|--------|
|                                  | Fund    | Index* | Fund       | Index* |
| Oct 2024:                        | 0.26%   | -1.88% | N/A        | N/A    |
| 3 Months:                        | 3.25%   | -0.39% | N/A        | N/A    |
| 6 Months:                        | 7.93%   | 2.26%  | N/A        | N/A    |
| 1 Year:                          | 26.00%  | 7.08%  | 8.55%      | 5.01%  |
| 3 Years <sup>2</sup> :           | 13.38%  | -0.62% | 6.88%      | 6.13%  |
| 5 Years <sup>2</sup> :           | N/A     | N/A    | N/A        | N/A    |
| 7 Years <sup>2</sup> :           | N/A     | N/A    | N/A        | N/A    |
| Since Inception <sup>1,2</sup> : | 23.09%  | -1.20% | 15.67%     | 6.12%  |

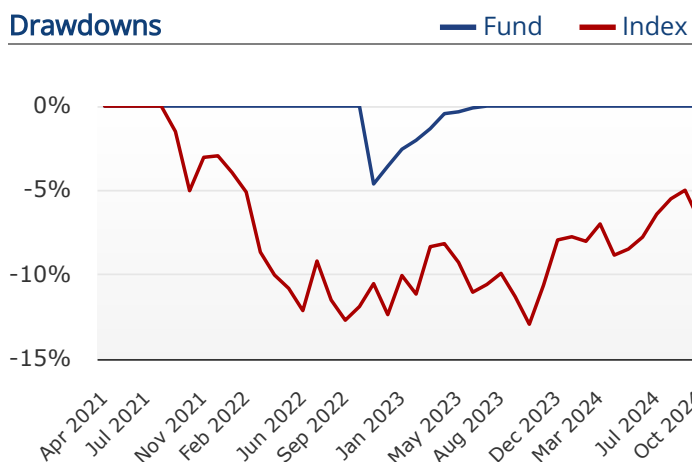
| Key Terms      |                |                  |              |
|----------------|----------------|------------------|--------------|
| APIR:          | N/A            | Status:          | Open         |
| Peer Group:    | Digital Assets | Inception Date:  | May 2021     |
| Strategy:      | Digital Assets | Style:           | N/A          |
| Geography:     | Global         | Domicile:        | Australia    |
| Investors:     | Wholesale      | Min. Investment: | AU\$ 100,000 |
| Distributions: | Quarterly      | Applications:    | Monthly      |
| Fund Size:     | AU\$ 17.24m    | Management Fee:  | 2.00%        |
| Manager FUM:   | AU\$ 26m       | Performance Fee: | 25.00%       |

\*Bloomberg AusBond Composite 0+ Yr Index, <sup>1</sup>Since May 2021, <sup>2</sup>Annualised

**Cumulative Returns**



**Drawdowns**



## Management Company & Key Staff

Digital Asset Funds Management (DAFM) is a Sydney based investment manager specialising in Digital Asset markets. DAFM evolved out of Ark International Group, (AIG or Ark) an established high-frequency trading firm which has more than 10 years experience actively trading traditional financial markets around the world.

Ark International Group's history encompassed profitably trading the busiest and most competitive regulated derivatives global markets, hence the crypto derivatives markets were an obvious step for the investment team, who spent 24 months applying their derivative trading knowledge to build a sophisticated proprietary trading system and risk management software for the crypto space.

DAFM has an overall team of 29 staff who come from various backgrounds in either financial markets or software development industries. The group includes experienced financial markets traders, researchers and software engineers, with a diverse background both within and outside financial markets.

This collaboration enables the overall team to approach trading from a range of perspectives in order to achieve optimal solutions which might not be immediately obvious from either a single financial, or technical perspective.

The technologists sit side by side with the traders and researchers, and collectively develop systems that are responsive enough to keep up with the rapidly evolving digital asset markets. The team builds and refines systems which focus on managing risk, capital allocation, security and trade management within traditional financial markets. They then utilise best practices from their collective experience in traditional markets, and apply these to the emerging digital markets.

### Key Staff

#### Clint Maddock

Years in industry: 21, Years at Firm: 12

*Founder and Director*

Clint Maddock studied Aerospace Engineering at the Australian Defence Force Academy and completed a Bachelor of Mechanical Engineering (First Class Honours) at the University of New South Wales. Maddock has extensive experience trading complex derivative products, starting his career in Sydney at IMC, an international derivatives trading house while completing a Master of Commerce specialising in Funds Management. In 2006 he was one of the co-founders of Tibra, a diversified quant based high speed trading firm, managing the Japanese and Korean trading desks. He was also the Director of Tibra's emerging investment management business. Maddock co-founded Ark International Group (AIG) in 2012, and has successfully navigated several major financial disruptions, and continues to build AIG's presence in global financial markets. With the launch of Digital Asset Funds Management (DAFM), Maddock ensures a risk averse approach is taken at DAFM.

#### Mike Gilbert

Years in industry: 32, Years at Firm: 12

*Founder and Director*

Mike Gilbert is a co-founder of DAFM and has over 30 years' experience in derivative trading & broking, high-frequency trading and clearing in London, Hong Kong and Sydney. Gilbert headed up the equity derivatives broking team for OMX in London for three years before trading Scandinavian equity derivatives for 7 years for a London based market-making firm. From 2004 to 2012 he worked for Newedge Bank in Australia and Hong Kong, holding the position of Managing Director, and responsible for the High-Frequency Trading (HFT) and Clearing divisions for Asia Pacific. Gilbert co-founded ARK International Group in 2012. He is responsible for business development, compliance and day-to-day operations.

#### Dan Nicolaides

Years in industry: 22, Years at Firm: 5

*Head of Digital Assets Trading*

Dan Nicolaides has a BSc in Applied Mathematics, and moved to London with Credit Suisse in the early 2000s, focusing on the valuation, booking, accounting treatment and P&L reporting of exotic derivatives. He moved to Hong Kong in 2006, working on Credit Suisse's hybrid derivatives desk, before moving to Royal Bank of Canada in 2009 as a swaps trader. He moved to Zurich with UBS from 2010 to 2016, trading complex derivatives, before returning to Australia in 2019.

#### Colin Pickup

Years in industry: 34, Years at Firm: 12

*Head of Technology*

Colin Pickup leads the development of DAFM's trading system, and has extensive experience creating solutions by integrating software, hardware and domain expertise. He has worked in areas such as computer-controlled embroidery, real-time video editing, typesetting, call centre command and control, high-performance object-oriented databases, and writing systems' low latency HFT trading in global markets. He has worked at Bell Labs Research and Canon Information Systems Research Australia (CISRA) and in multiple R&D start-ups.

### FundMonitors.com Comment

DAFM's principals have a significant history in traditional financial markets, and high frequency trading in particular, which they apply to the emerging cryptocurrency environment.

DAFM have assembled a significant team of highly experienced senior staff with varying backgrounds in financial markets and technology, which should enable them to adapt to both the rapidly evolving crypto space, and the resulting volatile markets.

The Fund has a track record of 3 years, within a new and volatile asset class, and has only experienced one negative month in that time.

Whilst both the principals and the team are highly experienced in their respective fields, the sector is volatile, is subject to rapid change, and is broadly unregulated. In spite of this environment, the Fund has exhibited low volatility and has limited expected downside from the impact of the collapse of FTX to approximately 3% or less of AUM.

## Investment Strategy & Process

The Digital Income Fund (Digital Income Class) was developed by DAFM to appeal to investors looking for an active exposure to digital asset markets, but with no directional bias, and low or limited volatility. The fund has an absolute return objective.

Prior to forming DAFM, Ark International Group and the team behind DAFM had a 10-year history of profitably trading the busiest and most competitive regulated derivatives markets in the world. As such, an obvious next step was to apply their experience to the cryptocurrency derivative markets. Prior to launching the fund, the trading and development team spent 18 months applying their derivatives trading knowledge to build sophisticated proprietary trading and risk management software for the cryptocurrency markets.

The Manager employs a market-neutral approach which involves implementing low-risk arbitrage strategies in the cryptocurrency derivatives space to monetise the market's inefficiencies. The fund trades around 30 of the most highly traded cryptocurrencies and their related derivatives.

Trade examples include:

- basis and term structure trading,
- low-risk or hedged liquidity provision, and
- event driven volatility trading.

The high-frequency trading inspired strategy uses complex systems and algorithms to trade global cryptocurrency markets automatically 24 hours a day, 7 days a week, albeit always with a team member's oversight. The principals' strong and established background in quantitative trading set the foundations for the fund's investment process, and is reinforced by the extensive and diverse background of the team.

Investment ideas are discussed and evolved between the trading and research teams, and are tested through a rigorous back testing framework developed by the Technology team.

If the ideas show an improvement to the existing returns profile, they are tested in a simulation environment before being rolled out to production systems. This process of constant evolution and testing is continuous and ongoing.

### FundMonitors.com Comment

🚩 The blend of the principals' experience and background in high speed automated trading of complex derivative products in traditional financial markets fits well with the opportunities created by cryptocurrencies.

🚩 The strategy's potential to reduce the volatility of the underlying markets will be attractive to investors wanting access to the underlying market, without the same underlying level of downside risk.

🚩 The fund's arbitrage strategy will be less attractive to those investors who are wanting to invest in cryptomarkets and are comfortable with, or seeking volatility.

🚩 Cryptocurrencies are emerging, largely unregulated, and highly volatile.

### Risk Management

DAFM takes a cautious approach to trading, balancing the risk vs. potential reward, and only scaling up when comfortable they understand the full scope of the risk. The native crypto exchanges present additional challenges because there is no broker or clearing member mediating the relationship with the exchange. DAFM makes extra effort to understand each of the exchanges, and then rank them in terms of security, risk and appropriateness for their target strategies.

By using their existing derivatives platform that trades on the traditional financial exchanges as the starting point for their crypto trading platform, DAFM incorporated the sanity checks and risk management features from their high frequency trading experiences. By overlaying this onto the margin management requirements from the crypto exchanges, it has evolved into a feature rich trading platform.

Examples of some of the risk management features and limits in the system include:

- per contract position limits,
- per exchange position caps,
- per exchange (and per instrument class where required) margin management,
- PnL stop losses,
- market data integrity checking,
- order line integrity checking,
- order rate limits,
- exchange counterparty exposure limits,
- execution rate limits, and
- the ability to withdraw all prices across all exchanges automatically should a condition change that is outside the system's pre-set parameters.

When risk limits are breached, the trading platform responds in one or more of the following ways:

- sending traders audible alerts,
- stopping trades entirely,
- liquidating trades, and/or
- requiring traders to take opposite positions.

The fund predominantly trades the largest Centralised Exchange (CEX) listed derivatives and the majority of positions could likely be liquidated in less than 24 hours. DAFM continually monitor position sizes relative to the open interest on any exchange they trade on and ensure that counter party exchange risk is spread across multiple exchanges.

In November 2022 FTX, based in the Bahamas and the third largest crypto exchange by volume, faced a liquidity crisis and collapsed, with the Bahamas' regulator freezing the remaining assets, causing significant volatility in global cryptocurrency markets. The Fund had an exposure to FTX of approximately 12.9% of NAV. As a result, the directors of DAFM, in conjunction with the Fund's Trustee, Quay Wholesale Fund Services, and Ascent Fund Services (Administrator), created a fee free "side pocket" (denominated in US\$) to house and isolate the Fund's exposure to FTX, and thereby allow the remaining 87.1% of the assets to continue trading. The directors are confident that a significant portion of the exposure to FTX will be recovered, but are less sure about the timing of such recovery, which, being subject to legal action, could take a number of years. This exposure limits investors who want to redeem to accessing 87.1% of their investment until the remaining 12.9% has been recovered in full or in part from FTX. It only applies to investors invested in the fund as at November 2022.

Overall trading risk is the responsibility of Clint Maddock.

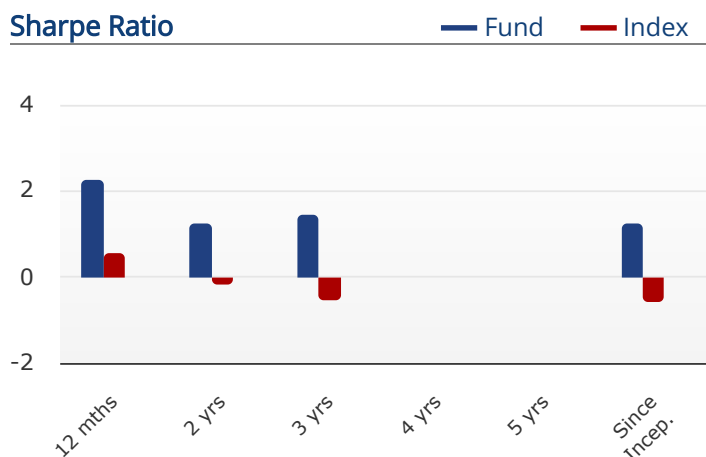
#### FundMonitors.com Comment

The principals' experiences at Ark Investment Group trading derivative instruments in traditional financial markets have enabled the development of a highly automated and systematic series of risk processes suitable for the unique requirements of cryptocurrency markets and exchanges the fund trades on.

Trading risk for the Fund is closely aligned to DAFM's systematic and internally integrated risk management systems.

The most significant risk to capital is related to counterparty risk in the event of an issue with liquidity, regulatory or failure of one of the Fund's counterparties, as occurred with FTX in Nov 2022. Despite an exposure to FTX of 12.9% at the time of its collapse due to fraud, the directors estimate the loss will amount to approx. 3% or less of AUM.

### Sharpe Ratio



#### Key Statistics<sup>1</sup>

|                         | Fund   | Index*  |
|-------------------------|--------|---------|
| Sharpe:                 | 1.24   | -0.58   |
| Sortino:                | N/A    | -0.77   |
| Best Month:             | 28.17% | 3.36%   |
| Worst Month:            | -4.62% | -3.75%  |
| Average Monthly Return: | 1.84%  | -0.09%  |
| Up-Capture Ratio:       | 202%   | N/A     |
| Down-Capture Ratio:     | -83%   | N/A     |
| Maximum Drawdown:       | -4.62% | -12.94% |

\*Bloomberg AusBond Composite 0+ Yr Index, <sup>1</sup>Since May 2021

## Operational Procedures

Counter-party risk in cryptocurrency derivative markets is as pertinent, if not more so, than when trading through centralised exchanges. Given the emerging nature of the sector, and the general lack of regulation, DAFM goes to considerable lengths to research each exchange, and then ranks each in terms of security, risk and appropriateness for their target strategies. They then select a limited number of the most established exchanges to trade through, and monitors the risk on an ongoing basis.

DAFM defines the counter-party exposure to any exchange as being the net asset value (NAV) value of any equity held at that exchange, with built in limits of how much exposure they have to each selected exchange at any given time. By spreading trades across 12 or more exchanges they mitigate the risk of any one of them failing.

DAFM's Systems Administration team has implemented extensive network security measures.

The position reconciliation system was developed, and is maintained, in house. Monitoring and reconciliation vs each of the exchanges traded on is done on a near real time basis. The traders are in close contact with the exchanges 24x7, and liaise directly with them should there be any position breaks.

At the end of month, DAFM reconciles the trading profit and loss and open positions versus the Fund's administrator, Ascent Fund Services, who has read only API access to all the exchanges DAFM trades on. Once Ascent has compiled the monthly NAV pack it is reviewed and approved by the senior management team prior to distribution to investors.

DAFM have offices in Sydney, Australia, and Bordeaux, France. There are replicated trading set ups in the homes of key staff, which have been set up by DAFM's Systems Administration staff. All trading software is developed in house, with market data provided by Bloomberg and other vendors.

DAFM is a Corporate Authorised Representative (CAR) of Quay Wholesale Fund Services Pty Ltd. As part of the CAR Agreement, DAFM completes a quarterly compliance review for Quay, which includes, amongst other aspects, reporting any breaches and/or complaints for the period.

Ascent Fund Services, the Fund's Administrator, is responsible for AML/KYC.

Investment and operational systems are proprietary and developed in-house.

| Service Providers        |                                  |
|--------------------------|----------------------------------|
| Trustee/RE:              | Quay Wholesale Fund Services     |
| Custodian:               | Fireblocks Ltd                   |
| Administrator:           | ASCENT Fund Services (Singapore) |
| Auditor:                 | BDO Australia                    |
| Legal Services Provider: | Baker McKenzie                   |
| Prime Broker:            | N/A                              |

### FundMonitors.com Comment

DAFM have appointed Ascent Fund Services (Singapore) to provide administration and monthly NAV pricing. Ascent have recently established a Sydney office, thereby improving communications for investors.

FundMonitors' enquiries with Quay Wholesale Fund Services have confirmed there are no current compliance issues.

Although the trading systems themselves have been thoroughly stress-tested, operational risk remains relating to the unregulated nature of the overall crypto markets and exchanges in and through which they operate, and the fund's counter parties. DAFM therefore spread trades across 12 or more exchanges, such that the failure of one, whilst damaging, is not critical.

(See reference under the Risk Management section to the collapse of crypto exchange FTX in November 2022, and the subsequent creation of a 12.9% "side pocket" which when realised directors expect will amount to a loss of approximately 3% or less of AUM).

## Fees, Terms & Conditions

### Terms & Fees

Management fees are 2% of Net Asset Value (NAV), payable monthly. There is a performance fee of 25% subject to a hurdle (RBA Cash Rate) and a High Water Mark, payable quarterly.

The manager does not charge a buy/sell spread when investing in or exiting the fund. Realised income is distributed quarterly and may be re-invested or distributed at the investor's discretion.



Investments and redemptions can be made monthly, with a minimum initial investment amount of AU\$100,000 and a minimum additional investment amount of AU\$10,000. There is no minimum withdrawal amount.

### Investor Relations

The fund issues a monthly performance report to investors which includes the following key information:

- Recent performance
- Long-term performance
- Net returns

### Structure & Compliance

The fund is a Unit Trust domiciled in Australia and is open to Wholesale investors. Digital Asset Funds Management is a Corporate Authorised Representative (Number 001285765) of Quay Wholesale Fund Services (AFSL 528526).

### Distribution & Marketing

DAFM's target markets are HNW individuals and family offices that are open to investing in alternative investment products. As of September 2022 the fund had in excess of 170 investors, but following the collapse of FTX a number of these redeemed the liquid portion of their investment. The two directors remain significant investors in the fund, along with a number of the senior staff.

In the early stages of the fund's formation the approach was to target known contacts from the principals' extended networks whilst building a track record. As at March 2023 the Manager is intending to launch a Cayman based feeder fund during the second quarter of 2024.

The Digital Income Fund (Digital Income Class) is listed on FundMonitors.com and Barclayhedge for existing and potential investors to quantitatively assess and rank the fund against its peers.

#### Available on Investment Platforms

OLIVIA123

#### FundMonitors.com Comment

Management and performance fees are at the higher end of the peer group, reflecting the manager's significant IP, infrastructure and staff levels.

Performance fee is high, at 25% above the RBA Cash Rate (hurdle).

Investors should be aware that the manager is entitled to charge a 2% early redemption fee if funds are withdrawn within the first 12 months of investing.

Investors should note the existence of a "side pocket" amounting to approximately 12.9% of the Fund's NAV to house the exposure to the collapsed crypto exchange FTX.

The side pocket only applies to investors in the fund as at November 2022.

The significant personal investment in the Fund by both the directors and staff is significant, and provides a firm alignment of interest with external investors.



### Performance Summary as at Oct 2024

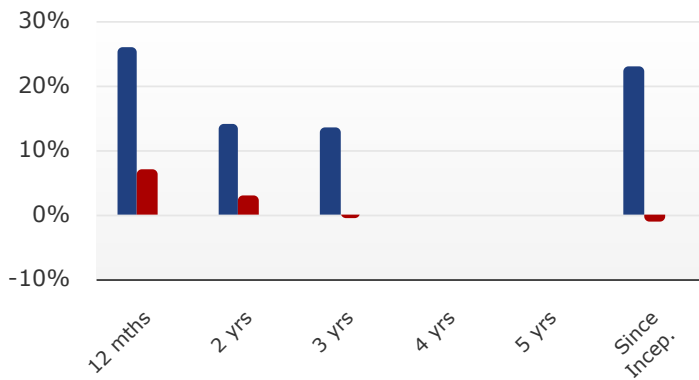
The Digital Income Fund (Digital Income Class) has a track record of 3 years and 6 months and therefore comparison over all market conditions and against its peers is limited. However, the fund has outperformed the Bloomberg AusBond Composite 0+ Yr benchmark since inception in May 2021, providing investors with an annualised return of 23.09% compared with the benchmark's return of -1.2% over the same period.

On a calendar year basis, the fund has only experienced a negative annual return once in the 3 years and 6 months since its inception. Over the past 12 months, the fund hasn't had any negative monthly returns and therefore hasn't experienced a drawdown. Over the same period, the index's largest drawdown was -1.98%. Since inception in May 2021, the fund's largest drawdown was -4.62% vs the index's maximum drawdown over the same period of -12.94%. The fund's maximum drawdown began in November 2022 and lasted 8 months, reaching its lowest point during November 2022. The fund had completely recovered its losses by July 2023. During this period, the index's maximum drawdown was -12.37%.

The Manager has delivered these returns with 9.55% more volatility than the benchmark, contributing to a Sharpe ratio which has fallen below 1 two times over the past five years and which currently sits at 1.24 since inception. The fund has provided positive monthly returns 96% of the time in rising markets and 100% of the time during periods of market decline, contributing to an up-capture ratio since inception of 202% and a down-capture ratio of -83%.

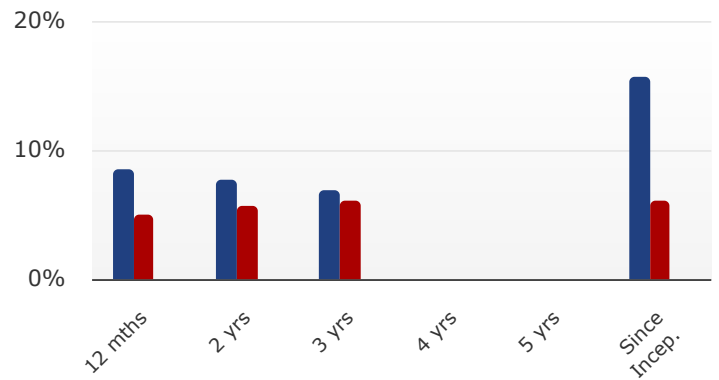
#### Annual Returns

— Fund — Index



#### Standard Deviation

— Fund — Index

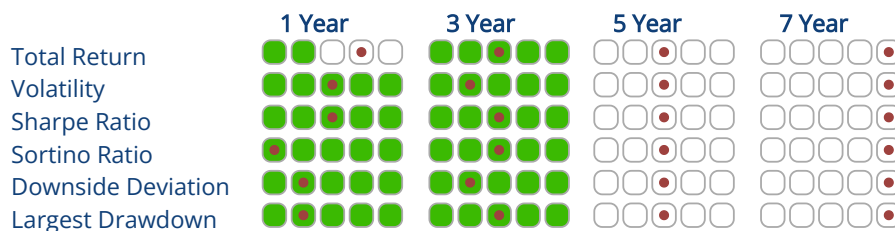


### Quintile Ranking vs. Digital Assets as at October 2024

The performance of the Digital Income Fund (Digital Income Class) ranked it in the first quintile for all KPIs over 3 years, while over 1 year the fund ranked in the first quintile for all KPIs except Total Return.

Over the past 12 months, the fund has risen by +26% compared with the peer group which has returned an average of +59.33%, for a difference of -33.33%.

The fund's returns over the past 12 months have been achieved with a volatility of 8.55% vs the peer group's average volatility of 39.51%. The annualised volatility of the fund's returns since inception in May 2021 is 15.67% vs the peer group's 47.06%. Over all other periods, the fund's returns have been consistently less volatile than the peer group.



Quintile Rankings display Key Performance Indicators (KPI's) against the fund's Peer Group. Each green square ranks the fund in one quintile (or 20%) of its peer group - five green squares indicate the fund is in the best quintile for each KPI. The performance of the peer group's underlying index is shown by a red dot.

■ Digital Income Fund (Digital Income Class)  
● S&P Cryptocurrency Broad Digital Market Index

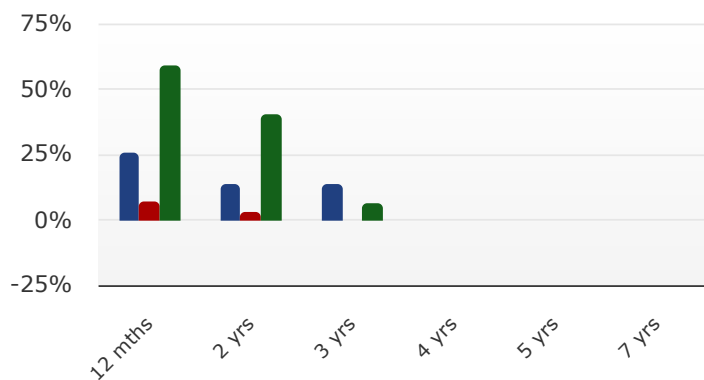
### Performance Review (Peer Group: Digital Assets)

The Digital Income Fund (Digital Income Class) rose by +0.26% in October, an outperformance of +2.14% compared with the Bloomberg AusBond Composite 0+ Yr benchmark which fell by -1.88%. Over the past 12 months, the fund's best monthly return was +9.38% compared with the benchmark's best return of +3.01%, and its worst monthly return was +0.06% vs the benchmark's worst return over the same period of -1.98%.

| Year | Jan % | Feb % | Mar % | Apr % | May % | Jun % | Jul % | Aug % | Sep % | Oct % | Nov % | Dec % | YTD % |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2024 | 3.42  | 0.89  | 1.06  | 9.38  | 0.12  | 1.69  | 2.67  | 2.57  | 0.40  | 0.26  | NA    | NA    | 24.48 |
| 2023 | 1.05  | 0.54  | 0.71  | 0.90  | 0.11  | 0.23  | 0.44  | 1.42  | 0.37  | 0.97  | 0.06  | 1.16  | 8.25  |
| 2022 | 0.23  | 0.38  | 0.53  | 0.28  | 0.35  | 1.03  | 0.19  | 0.15  | 0.08  | 0.35  | -4.62 | 1.10  | -0.08 |
| 2021 | NA    | NA    | NA    | NA    | 28.17 | 0.83  | 2.19  | 2.62  | 2.86  | 1.85  | 3.72  | 4.36  | 53.68 |

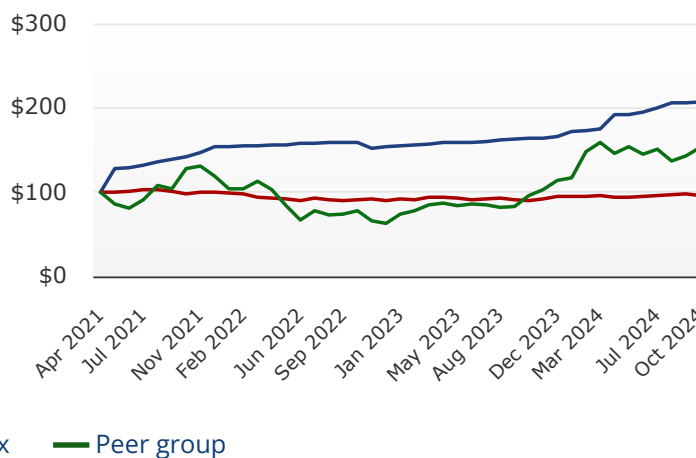
#### Annual Returns

Over the past 12 months, the fund has risen by +26% compared with the benchmark which has returned +7.08%, for a difference of +18.92%. Since inception in May 2021, the fund has returned +23.09% per annum, a difference of +24.29% relative to the benchmark which has fallen -1.2% on an annualised basis over the same period.



#### Cumulative Returns

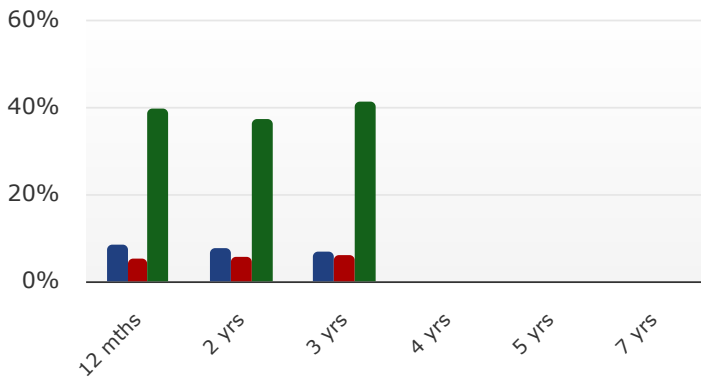
On a cumulative basis (assuming reinvestment of distributions), \$100 invested since inception would have become \$206. The same amount invested in the benchmark over the same period would have become \$95.



## Volatility and Risk

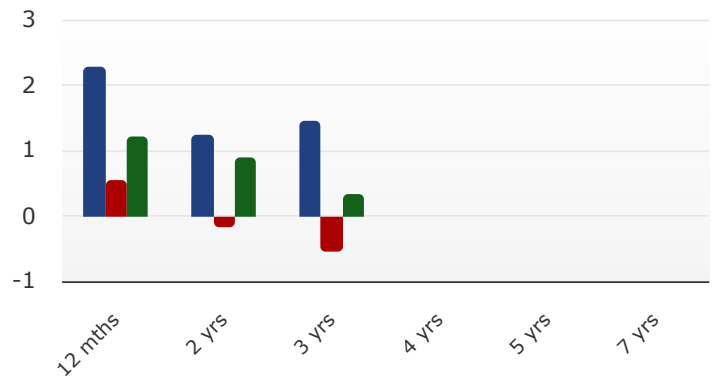
### Annual Standard Deviation

The fund's returns over the past 12 months have been achieved with a volatility of 8.55% vs the index's 5.01%. The annualised volatility of the fund's returns since inception in May 2021 is 15.67% vs the index's 6.12%. Over all other periods, the fund's volatility relative to the benchmark has been varied.



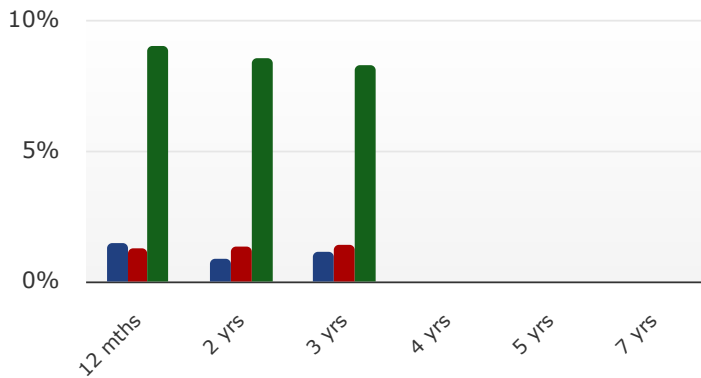
### Sharpe Ratio

The fund's Sharpe ratio has ranged from a high of 2.27 for performance over the most recent 12 months to a low of 0 over the latest 48 months, and is 1.24 for performance since inception. By contrast, the Bloomberg AusBond Composite 0+ Yr Index's Sharpe for performance since May 2021 is -0.58.



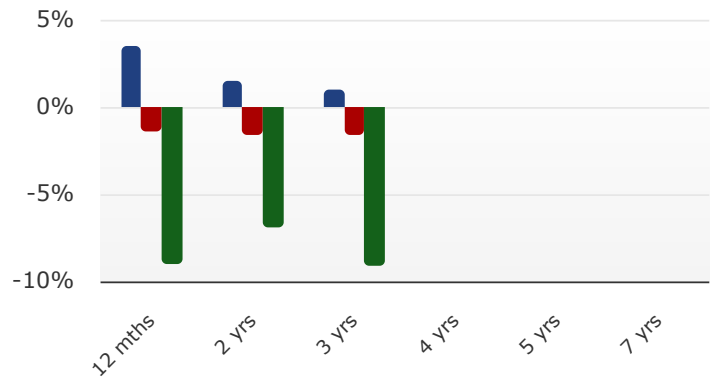
### Performance in Positive Markets

Since inception in May 2021 in the months where the market was positive, the fund has provided positive returns 96% of the time, contributing to an up-capture ratio for returns since inception of 201.54%. Over all other periods, the fund's up-capture ratio has ranged from a high of 118.9% over the most recent 12 months to a low of 0% over the latest 48 months. An up-capture ratio greater than 100% indicates that, on average, the fund has outperformed in the market's positive months.



### Performance in Negative Markets

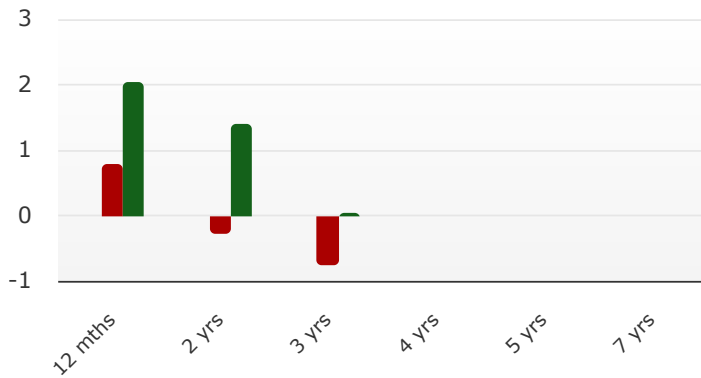
Since inception in May 2021 in the months where the market was negative, the fund has provided positive returns 100% of the time, contributing to a down-capture ratio for returns since inception of -83.24%. Over all other periods, the fund's down-capture ratio has ranged from a high of 0% over the most recent 48 months to a low of -258.41% over the latest 12 months. A negative down-capture ratio indicates that, on average, the fund delivered positive returns in the months the market fell.



— Fund — Index — Peer group

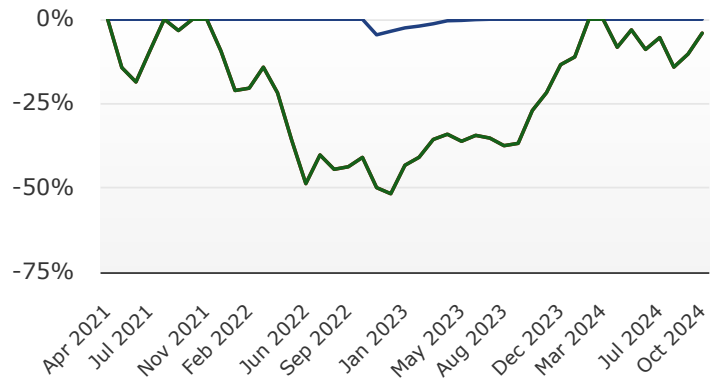
## Sortino Ratio

The fund has had too few negative returns over the past 12 months for a Sortino ratio to be calculated. Over all other periods its Sortino ratio (which excludes volatility in positive months) has ranged from a high of 0 for performance over the most recent 24 months to a low of 0 over the latest 24 months. By contrast, the Bloomberg AusBond Composite 0+ Yr Index's Sortino for performance since May 2021 is -0.77.

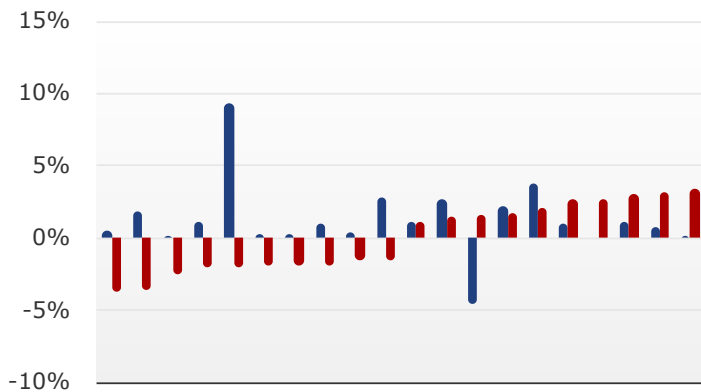


## Drawdown

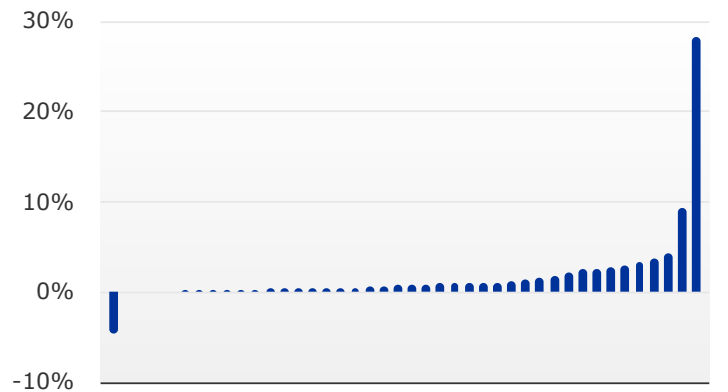
Over the past 12 months, the fund hasn't had any negative monthly returns and therefore hasn't experienced a drawdown. Over the same period, the index's largest drawdown was -1.98%. Since inception in May 2021, the fund's largest drawdown was -4.62% vs the index's maximum drawdown over the same period of -12.94%.



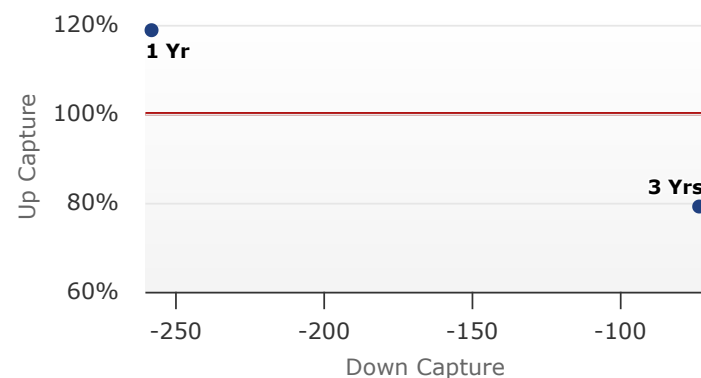
## Return in Index's 10 Best & 10 Worst Months %



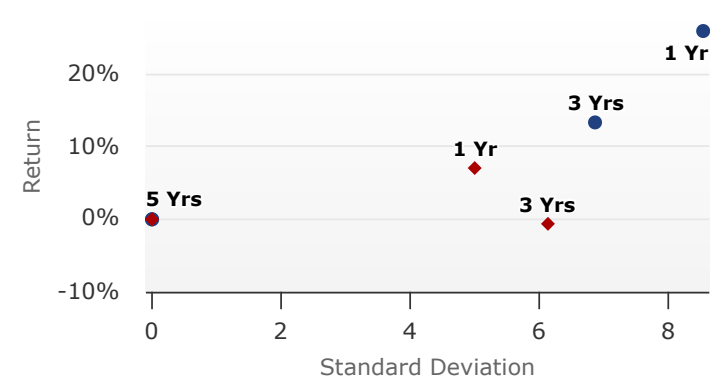
## Distribution of Returns



## Up-capture vs Down-capture



## Standard Deviation vs Return



— Fund — Index — Peer group

| Annual Returns and Analytics                 | 12 months | 24 months | 36 months | 48 months | 60 months | Inception |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Fund Annual Return per annum                 | 26.00%    | 13.99%    | 13.38%    | N/A       | N/A       | 23.09%    |
| Index Annual Return per annum                | 7.08%     | 2.86%     | -0.62%    | N/A       | N/A       | -1.20%    |
| Fund Cumulative Return (on \$100)            | \$126.00  | \$129.93  | \$145.74  | \$N/A     | \$N/A     | \$206.92  |
| Index Cumulative Return (on \$100)           | \$107.08  | \$105.81  | \$98.15   | \$N/A     | \$N/A     | \$95.86   |
| Fund Annualised Standard Deviation           | 8.55      | 7.69      | 6.88      | N/A       | N/A       | 15.67     |
| Index Annualised Standard Deviation          | 5.01      | 5.69      | 6.13      | N/A       | N/A       | 6.12      |
| Fund Sharpe Ratio                            | 2.27      | 1.25      | 1.45      | N/A       | N/A       | 1.24      |
| Index Sharpe Ratio                           | 0.54      | -0.17     | -0.55     | N/A       | N/A       | -0.58     |
| Fund Sortino Ratio                           | N/A       | N/A       | N/A       | N/A       | N/A       | N/A       |
| Index Sortino Ratio                          | 0.78      | -0.27     | -0.75     | N/A       | N/A       | N/A       |
| Monthly Returns and Analytics                | 12 months | 24 months | 36 months | 48 months | 60 months | Inception |
| Fund Average monthly return                  | 1.94%     | 1.10%     | 1.05%     | N/A       | N/A       | 1.84%     |
| Index Average monthly return                 | 0.57%     | 0.24%     | -0.05%    | N/A       | N/A       | -0.09%    |
| Fund % of Positive Months                    | 100%      | 96%       | 97%       | N/A       | N/A       | 98%       |
| Index % of Positive Months                   | 75%       | 63%       | 53%       | N/A       | N/A       | 55%       |
| Fund Average +ve Return                      | 1.97%     | 1.37%     | 1.23%     | N/A       | N/A       | 1.99%     |
| Index Average +ve Return                     | 1.24%     | 1.33%     | 1.39%     | N/A       | N/A       | 1.27%     |
| Fund Best Month                              | 9.38%     | 9.38%     | 9.38%     | N/A       | N/A       | 28.17%    |
| Index Best Month                             | 3.01%     | 3.16%     | 3.36%     | N/A       | N/A       | 3.36%     |
| Fund Average -ve Return                      | N/A       | -4.62%    | -4.62%    | N/A       | N/A       | -4.62%    |
| Index Average -ve Return                     | N/A       | -1.55%    | -1.63%    | N/A       | N/A       | -1.73%    |
| Fund Worst Month                             | 0.06%     | -4.62%    | -4.62%    | N/A       | N/A       | -4.62%    |
| Index Worst Month                            | -1.98%    | -2.06%    | -3.75%    | N/A       | N/A       | -3.75%    |
| Fund Largest Drawdown                        | 0.00%     | 0.00%     | -4.62%    | N/A       | N/A       | -4.62%    |
| Index Largest Drawdown                       | -1.98%    | -5.20%    | -10.29%   | N/A       | N/A       | -12.94%   |
| Fund Downside Deviation                      | 0.39      | 3.45      | 2.82      | N/A       | N/A       | 2.61      |
| Index Downside Deviation                     | 3.31      | 4.14      | 4.69      | N/A       | N/A       | 4.81      |
| Performance in Positive Markets              | 12 months | 24 months | 36 months | 48 months | 60 months | Inception |
| Number of months market was positive         | 9         | 15        | 19        | N/A       | N/A       | 23        |
| Fund % positive months, when market positive | 100%      | 93%       | 95%       | N/A       | N/A       | 96%       |
| Cumulative Fund return in positive market    | 13.88%    | 13.62%    | 23.64%    | N/A       | N/A       | 67.57%    |
| Cumulative Index return in positive market   | 11.67%    | 21.84%    | 29.86%    | N/A       | N/A       | 33.53%    |
| Up Capture Ratio                             | 118.90%   | 62.35%    | 79.19%    | N/A       | N/A       | 201.54%   |
| Performance in Negative Markets              | 12 months | 24 months | 36 months | 48 months | 60 months | Inception |
| Number of months market was negative         | 3         | 9         | 17        | N/A       | N/A       | 19        |
| Fund % positive months, when market negative | 100%      | 100%      | 100%      | N/A       | N/A       | 100%      |
| Cumulative Fund return in negative market    | 10.64%    | 14.36%    | 17.87%    | N/A       | N/A       | 23.48%    |
| Cumulative Index return in negative market   | -4.12%    | -13.16%   | -24.42%   | N/A       | N/A       | -28.21%   |
| Down Capture Ratio                           | -258.41%  | -109.15%  | -73.17%   | N/A       | N/A       | -83.24%   |

## AFM FACTORS Process and Methodology:

The processes involved in AFM FACTORS Research include:

- Extensive interviews with the directors, key staff and service providers of the Management Company and the fund.
- Objective analysis of the responses to interviews and questionnaires regarding the Fund's Investment Strategy & Risk Processes.
- Objective analysis of the responses to interviews and questionnaires regarding the Operational Processes, Compliance and Risks of the Management Company and Fund.
- Analysis of the Fund's documentation, Fees, Terms, Conditions and Investor Relations.
- Quantitative analysis of the Fund's track record to provide key performance and risk indicators.


The quantitative approach to the FACTORS reports is adjusted following qualitative assessment by AFM's Investment Committee depending on the level of conviction attached to each score. This score is weighted and calculated as a percentage in the tables below.


## FACTORS Rating, Weightings and Scoring Methodology


| Category and Factors considered  | Weighting to Total |
|--|--------------------|
| <b>1 Management Company &amp; Key Staff:</b><br>Includes board composition and independence; meetings and processes; relevance, depth and experience of key staff; overall staffing levels; staff turnover; roles and separation of duties; equity in management company; co-investment in the fund. | 25%                |
| <b>2 Investment Strategy &amp; Process:</b><br>Edge; logical and clear; difference; research sources; consistency; liquidity; processes; derivatives; currency; concentration;   | 25%                |
| <b>3 Risk Management:</b><br>Separation of risk management; risk limits and processes; risk committee.   | 20%                |
| <b>4 Operational Procedures:</b><br>Back office; trade processes; compliance; counter parties; IT systems; disaster recovery; insurance; AML; service providers.   | 20%                |
| <b>5 Fees, Terms &amp; Conditions:</b><br>Liquidity; investment and redemption terms; management fees; performance fees; HWM; hurdles; reporting; transparency.  | 10%                |
| <b>Total</b>   | <b>100%</b>        |

## Flags

FACTORS reports use a series of Comments boxes with Flags to denote areas which are believed to be of interest or relevance to Advisors and Investors. These are provided as a guide only and do not guarantee that the points raised or opinions noted (red or yellow flag) are the sole risks involved, or that a positive comment (green flag) indicates that there is no risk involved in the investment.

 Denotes an area which FACTORS Research considers to be positive, or exceeds general industry standards, taking into account the Manager's size or Fund strategy.

 Denotes an area that investors should be aware of, but is not considered to be either a major issue, or is appropriate given the circumstances.

 Denotes an area or factor which is considered to be a serious weakness, or might cause investors to avoid the Manager or Fund.

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