

Monochrome Bitcoin Trust (IBTC)

Open to retail investors

Monochrome

Fund Report | April 2024

Bitcoin Interest Price (as at 30 April 2024): **\$9.32**

Fund Objective

The fund's objective is to provide investors with an investment return that tracks the price of bitcoin in Australian dollars (before fees and costs).

Performance

Returns (%) as of 30 April 24 ¹	Monochrome Bitcoin Trust (IBTC) ¹	BRR/WMR ²
1 Month	-14.25%	-14.08%
3 Months	43.85%	44.08%
6 Months	73.15%	73.47%
1 Year	110.77%	112.67%
Since inception p.a.	169.53%	171.34%

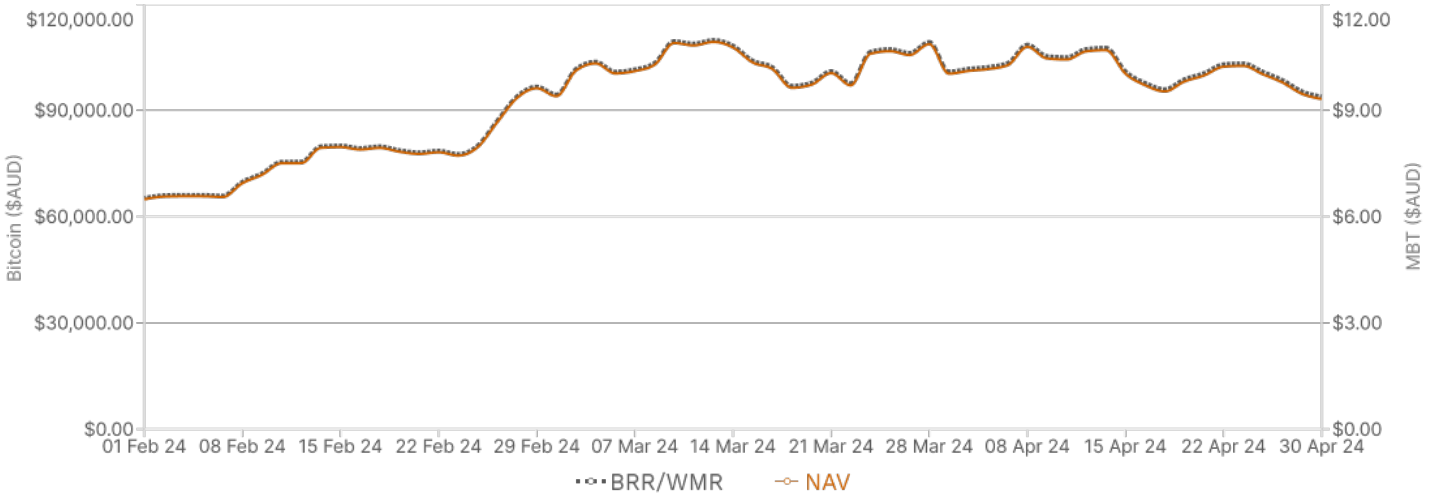
¹ Returns are net of fees and costs before tax. Past performance is not indicative of future performance.

² CME Bitcoin Reference Rate as supplied by CF Benchmarks Ltd, AUD:USD World Market Reuters FX rate as supplied by State Street Australia Ltd.

Fund Details

Investment Manager	Monochrome Asset Management Pty Ltd
Fund Inception	10 March 2023
Management Fee	1.35% p.a.
Buy/Sell Spread	0.25%
Unit Pricing	Daily
Bitcoin Interests	Investors in the fund hold Bitcoin Interests, conferring an absolute entitlement to their underlying bitcoin.
Minimum Investment	\$5,000
Minimum Additional Investment	\$1,000
Applications	Daily
Redemptions	Daily (cash or in-specie)
Redemption Fee	Cash: Nil / In-specie: \$500
Benchmark	CME CF Bitcoin Reference Rate

Daily IBTC NAV vs CME CF BRR Benchmark



Fund Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	-	-	42.05%	3.68%	-5.65%	8.38%	-4.01%	-3.91%	-0.82%	30.13%	5.00%	10.13%
2024	4.09%	48.52%	12.95%	-14.25%	-	-	-	-	-	-	-	-

Service Providers

Monochrome

INVESTMENT
MANAGER

STATE STREET

ADMINISTRATOR &
CASH CUSTODIAN

AUTOMIC GROUP

REGISTRY

cfbenchmarks

BENCHMARKING⁴

GEMINI

CRYPTO-ASSET
CUSTODIAN

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Market Commentary

Hong Kong Bitcoin and Ether ETFs attract over \$200m

On April 30, Hong Kong spot Bitcoin and Ethereum exchange-traded funds (ETFs) attracted more than USD\$200 million combined on the first day of trading.¹

Data from Arkham Intelligence shows that the Boser HashKey spot Bitcoin and Ether ETFs have accumulated 964 Bitcoin (BTC) and 4,290 Ether (ETH), totaling \$71.94 million in assets under management.² Additionally, Eric Balchunas, a senior ETF analyst at Bloomberg, disclosed that spot Bitcoin and Ether ETFs created by ChinaAMC have amassed \$123.61 million in combined assets.³

“We tried to warn everyone to lower expectations re[garding] HK,” commented Balchunas. “That said, if you localise numbers, this was BIG: e.g. ChinaAMC bitcoin ETF took in \$123m on Day One, which already ranks it 6th of 82 ETFs launched in past 3yrs in HK and Top 20% overall” he added.⁴

The value of the assets gathered is much lower compared to their United States counterparts. Spot Bitcoin ETFs in the US attracted nearly USD\$4 billion in assets under management during their first week of launch, with USD\$4.5 billion in volume on January 12 alone,⁵ the first day of trading on Wall Street. However, having more Bitcoin ETFs in the market is generally considered beneficial for market growth and accessibility.

One key feature that sets the Hong Kong spot crypto products apart from their U.S. counterparts is their in-kind feature “Investors can purchase the ETFs with Bitcoin or Ethereum and subsequently sell them for cash, or vice versa, enabling seamless two-way investment flexibility,” HashKey said today in a statement.

“This now caters to a different group of people,” Rebecca Sin, an ETF analyst at Bloomberg, said last week. “Everyone that’s holding bitcoin and ether can potentially now swap this into an ETF.”

In an April 28 survey conducted by Hong Kong-regulated crypto exchange OSL,⁶ 76.9% of respondents knowledgeable about crypto in the city expressed plans to invest in the new spot Bitcoin and Ether ETFs.

“This positive investor sentiment powerfully points to the growing acceptance and importance of digital assets in the region’s economy, and Hong Kong is once again marking its place as the digital asset hub,” commented OSL’s executive director and head of regulatory affairs, Gary Tiu.⁷

Uniswap issued Wells Notice by SEC

On April 10, Uniswap Labs (Uniswap) disclosed in a blog post⁸ that they received a Wells Notice from the U.S. Securities and Exchange Commission (SEC). Uniswap’s native token, UNI, dropped 9.5% immediately after the news. A Wells Notice is issued by the Enforcement Division of the SEC to inform a person or an entity that it intends to bring charges for securities violations.⁹

According to Uniswap’s COO Mary-Catherine Lader and Chief Legal Officer Marvin Ammori, the Wells Notice primarily addressed allegations of Uniswap acting as an unregistered securities broker and unregistered securities exchange. It is not clear whether the exchange’s token, UNI, was included in the allegations.¹⁰

Uniswap’s CEO, Hayden Adams, announced on X that he was “not surprised. Just annoyed, disappointed and ready to fight.”

In his post on X, Adams continued on to criticise the SEC’s approach towards established players in the space while allegedly allowing malpractices by others to go unchecked, “I am confident that the products we offer are legal and that our work is on the right side of history. But it’s been clear for a while that rather than working to create clear, informed rules, the SEC has decided to focus on attacking long-time good actors like Uniswap and Coinbase. All while letting bad actors like FTX slip by.”¹¹

In a blog post, Uniswap wrote that the Wells Notice, along with SEC’s lawsuits against other cryptocurrency companies such as Coinbase “is the latest political effort to target even the best actors building technology on blockchains.”¹² Uniswap denied that the tokens it offers for sale are securities, even though the SEC asserts that most tokens other than bitcoin fall under their jurisdiction.

In parallel, Consensus has filed a lawsuit against the SEC, accusing the agency of unlawfully seizing authority over Ethereum, the blockchain network that underpins many decentralised applications and tokens. In recent months, the SEC has also brought lawsuits against cryptocurrency exchanges like Binance and Kraken.¹³

Consensus’ legal action is not the first challenge to the SEC’s regulatory stance on cryptocurrencies. Commissioner Hester Pierce has previously criticised the SEC’s approach, particularly regarding its treatment of established players versus newcomers in the industry.¹⁴

Market Commentary

Metaplanet Shares Soar as Japanese Firm Mimics MicroStrategy on Bitcoin Buying

In early April, Metaplanet, a Web3 infrastructure provider, experienced a nearly 90% increase in its Tokyo-listed stock over two days.¹⁵ This surge followed the company's announcement that it was incorporating 1 billion yen (USD\$6.25 million) worth of Bitcoin into its balance sheet in collaboration with Sora Ventures, Mark Yusko from Morgan Creek Capital, and other partners. It marks one of the first publicly traded companies in an Asian market to add bitcoin to their balance sheet.¹⁶

This action, similar to MicroStrategy's approach, a U.S.-based company that has been accumulating bitcoin since 2020, accounts for a significant 30% of Metaplanet's market capitalisation and signals a strategic pivot towards Bitcoin as a core treasury asset.¹⁷ Microstrategy currently holds the largest corporate ownership of bitcoin, with more than 214,400 bitcoins valued at USD\$7.54 billion (as of April 26, 2024), according to a press release on April 29.¹⁸

The company, originally operating as a budget hotel operator under the name Red Planet before transitioning into a Web3 software developer, stated its intention to reduce its exposure to the Japanese yen. In an update to shareholders, the company noted that the yen has been adversely affected by Japan's prolonged low-interest-rate environment, which has diminished its status as a major global currency. In March, the central bank raised short-term interest rates from minus 0.1% to 0 to 0.1%, marking the first increase in 17 years.¹⁹

In a post on X, Metaplanet emphasised that their "strategic pivot is not just about embracing digital assets but also about pioneering a future where finance meets innovation at its core."²⁰

Samourai Wallet founders arrested for money laundering charges

On April 24, the U.S. Department of Justice (DOJ) charged Samourai Wallet's CEO and CTO with a count of conspiracy to commit money laundering and a count of conspiracy to operate an unlicensed money transmitted service, alleging that it operated as a "cryptocurrency mixing service."

The wallet startup, founded in 2015, had offered a series of privacy-focused features designed to obfuscate the source of funds — tools that prosecutors say enabled criminal activity.²¹

"Samourai unlawfully combined multiple unique features to execute anonymous financial transactions valued at over \$2 billion for its customers. While offering Samourai as a 'privacy'

service, the defendants knew that it was a haven for criminals to engage in large-scale money laundering and sanctions evasion," the DOJ alleged.²²

Both Samourai's CEO Keonne Rodriguez and CTO William Lonergan Hill were arrested on April 24. Rodriguez, who pleaded not guilty, was released on bail. During an April 29 appearance in the U.S. District Court for the Southern District of New York, Rodriguez entered a plea of not guilty to charges of conspiracy to operate an unlicensed money-transmitting business and money laundering.

William Hill has not yet appeared in a U.S. courtroom, likely because he was arrested in Portugal, and authorities are working through extradition proceedings. Rodriguez is scheduled to appear in court again on May 14.

Samourai has for years publicly criticised the US government for its efforts to inhibit and block mixing services.

In a January letter, Samourai Wallet said that the U.S. Financial Crimes Enforcement Network's (FinCEN's) proposed rules against mixing services would "seriously harm your privacy by effectively outlawing bitcoin mixing as well as conflating basic best practices such as not reusing addresses as a suspicious action requiring enhanced reporting."²³

Over the past two years, regulators have cracked down on other mixing services and platforms.²⁴ Including Roman Sterlingov, the founder of the mixing service Bitcoin Fog, who was convicted in March this year on similar charges and is awaiting sentencing in July.²⁵

Tornado Cash, an Ethereum-based mixer, faced sanctions in 2022, and one of its co-founders is currently on trial, with a verdict expected next month.

This sets the stage for a broader discussion²⁶ on self-custody, the right to create code, and how the right to transact privately aligns with U.S. security interests. According to Peter Van Valkenburgh, director of research at Coin Center, it signifies "regulation by criminal enforcement."²⁷

Van Valkenburgh articulates the gravity of the situation, stating, "It has been the clear and consistent policy of the U.S. government since at least 2013 that cryptocurrency wallet developers and the users of those wallets are not money transmitters." His observation highlights the sudden shift in the DOJ's stance, which sharply contrasts with the definitions and regulations established by FinCEN and other regulatory bodies over the past decade.²⁸

Market Commentary

Advisors stacking bitcoin

On April 9, two financial advisors revealed investments in spot Bitcoin ETFs.²⁹

Signal Advisors, a Michigan-based startup serving independent financial advisors, disclosed ownership of 20,571 shares of BlackRock iShares Bitcoin Trust (IBIT).

Wedmont Private Capital, a Philadelphia-based Registered Investment Advisor (RIA), disclosed ownership of 3,471 shares of Fidelity Bitcoin ETF (FBTC).

These spot Bitcoin ETF shares represent a small portion of each firm's investments. Wedmont manages over USD\$1.3 billion in assets under management (AUM), while Signal's AUM stands at roughly USD\$403 million. The companies' other holdings primarily consist of traditional ETFs, stock investments, and various other assets.

On April 1, another firm called Burkett Financial Services, a financial planner based in South Carolina, disclosed investments in two Bitcoin ETFs.³⁰

According to Burkett's latest Form 13F filing, the firm holds 602 shares of BlackRock's iShares Bitcoin Trust (IBIT), a spot Bitcoin ETF, with a total value of USD\$24,363. Additionally, the company holds 630 shares of ProShares' Bitcoin Strategy ETF (BITO), which invests in Bitcoin futures. Its BITO shares are valued at USD\$20,344 in total.

In March, Cetera Financial Group initiated a new program aimed at assisting financial advisors in integrating spot Bitcoin ETFs into investment strategies,³¹ responding to the increasing demand for Bitcoin investment options. Cetera holds a prominent position in the U.S. wealth management sector, boasting a network of over 12,000 financial advisors and managing approximately USD\$475 billion in AUM.

Discussions around spot Bitcoin ETFs continue as commentators expect more significant inflows. Bitwise CIO Matt Hougan said that Bitcoin spot ETFs could experience USD\$1 trillion in inflows if global wealth managers allocate 1% of their portfolios to Bitcoin.³²

Ark Invest Chief Executive Officer, Cathie Woods, expressed her thoughts at March's Bitcoin Investor Day conference in New York City. "We put our bull case for bitcoin at \$1.5 million," Wood said. "If institutional investors were to allocate a little more than 5% of their portfolios to bitcoin, that alone would add \$2.3 million to the projection I just gave you."³³

¹ [Hong Kong Bitcoin, Ether ETFs attract over \\$200M on day 1](#)

² [Bosera Funds, Arkham Intelligence](#)

^{3, 4} [Post by Eric Baulchunas, X](#)

⁵ [Monochrome Digest | February 2024 - March 2024](#)

^{6, 7} [OSL Survey Reveals 76.9% of Respondents Plan to Invest in Spot BTC/ETH ETFs in Hong Kong](#)

^{8, 12} [Fighting for DeFi](#)

⁹ [Wells Notice: What it Means, How it Works](#)

¹⁰ [DeFi Exchange Uniswap Receives Enforcement Notice From the SEC](#)

¹¹ [Post by Hayden Adams, X](#)

¹² [Consensus Sues the SEC to Defend the U.S. Ethereum Community](#)

¹³ [Commissioner Peirce criticizes SEC's approach to crypto, pace of rule-making](#)

¹⁴ [Rendering Innovation Kaput: Statement on Amending the Definition of Exchange](#)

^{15, 17} [Metaplanet Shares Soar as Japanese Firm Mimics MicroStrategy on Bitcoin Buying](#)

¹⁶ [Metaplanet & Sora Ventures To Create "Asia's First MicroStrategy"](#)

¹⁸ [MicroStrategy Announces First Quarter 2024 Financial Results; Now Holds 214,400 BTC](#)

¹⁹ [Bank of Japan scraps radical policy, makes first rate hike in 17 years](#)

²⁰ [Post by Metaplanet, X](#)

²¹ [DOJ arrests founders of privacy-focused crypto wallet Samourai](#)

²² [Founders And CEO Of Cryptocurrency Mixing Service Arrested And Charged With Money Laundering And Unlicensed Money Transmitting Offenses](#)

²³ [Post by Samourai Wallet, X](#)

²⁴ [U.S. Targets Crypto Mixers Over Money Laundering Risks](#)

²⁵ [Bitcoin Fog Operator Convicted of Money Laundering Conspiracy](#)

²⁶ [Distilling the Tornado Cash and Samourai Suits](#)

²⁷ [DOJ's New Stance on Crypto Wallets is a Threat to Liberty and the Rule of Law](#)

²⁸ [Coin Center Warns of DOJ Overreach in Tornado Cash, Samourai Wallet Cases](#)

²⁹ [Independent financial advisors start disclosing Bitcoin exposure via ETFs](#)

³⁰ [Burkett Financial Services buys Bitcoin via ETFs](#)

³¹ [Cetera Introduces Bitcoin ETF Policy and Guidance for Financial Professionals](#)

³² [Post by Bitwise, X](#)

³³ [Why Cathie Wood Sees Bitcoin Price Soaring To \\$3.8 Million](#)