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## PROSPECTUS

Initial Public Offering

January 19, 2021

# BITCOIN TRUST

Managed by Ninepoint Partners LP



**Maximum US\$500,000,000**  
**(Maximum 50,000,000 Class A Units, Class F Units and/or Class S Units)**

**Bitcoin Trust (the “Fund”) invests in the digital currency Bitcoin. Given the speculative nature of Bitcoin and the volatility of the Bitcoin markets, there is considerable risk that the Fund will not be able to meet its investment objectives. An investment in the Fund is not intended as a complete investment program and is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. An investment in the Fund is considered high risk.**

The Fund is a closed-end investment fund established as a trust under the laws of the Province of Ontario. The Fund proposes to offer three classes of units: Class A units (“**Class A Units**”), Class F units (“**Class F Units**”) and Class S units (“**Class S Units**”). The Class A Units, Class F Units and Class S Units are referred to herein as the “**Units**”.

The Class A Units are available to all investors.

The Class F Units are designed for fee-based and/or institutional accounts and will not be listed on a stock exchange, but will be reclassified as Class A Units immediately upon the closing of the Offering. Each Class F Unit will be reclassified as a number of Class A Units equal to the Net Asset Value per Class F Unit divided by the Net Asset Value per Class A Unit.

The Class S Units are designed for investors who invest C\$20,000,000 or more in the Offering and will not be listed on a stock exchange but will be reclassified as Class A Units immediately upon the closing of the Offering. Each Class S Unit will be reclassified as a number of Class A Units equal to the Net Asset Value per Class S Unit divided by the Net Asset Value per Class A Unit.

Accordingly, investors purchasing and/or receiving the Class F Units and/or Class S Units will, upon closing of the Offering, become holders of Class A Units. See “Description of the Units – Reclassification of Class F Units and Class S Units upon Closing”. The Class A Units, the Class F Units and the Class S Units will be available for purchase under the Offering in both U.S. and Canadian dollars and the Class A Units will trade in both U.S. and Canadian dollars under the symbols BITC.U and BITC.UN, respectively.

The Fund’s investment objectives are to seek to provide holders of Units (“**Unitholders**”) of the Fund with exposure to digital currency Bitcoin (“**Bitcoin**”) through an institutional-quality platform that is cost-efficient to Unitholders

and to provide a secure, simpler and exchange-traded investment alternative for buying and holding Bitcoin. See “Investment Objectives”.

The Fund intends to achieve its investment objectives by investing directly in Bitcoin while using high quality service providers, including digital asset trading counterparties, trading platforms and custodians, and independent auditors, legal and valuation agents, in order to manage the assets of the Fund. By having in-house expertise, the Manager expects to offer a cost-efficient structure to Unitholders for ongoing management fees. See “Investment Strategies”.

As it is the Fund’s intention to invest in Bitcoin on a passive basis, the Fund will not speculate with regard to changes in Bitcoin prices and sales of Bitcoin will generally only be undertaken by the Fund as required in order to fund expenses and redemptions. In addition, the Fund will not hedge any U.S. dollar currency exposure back to the Canadian dollar. The Fund will provide investors with the ability to invest in Bitcoin without the inconvenience and additional transaction and storage costs associated with a direct investment in Bitcoin. See “Investment Strategies”.

The Fund will purchase Bitcoin through established, regulated platforms as well as in the OTC market using regulated counterparties. See “Investment Strategies”.

Ninepoint Partners LP (the “**Manager**”) believes an investment in Bitcoin will provide investors exposure to a low-correlated asset class which will complement traditional investment strategies.

The Manager is the trustee, manager and promoter of the Fund and is responsible for providing certain general management and administrative services to the Fund. See “Organization and Management Details of the Fund – Trustee, Manager and Promoter of the Fund”.

**Unless otherwise noted herein, all references to “\$”, “US\$” or “USD” in this prospectus are to the currency of the United States. References to “C\$” are to the currency of Canada. In presenting the estimated Offering expenses, estimated annual fees and expenses to be borne by the Fund and compensation for the members of the independent review committee of the Fund, Canadian dollar amounts have been converted to United States dollars using the daily average exchange rate as reported by the Bank of Canada on January 18, 2021 of US\$1.00 = C\$1.2762.**

	<b>Price: \$10.00 per Class A Unit or Equivalent in C\$ Minimum Purchase: 100 Class A Units</b>	<b>Price: \$10.00 per Class F Unit or Equivalent in C\$ Minimum Purchase: 100 Class F Units</b>	<b>Price: \$10.00 per Class S Unit or Equivalent in C\$ Minimum Purchase: 1,567,153 Class S Units</b>
	<b><u>Price to the Public</u><sup>(1)</sup></b>	<b><u>Agents’ Fees</u></b>	<b><u>Net Proceeds to the Fund</u><sup>(2)</sup></b>
Per Class A Unit	\$10.00	\$0.55	\$9.45
Per Class F Unit	\$10.00	\$0.25	\$9.75
Per Class S Unit	\$10.00	\$0.075	\$9.925
Total Minimum Offering <sup>(3)</sup>	\$20,000,000	\$1,100,000	\$18,900,000
Total Maximum Offering <sup>(4)</sup>	\$500,000,000	\$27,500,000	\$472,500,000

**Notes:**

- (1) The terms of the Offering were established through negotiation between the Agents (defined below) and the Manager on behalf of the Fund.
- (2) Before deducting the expenses of issue (estimated to be \$1,250,000 assuming the maximum Offering) which, subject to a maximum of 1.0% of the gross proceeds of the Offering, together with the Agents’ fees, will be paid out of the gross proceeds of the Offering.
- (3) There will be no closing unless a combined minimum of 2,000,000 Units are sold. If subscriptions for Units do not total at least 2,000,000 Units within 90 days after a final receipt for this prospectus is issued, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed for Units on or before such date. The values presented in the Total Minimum Offering row assumes that only Class A Units are sold and does not include the Class A Units issuable upon the reclassification of Class F Units and Class S Units.
- (4) The values presented in the Total Maximum Offering row assumes that only Class A Units are sold and does not include the Class A Units issuable upon the reclassification of Class F Units and Class S Units.

**There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the**

**transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. There is no guarantee that an investment in the Fund will earn any positive return in the short or long-term, nor is there any guarantee that the net asset value per Unit will appreciate or be preserved. An investment in the Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. See “Risk Factors”.**

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Class A Units. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before April 16, 2021, including distribution of the Class A Units to a minimum number of public unitholders. Subject to fulfilling all of the requirements of the TSX, the Class A Units will be listed on the TSX (TSX: BITC.UN or BITC.U) and investors will be able to buy or sell such Class A Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

Canaccord Genuity Corp., INFOR Financial Inc., Echelon Wealth Partners Inc., PI Financial Corp., Richardson Wealth Limited, Leede Jones Gable Inc., Mackie Research Capital Corporation and Sightline Wealth Management LP (collectively, the “Agents”), as agents, conditionally offer the Class A Units, Class F Units and Class S Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and KPMG LLP, tax advisor to the Fund, and on behalf of the Agents by Blake, Cassels & Graydon LLP.

**Sightline Wealth Management LP, which is one of the Agents, is an affiliate of Ninepoint Partners LP, the trustee, the manager and promoter of the Fund. Consequently, the Fund may be considered a “related issuer” and/or a “connected issuer” of Sightline Wealth Management LP under applicable securities legislation. Sightline Wealth Management LP will receive no benefit in connection with this Offering other than receiving a portion of the Agents’ Fees described under “Fees and Expenses”. See “Relationship Between Investment Fund and Agents” and “Plan of Distribution”.**

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about January 27, 2021 (the “Closing Date”) or such later date as the Fund and the Agents may agree, but in any event no later than 90 days after a final receipt for this prospectus has been issued. Registrations and transfers of Units will be effected only through CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership. See “Plan of Distribution” and “Description of the Units — Book Entry Only System”.

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the “Glossary of Terms”.*

<b>Fund:</b>	<p>The Fund is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated January 12, 2021 (the “<b>Declaration of Trust</b>”). The registered address of the Fund is Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario, M5J 2J1. Ninepoint Partners LP (the “<b>Manager</b>”) is the trustee, manager and promoter of the Fund. See “Overview of the Legal Structure of the Fund”.</p>
<b>Offered Units:</b>	<p>The Fund is offering three classes of units: Class A units (“<b>Class A Units</b>”), Class F units (“<b>Class F Units</b>”) and Class S Units (“<b>Class S Units</b>”).</p> <p>The Class A Units, Class F Units and Class S Units are referred to herein as the “<b>Units</b>”.</p> <p>The Class A Units are available to all investors.</p> <p>The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange, but will be reclassified as Class A Units immediately upon the closing of the Offering, and (ii) the Agents’ fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units.</p> <p>The Class S Units are designed for investors who invest C\$20,000,000 or more in the Offering and differ from Class A Units in the following ways: (i) Class S Units will not be listed on a stock exchange but will be reclassified as Class A Units immediately upon the closing of the Offering and (ii) the Agents’ fees payable on the issuance of the Class S Units are lower than those payable on the issuance of Class A Units.</p> <p>Accordingly, investors purchasing and/or receiving the Class F Units and/or Class S Units will, upon closing of the Offering, have their units reclassified as Class A Units. After the reclassification of the Class F Units and Class S Units as Class A Units upon the closing of the Offering, all remaining outstanding units of the Fund will be Class A Units. Additional Class F Units and Class S Units may be issued in the future that may not be reclassified immediately as Class A Units and as such, there may be outstanding Class F Units and Class S Units of the Fund in the future. See “Description of the Units – Reclassification of Class F Units and Class S Units upon Closing”. The Net Asset Value per Unit of each class will not be the same as a result of the different fees and expenses allocable to each class of Units. See “Fees and Expenses”.</p> <p>The Class A Units, the Class F Units and the Class S Units will be available for purchase under the Offering in both U.S. and Canadian dollars and the Class A Units will trade in both U.S. and Canadian dollars under the symbols BITC.U and BITC.UN, respectively.</p> <p><b>There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation.</b></p>

<b>Currency:</b>	<b>Unless otherwise noted herein, all references to “\$”, “US\$” or “USD” in this prospectus are to the currency of the United States and references to “C\$” are to the currency of Canada.</b>
<b>Maximum Issue:</b>	\$500,000,000  Maximum 50,000,000 Class A Units, Class F Units and/or Class S Units
<b>Minimum Issue:</b>	\$20,000,000  Minimum 2,000,000 Class A Units, Class F Units and/or Class S Units
<b>Price:</b>	\$10.00 per Class A Unit, or the Equivalent in Canadian Dollars  \$10.00 per Class F Unit, or the Equivalent in Canadian Dollars  \$10.00 per Class S Unit, or the Equivalent in Canadian Dollars
<b>Minimum Subscription:</b>	100 Class A Units (\$1,000)  100 Class F Units (\$1,000)  1,567,153 Class S Units (C\$20,000,000)
<b>Investment Objectives:</b>	The Fund’s investment objectives are to seek to provide holders of Units (“Unitholders”) of the Fund with exposure to digital currency Bitcoin (“Bitcoin”) through an institutional-quality platform that is cost-efficient to Unitholders and to provide a secure, simpler and exchange-traded investment alternative for buying and holding Bitcoin. See “Investment Objectives”.
<b>Investment Strategies:</b>	<p>The Fund intends to achieve its investment objectives by investing directly in Bitcoin while using high quality service providers, including digital asset trading counterparties, trading platforms and custodians, and independent auditors, legal and valuation agents, in order to manage the assets of the Fund. By having in-house expertise, the Manager expects to offer a cost-efficient structure to Unitholders for ongoing management fees.</p> <p>The Fund’s Bitcoin will be valued based on the MVIS CryptoCompare Institutional Bitcoin Index (“MVIBTC”) maintained by MV Index Solutions GmbH (“MVIS”), or a successor or alternative institutional-quality index. MVIS is a wholly-owned subsidiary of Van Eck Associates Corporation, a large, long-standing, and well-regarded financial services firm.</p> <p>As it is the Fund’s intention to invest in Bitcoin on a passive basis, the Fund will not speculate with regard to changes in Bitcoin prices and sales of Bitcoin will generally only be undertaken by the Fund as required in order to fund expenses and redemptions. In addition, the Fund will not hedge any U.S. dollar currency exposure back to the Canadian dollar. The Fund will provide investors with the ability to invest in Bitcoin without the inconvenience and additional transaction and storage costs associated with a direct investment in Bitcoin.</p> <p>The Fund will purchase Bitcoin through established, regulated platforms as well as in the OTC market using regulated counterparties. The Manager has undertaken and will undertake due diligence to ensure that all counterparties and vendors adhere to know your customer and anti-money laundering rules and requirements. See “Overview of the Sector the Fund Invests In – Market Dynamics and Bitcoin Trading Platforms”.</p>

<b>Leverage:</b>	Generally, the Fund does not intend to borrow money or employ other forms of leverage to acquire Bitcoin. The Fund may borrow money on a short term basis to acquire Bitcoin in anticipation of and prior to any follow on offering of Units by the Fund in an amount not to exceed 25% of the Net Asset Value of the Fund. See “Investment Strategies – Leverage”.
<b>Purchase for Cancellation:</b>	The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager’s assessment that such purchases are accretive to Unitholders. See “Description of the Units – Purchase for Cancellation”.
<b>Distribution Policy:</b>	The Fund does not intend to pay cash distributions. See “Distribution Policy”.
<b>Redemption Privileges:</b>	<p>Units may be redeemed at the option of Unitholders on the second last business day of January in each year (each, an “<b>Annual Redemption Date</b>”), commencing in January 2022, subject to the Fund’s right to suspend redemptions in certain circumstances. Units so redeemed will be redeemed at a redemption price equal to the Net Asset Value per Unit on the Annual Redemption Date, less any costs and expenses associated with the redemption, including commissions, administrative, legal and other costs incurred by the Fund to fund such redemptions. Units must be surrendered for redemption from the first business day of November to the tenth business day of November preceding the applicable Annual Redemption Date. Payment of the proceeds of redemption will be made on or before the 15th business day following the Annual Redemption Date.</p> <p>The Units may also be redeemed monthly at a redemption price per Unit based on a discount to the market price.</p> <p>See “Redemption of Units”, “Redemption of Units – Suspension of Redemptions” and “Risk Factors – Liquidity Constraints on Bitcoin Markets may Impact the Fund’s Holdings” and “Risk Factors – Financial Institutions may Refuse to Support Transactions involving Bitcoins”.</p>
<b>Reclassification of Class F Units and Class S Units as Class A Units Upon Closing:</b>	<p>The Class F Units and Class S Units will be reclassified as Class A Units upon the closing of the Offering. Each Class F Unit and Class S Unit will be reclassified as a number of Class A Units equal to the Net Asset Value per Class F Unit or Class S Unit, as applicable, divided by the Net Asset Value per Class A Unit. Accordingly, holders of Class F Units and Class S Units will, upon the closing of the Offering, have their Class F Units and Class S Units reclassified as Class A Units. After the reclassification of the Class F Units and Class S Units as Class A Units upon the closing of the Offering, only Class A Units of the Fund will be outstanding.</p> <p>See “Description of the Units – Reclassification of Class F Units and Class S Units upon Closing”.</p>
<b>Termination of the Fund:</b>	<p>The Fund does not have a fixed termination date. The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interest of the Unitholders to terminate the Fund.</p> <p>See “Termination of the Fund”.</p>
<b>Use of Proceeds:</b>	Substantially all of the net proceeds of the Offering will be used to purchase Bitcoin for the Fund’s portfolio following the Closing Date (as defined herein). See “Use of Proceeds”.

<p><b>Risk Factors:</b></p>	<p>An investment in Units will be subject to certain risk factors, including:</p> <p><b>Risks Factors Relating to an Investment in the Fund</b></p> <ul style="list-style-type: none"> <li>(a) No Assurance in Achieving Investment Objectives</li> <li>(b) Trading Price of Units</li> <li>(c) Loss of Investment</li> <li>(d) Fluctuation in Value of Bitcoin</li> <li>(e) Concentration Risk</li> <li>(f) Risks Related to Passive Investments</li> <li>(g) Use of Leverage</li> <li>(h) Reliance on the Manager and the Sub-Custodian</li> <li>(i) No Ownership Interest in the Portfolio</li> <li>(j) Changes in Legislation</li> <li>(k) Conflicts of Interest</li> <li>(l) Status of the Fund</li> <li>(m) Valuation of the Fund</li> <li>(n) Significant Redemptions</li> <li>(o) Manager, Custodian and Sub-Custodian Standard of Care</li> <li>(p) SOC 2 Type 2 Report of the Sub-Custodian</li> <li>(q) Lack of Operating History</li> <li>(r) No Active Trading Market</li> <li>(s) Not a Trust Company</li> <li>(t) Liability of Unitholders</li> <li>(u) U.S. Currency Exposure</li> <li>(v) Cyber Security Risk</li> <li>(w) Tax Risk</li> <li>(x) COVID-19 Outbreak</li> </ul> <p>The following are certain considerations relating to an investment in Units of the Fund which prospective investors should consider before purchasing such securities.</p> <p><b>Risks Associated with Investing in Bitcoin</b></p> <ul style="list-style-type: none"> <li>(a) Cryptocurrency Risk</li> <li>(b) Short History Risk</li> <li>(c) Limited History of the Bitcoin Market</li> <li>(d) Volatility in the Price of Bitcoin</li> <li>(e) Potential Decrease in Global Demand for Bitcoin</li> <li>(f) Financial Institutions may refuse to Support Transactions involving Bitcoin</li> <li>(g) Insurance Risk</li> <li>(h) Residency of the Sub-Custodian</li> <li>(i) Underlying Value Risk</li> <li>(j) Top Bitcoin Holders Control a Significant Percentage of the Outstanding Bitcoin</li> <li>(k) Regulation of Bitcoin</li> <li>(l) Loss of “Private Keys”</li> <li>(m) Fund’s Holdings May Become Illiquid</li> <li>(n) Improper Transfers</li> <li>(o) Uncertain Regulatory Framework</li> </ul> <p><b>Risks Associated with the Bitcoin Network</b></p> <ul style="list-style-type: none"> <li>(a) Dependence on Bitcoin Developers</li> <li>(b) Issues with the Cryptography Underlying the Bitcoin Network</li> </ul>
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	<ul style="list-style-type: none"> <li>(c) Disputes on the Development of the Bitcoin Network may Lead to Delays in the Development of the Network</li> <li>(d) Significant Increase in Bitcoin Interest Could Affect the Ability of the Bitcoin Network to Accommodate Demand</li> <li>(e) Bitcoin’s Blockchain may Temporarily or Permanently Fork and/or Split</li> <li>(f) Dependence on the Internet</li> <li>(g) Risk if Entity Gains a 51% Share of the Bitcoin Network</li> <li>(h) Concentration of Transaction Confirmation Processing Power in China</li> <li>(i) Possible Increase in Transaction Fees</li> <li>(j) Attacks on the Bitcoin Network</li> <li>(k) Decrease in Block Reward</li> <li>(l) Competitors to Bitcoin</li> <li>(m) Significant Energy Consumption to run the Bitcoin Network</li> </ul> <p><b>Risks Associated with Bitcoin Trading Platforms</b></p> <ul style="list-style-type: none"> <li>(a) Regulation of Bitcoin Trading Platforms</li> <li>(b) Limited Operating History of Bitcoin Trading Platforms</li> <li>(c) Hacking of Bitcoin Trading Platforms May Have a Negative Impact on Perception of the Security of the Bitcoin Network</li> <li>(d) Different Prices of Bitcoin on the Bitcoin Trading Platforms May Adversely Affect the Net Asset Value of the Units</li> <li>(e) Closure of Bitcoin Trading Platform(s)</li> <li>(f) Liquidity Constraints on Bitcoin Markets may Impact the Fund’s Holdings</li> <li>(g) Risk of Manipulation on Bitcoin Trading Platforms</li> <li>(h) Settlement of Transactions on the Bitcoin Network</li> </ul> <p>See “Risk Factors”.</p>
<p><b>Income Tax Considerations:</b></p>	<p>This summary of Canadian federal income tax considerations for the Fund and for Canadian resident Unitholders is subject in its entirety to the qualifications, limitations and assumptions set out under “Canadian Federal Income Tax Considerations”.</p> <p>A Unitholder who is an individual (other than a trust) resident in Canada and who holds Units as capital property (all within the meaning of the Tax Act) will generally be required to include in the Unitholder’s income for tax purposes for any year the amount of net income and net taxable capital gains of the Fund paid or payable to the Unitholder in the year and deducted by the Fund in computing its income whether or not such amounts are paid in cash, reinvested in additional Units, or otherwise. Any return of capital from the Fund paid or payable to a Unitholder in a taxation year will reduce the adjusted cost base of the Unitholder’s Units of the Fund. To the extent that a Unitholder’s adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will be increased by the amount of such capital gain. Any loss of the Fund cannot be allocated to, and cannot be treated as a loss of, the Unitholders of the Fund. Upon the actual or deemed disposition of a Unit, including the exchange or redemption of a Unit, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition of the Unit exceeds (or is less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition.</p> <p>The Declaration of Trust requires that the Fund distribute its net income and net realized capital gains, if any, for each taxation year to Unitholders to such an extent that the Fund will not be liable in respect of the taxation year for ordinary income tax.</p>

	Each investor should satisfy himself or herself as to the tax consequences of an investment in Units by obtaining advice from his or her own tax advisor. See “Canadian Federal Income Tax Considerations”.
<b>Taxation of Registered Plans:</b>	<p>In the opinion of KPMG LLP, tax advisor to the Fund, and Blake, Cassels &amp; Graydon LLP, counsel for the Agents, provided that the Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Class A Units of the Fund are listed on a “designated stock exchange” within the meaning of the Tax Act, such Units or Class A Units respectively, will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (collectively, “Registered Plans”).</p> <p>Holders of tax-free savings accounts and registered disability savings plans, annuitants under registered retirement savings plans and registered retirement income funds, and subscribers under registered education savings plans should consult their own tax advisors to ensure Units would not be a “prohibited investment” for the purposes of the Tax Act in their particular circumstances. See “Canadian Federal Income Tax Considerations – Status of the Fund”.</p>
	<b>ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND</b>
<b>Manager:</b>	Ninepoint Partners LP will act as trustee, manager and promoter of the Fund. The principal office of the Manager is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario, M5J 2J1. See “Organization and Management Details of the Fund – Trustee, Manager and Promoter of the Fund”.
<b>Promoter:</b>	The Manager may be considered a promoter of the Fund within the meaning of applicable securities legislation by reason of its initiative in organizing the Fund. See “Organization and Management Details of the Fund – Trustee, Manager and Promoter of the Fund”.
<b>Auditor:</b>	The independent auditor of the Fund is KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, Toronto, Ontario. See “Organization and Management Details of the Fund – Auditor”.
<b>Custodian:</b>	Cidel Trust Company (the “Custodian”) will act as the custodian of the assets of the Fund pursuant to a custodian agreement dated January 12, 2021. The Custodian is a federally regulated trust company based in Calgary, Alberta and will provide services to the Fund from its office in Toronto, Ontario. The Custodian is a wholly-owned subsidiary of Cidel Bank Canada, a Schedule II Bank regulated by the Office of the Superintendent of Financial Institutions. The Custodian may appoint one or more sub-custodians from time to time with the consent of the Fund in accordance with National Instrument 81-102 – <i>Investment Funds</i> . See “Organization and Management Details of the Fund – Custodian”.
<b>Sub-Custodian:</b>	Gemini Trust Company, LLC (“Gemini” or the “Sub-Custodian”) will act as sub-custodian of the Fund in respect of the Fund’s holdings of Bitcoin pursuant to a sub-custodian agreement between the Custodian, the Fund, and the Sub-Custodian dated January 12, 2021. Gemini is a trust company licensed by the New York State Department of Financial Services and is qualified to act as a sub-custodian of the Fund for assets held outside of Canada in accordance with National Instrument 81-102 – <i>Investment Funds</i> . See “Organization and Management Details of the Fund – Sub-Custodian”.
<b>Registrar and Transfer Agent:</b>	TSX Trust Company (the “Registrar and Transfer Agent”), at its principal offices in Toronto, will be appointed the registrar and transfer agent for the Units pursuant to a registrar and transfer agency agreement to be entered into as of the Closing Date. The Registrar and

	Transfer Agent is located in Toronto, Ontario. See “Organization and Management Details of the Fund – Registrar and Transfer Agent”.
<b>Administrator:</b>	CIBC Mellon Global Securities Services Company (the “ <b>Administrator</b> ”), at its principal offices in Toronto, will be appointed the administrator of the Fund and will be responsible for calculating the Net Asset Value and Net Asset Value per Unit of the Fund as described under “Calculation of Net Asset Value”.
<b>Agents:</b>	Canaccord Genuity Corp., INFOR Financial Inc., Echelon Wealth Partners Inc., PI Financial Corp., Richardson Wealth Limited, Leede Jones Gable Inc., Mackie Research Capital Corporation and Sightline Wealth Management LP (collectively, the “ <b>Agents</b> ”), as agents, conditionally offer the Class A Units, Class F Units and Class S Units for sale on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined herein) referred to under “Plan of Distribution” and subject to the approval of certain matters on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP. See “Plan of Distribution”.

## SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund and the Manager, which will therefore reduce the value of a Unitholder's investment in the Fund. All fees are subject to current and future taxes. For further particulars, see "Fees and Expenses".

### Fees and Expenses Payable the Fund

<b><u>Type of Fee</u></b>	<b><u>Amount and Description</u></b>
<b>Agents' Fees:</b>	\$0.55 per Class A Unit (5.5%), \$0.25 per Class F Unit (2.5%) and \$0.075 per Class S Unit (0.75%). The Agents' fees will be paid by the Fund out of the proceeds of the Offering.
<b>Expenses of the Offering:</b>	The Fund will pay the expenses incurred in connection with the Offering (including the costs of creating the Fund, the costs of printing and preparing a prospectus, legal expenses of the Fund and Agents and marketing expenses). The Offering expenses are estimated to be \$1,250,000 assuming the maximum Offering. The Manager has agreed to pay all expenses incurred in connection with the Offering that exceed 1.0% of the gross proceeds of the Offering. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Expenses of the Offering".
<b>Fees Payable to the Manager for Acting as Manager of the Fund:</b>	An annual management fee of 0.70% of the Fund's net asset value, calculated daily and payable monthly in arrears, plus applicable taxes, will be paid to the Manager in respect of each of the Class A Units, the Class F Units and the Class S Units of the Fund. The Manager manages the day-to-day business and operations of the Fund and provides certain general management and administrative services to the Fund. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Fees Payable to the Manager for Acting as Manager of the Fund".
<b>Fees associated with Class F Units:</b>	Class F Units are designed for fee-based and/or institutional accounts. Investors that hold Class F Units in fee-based accounts may pay investment advisory fees to their investment advisor that are calculated as a percentage of all assets held in such accounts, including the Class F Units.
<b>Fees associated with Class S Units:</b>	The Class S Units are designed for investors who invest C\$20,000,000 or more in the Offering. Investors that hold Class S Units in fee-based accounts may pay investment advisory fees to their investment advisor that are calculated as a percentage of all assets held in such accounts, including the Class S Units.
<b>Ongoing Expenses of the Fund:</b>	In addition to the management fee, and any debt servicing costs, the Fund will pay all of its own expenses and all administration expenses incurred by the Manager for its duties as the manager to the Fund. Such fees and expenses to be borne by the Fund are estimated to be \$400,000 per annum assuming the minimum offering and \$2,500,000 per annum assuming the maximum offering and will include, without limitation: fees and expenses payable to the independent review committee of the Fund; brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Fund's investment in Bitcoin; fees payable to the Registrar and Transfer Agent; fees payable to any custodians and/or sub-custodians for the assets of the Fund as well as the fees of the Administrator and other service providers; licensing fee payable to MVIS to license the MVIBTC, or any licensing fee payable to license a successor or alternative institutional-quality index; expenses relating to the monitoring of the relationships with the Custodian, Sub-Custodian, the Registrar and Transfer Agent and other organizations serving the Fund; legal, audit, and valuation fees and expenses; fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the Units of the Fund may become listed or quoted; fees and expenses associated with investor relations

	activities; advertising, marketing and promotional expenses of the Fund; securities regulatory authorities' participation fees; the preparation and supervision costs relating to the calculation and publication of the Net Asset Value; costs and expenses of preparing, printing, and mailing financial and other reports to Unitholders, material for Unitholders' meetings and securities regulatory filings; costs and expenses of communication with Unitholders; costs and expenses arising as a result of complying with all applicable securities legislation and other applicable laws, regulations and policies; all taxes (including income, capital, federal GST or HST, and Provincial/Territorial sales taxes); and costs associated with the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund. Such expenses will also include expenses of any action, suit or proceeding in which or in relation to which the Manager, the Custodian, the Sub-Custodian, the Independent Review Committee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Ongoing Expenses of the Fund".
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### FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "target", "seek", "will" and similar expressions to the extent they relate to the Fund and the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Fund or the Manager regarding future results or events. Such forward-looking statements reflect the Fund's or the Manager's current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations including global economic conditions. Some of these risks, uncertainties and other factors are described in this prospectus under the heading "Risk Factors". Although the forward-looking statements contained in this prospectus are based upon assumptions that the Fund and the Manager believe to be reasonable, none of the Fund or the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Fund and may not be appropriate for other purposes. None of the Fund or the Manager assumes any obligation to update or revise the forward-looking statements contained herein to reflect new events or circumstances, except as required by law.

### MARKET AND INDUSTRY DATA

This prospectus contains information that has been obtained from publicly available sources including industry publications and websites. The Manager believes that this information has been obtained from sources that are reliable, however, neither the Manager nor the Agents is able to independently verify this information. Accordingly, no assurance can be given as to the accuracy or completeness of this information and investors should not place undue reliance upon information attributed to third-party sources.

### ELIGIBILITY FOR INVESTMENT

Based on the current provisions of the Tax Act, in the opinion of KPMG LLP, tax advisor to the Fund, and Blake, Cassels & Graydon LLP, counsel for the Agents, the Units would, if issued on the date hereof, be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (collectively, "**Registered Plans**"), *provided that* (in the case of all Units) the Fund qualifies at all times as a "mutual fund trust" or (in the case of the Class A Units) the Class A Units of the Fund are listed on a "designated stock exchange" (each as defined in the Tax Act). Holders of tax-free savings accounts and registered disability savings plans, annuitants under registered retirement savings plans and registered retirement income funds, and subscribers under registered education savings plans are advised to consult their personal tax advisors to ensure Units would not be a "prohibited investment" for the purposes of the Tax Act in their particular circumstances. See "Canadian Federal Income Tax Considerations – Status of the Fund".

## GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated.

“**1933 Act**” has the meaning given to it under “Plan of Distribution”.

“**Administrator**” means the company appointed from time to time by the Manager to calculate the Net Asset Value of the Fund and the Net Asset Value per Unit, currently CIBC Mellon Global Securities Services Company.

“**Agency Agreement**” means the agency agreement dated as of January 19, 2021 among the Fund, the Manager and the Agents.

“**Agents**” means, collectively, Canaccord Genuity Corp., INFOR Financial Inc., Echelon Wealth Partners Inc., PI Financial Corp., Richardson Wealth Limited, Leede Jones Gable Inc., Mackie Research Capital Corporation and Sightline Wealth Management LP.

“**AML Regulation**” means statutes, regulations and other laws enacted by the government of the applicable jurisdiction aimed at the prevention and detection of money laundering and terrorist financing activities.

“**Annual Cut-Off Date**” has the meaning given to it under “Redemption of Units – Annual Redemptions”.

“**Annual Redemption Date**” means the second last business day of January in each year beginning in January 2022.

“**Bitcoin**” refers to the digital currency that is the native unit of account within the Bitcoin Network.

“**Bitcoin Network**” is the network of computers running the software protocol underlying Bitcoin, which maintains the database of Bitcoin ownership and facilitates the transfer of Bitcoin among parties.

“**Bitcoin Source**” means Coinbase and other Bitcoin trading platforms and OTC counterparties.

“**business day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the Toronto Stock Exchange is not open for trading.

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

“**CDS Participant**” means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units deposited with CDS.

“**CFTC**” means United States Commodity Futures and Trading Commission.

“**Class A Redemption Price**” has the meaning given to it under “Redemption of Units – Monthly Redemptions”.

“**Class A Units**” means the class of transferable, redeemable units of the Fund designated as the “Class A Units”.

“**Class F Units**” means the class of transferable, redeemable units of the Fund designated as the “Class F Units”.

“**Class S Units**” means the class of transferable, redeemable units of the Fund designated as the “Class S Units”.

“**Closing Date**” means a date on or before January 27, 2021 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus has been issued.

“**Closing Market Price**” in respect of a security on a Monthly Redemption Date means: (i) the USD closing price of such security on the principal stock exchange on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was a trade on the Monthly Redemption Date and the market provides a closing

price; (ii) the average of the last bid and the last asking USD prices of the security on the principal stock exchange on such Monthly Redemption Date (or such other stock exchange on which the security is listed) if there was not trading on the applicable Monthly Redemption Date; or (iii) the volume weighted average USD price on the principal stock exchange on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was trading on the Monthly Redemption Date.

“**CRA**” means the Canada Revenue Agency.

“**CRS**” has the meaning given to it under “Exchange of Tax Information”.

“**CRS Rules**” has the meaning given to it under “Exchange of Tax Information”.

“**Custodian**” means Cidel Trust Company in its capacity as custodian under the Custodian Agreement.

“**Custodian Agreement**” means the custodian agreement to be entered into on or about the Closing Date between the Manager in its capacity as manager of the Fund and the Custodian, as it may be amended from time to time.

“**Cut-Off Date**” has the meaning given to it under “Redemption of Units – Monthly Redemptions”.

“**Declaration of Trust**” means the declaration of trust establishing the Fund dated as of January 12, 2021, as it may be amended from time to time.

“**Deferred Plan**” means a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan or tax-free savings account.

“**Equivalent in Canadian Dollars**” means the equivalent of the purchase price of the Class A Units, Class F Units and Class S Units hereunder, in each case, US\$10.00, in Canadian dollars based on the daily average exchange rate reported by the Bank of Canada on the Business Day immediately preceding the date of the final prospectus which for greater certainty is C\$12.762.

“**Excise Tax Act**” means the *Excise Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**FinCEN**” has the meaning given to it under “Organization and Management Details of the Fund – Sub-Custodian”.

“**Fork Asset**” has the meaning given to it under “Risk Factors – Bitcoin’s Blockchain may Temporarily or Permanently Fork and/or Split”.

“**Fund**” means Bitcoin Trust, a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“**Gemini**” means Gemini Trust Company, LLC.

“**Gemini BSA/AML Program**” means the program adopted by Gemini for the purpose of compliance with the U.S. Bank Secrecy Act and U.S. AML Regulation, as described under “Organization and Management Details for the Fund – Sub Custodian”.

“**HSMs**” has the meaning given to it under “Organization and Management Details of the Fund – Sub-Custodian – Bitcoin Storage, Security Policies and Practices”.

“**IFRS**” means International Financial Reporting Standards as published by the International Accounting Standards Board and adopted in Canada, as amended from time to time.

“**Independent Review Committee**” means the independent review committee of the Fund.

“**KYC**” means identity verification and recordkeeping procedures under AML Regulation and applicable securities laws.

“**Management Fee**” has the meaning given to it under “Fees and Expenses – Fees and Expenses Payable by the Fund – Fees Payable to the Manager for Acting as Manager of the Fund”.

“**Manager**” means Ninepoint Partners LP, the trustee, manager and promoter of the Fund, and, if applicable, its successor.

“**Monthly Cut-Off Date**” has the meaning given to it under “Redemption of Units – Monthly Redemptions”.

“**Monthly Redemption Date**” means the first business day following the 15th day of each month, other than January, commencing in 2022.

“**MVIBTC**” means the MVIS CryptoCompare Institutional Bitcoin Index, described at: <https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-institutional-bitcoin>.

“**MVIS**” means MV Index Solutions GmbH, an index provider based in Frankfurt, Germany regulated under the EU benchmark regulations.

“**Net Asset Value of the Fund**” means the net asset value of the Fund as determined by subtracting the aggregate liabilities of the Fund from the aggregate value of the assets of the Fund on the date on which the calculation is being made, calculated by the Administrator, as more fully described under “Calculation of Net Asset Value”.

“**Net Asset Value per Unit**” means, in respect of a class of Units, the Net Asset Value of the Fund allocated to the Units of such class, divided by the total number of Units of such class outstanding, on the date on which the calculation is being made.

“**OECD**” has the meaning given to it under “Exchange of Tax Information”.

“**Offering**” means collectively, the offering of Class A Units at a price of \$10.00 per Class A Unit, the offering of Class F Units at a price of \$10.00 per Class F Unit and the offering of Class S Units at a price of \$10.00 per Class S Unit, all pursuant to this prospectus.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**OTC**” means “over the counter”.

“**Participating Jurisdictions**” has the meaning given to it under “Exchange of Tax Information”.

“**RDSP**” has the meaning given to it under “Canadian Federal Income Tax Considerations – Status of the Fund”.

“**Redemption Payment Date**” has the meaning given to it under “Redemption of Units – Monthly Redemptions”.

“**Registered Plan**” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan, and a tax-free savings account.

“**Registrar and Transfer Agent**” means TSX Trust Company or, if applicable, its successor or any other registrar and transfer agent that may be appointed by the Manager from time to time.

“**RESP**” has the meaning given to it under “Canadian Federal Income Tax Considerations – Status of the Fund”.

“**RRIF**” has the meaning given to it under “Canadian Federal Income Tax Considerations – Status of the Fund”.

“**RRSP**” has the meaning given to it under “Canadian Federal Income Tax Considerations – Status of the Fund”.

“**SEC**” has the meaning given to it under “Risk Factors – Risks Associated with Investing in Bitcoin – Uncertain Regulatory Framework”.

“**SIFT Rules**” means the provisions of the Tax Act, including those contained in sections 104, 122 and 122.1 of the Tax Act, which apply to the taxation of a “specified investment flow through trust” and its unitholders.

“**SIFT trust**” means a specified investment flow-through trust for the purposes of the Tax Act.

“**Sub-Custodian**” means Gemini in its capacity as sub-custodian under the Sub-Custodian Agreement, and any additional sub-custodian appointed by the Custodian and the Fund from time to time, if any.

“**Sub-Custodian Agreement**” has the meaning given to it under “Organization and Management Details of the Fund – Sub-Custodian”.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time.

“**Tax Proposals**” means all specific proposals to amend the Tax Act or Excise Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**TFSA**” has the meaning given to it under “Canadian Federal Income Tax Considerations – Status of the Fund”.

“**TSX**” has the meaning given to it under “Plan of Distribution”.

“**United States**” or “**U.S.**” means the United States of America.

“**Unitholders**” means the holders of Units.

“**Units**” means the Class A Units, Class F Units and Class S Units issued by the Fund.

“**Valuation Date**” means each business day.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Bitcoin Trust (the “**Fund**”) is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 12, 2021 (the “**Declaration of Trust**”). Ninepoint Partners LP (the “**Manager**”) will act as trustee, manager and promoter of the Fund and will provide certain general management and administrative services required by the Fund. See “Organization and Management Details of the Fund – Trustee, Manager and Promoter of the Fund”. The principal office of the Fund is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario, M5J 2J1.

The Fund is authorized to issue an unlimited number of Class A units (“**Class A Units**”), Class F units (“**Class F Units**”) and Class S units (“**Class S Units**”). The Class A Units, Class F Units and Class S Units are collectively referred to herein as the “**Units**”. The Class A Units are available to all investors. The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange, but will be reclassified as Class A Units immediately upon the closing of the Offering; and (ii) the Agents’ fees payable on the issuance of the Class F Units will be lower than those payable on the issuance of the Class A Units. The Class S Units are designed for investors who invest C\$20,000,000 or more in the Offering and (i) will not be listed on a stock exchange but will be reclassified as Class A Units immediately upon the closing of the Offering and (ii) the Agents’ fees payable on the issuance of the Class S Units will be lower than those payable on the issuance of the Class A Units. Accordingly, investors purchasing and/or receiving the Class F Units and/or Class S Units will, upon closing of the Offering, become holders of Class A Units. The Net Asset Value per Unit of each class will not be the same as a result of the different fees and expenses allocable to each class of Units. See “Fees and Expenses”.

The Fund is not considered to be a mutual fund under the securities legislation of the Provinces and Territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

## INVESTMENT OBJECTIVES

The Fund’s investment objectives are to seek to provide holders of Units (“**Unitholders**”) of the Fund with exposure to digital currency Bitcoin (“**Bitcoin**”) through an institutional-quality platform that is cost-efficient to Unitholders and to provide a secure, simpler and exchange-traded investment alternative for buying and holding Bitcoin.

## INVESTMENT STRATEGIES

The Fund intends to achieve its investment objectives by investing directly in Bitcoin while using high quality service providers, including digital asset trading counterparties, trading platforms and custodians, and independent auditors, legal and valuation agents, in order to manage the assets of the Fund. By having in-house expertise, the Manager expects to offer a cost-efficient structure to Unitholders for ongoing management fees.

The Fund’s Bitcoin will be valued based on the MVIS CryptoCompare Institutional Bitcoin Index (“**MVIBTC**”) maintained by MV Index Solutions GmbH (“**MVIS**”), or a successor or alternative institutional-quality index. MVIS is a wholly-owned subsidiary of Van Eck Associates Corporation, a large, long-standing, and well-regarded financial services firm.

As it is the Fund’s intention to invest in Bitcoin on a passive basis, the Fund will not speculate with regard to changes in Bitcoin prices and sales of Bitcoin will generally only be undertaken by the Fund as required in order to fund expenses and redemptions. In addition, the Fund will not hedge any U.S. dollar currency exposure back to the Canadian dollar. The Fund will provide investors with the ability to invest in Bitcoin without the inconvenience and additional transaction and storage costs associated with a direct investment in Bitcoin.

The Fund will purchase Bitcoin through established, regulated platforms as well as in the OTC market using regulated counterparties. The Manager has undertaken and will undertake due diligence to ensure that all counterparties and vendors adhere to know your customer and anti-money laundering rules and requirements. See “Overview of the Sector the Fund Invests In – Market Dynamics and Bitcoin Trading Platforms”.

## Leverage

Generally, the Fund does not intend to borrow money or employ other forms of leverage to acquire Bitcoin. The Fund may borrow money on a short-term basis to acquire Bitcoin in anticipation of and prior to any follow on offering of Units by the Fund in an amount not to exceed 25% of the Net Asset Value of the Fund.

## INVESTMENT RESTRICTIONS

The Fund is subject to certain investment restrictions that, among other things, limit the assets that the Fund may acquire for its portfolio. The Fund's investment restrictions may not be changed without approval by Extraordinary Resolution. See "Unitholder Matters – Amendment of the Declaration of Trust". The Fund's investment restrictions provide that the Fund may:

- (a) not invest or hold less than 90% of its total assets in Bitcoin;
- (b) not invest in securities of Bitcoin related companies, technologies or business ventures;
- (c) purchase debt securities only if such securities are cash equivalents;
- (d) not borrow or enter into any leverage transaction other than as described above under "Investment Strategies – Leverage";
- (e) not purchase derivatives or enter into derivatives or other transactions;
- (f) not undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Fund failing to qualify as a "unit trust" and a "mutual fund trust" or that would result in any Units not being "qualified investments" for trusts governed by Registered Plans, in each case within the meaning of the Tax Act;
- (g) not make or hold any investment that would result in the Fund becoming a "SIFT trust" within the meaning of subsection 122.1(1) of the Tax Act;
- (h) not invest in: (i) any security that is an offshore investment fund property that would require the Fund to include significant amounts in the Fund's income pursuant to section 94.1 of the Tax Act; or (ii) any interest in a non-resident trust that would require the Fund to include amounts in income in connection with such interest pursuant to sections 91, 94 or 94.2 of the Tax Act;
- (i) not invest in any security that would be a "tax shelter investment" within the meaning of the Tax Act; and
- (j) not invest in any security of an issuer that would be a foreign affiliate of the Fund for purposes of the Tax Act.

The Fund may not invest in securities or assets other than those referred to above. Notwithstanding the foregoing, at the Manager's discretion, the Fund may be invested in cash or cash equivalents from time to time.

## OVERVIEW OF THE SECTOR THE FUND INVESTS IN

The Fund will invest substantially all of its assets in Bitcoin. Bitcoin is a digital currency that facilitates peer to peer payments without the need for an intermediary, like a bank. Bitcoin is not issued by a government, central bank or other central authority, rather Bitcoin works by employing an open source, decentralized, cryptographical Peer-to-Peer network, known as The Bitcoin Network. Transactions on the Bitcoin Network are recorded to the Bitcoin blockchain, an immutable, trustworthy and secure ledger that serves as the official record of transactions. The Manager believes that: (i) Bitcoin is provably scarce: the current supply of Bitcoin is known, and the total supply is capped at a pre-defined 21 million Bitcoins; (ii) Bitcoin is permissionless: users do not need permission from a third party to

access it; and (iii) Bitcoin is trustworthy: the immutable Bitcoin blockchain is secured by a vast and decentralized network of computers incentivized to keep it secure.

In order to access the Bitcoin Network, users must have a Bitcoin wallet. A Bitcoin wallet is an open source software program that generates a public key or collection of public keys that function, in effect, like a user's account number. To move Bitcoin out of a wallet requires a private key, which when paired with the public key, gives the user the ability to unlock the Bitcoin and move or spend it. This process of combining the private and public key pair is known as "signing" a transaction. However, while a public key can be derived from its corresponding private key pair, a public key cannot be used to discover the private key. In this sense, a private key is akin to a very strong password. If a user loses the private key, they cannot access the Bitcoin held in the wallet until the private key is recovered. There are two main kinds of wallets: hot wallets and cold storage. A hot wallet is connected to the internet. Being connected to the internet makes it generally more convenient to use but can expose the user to risks. Cold storage is generally more secure, however because the wallet is offline, a user can not trade Bitcoin until the wallet is connected to the internet again.

Bitcoin users who have established a Bitcoin wallet can freely enter into a transaction using the process described above. Transactions are batched together approximately every ten minutes into a "block" with other transactions on the network, where they are recorded, time-stamped and added to a "chain" of blocks containing transaction records going all the way back to the beginning of the Bitcoin Network, hence the term "blockchain."

The Bitcoin Network is comprised of thousands of computers, called 'nodes' which synchronize and maintain the blockchain across the world. Certain nodes on the network are called miners, who provide the hardware that helps secure the network. Miners buy specialized hardware, called ASICs (application specific integrated circuits) to conduct computations, also known as "proof of work," to ensure that only verified blocks get added to the blockchain, and prevent fraudulent blocks from being entered. The miners who solve the proof of work first are rewarded with new Bitcoin, known as the block reward. Transactions on the Bitcoin Network only get recorded into the Bitcoin blockchain if the majority of miners accept the block as being valid. This process helps to ensure the security of the network. Moreover, once a block is added, any third party can independently verify the transaction by looking at the blockchain, which is public and transparent. This market-based competition creates a financial incentive to secure the Bitcoin Network.

Additionally, each new block added to the blockchain contains a reference to the preceding block, which acts as an additional confirmation of a transaction recorded in an earlier block. Thus, with every new block that gets added, it becomes much harder to change or erase the entry in an earlier block, because doing so would require rewriting the entire history of commerce on the blockchain, which would require the overwhelming computing force to take over 51% of the network.

Proof of work not only secures the Bitcoin Network, but also adds to the supply of Bitcoin outstanding, as every newly mined block creates new Bitcoin. Like gold, Bitcoin's rate of inflation is gradual. Like gold, Bitcoin takes energy and effort to produce. Moreover, just as new gold is harder to come by as humans extract the easy-to-reach gold from Earth, so too is new Bitcoin: approximately every four years, the block reward is cut in half, so that by 2140 all the Bitcoin that will ever exist will have been mined. The total final supply will equal 21 million Bitcoin, of which approximately 18.6 million already exists.<sup>1</sup> This is very different from traditional government issued currencies which can be created by government fiat, with no theoretical limit to their supply, and are not backed by anything intrinsic such as gold, making them prone to inflation and devaluation.<sup>2</sup> By contrast Bitcoin is deflationary meaning its supply is pre-programmed to have a periodically declining rate of growth until the limit of 21 million Bitcoin is finally reached.

Over a thirty-day period in October and November of 2020, the Bitcoin Network facilitated an average transaction volume of 156,725 Bitcoin per day, or approximately \$2.4 billion equivalent based on the thirty-day average price.<sup>3</sup>

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<sup>1</sup> <https://www.blockchain.com/charts/total-bitcoins>.

<sup>2</sup> [https://www.cato.org/sites/cato.org/files/pubs/pdf/workingpaper-8\\_1.pdf](https://www.cato.org/sites/cato.org/files/pubs/pdf/workingpaper-8_1.pdf).

<sup>3</sup> <https://www.blockchain.com/charts/estimated-transaction-volume>.

In summary, the Manager believes that the core properties of Bitcoin are:

**Scarcity and Store of Value:** Bitcoin is provably scarce, with a finite supply and a declining rate of inflation. There are currently approximately 18.6 million Bitcoin today and will only ever be 21 million Bitcoin. The rate of supply growth will continue to decline at regular intervals. This is different from government or “fiat” currencies which have no supply constraints.

**Permissionless Payment Network:** Bitcoin functions as a peer-to-peer payment network that enables rapid, frictionless, immutable and global online payments between parties without the need for a trusted central party, such as a bank or other financial institution. This can lower transaction fees for users and merchants and increase speed and efficiency in the financial system.

**Immutable and Trustworthy:** The Bitcoin blockchain is an immutable and trusted record of every transaction in the Bitcoin Network dating back to the first transaction in 2009. The architecture of the blockchain makes it very difficult to rewrite the history of transactions or send the same Bitcoin twice.

**Decentralization:** The Bitcoin Network is global and decentralized. There are over 10,000 nodes connected to the Bitcoin Network in 96 countries and a user base that is global in nature. Bitcoin does not have a centralized form of governance, management or oversight.

### **Bitcoin Trust Benefits**

The Manager believes that Unitholders of the Fund will receive the following benefits:

- *Convenient way to own Bitcoin:* The Fund provides investors a convenient way to obtain exposure to Bitcoin by providing an opportunity to purchase a listed Unit on a recognized global stock exchange, the TSX.
- *Liquidity:* Many cryptocurrency platforms have withdrawal limits. Investors in the Fund will only be limited by how much liquidity exists in the market for Units of the Fund.
- *Lower fees and transaction costs:* Relative to buying Bitcoin and holding it on a cryptocurrency platform or buying Bitcoin on a cryptocurrency platform and self-custodying, the Manager believes that the Fund will offer lower fees and have lower overall transaction costs. The Manager also believes that the Fund will have the lowest management fee structure for a listed Bitcoin vehicle in Canada.
- *Experienced manager with track record in alternative assets:* The Manager has a long and successful track record of launching fund products that provide investors with exposure to novel or emerging asset classes. The Manager believes its operations and compliance expertise in managing physical bullion businesses, including a sales team of 28 people, is key to the Fund and to the Manager building an international digital asset management business.
- *Knowledge and expertise about Bitcoin:* The Manager has differentiating expertise in this asset class.
- *Eligibility for Registered Accounts:* Units of the Fund will be eligible for registered accounts in Canada whereas the CRA guidance is not definitive on owning Bitcoin on its own in a registered account.
- *Access to Trading Venues:* Due to the expertise and relationships of its principals, the Manager has access to many large, regulated trading venues and can access large pools of liquidity.
- *Best-in-class Custody Counterparties:* Cidel Trust Company and Gemini.

### **Bitcoin in the Context of the History of Money**

The rise of Bitcoin as a new form of money fits a pattern of human ingenuity that has spanned millennia. People have used a myriad of creative ways to represent stored value, to transact and to do business and throughout history money

has been reimagined or reinvented as nations rise and fall and as technology spreads around the globe. The Spanish eight-piece became a proto-global reserve currency in the sixteenth-century in part because it was made of new world silver, the purest in the world and consequently lighter to travel. It was also innovative: minted to be literally broken into eight pieces, making it easier to spend. It was fungible. It was also backed by the dominant military and colonial power of the day. Unfortunately, the Spanish became victims of their own success, mining so much silver that they devalued their own currency.

Much later, the British pound sterling reigned as the global reserve currency. In the nineteenth century, Britain was the world's largest creditor nation, London was the world's primary capital market, and the British Navy ruled the seas. Gun boat diplomacy achieved monetary as well as political end by imposing the pound sterling on the world. After the Second World War and following a half century of upheaval in Europe, the United States emerged as the leading Western economic and military power.

The Bretton Woods system, established in 1944, set the ground rules for the U.S. dollar-dominated future. In the original Bretton Woods model, the dollar maintained a link to gold, but that was severed for good in 1971. Despite that decision, the U.S. dollar is arguably stronger today than ever before. Yet today the U.S., and indeed the world, is in a very different position than at the end of the Second World War. The global economy is far more closely knit, meaning changes in the U.S. dollar can have outsized effects on risks in other countries.<sup>4</sup> U.S. GDP as a percentage of the global total has fallen from nearly half after the second world war to only 24 percent today.<sup>5</sup> The financial crisis of 2008 was a punctuation point in the history of money, because from that moment in time came the Bitcoin White Paper.

## **The History of Bitcoin**

In 2008 an anonymous person or group of people using the pseudonym “Satoshi Nakamoto” released a research paper (The Bitcoin White Paper), outlining the purpose and mechanics of Bitcoin. In that paper, Nakamoto explained the problem with how payments worked traditionally, saying “commerce on the Internet has come to rely almost exclusively on financial institutions serving as trusted third parties to process electronic payments. While the system works well enough for most transactions, it still suffers from the inherent weaknesses of the trust-based model.”<sup>6</sup> He also described why other attempts to create a native digital payment system failed in the past, because of a failure to solve the double spend problem, that is, how to ensure that when a digital asset is sent over the internet, that it can't be sent again to someone else.

However, while Satoshi combined the various attributes that make Bitcoin work, Bitcoin itself is built on decades of research, development and computer science advances in cryptography and decentralized systems. This is not unlike the modern internet. The origins of the internet date back to the 1960s, with the development of packet switching commissioned by the U.S. Department of Defense. Among other things, the internet was supposed to ensure that communication could continue between government officials in the event that the country's centralized communication network was compromised in a nuclear attack. It was not until nearly 30 years later that Tim Berners-Lee developed the World Wide Web, creating the backbone for the modern internet that is so integral to our lives today. Similarly, Bitcoin, which has grown into an approximately \$441 billion (market capitalization as of December 24, 2020) network, had diverse commercial and academic origins.<sup>7</sup>

In 2009, the first Bitcoin transaction took place, when Hal Finney, a pioneer in developing proof of work systems, received 10 Bitcoin. In 2010, the first known commercial Bitcoin transaction occurred. In late 2010, Nakamoto stepped away from the project and since then the Bitcoin Network has grown larger, more resilient and more useful because of a decentralized network of individuals and companies who maintain and update code, run full nodes, mine new Bitcoin thus securing the network, and develop applications and services on top of Bitcoin, such as wallets and platforms, that contribute to its utility and growth. As of today, there are over 600 developers maintaining the Bitcoin

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<sup>4</sup> <https://www.bankofengland.co.uk/-/media/boe/files/speech/2019/the-growing-challenges-for-monetary-policy-speech-by-mark-carney.pdf>.

<sup>5</sup> [https://ycharts.com/indicators/us\\_gdp\\_as\\_a\\_percentage\\_of\\_world\\_gdp](https://ycharts.com/indicators/us_gdp_as_a_percentage_of_world_gdp).

<sup>6</sup> *Bitcoin: A Peer-to-Peer Electronic Cash System*, Satoshi Nakamoto.

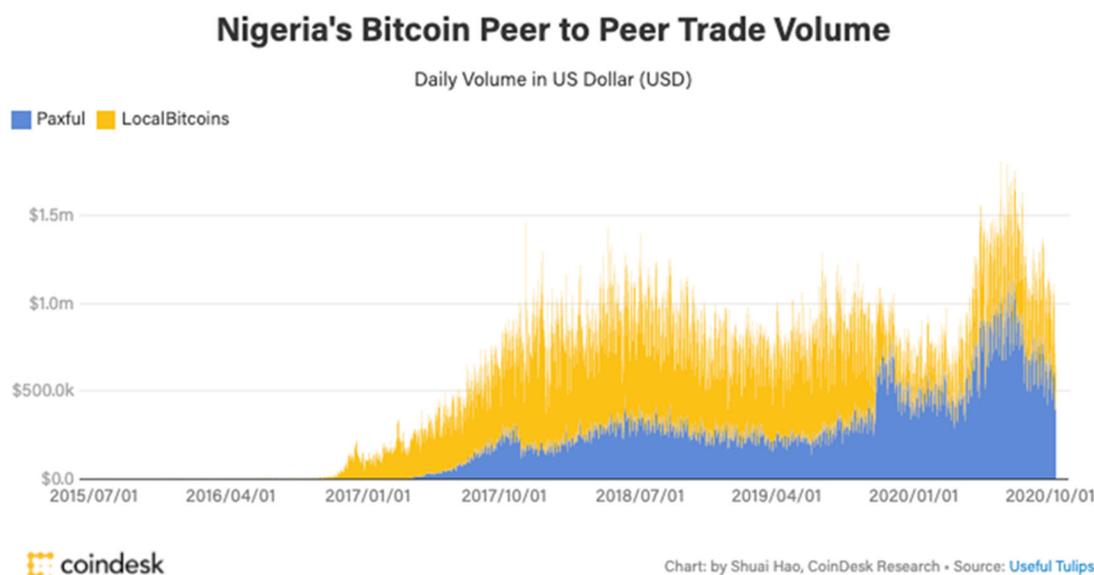
<sup>7</sup> <https://www.blockchain.com/>.

Network and dozens of companies building applications and services on the Bitcoin Network. Numerous large companies such as PayPal, Square and Fidelity have invested heavily in Bitcoin services for clients and users.<sup>8</sup> Bitcoin has no CEO, head office, board of directors or any other form of centralized governance or authority.

### Bitcoin Use-Case Examples

Bitcoin is accepted by merchants and thus can be used to pay for goods and services. Bitcoin is also used to send money around the world without the need for an intermediary like a bank. This makes Bitcoin attractive for many use cases, such as remittances between parties in different countries. Bitcoin is also increasingly popular in countries where the local currency is inflationary, or where the political regime is unstable or where the government and financial infrastructure is underdeveloped or unevenly distributed and thus difficult to access for much of the population. For example, in Nigeria, only three in ten people have bank accounts and six in ten people live below the poverty line.<sup>9</sup> Yet, Nigeria is one of the largest beneficiaries of remittance payments, receiving over \$25 billion per year. Recent social unrest and mass protest, combined with this backdrop, have fueled significant growth in Bitcoin adoption.<sup>10</sup>

Figure 1: Illustrative Use Case: Nigeria's Bitcoin Peer to Peer Trade Volume (Daily Volume in USD)



Source: <https://www.coindesk.com/nigeria-Bitcoin-adoption>.

Another use-case for Bitcoin is as a store of value and a hedge against inflation. While Bitcoin is closing in on all-time highs in USD\$ and CAD\$ terms, it has already exceeded its all-time highs in the currencies of many other countries, including Brazil, Argentina, Turkey, Venezuela, Russia and Colombia. All of these countries have dealt with high inflation or currency volatility in recent years. Bitcoin is global and so it is important to view it through a global lens. For many people living in these countries where the currency is being debased, Bitcoin is one of the few real “off ramps” to preserve wealth for the long term.

<sup>8</sup> <https://www.barrons.com/articles/bitcoin-goes-mainstream-as-paypal-and-square-embrace-digital-currencies-51607457036>.

<sup>9</sup> <https://www.odi.org/publications/9720-financial-inclusion-nigeria#:~:text=Many%20countries%20have%20now%20signed,excluded%20from%20just%20under%20half>.

<sup>10</sup> <https://www.coindesk.com/nigeria-Bitcoin-adoption>.

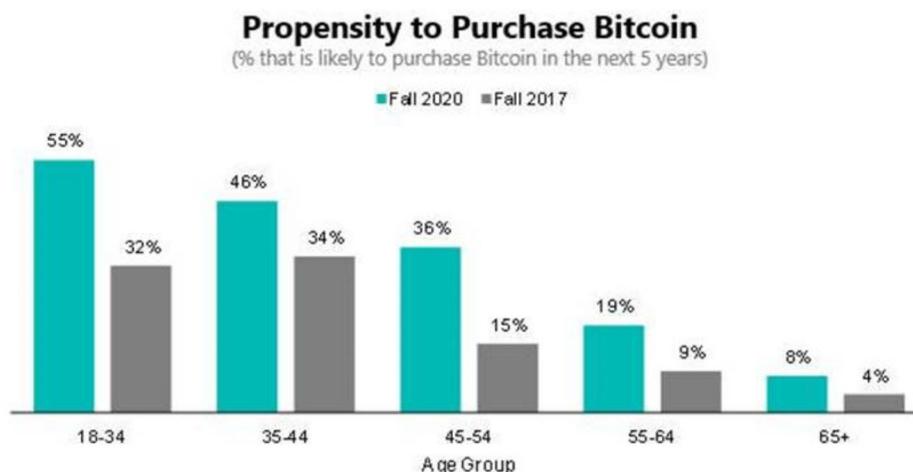
Importantly, although the price of Bitcoin is (as of December 24, 2020) around \$23,400, individual users can own a fraction of a Bitcoin. In fact, it may be owned down to eight decimal places, or one hundredth million of a Bitcoin, also known as a ‘Satoshi.’ The potential for Bitcoin to be used for micropayments or for small dollar transactions such as remittances is possible because of Bitcoin’s high divisibility.

### Retail Growth Supported by Changing Demographics

According to Coldwell Banker, over the coming decades, approximately \$68 trillion in wealth will be transferred from Baby Boomers to their Millennial children.<sup>11</sup> This generation is more inclined to invest in Bitcoin over other asset classes, including gold. According to a recent poll by deVere Group, a financial consultancy, “more than two-thirds (67%) of the 700+ millennial clients surveyed said that they think Bitcoin competes better against gold as a safe-haven asset.”<sup>12</sup>

According to a recent survey, 45% of U.S. citizens who responded are familiar with Bitcoin, up from 34% in 2017.<sup>13</sup> Coinbase, a retail-oriented cryptocurrency platform, has seen an increase in users<sup>14</sup>, reporting 35 million users, up from 13 million in 2017.<sup>15</sup>

Figure 2: Propensity to Purchase Bitcoin



Source: <https://blockchain.capital/bitcoin-is-still-a-demographic-mega-trend-data-update/>.

### Bitcoin: Growing Acceptance as a Digital Alternative to Gold

Like gold, Bitcoin is a scarce asset with a limited supply that takes energy and time to produce and is thus viewed increasingly by investors as an attractive and ‘digital’ alternative to gold. This is especially true given the macroeconomic backdrop of a low-rate environment and high levels of monetary and fiscal intervention into the economy. Like gold, Bitcoin does not generate any cash flow however in a low rate environment, the opportunity cost of not owning a so-called risk-free asset declines significantly thus making assets like Bitcoin and gold more attractive. However, unlike gold, Bitcoin is easily transferable at a low cost, has low storage costs and is impossible to forge. Moreover, whereas the known use cases for gold are limited, Bitcoin is an open-source protocol with a lively

<sup>11</sup> “A Look at Wealth 2019: Millennial Millionaires”, Coldwell Banker.

<sup>12</sup> <https://www.devere-group.com/news/Two-thirds-of-millennials-prefer-Bitcoin-to-gold-as-safe-haven-survey%20>.

<sup>13</sup> Blockchain Capital, December 2, 2020.

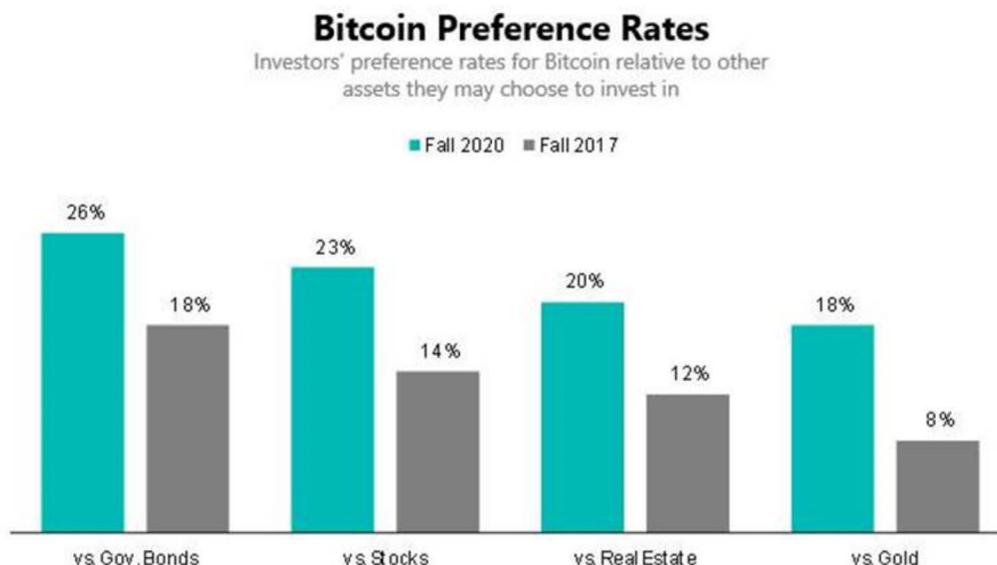
<sup>14</sup> Coinbase Corporate Website, December 24, 2020.

<sup>15</sup> CNBC, November 27, 2017.

ecosystem of developers, companies and users which are adding to its utility. This investment thesis, that Bitcoin is a form of “digital gold” is becoming increasingly widely accepted by large financial institutions.

On November 20, 2020, Rick Rieder, CIO for fixed income at Blackrock, the largest asset manager in the world, said that Bitcoin could “take the place of gold to a large extent,” because “it’s so much more functional than passing a bar of gold around.”<sup>16</sup> This echoed the comment of outgoing SEC chairman Jay Clayton, who said on November 19, 2020 that Bitcoin was not only a “payment mechanism,” but also a “store of value.”<sup>17</sup>

Figure 3: Bitcoin Preference Rates



Source: <https://blockchain.capital/bitcoin-is-still-a-demographic-mega-trend-data-update/>.

### Bitcoin Historical Price Activity

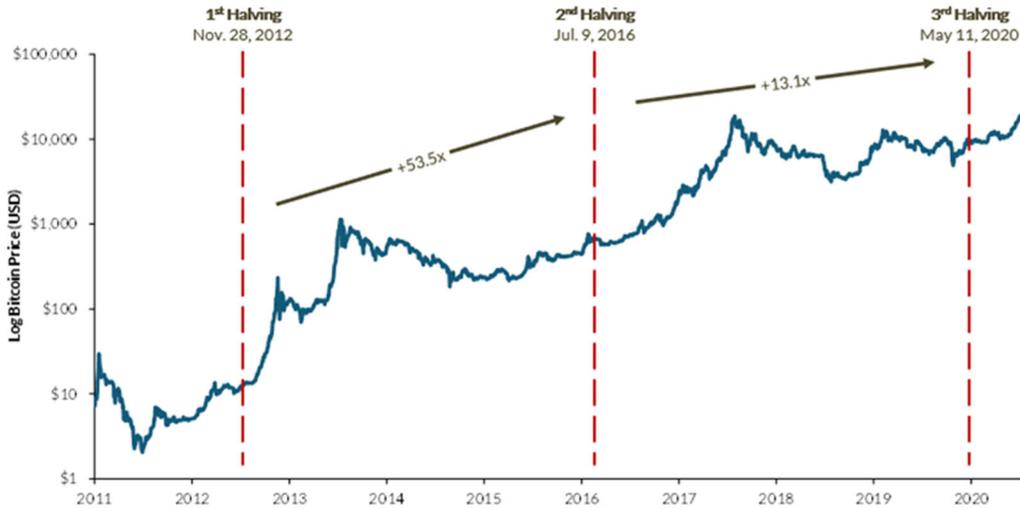
Bitcoin is one of the best performing asset classes of the past decade, growing from \$nil per Bitcoin to \$23,405 per Bitcoin and an approximate \$441 billion market capitalization.<sup>18</sup> It is currently enjoying its longest uninterrupted stretch above \$10,000 per Bitcoin at over 145 days. As of writing (December 24, 2020) Bitcoin has only spent one day at a higher price.

<sup>16</sup> <https://twitter.com/SquawkCNBC/status/1329771252005924866>.

<sup>17</sup> <https://twitter.com/SquawkCNBC/status/1329420012080295939>.

<sup>18</sup> <https://www.blockchain.com/>.

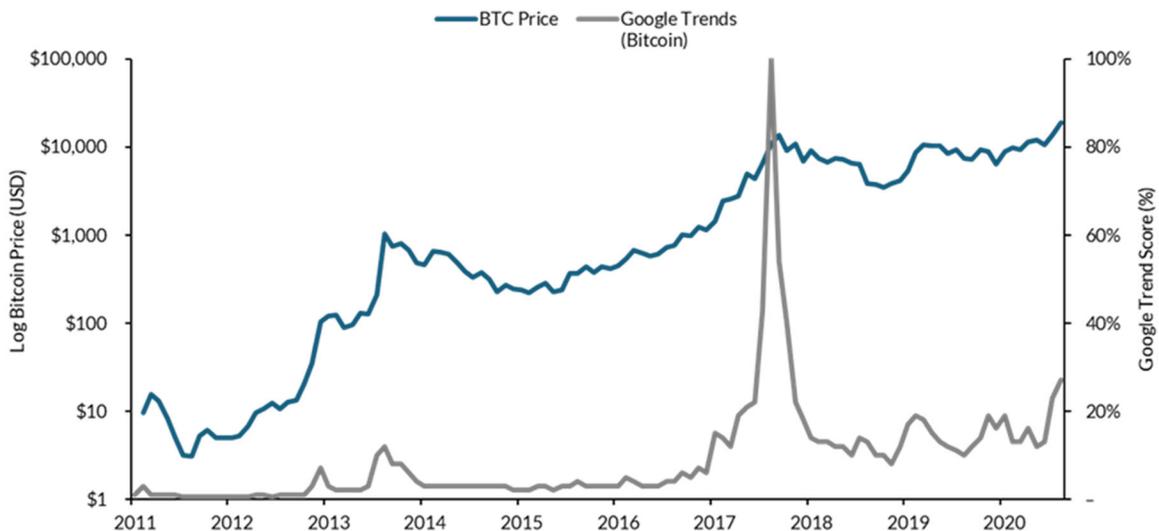
Figure 4: Bitcoin Price Since Inception (Log Scale)



Source: Bloomberg, <https://www.cmcmarkets.com/en/learn-cryptocurrencies/bitcoin-halving>

The Manager believes that recent strength in Bitcoin is driven by institutional investors and other large holders (i.e. corporate treasury purchases such as Microstrategy and Square) who are seeking out a financial investment in an asset that has proven to be a good store of value both during this volatile year and over the long run. Of course, past performance is no guarantee of future returns. However, recent developments, such as PayPal rolling out Bitcoin buying and selling for its 300 million+ users suggests that there is new and sustained demand for Bitcoin. Whereas during previous cycles of strong price appreciation, the search demand for Bitcoin spiked along with its price, during this most recent cycle there has been little evidence of that, suggesting that broad based retail demand has not yet come into the marketplace.

Figure 5: Bitcoin Search Interest, via Google Trends



Source: Bloomberg, <https://trends.google.com/trends/explore?date=today%205-y&geo=US&q=Bitcoin>

## Bitcoin Return on Investment

In seven of the past nine years, Bitcoin has had a positive ROI exceeding 35%. YTD in 2020, Bitcoin has exceeded a 200% ROI.

Figure 6: Historical Annualized ROI for Bitcoin (2011-2020)

2011:	1,420.27%	2016:	122.74%
2012:	164.80%	2017:	1,288.36%
2013:	5,429.21%	2018:	(71.98%)
2014:	(57.33%)	2019:	84.31%
2015:	36.57%	2020 (YTD):	227.0%

Source: Bloomberg, <https://messari.io/asset/Bitcoin>

**The above information is historical and the past performance of Bitcoin is not indicative of future performance and should not be used to forecast any return that an investor may realize on the Units of the Fund. Past performance of Bitcoin does not necessarily reflect the performance of the Fund if it had been in existence at the time of Bitcoin’s debut as such performance does not account for the costs and expenses associated with this Offering and the operation of the Fund.**

## Security of the Bitcoin Network

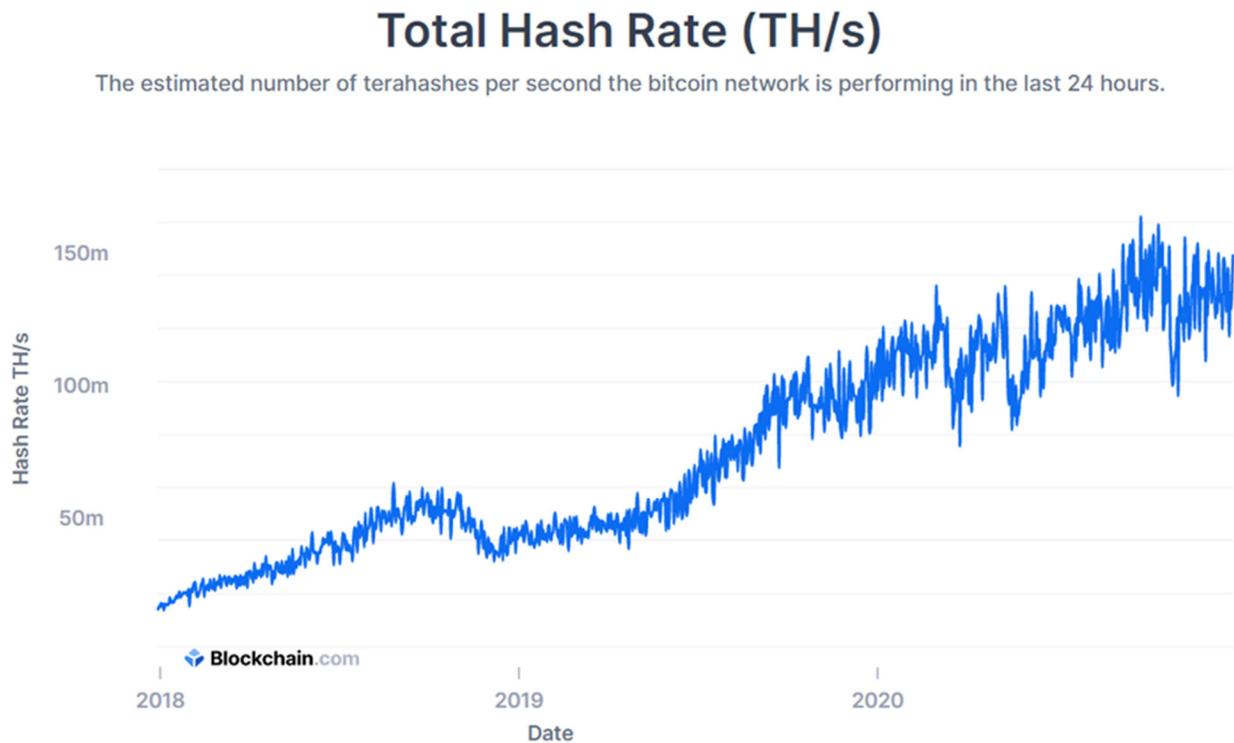
One of the most important measures for the security of the Bitcoin Network is the “hash rate”. As described above, miners solve these difficult computational challenges (solving the ‘hash’) in order to secure the network and earn newly minted Bitcoin. The “hash-rate” is the easiest way to measure the processing power of all the miners working to secure the network. Since inception, the total hash rate has steadily increased. However, it is not static. It can be adjusted up or down as unprofitable miners disconnect from the Bitcoin Network. All things being equal, having fewer miners connected to the network lowers the difficulty level, which incentivizes sidelined miners to enter the market again. This equilibrium of market forces ensures that the Bitcoin Network has a high enough hash rate and difficulty rating to keep it secure.

Hash rate is measured in hashes per second, or computations per second. The thirty-day moving average hash rate is 134 million tera hash per second. A tera hash is 1,000,000,000,000 (1 trillion) hashes per second.<sup>19</sup>

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<sup>19</sup> <https://www.blockchain.com/charts/hash-rate>.

Figure 7: Bitcoin Network Total Hash Rate (TH/s)



Source: <https://www.blockchain.com/charts/hash-rate>.

Another important metric is the number of nodes connected to the network. A node is a computer connected into the Bitcoin Network. A “full node” is a computer connected to the Bitcoin Network which hosts and synchronizes a copy of the entire Bitcoin blockchain. According to the Bitcoin Core documentation, “a full node is a program that fully validates transactions and blocks”. Almost all full nodes also support the network by accepting transactions and blocks from other full nodes, validating those transactions and blocks, and then relaying them to further full nodes. This differs from a light node, which requires less download and storage capacity as its only task is to verify transactions in the blockchain, along with all the other nodes.<sup>20</sup>

The number of nodes is important, but so too is the geographically decentralized distribution. A decentralized network ensures that the network can continue to run, even in the event of natural disaster, a change in the law, a black-out or some other unforeseen event. In this respect, it is similar to the internet. Right now, there are over 10,000 nodes being run in 96 different countries, with the United States, Germany, France, The Netherlands, Canada, the United Kingdom, Singapore, Russia and Japan as part of the top ten.<sup>21</sup>

<sup>20</sup> <https://Bitcoin.org/en/full-node>.

<sup>21</sup> <https://bitnodes.io/>.

Figure 8: Global Bitcoin Nodes Distribution

**GLOBAL BITCOIN NODES DISTRIBUTION**  
 Reachable nodes as of Tue Dec 29 2020 14:38:58  
 GMT-0500 (Eastern Standard Time).

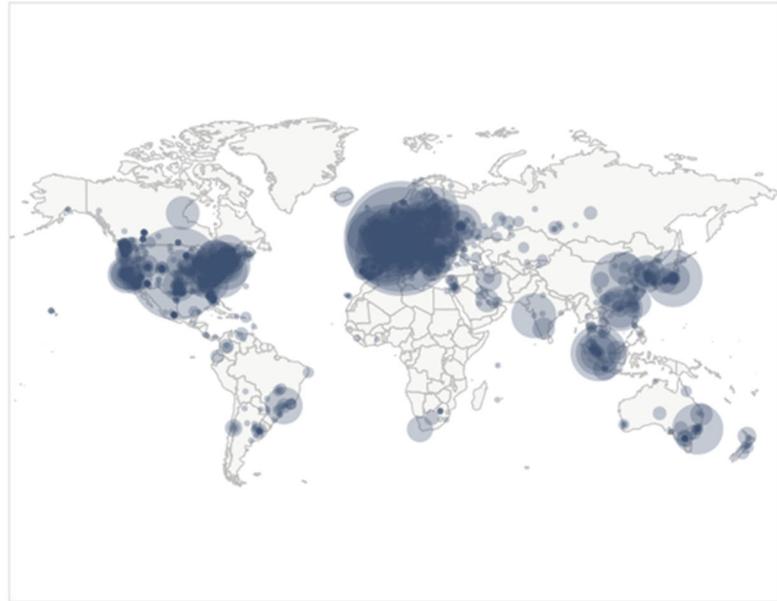
**10934 NODES**

24-hour charts »

Top 10 countries with their respective number of reachable nodes are as follow.

RANK	COUNTRY	NODES
1	n/a	2294 (20.98%)
2	United States	1952 (17.85%)
3	Germany	1790 (16.37%)
4	France	580 (5.30%)
5	Netherlands	465 (4.25%)
6	Canada	361 (3.30%)
7	United Kingdom	344 (3.15%)
8	Singapore	251 (2.30%)
9	Japan	228 (2.09%)
10	Russian Federation	210 (1.92%)

More (97) »



Map shows concentration of reachable Bitcoin nodes found in countries around the world.

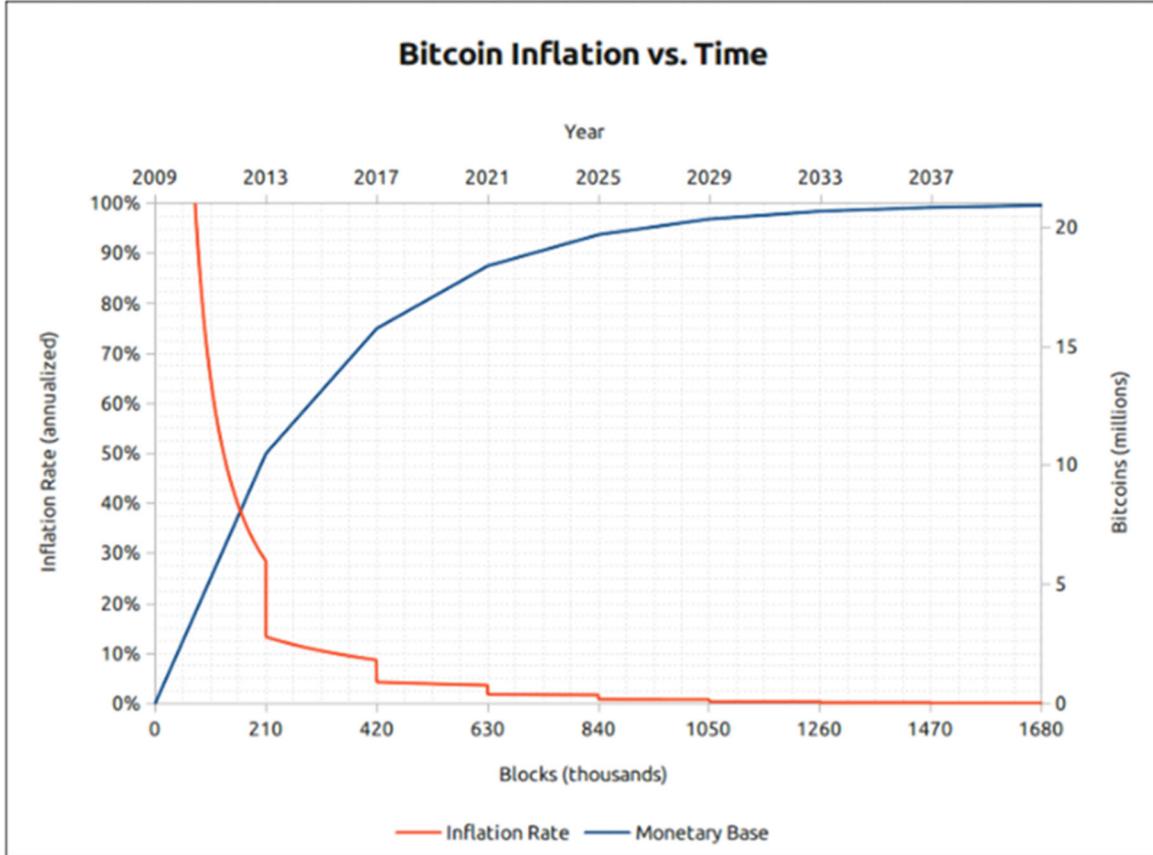
LIVE MAP

Source: <https://bitnodes.io/>.

### Supply Characteristics

Bitcoin is a deflationary currency with a known rate of inflation, which declines periodically. When Bitcoin was first launched, the rate of inflation was quite high, but has declined steadily. This steadily declining growth in the Bitcoin outstanding will continue until all 21 million Bitcoin are mined, in approximately 2140. Every 210,000 blocks or approximately every four years, the amount of new Bitcoin issued to miners for securing the network declines by 50%. This is known colloquially in the industry as the “halving.” The first such event where the supply was halved occurred on November 28, 2012. Prior to that, miners received 50 Bitcoin per block hashed, in what is known as the “coinbase transaction.” From November 28, 2012 until July 9, 2016 the mining reward was 25 Bitcoin. From this point until May 11, 2020, the reward was 12.5 Bitcoin. Since then the reward has been 6.25 Bitcoin. These adjustments are all programmatic and predetermined based on the number of blocks mined and thus happen automatically.

Figure 9: Bitcoin Inflation vs. Time



Source: [https://www.researchgate.net/figure/Bitcoin-inflation-vs-time\\_fig1\\_263617756](https://www.researchgate.net/figure/Bitcoin-inflation-vs-time_fig1_263617756).

The Manager believes that this steady declining rate of growth in the supply of Bitcoin will not adversely affect the economic incentive of miners to support and secure the network. However, the Manager does think that this steadily declining rate of inflation is constructive for the price of an individual Bitcoin. So long as growth in demand remains constant, a declining supply of new Bitcoin will cause the supply/demand to fall out of equilibrium, thus putting upward pressure on the price of Bitcoin. One metric used to assess this supply/demand imbalance is the stock to flow ratio. The stock to flow ratio expresses the number of years it would take to double the total stock of something at the current rate of production. Today there are currently 18,580,044 Bitcoins in circulation. At the current block reward of 6.5 Bitcoins/block, there are approximately 908 new Bitcoin created per day or 331,542 per year. This gives us a stock-to-flow ratio of approximately 56.0. With each halving, the stock to flow ratio increases.<sup>22</sup>

<sup>22</sup> <https://www.buyBitcoinworldwide.com/how-many-bitcoins-are-there/#:~:text=How%20Many%20Bitcoins%20Are%20There%20Now%20in%20Circulation%3F,adds%206.25%20Bitcoins%20into%20circulation.>

Figure 10: Stock to Flow Ratio



Source: Bloomberg, <https://www.cmcmarkets.com/en/learn-cryptocurrencies/bitcoin-halving>.

## Blockchain Industry Growth

Bitcoin was the first cryptocurrency and the first implementation of blockchain, but it was not the last. In fact, it set off a spark that has generated interest from many corporations and even a few governments who see the potential of digital assets and the underlying blockchain technology to transform many industries. The same basic principal behind Bitcoin – that two parties can transact and move value peer to peer without an intermediary – is now being applied to many marketplaces and asset classes, such as the market for securities, titles, deeds and even votes in an election. The Manager believes that blockchain could do for assets what the internet did for information such as newspapers, film, and TV, forcing business leaders to rethink the structure and inner workings of many industries, beginning with financial services.

The Manager believes that virtually every marketplace, from securities like stocks and bonds, to insurance, accounting, audit and venture capital, could eventually be transformed by this technology.

One example is the rise of so-called stablecoins, which are pegged to the value of fiat currencies such as the US dollar. Large companies like Facebook are wagering that stablecoins can improve payments globally. Many governments see the potential for government stablecoins, or so-called “Central Bank Digital Currencies (CBDC)” to replace the traditional currencies and payment systems in use today. For example, China’s CBDC, long in the works, went live in a test format in a variety of Chinese cities in 2020.<sup>23</sup> Securities tokens are also seen as a disruptive force in the traditional financial markets. Transactions in digital assets settle in minutes or seconds, whereas transactions in traditional asset classes generally take longer. Migrating markets to securities tokens could reduce the time and cost to launch new offerings and clear and settle transactions.

The Manager has done extensive research in this area and has identified at least seven different kinds of assets that could be enabled because of blockchain technology, of which stablecoins, CBDCs and securities tokens are but three.

<sup>23</sup> <https://www.bloomberg.com/news/articles/2020-11-02/pboc-governor-says-4-million-transactions-so-far-in-digital-yuan>.

Figure 11: Digital Asset Taxonomy



Source: Alex Tapscott, Co-founder, Blockchain Research Institute.

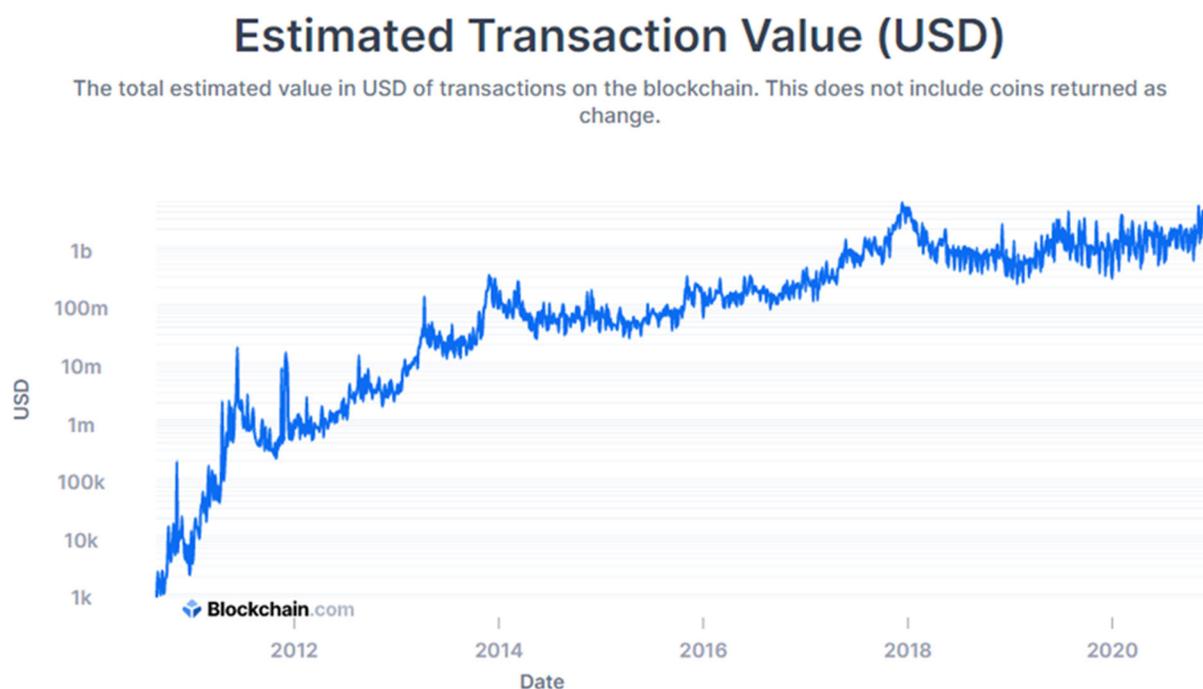
The Manager believes that the rapidly growing and evolving investment and interest in related digital assets and blockchain use cases is positive for Bitcoin, as investments in infrastructure, improvements in adoption and growing awareness of blockchain and its functionality continue to spread into the mainstream. For example, should Facebook’s Libra launch successfully, it could potentially increase the number of users who will use and access digital assets by an order of magnitude. Some firms are investing in this industry while keeping most of their focus on Bitcoin and other large and established digital assets. For example, PayPal announced in October 2020 that it would enable Bitcoin purchasing through its application which has over 300 million total active users.<sup>24</sup> The evidence suggests that this corporate adoption is accelerating.

### **Steadily Growing On-Chain Transaction Values Over Time**

Transaction volumes measured in USD-terms have grown steadily since the launch of the Bitcoin Network. The Manager believes that as more and more companies such as PayPal offer cryptocurrency services to customers, that on-chain volumes of Bitcoin will continue to grow.

<sup>24</sup> <https://newsroom.paypal-corp.com/2020-10-21-PayPal-Launches-New-Service-Enabling-Users-to-Buy-Hold-and-Sell-Cryptocurrency>.

Figure 12: Estimated Daily On-Chain Transaction Value (USD)



Source: <https://www.blockchain.com/charts/estimated-transaction-volume>.

## Corporate Adoption

Bitcoin and other digital assets are being adopted widely by Fidelity, Square, PayPal and numerous other large corporations. Fidelity announced the launch of Fidelity Digital Assets in 2018. In 2020, Square announced that it would allocate a percentage of its treasury to holding Bitcoin, in addition to offering a number of Bitcoin services to customers.<sup>25</sup> It joined other firms, including NASDAQ-listed Microstrategy, which has so far purchased more than \$1 billion of Bitcoin for its treasury.<sup>26</sup> PayPal, after rolling out Bitcoin buying and selling to a select group of customers, made it available to all customers in November 2020 and to its network of 26 million merchants.<sup>27</sup> VISA and Mastercard have turned their attention towards central bank digital currencies and other implementations of blockchain and payments.

Furthermore, enterprise adoption of the underlying blockchain technology is widespread and goes beyond the financial services industry. This broad enterprise acceptance of blockchain is also reflected in industry surveys. Deloitte, a consultancy, released the results of its 2019 Blockchain Survey, in which it found that 53% of enterprise respondents cited blockchain as a top five strategic priority and 56% said blockchain will disrupt their industry.

<sup>25</sup> <https://squareup.com/us/en/press/2020-bitcoin-investment>.

<sup>26</sup> <https://www.microstrategy.com/en/company/company-videos/microstrategy-announces-over-1b-in-total-bitcoin-purchases-in-2020>.

<sup>27</sup> <https://newsroom.paypal-corp.com/2020-10-21-PayPal-Launches-New-Service-Enabling-Users-to-Buy-Hold-and-Sell-Cryptocurrency>.

Figure 13: Snapshot of Corporate Adoption of Bitcoin and Blockchain in 2020



Source: Individual companies' websites.

### Low Correlation and Sharpe Ratio Analysis

The Manager has deep experience in specialty alternative investment solutions and understands that the benefit of diversification in a well-balanced portfolio is to improve risk adjusted returns, reduce the maximum drawdown and reduce the overall volatility of a portfolio. In order to achieve this, when constructing a portfolio, the Manager believes that it is important to select not only sound investments but also investments which have a low correlation to other investments in the portfolio. Bitcoin, despite being a volatile asset, has a low correlation to many major financial assets, commodities and indices including the S&P500, TSX Composite, NASDAQ Composite, US Crude Oil, Gold and the MSCI World Index. Where 1 equals a 100% correlation, and where -1 equals a 100% inverse correlation, Bitcoin broadly has a low correlation to other asset classes ranging from roughly 0.1 to 0.2.

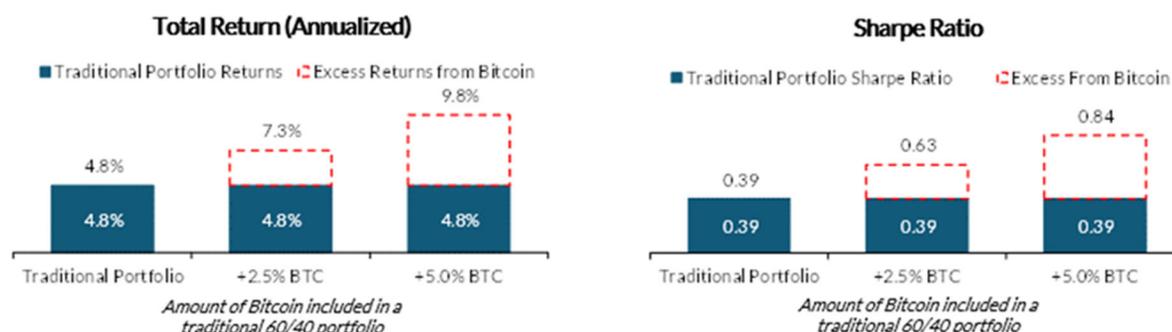
Figure 14: 5 Year Correlation Matrix for Bitcoin

5-Year Correlation Matrix <sup>(1)</sup>	Bitcoin	S&P/TSX Composite Index	Canada Aggregate Bond Index	S&P 500 Index	NASDAQ Composite Index	MSCI World Index	U.S. Crude Oil	Spot Gold	U.S. Dollar
Bitcoin	1.000								
S&P/TSX Composite Index	0.174	1.000							
Canada Aggregate Bond Index	0.034	(0.197)	1.000						
S&P 500 Index	0.146	0.807	(0.247)	1.000					
NASDAQ Composite Index	0.153	0.730	(0.214)	0.952	1.000				
MSCI World Index	0.146	0.869	(0.224)	0.960	0.903	1.000			
U.S. Crude Oil	0.051	0.182	(0.044)	0.168	0.140	0.172	1.000		
Spot Gold	0.116	0.128	0.334	(0.019)	(0.007)	0.014	(0.010)	1.000	
U.S. Dollar	(0.024)	(0.173)	(0.113)	(0.003)	0.014	(0.106)	(0.027)	(0.436)	1.000

Source: Bloomberg; Date range: December 29, 2015 – December 24, 2020.

In fact, portfolio analysis demonstrates that adding a small amount of Bitcoin to a 60/40 portfolio improved risk adjusted returns dramatically, increasing the Sharpe ratio by as much as 117%. The Sharpe ratio is a common metric to measure risk adjusted returns. The higher the Sharpe ratio, the better the risk adjusted returns. A traditional 60/40 portfolio produces a 0.39 Sharpe ratio, whereas a similar portfolio with just a 5% Bitcoin weighting produces a 0.84 Sharpe ratio or a 117% increase in risk-adjusted returns.<sup>28</sup>

Figure 15: Portfolio Metrics – Diversification & Risk Management



Source: Bloomberg; Date range: January 2, 2015 – December 24, 2020.

## Investing in Bitcoin

There are numerous ways for investors to get exposure to Bitcoin today, however the Manager believes that each has its own specific limitations which disadvantage investors who want long-term, low-fee, liquid and secure exposure to Bitcoin:

1. *Purchase and hold on cryptocurrency platforms*

Risks: lack of liquidity, withdrawal limits, trading limits, risk of theft, unexpected down-time of platforms

2. *Purchase on cryptocurrency platform and self-custody*

Limitations: liquidity, risk of theft if not stored properly, cumbersome, requires technical know-how

3. *Invest into private Bitcoin funds or partnership as a Limited Partner (LP):*

Limitations: Typically limited to accredited investors only, often unregulated, lack of trust, often uninsured

4. *Purchase in-app through fintech apps:*

Limitations: Withdrawal limits, trading limits, limits on removing Bitcoin into cold storage

## Market Dynamics and Bitcoin Trading Platforms

Today, there are over 200 trading venues that operate globally trading Bitcoin. The largest by real trading volume include Coinbase Pro, Gemini, Binance, Huobi Global, Bitfinex, Kraken, Bitstamp and OKEEx.<sup>29</sup> In addition to these platforms, a sizable (but undisclosed) amount of Bitcoin trades in the over-the-counter market (OTC) globally.<sup>30</sup>

<sup>28</sup>Bloomberg, Date range: January 2, 2015 – December 24, 2020.

<sup>29</sup><https://messari.io/asset/Bitcoin/exchanges>.

<sup>30</sup><https://www.coindesk.com/institutions-over-the-counter-bitcoin-trades>.

The Manager believes that the platform ecosystem has matured and developed significantly in recent years. To the Manager's knowledge, many platforms now require customers to adhere to anti-money laundering and know your customer requirements and procedures. Additionally, to the Manager's knowledge, a growing number of platforms have taken additional steps to become regulated as trust companies and are now vertically integrating their services across trading execution, custody and other services, much like a more traditional financial services firm. The Manager understands that many of these firms have insurance for assets held in cold storage as well as general insurance policies to protect against theft or malfeasance, similar to many mature companies. The Manager also understands that it is fairly common for these policies to be underwritten by major brand-name insurance companies and to cover over \$100 million of lost or stolen assets or other unforeseen losses. The Manager believes that this is a significant change from only two or three years ago when few, if any, companies operating in this industry had insurance.

Some regulators have also clarified existing financial market rules and in some cases implemented new ones to ensure the market matures in an orderly and stable manner. For example, in 2015 the New York Department of Financial Services introduced the BitLicense, a specific licensing and regulatory requirement for cryptocurrency companies. Since then a number of platforms who also operate other services such as custody, have been granted that license. Additionally, the SEC, CFTC, and Financial Industry Regulatory Authority (FINRA), as well as the U.S. Office of the Comptroller of the Currency have all clarified their positions related to Bitcoin and the custody of digital assets by regulated financial institutions.<sup>31</sup>

The Manager believes that the recent entrance of large, mature, and sophisticated financial institutions such as Fidelity, CME Group, PayPal and Square is helping to grow and advance the industry, which will in turn attract incremental participants, including institutions, to the asset class. The Manager also believes that absent the clarification of rules and regulations by governing bodies, that this recent maturation would not have occurred. It would appear that encouraging regulators to continue to engage with industry will enable it to grow in a sustainable and mature manner.

The Manager expects to purchase Bitcoin for the Fund from a combination of regulated, licensed platforms that adhere to AML and KYC requirements, as well as certain OTC providers where it already has relationships and who also adhere to the same rules and requirements.

## **RISK FACTORS**

The following are certain considerations relating to an investment in Units of the Fund which prospective investors should consider before purchasing such securities.

### **Risks Factors Relating to an Investment in the Fund**

#### ***No Assurance in Achieving Investment Objectives***

There is no assurance that the Fund will be able to achieve its investment objectives.

#### ***Trading Price of Units***

The Units may trade in the market at a discount or a premium to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit.

#### ***Loss of Investment***

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment.

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<sup>31</sup> <https://www.finra.org/investors/learn-to-invest/types-investments/initial-coin-offerings-and-cryptocurrencies/cryptocurrencies>.

### ***Fluctuation in Value of Bitcoin***

The Net Asset Value of the Units will vary according to the value of Bitcoin included in the Fund's portfolio. The value of Bitcoin will be influenced by factors which are not within the control of the Fund or the Manager.

### ***Concentration Risk***

The Fund was created to invest in Bitcoin and is not expected to have exposure to any other investments or assets. Other than cash or cash equivalents, the Fund will invest substantially all of its assets in Bitcoin. Because it is the Fund's objective to invest on a passive basis, the Fund's holdings will not be actively managed and accordingly, will not be hedged or repositioned to attempt to take defensive positions if the price of Bitcoin declines or is expected to decline. The Net Asset Value per Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the Net Asset Value of the Units.

### ***Risks Related to Passive Investments***

An investment in the Units should be made with an understanding that the Net Asset Value of the Fund will generally fluctuate in accordance with the price of Bitcoin based on the MVIBTC. Because it is the Fund's objective to invest in Bitcoin on a passive basis, the Fund's holdings will not be actively managed and accordingly, will not be hedged or repositioned to attempt to take defensive positions if the price of Bitcoin declines or is expected to decline. The Fund will invest substantially all of its assets in Bitcoin.

### ***Use of Leverage***

The Fund may borrow money on a short term basis to acquire Bitcoin in anticipation of and prior to any follow on offering of Units by the Fund in an amount not to exceed 25% of the Net Asset Value of the Fund. If the Fund's portfolio suffers a decrease in value, the leverage component will cause a decrease in Net Asset Value of the Fund in excess of that which would otherwise be experienced.

### ***Reliance on the Manager and the Sub-Custodian***

Unitholders will be dependent on the abilities of the Manager to effectively administer the affairs of the Fund. The Manager depends, to a great extent, on a limited number of individuals in the administration of its activities as manager of the Fund. The loss of the services of one or more of these individuals for any reason could impair the ability of the Manager to perform its duties as manager on behalf of the Fund. If the Sub-Custodian did not adequately safeguard the Fund's Bitcoin, the Fund could suffer significant issues.

### ***No Ownership Interest in the Portfolio***

An investment in Units does not constitute an investment by Unitholders in Bitcoin, cash and cash equivalents included in the Fund's portfolio. Unitholders will not own Bitcoin or cash or cash equivalents held by the Fund.

### ***Changes in Legislation***

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

### ***Conflicts of Interest***

Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager.

### ***Status of the Fund***

As the Fund is a non-redeemable investment fund but not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

### ***Valuation of the Fund***

Valuation of the Fund may involve uncertainties and judgement determinations, and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund could be adversely affected. The Manager may face a conflict of interest in valuing Bitcoin held by the Fund because the values assigned will affect the calculation of the Management Fee payable by the Fund to it.

### ***Significant Redemptions***

The purpose of the annual redemption right is to reduce the extent to which Units trade at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity at Net Asset Value per Unit (commencing in January 2022), there can be no assurance that it will reduce trading discounts. Furthermore, if a substantial number of Units are redeemed, the number of Units outstanding could be significantly reduced with the effect of decreasing liquidity of the Units in the market. In addition, the expenses of the Fund would be spread among fewer Units resulting in a lower Net Asset Value per Unit than if there were fewer redemptions. If, as a result of significant redemptions, the Manager determines that it is in the best interests of Unitholders to terminate the Fund, the Manager could cause the termination of the Fund without Unitholder approval. See “Redemption of Units” and “Termination of the Fund.”

Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units have experienced significant redemptions on annual redemption dates in the past.

### ***Manager, Custodian and Sub-Custodian Standard of Care***

Each of the Manager, the Custodian and the Sub-Custodian are subject to a contractual standard of care in carrying out its duties concerning the Fund (See “Organization and Management Details of the Fund – Details of the Declaration of Trust”, “Organization and Management Details of the Fund – Custodian” and “Organization and Management Details of the Fund – Sub-Custodian”). In the case that the Fund suffers a loss of its Bitcoin and each of the Manager, the Custodian and the Sub-Custodian satisfied its respective standard of care, the Fund will bear the risk of loss with respect to these parties.

Under the terms of the Custody Agreement, the Custodian is required to exercise the standard of care required by NI 81-102. However, the Custodian will not be liable to the Fund for any loss of the Fund’s Bitcoin held by the Sub-Custodian unless such loss is directly caused by the Custodian’s gross negligence, fraud, wilful default, or the breach of its standard of care. In the event of such loss, the Custodian is required to take reasonable steps to enforce such rights as it may have against the Sub-Custodian pursuant to the terms of the Sub-Custodian Agreement and applicable law.

### ***SOC 2 Type 2 Report of the Sub-Custodian***

The Sub-Custodian has advised the Manager that a SOC 2 Type 2 Report of its internal controls will be available for review by the auditor of the Fund in connection with the audit of the annual financial statements of the Fund. However, there is a risk that such SOC 2 Type 2 Report of the Sub-Custodian will not be available. In the event that the SOC 2 Type 2 Report is not available, the Manager will request confirmation from the Sub-Custodian in writing to permit the auditor of the Fund to test its internal controls. Although the Manager has received reasonable assurances from the Custodian and the Sub-Custodian that such written confirmation will be provided in the event that a SOC 2 Type 2 Report of the Sub-Custodian is not available, there is a risk that such written confirmation will not be provided and/or that the auditor will not be able to test the internal controls of the Custodian and the Sub-Custodian directly. The Fund will file an undertaking with applicable securities regulatory authorities that provides that while it remains a reporting

issuer, the Fund will obtain from the Sub-Custodian of Bitcoin of the Fund either a SOC 2 Type 2 Report or written confirmation from the Sub-Custodian to permit the auditor of the Fund to test its controls.

In the event that the auditor of the Fund cannot: (i) review a SOC 2 Type 2 Report of the Sub-Custodian; and/or (ii) test the internal controls of, and other audit procedures at, the Sub-Custodian directly in connection with its audit of the Fund's annual financial statements, the auditor would not be able to complete its audit of the annual financial statements of the Fund in accordance with the professional standards.

### ***Lack of Operating History***

The Fund is a newly organized investment trust with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the Offering.

### ***No Active Trading Market***

There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. There can be no assurance that an active public market for the Class A Units will develop or be sustained. If a market for the Class A Units does not develop or is not sustained, you may not be able to resell your Units purchased in this Offering. This may affect the pricing of the Class A Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Class A Units and the extent of issuer regulation.

### ***Not a Trust Company***

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that statute or any other legislation.

### ***Liability of Unitholders***

The Fund is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces and territories as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Declaration of Trust provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons are to look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund's property will be subject to levy or execution. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability. The Declaration of Trust also provides that the Manager shall use reasonable efforts to cause to be inserted in each material written agreement, undertaking and obligation signed by or on behalf of the Fund a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of the Fund's activities. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

### ***U.S. Currency Exposure***

The Fund's functional and presentation currency is and the investor's investment will be made in U.S. dollars. The Fund will purchase Bitcoin which is currently denominated in U.S. dollars.

Canadian investors should be aware that the Fund will not hedge the investor's investment in the Fund against Canadian currency exposure. Fluctuations in the value of the Canadian dollar relative to the U.S. dollar will impact the relative value of an investor's investment in Canadian dollars. If the value of the Canadian dollar has increased relative to the U.S. dollar, the return on Bitcoin converted into Canadian dollars may be reduced, eliminated or made negative. The opposite can also occur and if it does occur, a Canadian investor and the value of such investor's investment converted into Canadian dollars may benefit from an increase in the value of the U.S. dollar relative to the Canadian dollar.

### ***Cyber Security Risk***

As the use of technology has become more prevalent in the course of business, investment funds like the Fund have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information or other information subject to privacy laws, suffer data corruption, or lose operational capacity. This in turn could cause the Fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. Cyber security breaches may involve unauthorized access to the Fund's digital information systems (e.g. through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e. efforts to make network services unavailable to intended users). In addition, cyber security breaches of the Fund's third-party service providers (e.g. the Registrar and Transfer Agent, the Custodian and the Sub-Custodian) can also subject the Fund to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, the Fund has established risk management systems designed to reduce the risks associated with cyber security.

### ***Tax Risk***

*"Mutual fund trust" status* - In order to qualify as a mutual fund trust under the Tax Act, the Fund must comply with various requirements contained in the Tax Act, including to restrict its undertaking to the investment of its funds in property. If the Fund were to cease to qualify as a mutual fund trust (whether as a result of a change in law or administrative practice, or due to its failure to comply with the Canadian requirements for qualification as a mutual fund trust), it may experience various potential adverse consequences, including: potentially becoming subject to a requirement to withhold tax on distributions made to non-resident Unitholders of any taxable capital gains; Units not qualifying for investment by Registered Plans; and Units ceasing to qualify as "Canadian securities" for the purposes of the election provided in subsection 39(4) of the Tax Act.

*"SIFT Rules"* - The SIFT Rules apply to trusts that are resident in Canada for the purposes of the Tax Act and that hold one or more "non-portfolio properties" (as defined in the Tax Act) and the units of which are listed or traded on a stock exchange or other public market ("**SIFT trust**"). Under the SIFT Rules, if the Fund were a SIFT trust it will generally be subject to tax at rates applicable to a Canadian corporation on income from a non-portfolio property (other than a taxable dividend) and net taxable capital gains realized on the disposition of a non-portfolio property (generally, "non-portfolio earnings" under the Tax Act). Unitholders who receive distributions from the Fund of this income and gain are deemed to receive an eligible dividend from a Canadian corporation for tax purposes. The total of the tax payable by the Fund on its non-portfolio earnings and the tax payable by a Unitholder on the distribution of those earnings will generally be more than the tax that would have been payable in the absence of the tax rules that apply to a SIFT trust. Even if units of the Fund are listed or traded on a stock exchange or other public market, provided the Fund only invests in Bitcoin, the Fund should not be a SIFT trust; however, no assurance can be given in this regard.

*Treatment of gains and losses on dispositions of Bitcoin* - The Fund generally will treat gains (or losses) as a result of any disposition of bitcoin as capital gains (or capital losses). The determination of whether property is held on income or capital account is a factual inquiry. In determining whether a transaction is on income or capital account in particular circumstances, the CRA and Canadian jurisprudence have generally stated that the course of conduct and intention of the taxpayer should be examined to determine whether the taxpayer is dealing with property in the manner of an ordinary trader or dealer in such property or otherwise acquired the property with the intention (including a secondary intention) of selling it at a profit. Factors to be considered in this regard include the intention of the taxpayer, the course of conduct of the taxpayer (including frequency of transactions and time spent on the activity), the nature of the property, and the period of ownership. The CRA has taken the administrative position that bitcoins are generally

treated as a commodity for income tax purposes. The CRA has also expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for income tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. Certain Canadian income tax jurisprudence is consistent with transactions in commodities being treated for tax purposes as giving rise to capital gains in certain circumstances, particularly where a holder does not deal with the commodity in the manner of an ordinary trader or dealer and the asset is regarded as a store of value. However, the Canadian income tax jurisprudence in relation to the characterization of gains as being on income or capital account is very fact specific (and has not yet addressed the characterization of gains on the disposition of bitcoin or any other cryptocurrency). Accordingly, the support in Canadian jurisprudence for the treatment of gains on the disposition of bitcoin on capital account is limited at this time, and there can be no assurances in this regard. The Fund intends to be a long-term holder of bitcoin, and does not anticipate to sell bitcoin (otherwise than where necessary to fund expenses of the Fund and redemptions of Unitholders) or speculate with regard to short-term changes in bitcoin prices. In addition, the Manager does not intend for the Fund to undertake transactions in bitcoin which would characterize the Fund as an ordinary trader or dealer. The investment strategy of the Fund is to be a long-term holder of bitcoin with the intention that the holding of such bitcoin serves as a store of value and a hedge against inflation. Based on the investment strategy, investment restrictions, and intention of the Manager, the Fund generally intends to treat gains (or losses) as a result of any disposition of bitcoin as capital gains (or capital losses). If any transactions of the Fund are reported by it on capital account, but are subsequently determined by the CRA to be on income account, there may be an increase in the net income of the Fund, which is automatically distributed by the Fund to its Unitholders under the terms of the Declaration of Trust at the Fund's taxation year end; with the result that Canadian-resident Unitholders could be reassessed by the CRA to increase their taxable income by the amount of such increase, and non-resident Unitholders potentially could be assessed directly by the CRA for Canadian withholding tax on the amount of net gains on such transactions that were treated by the CRA as having been distributed to them. The CRA could assess the Fund for a failure of the Fund to withhold tax on distributions made by it to non-resident Unitholders that are subject to withholding tax, and typically would do so rather than assessing the non-resident Unitholders directly. Accordingly, any such re-determination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. As the Fund may not be able to recover such withholding taxes from the non-resident Unitholders whose Units are redeemed, payment of any such amounts by the Fund would reduce the net asset value of the Fund.

*“Loss restriction event”* - If the Fund experiences a “loss restriction event”, it will: (i) be deemed to have a year-end for tax purposes (which would result in an allocation of the Fund's taxable income at such time to Unitholders so that the Fund is not liable for income tax on such amounts); and (ii) become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund.

### ***COVID-19 Outbreak***

The novel coronavirus (COVID-19) outbreak was characterized as a pandemic by the World Health Organization on March 11, 2020. The outbreak has spread throughout Asia, Europe, the Middle East, Canada and the United States, causing companies and various governments to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and the measures taken by companies and governments to combat the coronavirus have negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of Bitcoin. At this point, the extent to which the coronavirus may impact, or may continue to impact, the market price of Bitcoin and, in turn, the market price of the Units, is uncertain and cannot be predicted.

## **Risks Associated with Investing in Bitcoin**

### ***Cryptocurrency Risk***

Cryptocurrency (notably, Bitcoin), often referred to as “virtual currency” or “digital currency”, operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money. Cryptocurrency operates without the oversight of a central authority or the banks and is not backed by any government. Even indirectly, cryptocurrencies (i.e. Bitcoin) may experience high volatility and related investment vehicles may be affected by such volatility. Funds holding cryptocurrency may also trade at a significant premium to net asset value. Cryptocurrency is not legal tender. Federal, state, provincial, territorial or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in North America is still developing. Cryptocurrency platforms may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware which could have an adverse impact on the Net Asset Value of the Units.

### ***Short History Risk***

Bitcoin is just over a decade old, which makes it one of the youngest multi-billion dollar assets in the world. Due to this short history, it is not clear how all elements of Bitcoin will unfold over time, specifically with regard to governance between miners, developers and users, as well as the long-term security model as the rate of inflation of Bitcoin decreases. Since the Bitcoin community has successfully navigated a considerable number of technical and political challenges since its inception, the Manager believes that it will continue to engineer its way around future challenges. The history of open source software development would indicate that vibrant communities are able to change the software under development at a pace sufficient to stay relevant. Furthermore, in Bitcoin’s short life it has amassed computer power that is more than a hundred-fold more powerful than Google, which makes it robust against nefarious actors.<sup>32</sup> That said, the continuation of such vibrant communities is not guaranteed, and insufficient software development or any other unforeseen challenges that the community is not able to navigate could have an adverse impact on the Fund’s portfolio.

### ***Limited History of the Bitcoin Market***

Bitcoin is a new technological innovation with a limited history. There is no assurance that usage of Bitcoin and its blockchain will continue to grow. A contraction in use of Bitcoin or its blockchain may result in increased volatility or a reduction in the price of Bitcoin, which could adversely impact the Net Asset Value of the Units.

### ***Volatility in the Price of Bitcoin***

The Bitcoin markets are sensitive to new developments, and since volumes are still maturing, any significant changes in market sentiment (by way of sensationalism in the media or otherwise) can induce large swings in volume and subsequent price changes. Such volatility can adversely affect the Net Asset Value of the Units.

The price of Bitcoin on public Bitcoin trading platforms has a limited history. Bitcoin prices on the Bitcoin trading platforms as a whole have been volatile and subject to influence by many factors including the levels of liquidity on Bitcoin trading platforms. Even the largest Bitcoin trading platforms have been subject to operational interruption (e.g., the temporary halt of Mt. Gox due to distributed denial of service attacks by hackers and/or malware, and its permanent closure in February 2014), limiting the liquidity of Bitcoin on the Bitcoin trading platform market and resulting in volatile prices and a reduction in confidence in the Bitcoin Network and the Bitcoin trading platform market generally.

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the public, accounts for anticipated future appreciation in value. The Manager believes that momentum pricing of Bitcoin has resulted, and may continue to result, in speculation regarding future appreciation in the value of Bitcoin, inflating

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<sup>32</sup> <https://www.cryptocoinsnews.com/Bitcoin-100-times-powerful-google/>.

and making more volatile the value of a Bitcoin. As a result, Bitcoin may be more likely to fluctuate in value due to changing investor confidence in future appreciation, which could adversely affect an investment in the Units.

Despite the marked first-mover advantage of the Bitcoin Network over other digital assets, it is possible that another digital asset could become materially popular due to either a perceived or exposed shortcoming of the Bitcoin Network protocol that is not immediately addressed by the Bitcoin contributor community or a perceived advantage of an altcoin that includes features not incorporated into Bitcoin. If a digital asset obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce Bitcoin's market share and have a negative impact on the demand for, and price of, Bitcoin and thereby adversely affect the Net Asset Value of the Units.

#### ***Potential Decrease in Global Demand for Bitcoin***

As a currency Bitcoin must serve as a means of exchange, store of value, and unit of account. Many people using Bitcoin as money-over-internet-protocol (MoIP) do so with it as an international means of exchange. Speculators and investors using Bitcoin as a store of value then layer on top of means of exchange users, creating further demand. If consumers stop using Bitcoin as a means of exchange, or its adoption therein slows, then Bitcoin's price may suffer, adversely affecting the Fund.

Investors should be aware that there is no assurance that Bitcoin will maintain its long-term value in terms of purchasing power in the future or that the acceptance of Bitcoin for payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of Bitcoin declines, the Manager expects the Net Asset Value of the Units to decline proportionately. As relatively new products and technologies, Bitcoin and the Bitcoin Network have only recently become widely accepted as a means of payment for goods and services by many major retail and commercial outlets, and use of Bitcoin by consumers to pay such retail and commercial outlets remains limited. Banks and other established financial institutions may refuse to process funds for Bitcoin transactions, process wire transfers to or from Bitcoin trading platforms, Bitcoin-related companies or service providers, or maintain accounts for persons or entities transacting in Bitcoin. Conversely, a significant portion of Bitcoin demand is generated by speculators and investors seeking to profit from the short- or long-term holding of Bitcoin. Price volatility undermines Bitcoin's role as a medium of exchange as retailers are much less likely to accept it as a form of payment. Market capitalization for Bitcoin therefore, as a medium of exchange and payment method, may continue to be low. A lack of expansion by Bitcoin into retail and commercial markets, or a contraction of such use, may result in increased volatility which could adversely impact the Net Asset Value of the Units. The Manager believes that, like any commodity, Bitcoin will fluctuate in value, but over time will gain a level of acceptance as a store of value, similar to precious metals.

#### ***Financial Institutions may refuse to Support Transactions involving Bitcoin***

In the uncertain regulatory climate for cryptoassets, including Bitcoin, Canadian regulated financial institutions may cease to support transactions involving cryptoassets, including the receipt of cash proceeds from sales of cryptoassets.

Should this occur, the Fund would be unable to pay out redemption proceeds within the timeframe set out under "Redemption of Units".

#### ***Insurance Risk***

Neither the Fund nor the Custodian will maintain insurance against risk of loss of Bitcoin held by the Fund, as such insurance is not currently available in Canada on economically reasonable terms but Gemini, the sub-custodian of the Fund, maintains commercial crime insurance in respect of the Bitcoin held by it. The Fund's Bitcoin will be held in cold storage vaults only. See "Organization and Management Details of the Fund – Sub-Custodian – Insurance".

### ***Residency of the Sub-Custodian***

The Sub-Custodian is resident outside Canada and all or a substantial portion of its assets are located outside Canada. As a result, anyone seeking to enforce legal rights against it in Canada, including the Fund, may find it difficult to do so.

### ***Underlying Value Risk***

Bitcoin represents a new form of digital value that is still being digested by society. Its underlying value is driven by its utility as a store of value, means of exchange, and unit of account, and the demand for Bitcoin within those use cases. Just as oil is priced by the supply and demand of global markets, as a function of its utility to, for instance, power machines and create plastics, so too is Bitcoin priced by the supply and demand of global markets for its own utility within remittances, B2B payments, time-stamping, etc.

Utility and the associated value of Bitcoin can be thought of in two time frames: “current utility value” and “discounted expected utility value”. For example, if Bitcoin were facilitating 10% of the \$500 billion remittances market, then it would need to facilitate the transfer of \$50 billion a year. With a velocity of 5, that would mean Bitcoin needs to store \$10 billion in value to fulfill this use case. If at that point Bitcoin is at the maximum of 21 million units, that would mean each Bitcoin is worth \$476 in its utility value towards the remittance use case. Each use case can be stacked additively in order to derive the market price of Bitcoin. However, since this level of penetration will likely not occur for 5-10 years, such value in the case of remittances needs to be discounted back to the present. The combination of “current utility value” and “discounted expected utility value” is what creates the current market price. That aside, this is an entirely new method of valuation that has not been sufficiently tested by the market given its short operating history. If these means of valuing Bitcoin prove to be fundamentally flawed, then the market may undergo a repricing of Bitcoin, which could have an adverse impact on the Fund’s portfolio.

### ***Top Bitcoin Holders Control a Significant Percentage of the Outstanding Bitcoin***

The top 115 Bitcoin addresses hold roughly 20% of the Bitcoin currently outstanding. While this concentration has decreased significantly over the years it is still concentrated. If one of these top holders were to exit their Bitcoin position it could cause volatility that may adversely affect the Net Asset Value of the Units.

### ***Regulation of Bitcoin***

The regulation of Bitcoin continues to evolve in North America and within foreign jurisdictions, which may restrict the use of Bitcoin or otherwise impact the demand for Bitcoin.

### ***Loss of “Private Keys”***

The loss or destruction of certain “private keys” (numerical codes required by the Fund to access its Bitcoin) could prevent the Fund from accessing its Bitcoin. Loss of these private keys may be irreversible and could result in the loss of all or substantially all of an investment in the Fund.

### ***Fund’s Holdings May Become Illiquid***

The Fund may not always be able to liquidate its Bitcoin at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on Bitcoin trading platforms. Unexpected market illiquidity may cause major losses to the holders of Bitcoin. The large size of Bitcoin that the Fund may acquire increases the risks of illiquidity by both making its Bitcoin difficult to liquidate and in liquidating, the Fund may affect Bitcoin’s price significantly.

### ***Improper Transfers***

Bitcoin transfers are irreversible. An improper transfer (whereby Bitcoin is accidentally sent to the wrong recipient), whether accidental or resulting from theft, can only be undone by the receiver of the Bitcoin agreeing to send the

Bitcoin back to the original sender in a separate subsequent transaction. To the extent the Fund erroneously transfers, whether accidental or otherwise, Bitcoin in incorrect amounts or to the wrong recipients, the Fund may be unable to recover the Bitcoin, which could adversely affect an investment in the Units.

### ***Uncertain Regulatory Framework***

Due to Bitcoin's short history, and its emergence as a new asset class, regulation of Bitcoin is still a work in progress. For example, in the United States the Commodity Futures Trading Commission has ruled it a commodity, while the IRS has ruled it a property. The U.S. Securities and Exchange Commission (the "SEC") and the Canadian Securities Administrators generally take the view that Bitcoin is a commodity, however, they have not made a formal statement regarding its classification. On May 17, 2019, the Department of Finance (Canada) introduced proposed amendments to the Excise Tax Act that, if enacted as proposed, would, as of May 18, 2019, treat Bitcoin as a "financial instrument" for purposes of the Excise Tax Act. Meanwhile, other jurisdictions, like the European Union, Russia and Japan have moved to treat Bitcoin like a currency for taxation purposes, which the Manager believes is likely helping to fuel adoption in those areas. In some other nations, like China, regulation is evolving constantly. The Manager believes that the Bitcoin regulatory situation will continue to evolve to allow for innovation while also protecting consumers. Regulators worldwide are increasingly recognizing the powerful innovation of Bitcoin and blockchain technology, and therefore the Manager believes that it is unlikely that a hostile regulatory environment will develop. However, if a hostile regulatory environment were to emerge against Bitcoin, it could have an adverse impact on the Net Asset Value of the Units.

Because the cryptoasset markets are largely unregulated today, many marketplaces and OTC counterparties that trade or facilitate trading exclusively in cryptoassets are not subject to registration or licensing requirements with any financial services regulatory body and, therefore, are not directly subject to prescribed KYC, reporting and recordkeeping requirements which apply financial services firms and other "reporting entities" under AML Regulation. The Manager will use all reasonable efforts to confirm that each platform and institutional liquidity provider from which the Fund may purchase Bitcoin has adopted KYC procedures which reflect industry best practices to seek to ensure compliance with AML Regulation requirements which apply generally in the jurisdictions where they carry on business. In addition, the Sub-Custodian is a reporting entity under the U.S. Bank Secrecy Act and AML Regulation in the U.S. and has adopted the Gemini BSA/AML Compliance Program.

### **Risks Associated with the Bitcoin Network**

#### ***Dependence on Bitcoin Developers***

While many contributors to Bitcoin's software are employed by companies in the industry, most of them are not directly compensated for helping to maintain the protocol. As a result, there are no contracts or guarantees that they will continue to contribute to Bitcoin's software.

#### ***Issues with the Cryptography Underlying the Bitcoin Network***

Although the Bitcoin Network is the most established digital asset network, the Bitcoin Network and other cryptographic and algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of factors that are difficult to evaluate. In the past, flaws in the source code for digital assets have been exposed and exploited, including flaws that disabled some functionality for users, exposed users' personal information and/or resulted in the theft of users' digital assets. The cryptography underlying Bitcoin could prove to be flawed or ineffective, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in such cryptography becoming ineffective. In any of these circumstances, a malicious actor may be able to take the Fund's Bitcoin, which would adversely affect an investment in the Units. Moreover, functionality of the Bitcoin Network may be negatively affected such that it is no longer attractive to users, thereby dampening demand for Bitcoin. Even if another digital asset other than Bitcoin were affected by similar circumstances, any reduction in confidence in the source code or cryptography underlying digital assets generally could negatively affect the demand for digital assets and therefore adversely affect an investment in the Units.

### ***Disputes on the Development of the Bitcoin Network may lead to Delays in the Development of the Network***

There can be disputes between contributors on the best paths forward in building and maintaining Bitcoin's software. Furthermore, the miners supporting the network and companies using it can disagree with the contributors as well, creating greater debate. Therefore, the Bitcoin community often iterates slowly upon contentious protocol issues, which many perceive as prudently conservative, while others worry that it inhibits innovation.

### ***Significant Increase in Bitcoin Interest Could Affect the Ability of the Bitcoin Network to Accommodate Demand***

One of the most contentious issues within the Bitcoin community has been around how to scale the network as user demand continues to rise. The debate goes back to the earliest days of Bitcoin. There are many possible solutions, and most of them boil down to different ideologies on how Bitcoin should be used. However, it will be important for the community to continue to develop at a pace that meets the demand for transacting in Bitcoin, otherwise users may become frustrated and lose faith in the network.

### ***Bitcoin's Blockchain may Temporarily or Permanently Fork and/or Split***

The Bitcoin software and protocol are open source. When a modification is released by the developers and a substantial majority of miners consent to the modification, the change is implemented and the Bitcoin Network continues uninterrupted. However, if a change were activated with less than a substantial majority consenting to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "hard fork" (i.e. a split) of the Bitcoin Network (and the blockchain). One blockchain would be maintained by the pre-modified software and the other by the post-modification software. The effect is that both blockchain algorithms would be running parallel to one another, but each would be building an independent blockchain with independent native assets (e.g., Bitcoin 1 and Bitcoin 2).

Although forks are likely to be addressed by a community-led effort to merge the two groups, such a fork could adversely affect Bitcoin's viability. There is a precedent for this occurring, as witnessed with two Bitcoin hard forks in 2017. Following long-term debate on how to scale the Bitcoin Network's transaction capacity, on August 1, 2017 the digital currency forked into Bitcoin Classic (BTC) and Bitcoin Cash (BCH). On October 24, 2017, Bitcoin further forked to create Bitcoin Gold (BTG). Bitcoin Classic, Bitcoin Cash, and Bitcoin Gold continue to exist today, and though their combined value exceeds the value of the network prior to the fork, future forking events could prove substantially more detrimental to the value of the Bitcoin Network.

In the event that a fork in the Bitcoin blockchain results in: (i) issuance to the Fund of an additional cryptoasset alongside the Bitcoin held by the Fund; or (ii) a choice to keep the existing Bitcoin or exchange or replace it with a different cryptoasset, the Manager will make the investment decision that it believes is in the best interest of the Fund and the Unitholders at the time.

The Sub-Custodian Agreement provides that the Sub-Custodian will support the forked network that requires the greatest total threshold number of hash attempts to mine all existing blocks measured during the 48-hour period following the fork, subject to its ability to, under certain circumstances and in consultation with the New York State Department of Financial Services and its licensing partners, make a good faith determination as to the forked network that is most likely to be supported by the greatest number of users and miners and support that network. The Sub-Custodian may, in its discretion, choose to not support the forked network, in which case the Sub-Custodian may abandon the Fork Asset (as defined below), retain the Fork Asset for itself or allow a one-time withdrawal of the Fork Asset by the Fund. The Sub-Custodian may also choose to support the forked network.

It is ultimately an investment decision of the Manager to determine how the Fund will deal with a fork in the Bitcoin blockchain. There will likely be many factors relevant to such decision, including the value and liquidity of the new/replacement asset (the "**Fork Asset**") and whether a disposition of such Fork Asset would trigger a taxable event for the Fund. As such, if it were in the best interest of the Fund to receive a Fork Asset or otherwise participate in a fork in the Bitcoin blockchain that is not supported by the Sub-Custodian, the Manager could instruct the Custodian to move the Fund's Bitcoin from the Sub-Custodian to an account with another sub-custodian which would support such fork.

The Manager will consult with the auditor of the Fund to ensure that all Fork Assets held by the Fund are properly valued in accordance with International Financial Reporting Standards for the purpose of calculating the Net Asset Value of the Fund.

The Manager will ensure that redeeming Unitholders receive the appropriate redemption price for their Units of the Fund, including in circumstances where a Fork Asset held by the Fund cannot be liquidated due to restrictions imposed by the custodian of the Fork Asset or other market forces.

### ***Dependence on the Internet***

Bitcoin miners (and full nodes) relay transactions to one another via the internet, and when blocks are mined they are also forwarded via the internet. Companies access Bitcoin's blockchain via the internet, and most customers access these companies via the internet. Thus, the entire system is dependent upon the continued functioning of the internet.

### ***Risk if Entity Gains a 51% Share of the Bitcoin Network***

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

### ***Concentration of Transaction Confirmation Processing Power in China***

Due to preferential electricity discounts, there are large mining pools operating in China which have significant sway over the Bitcoin Network. The Chinese government could affect the operations of these miners in a number of ways. First, all traffic to the mining pools must pass through the Great Firewall of China, which means the Chinese government could cut off their connection to the Bitcoin Network. Second, the Chinese government has previously partially banned Bitcoin, and there is no guarantee that it will not attempt to do so in full. If it were to ban Bitcoin, it may make mining Bitcoin an unpalatable activity to most Chinese miners, which could be detrimental to the Bitcoin Network.

### ***Possible Increase in Transaction Fees***

Bitcoin miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners confirm transactions by adding previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees because miners have very low marginal cost of validating unconfirmed transactions. If miners collude in an anticompetitive manner to reject low transaction fees, then Bitcoin users could be forced to pay higher fees, thus reducing the attractiveness of the Bitcoin Network. Bitcoin mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely impact the Net Asset Value of the Units.

### ***Attacks on the Bitcoin Network***

The Bitcoin Network is periodically subject to distributed denial of service attacks to clog the list of transactions being tabulated by miners, which can slow the confirmation of authentic transactions. Another avenue of attack would be if a large number of miners were taken offline then it could take some time before the difficulty of the mining process algorithmically adjusts, which would stall block creation time and therefore transaction confirmation time. Thus far these scenarios have not plagued the network for long or in a systemic manner.

### ***Decrease in Block Reward***

The block reward will decrease over time. On May 13, 2020, the block reward was reduced from 12.5 to 6.25 Bitcoin, and will reduce to 3.125 Bitcoin in 2024. As the block reward continues to decrease over time, the mining incentive structure will transition to a higher reliance on transaction verification fees in order to incentivize miners to continue to dedicate processing power to the blockchain. If transaction verification fees become too high, the marketplace may be reluctant to use Bitcoin. Decreased demand for Bitcoin may adversely affect the Net Asset Value of the Units.

### ***Competitors to Bitcoin***

To the extent a competitor to Bitcoin gains popularity and greater market share, the use and price of Bitcoin could be negatively impacted, which may adversely affect an investment in Units of the Fund. Similarly, Bitcoin and the price of Bitcoin could be negatively impacted by competition from incumbents in the credit card and payments industries, which may adversely affect the Net Asset Value of the Units.

### ***Significant Energy Consumption to run the Bitcoin Network***

Because of the significant computing power required to mine Bitcoin, the network's energy consumption as a whole may ultimately be deemed to be or indeed become unsustainable (barring improvements in efficiency which could be designed for the protocol). This could pose a risk to broader and sustained acceptance of the network as a peer-to-peer transactional platform.

### **Risks Associated with Bitcoin Trading Platforms**

#### ***Regulation of Bitcoin Trading Platforms***

Bitcoin trading platforms are spot markets in which Bitcoin can be exchanged for U.S. dollars. Bitcoin trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions. The Manager will seek to ensure that the Bitcoin trading platforms on which the Fund transacts are reputable, stable and in compliance with AML Regulation.

#### ***Limited Operating History of Bitcoin Trading Platforms***

Bitcoin trading platforms have a limited operating history. Since 2009 several Bitcoin trading platforms have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks. In many of these instances, the customers of such trading platforms were not compensated or made whole for the partial or complete loss of funds held at Bitcoin trading platforms. The potential for instability of Bitcoin trading platforms and the closure or temporary shutdown of platforms due to fraud, business failure, hackers, distributed denial of service attacks or malware or government-mandated regulation may reduce confidence in Bitcoin, which may adversely affect the Net Asset Value of the Units.

#### ***Hacking of Bitcoin Trading Platforms May Have a Negative Impact on Perception of the Security of the Bitcoin Network***

While Bitcoin's blockchain has never been compromised by hackers, cryptocurrency platforms frequently have. Bitcoin trading platforms that adhere to best practices are insured, and most of these have not been hacked, or if they have the loss has been minimal. Although there is ample evidence which indicates that almost all of the economic trading volumes in Bitcoin occur on the top ten global trading platforms, many of which are regulated by the New York State Department of Financial Services, carry insurance for their hot wallet assets, such platforms, or other, smaller or less reputable platforms, may get hacked. Bitcoin's price is at risk if a platform is hacked as it can shake consumer confidence for those that do not understand the difference between a weakness in the platform versus a weakness in Bitcoin and its blockchain.

### ***Different Prices of Bitcoin on the Bitcoin Trading Platforms May Adversely Affect the Net Asset Value of the Units***

Most platforms operate as isolated pools of liquidity, and so when demand spikes for a specific platform the market price for Bitcoin on that platform can also spike, making it trade at a premium to other platforms. This tendency is common geographically, with Chinese platforms frequently trading at a premium to platforms in Europe or America.

### ***Closure of Bitcoin Trading Platform(s)***

Between 2013 and 2019, a number of Bitcoin trading platforms have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such Bitcoin trading platforms were not compensated or made whole for the partial or complete losses of their account balances in such Bitcoin trading platforms. While smaller Bitcoin trading platforms are less likely to have the infrastructure and capitalization that make larger Bitcoin trading platforms more stable, larger Bitcoin trading platforms are more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems).

### ***Liquidity Constraints on Bitcoin Markets may Impact the Fund’s Holdings***

While the liquidity and traded volume of Bitcoin are continually growing, they are still maturing assets. The Fund may not always be able to acquire or liquidate its assets at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on cryptoasset platforms. When transacting in the cryptoasset markets, the Fund will be competing for liquidity with other large investors, including speculators, miners and other investment funds and institutional investors.

Unexpected market illiquidity, and other conditions beyond the Manager’s control, may cause major losses to the holders of a cryptoasset, including Bitcoin. The large position in Bitcoin that the Fund may acquire increases the risks of illiquidity by making its Bitcoin difficult to liquidate. In addition, liquidation of significant amounts of Bitcoin by the Fund may impact the market price of Bitcoin.

### ***Risk of Manipulation on Bitcoin Trading Platforms***

Bitcoin trading platforms are spot markets in which Bitcoin can be exchanged for U.S. dollars. Bitcoin trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions.

Some Bitcoin trading platforms have been known to permit and/or report artificially high order volumes and/or trading volumes. Bitcoin trading platforms are not required to adopt policies and procedures for the purpose detecting and preventing manipulative and deceptive trading activities and, in the event that manipulative and deceptive trading activities are detected, Bitcoin trading platforms may not have procedures for, or jurisdiction to, sanction or otherwise deter such activities and/or to detect, investigate and prosecute fraud.

The Manager will seek to ensure that the Bitcoin trading platforms on which the Fund transacts are reputable, stable and in compliance with AML Regulation.

### ***Settlement of Transactions on the Bitcoin Network***

There is no central clearing house for cash-to-Bitcoin transactions. Current practice is for the purchaser of Bitcoin to send fiat currency to a bank account designated by the seller, and for the seller to broadcast the transfer of Bitcoin to the purchaser’s public Bitcoin address upon receipt of the cash. The purchaser and seller monitor the transfer with a transaction identification number that is available immediately upon transfer and is expected to be included in the next block confirmation. When the Fund purchases Bitcoin from a Bitcoin Source, there is a risk that the Bitcoin Source will not initiate the transfer on the Bitcoin network upon receipt of cash from the Fund, or that the bank where the Bitcoin Source’s account is located will not credit the incoming cash from the Fund for the account of the Bitcoin Source. The Manager mitigates this risk by transacting with regulated Bitcoin Sources that have undergone due

diligence and by confirming the solvency of the Bitcoin Source and the bank designated by each Bitcoin Source based on publicly available information.

## **FEES AND EXPENSES**

### **Fees and Expenses Payable by the Fund**

#### *Agents' Fees*

The Fund has agreed to pay the Agents a fee of \$0.55 per Class A Unit (5.5%), \$0.25 per Class F Unit (2.5%) and \$0.075 per Class S Unit (0.75%). The Agents' fees will be paid by the Fund out of the proceeds of the Offering.

#### *Expenses of the Offering*

The Fund will pay the expenses incurred in connection with the Offering (including the costs of creating the Fund, the costs of printing and preparing a prospectus, legal expenses of the Fund and Agents and marketing expenses). The Offering expenses are estimated to be \$1,250,000 assuming the maximum Offering. The Manager has agreed to pay all expenses incurred in connection with the Offering that exceed 1.0% of the gross proceeds of the Offering.

#### *Fees Payable to the Manager for Acting as Manager of the Fund*

An annual management fee (the "**Management Fee**") of 0.70% of the Fund's net asset value, calculated daily and payable monthly in arrears, plus applicable taxes, will be paid to the Manager in respect of each of the Class A Units, the Class F Units and the Class S Units of the Fund. The Manager manages the day-to-day business and operations of the Fund and provides certain general management and administrative services.

#### *Ongoing Expenses of the Fund*

In addition to the management fee, and any debt servicing costs, the Fund will pay all of its own expenses and all administration expenses incurred by the Manager for its duties as the manager to the Fund. Such fees and expenses to be borne by the Fund are estimated to be \$400,000 per annum assuming the minimum offering and \$2,500,000 per annum assuming the maximum offering and will include, without limitation: fees and expenses payable to the independent review committee (the "**Independent Review Committee**") of the Fund; brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Fund's investment in Bitcoin; fees payable to the Registrar and Transfer Agent; fees payable to any custodians and/or sub-custodians for the assets of the Fund as well as the fees of the Administrator and other service providers; licensing fee payable to MVIS to license the MVIBTC, or any licensing fee payable to license a successor or alternative institutional-quality index; expenses relating to the monitoring of the relationships with the Custodian, Sub-Custodian, the Registrar and Transfer Agent and other organizations serving the Fund; legal, audit, and valuation fees and expenses; fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the Units of the Fund may become listed or quoted; fees and expenses associated with investor relations activities; advertising, marketing and promotional expenses of the Fund; securities regulatory authorities' participation fees; the preparation and supervision costs relating to the calculation and publication of the Net Asset Value; costs and expenses of preparing, printing, and mailing financial and other reports to Unitholders, material for Unitholders' meetings and securities regulatory filings; costs and expenses of communication with Unitholders; costs and expenses arising as a result of complying with all applicable securities legislation and other applicable laws, regulations and policies; all taxes (including income, capital, federal GST or HST, and Provincial/Territorial sales taxes); and costs associated with the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Custodian, the Sub-Custodian, the Independent Review Committee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

### *Additional Services*

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be approved by the Independent Review Committee and will be on terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

### **DISTRIBUTION POLICY**

The Fund does not intend to pay cash distributions to Unitholders.

On an annual basis, the Fund will ensure that its income and net realized capital gains, if any, have been distributed to Unitholders to such an extent that the Fund will not be liable for ordinary income tax thereon. To the extent that the Fund has not distributed the full amount of its net income or capital gains in any year, the difference between such amount and the amount actually distributed by the Fund will be paid as a "reinvested distribution". Reinvested distributions by the Fund, net of any required withholding taxes, will be reinvested automatically in additional Units at a price equal to the Net Asset Value per Unit and the Units will be immediately consolidated such that the number of outstanding Units following the distribution will equal the number of Units outstanding prior to the distribution. The tax treatment to Unitholders of reinvested distributions is discussed under the heading "Canadian Federal Income Tax Considerations – Taxation of Unitholders".

In addition to the distributions described above, the Fund may from time to time pay additional distributions on its Units, including without restriction in connection with a special distribution or in connection with returns of capital.

### **REDEMPTION OF UNITS**

#### **Annual Redemptions**

Units may be redeemed at the option of Unitholders on the second last business day of January in each year (each, an "**Annual Redemption Date**"), commencing in January 2022, subject to the Fund's right to suspend redemptions in certain circumstances. Units so redeemed will be redeemed at a redemption price equal to the Net Asset Value per Unit on the Annual Redemption Date, less any costs and expenses associated with the redemption, including commissions, administrative, legal and other costs incurred by the Fund to fund such redemptions. Units must be surrendered for redemption from the first business day of November to the tenth business day of November preceding the applicable Annual Redemption Date (the "**Annual Cut-Off Date**"). Payment of the proceeds of redemption will be made on or before the 15th business day following the Annual Redemption Date. See "Risk Factors – Liquidity Constraints on Bitcoin Markets may Impact the Fund's Holdings" and "Risk Factors – Financial Institutions may Refuse to Support Transactions Involving Bitcoins".

#### **Monthly Redemptions**

Units may be surrendered at the option of Unitholders at any time for redemption on a Monthly Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered for redemption no later than 5:00 p.m. (Toronto time) on the last business day of the month prior to the month of the applicable Monthly Redemption Date (the "**Monthly Cut-Off Date**", and together with the Annual Cut-Off Date, the "**Cut-Off Date**"). Payment of the proceeds of redemption will be made on or before the 15th business day following the Monthly Redemption Date ("**Redemption Payment Date**"). See "Risk Factors – Liquidity Constraints on Bitcoin Markets may Impact the Fund's Holdings" and "Risk Factors – Financial Institutions may Refuse to Support Transactions Involving Bitcoins".

Unitholders surrendering a Class A Unit for redemption will receive a redemption price (the "**Class A Redemption Price**") equal to the lesser of: (i) 95% of the Closing Market Price of a Class A Unit; and (ii) the Net Asset Value per Class A Unit (in USD) on the applicable Monthly Redemption Date less, in each case, any costs and expenses associated with the redemption, including commissions, administrative, legal and other costs incurred by the Fund. In any event, the Class A Redemption Price will not be an amount that is more than the Net Asset Value per Class A

Unit (in USD) as of the Monthly Redemption Date. Redemption proceeds will be paid in U.S. dollars for Units priced in U.S. dollars and in Canadian dollars for Units priced in Canadian dollars. U.S. dollar amounts will be converted to Canadian dollars using the exchange rate at the time of conversion on the Monthly Redemption Date.

On the Redemption Payment Date, a holder of Class F Units shall be entitled to receive a price per Class F Unit equal to the Class A Redemption Price multiplied by a fraction, the numerator of which shall be the Net Asset Value per Class F Unit and the denominator of which shall be the Net Asset Value per Class A Unit.

On the Redemption Payment Date, a holder of Class S Units shall be entitled to receive a price per Class S Unit equal to the Class A Redemption Price multiplied by a fraction, the numerator of which shall be the Net Asset Value per Class S Unit and the denominator of which shall be the Net Asset Value per Class A Unit.

### **Exercise of Redemption Right**

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable Cut-Off Date described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the applicable Cut-Off Date so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the applicable Cut-Off Date.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund, the Fund or the Manager to the CDS Participant or the Unitholder.

### **Allocations of Capital Gains to Redeeming Unitholders**

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations will reduce the redemption price otherwise payable to the redeeming Unitholder. Provided that certain Tax Proposals are enacted as proposed, an amount so allocated and designated to a redeeming Unitholder may only be deductible to the Fund to the extent of the gain that would otherwise be realized by the Unitholder on the redemption of Units. Assuming that such Tax Proposals are enacted in their current form, the taxable component of distributions by the Fund to non-redeeming Unitholders could be greater than it would be in the absence of such amendments.

### **Resale of Units Tendered for Redemption**

The Fund may enter into a recirculation agreement with a recirculation agent pursuant to which such agent will agree to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Annual Redemption Date or Monthly Redemption Date, provided that the holder of Units so tendered has not withheld consent thereto. Pursuant to such agreement, the Fund may, but will not be obligated to, require the recirculation agent to seek such purchasers and, in such event, the amount to be paid to the Unitholder on the applicable Redemption

Payment Date will be an amount equal to the proceeds of the sale of the Units less any applicable commission, provided that such amount will not be less than the applicable redemption price described above.

### **Suspension of Redemptions**

The Manager may suspend the redemption of Units or payment of redemption proceeds of the Fund with the prior permission of the securities regulatory authorities, if required, for any period during which the Manager determines that conditions exist that render impractical the sale of assets of the Fund or that impair the ability of the Administrator to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of KPMG LLP, tax advisor to the Fund, and Blake, Cassels & Graydon LLP, counsel for the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act for the Fund and for a prospective investor in the Fund who, for the purpose of the Tax Act and at all relevant times, (i) is an individual (other than a trust), (ii) is or is deemed to be resident in Canada, (iii) acquires and holds Units of the Fund as capital property, (iv) deals at arm's length with the Fund and the Agent and is not affiliated with the Fund or the Agent, and (v) has not entered into a "derivative forward agreement" (as defined in the Tax Act) with respect to Units of the Fund. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold such Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. A Unitholder whose Units might not otherwise be considered to be capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security", as defined in the Tax Act, owned by such Unitholder in the taxation year in which the election is made or any subsequent taxation year, deemed to be capital property. Unitholders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Unitholder who holds more than one class of Units at any particular time. Unitholders who intend to hold more than one class of Units should consult their own tax advisors.

This summary is not applicable to a Unitholder (i) that is a "financial institution" for purposes of the "mark-to-market rules" in the Tax Act, (ii) an interest in which is a "tax shelter investment", (iii) that has elected to report its "Canadian tax results" in a currency other than Canadian currency, or (iv) that has entered or will enter into a "derivative forward agreement" with respect to Units (in each case within the meaning of the Tax Act). Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Offered Units. In addition, this summary does not address the deductibility of interest by a Unitholder who has borrowed money to acquire Units.

This summary is based upon the facts set out in this prospectus, the current provisions of the Tax Act and regulations thereunder, the Tax Proposals and counsel's understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. Except for the Tax Proposals, this summary does not take into account or anticipate any other changes in law whether by legislative, governmental or judicial action, or changes in CRA's administrative policies and assessment practices, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the considerations described below. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. There can be no assurances that CRA will not change its administrative policies or assessing practices.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a Unitholder's particular status and circumstances, including the province or territory in which the Unitholder resides or carries on business. This summary is not intended to be, and should not be construed to be, legal or tax advice to any particular Unitholder. Prospective Unitholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units in their particular circumstances.**

## **Status of the Fund**

### *Qualification as a "Mutual Fund Trust"*

This summary assumes that the Fund will, at all relevant times, qualify as a "mutual fund trust" for the purposes of the Tax Act and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established. If the Fund were not to qualify as a mutual fund trust at any particular time, the tax considerations for the Fund and Unitholders would, in some respects, be materially and adversely different from those described herein.

### *SIFT Rules*

This summary assumes that at no time will the Fund be a SIFT trust. Even if units of the Fund are listed or traded on a stock exchange or other public market, provided the Fund only invests in bitcoin, the Fund should not be a SIFT trust; however, no assurance can be given in this regard.

Under the SIFT Rules, trusts or partnerships (defined as "**SIFT trusts**" and "**SIFT partnerships**", respectively) the securities of which are listed or traded on a stock exchange or other public market, and that hold one or more "non-portfolio properties" (as defined), are effectively taxed on income and taxable capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation.

The SIFT Rules could affect the Fund and its Unitholders to the extent that the Fund is a SIFT trust to which the SIFT Rules apply, and the Fund earns income from non-portfolio property or taxable capital gains from the disposition of "non-portfolio property". Counsel believes that the SIFT Rules were not intended to apply to trusts such as the Fund and the Fund is subject to investment restrictions intended to restrict its ability to hold "non-portfolio property." If the Fund is considered to be a SIFT trust, "non-portfolio earnings" of the Fund will be subject to the tax under the SIFT Rules when such amounts are distributed by the Fund to its Unitholders and such distributions will be treated in the hands of such Unitholders as eligible dividends from a taxable Canadian corporation.

### *Eligibility for Registered Accounts*

Based on the current provisions of the Tax Act, in the opinion of counsel, the Units would, if issued on the date hereof, be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans ("**DPSPs**"), registered education savings plans ("**RESPs**"), registered disability savings plans ("**RDSPs**") and tax-free savings accounts ("**TFSA**s", and, together with RRSPs, RRIFs, DPSPs, RESPs and RDSPs, "**Plans**"), provided that (in the case of all Units) the Fund qualifies at all times as a "mutual fund trust" (as defined in the Tax Act) or (in the case of Class A Units) the Class A Units of the Fund are listed on a "designated stock exchange" within the meaning of the Tax Act.

Notwithstanding the foregoing, if the Units are a "prohibited investment" for a TFSA, RRSP, RESP, RDSP or RRIF, the holder of such TFSA or RDSP, the annuitant of such RRSP or RRIF or the subscriber of such RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act if Units are held in a trust governed by such Plan. The Units will not be a prohibited investment for a TFSA, RRSP, RESP, RDSP or RRIF provided the holder, subscriber or annuitant thereof, as the case may be, (i) deals at arm's length with the Fund for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Fund. Generally, a holder, subscriber or annuitant will not be considered to have a "significant interest" in the Fund unless the holder, subscriber

or annuitant owns 10% or more of the value of the outstanding Units of the Fund, either alone or together with persons and partnerships with which the holder, subscriber or annuitant does not deal at arm's length. In addition, the Units will not be a "prohibited investment" for a TFSA, RRSP, RESP, RDSP or RRIF if such Units are "excluded property" as defined in the Tax Act for trusts governed by such TFSA, RRSP, RESP, RDSP or RRIF.

Prospective purchasers who intend to hold Units in a trust governed by a Plan are advised to consult their own tax advisors.

Bitcoin received in connection with termination of the Fund may not be a qualified investment for Plans, which may give rise to adverse tax consequences for a trust governed by a Plan that receives such bitcoin, or to the annuitant, beneficiary, subscriber or holder of such Plan. Accordingly, each annuitant, beneficiary, holder or subscriber under or of a Plan should consult with his or her own tax advisors in connection with any proposed termination of the Fund.

At the date hereof, the assets of a pension plan may be invested in Units provided that the assets of such plan are invested in accordance with the applicable laws and regulations, investment criteria and statement of investment policies and procedures established for such pension plan. However, no purchase of Units should be made solely in reliance on the above general statement. A pension plan wishing to invest in Units should make its own assessment, including by consulting its advisors, of its ability to make such an investment in its particular circumstances.

### **Taxation of the Fund**

The Fund will be subject to tax under Part I of the Tax Act on its income for each taxation year, including taxable distributions received or deemed to be received on assets held by it, the taxable portion of net capital gains realized by the Fund on the disposition of assets held by it, and other income, less the portion thereof that it deducts in respect of amounts paid or payable to Unitholders in the year. The Declaration of Trust requires that the Fund distribute its net income and net realized capital gains, if any, for each taxation year of the Fund to Unitholders to such an extent that the Fund will not be liable in any taxation year for ordinary income tax (after taking into account any applicable losses of the Fund and any capital gains refunds to which the Fund is entitled). If in a taxation year the income for tax purposes of the Fund exceeds the cash available for distribution by the Fund, the Fund will distribute its income through a payment of reinvested distributions. The taxation year of the Fund is the calendar year.

The determination of whether property is held on income or capital account is a factual inquiry. In determining whether a transaction is on income or capital account in particular circumstances, the CRA and Canadian jurisprudence have generally stated that the course of conduct and intention of the taxpayer should be examined to determine whether the taxpayer is dealing with property in the manner of an ordinary trader or dealer in such property or otherwise acquired the property with the intention (including a secondary intention) of selling it at a profit. Factors to be considered in this regard include the intention of the taxpayer, the course of conduct of the taxpayer (including frequency of transactions and time spent on the activity), the nature of the property, and the period of ownership.

The CRA generally treats cryptocurrency such as bitcoin as a commodity for income tax purposes. The CRA has also expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as being derived from an adventure in the nature of trade, so that such transactions give rise to ordinary income rather than capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances.

Certain Canadian jurisprudence is consistent with transactions in commodities being treated for income tax purposes as giving rise to capital gains in certain circumstances, particularly where a holder does not deal with the commodity in the manner of an ordinary trader or dealer and the asset is regarded as a store of value, similar to gold bullion. However, the Canadian income tax jurisprudence in relation to the characterization of gains as being on income or capital account is very fact specific (and has not yet addressed the characterization of gains on the disposition of bitcoin or any other cryptocurrency). Accordingly, the support in Canadian jurisprudence for the treatment of gains on the disposition of bitcoin on capital account is limited at this time, and there can be no assurances in this regard.

The Fund intends to be a long-term holder of bitcoin, and does not anticipate to sell bitcoin (otherwise than where necessary to fund expenses of the Fund and redemptions of Unitholders) or speculate with regard to changes in bitcoin

prices such that the Fund does not intend to act in the manner of an ordinary trader or dealer in bitcoin. The investment strategy of the Fund is to generally be a long-term holder of bitcoin with the intention that the holding of such bitcoin serves as a store of value and a hedge against inflation. Based on the investment strategy, investment restrictions, and intention of the Manager, the Fund intends to treat gains (or losses) as a result of any disposition of bitcoin as capital gains (or capital losses).

If the CRA were to assess or reassess the Fund on the basis that gains realized on dispositions of bitcoin were not on capital account, then there may be an increase in the net income of the Fund, which is automatically distributed by the Fund to its Unitholders under the terms of the Declaration of Trust at the Fund's taxation year end, with the result that Canadian-resident Unitholders could be reassessed by the CRA to increase their taxable income by the amount of such increase, and non-resident Unitholders potentially could be assessed directly by the CRA for Canadian withholding tax on the amount of net gains on such transactions that were treated by the CRA as having been distributed to them. The CRA could assess the Fund for a failure of the Fund to withhold tax on distributions made by it to non-resident Unitholders that are subject to withholding tax, and typically would do so rather than assessing the non-resident Unitholders directly. Accordingly, any such re-determination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. As the Fund may not be able to recover such withholding taxes from the non-resident Unitholders whose Units are redeemed, payment of any such amounts by the Fund would reduce the Net Asset Value of the Fund.

In computing its income or loss for purposes of the Tax Act, the Fund may generally deduct reasonable administrative costs, interest and other expenses of a current nature that it incurs for the purpose of earning income. Generally, the Fund may also deduct, on a five-year straight-line basis (subject to pro-rata for short taxation years), reasonable expenses incurred by it in the course of issuing Units.

The Fund will be entitled in each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "**capital gains refund**"). In certain circumstances, the Fund's capital gains refund in a particular taxation year may not completely offset its tax liability for that taxation year arising from its net realized taxable capital gains.

If the Fund realizes capital gains as a result of a transfer or disposition of its property undertaken to permit an exchange or redemption of Units by a Unitholder, all or a portion of the amount received by the Unitholder may be designated and treated for income tax purposes as a distribution to the Unitholder out of such capital gains rather than being treated as proceeds of disposition of the Units. The Tax Proposals include amendments to the Tax Act that would deny the Fund a deduction for the portion of a capital gain designated to a Unitholder on a redemption of Units that is greater than the Unitholder's accrued gain on those Units, where the Unitholders' proceeds of disposition are reduced by the designation. If such proposed amendments to the Tax Act are enacted in their current form, any taxable capital gains that would otherwise have been designated to redeeming unitholders may be made payable to the remaining, non-redeeming Unitholders to ensure the Fund will not be liable for non-refundable income tax thereon. Accordingly, the amounts of taxable distributions made to Unitholders of the Fund may be greater than they would have been in the absence of such amendments.

Any losses incurred by the Fund may not be allocated to Unitholders, but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

The Fund is subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund acquires a property (a "substituted property") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss until the substituted property is sold and is not reacquired within 30 days before and after the sale, which may increase the amount of net realized capital gains of the Fund to be made payable to its Unitholders.

The Fund is required to compute its income and gains for tax purposes in Canadian dollars. Therefore, the amount of income, cost, proceeds of disposition and other amounts in respect of investments that are not Canadian dollar

denominated will be affected by fluctuations in the exchange rate of the Canadian dollar against the relevant foreign currency.

## **Taxation of Unitholders**

### *Fund Distributions*

A Unitholder will generally be required to include in the Unitholder's income for tax purposes for any year that portion of the amount of net income and net taxable capital gains of the Fund, if any, paid or payable to the Unitholder in the year and deducted by the Fund in computing its income, whether or not such amounts are paid in cash, reinvested in additional Units, or otherwise.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year and, provided appropriate designations are made by the Fund, will not reduce the adjusted cost base of the Unitholder's Units. Any returns of capital will reduce the Unitholder's adjusted cost base. To the extent that a Unitholder's adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the Unitholder's adjusted cost base will be nil immediately thereafter.

The Fund will designate, to the extent permitted by the Tax Act, the portion of the net income distributed to Unitholders as may reasonably be considered to consist of net taxable capital gains realized or considered to be realized by the Fund. Any such designated amount will be deemed for tax purposes to be realized by Unitholders in the year as a taxable capital gain. Capital gains so designated will be subject to the general rules relating to the taxation of capital gains described below. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the Unitholders of the Fund.

### *Composition of Distributions*

Unitholders will be informed each year of the composition of the amounts distributed to them, including amounts in respect of both cash and reinvested distributions. This information will indicate whether distributions are to be treated as ordinary income, taxable capital gains and returns of capital, as those items are applicable.

### *Tax Implications of the Fund's Distribution Policy*

When a Unitholder acquires Units of the Fund, a portion of the price may reflect income and capital gains of the Fund that have not been realized or distributed. This may particularly be the case near year-end before year-end distributions have been made. When such income and capital gains are distributed by the Fund, they must be taken into account by the Unitholder in computing its income for tax purposes even though such amounts may have been reflected in the price paid by the Unitholder.

### *Disposition of Units*

Upon the actual or deemed disposition of a Unit, including the exchange or redemption of a Unit, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition of the Unit exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. The Unitholder's proceeds of disposition will not include an amount payable by the Fund that the Unitholder is otherwise required to include in income, nor any capital gain realized by the Fund in connection with a redemption which the Fund has allocated to the redeeming Unitholder.

In general, the adjusted cost base of all Units held by the Unitholder is the total amount paid for the Units (including brokerage commissions paid), regardless of when the investor bought them, less any returns of capital and less the adjusted cost base of any Units previously disposed of by the Unitholder. The cost to a Holder of additional Units received in lieu of a cash distribution of income (including net capital gains) will generally be equal to the amount of the distribution. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are

acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time.

Where, on termination of the Fund, a Unitholder receives bitcoin, or a combination of bitcoin and cash, for his or her Units, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the bitcoin, plus the amount of any cash, so received, and less any capital gain or income realized by the Fund as a result of the transfer of the bitcoin. If any income or capital gain realized by the Fund as a result of the transfer of bitcoin on the redemption of Units were designated by the Fund to a redeeming Unitholder, the Unitholder would be required to include in income the income or taxable portion of the capital gain so designated. The cost for tax purposes of bitcoin acquired by a redeeming Unitholder on the exchange or redemption of Units will generally be the fair market value of the bitcoin at that time.

The consolidation of Units of the Fund will not result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Based on counsels' understanding of the current published administrative policies and assessing practices of the CRA, the reclassification of Class F Units or Class S Units as Class A Units will not constitute a disposition of such Class F Units or Class S Units for the purposes of the Tax Act.

#### *Taxation of Capital Gains and Capital Losses*

One-half of any capital gain realized by an investor and the amount of any net taxable capital gains realized or considered to be realized by the Fund and designated by the Fund in respect of an investor will be included in the investor's income as a taxable capital gain. One-half of a capital loss will be an allowable capital loss realized by an investor that will be deducted from taxable capital gains subject to and in accordance with detailed rules in the Tax Act.

#### *Taxation of Registered Plans*

In general, the amount of a distribution paid or payable to a Registered Plan from the Fund and gains realized by a Registered Plan on a disposition of a Unit will not be taxable under the Tax Act. As is the case for all investments held in Registered Plans, amounts withdrawn from a Registered Plan (other than from a TFSA or a return of contributions from an RESP or certain withdrawals from an RDSP) will generally be subject to tax. To the extent Units of the Fund are exchanged by the redeeming Unitholder for Bitcoin, or liquidation of the Bitcoin of the Fund is not practicable upon termination of the Fund, any Bitcoin received by a Unitholder would not be a qualified investment for Registered Plans.

#### *Alternative Minimum Tax*

In general terms, in the case of a Unitholder that is an individual or trust (other than certain specified types of trusts), the Unitholder's liability for alternative minimum tax may be increased if the Fund designates a portion of its income that it pays or makes payable to the Unitholder as net taxable capital gains, or if the Unitholder realizes a capital gain on the disposition or deemed disposition of Offered Units.

### **EXCHANGE OF TAX INFORMATION**

The Fund is required to comply with due diligence and reporting obligations in the Tax Act enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement. As long as Units of a class of the Fund continue to be listed on the Toronto Stock Exchange, the Fund should not have any U.S. reportable accounts and, as a result, it should not be required to provide information to the CRA in respect of Unitholders. However, dealers through which Unitholders hold the Units are subject to due diligence and reporting obligations with respect to financial accounts that they maintain for their clients. Unitholders may be requested to provide information to their dealer in order to allow the dealer to identify U.S. persons holding Units. If a Unitholder is a U.S. person (including a U.S. citizen or green card holder who is resident in Canada) or if the Unitholder does not provide the requested

information, the Unitholder’s dealer will be required under Part XVIII of the Tax Act to report certain information to the CRA about such Unitholder’s investment in the Fund, unless the Units are held by a Deferred Plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

In addition, reporting obligations in the Tax Act which came into force on July 1, 2017, have implemented the Organization for Economic Co-operation and Development’s (the “**OECD**”) Common Reporting Standard (the “**CRS Rules**”). Pursuant to the CRS Rules, in order to meet the objectives of the OECD’s Common Reporting Standard (the “**CRS**”), Canadian financial institutions are required to have procedures in place to identify accounts held by residents of foreign countries which have agreed to a bilateral information exchange with Canada under the CRS (the “**Participating Jurisdictions**”), or by certain entities any of whose “controlling persons” are resident in a Participating Jurisdiction, and to report the required information to the CRA. Such information will be exchanged on a reciprocal, bilateral basis with the Participating Jurisdictions in which the Unitholders, or such controlling persons, are resident. Under the CRS Rules, Unitholders will be required to provide the required information regarding their investment in the Fund to the Unitholder’s dealer for the purpose of the information exchange, unless the Units are held by a Registered Plan.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **Trustee, Manager and Promoter of the Fund**

Ninepoint Partners LP will be the trustee and manager of the Fund and will provide or cause to be provided all administrative services required by the Fund. The Manager may be considered to be a promoter of the Fund within the meaning of applicable securities legislation by reason of its initiative in forming and establishing the Fund.

The Manager is a leading alternative investment management firm overseeing approximately C\$7.0 billion in assets under management and institutional contracts. The Manager, through its parent company, is primarily owned by John Wilson and James Fox, both former senior executives of Sprott Asset Management LP with over 27 and 20 years of experience in the investment industry, respectively. John Wilson is the Ultimate Designated Person (as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*) of the Manager.

The head office and principal place of business of the Manager is at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, PO Box 27, Toronto, Ontario M5J 2J1. The general partner of the Manager is Ninepoint Partners GP Inc.

### *Officers and Directors of the Manager and of the general partner of the Manager*

The name, municipality of residence and position(s) with the Manager and the general partner of the Manager, and the principal occupation of the directors and senior officers of the Manager and of the general partner of the Manager are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with the Manager</u></b>	<b><u>Position with the general partner of the Manager</u></b>	<b><u>Principal Occupation</u></b>
John Wilson Toronto, Ontario	Senior Portfolio Manager, Managing Partner and Ultimate Designated Person	Co-Chief Executive Officer, Managing Partner and Director	Senior Portfolio Manager and Managing Partner of the Manager
James R. Fox Toronto, Ontario	Managing Partner	Co-Chief Executive Officer, Managing Partner and Director	Managing Partner of the Manager

Kirstin H. McTaggart Mississauga, Ontario	Partner, Chief Compliance Officer and Chief Administrative Officer	Partner, Chief Compliance Officer and Chief Administrative Officer and Director	Partner, Chief Compliance Officer and Chief Administrative Officer of the Manager
Shirin Kabani Toronto, Ontario	Chief Financial Officer	Chief Financial Officer	Chief Financial Officer of the Manager
Alex Tapscott Toronto, Ontario	Managing Director, Ninepoint Digital Asset Group, a division of the Manager	N/A	Managing Director, Ninepoint Digital Asset Group, a division of the Manager

Alex Tapscott, in his role as Managing Director of Ninepoint Digital Asset Group, a division of the Manager, will provide the Manager with ongoing analysis regarding the Bitcoin market and the digital asset sector more generally. In addition, Mr. Tapscott will support the investment management and marketing teams of the Manager, including, but not limited to, with respect to the Fund, in providing information regarding the digital asset space.

Set out below are the particulars of the professional experience of the directors and senior officers of the Manager:

**John Wilson:** Mr. Wilson established the Manager in April 2017. Mr. Wilson has over 27 years of investment and business experience. Mr. Wilson currently serves as the Senior Portfolio Manager and Managing Partner of the Manager and as Co-Chief Executive Officer of the general partner of the Manager. Most recently, Mr. Wilson was Chief Executive Officer and co-Chief Investment Officer of Sprott Asset Management LP. Prior to joining Sprott in January 2012, Mr. Wilson was the Chief Investment Officer of Cumberland Private Wealth Management from March 2009 to January 2012. Previously, Mr. Wilson was the founder of DDX Capital Partners, an alternative investment manager, where he worked from September 2004 to March 2009. Prior to that, from December 2000 to January 2004, he was a Managing Director and a top-rated technology analyst at RBC Capital Markets; and previously, a Director at UBS Canada from November 1996 to November 2000. Mr. Wilson is an MBA graduate of The Wharton School, University of Pennsylvania in 1996.

**James Fox:** Mr. Fox established the Manager with Mr. Wilson in April 2017. Mr. Fox currently serves as Managing Partner of the Manager and as Co-Chief Executive Officer of the general partner of the Manager. Prior to establishing the Manager, Mr. Fox was President of Sprott Asset Management LP. Mr. Fox led the launch of three Bullion Trust investment vehicles that are dually listed on NYSE Arca and TSX exchanges, raising approximately \$4B in assets. Furthermore, Mr. Fox helped lead the successful hostile take-over bid of +\$1B TSX listed Central Gold Trust by Sprott Physical Gold Trust. In 2009, Mr. Fox co-founded PayBright, a fintech company in consumer lending. Mr. Fox served as Chairman of the Board of Directors and Advisory Board. In 2019, PayBright, was awarded the FinTech Company of the Year at the 5th Annual Canadian FinTech & AI Awards. Mr. Fox holds a Masters of Business Administration degree from the Rotman School of Management at the University of Toronto (1999) and holds a B.A. in Finance and Economics at the University of Western Ontario (1996).

**Kirstin McTaggart:** Ms. McTaggart joined the Manager in July 2017 and is the Chief Compliance Officer and Chief Administrative Officer of the Manager. Prior to joining the Manager, Ms. McTaggart was Chief Compliance Officer of Sprott Asset Management LP since April 2007. Ms. McTaggart currently also serves as the Corporate Secretary of the general partner of the Manager. Ms. McTaggart has accumulated over 29 years of experience in the financial and investment industry. Prior to joining Sprott in April 2003, Ms. McTaggart spent five years as a Senior Manager at Trimark Investment Management Inc., where her focus was the development of formal compliance and internal control policies and procedures.

**Shirin Kabani:** Ms. Kabani is the Chief Financial Officer of the Manager and has over 14 years of experience in Finance, Planning, Budgeting and Accounting. Prior to joining the Manager, Ms. Kabani was a Senior Manager in

Finance at Sprott Asset Management LP for approximately 2 years. Prior to joining Sprott Asset Management, Ms. Kabani was with IBM where she managed various operations and processes, including financial planning, forecasting, accounting, capital budgeting, cost management, governance and controls. Ms. Kabani received a Honors Bachelor of Commerce (High distinction) from McMaster University and is a CPA, CMA (Ontario).

**Alex Tapscott:** Mr. Tapscott is an entrepreneur, author and seasoned capital markets professional focused on the impact of Bitcoin, blockchain and other digital assets on business and financial markets. Mr. Tapscott is the co-author of the critically acclaimed non-fiction best-seller, *Blockchain Revolution*, which has been translated into more than 15 languages and has sold more than 500,000 copies worldwide. He is also the Editor and Co-author of *Financial Services Revolution* (January 2020). Mr. Tapscott is sought after world-wide for his expertise by business and government audiences. He has delivered over 200 lectures and executive briefings at firms like Goldman Sachs (Talks at GS), Google, Allianz, IBM, Microsoft and Accenture. His TedX talk, “Blockchain is Eating Wall Street” has been viewed over 700,000 times. Mr. Tapscott has also written for *The New York Times*, *Harvard Business Review*, *The Globe and Mail*, *National Post* and many other publications. In 2017, Mr. Tapscott co-founded the Blockchain Research Institute (BRI), a global think-tank investigating blockchain strategies, opportunities and use-cases. Previously, Mr. Tapscott was Director of institutional equity sales at Canaccord Genuity. Mr. Tapscott is a graduate of Amherst College (Cum Laude) and is a CFA Charterholder.

### **Ownership of the Securities of the General Partner of the Manager**

The sole limited partner of the Manager is Ninepoint Financial Group Inc. and the general partner of the Manager is wholly-owned by Ninepoint Financial Group Inc. John Wilson and James Fox, in the aggregate, indirectly own and/or control 100% of the class A common shares in the capital of Ninepoint Financial Group Inc. and, as of the date of this prospectus, 79.1% of the class B common shares in the capital of Ninepoint Financial Group Inc. John Wilson and James Fox expect their ownership of the class B common shares to be further diluted as a result of issuances under certain employee option and incentive plans.

### **Duties and Services to be Provided by the Manager**

The Fund has retained the Manager to manage and administer the day-to-day business and affairs of the Fund. The Manager is responsible for providing managerial, administrative and compliance services to the Fund pursuant to the Declaration of Trust, including, without limitation, acquiring or arranging to acquire Bitcoin on behalf of the Fund, calculating the Net Asset Value of the Fund and Net Asset Value per Unit of the Fund, net income and net realized capital gains of the Fund, authorizing the payment of operating expenses incurred on behalf of the Fund, preparing financial statements and financial and accounting information as required by the Fund, ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time, ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements, preparing the Fund’s reports to unitholders and the securities regulatory authorities and negotiating contractual agreements with third-party providers of services, including the Custodian, the Sub-Custodian, the Registrar and Transfer Agent, the auditor and printers. The Manager may from time to time employ or retain any other person or entity to perform, or to assist the Manager in the performance of management, administrative and advisory services to all or any portion of the Fund’s assets and in performing other duties of the Manager as set out in the Declaration of Trust.

### **Details of the Declaration of Trust**

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Unitholders of the Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent trustee and manager would exercise in similar circumstances.

The Manager may resign as trustee and manager of the Fund upon 60 days’ notice to the Unitholders. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Declaration of Trust and such default has not been cured within 30 days after notice of the same has been given to the Manager, the Unitholders may remove the Manager and appoint a successor trustee and/or manager.

The Manager is entitled to fees for its services as manager under the Declaration of Trust as described under “Fees and Expenses – Management Fees”. In addition, the Manager and its affiliates and each of their directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against any of them in the exercise of the Manager’s duties under the Declaration of Trust, if they do not result from the Manager’s wilful misconduct, bad faith, gross negligence or breach of its standard of care thereunder.

The services of the Manager are not exclusive and nothing in the Declaration of Trust or any agreement prevents the Manager from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other business activities.

### **Conflicts of Interest – Manager**

The Manager and its affiliates or associates may be managers or investment managers of trusts or funds that invest in Bitcoin. The services of the Manager are not exclusive to the Fund and none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund. The Manager may in the future act as the manager or investment advisor to other trusts, funds and companies and may in the future act as the manager or investment advisor to other trusts or funds which invest in Bitcoin and which are considered competitors of the Fund.

#### *The General Partner and the Manager*

Ninepoint Financial Group Inc. wholly-owns the general partner of the Manager and is the sole limited partner of the Manager. The Manager will be entitled to receive certain consideration from the Fund and the Manager will be reimbursed for certain of its expenses by the Fund. Ninepoint Financial Group Inc., therefore, has an interest in the consideration paid to the Manager. See “Fees and Expenses”.

See also “Relationship Between Investment Fund and Agents”.

#### *Management Conflicts*

Conflicts may arise because none of the directors or officers of the Fund and the Manager will devote his or her full time to the business and affairs of the Fund.

#### *Investment Opportunities and Duty of Care*

The services of the Manager are not exclusive to the Fund. The Manager may act as the investment advisor to other funds and may in the future act as the investment advisor to other funds which invest in Bitcoin and other securities which may have similar investment mandates to the Fund. Conflicts of interest may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with such securities. Where conflicts of interest arise, the Manager will address such conflicts of interest with regard to the investment objectives of each of the persons involved and will act in accordance with the duty of care owed to each of them.

Similarly, Ninepoint Financial Group Inc., certain of its affiliates and the directors and officers of the foregoing are and/or may in the future be actively engaged in a wide range of investment and management activities, some of which are or will be similar to and in competition with the business of the Fund, including acting in the future as directors and officers of the general partners of other issuers engaged in the same business as the Fund.

### **Independent Review Committee**

The Independent Review Committee for the Fund deals with conflict of interest matters presented to it by the Manager in accordance with NI 81-107. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Fund and the other investment funds managed by it, and request input from the Independent Review Committee on how it manages those conflicts of interest matters. NI 81-107 also requires the Manager to establish written policies and procedures outlining its management of those conflicts of interest. The Independent

Review Committee will provide its recommendations or approvals, as required, to the Manager with a view to the best interests of the Fund. The Independent Review Committee reports annually to Unitholders as required by NI 81-107. The reports of the Independent Review Committee will be available free of charge from the Manager on request by contacting the Manager at [invest@ninepoint.com](mailto:invest@ninepoint.com) and will be posted on the Manager's website at [www.ninepoint.com](http://www.ninepoint.com). Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference.

The initial Independent Review Committee members are Lawrence A. Ward, Eamonn McConnell and W. William Woods.

**Lawrence A. Ward (Chair):** Mr. Ward is a consultant and a retired partner of PricewaterhouseCoopers LLP, Chartered Accountants.

**Eamonn McConnell:** Mr. McConnell is a consultant and a former managing director of Deutsche Bank (Europe and Asia).

**W. William Woods:** Mr. Woods is a consultant and a lawyer, and the former Chief Executive Officer of the Bermuda Stock Exchange.

Each member of the Independent Review Committee is independent, as that term is defined in NI 81-107, of the Fund and the Manager.

The compensation and other reasonable expenses of the Independent Review Committee will be paid by the Fund. The main components of compensation for members of the Independent Review Committee are an annual retainer and a fee for each committee meeting attended. The Chair of the Independent Review Committee receives an annual retainer of \$24,500 and each of the other members receives an annual retainer of \$21,000. The fees and expenses, plus associated legal costs, are allocated among all of the funds managed by the Manager to which NI 81-107 applies, in a manner that is considered by the Manager to be fair and reasonable. In addition, the Fund has agreed to indemnify the members of the Independent Review Committee against certain liabilities.

### **Custodian**

Cidel Trust Company will be appointed as the custodian of the assets of the Fund. The Custodian is a federally regulated trust company based in Calgary, Alberta and will provide services to the Fund from its office in Toronto, Ontario. The Custodian is a wholly-owned subsidiary of Cidel Bank Canada, a Schedule II Bank regulated by the Office of the Superintendent of Financial Institutions. The Custodian will be responsible for safekeeping of all the investments and other assets of the Fund delivered to it (but not those assets of the Fund not directly controlled or held by the Custodian, as the case may be). The Custodian may appoint one or more sub-custodians from time to time with consent of the Fund in accordance with National Instrument 81-102 – *Investment Funds*.

The Manager, on behalf of the Fund, or the Custodian may terminate the Custodian Agreement upon at least 120 days' written notice. The Manager, on behalf of the Fund, may terminate the Custodian Agreement immediately if the Custodian ceases to be qualified to act as a custodian of the Fund under applicable law. The Custodian may terminate the Custodian Agreement on 30 days' written notice to the Fund in the event that the Custodian has delivered a termination notice to Gemini, or is entitled to deliver a termination notice to Gemini upon the occurrence of certain termination events, pursuant to the terms of the Sub-Custodian Agreement. The Custodian is entitled to receive fees from the Fund as described under "Fees and Expenses – Ongoing Expenses of the Fund" and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Fund.

The Custodian, in carrying out its duties concerning the safekeeping of, and dealing with, the portfolio assets of the Fund, is required to exercise (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; or (b) at least the same degree of care as they exercise with respect to their own property, if this is a higher degree of care than the degree of care referred to in (a).

## **Sub-Custodian**

Gemini will act as a sub-custodian of the Fund in respect of the Fund's holdings of Bitcoin pursuant to a sub-custodian agreement between the Custodian, the Fund, and Gemini dated January 12, 2021 (the "**Sub-Custodian Agreement**").

Gemini is a trust company licensed by the New York State Department of Financial Services and is qualified to act as a sub-custodian of the Fund for assets held outside of Canada in accordance with National Instrument 81-102 – *Investment Funds*. Gemini operates in 49 U.S. states, Canada and certain other international jurisdictions.

As a fiduciary under Section 100 of the New York Banking Law, Gemini is held to specific capital reserve requirements and banking compliance standards. Gemini is also subject to the laws, regulations and rules of applicable governmental or regulatory authorities, including: money service business regulations under the Financial Crimes Enforcement Network ("**FinCEN**"); U.S. state money transmission laws; laws, regulations, and rules of relevant tax authorities; applicable regulations and guidance set forth by FinCEN; the Bank Secrecy Act of 1970; the USA PATRIOT Act of 2001; AML Regulations as mandated by U.S. federal law and any other rules and regulations regarding anti-money laundering/counter-terrorist financing; issuances from the Office of Foreign Assets Control; the New York Banking Law; regulations promulgated by the New York Department of Financial Services from time to time; the National Futures Association; the Financial Industry Regulatory Authority; and the Commodity Exchange Act.

Gemini will use segregated cold storage Bitcoin addresses for the Fund which are separate from the Bitcoin addresses that Gemini uses for its other customers and which are directly verifiable via the Bitcoin blockchain. Gemini will at all times record and identify in its books and records that such Bitcoins constitute the property of the Fund. Gemini will not loan, hypothecate, pledge or otherwise encumber the Fund's Bitcoins without the Fund's instruction. Gemini, in carrying out its duties concerning the safekeeping of, and dealing with, the Fund's Bitcoins, is required to take reasonable care and use commercially reasonable efforts in executing its responsibilities under the Sub-Custodian Agreement, and has agreed to adhere to the standard of care required by law, including National Instrument 81-102 – *Investment Funds*.

### *Bitcoin Storage, Security Policies and Practices*

Bitcoin private keys are stored in two different forms: "hot wallet" storage, whereby the private keys are connected to the internet, and "cold" storage, where digital currency private keys are stored completely offline. The Bitcoin that Gemini will hold for the Fund will be stored offline in cold storage.

Gemini has adopted the following security policies and practices with respect to digital assets held in cold storage: hardware security modules ("**HSMs**") are used to generate, store and manage cold storage private keys; multi-signature technology is used to provide both security against attacks and tolerance for losing access to a key or facility, eliminating single points of failure; all HSMs are stored in guarded, monitored and access-controlled facilities that are geographically distributed; hardware is sourced from diverse manufacturers to guard against supply-chain risks; and all fund transfers require the coordinated actions of multiple employees.

### *Gemini BSA/AML Program*

Gemini has adopted the Gemini BSA/AML Program for its digital asset exchange and custody service in an effort to maintain the highest possible compliance with applicable laws and regulations relating to anti-money laundering in the United States and other countries where it conducts business. This program includes robust internal policies, procedures and controls that combat any attempted use of Gemini for illegal or illicit purposes, including a customer identification program, annual training of all employees and officers in AML Regulation, filing of Suspicious Activity Reports and Currency Transaction Reports with the U.S. Financial Crimes Enforcement Network and annual internal and independent audits of the Gemini BSA/AML Program.

### *Website Security*

Gemini has implemented certain security policies and practices to enhance security on its website, including through the use of two-factor authentication for certain user actions, such as withdrawals; a requirement for strong passwords from its users, which are cryptographically hashed using modern standards; encryption of sensitive user information, both in transit and at rest; the application of rate-limiting procedures to certain account operations such as login attempts to thwart brute force attacks; the transmission of website data over encrypted transport layer security connections; the leveraging of content-security policy and HTTP strict transport security features in modern browsers; partnerships with enterprise vendors to mitigate potential distributed denial-of-service attacks; and the use of separate access controls on internal-only sections of Gemini's website.

### *Internal Controls*

In addition to the security policies and procedures discussed above, Gemini has also instituted the following internal controls: multiple signatories are required to transfer funds out of cold storage; Gemini's Chief Executive Officer and President are unable to individually or jointly transfer funds out of cold storage; all private keys are stored offsite in secure facilities; all employees undergo criminal and credit background checks, and are subject to ongoing background checks throughout their employment; and all remote-access by employees uses public-key authentication (e.g. no passwords, one-time passwords or other phishable credentials are used).

### *Insurance*

As sub-custodian, Gemini is responsible for securing the Bitcoin owned by the Fund.

Gemini maintains commercial crime insurance in respect of the Bitcoin held by it (e.g., Bitcoin held in "cold storage"). To date, Gemini has never experienced a loss due to unauthorized access from its hot wallet or the cold storage vaults where the Fund's Bitcoin will be custodied. The Fund's Bitcoin will be held in cold storage vaults only.

### **Auditor**

KPMG LLP is the independent auditor of the Fund. The principal office of the auditor is located in Toronto, Ontario.

### **Registrar and Transfer Agent**

TSX Trust Company will act as registrar and transfer agent for the Units and will maintain the securities registers at its office in Toronto, Ontario.

### **Administrator**

The Manager has engaged CIBC Mellon Global Securities Services Company to provide certain administrative services to the Fund including calculation of Net Asset Value and Net Asset Value per Unit and related fund accounting services. The principal office of the Administrator is located in Toronto, Ontario.

The Administrator is entitled to receive fees from the Fund as described under "Fees and Expenses – Fees and Expenses Payable by the Fund – Ongoing Expenses of the Fund" and to be reimbursed for all expenses and liabilities which are properly incurred by the Administrator in connection with the activities of the Fund.

## **CALCULATION OF NET ASSET VALUE**

### **Calculation of Net Asset Value**

The Net Asset Value of the Fund and the Net Asset Value per Unit will be calculated by the Administrator as at 4:00 p.m. (Toronto time) or such other time as the Manager deems appropriate on each Valuation Date. The Fund will make available to the financial press for publication on a daily basis, the Net Asset Value per Unit. Such amount will also be available on the Manager's website at [www.ninepoint.com](http://www.ninepoint.com).

## Valuation Policies and Procedures

The Net Asset Value of the Fund on a particular date will be equal to (i) the aggregate fair value of the assets of the Fund less (ii) the aggregate fair value of the liabilities of the Fund. The net asset value of Units for each class of Units on a particular date will be equal to the Net Asset Value of the Fund allocated to the Units of such class, including an allocation of any net realized capital gains or other amounts payable to Unitholders on or before such date. The Net Asset Value of the Fund will be calculated in U.S. dollars. The Net Asset Value per Unit of a class on any day will be obtained by dividing the Net Asset Value of the Fund allocated to the Units of such class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value of the Fund on a Valuation Date, the value of the aggregate assets of the Fund on such Valuation Date will be determined by the Administrator as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, dividend, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the value of the assets is being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, dividend, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the value of the assets is being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) the Fund's Bitcoin will be valued based on the MVIS CryptoCompare Institutional Bitcoin Index ("MVIBTC") maintained by MV Index Solutions GmbH ("MVIS"), as described below under "The MVIS CryptoCompare Institutional Bitcoin Index" (<https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-institutional-bitcoin>), or a successor or alternative institutional-quality index;
- (c) any market price reported in currency other than U.S. dollars will be translated into U.S. currency at the rate of exchange available from the Administrator on the Valuation Date on which the value of the assets is being determined;
- (d) estimated operating expenses by the Fund shall be accrued to the Valuation Date; and
- (e) the value of any security, property or other assets (including any illiquid investments) to which, in the reasonable opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, no published market exists or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager, in consultation with the Administrator, adopts from time to time.

Each portfolio transaction will be reflected in the calculation of the Net Asset Value per Unit no later than the calculation of Net Asset Value per Unit next made after the date on which the transaction becomes binding. The issue of Units will be reflected in the calculation of Net Asset Value per Unit next made after the issue date for such Units, which may be up to three trading days after the date that the subscription order for such Units is accepted. The exchange or redemption of Units will be reflected in the calculation of the Net Asset Value per Unit next made after the exchange request or redemption request is accepted.

The Net Asset Value per Unit of a class of the Fund is calculated in U.S. dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit of a class determined in accordance with the principles set out above may differ from the Net Asset Value per Unit determined under International Financial Reporting Standards.

## **MVIS CryptoCompare Institutional Bitcoin Index**

The MVIS CryptoCompare Institutional Bitcoin Index, maintained by MVIS, is an index which is intended to track the U.S. dollar price of one Bitcoin. It is representative of the bids and offers of market participants to buy or sell Bitcoin on those platforms selected by MVIS as Bitcoin trading platforms with the most economically significant trading volumes in the world in the Bitcoin-USD trading pair, currently: Binance, Coinbase, Kraken, Bitstamp, bitFlyer, Gemini and itBit. MVIS retains discretion to exclude platforms based on reputational risk concerns. A majority of these platforms employ KYC procedures in compliance with applicable AML Regulation and several are regulated by the New York Department of Financial Services under the BitLicence or trust registration.

The index may be viewed at: <https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-institutional-bitcoin>.

MVIBTC is geared towards timeliness and represents an unbiased estimator of the Bitcoin price. MVIS is an index provider based in Frankfurt, Germany and regulated as an index administrator by the German Federal Financial Supervisory Authority (BaFin). MVIS had adopted indexing practices and operations for its digital assets indices, including MVIBTC, which comply with the EU benchmark regulations. MVIS's pricing benchmarks are also compliant with International Organisation of Securities Commissions regulations. At this time, there are no guidelines for the calculation of indices based upon digital assets under the EU benchmark regulations, however MVIS as a leader in this space is expected to comply with any such guidelines when they are created.

The index for the MVIBTC is calculated by Crypto Coin Comparison Ltd., an independent pricing provider based in the United Kingdom.

### **Reporting of Net Asset Value**

The Net Asset Value per Unit of a class will be available to Unitholders at no cost on the Manager's website at [www.ninepoint.com](http://www.ninepoint.com) posted daily and displaying the date upon which it was calculated.

### **Suspension of Calculation of Net Asset Value**

The Manager may suspend the calculation of the Net Asset Value of the Fund and the Net Asset Value per Unit for the whole or any part of a period during which the right to redeem Units is suspended.

## **DESCRIPTION OF THE UNITS**

### **The Units**

The beneficial interests in the net assets and net income of the Fund are divided into units of three classes, Class A Units, Class F Units and Class S Units. The Fund is authorized to issue an unlimited number of units of each class. The Class A Units are available to all investors. The Class F Units are designed for fee-based and/or institutional accounts and will not be listed on a stock exchange, but will be reclassified as Class A Units upon the closing of the Offering. The Class S Units are designed for investors who invest C\$20,000,000 or more in the Offering and will not be listed on a stock exchange but will be reclassified as Class A Units immediately upon the closing of the Offering. Each Class F Unit and each Class S Unit will be reclassified as a number of Class A Units equal to the Net Asset Value per Class F Unit or per Class S Unit, as applicable, divided by the Net Asset Value per Class A Unit. Accordingly, investors purchasing and/or receiving the Class F Units and/or Class S Units will, upon closing of the Offering, become holders of Class A Units. Additional Class F Units and Class S Units may be issued in the future that may not be reclassified immediately as Class A Units and as such, there may be outstanding Class F Units and Class S Units of the Fund in the future. The Class A Units, the Class F Units and the Class S Units will be available for purchase under the Offering in both U.S. and Canadian dollars and the Class A Units will trade in both U.S. and Canadian dollars under the symbols BITC.U and BITC.UN, respectively.

Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units other than as set out herein. Each Unitholder

is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, Unitholders of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and the Fund is governed by the laws of the Province of Ontario by virtue of the provisions of the Declaration of Trust.

### **Reclassification of Class F Units and Class S Units upon Closing**

Class F Units and Class S Units will be reclassified as Class A Units upon the closing of the Offering. Each Class F Unit and Class S Unit will be reclassified as a number of Class A Units equal to the Net Asset Value per Class F Unit or Class S Unit, as applicable, divided by the Net Asset Value per Class A Unit. Accordingly, investors purchasing the Class F Units and Class S Units will upon the closing of the Offering become holders of Class A Units. No fractions of Class A Units will be issued upon any reclassification of Class F Units and Class S Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units. After the reclassification of the Class F Units and Class S Units as Class A Units upon the closing of the Offering all remaining outstanding units of the Fund will be Class A Units. A reclassification of Class F Units and Class S Units as Class A Units should not, in itself, result in a disposition of such Class F Units and Class S Units for the purposes of the Tax Act. See "Canadian Federal Income Tax Considerations".

### **Purchase for Cancellation**

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Unit of a Class A Unit immediately prior to the date of any such purchase of Class A Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the stock exchange or such other exchange or market on which the Units are then listed.

### **Take-over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

The Declaration of Trust also provides that if, prior to the termination of the Fund, a formal bid (as defined in National Instrument 62-104 *Take-Over Bids and Issuer Bids*) is made for all of the Class F Units or Class S Units and such bid does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class), for the Class A Units, then the Fund shall provide the holders of Class A Units the right to have all or a part of their Class A Units reclassified as Class F Units or Class S Units, as applicable, and to tender such units to the offer for the Class F Units or Class S Units, as applicable. In the circumstances described above, the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to have all or a part of their Class A Units reclassified as Class F Units or Class S Units, as applicable, and to tender such units to the offer for the Class F Units or Class S Units, as applicable.

## **Book Entry Only System**

Registrations of interests in, and transfers of, the Units will be made only through the book-entry only system of CDS. Units may be purchased, transferred or surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund, the Manager and the Agents will not have any liability for (i) the records maintained by CDS or CDS Participants relating to the beneficial interests in the Units or the book-entry accounts maintained by CDS in respect thereof; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS or CDS Participants, including with respect to the rules and regulations of CDS or any action taken by CDS, its participants or at the direction of those participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-entry only system, in which case certificates in fully-registered form for the Units will be issued to beneficial owners of such Units or to their nominees.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

A meeting of the Unitholders voting as a single class (unless the circumstances are such that one class is affected differently in which case the holders of each class of the Fund will vote separately) may be called at any time by the Manager and shall be called by the Manager upon the request of four or more Unitholders holding, in aggregate, at least 50% of the issued and outstanding Units. Except as otherwise required or permitted by law, meetings of Unitholders will be held if called by the Manager or such Unitholders upon written notice of not less than 21 days nor more than 50 days before the meeting. At any meeting of the Unitholders, a quorum shall consist of two or more Unitholders present in person or by proxy. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called at the request of Unitholders, shall be terminated (and not adjourned) and, if otherwise called, shall stand adjourned to such day being not less than one day later and to such place and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. If the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as for the original meeting. Unitholders present in person or represented by proxy will constitute a quorum.

### **Amendment of the Declaration of Trust**

Except as provided below, the Declaration of Trust may be amended by an Ordinary Resolution approved at a meeting of unitholders duly convened and held in accordance with the provisions in that regard contained in the Declaration of Trust, or by the written consent in lieu of a meeting if there is only one unitholder.

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution (a separate class vote is also required if one class of Units would be affected differently):

- (a) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;

- (b) any increase in the Management Fee;
- (c) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (d) any change in the frequency of calculating the Net Asset Value per Unit;
- (e) after the closing of the Offering and the issue of Units in connection therewith, the issuance of additional Units, including any offering of rights, warrants or options, if permitted by applicable law, to existing Unitholders to acquire Units, other than: (i) for net proceeds per Unit equal to or greater than 100% of the most recently calculated Net Asset Value per Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Units or prior to the pricing of the offering, as the case may be; (ii) by way of Unit distribution; or (iii) related to the reclassification of Class F Units and Class S Units;
- (f) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (g) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- (h) any amendment to the above provisions except as permitted by the Declaration of Trust.

Notwithstanding the foregoing, the Manager is entitled to amend the Declaration of Trust without the consent of, or notice to, Unitholders, to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of Unitholders or restrict any protection for the Manager or increase its responsibilities;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation or administration thereof; or
- (e) provide added protection or benefit to Unitholders.

### **Reporting to Unitholders**

The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (i) unaudited interim and audited annual financial statements of the Fund, prepared in accordance with International Financial Reporting Standards and (ii) interim and annual management reports of fund performance in respect of the Fund. The Fund will make also available to each Unitholder annually and before March 31 of the following year information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

## TERMINATION OF THE FUND

The Manager may, in its discretion, terminate the Fund at any time without the approval of Unitholders if, in its opinion, it is no longer economically feasible to continue the Fund and/or it would be in the best interests of the Unitholders to terminate the Fund. The Manager will provide at least 30 days' prior notice of such termination to Unitholders by way of press release. Upon such a termination, the Fund will liquidate its portfolio and distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for, and which will include cash and, to the extent liquidation of certain assets is not practicable prior to the termination date, such unliquidated assets in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Fund will be dissolved.

## USE OF PROCEEDS

The Fund will use the proceeds from the sale of Units as follows:

	Maximum Offering <sup>(2)</sup>	Minimum Offering <sup>(2)</sup>
Gross proceeds to the Fund	\$500,000,000	\$20,000,000
Agents' fees	\$27,500,000	\$1,100,000
Estimated expenses of the Offering <sup>(1)</sup>	\$1,250,000	\$200,000
Net proceeds to the Fund	\$471,250,000	\$18,700,000

**Note:**

- (1) The expenses of the Offering to be borne by the Fund shall not exceed 1.0% of the gross proceeds of the Offering.
- (2) The values presented in the Maximum Offering and Minimum Offering columns assumes that only Class A Units are sold and does not include the Class A Units resulting from the reclassification of Class F Units and Class S Units.

The Fund will use substantially all of the net proceeds of the Offering to acquire Bitcoin for the Fund's portfolio in accordance with the investment objectives and investment strategies of the Fund.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Class A Units, Class F Units and Class S Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. Such Units will be issued at a price of \$10.00 per Class A Unit, Class F Unit and Class S Unit (or the Equivalent in Canadian Dollars). The offering price per such Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund.

In consideration for its services in connection with the Offering, the Agents will be paid a fee of \$0.55 per Class A Unit sold, \$0.25 per Class F Unit sold and \$0.075 per Class S Unit sold under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of its fees. While the Agents have agreed to use their best efforts to sell the Class A Units, the Class F Units and the Class S Units offered hereby, the Agents will not be obligated to purchase any Class A Units, Class F Units or Class S Units which are not sold.

This prospectus also qualifies the distribution of the Class A Units resulting from the reclassification of the Class F Units and Class S Units, in each case immediately upon the closing of the Offering.

If subscriptions for Class A Units, Class F Units and Class S Units, do not total at least 2,000,000 Units within 90 days after a final receipt for this prospectus is issued, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed for Units on or before such date. In the event such consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offering will be returned to such purchasers promptly without interest or deduction. The maximum number of Class A Units, Class F Units and/or Class S Units which will be issued is

50,000,000 or \$500,000,000. Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Class A Units, Class F Units and Class S Units on behalf of subscribers. Subscriptions for Class A Units, Class F Units and Class S Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. The closing of the Offering will take place on or about January 27, 2021 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus has been issued.

**There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.**

The TSX has conditionally approved the listing of the Class A Units. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before April 16, 2021, including distribution of the Class A Units to a minimum number of public unitholders. Subject to fulfilling all of the requirements of the TSX, the Class A Units will be listed on the TSX (TSX: BITC.UN or BITC.U) and investors will be able to buy or sell such Class A Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

The Units have not been, nor will they be, registered under the *United States Securities Act of 1933*, as amended (the “1933 Act”) or any state securities legislation and these securities may not be offered or sold in the United States or to or for the account of a person in the United States or a U.S. person except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities legislation. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.

Pursuant to policy statements of the Ontario Securities Commission, an Agent may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the stock exchange relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, an Agent may, in connection with this Offering, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

## **RELATIONSHIP BETWEEN INVESTMENT FUND AND AGENTS**

Sightline Wealth Management LP, which is one of the Agents, is an affiliate of Ninepoint Partners LP, the Trustee, the Manager and promoter of the Fund. Therefore, the Fund may be considered to be a “connected issuer” and a “related issuer” of Sightline Wealth Management LP under Canadian securities legislation. Sightline Wealth Management LP was involved, together with the other Agents, in the decision of the Fund to undertake the Offering and the determination of the terms of the distribution. Sightline Wealth Management LP will receive no benefit in connection with the Offering other than receiving a portion of the Agents’ Fees described under “Fees and Expenses”. Ninepoint Partners LP, Ninepoint Partners GP Inc. (the general partner of Ninepoint Partners LP), Sightline Wealth Management LP and 2573323 Ontario Inc. (the general partner of Sightline Wealth Management LP) are controlled, directly or indirectly, by John Wilson and James Fox. See “Plan of Distribution” and “Fees and Expenses”.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager is entitled to receive the Management Fee in respect of the Fund. See “Organization and Management Details of the Fund – The Trustee and Manager of the Fund” and “Fees and Expenses – Fees and Expenses Payable by the Fund – Fees Payable to the Manager for Acting as Manager of the Fund”.

## MATERIAL CONTRACTS

The only material contracts entered into by or on behalf of the Fund at or prior to the closing of the Offering other than during the ordinary course of business, are as follows:

- (a) the Declaration of Trust referred to under “Overview of the Legal Structure of the Fund”;
- (b) the Custodian Agreement referred to under “Organization and Management Details of the Fund – Custodian”;
- (c) the Sub-Custodian Agreement referred to under “Organization and Management Details of the Fund – Sub-Custodian”;
- (d) the Index Licensing Agreement with MVIS dated January 14, 2021; and
- (e) the Agency Agreement referred to under “Plan of Distribution”.

Copies of the foregoing agreements, after the execution thereof, may be inspected during business hours at the principal office of the Fund during the course of distribution of the Units of the Fund offered hereby.

## LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no legal or administrative proceedings material to the Fund or the Manager to which the Fund or the Manager is a party or to which any of their respective property is subject and no such legal or administrative proceedings are known to be contemplated.

Alex Tapscott, in his role as a co-founder and the Chief Executive Officer of NextBlock Global (“**NextBlock**”), as well as NextBlock itself, entered into a settlement agreement with the OSC on April 9, 2019 that was subsequently ratified by the OSC on May 13, 2019. As part of the agreement, Mr. Tapscott and NextBlock each agreed to pay an administrative penalty in settlement of claims that offering materials provided to investors in 2017 in connection with a private placement of securities contained misleading statements. Mr. Tapscott’s administrative penalty by the terms of the settlement agreement was C\$300,000. In connection with the settlement agreement, Mr. Tapscott also agreed, among other things, to perform community service and publish an open letter in a national newspaper regarding the consequences of his actions. In addition, Mr. Tapscott also agreed to pay a US\$25,000 penalty to settle administrative proceedings with the SEC arising based upon the same offering materials. Since entering into the settlement agreement, NextBlock has been wound-up and has ceased operations. None of the Manager, the general partner of the Manager or any of their directors or principals were involved with Mr. Tapscott or NextBlock at the time the events giving rise to the settlement agreement occurred.

Mr. Tapscott was hired as Managing Director of Ninepoint Digital Asset Group, a division of the Manager, to leverage his expertise within the digital asset sector on October 30, 2020. Mr. Tapscott possesses a unique skill set focused on Bitcoin and blockchain technology which will lead the Digital Asset Group in its strategic initiatives. The Manager considered Mr. Tapscott's settlement actions with the OSC and SEC prior to his hiring. Given Mr. Tapscott’s clear and public acknowledgment of responsibility, immediate remedial action and the fact that he took full accountability for the consequences of his actions, the Manager is confident that Alex fully understands the important role of oversight and regulation. Mr. Tapscott appreciates the importance of adhering to regulatory requirements in order to foster trust when operating in the digital asset sector or any other sector. In addition, the Manager's leadership team has a long history in Canadian and global capital markets and has always built an organizational culture grounded in compliance, regulation and oversight, understanding that this is a key ingredient to fair and efficient financial markets.

## EXPERTS

Certain legal matters in connection with the issuance and sale of the Units offered by this prospectus will be passed upon on behalf of the Fund by McCarthy Tétrault LLP and KPMG LLP, tax advisor to the Fund, and on behalf of the Agents by Blake, Cassels & Graydon LLP.

The independent auditor of the Fund is KPMG LLP, Chartered Professional Accountants. KPMG LLP is independent of the Fund within the meaning of the relevant rules and related interpretations prescribed in the relevant professional bodies in Canada and any applicable legislation or regulations.

#### **NOTICE OF TRADEMARKS/DISCLAIMER**

The Fund is not sponsored, endorsed, sold or promoted by MVIS. MVIS makes no representation or warranty, express or implied, to Unitholders or any member of the public regarding the advisability of investing in securities generally or in Units particularly or the ability of the MVIBTC to track the performance of the digital assets market. MVIS's only relationship to the Fund is the licensing of certain service marks and trade names of MVIS and of the MVIBTC that is determined, composed and calculated by MVIS without regard to the Fund. MVIS has no obligation to take the needs of the Fund or Unitholders into consideration in determining, composing or calculating the MVIBTC. MVIS is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Units to be issued or in the determination or calculation of the equation by which the Units can be redeemed for cash. MVIS has no obligation or liability in connection with the administration, marketing or trading of the Fund.

MVIS DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE MVIBTC OR ANY DATA INCLUDED THEREIN AND MVIS SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. MVIS MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE FUND, UNITHOLDERS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE MVIBTC OR ANY DATA INCLUDED THEREIN. MVIS MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE MVIBTC OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL MVIS HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

The Fund is not sponsored, promoted, sold or supported in any other manner by CryptoCompare Data Limited nor does CryptoCompare Data Limited offer any express or implicit guarantee or assurance either with regard to the results of using the MVIBTC and/or MVIBTC trade mark or the MVIBTC Price at any time or in any other respect. The MVIBTC is calculated and published by CryptoCompare Data Limited. CryptoCompare Data Limited uses its best efforts to ensure that the MVIBTC is calculated correctly. Irrespective of its obligations towards the Fund, CryptoCompare Data Limited has no obligation to point out errors in the MVIBTC to third parties including but not limited to investors and/or financial intermediaries of the Fund. Neither publication of the MVIBTC by CryptoCompare Data Limited nor the licensing of the MVIBTC or MVIBTC trade mark for the purpose of use in connection with the Fund constitutes a recommendation by CryptoCompare Data Limited to invest capital in the Fund nor does it in any way represent an assurance or opinion of CryptoCompare Data Limited with regard to any investment in the Fund. CryptoCompare Data Limited is not responsible for fulfilling the legal requirements concerning the accuracy and completeness of this prospectus.

The Fund is not sponsored, endorsed, sold or promoted by Van Eck Associates Corporation or any other VanEck entity (altogether "**VanEck**"). VanEck makes no representation or warranty, express or implied, nor accepts any responsibility, regarding the accuracy or completeness of this prospectus, or the advisability of investing in securities or financial instruments, or in the Fund.

VANECK AND ITS AFFILIATES SHALL NOT HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS, AND MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY UNITHOLDERS OR ANY OTHER PERSON OR ENTITY FROM AN INVESTMENT IN THE FUND. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL VANECK OR ANY OF ITS AFFILIATES HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSSES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF.

#### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the Provinces and Territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt

or deemed receipt of a prospectus and any amendment thereto. In several of the Provinces and Territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's Province or Territory. The purchaser should refer to any applicable provisions of the securities legislation of his or her Province or Territory of residence for the particulars of these rights or consult with a legal advisor.

## **INDEPENDENT AUDITORS' REPORT**

### **To the Unitholder of Bitcoin Trust and the Board of Directors of Ninepoint Partners LP**

#### **Opinion**

We have audited the opening statement of financial position of Bitcoin Trust (the "Fund") which comprises:

- the opening statement of financial position as at January 19, 2021
- and notes to the financial statement, including a summary of significant accounting policies

(hereinafter referred to as the "**financial statement**").

In our opinion, the accompanying opening statement of financial position presents fairly, in all material respects, the financial position of the Fund as at January 19, 2021 in accordance with those requirements of International Financial Reporting Standards ("**IFRS**") relevant to preparing such a financial statement.

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statement" section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statement**

Management is responsible for the preparation and fair presentation of the statement of financial position in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of the statement of financial position that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the statement of financial position, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada  
January 19, 2021

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**BITCOIN TRUST**  
**OPENING STATEMENT OF FINANCIAL POSITION**

**(Expressed in US\$)**

**As at January 19, 2021**

Cash .....	<u>\$10.00</u>
 <b>Net Assets attributable to holders of redeemable Class A Units</b> (one unit issued and redeemable) .....	 <u>\$10.00</u>

Approved by the board of directors of Ninepoint Partners LP, the trustee and manager of Bitcoin Trust.

(Signed) James R. Fox  
Director

(Signed) Kirstin H. McTaggart  
Director

## NOTES TO OPENING STATEMENT OF FINANCIAL POSITION

As at January 19, 2021

### (1) GENERAL INFORMATION

Bitcoin Trust (the “**Fund**”) is a closed-end investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 12, 2021. The Class A Units are available to all investors. The Class F Units are designed for fee-based and/or institutional accounts and will not be listed on a stock exchange, but will be reclassified as Class A Units immediately upon the closing of the Offering. Each Class F Unit will be reclassified as a number of Class A Units equal to the Net Asset Value per Class F Unit divided by the Net Asset Value per Class A Unit. The Class S Units are designed for investors who invest C\$20,000,000 or more in the Offering and will not be listed on a stock exchange but will be reclassified as Class A Units immediately upon the closing of the Offering. Each Class S Unit will be reclassified as a number of Class A Units equal to the Net Asset Value per Class S Unit divided by the Net Asset Value per Class A Unit. Accordingly, investors purchasing and/or receiving the Class F Units and/or Class S Units will, upon closing of the Offering, become holders of Class A Units. The Class A Units, the Class F Units and the Class S Units will be available for purchase under the Offering in both U.S. and Canadian dollars and the Class A Units will trade in both U.S. and Canadian dollars under the symbols BITC.U and BITC.UN, respectively.

On January 12, 2021, the Fund was settled and issued one Class A Unit for cash consideration of \$10.00 to Ninepoint Partners LP, the manager of the Fund (the “**Manager**”).

The Fund’s investment objectives are to seek to provide holders of units of the Fund with:

- (a) exposure to digital currency Bitcoin (“**Bitcoin**”) and the daily price movements of the U.S. dollar price of Bitcoin; and
- (b) the opportunity for long-term capital appreciation.

To achieve its investment objectives, the Fund will invest in long-term holdings of Bitcoin, purchased from reputable Bitcoin trading platforms and OTC counterparties, for the Fund’s portfolio in accordance with the investment objectives and investment strategies of the Fund.

The opening statement of financial position was approved by the board of directors of the Manager on January 19, 2021.

The novel coronavirus (COVID-19) outbreak was characterized as a pandemic by the World Health Organization on March 11, 2020. The outbreak has spread throughout Asia, Europe, the Middle East, Canada and the United States, causing companies and various governments to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and the measures taken by companies and governments to combat the coronavirus have negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of Bitcoin. At this point, the extent to which the coronavirus may impact, or may continue to impact, the market price of Bitcoin and, in turn, the market price of the Units, is uncertain and cannot be predicted.

### (2) SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the Fund has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) relevant to preparing a statement of financial position. In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statement.

### *Cash*

Cash is comprised of cash on deposit with a Canadian financial institution.

### *Functional and Presentation Currency*

The U.S. dollar is the functional and presentation currency for the Fund.

### *Valuation of Units for Transaction Purposes*

The Net Asset Value per Unit on any day will be obtained by dividing the Net Asset Value of the Fund allocable to the Units of such class on such day, by the total number of Units of such class outstanding on such day.

As used herein, (i) “Net Asset Value” means the net asset value of the Fund determined by subtracting the aggregate liabilities of the Fund from the Total Assets on the date on which the calculation is being made; and (ii) “Total Assets” means the aggregate value of the assets of the Fund.

### *Classifications of Redeemable Units*

The Fund’s outstanding redeemable Class A Units entitlement include a contractual obligation to deliver cash or another financial asset on the Fund’s termination date, and therefore the ongoing redemption feature is not the Fund’s only contractual obligation. Consequently the Fund’s outstanding redeemable Class A Units are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32 Financial Instruments Presentation.

## **(3) RELATED PARTY TRANSACTIONS**

As at January 19, 2021, the Manager has subscribed for one Class A Unit for \$10.00 in the Fund, and therefore holds all of the issued and outstanding Units of the Fund. An annual management fee equal to 0.70% of the Net Asset Value of the Fund will be paid to the Manager by the Fund, calculated daily and payable monthly in arrears, plus applicable taxes. The Fund will not pay trailing commissions on Class A Units or Class F Units.

Sightline Wealth Management LP, which is an Agent (as defined below) for the Offering (as defined below), is an affiliate of Ninepoint Partners LP, the trustee, the Manager and promoter of the Fund. Sightline Wealth Management LP will receive a portion of the Agents’ fees payable in connection with the Offering from the Fund.

## **(4) REDEMPTIONS**

Units may be redeemed annually on the second last business day of January commencing in 2022 at a redemption price per Unit of a class equal to 100% of the Net Asset Value per Unit of a class, subject to the Manager’s right to suspend redemptions in certain circumstances. In order to effect such a redemption, the Units must be surrendered for redemption from the first business day of November to the tenth business day of November in each year commencing in 2021. Units may also be redeemed monthly at a redemption price based on a discount to the market price of such Units. Redemption proceeds will be paid in U.S. dollars.

## **(5) SUBSEQUENT EVENTS**

The Fund and the Manager have entered into an agency agreement with Canaccord Genuity Corp., INFOR Financial Inc., Echelon Wealth Partners Inc., PI Financial Corp., Richardson Wealth Limited, Leede Jones Gable Inc., Mackie Research Capital Corporation and Sightline Wealth Management LP (collectively, the “Agents”) dated as of January 19, 2021 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer the Class A Units and Class F Units for sale to the public, on a best efforts

basis, if, as and when issued by the Fund at \$10.00 per Class A Unit and Class F Unit. In consideration for its services in connection with the Offering, the Agents will be paid a fee of \$0.55 per Class A Unit, \$0.25 per Class F Unit and \$0.075 per Class S Unit out of the proceeds of the Offering.

The expenses of the initial public offering (the “**Offering**”), which are estimated to be \$1,250,000 assuming the maximum Offering, will be paid out of the gross proceeds of the Offering by the Fund. The expenses of the Offering to be borne by the Fund will not exceed 1.0% of the gross proceeds of the Offering.

**CERTIFICATE OF THE FUND AND THE TRUSTEE, MANAGER AND PROMOTER OF THE FUND**

Dated: January 19, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**Ninepoint Partners LP  
(as trustee and manager of Bitcoin Trust)**

*(Signed)* JOHN WILSON  
CO-CHIEF EXECUTIVE OFFICER

*(Signed)* SHIRIN KABANI  
CHIEF FINANCIAL OFFICER

**On behalf of the Board of Directors of  
Ninepoint Partners LP**

*(Signed)* JOHN WILSON  
DIRECTOR

*(Signed)* JAMES R. FOX  
DIRECTOR

*(Signed)* KIRSTIN H. MCTAGGART  
DIRECTOR

**Ninepoint Partners LP  
(as promoter of Bitcoin Trust)**

*(Signed)* JAMES R. FOX  
CO-CHIEF EXECUTIVE OFFICER

**CERTIFICATE OF THE AGENTS**

Dated: January 19, 2021

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**CANACCORD GENUITY CORP.**

*(Signed)* MICHAEL D. SHUH

**INFOR FINANCIAL INC.**

*(Signed)* NEIL SELFE

**ECHELON WEALTH PARTNERS  
INC.**

*(Signed)* FAROOQ MOOSA

**PI FINANCIAL CORP.**

*(Signed)* TRINA WANG

**RICHARDSON WEALTH LIMITED**

*(Signed)* NARGIS SUNDERJI

**LEEDE JONES  
GABLE INC.**

*(Signed)* RICHARD CARTER

**MACKIE RESEARCH  
CAPITAL CORPORATION**

*(Signed)* DAVID KEATING

**SIGHTLINE WEALTH MANAGEMENT LP**

*(Signed)* JAMES R. FOX