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# Vault Digital Funds

Statement of Investment Policy and Objectives

Investment Management by Vault Digital Funds Limited

Effective date: 22 September 2021

Issued by Implemented Investment Solutions Limited

This document gives you important information about this investment to help you decide whether you want to invest. The current version of this Statement of Investment Policy and Objectives, and other useful information about this offer, is available on [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). Implemented Investment Solutions Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you make an investment decision.

## A. Description of the managed investment scheme

The Vault Digital Funds (“Scheme”) is a managed investment scheme. The Scheme offers one single sector investment fund, the Vault International Bitcoin Fund (“Fund”), which provides investors with exposure to Bitcoin. This is achieved by investing in one or more underlying offshore domiciled funds listed on foreign sharemarkets (“Underlying Funds”).

## B. Roles and responsibilities

Implemented Investment Solutions Limited (“IIS”) is the licensed manager (“Manager”) of the Scheme. The Manager’s key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policy and Objectives (“SIPO”).
- The ongoing management and oversight of the Fund. This includes appointing, managing and monitoring specialist providers for:
  - Administration management, and
  - Investment management.
- Monitoring investment performance and outcomes.

Vault Digital Funds Limited (“Vault”) is the Fund’s investment manager and is responsible for making recommendations and decisions about what the Fund invests in, in accordance with this SIPO. The Fund is invested in accordance with Vault’s investment policy. The Fund invests in Underlying Funds.

Vault also participates in reviewing this SIPO.

Key administration functions, being fund accounting, unit pricing, and registry services are currently performed by Adminis NZ Limited.

Public Trust is the Scheme’s supervisor (“Supervisor”). The Supervisor is responsible for supervision of the Manager and the Scheme, including:

- Acting on behalf of the Scheme’s investors in relation to the Manager and any contravention of the Manager’s issuer obligations;
- Supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- Holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. Adminis NZ Limited has been appointed by the Supervisor as Custodian for the Fund.

## C. Investment approach

Vault is responsible for identifying investment vehicles that best achieve investment strategies (i.e. Underlying Funds). Vault must also ensure the vehicles continue to achieve investment strategies over time and consider whether any other vehicles are preferable.

In selecting the Underlying Funds, Vault analyses and compares several available vehicles for suitability. Analysis and comparison include consideration of the following:

- reputation of underlying fund manager;
- funds under management;
- fees charged;
- fund liquidity and ease of execution;
- correlation to assets;
- tax claimed within underlying fund;
- inception date and performance history;
- custody of assets and reputation of custodian; and

- auditor and audit findings.

#### **D. Fund Investment Objectives and Strategies**

The Investment objectives and strategies for the Fund are:

##### *Objectives*

The investment objective of the Fund is to provide investors with exposure to Bitcoin. The target of the Fund is to provide a return before fees and tax that broadly tracks the benchmark.

##### *Investment Strategy*

###### *Benchmark index:*

- S&P Bitcoin Index in New Zealand dollars

###### *Benchmark asset allocation:*

- 100% Other (interests in Underlying Funds which provide Bitcoin exposure)

###### *Asset allocation ranges:*

- 95%-105% Other (interests in Underlying Funds which provide Bitcoin exposure)
- -5%-5% Cash and cash equivalents<sup>1</sup> to be held in a funding account

###### *Appointed investment manager:*

- Vault Digital Funds Limited

###### *Investment Manager strategy:*

- Vault selects Underlying Funds and/or appoints investment managers.
- The Fund invests in one or more offshore domiciled funds listed on foreign share markets.

###### *Permitted investments:*

- Cash and cash equivalents
- Managed investment schemes

###### *Funding account*

- The purpose of the funding account is to manage non-investment related liquidity amounts primarily attributable to fund expenses and investor contributions or withdrawals. Large investor contributions or withdrawals may result in the funding account exposure temporarily being outside the -5% to 5% range.
- IIS manages the funding account and aims to have a balance of less than \$NZ100,000. The funding account balance is monitored daily and where required cash is invested in the Underlying Funds. IIS makes no active investment decisions in relation to the funding account cash holding.

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<sup>1</sup> Accrued fund expenses and other fund liabilities are not deducted from cash and cash equivalents for this range. Excludes any cash held by the Underlying Funds.

## *Other*

- The Fund can borrow up to 5% of the aggregate value of its investments but only for the purposes of providing short-term liquidity (i.e. to temporarily fund redemptions, settle securities trades or pay expenses).

## **E. Investment Policies**

### **Taxation**

The Fund has elected to be a Portfolio Investment Entity (“PIE”) and therefore is taxed under the PIE regime. The Fund is taxed under the Fair Dividend Rate (“FDR”) regime. This is achieved by investing in one or more offshore domiciled Underlying Funds listed on foreign sharemarkets.

The taxation implications of an investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for the Fund. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

### **Liquidity**

The liquidity risk of the Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund. The Fund invests predominantly in liquid investments, since Underlying Funds’ shares will be quoted for trading on foreign share markets, and hence has daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. Hence if the Fund were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

### **Related-party transactions**

Related-party transactions, other than the type described below are prohibited.

The Fund may invest in other managed investment schemes. If these schemes are managed by related parties (for example where the Fund invests in another Vault fund), and are permitted under section 174 of the FMC Act, they are permitted investments for the Fund. The Manager will report transactions in managed investment schemes managed by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

Parties related to the Fund, including the staff of Vault and their families, and the staff of IIS and their families may from time to time invest in the Fund. The Manager will report such transactions by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

### **Trade allocations and transactions**

The Fund invests in other managed investment schemes (i.e. Underlying Funds) rather than trading directly in securities.

#### *Rebalancing policy:*

- As a single-sector fund, there is no need for a rebalancing policy.

#### *Currency hedging policy:*

- The Fund is not hedged to the New Zealand dollar.

## Other relevant policies

Summaries of the key relevant policies are set out below.

### *Unit Pricing and Unit Register Policy*

The purpose of this policy is to set out how IIS manages its unit pricing and unit register obligations, and the way in which IIS exercises its discretions authorised by the Trust Deed and the Fund's establishment documentation.

This policy also links to IIS's Outsourcing Policy reflecting that we outsource functions including registry, fund administration and unit pricing to third parties. In particular, the policy governs how IIS selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical our goals are to:

- Have unit prices that reflect fair, realisable value of underlying assets and liabilities.
- Ensure equitable treatment of investors entering, exiting or remaining in a Fund.
- Have a consistent and objective process for determining unit prices.
- Comply with our governing documents, offer documents and the law.

### *Conflicts of Interest and Related Party Transactions Policy*

The Conflicts of Interest and Related Party Transactions Policy sets out the principles and procedures relating to the management of conflicts of interest within IIS. The policy applies to all of IIS's directors, relevant officers, senior management and employees.

The policy provides guidance on:

- What is meant by a conflict of interest.
- What constitutes a related party transaction.

The core policy statement is:

*'As a licensed manager of Managed Investment Schemes, IIS must act honestly and in the best interests of the Scheme participants. IIS recognises that in order to satisfy this duty, it and its Staff must put the interests of Scheme participants ahead of those of itself or the Staff members.'*

### *Investment Management Policy*

This document sets out IIS's policies and procedures in relation to appointing and monitoring investment managers. In particular the policy covers:

- Investment management governance;
- Investment manager selection and appointment; and
- Investment manager monitoring and compliance.

## **F. Investment performance monitoring**

IIS monitors investment performance of the Fund on a monthly basis. Performance is measured and assessed on the following basis for 1, 3 and 5 year periods:

- gross return;
- benchmark index return;
- performance relative to benchmark;
- annualised standard deviation of gross return;
- annualised standard deviation of benchmark index return; and
- Annualised tracking error

IIS reports performance to the Supervisor and to the IIS Board.

#### **G. SIPO monitoring and review**

The IIS Board is responsible for governance oversight of the SIPO.

The Manager's compliance processes include periodic policy reviews. The SIPO is reviewed annually by the IIS Fund Hosting Due Diligence Committee with the outcomes of the review reported to the IIS Board. In addition, IIS management may initiate an ad hoc review, with examples of events that could lead to this being:

- the investment manager recommending changes to the SIPO;
- a change in roles and responsibilities; and
- a permanent change in risk and return characteristics of the relevant market.

SIPO reviews take into account the views of IIS and the Investment Manager and if required the views of external experts.

The Manager can make changes to the SIPO in accordance with the Trust Deed and the FMC Act. Before making changes to the SIPO, the Manager will consider if the changes are in the best interests of investors and consult with the Supervisor. Any changes to the SIPO require IIS Board approval, as well as written approval of the Supervisor. The Manager will give notice to fund investors before implementing any material SIPO changes.

The Manager is responsible for monitoring adherence to the SIPO and reporting any breaches to the IIS Board and the Supervisor.

This SIPO was approved by the IIS Board on 22 September 2021 and takes effect on 22 September 2021.

## Glossary

**Act** and **FMC Act** means the Financial Markets Conduct Act 2013.

**Benchmark index** means the financial index or indices against which a Fund's performance is measured.

**Fund** means the investment funds offered within the Scheme, being the Vault International Bitcoin Fund.

**IIS** means Implemented Investment Solutions Limited, the Manager of the Scheme.

**Investment Manager** means Vault Digital Funds Limited.

**Manager** means IIS.

**Vault** means Vault Digital Funds Limited.

**Scheme** means the Vault Digital Funds, a managed investment scheme governed by the Trust Deed dated 1 December 2016 and the Scheme Establishment Deed.

**Supervisor** means the supervisor of the Scheme, which is Public Trust.

**Underlying Fund** means any investment fund or exchange traded fund into which the Fund invests.