EC10 Index Rules & Ancillary Disclosures – Ver2.2 July 2021

This document is intended to inform clients, prospective clients and all stakeholders about the functionality of the EasyCrypto crypto bundle (EC10) methodology.

1. Disclaimer

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EasyCrypto provides no assurance as to the size of the anticipated tracking error incurred by the EC10 bundle. Transactional fees, rebalancing fees and deviations in pricing across exchanges may cause varying tracking errors to arise between the EC10 bundle and its underlying constituents. Crypto asset prices historically exhibit significant standard deviations of price and pose the risk of loss of invested capital. As such, EasyCrypto clients are encouraged to invest responsibly. The future value of crypto assets are conjectural, and returns are not guaranteed. The recommended investment horizon of investments using the EC10 is the long term. To the maximum extent allowed by law, EasyCrypto, its licensors, respective employees, contractors, agents, suppliers and vendors shall bear no liability for any injury, damages or loss - whether direct or indirect, consequential, incidental, punitive or otherwise - arising in connection
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2. Introduction

2.1. About

EC10, originally named DCX10, was launched on 15 September 2018. The EC10 index consists of the top 10 cryptocurrencies by market capitalization, exclusive of Stablecoins. EasyCrypto provides an investment platform that caters to institutional, professional and non-professional investors alike. We offer a secure bundle of cryptocurrencies that we refer to as crypto assets, cryptos, or simply "the EC10 bundle or instrument" throughout this methodology. The EC10 bundle is a basket of cryptocurrencies that grants investors access to a low-cost index instrument to easily own and manage a diversified crypto portfolio. The EC10 bundle is a ready-made investment that provides clients with direct exposure and ownership to the underlying cryptocurrencies within the Bundle. This approach provides bundle holders with a means to obtain effortless low-cost diversified exposure to the crypto market. The EC10 seeks to appeal to a diverse investor base with a longer-term investment horizon and a greater tolerance for risk.

Benefits of a bundling approach to crypto asset investing include:

- A mitigation of crypto-specific risk with investing attributed to greater crypto diversification. Many professional investors prefer a diversified approach, so you're 'not putting all your eggs in one basket. This follows the investment principles laid out by modern portfolio theory.
- Your crypto holdings are kept up to date with the dynamic crypto market through the automated weekly reconstitution of the EC10 bundle, and
- EasyCrypto provides immediate access to multiple secure, liquid and reputable crypto exchanges to offer superior trade execution pricing for both buy and sell transactions.

2.2. Our principles

We aim to consistently provide investors with a hassle-free, rules-based and transparent way to invest in crypto assets. The crypto market is relatively new and presents several challenges to traditional investment protocols associated with stocks and bonds. The EC10 instrument aims to combine the best of traditional asset investing methodologies with appropriate adjustments to adapt to the decentralised characteristics exhibited in the cryptocurrency investment sphere.

The principles of the EC10 bundle include :

- Maintaining a systematic and transparent approach to investment management.
- The pricing and corresponding performance of our bundle follows a structured, transparent and predefined rules-based approach.
- Maintaining investability.
- The EC10 bundle is designed in all aspects to be investable through the direct acquisition of the underlying crypto assets. So, our bundle will take into account factors impacting liquidity, exchange trading pairs, spreads, exchange stability, custody limitations, custody charges and other notable factors.
- Minimising bundle turnover.
- Maintaining fully backed collateral.
- To maintain a passive market-cap-weighted approach to index rebalancing, in consonance with the methodology of the eligibility requirements.

3. Bundling Approach

3.1. Defining a crypto bundle

The EC10 bundle is developed to provide customers with a clear, pre-defined, rules-based and transparent approach to owning a diversified basket of crypto assets constituents. When purchasing the EC10 instrument, clients automatically purchase the underlying cryptocurrencies within the bundle. EasyCrypto's bundling approach is essentially a cryptographic rendition of direct indexing. This is a method for replicating the performance of a broader portfolio, or index, by purchasing the underlying assets rather than buying an ETF (exchange-traded fund), mutual fund or other structured financial product. As is the case with any industry, investing has evolved thanks to technological improvements over the decades. Direct indexing is the next evolution in the investing landscape. Direct indexing is a technology, not a financial instrument, which enables investors to instantly purchase, manage and sell a number of individual assets within a broader portfolio.

3.2. Rebalancing and reconstitution

Every Sunday at 23:59 (SAST) we reconstitute the EC10 bundle to ensure that:

1. You hold the largest cryptocurrencies as measured by market capitalisation in consonance with the rules of the EC10 Index, within your bundle, and
2. The cryptocurrencies within the EC10 are appropriately distributed in consonance with market capitalisation weightings and deployed across the EasyCrypto and EasyEquities client base.
3. Deviations in constituent pricing are adjusted on a weekly basis (rebalancing).

The weekly reconstitution is considered a re-weighting and is performed by EasyCrypto direct indexing algorithmic computation methodology. This process is fully automated and ensures that your portfolio stays up to date with the fast-paced crypto market.

What does it mean to reconstitute a Bundle?

Reconstitution:

> We analyse the crypto market and compare the relative size of individual cryptocurrencies as measured by free-float market capitalisation. If a cryptocurrency that is not included in the EC10 has grown in value so that it has become more valuable than a cryptocurrency that was held within our bundle during the prior week, then we would sell the cryptocurrency which has declined in relative value and purchase the cryptocurrency that has increased in value and include it in the Bundle. For example, if we look at the Top 10 bundle, at week-end we could see that Bitcoin Cash (BCH) has declined in relative value and fallen out of the top 10 largest cryptocurrencies. While VeChain (VET) has increased in relative value and overtaken BCH in market capitalisation. In this instance, we would automatically sell out of BCH in the Bundle and replace them by purchasing VET. This aligns with rebalancing methodologies employed by funds across the globe.

Buffer Rule:

> The EC10 Index harnesses a "25% market capitalization buffering rule" to accommodate sustainable and cost-efficient turnover of the lower ranking coins in the EC10. EC10 is a purely market cap-weighted index, hence the lower the coin's ranking in the EC10, the smaller the influence on the overall performance of the index. Thus, the potential benefit of excessive swapping is outweighed by the cost and risk of doing so. A crypto asset that is held in the EC10 index will only be removed if there is an eligible crypto asset that exceeds its inflation-adjusted, free-float 7-day rolling average market capitalization by a minimum of 25% at the time of reconstitution.

3.3. Crypto Bundle

The EC10 bundle is a "passive" instrument meaning that there is minimal active fund management intervention or similar discretionary management that takes place. Active deviations in the passive strategy only arise from decisions instituted from the eligibility requirements of the research methodology, disclosed in section 5 of this report. The bundle follows the rules and structure outlined in this methodology. Our Bundle's passive approach aims to provide investors with diversified and low-cost exposure to the crypto market or crypto sector. The EC10 bundle does not aim to outperform any particular asset, but rather passively track the crypto sector.

4. Governance, protection and security

The EC10 bundle is governed by the EasyCrypto Index Committee

EC10 Index Committee

Overview: The EasyCrypto Index Committee has sole responsibility for developing, maintaining, and adjusting the EC10 Bundle Methodologies, and for verifying the data sources used to calculate the index.

Responsibilities: The Committee meets monthly on the 20th of the month (or the first business day following the 20th of the month) with the following goals:

- Review and verify all data sources—existing and proposed—contributing to the EC10 bundle for uptime, accuracy, and robustness
- Review and approve new methodologies or changes to existing methodologies to the EC10 bundle
- Review and approve all methodological decisions that require judgment, and provide detailed public explanations of those decisions.

Voting: Decisions are made by a simple vote of a majority of the members of the Committee present at the meeting. A quorum of two members is required for a meeting to take place.

Committee Members and Bios

Chairman: Earle Loxton

Earle is a successful entrepreneur and has been the founder of a variety of business ranging from Insurance to Pharmaceutical to Engineering. Since stepping down as CEO of Essential Med, a leading Health Insurer in South Africa, he has taken an interest in Blockchain and concluded that a balanced portfolio of Cryptoassets has substantially outperformed Bitcoin historically. This prompted him to create the EC10 Index which lead to the formation of EasyCrypto and more recently to the creation of the EC10 Digital Token.

Member: Jonathan Marais (BCom)

Jonathan, a Stellenbosch University Investment Management graduate, is a dedicated member of EasyCrypto and contributes to business development solutions. Jonathan's wealth of experience in cryptocurrency technology has armed him with the ability to deliver creative solutions in the sphere of decentralised finance.

Member: Robert Graham (CA)

Robert is an experienced financial executive and is VP of Finance at Purple Group, a leading JSE listed FinTech whose purpose is democratising investing for all. Robert completed his formal training as a chartered accountant (SA) with Deloitte in 2014. He combines his deep regulatory, banking, finance, FinTech and IT experience to deliver value. Robert is an innovator and leverages his strength as a strategic thinker and creative problem-solver in delivering tangible stakeholder value. His goal is to improve lives by removing friction, reducing the cost of doing business, and democratising access to wealth creation opportunities.

Member: Don Kruger (BCom(Hons), MCom)

Don is an Investment Management graduate at the University of Pretoria currently with an MCom in Financial Management Sciences. His research focuses on the diversification benefits of cryptocurrencies in South African investment portfolios. Don's academic prowess and insight into the crypto asset industry fosters valuable support to the EasyCrypto Team.

5. Bundle rebalancing and reconstitution

Any amount held in a bundle over a rebalancing period will have a distributed rebalancing fee levied and deducted from the total value held. The process to complete a rebalance is as follows:

1. The value of a single unit of the bundle in USD is calculated using price data from CMC.
2. The EasyCrypto rebalancing fee is levied on the total bundle value being rebalanced.
3. The list of the largest cryptocurrencies as measured by market capitalisation is retrieved from CMC. This includes a closing value for each cryptocurrency in the list.
4. The post-rebalance bundle composition is calculated by using the new asset closing values, the list of largest cryptocurrencies by market capitalisation and the USD bundle unit price calculated above in step 1.
5. The differences between the old and new composition of the bundle are calculated and our system automatically initiates transactions to bring the underlying asset holdings in line with the new bundle composition.

6. Eligibility requirements

6.1. Crypto asset exchange eligibility requirements

Crypto asset exchanges from which we obtain prices and volumes for the EC10 calculation are subject to the following selection criteria:

1. The exchange has significant trading volume for at least ten or more crypto assets.
2. The exchange has no capital controls in place for international investors in the country where the exchange is domiciled in.
3. The exchange charges trading fees.
4. The exchange operates in compliance with local laws and is not subject to a significant regulatory investigation or under severe legal action.
5. The exchange has an accumulative trading volume of over USD 10m per day calculated on a 20-day moving average basis.
6. The exchange has appropriate Know-Your-Client (KYC) and Anti-Money-Laundering (AML) policies and procedures in place and the processes are properly documented.

Eligible exchanges that EasyCrypto currently employs are:

1. Binance
2. Bitfinex
3. OKEX
4. Luno
5. VALR

6.2. Crypto asset eligibility requirements

Crypto assets that are included in the EC10 bundle are required to fulfil a set of eligibility requirements which are also subject to a monthly review. The eligibility requirements provide grounds for any discretionary omissions imposed on the bundle. The EC10 bundle draws its core constituents from a list of eligible crypto assets, which comprise those items that meet each of the following eligibility requirements:

1. The crypto asset is a cryptographically secure digital bearer instrument.
2. The crypto asset has sufficient liquidity, community support and trading history to ensure that the crypto asset is investable for an average retail investor. Additionally, any crypto asset to be included in the EC10 bundle must be listed on CMC on the rebalancing date for eligibility.
3. The crypto asset has a price that is not pegged to another crypto asset, fiat currency, group of those currencies, or hard asset. So, it cannot be a Stablecoin.
4. The crypto asset trades on two or more eligible exchanges.
5. The crypto asset has no more than 90% of its past trailing 30-day average trading volume on any single eligible exchange.
6. The crypto asset has no known security vulnerabilities, including critical bugs, undue exposure to 51% attacks, or other factors, as determined by the EasyCrypto10 Index Committee.
7. Allows for air-gapped cold storage, including offline wallet generation and offline transaction signing

7. Asset pricing

This section outlines how we identify the prices of individual crypto assets and price the EC10 bundle. This section also describes how EasyCrypto handles network distributions including hard forks and airdrops.

7.1. Crypto asset pricing

- The USD price for each crypto asset on our platform is the latest available price on CMC.
- CMC offers the most accurate and reliable prices for crypto assets globally
- Our pricing system automatically switches to CoinGecko which is of a similar standing to CMC should CMC be down for longer than 10 minutes.
- Conversion of USD prices to ZAR is performed applying the ratio between the pairs BTCUSD as displayed on CMC and BTCZAR on Luno and VALR, thereby factoring in any premium or discount due to arbitrage.
- CMC provides up-to-the-minute updates for all market data found on their website. All data is run through several data cleaning and verification algorithms to ensure data integrity.
- CMC offers a detailed overview of its pricing methodology at https://coinmarketcap.com/methodology/.

7.2. Crypto Bundle pricing

In calculating crypto Bundle prices, we incorporate USD based pricing data from CoinMarketCap (CMC) and CoinGecko together with ZAR based data from Luno and VALR. On 18 September 2018 a single EC10 bundle (at the time referred to an EC10 Token) was arbitrarily pegged at a price of $1.00. This valuation was apportioned to the relative coins that constituted the EC10 index at the time and from this a number of coins per bundle (Token) was determined. Following the creation date, multiple reconstitutions ensued to the present moment and we are left with a "coins per bundle" breakdown. The price per bundle (P_B) is calculated as the sum of the number of individual coins *per bundle* (c_i), multiplied by their respective prices (p_i).

$$P_B = \sum_{i=1}^{n=10} (c_i \times p_i)$$

As a reconciliatory mechanism, this value is compared to the total amount of coins across all EC10 bundles in the ecosystem, traditionally referred to the Assets under Management ("AUM") divided by the number of EC10 bundles in existence.

$$P_B \; cf. \frac{AUM}{\sum(Client\ Bundles)}$$

7.3. Treatment of hard forks and distribution

Hard forks:

When a hard-fork occurs, we consider the asset with the larger post-fork market capitalisation to be the original coin, and the asset with smaller post-fork market capitalisation to be a new asset. Provided that:

- At least 2 eligible exchanges, as listed above, agree to list the hard-forked asset in a period of 10-days, and
- The combined trading volume is at least 5% of the combined trading volume of the original pre-forked token as measured in USD.

Bundle owners who hold the pre-forked cryptoasset will then receive direct ownership of the newly formed forked cryptoasset in the commensurate amount to their holdings prior to the fork. This means that during a given month you may hold more cryptoassets in a given Bundle than at the start of the month. At the next rebalancing date the hard-forked asset(s) will be treated in the same manner as all other cryptoassets when considered for inclusion.

7.4. Distributions

Distributions can come about in two ways:

> 1. Certain cryptoassets provide regular rewards to holders in the form of cryptoasset grants, typically in the form of "gas" that powers transactions on the network itself.
> 2. Some cryptoassets entitle their owners to airdrops.

If network distributions have a tradable price on at least two eligible exchanges and they are significant enough in total value to be traded (i.e. the combined distributed assets' value must exceed the supporting exchanges' minimum trading value), they will then be priced using the average price of the two eligible exchanges offering the highest price for the particular asset. If no trade price is available for distribution, or if a network distribution trades on fewer than two eligible exchanges, then the network distributed asset will not be included in a Bundle's holdings. This means that during a given month investors may hold more cryptoassets in a given Bundle than at the start of the month. At the next rebalancing date, the distributed asset will be treated in the same manner as all other cryptoassets when considered for inclusion.

8. Contingency treatment

8.1. Data interruption or delay

If the retrieval time of the relevant price source at an eligible cryptoasset exchange is at least 15 minutes later than the time of calculation of the real time prices, then the eligible exchange is removed in the pricing calculation, and the weighting of the affected exchange will be automatically re-distributed proportionally into the remaining functional exchanges until the affected exchange resumes operation.

8.2. Erroneous data

All relevant pricing sources are subject to a filtering process to screen out erroneous data. Erroneous data is disregarded in the calculation of the spot price of a Bundle, and the weighting of the affected exchange will be automatically re-distributed proportionally into the remaining functional exchanges until the affected price source is no longer regarded as erroneous.

8.3. Exceptional events

It is clearly acknowledged that the ability to connect to the internet is subject to limitations on the stability of the global network, residence of user, network in use, power supply, computer viruses, hacking, and other uncertain factors. EasyCrypto is not liable to any stop in service due to the above-mentioned situations. We may, at our sole discretion, suspend trading, especially in circumstance of force majeure events, including but not limited to typhoon, earthquake, tsunami, flood, power outage, terrorist attacks, computer viruses, Trojan horse, hacking attacks, system instability or government behaviours, material adverse change of applicable laws or policies and other reasons, which result in our inability to provide a reliable service or if, in our reasonable opinion, continuous provision of services would result in significant risks.

8.4. Security and custody

Your trust and security are important to us. We're committed to keeping your assets and personal information safe. We invest heavily to ensure both a secure system and a continually developing internal process for identifying and remedying any vulnerabilities detected. To offer additional investment security facilities, EasyCrypto has contracted with First World Trader (Pty) Ltd and BitGo as reliable custody solutions and will implement this during April and May 2021. BitGo's custody solution was built for firms based in jurisdictions that have a regulatory requirement to manage keys locally in deep cold storage. BitGo's self-managed custody is the same technology utilized by BitGo Trust Company, the world's largest, regulated, and purpose-built digital asset custodian. BitGo provides powerful

enterprise-grade features and complete customer control over how and where both client and backup keys are stored and generated. To ensure system integrity, we employ industry-standard information security practices. These include, but are not limited to:

1. The separation and full isolation of the production environment from all development or testing environments. The production system cannot be accessed, nor deployed via any other means than a pre-configured delivery pipeline.

2. The use of key vaults, operated on globally distributed hardware security modules (HSMs) to securely store an application secret key or access key for the production environment.

3. All accounts and integration partners, or provider accounts, are protected by multi-factor authentication and disable all unneeded functionality.

4. Bi-directional authentication between front and backend systems, network address restriction and whitelisting for communication between distinct applications in the EasyCrypto universe.

5. Distinct identity server for central user authentication across all EasyCrypto services.

6. Standard web protection techniques to combat injection attacks.

7. Full SSL protection.