

Market Announcement

24 December 2019

Millinium's Alternatives Fund (ASX: MAX)

Attached for the information of the market is ASX's query letter to MAX dated 10 December 2019 and MAX's response in a letter from its solicitors HWL Ebsworth dated 20 December 2019.

ASX's enquiries into a number of issues concerning MAX are ongoing. MAX's securities will remain suspended until further notice.

Issued by

Emma Staley

Manager, Listings Compliance (Sydney)

20 December 2019

Ms Melissa Lim
Adviser, Listings Compliance (Sydney)
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Ms Lim

Millinium's Alternatives Fund (MAX): ASX Query Letter

As you know, we act for Millinium Capital Managers Limited (**Millinium**) in its capacity as responsible entity for MAX and we refer to your letter dated 10 December 2019 addressed to Mr Tom Wallace.

We have been authorised by Mr Wallace, as Managing Director of Millinium, to provide the following responses to your letter:

- Millinium considers that it has provided ASX with adequate information relating to your enquiries and does not intend to provide any additional information or to respond in detail to your letter.
- Millinium categorically denies that it has provided false or misleading information to ASX.

Yours faithfully



James Lonie
Partner
HWL Ebsworth Lawyers



10 December 2019

Reference: 06444

Mr Tom Wallace
Managing Director and Company Secretary
Millinium's Alternatives Fund
Level 33 19 Martin Place
Sydney NSW 2000

By email

Dear Mr Wallace

Millinium's Alternatives Fund ('MAX'): ASX Query Letter

ASX Limited ('ASX') refers to:

- A. The Appendix 3B lodged on the ASX Market Announcements Platform ('MAP') (but not released to the market) on 30 August 2019 applying for the quotation of 1,877,782 ordinary fully paid units issued at \$2.8852 per unit on 26 August 2019. ASX refused to release the Appendix 3B to the market, as it appeared to ASX to evidence a breach of listing rule 7.1, and suspended trading in MAX units pending enquiries by ASX.
- B. ASX's letter to van Eyk Blueprint Alternatives Plus (as MAX was known at the time) dated 14 December 2006, disclosing details of the following waiver granted to MAX:

"The Trust be granted waivers from the following listing rules. ...

Listing rule 7.1 to the extent necessary to permit the Trust to issue units without the prior approval of unitholders in general meeting, on the following conditions.

- 1.1 The units are issued in accordance with a pricing formula contained in a product disclosure statement which is acceptable to ASX.*
- 1.2 The sole business activity of the Trust is the investment (directly or indirectly) in quoted fungible financial products and cash, where the management of the investment portfolio is under the control of an external manager.*
- 1.3 The units are issued within 7 days of the net asset value of the units being calculated."*

- C. The announcement entitled "MAX Fund Restructure" released on MAP on 15 December 2014 where MAX claimed that its overall investment strategy was not changing but that it was proposing a restructure:

'...to hold direct and/or indirect alternative investments including into underlying external fund managers that target alternative investment strategies, offer competitive fee terms and focus on stronger investment returns.'

- D. MAX's draft announcement given to ASX on 2 September 2019 (but not released to the market) ('Draft Announcement'), which disclosed:

'Digital Assets and Disruptive Fin-tech

In keeping with the Fund's mandate as an alternatives investment fund, Millinium has sought to source assets that would benefit from certain investment themes. Several such investment themes and long-term trends which the Fund sought exposure to have been validated by the growth of technology related companies being listed on global stock exchanges.

The Fund has a keen interest in the disruptive and transformative capabilities of the fintech industry, particularly digital banking (e.g. Neo-banks), digital token exchanges, cryptocurrencies, security tokens and investment platforms.

Blockchain technology is a strong investment thematic because it solves a number of issues in the financial services and technology industries, particularly trust and transparency. It is apparent that blockchain technology is here to stay and as part of a program to diversify and grow the Fund's asset base, the Fund has acquired exposure to the leading cryptocurrencies traded globally through a unit swap.

Globally, use of cryptocurrencies is growing and most recently, New Zealand's tax authorities have ruled that salaries paid in cryptocurrencies are legal so that employees can, and are, being paid using cryptocurrency.

Bitcoin is the largest and most traded cryptocurrency in the world, with approximately US\$182 billion in market capitalization and about US\$17 billion in bitcoin trading daily.

Typically, the price for a cryptocurrency is determined by the market, token supply as well as other factors that affect market sentiment towards the coin.

As of August 2019, there are 2,475 cryptocurrencies, with a total market capitalisation of US\$265.4 billion.

As an asset class they are being invested in by leading global investment institutions at an ever-increasing rate as they provide the potential for uncorrelated returns to other asset classes such as equities, property, bonds and cash.

Millinium is mindful of the ASX's guidance on crypto assets and the opportunity to acquire cryptocurrency has arisen through the transaction after many of the key requirements for this asset class to be considered eligible to meet the investment managers requirements.

We see substantial opportunities in the development of Security Tokens and Stable Coins to continue the transformation of the financial services economy.

Deferred Share Purchase Agreement

MAX has entered into an agreement with a private investment company involved in investments in the rapidly expanding digital banking sector, often referred as Neo-Banks. The Fund has agreed terms to swap assets for units in the Fund providing the Fund with an initial indirect interest. The terms remain strictly commercially confidential due to the Neo-Bank targeting an initial public offering (IPO) within the next 12 to 18 months and consequentially, we consider there is substantial upside to this investment.

Millinium will continue to focus its efforts and become more active as an investor and deal facilitator in the digital financial services space and is in confidential discussions concerning enhancing the strength, capability and credibility of the Fund in this field.

Waltons Project

Finally, we need to update on this project. As a consequence of the purported notice of meeting, the Fund was advised that counterparties to various 'Waltons Building' contracts were reserving their rights with respect to the transaction. Prior to this, Millinium had worked with the counterparties for well over 12 months positively, entering into an implementation deed in respect of a proposed, conditional and indirect investment to acquire and develop a mixed use property. Conditions had included several non-refundable payments.

A compromise has now been reached that allows the Fund to continue with the Waltons project.

Prior to the purported notice of meeting, the requirement to complete the proposed development was extended by the counterparties without financial or other consideration. In order to ensure that the Fund

did not lose the amounts paid to date under the various agreements, an extension fee over and above the contractual terms was agreed.'

- E. MAX's annual report for the financial year ended 30 June 2019 released on MAP on 20 September 2019 ('Annual Report'), which disclosed, on page 1:

'Since late 2014, we have pursued a two-fold investment strategy that aims to take advantage of new market opportunities. One of these strategies is to capitalise on the opportunities presented by our position in Ignition Wealth, Australia's leading robo advisor...Our second investment strategy is to take advantage of mispriced securities of listed or unlisted businesses and assets.'

- F. Page 25 of the Annual Report, which also disclosed:

'Events occurring after the reporting date

Subsequent to the year end the Trust entered into a loan agreement with Gibraltar Capital Pty Limited, a related party, to formalise the terms of the monies by the Trust. The loan agreement sets out the amounts owed are repayable 24 months after the loan is first made available, the interest rate will be 4%, and the total facility is \$739,065. The trust also entered into a security agreement in favour of Gibraltar Capital Pty Limited over current and future assets of the Trust. The loan has been provided by Gibraltar Capital Pty Ltd to assist the Trust to pursue the legal proceedings below.'

- G. The general meeting of unitholders of MAX held on 22 November 2019 convened by 1480 Logan Road Pty Limited ('Logan') purportedly pursuant to section 252D of the Corporations Act. Logan's unitholding of 8.45% of the MAX units on issue was based on the issue of 1,877,782 units on 26 August 2019. That general meeting (among other things) purported to pass a resolution approving MAX's revised mandate referenced in paragraph C above.
- H. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- I. Listing Rule 7.1, which effectively provides that an entity must not issue or agree to issue more than 15% of its capital within any 12 month period without the approval of holders of ordinary securities.
- J. Listing Rule 10.1, which states an entity (in the case of a trust, the responsible entity) must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a related party of the entity without the approval of holders of the entity's ordinary securities.
- K. Listing Rule 11.1, which states if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practical. It must do so in any event before making the change.
- L. Section 5 of ASX's Compliance Update no 19/17 dated 30 October 2017, section 3 of ASX's Compliance Update no 01/18 dated 16 February 2018 and ASX's Compliance Update no 06/19 dated 1 August 2019 which highlights ASX's significant concerns about listed entities engaging in cryptocurrency related activities.

Questions and Request for Information

Having regard to the above, ASX asks MAX to respond separately to each of the following questions and requests for information.

1. Please explain the basis on which the issue of units on 26 August 2019 satisfied each of the conditions of the waiver granted from listing rule 7.1, specifically commenting on whether MAX's sole business activity continues to be "investing in quoted fungible financial products and cash".

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2. The Annual Report states *“since late 2014, we have pursued a two-fold investment strategy”* (see paragraph E above).

Please provide details of the differences between the revised investment strategy initiated by MAX in 2014 and the original investment strategy employed by MAX at the time of its admission to the ASX Official List. If the change in strategy involved a significant change in the nature or scale of MAX's activities, please provide details of when and how MAX has provided information about that change to ASX and satisfied the requirements under Listing Rule 11.1.

3. The Draft Announcement disclosed that MAX 'has acquired exposure to the leading cryptocurrencies traded globally through a unit swap.'

- (a) When did this unit swap occur?
- (b) Please provide details of the “leading cryptocurrencies”, including the name and amount of the cryptocurrencies, and how MAX acquired its exposure to those cryptocurrencies.
- (c) What was the dollar value attributed to the cryptocurrency exposure for the purposes of the unit swap?
- (d) What was the market value of the cryptocurrencies at that time and how was that value determined?
- (e) Please explain how the cryptocurrencies qualified as eligible investments under MAX's investment mandate?
- (f) Please provide the following information detailed in Compliance Update 1 August 2019 no. 06/19 in relation to the Fund's current investments in cryptocurrencies:
 - The proposed investment strategy, including how and when MAX will provide a return to investors and, if applicable, how MAX will hedge the risks in the underlying investments and any related currency risks;
 - If MAX intends to invest in cryptocurrencies directly, what is MAX's understanding of the market volatility and liquidity risks associated with cryptocurrencies and how will MAX manage those risks;
 - If MAX intends to invest in, or hedge using, cryptocurrency derivatives, what is MAX's understanding of the margin risks associated with cryptocurrency derivatives and how will MAX manage those risks (including in particular what liquidity lines will MAX have available to meet margin calls);
 - The names of the individual fund managers who will be making the investment decisions and otherwise managing MAX's portfolio of cryptocurrencies, a copy of their CVs and information about:
 - How, and for how long, have their services been secured;
 - Their specific knowledge of and experience in cryptocurrencies;
 - If they intend to invest in cryptocurrencies directly, their experience in managing highly volatile asset portfolios;
 - If they intend to invest in, or hedge using, cryptocurrency derivatives, their experience in managing highly volatile derivative portfolios; and
 - Why they consider their fund is a suitable investment for retail investors.

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4. The Draft Announcement disclosed 'We see substantial opportunities in the development of Security Tokens and Stable Coins to continue the transformation of the financial services economy.'
- Please elaborate on these substantial opportunities and explain how they qualify as eligible investments under MAX's investment mandate?
5. The Draft Announcement disclosed under the heading "Deferred Share Purchase Agreement" that "MAX has entered into an agreement with a private investment company involved in investments in the rapidly expanding digital banking sector" but that the "terms remain strictly commercially confidential due to the Neo-Bank targeting an initial public offering". Noting ASX's guidance in section 4.22 of Guidance Note 8 that an entity "must comply with its disclosure obligations under Listing Rule 3.1 and section 674, even where it is party to a confidentiality or non-disclosure agreement that might otherwise require it to keep information confidential":
- (a) Please disclose the identity of the private investment company.
 - (b) Please explain the nature and material terms of the agreement.
 - (c) Please provide a copy of the agreement (not for release to the market).
6. The Draft Announcement disclosed that there had been "several non-refundable payments" in relation to the Waltons Project.
- (a) What was the dollar value of these non-refundable payments?
 - (b) By and to whom were they due to be paid?
 - (c) When were they due to be paid?
 - (d) When were they in fact paid?
7. The Draft Announcement also disclosed in relation to the Waltons Project that "an extension fee over and above the contractual terms was agreed".
- (a) What was the dollar value of the extension fee?
 - (b) By and to whom was the extension fee due to be paid?
 - (c) When was the extension fee due to be paid?
 - (d) When was the extension fee in fact paid?
8. The Annual Report states that MAX "*entered into a loan agreement with Gibraltar Capital Pty Limited, a related party*" and "*a security agreement in favour of Gibraltar Capital Pty Limited over current and future assets of the Trust*" (see paragraph F above).
- (a) When were the loan agreement and the security agreement entered into?
 - (b) Please explain how MAX complied with listing rule 10.1 in relation to the security it provided in relation to the loan.
 - (c) Please provide a copy of the loan agreement and the security agreement (not for release to the market).
9. Please confirm that MAX is complying with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that MAX's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MAX with delegated authority from the board to respond to ASX on disclosure matters.

Once ASX has received and analysed the information above, it is likely to make further enquiries of MAX.

In providing the information above, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- Knowingly, breaches section 1309(1) of the Corporation Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- Without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporation Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **12.00 pm AEDT on Friday 20 December 2019**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

ASX further reserves the right to remove MAX from the official list pursuant to Listing Rule 17.12, without further notice to MAX, should MAX fail to respond properly to this letter by the due date.

If you believe you may have difficulties in meeting the 20 December 2019 deadline for response, you should notify me at the earliest opportunity to explain why and to seek an extension. ASX will only grant an extension if it is satisfied with the reasons given for the extension are appropriate and that MAX is using all reasonable endeavours to comply with its obligation under Listing Rule 18.7 to respond to this letter by the time set by ASX.

Your response should be sent directly to me by email. It should not be sent directly to the ASX Market Announcements Office. This will allow ASX to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

Should you have any queries in relation to the above, please let me know.

Kind regards

Melissa Lim
Adviser, Listings Compliance (Sydney)