



USD LENDING

# Margin Lending

LITEPAPER

**INVICTUS**

# Contents

Legal and Disclaimer .....	3
Introduction and Rationale for a Margin Lending Fund .....	4
Strategy.....	4
Historical Rates and Analysis .....	4
Market Size and Outlook .....	5
Market size .....	5
Market Outlook.....	5
Fund Management.....	6
Dealing.....	6
Smart Contract Specification .....	6
Overview .....	7
Security and Transparency .....	7
Proposed Fee Structure and Benchmark.....	8
Initial Fund Capitalization .....	8
Conclusion.....	8
Legal .....	8

# Legal and Disclaimer

## A. Legal

**PLEASE READ THIS SECTION AND THE SECTIONS AT THE END OF THIS LITEPAPER ENTITLED “DISCLAIMER OF LIABILITY”, “NO REPRESENTATIONS AND WARRANTIES”, “REPRESENTATIONS AND WARRANTIES BY YOU”, “CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS”, “MARKET AND INDUSTRY INFORMATION AND NO CONSENT OF OTHER PERSONS”, “NO ADVICE”, “NO FURTHER INFORMATION OR UPDATE”, “RESTRICTIONS ON DISTRIBUTION AND DISSEMINATION”, “NO OFFER OF SECURITIES OR REGISTRATION” AND “RISKS AND UNCERTAINTIES” CAREFULLY.**

You should consult with your legal, financial, tax and other professional advisors(s) before taking any action in connection with this LitePaper. The tokens described in this LitePaper (“IML” or the “Tokens”) are not intended to constitute securities in any jurisdiction. This LitePaper does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities or a solicitation for investment in securities in any jurisdiction.

This LitePaper does not constitute or form part of any opinion on any advice to sell, or any solicitation of any offer by Invictus Capital Financial Technologies, an exempted company registered under the laws of the Cayman Islands or its nominated group or associated company (“Invictus,” “Invictus Capital,” or the “Company”) to purchase any tokens (“IML”) nor shall it or any part of it, nor the fact of its presentation, form the basis of, or be relied upon in connection with, any contract or investment decision. Any agreement between the Company and you as a purchaser, and in relation to any sale and purchase, of IML is to be governed by only a separate document provided by the Company (the “T&C”). The T&C will set out the terms and conditions of such agreement. In the event of any inconsistencies between the T&Cs and this LitePaper, the T&Cs shall prevail.

You are not eligible and you are not to purchase any IML in the Margin Lending fund (as referred to in this LitePaper) if you are a citizen, resident (tax or otherwise) or green card holder of the United States of America, or a citizen or resident of the Republic of South Africa or the Cayman Islands. No regulatory authority has examined or approved of any of the information set out in this LitePaper. No such action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction. The publication, distribution or dissemination of this LitePaper does not imply that the applicable laws, regulatory requirements or rules have been complied with. There are risks and uncertainties associated with the Company and its business and operations, the IML and the underlying assets, as described below.

This LitePaper, any part thereof and any copy thereof must not be taken or transmitted to any country where distribution or dissemination of this LitePaper is prohibited or restricted. No part of this LitePaper is to be reproduced, distributed or disseminated without the consent of the Company and shall include this section and the following sections entitled “Disclaimer of Liability”, “No Representations and Warranties”, “Representations and Warranties By You”, “Cautionary Note On Forward-Looking Statements”, “Market and Industry Information and No Consent of Other Persons”, “Terms Used”, “No Advice”, “No Further Information or Update”, “Restrictions On Distribution and Dissemination”, “No Offer of Securities Or Registration” and “Risks and Uncertainties”

## B. Disclaimer

1. Prospective IML fund participants should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile, and place of business with respect to the acquisition, holding or disposal of the Tokens, and any foreign exchange restrictions that may be relevant thereto. The distribution of this LitePaper and the offer and sale of the Tokens (this “fund” or the “IML fund”) in certain jurisdictions may be restricted by law.
2. Invictus Capital is not providing you legal, business, financial or tax advice about any matter. You may not legally be able to participate in this unregistered offering. You should consult with your own attorney, accountant and other advisors about those matters (including determining whether you may legally participate in this fund). You should contact us with any questions about this fund or the Tokens.
3. It is the responsibility of any persons wishing to acquire the Tokens to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Prospective IML Fund participants should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile, and place of business with respect to the acquisition, holding or disposal of the Tokens, and any restrictions that may be relevant thereto.
4. The IML Fund constitutes an offer of Tokens only in those jurisdictions and to those persons where and to whom they lawfully may be offered for sale. The IML Fund does not constitute an offer to subscribe for securities.
5. Nothing in this LitePaper is intended to create a contract for investment into The Margin Lending fund of Invictus Capital Financial Technologies, and each potential IML Fund participant acknowledges that Invictus Capital will rely on this assertion of the Fund Participant’s statements with respect to compliance with the laws of the jurisdiction in which the Fund Participant is legally domiciled.

# Introduction and Rationale for a Margin Lending Fund

The Invictus Margin Lending Fund offers investors the ability to take advantage of the volatile nature of the cryptocurrency market without risking direct exposure. The fund aims to maximize interest income on USD and USD equivalents with zero anticipated drawdown risk. Fund returns have low or negative correlation to the S&P500, VIX, GLD and TNX and is thus an excellent portfolio diversification tool.

Historical margin lending returns have been in the region of 13-28% per annum on USD and various cryptocurrencies backed by, or pegged to the US dollar - such as TUSD (Trust USD) and USDT (Tether). These are generally referred to as 'stablecoins'. Average annualized daily rates for USD in this capacity on Bitfinex have been in excess of 16% for the past 12 months from time of publication, recently spiking as high as 40% in the month of July 2019. Traders borrow these assets primarily for leverage trading via major cryptocurrency exchanges. Demand is strong and growing - several platforms have recently introduced margin trading functionality or increased the maximum leverage available to traders. Bitfinex, a single exchange, has over \$300m utilized in USD and USD equivalent margin loans at any time.

Interest on lending these assets is paid daily which leads to favourable compounding. The primary risk is counterparty risk which can be mitigated by diversifying across stablecoin assets and exchanges. Market volatility is also an important factor as demand for USD, USDT and other stablecoin assets are driven higher by volatile crypto markets.

Returns are not correlated to the performance of any major index such as the S&P500 and thus the fund is well suited as an effective portfolio diversification tool. In comparison to the mean (6.74%) and median (11.39%) returns of the S&P500 over the past 10 years - which include drawdown risk and exposure to black swan market events, the Margin Lending Fund offers an attractive, uncorrelated return profile with deep liquidity.

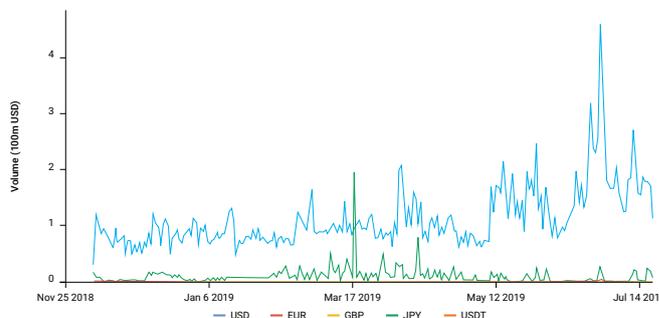
## Strategy

The fund will aim to consistently utilize 95% of fund assets (held in USD and stablecoin assets) to obtain margin lending positions which earn interest daily.

The interest rates achieved will be optimized across exchange platforms and currencies by a combination of efforts from the fund management team and automated technology that will take advantage of spikes in the daily rates to lock in funding positions for periods of up to 30 days. The fund benefits from the extreme volatility of the crypto market - as this drives the lending rates - but has no direct exposure to the crypto market.

## Historical Rates and Analysis

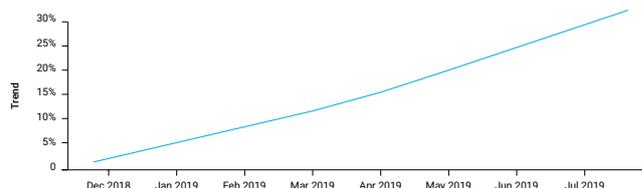
The stablecoin lending market continues to grow and offer healthy interest rates in varying market conditions. The fund will tend to focus on USD lending as it has a significantly higher volume when compared to the other stable lending currencies (EUR, GBP, JPY).



Source: [BFXRates](#)

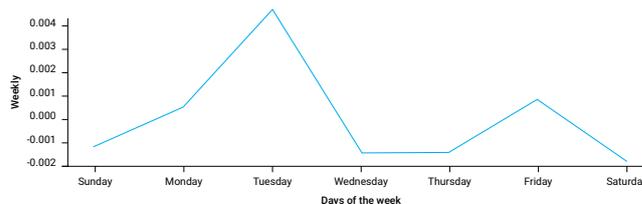
In conjunction with significant lending volume, USD lending has provided attractive and growing returns since market inception. Daily USD lending rates have grown from a mean of 5% per annum in December 2018 to over 25% in July 2019.. This trend covers both bear (Nov - Feb) and bull periods (March - July) indicating a strong demand for USD by crypto traders in different market conditions.

Trend in daily USD lending rates (% vs date) on Bitfinex (11/18 - 7/19)



Source: [BFXRates](#)

Trend in weekly USD lending rates on Bitfinex (11/18 - 7/19)



Source: [BFXRates](#)

STL (Seasonal and Trend decomposition using LOESS) was used to analyse the lending time-series. Analysis reveals a strong, and increasing, upwards trend in the lending rates over time. Additionally, a cyclic (weekly) component has been identified which shows that rates are most often highest on Tuesdays. This information can be used to better plan the entry of positions.

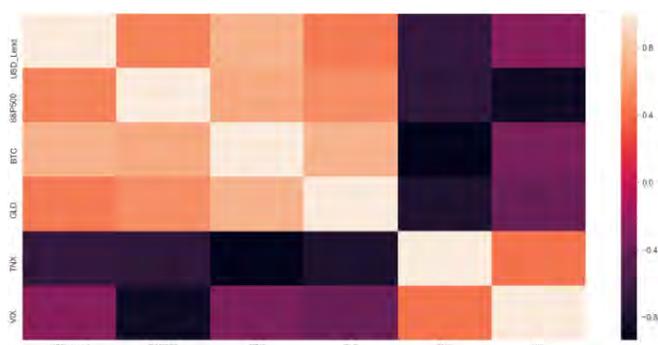
Daily lending rates are volatile and correlated with market volatility. An active management approach allows one to access and take advantage of short term spikes in daily active rates. A scenario analysis was performed to optimize trading decisions, with 25% of positions opened at the daily high rate and 75% of positioned opened at the daily mean closing rate. The margin lending earnings are paid out on a daily basis. Please take note that this is purely for illustrative purposes and is by no means a prediction of future returns.

Scenario Analysis based on historical returns  
(previous 12 months)  
**SHOULD NOT BE USED TO PREDICT FUTURE RETURNS**

Margin Lending Return p.a (net of platform fees)	In excess of 20%
ROI p.a net of all fees	In excess of 15%
Daily closing average lending rate	0.035703%
Daily average peak lending rate	0.152222%
Percentage of time daily peak rates achieved	25%
Percentage of time daily closing rates achieved	75%
Compounding	Daily
Liquidity pool %	5.00%
Platform fees (charged by the lending platform provider)	15%
Fees p.a	2% management fee plus 20% performance fee (over hurdle rate of 6%)

An important aspect of any alternative investment is its lack of correlation to existing instruments, allowing one to further diversify and optimize one's portfolio. Thus, the correlation between USD lending on Bitfinex and several other instruments (S&P 500: Standard and Poors Top 500 Index Fund, BTC: Bitcoin (Coinbase), GLD: SPDR Gold Shares, TNX: US 10-Year Bond Yield (NYSE), and VIX: CBOE Volatility Index) was plotted as a correlation matrix. It can be seen that lending has moderate negative correlation to VIX and TNX, weak positive correlation to GLD and the S&P500 and a moderate positive correlation to BTC. The lack of a very strong correlation, even to BTC, makes USD lending a great candidate as an alternative investment and overall portfolio diversifier.

Correlation Matrix of USD Lending and Other Instruments  
(11/18 - 7/19)



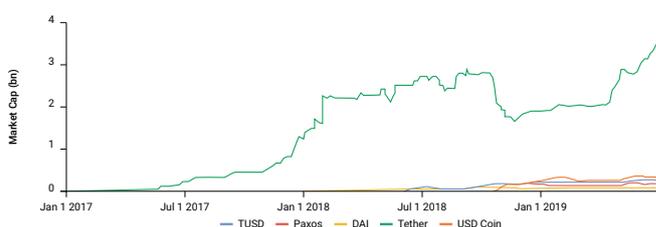
## Market Size and Outlook

### Market size

Stablecoins provide a simple way for traders to enter, exit or leverage their positions efficiently - prior to their development most crypto to crypto exchanges only utilized BTC or ETH as primary trading pairs. Stablecoins are also commonly used as an onramp to the crypto ecosystem from fiat. Many traders hold stablecoins over long periods as a way to hedge their positions in cryptocurrency during a market downturn.

The growth of the stablecoin market has been significant and sustained since Tether (the first major stablecoin) began trading over 4 years ago. The total market capitalization of stable coins now stands at approximately \$4.5bn at time of publication, up from \$10m at the beginning of 2017 (a ~44,000% increase in just over 4 years).

Stablecoin market cap



Source: [coinmarketcap.com](http://coinmarketcap.com)

### Market Outlook

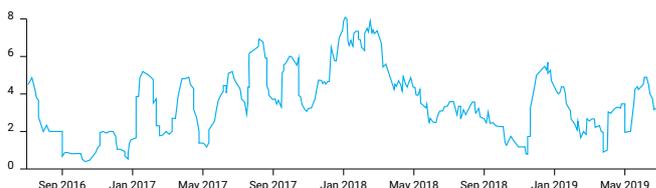
The outlook for the stablecoin market remains extremely strong and is driven by:

- Persistent volatility in the crypto market;
- Consistent improvement in stablecoin operations;
- Growth in the crypto credit market; and
- Continual growth in margin trading activity

The demand for stablecoins is primarily linked to volatility in the crypto market. This is because the use cases of stablecoins are mostly linked to either hedging or margin trading activity.

While the crypto market has matured significantly in the past two years, the bitcoin market remains volatile with 30-day volatility remaining consistently high over the past 3 years (7/2016 - 7/2019).

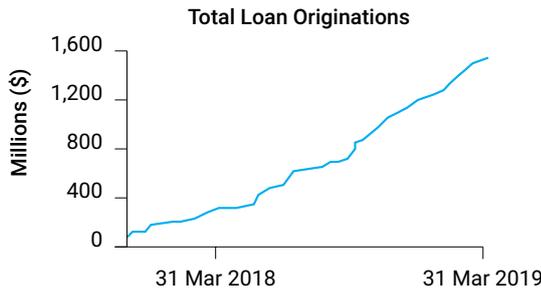
30-day Bitcoin Volatility (30/6/2016 - 1/7/2019)  
(Measured by standard deviation)



Source: [bitvol.info](http://bitvol.info)

There is no reason to believe that the volatility will decline in the near future, particularly given that the asset class is still very much in a nascent stage.

The health of the stablecoin market can also be illustrated by the number of new crypto loans originated. The crypto credit market has exploded from being almost non-existent in 2018 to billions of dollars of loans originated in a single year.

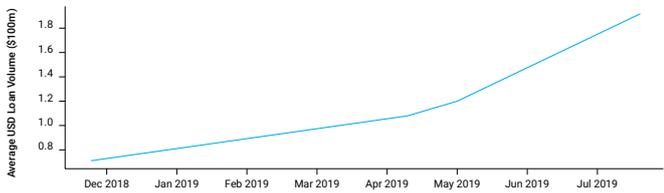


Source: Genesis Capital

Lastly, margin trading in crypto continues to grow with the industry's largest players competing to offer attractive leveraged trading opportunities to retail and institutional investors. Notably, Binance, the world's largest crypto exchange by trading volume went live with its margin trading offering in July 2019. Binance joins other major players such as BitMEX, Bitfinex, and Huobi with well-established margin trading offerings.

The expansion of margin trading on exchanges correlates strongly with the growth of platform margin lending. The average daily volume of USD loans used for margin lending on Bitfinex has doubled from \$85m in November 2018 to \$170m in June 2019. Total open positions in USD (excluding stablecoins) on Bitfinex exceeds \$300m on average in July 2019.

Average USD Loan Volume (\$100m) on Bitfinex (11/18 - 7/19)



## Fund Management

The fund will be tokenized, with token creation and redemption being automated through the use of Ethereum smart contracts and an oracle service, which provides real-time token NAV pricing information to the smart contract. The oracle service takes into account unclaimed management and performance fees as well as accrued returns.

## Dealing

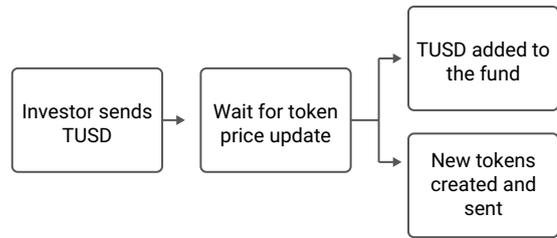
Much like the [Crypto10 Hedged](#) fund by Invictus Capital, the Margin Lending Fund has been designed to be open-ended, which comes with numerous advantages for investors. In an open-ended structure, there will always be liquidity for investors looking to enter and exit the fund as investors are not required to trade through an exchange. Furthermore, no listing fees are incurred by the fund and investors are not exposed to market premiums or discounts.

Investors looking to gain access to the Margin Lending Fund will follow a similar subscription and redemption process to that of traditional mutual funds. On a daily basis the net asset value

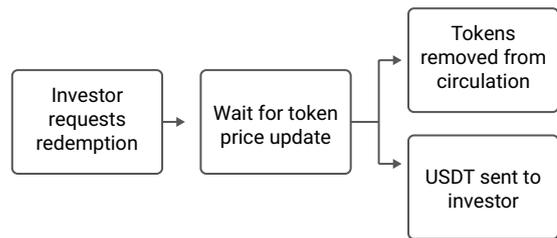
(NAV) of the fund will be determined in USD terms. This is done by valuing all underlying assets in the fund and subtracting any liabilities. The price per token will then be determined by dividing the fund NAV by the number of IML tokens in issuance.

$$\text{Token Price (USD)} = \frac{\text{Assets} - \text{Liabilities}}{\text{Tokens in Issuance}}$$

Investors looking to subscribe into the fund will be able to send their contribution to one of their individually allocated addresses on the Invictus Investor Portal. The USD value of their contribution is fixed once their transaction has confirmed (based on the current fair market value and a small spread to account for processing fees). At the time at which the new token price is calculated (the dealing time), the number of tokens to send to the investor is determined by the newly calculated token price. For example, when an investor sends TUSD; the number of IML tokens received by the investor at the dealing time is simply the USD value of the TUSD sent (valued at the time of confirmation) divided by the USD price per token. At the same time at which tokens are sent, the subscribed TUSD is then absorbed by the fund and apportioned to the underlying asset allocation. At most an investor would need to wait 24 hours until the next dealing time for their pending contribution to be processed.



Redemptions out of the fund will take place in a similar fashion. The investor will interact directly with a smart contract (via a simple Dapp on the Invictus Investor Portal) and request a redemption of a number of tokens. Once the USD NAV price per token is determined (at the dealing time), the investor will receive the USD equivalent value in USDT in return for their redeemed tokens.



## Smart Contract Specification

The IML smart contract serves as a register of token holders, their transactions, as well as the facilitator of token creation and redemption events. The smart contract directly facilitates user investment and atomically creates tokens to increase the number of outstanding tokens. In a similar manner; the smart contract facilitates token redemptions and atomically removes tokens from circulation. Token creation can be halted by fund managers in order to prevent the fund from growing beyond the constraints set by underlying market liquidity.

The smart contract is a modified ERC20 token specification running on the Ethereum blockchain. It is based upon the [CRYPTO20 smart contract](#) and [CRYPTO10 HEDGED smart contract](#) which have been operational without incident since October 2017 and May 2019 respectively. It has been specifically designed to decrease the burden of fund administration while simultaneously improving transparency.

Additionally, the IML smart contract makes use of the OpenZeppelin SDK Proxy Upgrade pattern. Which allows for transparently changing the smart contract governing logic, in the event of a bug or feature improvements, without disrupting user experience.

## Overview

### KYC

Potential investors will have to go through a web-portal KYC process to ensure that their identity is verified. Once verified, investors will have the option to 'whitelist' their chosen Ethereum address. The smart contract keeps a record of addresses that are whitelisted to ensure that users are authenticated when interacting with the smart contract.

### Token Creation

Token creation occurs when fund managers receive funds from users and directly mint tokens via calling the smart contract. A user must be verified before being able to receive tokens. Funds are accepted from verified users via an investment portal. Once an investment is confirmed, IML tokens are issued to the user's specified address.

### Fiat Investment

Users can deposit stablecoins such as TUSD, purchased from numerous exchanges, or they can register on the website to purchase TUSD using fiat. In order to register to purchase TUSD using fiat, users are required to register and KYC on [the Trust Token platform](#). KYC verification will be done by TrustToken who can take up to four business days to verify. Verified users will then be able to purchase TUSD by entering a TUSD wallet address and wiring funds from their bank account using the wiring instructions provided by TUSD (the wire must be in USD). Once received, TUSD will deposit the funds into the users TUSD wallet address. Trust Token does not charge fees but you will be liable for any wire transfer fees charged by your bank. The minimum transaction size for purchases and redemptions on the Trust Token website is currently \$1,000.

### Token Redemption

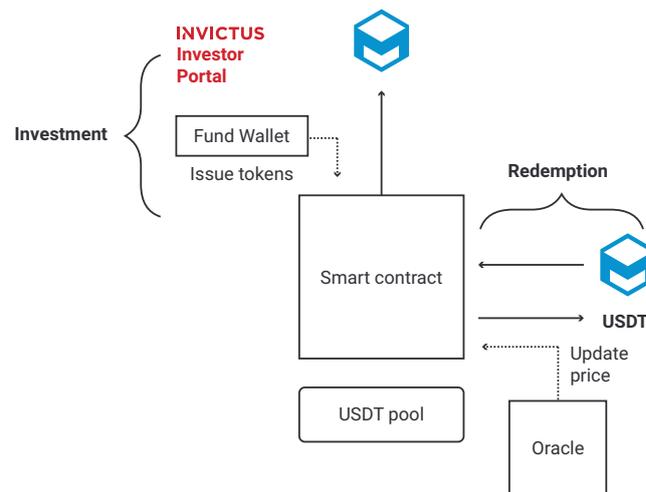
IML tokens can be redeemed for their underlying value in USDT, in exactly the same way as redemptions are done with CRYPTO10 Hedged. Users first need to request to redeem a number of tokens by making a transaction, thereafter the user needs to wait for the next price update event which occurs once per day, and finally, the user makes a redemption transaction which automatically transfers USDT in exchange for user's tokens. A small percentage of the fund's net assets will be held in a liquidity pool to facilitate token redemptions through the smart contract. Should the liquidity pool be depleted before all redemption requests have been processed for the day, any outstanding redemptions will be processed as soon as the liquidity pool is replenished. Single redemption requests for amounts greater than 5% of the NAV would need to be requested manually by contacting Invictus Capital ([hello@invictuscapital.com](mailto:hello@invictuscapital.com)) in order for us to assist.

Once the user receives USDT, they can opt to sell it on the many exchanges where it is listed.

### Mechanism

There is a *price* field within the smart contract that is used to price token redemptions. Price updates are made periodically by an oracle service based on the current value of the underlying funds and the number of tokens in circulation. All smart contract interactions relating to the price of IML tokens (namely investment and redemption) make use of a [forward-pricing policy](#).

The smart contract has a two-tier permissioned system. A fund wallet and oracle wallet address are used to issue tokens and update the token price periodically. A controlling wallet address has the ability to change either of those wallets and has the ability to transfer tokens on behalf of investors to assist with lost private keys and inaccessible funds. All these interactions are publicly viewable on any appropriate blockchain explorer.



## Security and Transparency

IML has implemented security industry best practices for defense against Sybil attacks and bad actors in cooperation with our team of expert advisors. Strong identity verification and authentication procedures are in place to ensure secure operations. The smart contract code will be thoroughly audited by an independent third party to test for vulnerabilities, confirmation of operation as described in this litepaper, static and manual analysis of the smart contract, gas analysis and verification of the deployment procedure.

With regards to fund holdings, only large, reputable exchanges with a long track record and strong investor assurances in place are considered as margin lending platforms. Further, strong segregation of duties and operational best practices are observed to further mitigate internal risk.

The risk of borrower default is low given the fact that all leveraged positions are over-collateralized. Each crypto exchange's liquidation engine autonomously manages position risk for each trader. Positions below the maintenance margin are automatically closed with funds being returned to the lender.

Further, there has been no single instance of lender funds being lost in the USD and stablecoin lending market in the history of crypto margin lending. In the event of a loss event, most established crypto exchanges have large amounts of funds set aside to reimburse lenders (such as BitMEX's insurance fund or Binance's SAFU fund).

Fund assets will be split across multiple exchanges, including; Poloniex, Bitfinex and potentially Binance and Kumex should they deem suitable. This will reduce both the risk of funds being lost due to a hack and the risk of being overexposed on a single exchange or account.

The fund will exclusively use long-standing exchanges that have it in their best interest to protect customer funds. Each week, the fund's holdings are updated on the IML website. The website will display, along with the fund's holdings, the value of the portfolio and the token in real-time.

## Proposed Fee Structure and Benchmark

The fund will require managers to adopt a highly active approach in terms of monitoring lending rates and taking positions across the various assets and platforms. A total expense ratio (at benchmark) of 2% has therefore been implemented in order to balance the effort of the fund managers and the returns generated for investors. This fee will include all custody fees (where applicable), administration costs and fund management costs.

When considering the performance fee of the fund, in addition to the amount charged we will factor in a hurdle rate and high water mark. The fund is designed in a way so that drawdown is expected to be zero across intermittent periods due to the assets being interest bearing and pegged to the US dollar. In order to cover for any unforeseen drawdown events, however, a high water mark will be adopted in the fund. A hurdle rate equivalent to the yield on American long term investment grade corporate bonds will be the optimal benchmark for an interest bearing fund such as this. The average yield earned on these assets is typically in the region of 6% per annum. The fund has therefore implemented a performance fee of 20% for returns generated over and above a hurdle rate of 6%.

## Initial Fund Capitalization

During the initial fund capitalization, IML tokens will be sold at the prevailing token price proportional to the value of the funds collected. Investments will be collected via a manual SAFT agreement process, which allows for either USDT or TUSD to be accepted, subject to a minimum of \$5,000.

At the end of the initial fund capitalization, the IML fund will be included in the Invictus Investor Portal which will allow investors to invest any amount at any time in an automated process. Please note that only TUSD will be accepted initially via the automated process, with USDT being added soon after launch. In both cases, funds received will be deployed in accordance with the Margin Lending Fund rules.

## Conclusion

The crypto market is still in a nascent stage with significant upside growth potential. As with any emerging asset class, a substantial amount of volatility is often associated with its constituents. The Margin Lending Fund will aim to profit from this inherent volatility by taking dollar-based positions on margin lending platforms. The fund is not exposed to any of the downside deviation in the crypto markets and will be entirely invested in interest-bearing positions, allowing for complete mitigation of capital drawdown.

This fund will act as a great portfolio diversifier for any investor looking for consistent returns with total capital preservation. Investors are able to invest any amount directly into the fund using stablecoins they own, allowing for easy capital flows between products without having to sell into traditional fiat currency. Fiat investment can be facilitated via the [Trust Token platform](#).

## Legal

### A. DISCLAIMER OF LIABILITY

To the maximum extent permitted by the applicable laws, regulations and rules, neither the Company nor the Margin Lending fund Team shall be liable for any indirect, special, incidental, consequential or other losses of any kind, in tort, contract or otherwise (including but not limited to loss of revenue, income or profits, and loss of use or data), arising out of or in connection with any acceptance of or reliance on this White Paper or any part thereof by you.

### B. NO REPRESENTATIONS AND WARRANTIES

No third party data provider('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data.

The Company does not make or purport to make, and hereby disclaims, any representation, warranty or undertaking in any form whatsoever to any entity or person, including any representation, warranty or undertaking in relation to the truth, accuracy, and completeness of any of the information from third party data providers set out in this LitePaper.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

### C. REPRESENTATIONS AND WARRANTIES BY YOU

By accessing and/or accepting possession of any information in this LitePaper or such part thereof (as the case may be), you represent and warrant to the Company as follows:

- (a) you agree and acknowledge that the IML tokens do not constitute securities in any relevant jurisdiction;
- (b) you agree and acknowledge that this LitePaper does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities in any jurisdiction or a solicitation for investment in securities and you are not bound to enter into any contract or binding legal commitment and no cryptocurrency or other form of payment is to be accepted on the basis of this LitePaper;
- (c) you agree and acknowledge that no regulatory authority has examined or approved of the information set out in this LitePaper, no action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction and the publication, distribution or dissemination of this LitePaper to you does not imply that the applicable laws, regulatory requirements or rules have been complied with;
- (d) you agree and acknowledge that this LitePaper, the subscription of the Tokens, or the potential future trading of the Tokens on any cryptocurrency exchange, shall not be construed, interpreted or deemed by you as an indication of the merits of the Company, the IML tokens, the IML token sale and the underlying assets (each as referred to in this LitePaper);
- (e) the distribution or dissemination of this LitePaper, any part thereof or any copy thereof, or acceptance of the same by you, is not prohibited or restricted by the applicable laws, regulations or rules in your jurisdiction, and where any restrictions in relation to possession are applicable, you have observed and complied with all such restrictions at your own expense and without liability to the Company;
- (f) you agree and acknowledge that in the case where you wish to purchase any IML tokens, the IML tokens are not to be construed, interpreted, classified or treated as:
  - (i) any kind of currency other than cryptocurrency;

- (ii) debentures, stocks or shares issued by any person or entity;
  - (iii) rights, options or derivatives in respect of such debentures, stocks or shares;
  - (iv) rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss;
  - (v) units in a collective investment scheme;
  - (vi) units in a business trust;
  - (vii) derivatives of units in a business trust; or
  - (viii) any other security or class of securities.
- (g) you are fully aware of and understand that you are not eligible to purchase any IML tokens if you are a citizen, resident (tax or otherwise) or green card holder of the United States of America or a citizen or resident of the Republic of South Africa or the Cayman Islands;
  - (h) you have a basic degree of understanding of the operation, functionality, usage, storage, transmission mechanisms and other material characteristics of cryptocurrencies, blockchain-based software systems, cryptocurrency wallets or other related token storage mechanisms, blockchain technology and smart contract technology;
  - (i) you are fully aware and understand that in the case where you wish to purchase any IML tokens, there are risks associated with the Company and its respective business and operations, the IML tokens, and the underlying assets (each as referred to in the LitePaper);
  - (j) you agree and acknowledge that the Company or any of the Margin Lending fund Team is not liable for any indirect, special, incidental, consequential or other losses of any kind, in tort, contract or otherwise (including but not limited to loss of revenue, income or profits, and loss of use or data), arising out of or in connection with any acceptance of or reliance on this LitePaper or any part thereof by you; and
  - (k) all of the above representations and warranties are true, complete, accurate and non-misleading from the time of your access to and/or acceptance of possession this LitePaper or such part thereof (as the case may be).
- (a) changes in political, social, economic and stock or cryptocurrency market conditions, and the regulatory environment in the countries in which the Company and/or target assets of the Fund conducts its respective businesses and operations;
  - (b) the risk that the Company may be unable or execute or implement their respective business strategies and future Plans;
  - (c) changes in interest rates and exchange rates of fiat currencies and cryptocurrencies;
  - (d) changes in the anticipated growth strategies and expected internal growth of the Fund and/ or the Company;
  - (e) changes in the availability and fees payable to the Company in connection with their respective businesses and Operations;
  - (f) changes in the availability and salaries of employees who are required by the Company to operate their respective businesses and operations;
  - (g) changes in preferences of IML Fund participants;
  - (h) changes in competitive conditions under which the Fund and/or the Company operate, and the ability of the Fund and Company to compete under such conditions;
  - (i) changes in the future capital needs of the Fund and/or the Company and the availability of financing and capital to fund such needs;
  - (j) war or acts of international or domestic terrorism;
  - (k) occurrences of catastrophic events, natural disasters and acts of God that affect the businesses and/or operations of the Company;
  - (l) other factors beyond the control of the Company; and
  - (m) any risk and uncertainties associated with the Fund, and/ or the Company and its business and operations, the IML tokens, the IML token sale and the underlying assets (each as referred to in the LitePaper).

All forward-looking statements made by or attributable to the Company and of the Margin Lending fund Team or other persons acting on behalf of the Company are expressly qualified in their entirety by such factors. Given that risks and uncertainties that may cause the actual future results, performance or achievements of the Fund and/ or the Company to be materially different from that expected, expressed or implied by the forward-looking statements in this LitePaper, undue reliance must not be placed on these statements. These forward-looking statements are applicable only as of the date of this LitePaper. Neither the Company nor any other person represents, warrants and/or undertakes that the actual future results, performance or achievements of the Company will be as discussed in those forward-looking statements. The actual results, performance or achievements of the Margin Lending fund may differ materially from those anticipated in these forward-looking statements.

Nothing contained in this LitePaper is or may be relied upon as a promise, representation or undertaking as to the future performance or policies of the Fund and/or the Company.

Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the Future.

#### **E. MARKET AND INDUSTRY INFORMATION AND NO CONSENT OF OTHER PERSONS**

This LitePaper includes market and industry information and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Such

#### **D. CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS**

All statements contained in this LitePaper, statements made in press releases or in any place accessible by the public and oral statements that may be made by the Company or any of the Margin Lending fund Team on behalf of the Company, that are not statements of historical fact, constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "aim", "target", "anticipate", "believe", "could", "estimate", "expect", "if", "intend", "may", "plan", "possible", "probable", "project", "should", "would", "will" or other similar terms. However, these terms are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's financial position, business strategies, plans and prospects and the future prospects of the industry which the Company is in are forward-looking statements. These forward-looking statements, including but not limited to statements as to the Company's revenue and profitability, prospects, future plans, other expected industry trends and other matters discussed in this LitePaper regarding the Margin Lending fund are matters that are not historic facts, but only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual future results, performance or achievements of funds, cryptocurrencies, or the Company to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These factors include, amongst others:

surveys, reports, studies, market research, publicly available information, and publications generally state that the information that they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information.

Save for the Company and its respective directors, executive officers and employees, no person has provided his or her consent to the inclusion of his or her name and/or other information attributed or perceived to be attributed to such person in connection therewith in this LitePaper and no representation, warranty or undertaking is or purported to be provided as to the accuracy or completeness of such information by such person and such persons shall not be obliged to provide any updates on the same.

Neither the Company nor any of the Margin Lending fund Team have conducted any independent review of the information extracted from third party sources, verified the accuracy or completeness of such information or ascertained the underlying economic assumptions relied upon therein. Consequently, neither Invictus Capital Financial Technologies nor its directors, executive officers, agents and employees acting on its behalf makes any representation or warranty as to the accuracy or completeness of such information and shall not be obliged to provide any updates on the same.

#### **F. TERMS USED**

To facilitate a better understanding of the IML tokens being offered for purchase by the Company, and the businesses and operations of the Fund and the Company, certain technical terms and abbreviations, as well as, in certain instances, their descriptions, have been used in this LitePaper. These descriptions and assigned meanings should not be treated as being definitive of their meanings and may not correspond to standard industry meanings or usage.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

#### **G. NO ADVICE**

No information in this LitePaper should be considered to be business, legal, financial or tax advice regarding the Company, the Fund, the IML tokens, IML token sale or the underlying assets (each as referred to in the LitePaper). You should consult your own legal, financial, tax or other professional adviser regarding the Fund, the Company and its business and operations, the IML tokens, the IML token sale and the underlying assets (each as referred to in the LitePaper). You should be aware that you may be required to bear the financial risk of any purchase of IML tokens for an indefinite period of time.

#### **H. NO FURTHER INFORMATION OR UPDATE**

No person has been or is authorized to give any information or representation not contained in this LitePaper in connection with the Company and its business and operations, the IML tokens, the IML token sale and the underlying assets (each as referred to in the LitePaper) and, if given, such information or representation must not be relied upon as having been authorized by or on behalf of the Company. IML Fund shall not, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change, or development reasonably likely to involve a material change in the affairs, conditions and prospects of the Fund, the Company, IML or in any statement of fact or information contained in this LitePaper since the date hereof.

#### **I. RESTRICTIONS ON DISTRIBUTION AND DISSEMINATION**

The distribution or dissemination of this LitePaper or any part thereof may be prohibited or restricted by the laws, regulatory requirements and rules of any jurisdiction. In the case where

any restriction applies, you are to inform yourself about, and to observe, any restrictions which are applicable to your possession of this LitePaper or such part thereof (as the case may be) at your own expense and without liability to the Company or any member of the Margin Lending fund Team.

Persons to whom a copy of this LitePaper has been distributed or disseminated, provided access to or who otherwise have the LitePaper in their possession shall not circulate it to any other persons, reproduce or otherwise distribute this LitePaper or any information contained herein for any purpose whatsoever nor permit or cause the same to occur.

#### **J. NO OFFER OF SECURITIES OR REGISTRATION**

This LitePaper does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities or a solicitation for investment in securities in any jurisdiction. No person is bound to enter into any contract or binding legal commitment and no cryptocurrency or other form of payment is to be accepted on the basis of this LitePaper. Any agreement in relation to any sale and purchase of IML tokens (as referred to in this LitePaper) is to be governed by only the T&Cs of such agreement and no other document. In the event of any inconsistencies between the T&Cs and this LitePaper, the former shall prevail.

No regulatory authority has examined or approved of any of the information set out in this LitePaper. No such action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction. The publication, distribution or dissemination of this LitePaper does not imply that the applicable laws, regulatory requirements or rules have been complied with.

#### **K. MODIFICATIONS**

The Company reserves the right to amend and revise this LitePaper without notice.

#### **L. MUTUAL FUND REGULATION**

Invictus Capital Financial Technologies is not regulated as a mutual fund for the purpose of the Cayman Islands Mutual Funds Law (Revised) because Invictus Capital Financial Technologies is not issuing equity interests to IML purchasers within the meaning of the Mutual Funds Law.

Although the Tokens carry a contractual right against Invictus Capital Financial Technologies, a IML does not represent a share of Invictus Capital Financial Technology's authorised and issued share capital, a token-holder is not entitled to be included on the register of members of Invictus Capital Financial Technologies and does not have capital at risk in the way a shareholder does. Therefore Invictus Capital Financial Technologies is not subject to the Mutual Funds Law and the potential registration or licensing requirements that would otherwise apply if equity interests were being offered and Invictus Capital Financial Technologies was subject to the Mutual Funds Law. Specifically, this LitePaper will not be filed with the Cayman Islands Monetary Authority (CIMA), Invictus Capital Financial Technologies is not subject to the supervision of CIMA and Invictus Capital Financial Technologies is not required to have its accounts audited nor submit such accounts to CIMA.

#### **M. THE CAYMAN ISLANDS AND THE FOREIGN ACCOUNT TAX COMPLIANCE ACT**

##### **US REQUIREMENTS**

The Foreign Account Tax Compliance Act (FATCA) provisions of the Hiring Incentives to Restore Employment Act (HIRE Act) provide that Invictus Capital Financial Technologies must disclose the name, address and taxpayer identification number of certain United States persons that own, directly or indirectly, an interest in Invictus Capital Financial Technologies, as well as certain other information relating to any such interest, pursuant to the terms of the intergovernmental agreement between the United States

and the Cayman Islands (US IGA) and implementing legislation and regulations which have been adopted by the Cayman Islands. If Invictus Capital Financial Technologies fails to comply with these requirements, then a 30% withholding tax will be imposed on payments to Invictus Capital Financial Technologies of United States source income and proceeds from the sale of property that could give rise to United States source interest or dividends. The withholding tax provisions of FATCA took effect on July 1, 2014, other than in relation to proceeds from the sale of property, in which case they were postponed to January 1, 2019. Although Invictus Capital Financial Technologies will attempt to satisfy the obligations imposed on them to avoid the imposition of this withholding tax, no assurance can be given that Invictus Capital Financial Technologies will be able to satisfy these obligations. In this regard, Invictus Capital Financial Technologies may require investors to provide any documentation or other information regarding the investors and their beneficial owners that Token Generator determines is necessary or desirable for Invictus Capital Financial Technologies to avoid the withholding tax and otherwise comply with the HIRE Act. If Invictus Capital Financial Technologies becomes subject to a withholding tax as a result of the HIRE Act, the value of Tokens held by all Investors may be materially affected. The Cayman Islands legislation requires Invictus Capital Financial Technologies to make an annual report to the Cayman Islands Tax Information Exchange Authority (Cayman TIA). Any information provided by Token Generator to the Cayman TIA will be shared with the Internal Revenue Service of the United States.

#### **OTHER INTERGOVERNMENTAL AGREEMENTS**

It is possible that further intergovernmental agreements (future IGAs) similar to the US IGA may be entered into with other third countries by the Cayman Islands Government to introduce similar regimes for reporting to such third countries fiscal authorities.

#### **OECD MULTILATERAL COMPETENT AUTHORITY AGREEMENT**

Over 90 countries have signed the OECD Multilateral Competent Authority Agreement and Common Reporting Standard (CRS) for the implementation of the automatic exchange of tax information based on the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The CRS is similar in form and substance to the US IGA and applies in respect of each "participating jurisdiction" (as identified in a list published by the Cayman TIA). On 16 October 2015, the Cayman Islands passed into law the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations, 2015, as amended (CRS Regulations). As a result of this, Cayman Islands financial institutions, including Invictus Capital Financial Technologies, have substantially expanded international tax compliance obligations and will have substantially expanded reporting obligations from 2017, with the first reporting deadline under the CRS Regulations being 31 May 2018. By investing (or continuing to invest) in Invictus Capital Financial Technologies, Investors shall be deemed to acknowledge that:

- (i) Invictus Capital Financial Technologies (or its agent) may be required to disclose to the Cayman TIA certain confidential information in relation to the investor, including, but not limited to, the investor's name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment;
- (ii) the Cayman TIA may be required to automatically exchange information as outlined above with the IRS, HM Revenue & Customs, the United Kingdom tax authority (HMRC) and other fiscal authorities (Competent Authorities) of CRS "participating jurisdictions";
- (iii) Invictus Capital Financial Technologies (or its agent or delegate) may be required to disclose to the IRS, HMRC and other Competent Authorities certain confidential

information when registering with such authorities and if such authorities contact Invictus Capital Financial Technologies (or its agent or delegate directly) with further enquiries;

- (iv) Invictus Capital Financial Technologies may require the investor to provide additional information and/or documentation which Invictus Capital Financial Technologies may be required to disclose to the Cayman TIA;
- (v) in the event a Token purchaser does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements, whether or not that actually leads to compliance failures by Invictus Capital Financial Technologies, or a risk of Invictus Capital Financial Technologies or its investors being subject to withholding tax under the relevant legislative or inter-governmental regime, Invictus Capital Financial Technologies reserves the right to take any action and/or pursue all remedies at its disposal, including, without limitation, compulsory Token return of the investor concerned; and
- (vi) no investor affected by any such action or remedy shall have any claim against Invictus Capital Financial Technologies (or its agent or delegate) for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of Invictus Capital Financial Technologies in order to comply with any of the US IGA, the CRS Regulations or any future IGAs or agreements, laws or regulations entered into or implemented by the Cayman Islands for the purpose of ensuring and/or enhancing international tax transparency.

#### **Other jurisdictions**

It is possible that certain dividends, interest and other income received by Invictus Capital Financial Technologies from sources within certain countries may be subject to withholding taxes imposed by such countries.

Invictus Capital Financial Technologies may also be subject to capital gains taxes or other taxes in some of the countries where it purchases and sells securities or otherwise conducts business. It is impossible to predict in advance the rate of tax that will be paid since the amount of the assets of Margin Lending to be invested in various countries is uncertain.

#### **N. RISKS AND UNCERTAINTIES**

Prospective purchasers of IML tokens (as referred to in this LitePaper) should carefully consider and evaluate all risks and uncertainties associated with the Fund, the Company and its business and operations, the IML tokens, the IML token sale and the underlying assets (each as referred to in the LitePaper), and all information set out in this LitePaper and the T&Cs prior to any purchase of IML tokens. If any of such risks and uncertainties develop into actual events, the business, financial condition, results of operations and prospects of the Fund, the Tokens, and/or the Company could be materially and adversely affected. In such cases, you may lose all or part of the value of the IML Tokens.