

# Digital Asset Investment Report



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Q1 2019





# Digital Asset Investment Report

TOTAL AUM<sup>1</sup>  
**\$1.2B**

## Q1 2019 Investment Highlights<sup>2</sup>

- Total Investment into Grayscale Products: **\$42.7 million**
- Average Weekly Investment – All Products: **\$3.3 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$3.2 million**
- Average Weekly Investment – “Non-Bitcoin” Products<sup>3</sup>: **<\$0.1 million**
- Majority of investment came from institutional investors (**73%**), dominated by hedge funds (**56%**).

## Trailing 12-Month Investment Highlights<sup>4</sup>

- Total Investment into Grayscale Products: **\$266.0 million**
- Average Weekly Investment – All Products: **\$5.1 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$3.9 million**
- Average Weekly Investment – “Non-Bitcoin” Products<sup>5</sup>: **\$1.2 million**
- Majority of investment came from institutional investors (**73%**).

## The Takeaway

**Prices Rebound:** Q1 2019 marked the first positive quarterly performance since the end of 2017 for Grayscale Bitcoin Trust, Grayscale Digital Large Cap Fund, and the broader digital asset market, represented by the Fundstrat Crypto Aggregate Index. Six out of the ten investment vehicles included in the Grayscale family of products generated positive performance net of fees.

1. As of April 30, 2019.

2. For the period from January 1, 2019 through March 31, 2019.

3. “Non-Bitcoin” Products include Grayscale Bitcoin Cash Trust, Grayscale Ethereum Trust, Grayscale Ethereum Classic Trust, Grayscale Horizon Trust, Grayscale Litecoin Trust, Grayscale Stellar Lumens Trust, Grayscale XRP Trust, Grayscale Zcash Trust, and Grayscale Digital Large Cap Fund.

4. For the period from April 1, 2018 through March 31, 2019.

5. See footnote 2.





**Investment Rebounds:** Grayscale experienced a 42% uptick in product inflows quarter-over-quarter, from \$30.1 million in 4Q18 to \$42.7 million in 1Q19. Notably, hedge funds ramped up their investments substantially, from less than \$1 million in 4Q18 to approximately \$24 million in 1Q19.

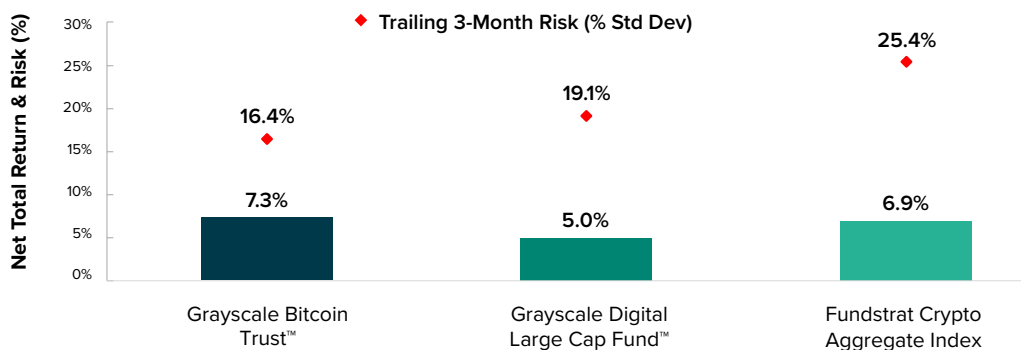
**What’s Driving Inflows: Risk or Return?** Nearly all inflows in Q1 were into Grayscale Bitcoin Trust (99%). One possible explanation for this is that Bitcoin found a “sweet spot” with respect to relative risk and return expectations versus other digital assets. With early signs showing we may be entering a new “risk-on” regime, investors may be wise to look for opportunities in other digital assets as well.

## A Grayscale Perspective

As outlined in the inaugural [Grayscale Performance & Risk Monitor](#), Q1 2019 marked the first positive quarterly performance for Grayscale Bitcoin Trust, Grayscale Digital Large Cap Fund, and the broad digital asset market, represented by the Fundstrat Crypto Aggregate Index, since the end of 2017. Six out of the ten Grayscale investment products generated positive performance net of fees.

FIGURE 1: DIGITAL ASSET MARKET BENCHMARK PERFORMANCE & RISK – Q1 2019<sup>6</sup>  
December 31, 2018 through March 31, 2019

	Grayscale Bitcoin Trust™	Grayscale Digital Large Cap Fund™	Fundstrat Crypto Aggregate Index
<b>TOTAL RETURN</b> (% Cumulative)	7.3%	5.0%	6.9%
<b>RISK</b> (% Std Dev)	16.4%	19.1%	25.4%



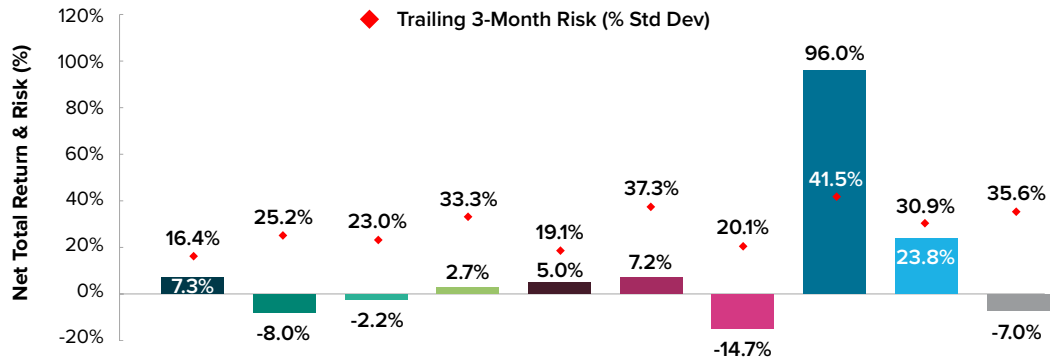
6. Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.





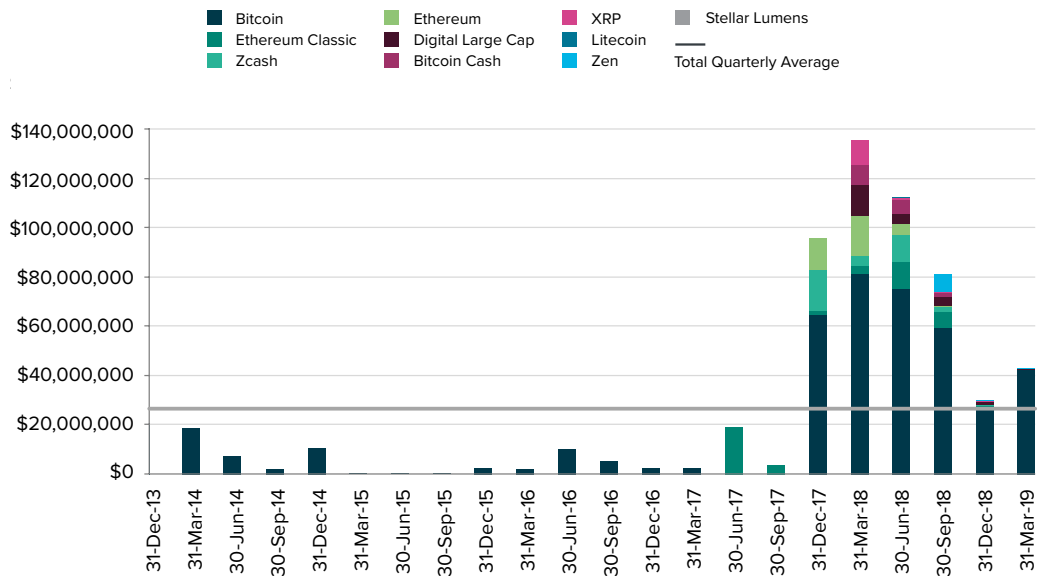
FIGURE 2: GRAYSCALE INVESTMENT PRODUCT PERFORMANCE & RISK – Q1 2019<sup>7</sup>  
December 31, 2018 through March 31, 2019

	Grayscale Bitcoin Trust™	Grayscale Ethereum Classic Trust™	Grayscale Zcash Trust™	Grayscale Ethereum Trust™	Grayscale Digital Large Cap Fund™	Grayscale Bitcoin Cash Trust™	Grayscale XRP Trust™	Grayscale Litecoin Trust™	Grayscale Horizen Trust™	Grayscale Stellar Lumens Trust™
<b>TOTAL RETURN (% Cumulative)</b>	7.3%	-8.0%	-2.2%	2.7%	5.0%	7.2%	-14.7%	96.0%	23.8%	-7.0%
<b>RISK (% Std Dev)</b>	16.4%	25.2%	23.0%	33.3%	19.1%	37.3%	20.1%	41.5%	30.9%	35.6%



Though inflows decelerated quarter-over-quarter throughout 2018, they finally turned the corner in Q1 2019. We saw a 42% uptick in Grayscale product inflows this quarter, from \$30.1 million to \$42.7 million.

FIGURE 3: GRAYSCALE QUARTERLY INFLOWS SINCE INCEPTION<sup>8</sup>  
September 25, 2013 through March 31, 2019



7. Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.  
8. Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.



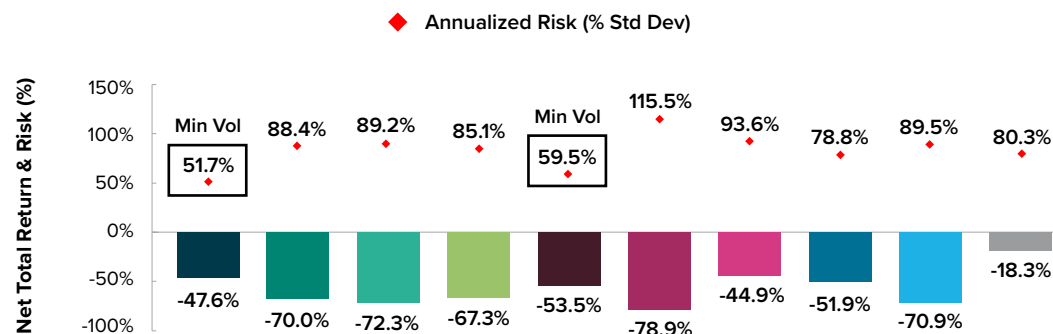


Nearly all inflows in Q1 were into Grayscale Bitcoin Trust (99%). One possible explanation for this is that Bitcoin may have found a “sweet spot” with respect to relative risk and return expectations versus other digital assets.

From a risk perspective, investors seem to be positioning their portfolios to gain exposure to the digital asset market in a more defensive manner, especially in light of the current drawdown. For some, Grayscale Bitcoin Trust represents a “minimum volatility” way to invest in the digital asset ecosystem, though we think Grayscale Digital Large Cap Fund may also be a good diversified option.

FIGURE 4: GRAYSCALE INVESTMENT PRODUCT PERFORMANCE & RISK – TRAILING 12-MONTHS (%)<sup>9</sup>  
March 31, 2018 through March 31, 2019

	Grayscale Bitcoin Trust™	Grayscale Ethereum Classic Trust™	Grayscale Zcash Trust™	Grayscale Ethereum Trust™	Grayscale Digital Large Cap Fund™	Grayscale Bitcoin Cash Trust™	Grayscale XRP Trust™	Grayscale Litecoin Trust™	Grayscale Horizen Trust™	Grayscale Stellar Lumens Trust™
<b>TOTAL RETURN (% Cumulative)</b>	-47.6%	-70.0%	-72.3%	-67.3%	-53.5%	-78.9%	-44.9%	-51.9%	-70.9%	-18.3%
<b>RISK (% Std Dev)</b>	51.7%	88.4%	89.2%	85.1%	59.5%	115.5%	93.6%	78.8%	89.5%	80.3%



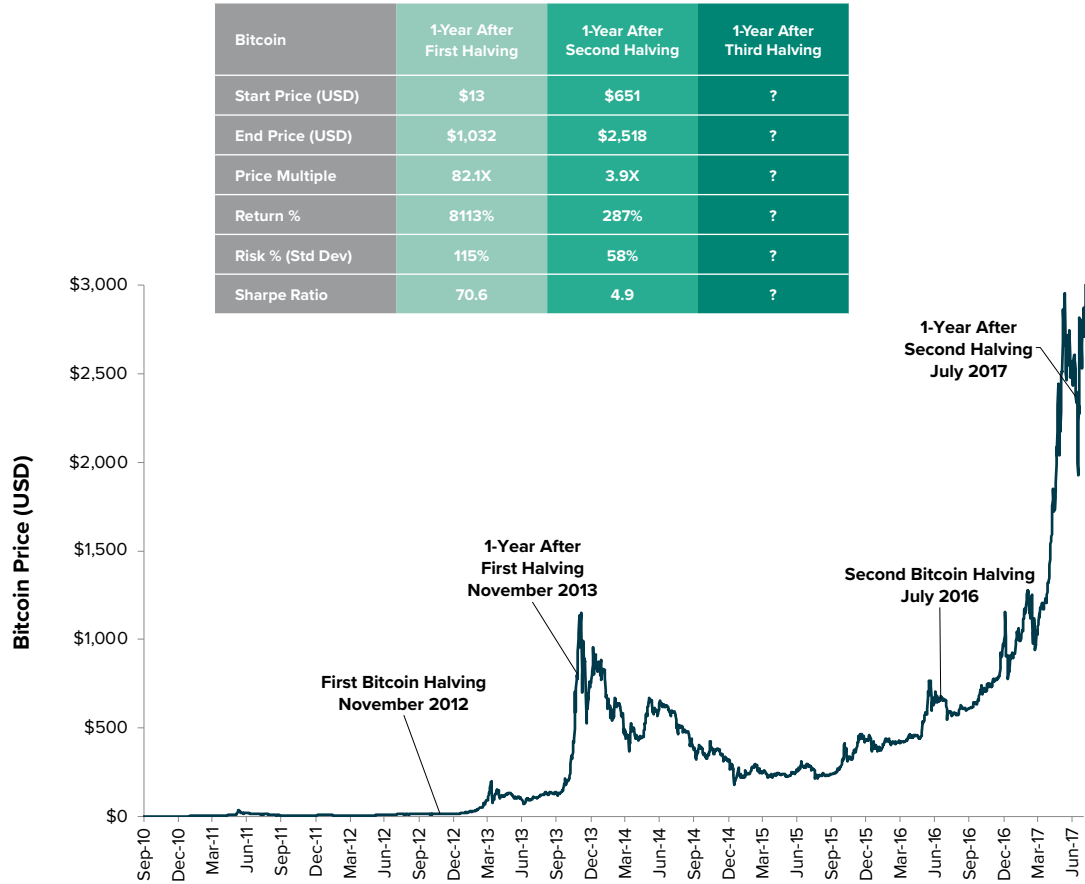
9. Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.  
\*Inception dates are as follows: Grayscale Bitcoin Trust – September 25, 2013; Grayscale Ethereum Classic Trust – April 24, 2017; Grayscale Zcash Trust – October 24, 2017; Grayscale; Ethereum Trust – December 14, 2017; Grayscale Digital Large Cap Fund – February 1, 2018; Grayscale Bitcoin Cash Trust, Grayscale XRP Trust, Grayscale Litecoin Trust – March 1, 2018; Grayscale Horizen Trust – August 6, 2018, Grayscale Stellar Lumens Trust – December 6, 2018. As the Grayscale Horizen Trust and the Grayscale Stellar Lumens Trust do not currently have twelve months of price history, returns and risk are based on prices since inception.





Additionally, investors may be focused on Grayscale Bitcoin Trust’s return-enhancing potential as we approach Bitcoin’s third “block-reward halving,” expected to take place in May 2020. As Figure 5 shows, historically, block-reward halvings have helped drive above-average returns for Bitcoin in the years that follow. Some investors may be questioning if this event is fully priced into the market yet, and building long positions as a result.

FIGURE 5: HISTORICAL BITCOIN HALVING PERFORMANCE (USD)<sup>10</sup>



We covered this topic in detail in our 2019 Investor Call, [The State of Digital Currencies](#), and in our research insight, [The Next Bitcoin Halving](#), and invite you to review them at [Grayscale Insights](#) for further details.

Next, we’ll provide our standard series of investment activity updates for the first quarter of 2019.

<sup>10</sup>. Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.





## Investment Activity through the Grayscale Lens

Grayscale raised \$42.7 million over the last three months, bringing our trailing twelve month inflows to \$266 million.

FIGURE 6: **GRAYSCALE CUMULATIVE INFLOWS BY PRODUCT – Q1 2019**  
January 1, 2019 through March 31, 2019

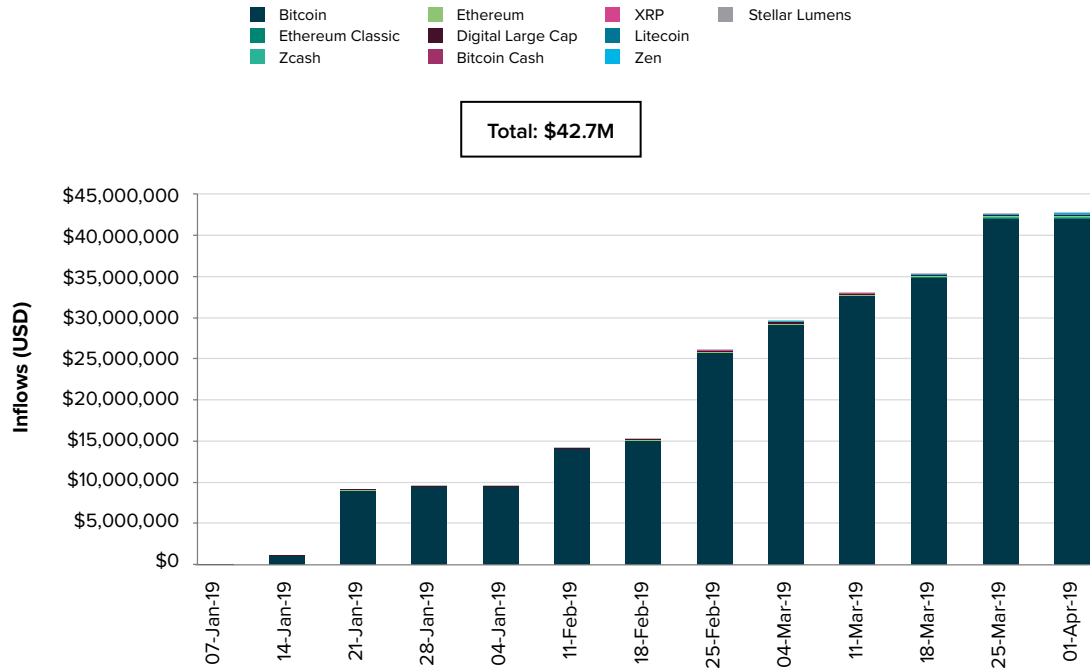
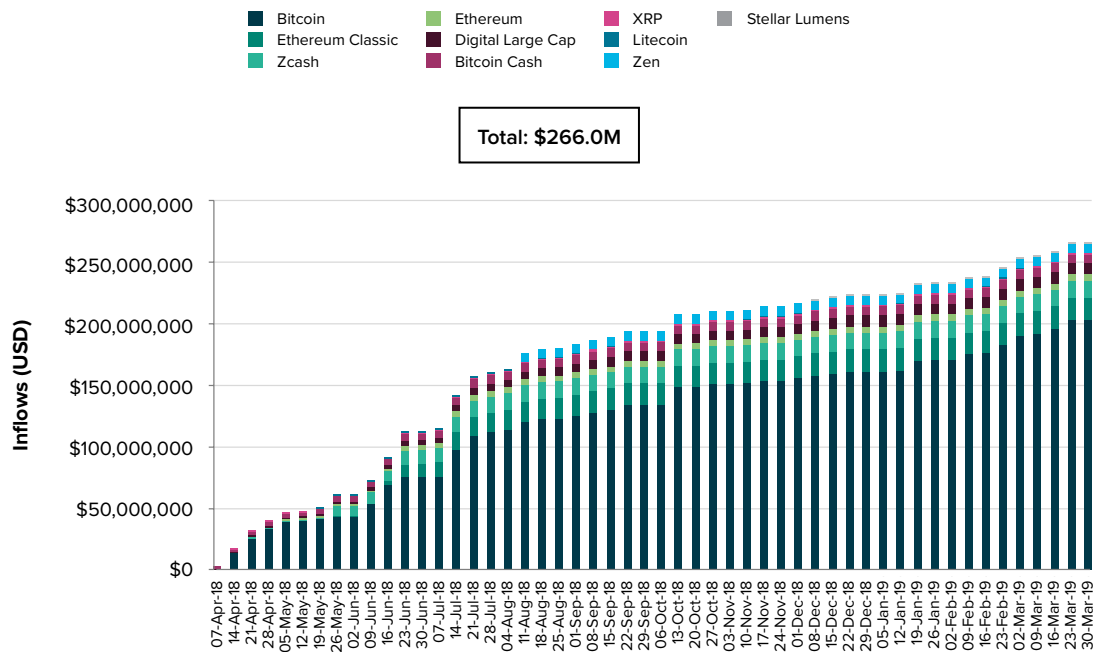


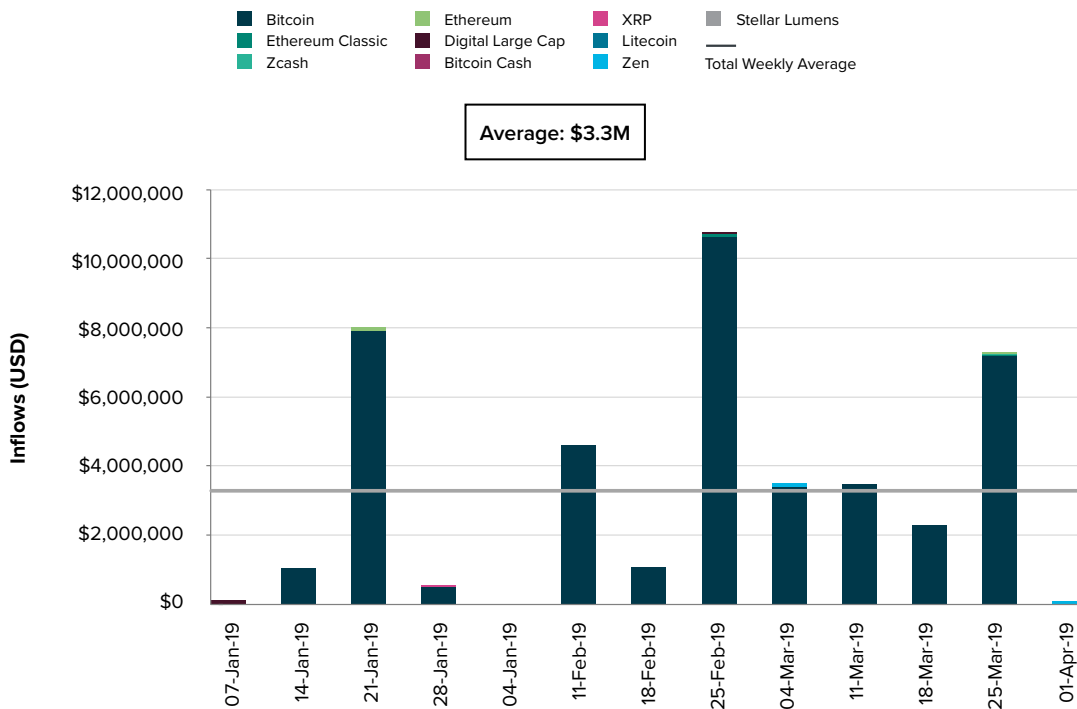
FIGURE 7: **GRAYSCALE CUMULATIVE INFLOWS BY PRODUCT – TRAILING 12-MONTHS**  
April 1, 2018 through March 31, 2019





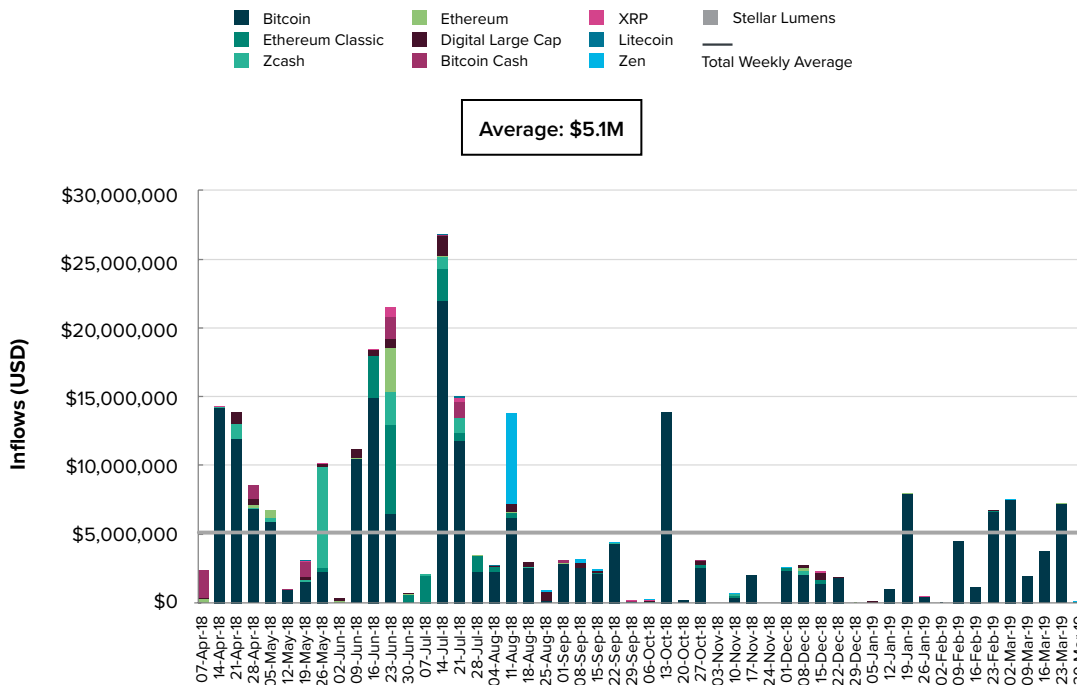
As shown below, our average weekly investment across all products this quarter was \$3.3 million.

FIGURE 8: GRAYSCALE WEEKLY INFLOWS BY PRODUCT – Q1 2019  
January 1, 2019 through March 31, 2019



Our average weekly investment across all products for the trailing twelve months was \$5.1 million.

FIGURE 9: GRAYSCALE WEEKLY INFLOWS BY INVESTMENT PRODUCT – TRAILING 12-MONTHS  
April 1, 2018 through March 31, 2019







The majority of new investments made this quarter continued to flow into Grayscale Bitcoin Trust.

FIGURE 10: **GRAYSCALE BITCOIN TRUST CUMULATIVE INFLOWS – Q1 2019**  
January 1, 2019 through March 31, 2019

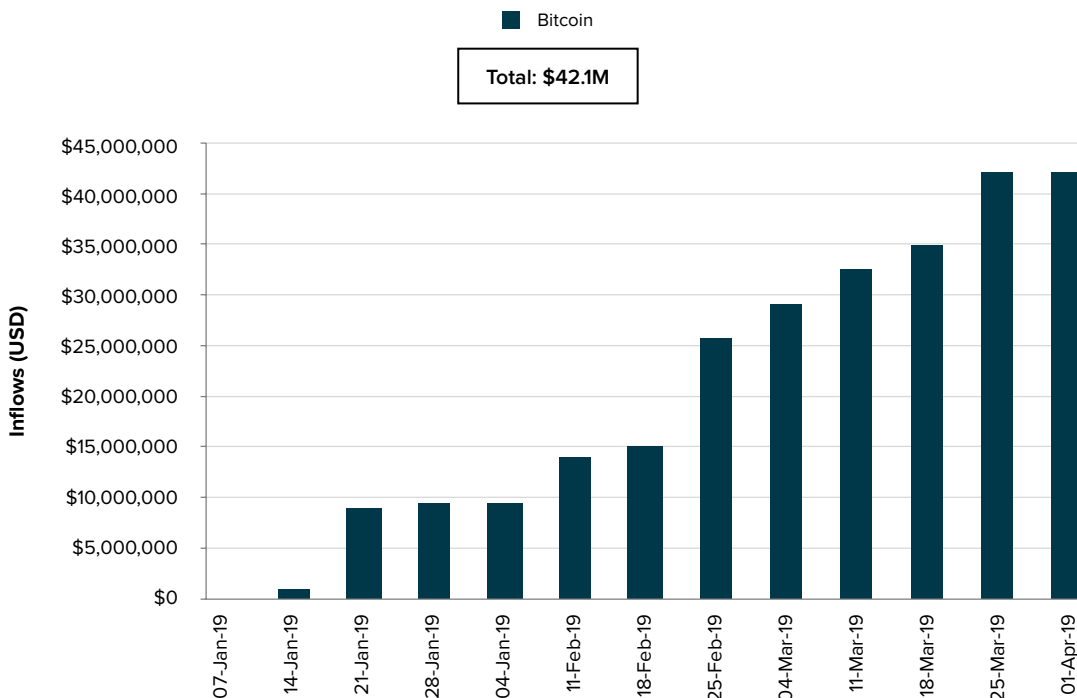
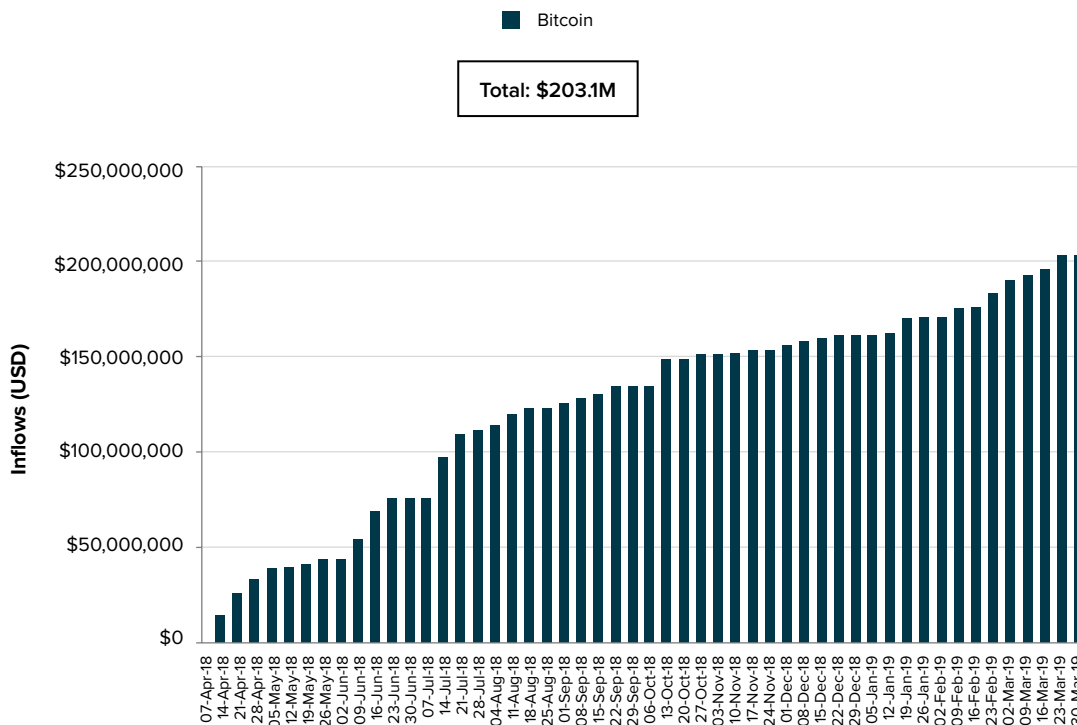


FIGURE 11: **GRAYSCALE BITCOIN TRUST CUMULATIVE INFLOWS – TRAILING 12-MONTHS**  
April 1, 2018 through March 31, 2019





Investments into non-Bitcoin products slowed to their lowest level since we began publishing this report, almost a year ago.

FIGURE 12: **GRAYSCALE NON-BITCOIN CUMULATIVE INFLOWS – Q1 2019**  
January 1, 2019 through March 31, 2019

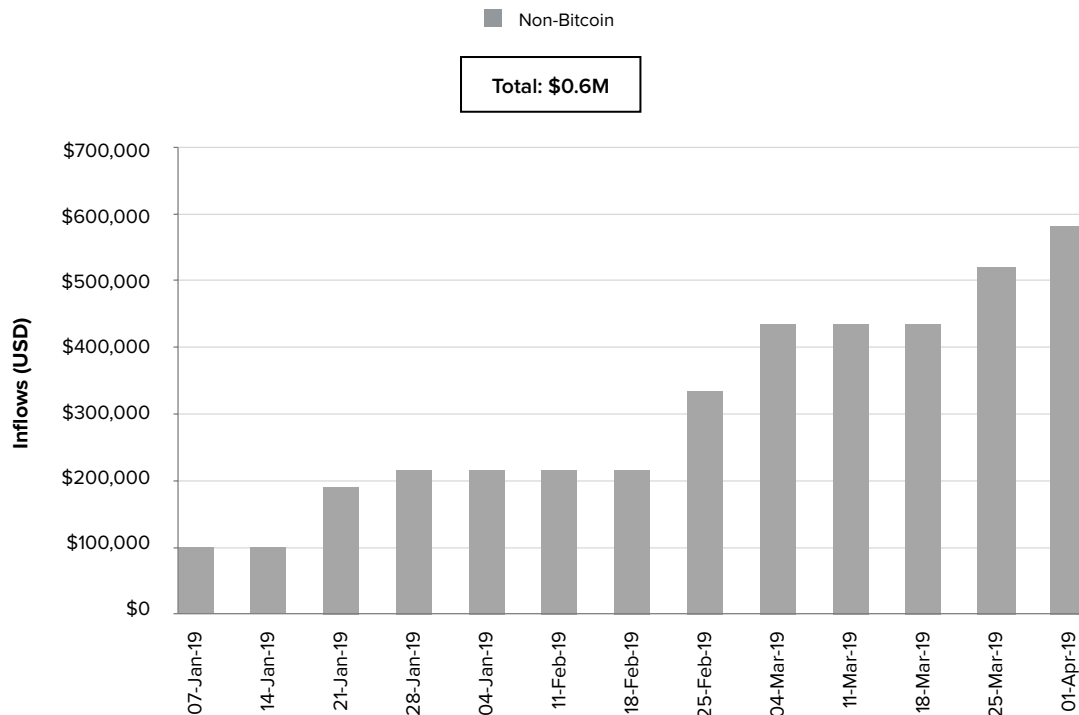
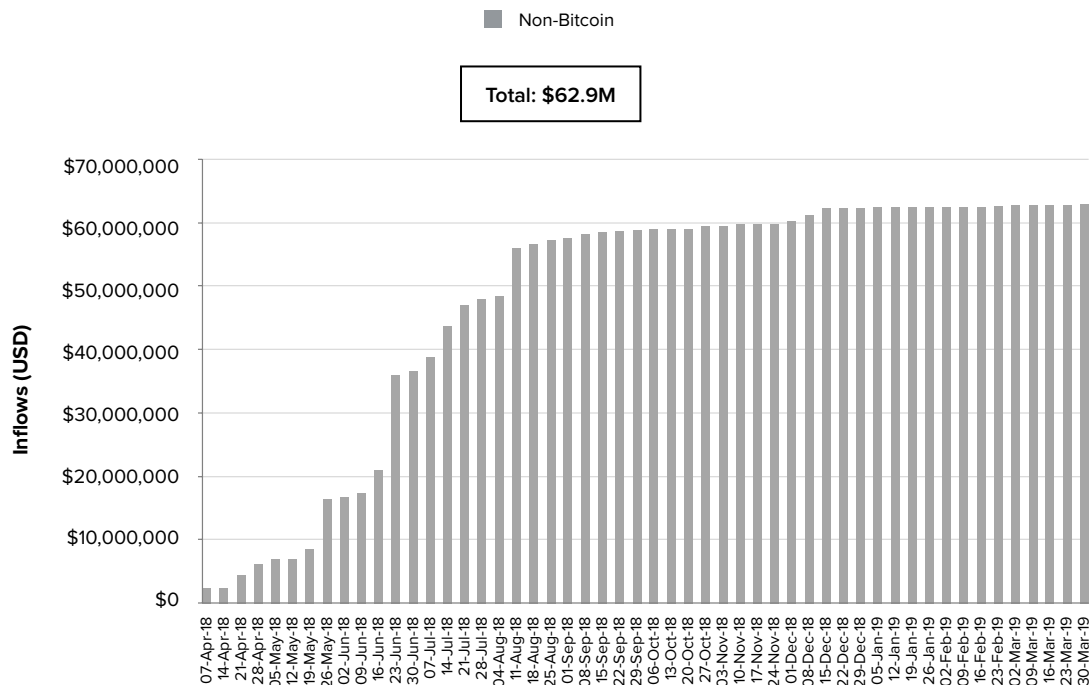


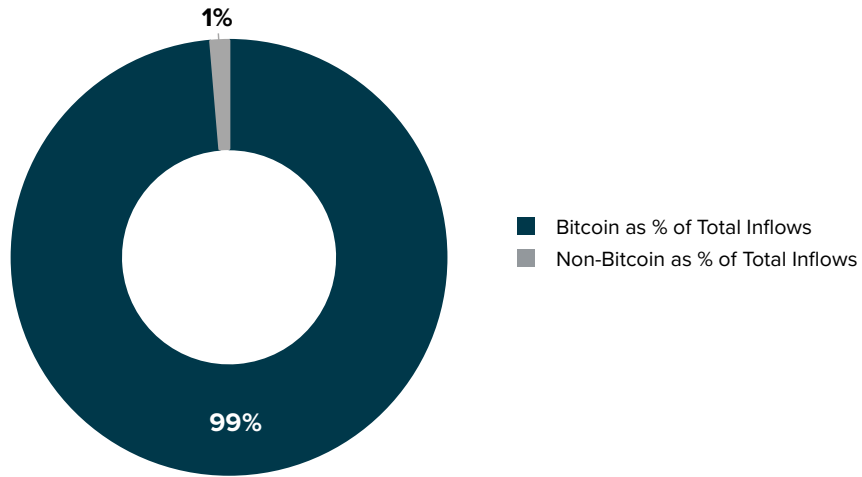
FIGURE 13: **GRAYSCALE NON-BITCOIN CUMULATIVE INFLOWS – TRAILING 12-MONTHS**  
April 1, 2018 through March 31, 2019





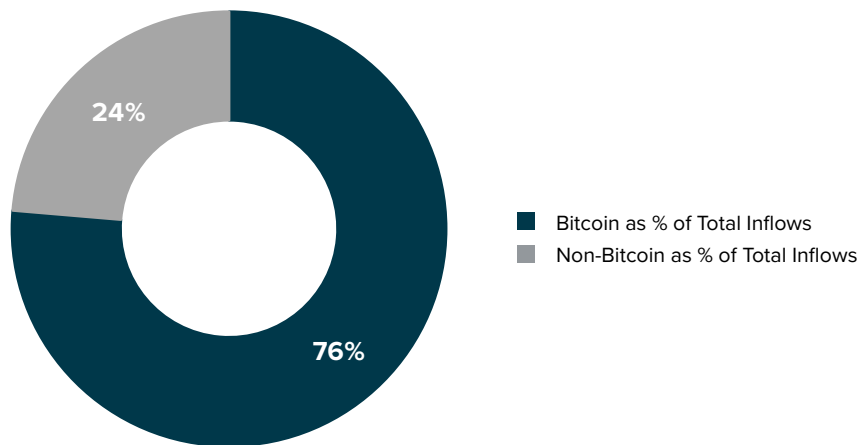
In the first quarter, 99% of inflows were into Grayscale Bitcoin Trust, while 1% were into non-Bitcoin products.

FIGURE 14: **GRAYSCALE PRODUCT TYPE AS % OF TOTAL INFLOWS – Q1 2019**  
January 1, 2019 through March 31, 2019



This was a fairly significant departure from what we have witnessed over the trailing twelve months, where 76% of inflows were into Grayscale Bitcoin Trust and 24% were into other products.

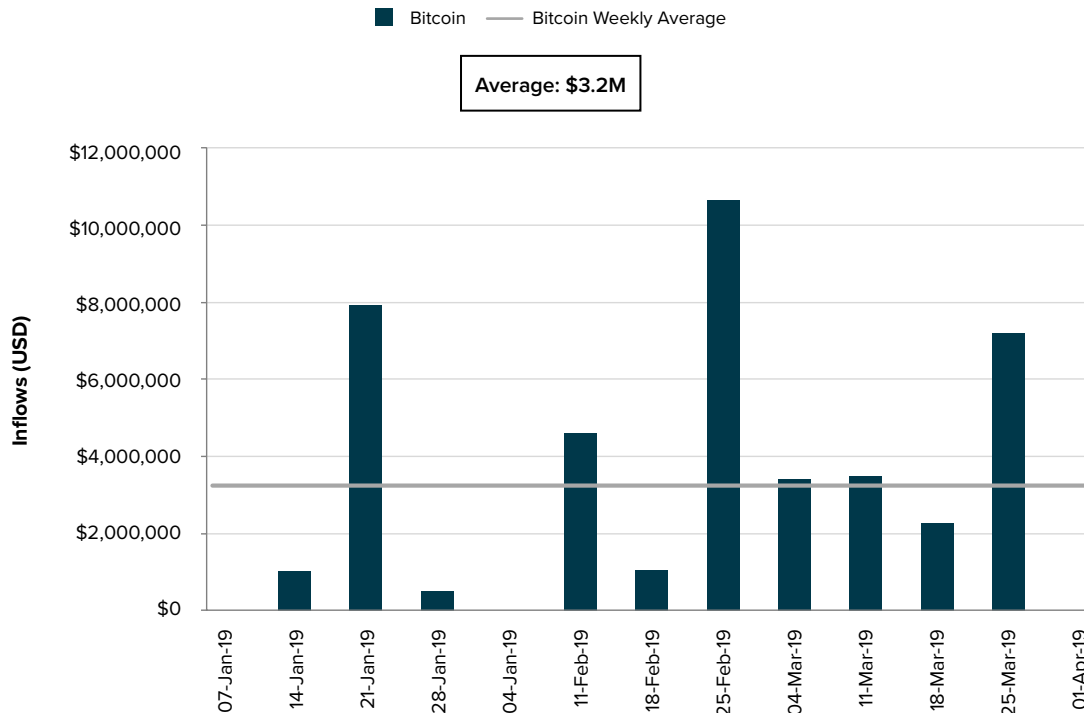
FIGURE 15: **PRODUCT TYPE AS % OF TOTAL ASSETS RAISED – TRAILING 12-MONTHS**  
April 1, 2018 through March 31, 2019



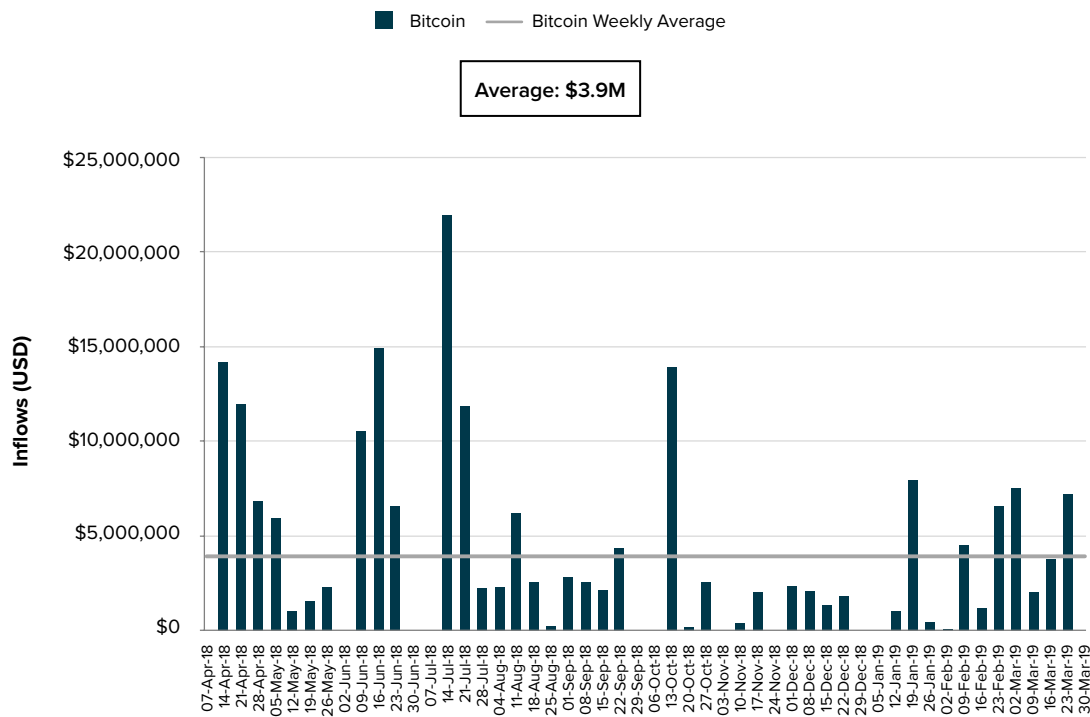


In Q1, the average weekly inflow into Grayscale Bitcoin Trust was \$3.2 million, bringing the trailing twelve month figure to \$3.9 million.

**FIGURE 16: GRAYSCALE BITCOIN TRUST WEEKLY INFLOWS – Q1 2019**  
January 1, 2019 through March 31, 2019



**FIGURE 17: GRAYSCALE BITCOIN TRUST WEEKLY INFLOWS – TRAILING 12-MONTHS**  
April 1, 2019 through March 31, 2019





The average weekly inflow into non-Bitcoin products was \$45K this quarter, bringing the trailing twelve month average to \$1.2 million.

FIGURE 18: **GRAYSCALE NON-BITCOIN WEEKLY INFLOWS – Q1 2019**  
January 1, 2019 through March 31, 2019

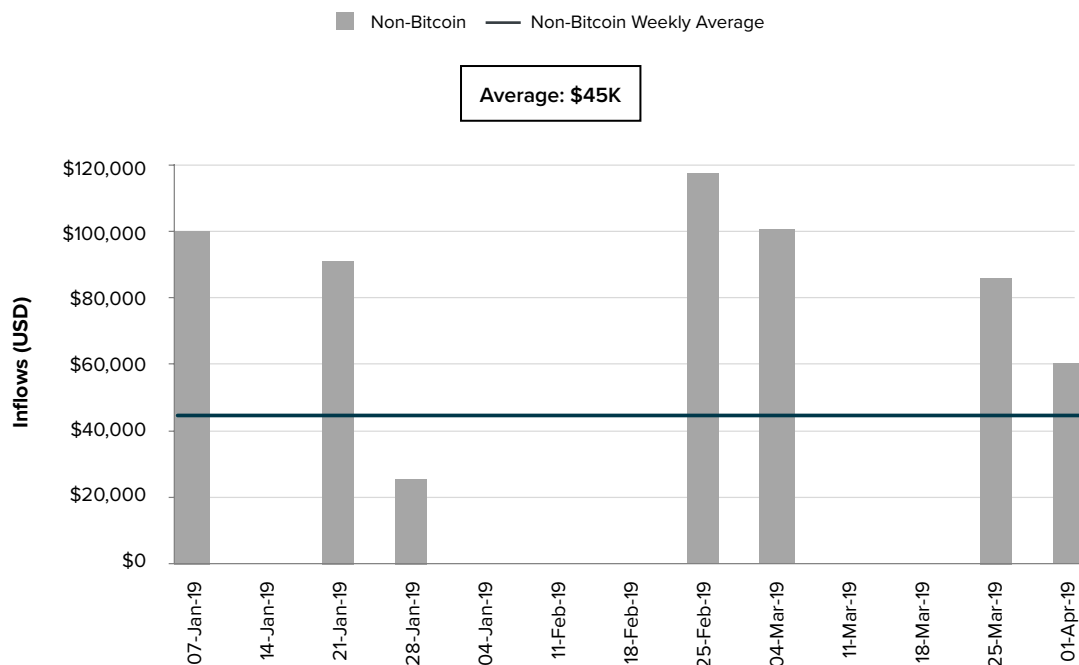
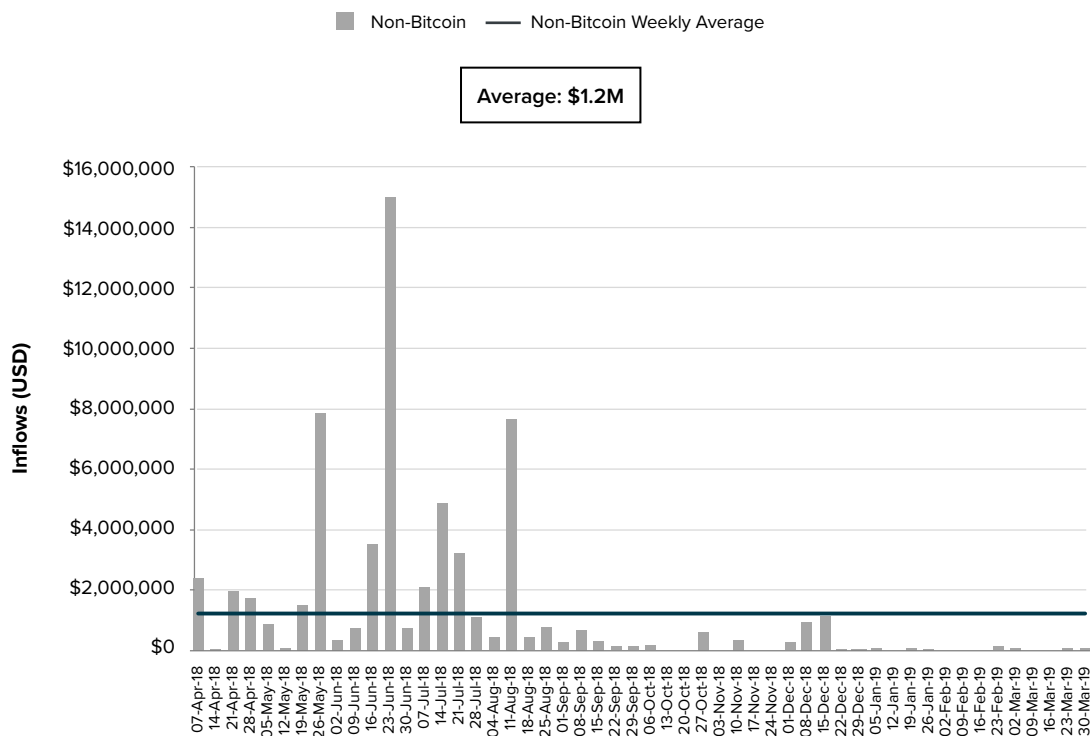


FIGURE 19: **GRAYSCALE NON-BITCOIN WEEKLY INFLOWS – TRAILING 12-MONTHS**  
April 1, 2018 through March 31, 2019



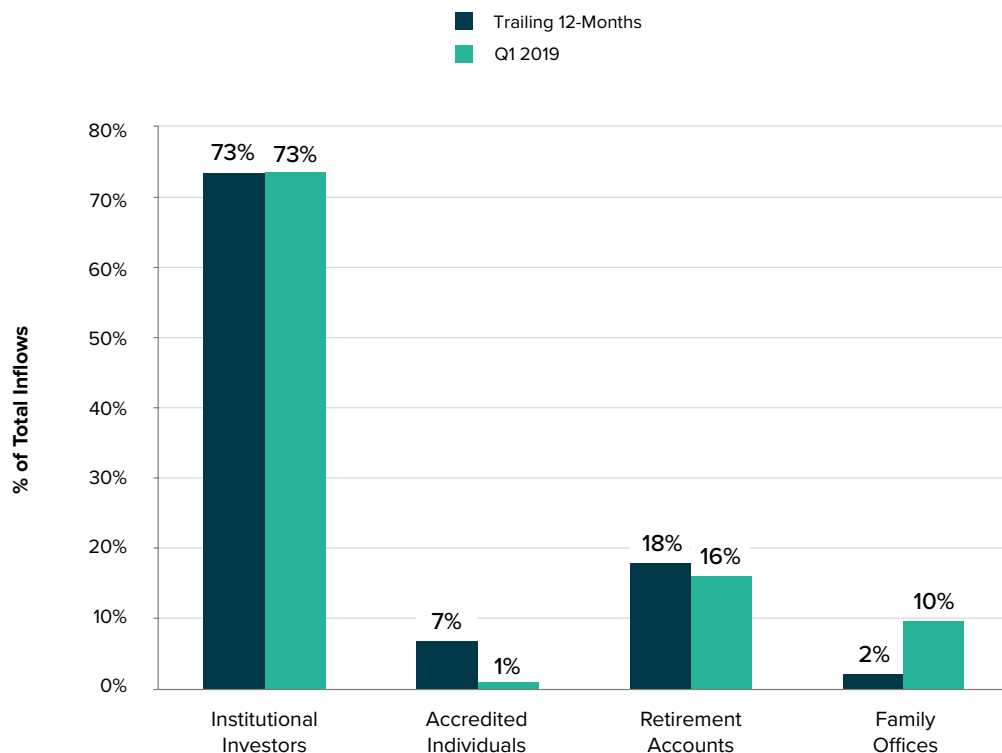


Despite a slowdown of investment in non-Bitcoin products in the first quarter, we remain actively engaged with our investor base on the unique applications, use cases, and investment opportunities associated with a spectrum of digital assets. We continue to believe in a future where multiple digital assets survive, thrive, and complement one another in the new digital economy, allowing them to play a diversifying role within investor portfolios.

## Investor Profiles

Institutional investors comprised the highest percentage of total demand for Grayscale products in the first quarter (73%). This was also consistent with their share of inflows over the trailing twelve months (73%). As we have mentioned in previous reports, many institutional investors may view the current drawdown as an attractive entry point to add to their core positions in digital assets.

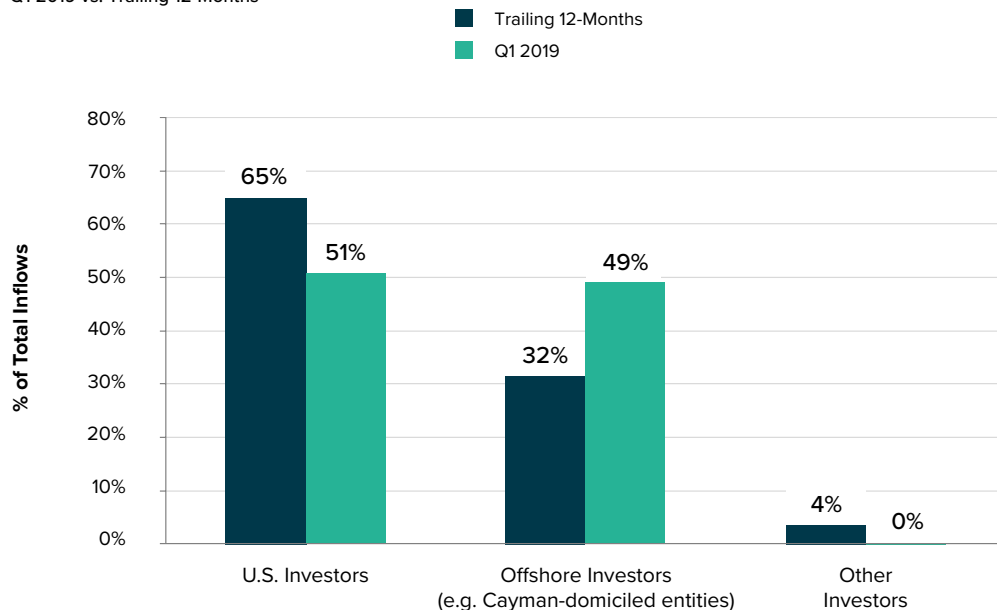
FIGURE 20: **GRAYSCALE INVESTOR PROFILE BY TYPE**  
Q1 2019 vs. Trailing 12-Months





Notably, inflows were roughly split between U.S. and offshore investors this quarter. In particular, hedge funds ramped up their exposure to Grayscale Bitcoin Trust substantially, from less than \$1 million in 4Q18 to approximately \$24 million in 1Q19.

FIGURE 21: **GRAYSCALE INVESTOR PROFILE BY GEOGRAPHY**  
Q1 2019 vs. Trailing 12-Months



## Conclusion

Grayscale is the world’s largest digital currency asset manager, with a proven track record and unrivaled experience. We give investors the tools to make informed investing decisions in a burgeoning asset class. As part of Digital Currency Group, Grayscale accesses the world’s biggest network of industry intelligence to build better investment products, including the publicly quoted Grayscale Bitcoin Trust™ ([OTCQX: GBTC](#)), Grayscale Ethereum Classic Trust™ ([OTCQX: ETCG](#)), and our flagship diversified product, Grayscale Digital Large Cap Fund™. We have removed the barrier to entry so that institutions and individual investors alike can benefit from exposure to digital currencies today.

Through our experience working with prominent investors around the world, we have compiled a proprietary dataset of digital asset investment activity. On a quarterly basis we will update and share this data with the market for two major reasons:

1. We believe it provides a unique perspective on digital asset investment activity that is distinct from what may be commonly understood.
2. It may be useful to both value and momentum investors as they seek to identify dislocations between market prices and capital flows.

We welcome your feedback as we continue to deliver new insights each quarter.





## About Grayscale Investments, LLC

Grayscale Investments is the world's largest digital currency asset manager. With a proven track record and unrivaled experience, we give investors the tools to make informed investing decisions in a burgeoning asset class. As part of Digital Currency Group, Grayscale accesses the world's biggest network of industry intelligence to build better investment products. We have removed the barrier to entry so that institutions and individual investors can benefit from exposure to digital currencies. Now, forward-thinking investors can embrace a digital future within an institutional grade investment.

Grayscale is headquartered in New York City. For more information on Grayscale, please visit [www.grayscale.co](http://www.grayscale.co) or follow us on Twitter [@GrayscaleInvest](https://twitter.com/GrayscaleInvest).







## Important Disclosures & Other Information

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Investors should be aware that Grayscale is the sponsor of Grayscale Bitcoin Trust (BTC), Grayscale Bitcoin Cash Trust (BCH), Grayscale Ethereum Trust (ETH), Grayscale Ethereum Classic Trust (ETC), Grayscale Litecoin Trust (LTC), Grayscale Horizon Trust (ZEN), Grayscale Stellar Lumens Trust (XLM), Grayscale XRP Trust (XRP) and Grayscale Zcash Trust (ZEC) (each, a “Trust”) and the manager of Grayscale Digital Large Cap Fund LLC (the “Fund”). The Trusts and the Fund are collectively referred to herein as the “Products”. Any Product currently offering Share creations is referred to herein as an “Offered Product”. Information provided about an Offered Product is not intended to be, nor should it be construed or used as investment, tax or legal advice, and prospective investors should consult their own advisors concerning an investment in such Offered Product. This report does not constitute an offer to sell or the solicitation of an offer to buy interests in any of the Products. Any offer or solicitation of an investment in a Product may be made only by delivery of such Product’s confidential offering documents (the “Offering Documents”) to qualified accredited investors (as defined under Rule 501(a) of Regulation D of the U.S. Securities Act of 1933, as amended), which contain material information not contained herein and which supersede the information provided herein in its entirety.

The Products are private investment vehicles. Shares of Grayscale Bitcoin Trust (BTC), which are only offered on a periodic basis, are publicly quoted under the symbol: GBTC. The Products are not subject to the same regulatory requirements as exchange traded funds or mutual funds, including the requirement to provide certain periodic and standardized pricing and valuation information to investors. The Products are not registered with the Securities and Exchange Commission (the “SEC”), any state securities laws, or the U.S. Investment Company Act of 1940, as amended. There are substantial risks in investing in one or more Products. Any interests in each Product described herein have not been recommended by any U.S. federal or state, or non-U.S., securities commission or regulatory authority, including the SEC. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

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## Note On Hypothetical Simulated Performance Results

HYPOTHETICAL SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. There is no guarantee that the market conditions during the past period will be present in the future. Rather, it is most likely that the future market conditions will differ significantly from those of this past period, which could have a materially adverse impact on future returns. Unlike an actual performance record, simulated results do not represent actual trading or the costs of managing the portfolio. Also, since the trades have not actually been executed, the results may have under or over compensated for the impact, if any, of certain market factors, such as lack of liquidity.

Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

The hypothetical simulated performance results are based on a model that used inputs that are based on assumptions about a variety of conditions and events and provides hypothetical not actual results. As with all mathematical models, results may vary significantly depending upon the value of the inputs given, so that a relatively minor modification of any assumption may have a significant impact on the result. Among other things, the hypothetical simulated performance calculations do not take into account all aspects of the applicable asset's characteristics under certain conditions, including characteristics that can have a significant impact on the results. Further, in evaluating the hypothetical simulated performance results herein, each prospective investor should understand that not all of the hypothetical assumptions used in the model are described herein, and conditions and events that are not accounted for by the model may have a significant adverse effect on the performance of the assets described herein. Prospective investors should consider whether the behavior of these assets should be tested based on different and/or additional assumptions from those included in the information herein.

IN ADDITION TO OTHER DIFFERENCES, PROSPECTIVE INVESTORS IN A PRODUCT SHOULD NOTE THE FOLLOWING POTENTIALLY SIGNIFICANT DIFFERENCES BETWEEN THE ASSUMPTIONS MADE IN THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS INCLUDED HEREIN AND THE CONDITIONS UNDER WHICH A PRODUCT WILL PERFORM, WHICH COULD CAUSE THE ACTUAL RETURN OF SUCH PRODUCT TO DIFFER CONSIDERABLY FROM RETURNS SET FORTH BY THE HYPOTHETICAL SIMULATED PERFORMANCE, TO BE MATERIALLY LOWER THAN THE RETURNS AND TO RESULT IN LOSSES OF SOME OR ALL OF THE INVESTMENT BY PROSPECTIVE INVESTORS:

FOR EXAMPLE, EACH TRUST WILL HOLD ONLY ONE DIGITAL ASSET, WHEREAS THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS ARE INTENDED TO SHOW HYPOTHETICAL PERFORMANCE OF AN INVESTMENT MULTIPLE DIGITAL ASSETS. IN ADDITION, THE GENERAL MARKET DATA USED IN THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS DO NOT REFLECT ACTUAL TRADING ACTIVITY AND COULD NOT BE REPLICATED BY A PRODUCT IN ITS ACTUAL TRANSACTIONS. If actual trading activity was executed at levels that differed significantly from the general market data used in the hypothetical simulated performance, the actual returns achieved would have varied considerably from the results of the hypothetical simulated performances and could have been substantially lower and could result in significant losses.

IN ADDITION, THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS DO NOT ASSUME ANY GAINS OR LOSSES FROM TRADING AND THEREFORE DO NOT REFLECT THE POTENTIAL LOSSES, COSTS AND RISKS POSED BY TRADING AND HOLDING ACTUAL ASSETS.

The hypothetical simulated performance results do not reflect the impact the market conditions may have had upon a Product were it in existence during the historical period selected. The hypothetical simulated performance results do not reflect any fees incurred by a Product. If such amounts had been included in the hypothetical simulated performance, the results would have been lowered.

AS A RESULT OF THESE AND OTHER DIFFERENCES, THE ACTUAL RETURNS OF A PRODUCT MAY BE HIGHER OR LOWER THAN THE RETURNS SET FORTH IN THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS, WHICH ARE HYPOTHETICAL AND MAY NEVER BE ACHIEVED. Reasons for a deviation may also include, but are by no means limited to, changes in regulatory and/or tax law, generally unfavorable market conditions and the Risk Factors set forth below.





## Certain Risk Factors

Each Product is a private, unregistered investment vehicle and not subject to the same regulatory requirements as exchange traded funds or mutual funds, including the requirement to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in a Product or in digital assets directly, including but not limited to:

- **PRICE VOLATILITY**  
Digital assets have historically experienced significant intraday and long-term price swings. In addition, none of the Products currently operates a redemption program and may halt creations from time to time or, in the case of Grayscale Bitcoin Trust (BTC), periodically. There can be no assurance that the value of the common units of fractional undivided beneficial interest (“Shares”) of any Product will approximate the value of the digital assets held by such Product and such Shares may trade at a substantial premium over or discount to the value of the digital assets held by such Product. At this time, none of the Products is operating a redemption program and therefore Shares are not redeemable by any Product. Subject to receipt of regulatory approval from the SEC and approval by Grayscale, in its sole discretion, any Product may in the future operate a redemption program. Because none of the Products believes that the SEC would, at this time, entertain an application for the waiver of rules needed in order to operate an ongoing redemption program, none of the Products currently has any intention of seeking regulatory approval from the SEC to operate an ongoing redemption program.
- **MARKET ADOPTION**  
It is possible that digital assets generally or any digital asset in particular will never be broadly adopted by either the retail or commercial marketplace, in which case, one or more digital assets may lose most, if not all, of its value.
- **GOVERNMENT REGULATION**  
The regulatory framework of digital assets remains unclear and application of existing regulations and/or future restrictions by federal and state authorities may have a significant impact on the value of digital assets.
- **SECURITY**  
While each Product has implemented security measures for the safe storage of its digital assets, there have been significant incidents of digital asset theft and digital assets remains a potential target for hackers. Digital assets that are lost or stolen cannot be replaced, as transactions are irrevocable.
- **TAX TREATMENT OF VIRTUAL CURRENCY**  
For U.S. federal income tax purposes, Digital Large Cap Fund will be a passive foreign investment company (a “PFIC”) and, in certain circumstances, may be a controlled foreign corporation (a “CFC”). Digital Large Cap Fund will make available a PFIC Annual Information Statement that will include information required to permit each eligible shareholder to make a “qualified electing fund” election (a “QEF Election”) with respect to Digital Large Cap Fund. Each of the other Products intends to take the position that it is a grantor trust for U.S. federal income tax purposes. Assuming that a Product is properly treated as a grantor trust, Shareholders of that Product generally will be treated as if they directly owned their respective pro rata shares of the underlying assets held in the Product, directly received their respective pro rata shares of the Product’s income and directly incurred their respective pro rata shares of the Product’s expenses. Most state and local tax authorities follow U.S. income tax rules in this regard. Prospective investors should discuss the tax consequences of an investment in a Product with their tax advisors.
- **NO SHAREHOLDER CONTROL**  
Grayscale, as sponsor of each Trust and the manager of the Fund, has total authority over the Trusts and the Fund and shareholders’ rights are extremely limited.
- **LACK OF LIQUIDITY AND TRANSFER RESTRICTIONS**  
An investment in a Product will be illiquid and there will be significant restrictions on transferring interests in such Product. The Products are not registered with the SEC, any state securities laws, or the U.S. Investment Company Act of 1940, as amended, and the Shares of each Product are





being offered in a private placement pursuant to Rule 506(c) under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”). As a result, the Shares of each Product are restricted Shares and are subject to a one-year holding period in accordance with Rule 144 under the Securities Act. In addition, none of the Products currently operates a redemption program. Because of the one-year holding period and the lack of an ongoing redemption program, Shares should not be purchased by any investor who is not willing and able to bear the risk of investment and lack of liquidity for at least one year. No assurances are given that after the one year holding period, there will be any market for the resale of Shares of any Product, or, if there is such a market, as to the price at such Shares may be sold into such a market.

- **POTENTIAL RELIANCE ON THIRD-PARTY MANAGEMENT; CONFLICTS OF INTEREST**  
Products and their sponsors or managers and advisors may rely on the trading expertise and experience of third-party sponsors, managers or advisors, the identity of which may not be fully disclosed to investors. The Products and their sponsors or managers and advisors and agents may be subject to various conflicts of interest.
- **FEES AND EXPENSES**  
Each Product’s fees and expenses (which may be substantial regardless of any returns on investment) will offset each Product’s trading profits.

### Additional General Disclosures

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