

Digital Asset Investment Report



2019





Digital Asset Investment Report

TOTAL AUM¹
\$2.0B

2019 Highlights²

- Total Investment into Grayscale Products: **\$607.7 million**
- Average Weekly Investment – All Products: **\$11.7 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$9.1 million³**
- Average Weekly Investment – Grayscale Products ex Bitcoin Trust: **\$2.6 million**
- Majority of investment (**71%**) came from institutional investors, dominated by hedge funds.

Q419 Highlights⁴

- Total Investment into Grayscale Products: **\$225.5 million**
- Average Weekly Investment – All Products: **\$17.3 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$14.9 million⁵**
- Average Weekly Investment – Grayscale Products ex Bitcoin Trust⁶: **\$2.4 million**

The Takeaway

Grayscale raised **\$607.7 million** in 2019, surpassing cumulative investment from 2013 through 2018 combined. Cumulative investment across the Grayscale family of products since inception reached **\$1.17 billion**.⁷

Grayscale saw back-to-back quarterly investment in excess of **\$225 million** in 3Q19 and 4Q19. Grayscale Bitcoin Trust 4Q19 investment of **\$193.8 million** marked the largest quarterly capital raise since inception.⁸

Grayscale expanded its investor base by approximately **24%** in 2019, bringing on new clients that collectively accounted for **\$146.9 million** of investment. The remaining **\$460.8 million** came from existing investors. Moreover, **36%** of clients now have allocations to multiple products within the Grayscale family, while the remaining **64%** are invested in a single product.

1. As of December 31, 2019.

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

3. Grayscale Bitcoin Trust was periodically closed to new investment throughout 2019.

4. For the period from October 1, 2019 through December 31, 2019.

5. Grayscale Bitcoin Trust was open to new investment from October 8, 2019 through October 22, 2019 but was otherwise closed in Q419.

6. "Grayscale Products ex Bitcoin Trust" include Grayscale Bitcoin Cash Trust, Grayscale Ethereum Trust, Grayscale Ethereum Classic Trust, Grayscale

Horizen Trust, Grayscale Litecoin Trust, Grayscale Stellar Lumens Trust, Grayscale XRP Trust, Grayscale Zcash Trust, and Grayscale Digital Large Cap Fund.

7. Inception date: September 25, 2013.

8. Ibid.



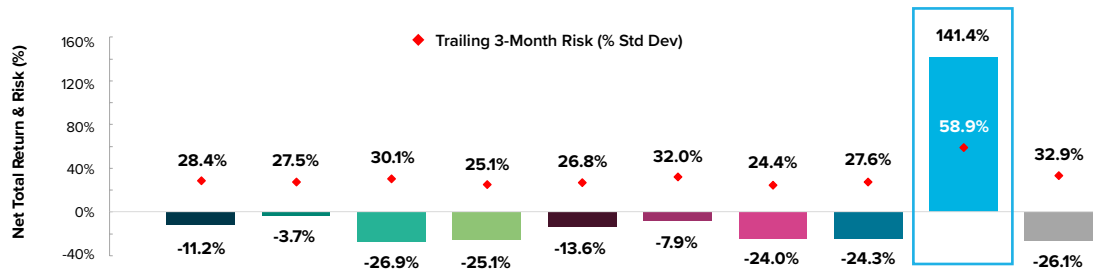


Grayscale Performance Highlights

As outlined in the [Grayscale Performance & Risk Monitor \(Q4 2019\)](#), the digital asset market saw further declines in 4Q19, albeit amid lower volatility than the previous quarter, as reflected by the risk indicators in Figure 1. While nine out of ten products in the Grayscale family produced negative returns this quarter, Grayscale Horizen Trust was a clear outperformer, posting a return of more than 140% and showing that diversification can still benefit digital asset portfolios.

FIGURE 1: GRAYSCALE INVESTMENT PRODUCT PERFORMANCE & RISK – 4Q19⁹
SEPTEMBER 30, 2019 THROUGH DECEMBER 31, 2019

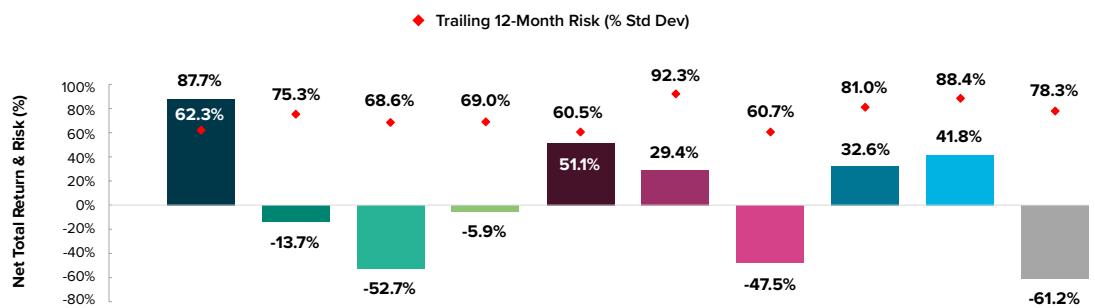
	Grayscale [®] Bitcoin Trust	Grayscale [®] Ethereum Classic Trust	Grayscale [®] Zcash Trust	Grayscale [®] Ethereum Trust	Grayscale [®] Digital Large Cap Fund	Grayscale [®] Bitcoin Cash Trust	Grayscale [®] XRP Trust	Grayscale [®] Litecoin Trust	Grayscale [®] Horizen Trust	Grayscale [®] Stellar Lumens Trust
Net Total Return (% Cumulative)	-11.2%	-3.7%	-26.9%	-25.1%	-13.6%	-7.9%	-24.0%	-24.3%	141.4%	-26.1%
Risk (% Std Dev)	28.4%	27.5%	30.1%	25.1%	26.8%	32.0%	24.4%	27.6%	58.9%	32.9%



When looking at 2019, Grayscale product performance was even more disparate, split between positive and negative territory. Grayscale Bitcoin Trust (+87.7%), Grayscale Digital Large Cap Fund (+51.1%) and Grayscale Horizen Trust (+41.8%) were performance leaders, while Grayscale XRP Trust (-47.5%), Grayscale Zcash Trust (-52.7%), and Grayscale Stellar Lumens Trust (-61.2%) were laggards.

FIGURE 2: GRAYSCALE INVESTMENT PRODUCT PERFORMANCE & RISK – 2019¹⁰
DECEMBER 31, 2018 THROUGH DECEMBER 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
Net Total Return (% Cumulative)	87.7%	-13.7%	-52.7%	-5.9%	51.1%	29.4%	-47.5%	32.6%	41.8%	-61.2%
Risk (% Std Dev)	62.3%	75.3%	68.6%	69.0%	60.5%	92.3%	60.7%	81.0%	88.4%	78.3%



⁹ Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.
¹⁰ Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.





Grayscale Investment Highlights

For the second quarter in a row, Grayscale saw investment in excess of \$225 million, bringing 2019 investment to \$607.7, eclipsing cumulative investment from 2013 through 2018 combined.

FIGURE 3: GRAYSCALE ANNUAL INVESTMENT SINCE INCEPTION¹¹
SEPTEMBER 25, 2013 THROUGH DECEMBER 31, 2019

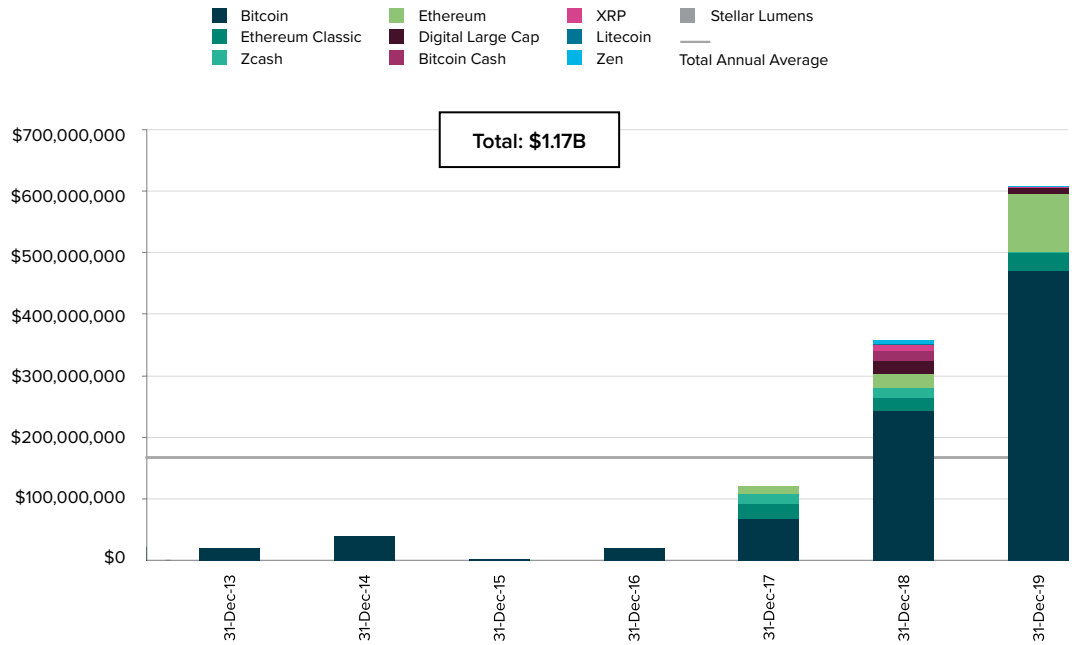
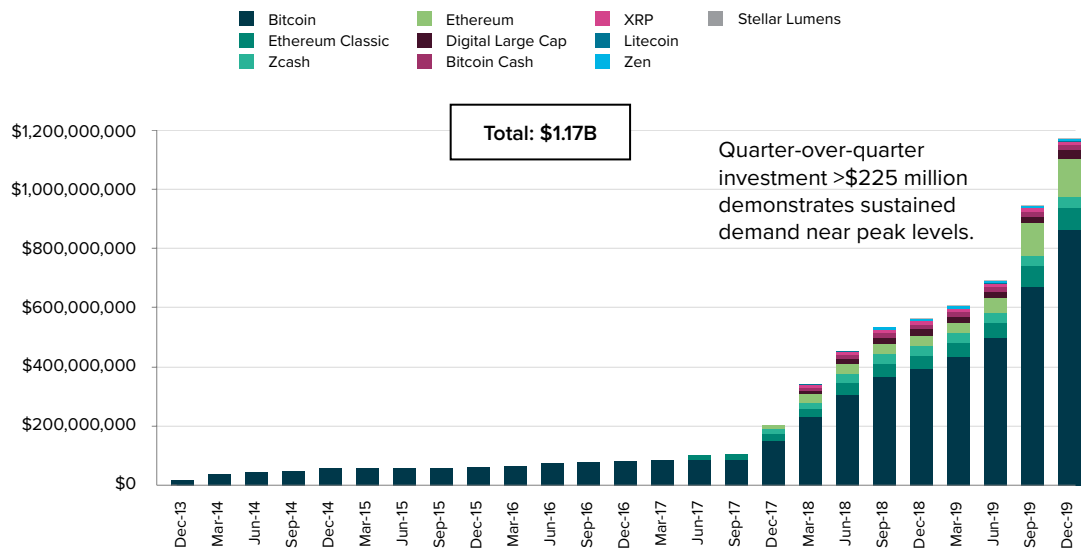


FIGURE 4: GRAYSCALE CUMULATIVE QUARTERLY INVESTMENT SINCE INCEPTION
SEPTEMBER 25, 2013 THROUGH DECEMBER 31, 2019

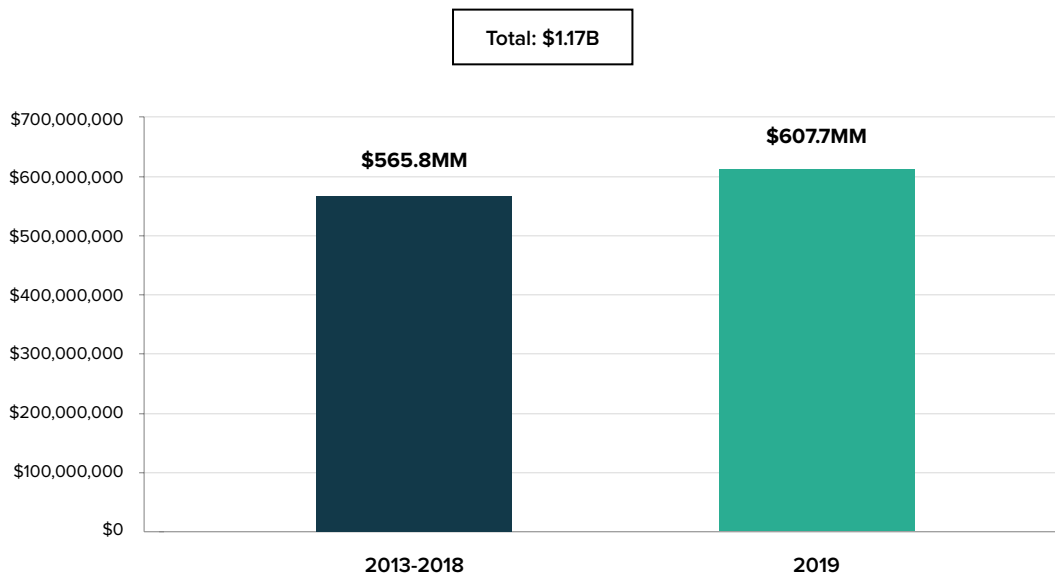


11. Inception date: September 25, 2013.





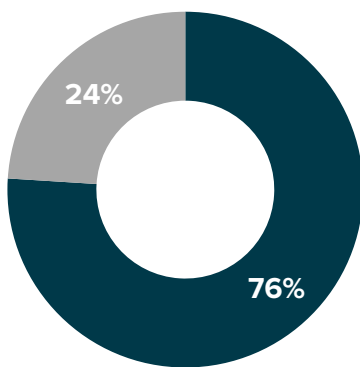
FIGURE 5: **GRAYSCALE CUMULATIVE INVESTMENT SINCE INCEPTION**¹²
SEPTEMBER 25, 2013 THROUGH DECEMBER 31, 2019



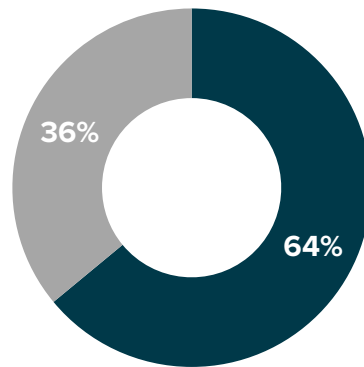
In 2019, Grayscale also brought on new clients that collectively accounted for \$146.9 million in new investment, or approximately 24% of total capital raised for the year. The other \$460.8 million (76%) came from existing investors. Moreover, 36% of clients now have allocations to multiple products within the Grayscale family, while the remaining 64% are invested in a single product.

FIGURE 6: **GRAYSCALE INVESTOR PROFILE BY TYPE & PRODUCT MIX (%)**

NEW VS. EXISTING INVESTORS (2019)



MULTI- VS. SINGLE-PRODUCT INVESTORS



- Existing Investors Share of Investment
- Single-Product Investors
- New Investors Share of Investment
- Multi-Product Investors

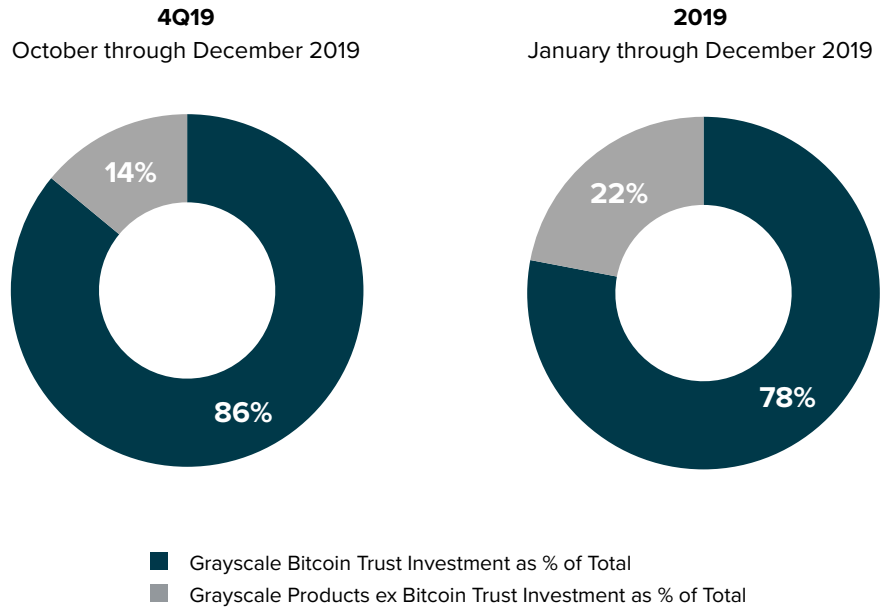
12. Inception date: September 25, 2013.





New allocations to Grayscale Products ex Bitcoin Trust in Q419 were proportionately lower than they have been over the course of the year. \$31.7 million (14%) of investments were made into Grayscale Products ex Bitcoin Trust this quarter, led by Grayscale Ethereum Trust (\$19.1 million) and Grayscale Digital Large Cap Fund (\$7.7 million).

FIGURE 7: GRAYSCALE PRODUCT CATEGORY AS % OF TOTAL INVESTMENT – 4Q19 VS. 2019



In the next section, we'll provide our standard series of investment activity analytics for 4Q19 and 2019.





Investment Activity through the Grayscale Lens

Grayscale raised \$225.5 million in 4Q19, bringing 2019 investment to \$607.7 million.

FIGURE 8: GRAYSCALE WEEKLY INVESTMENT BY PRODUCT – 4Q19
OCTOBER 1, 2019 THROUGH DECEMBER 31, 2019

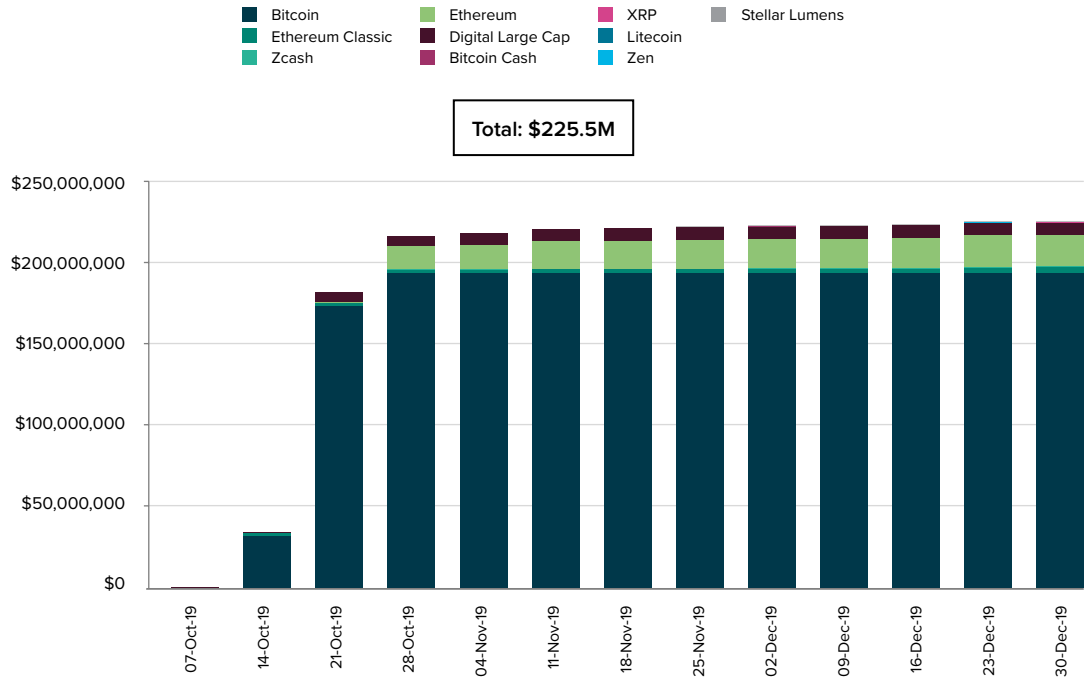
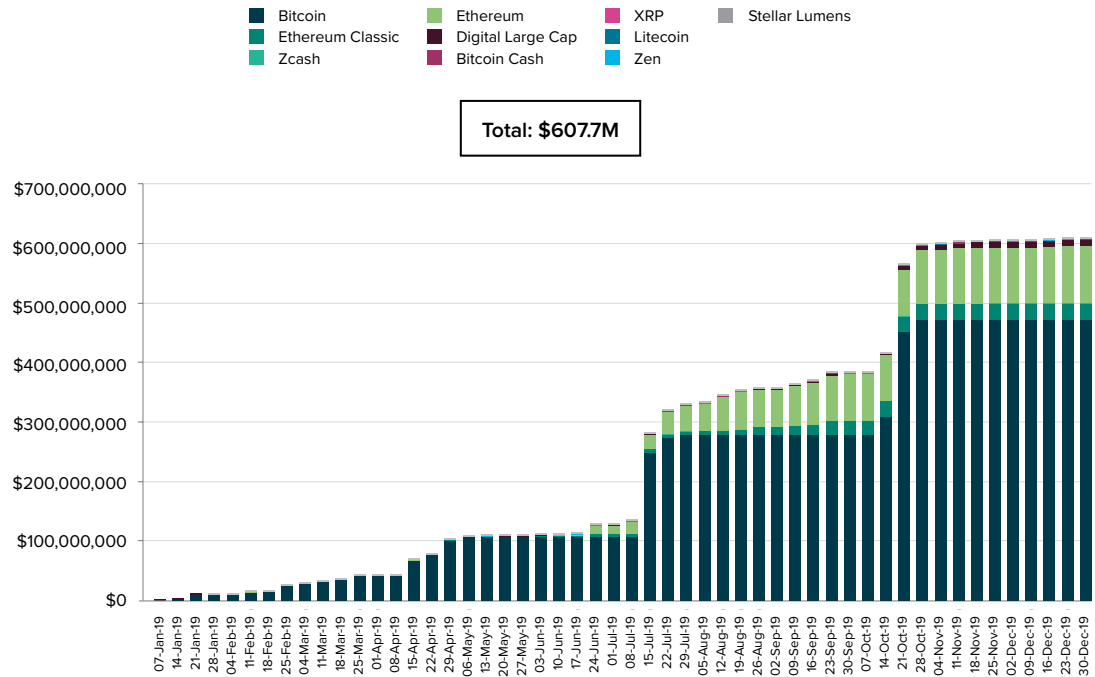


FIGURE 9: GRAYSCALE WEEKLY INVESTMENT BY PRODUCT – 2019
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019





Average weekly investment across all products this quarter was \$17.3 million, while average weekly investment for the full year was \$11.7 million. Investment for both the quarter and the year were not normally distributed as Grayscale Bitcoin Trust was closed to new investments throughout parts of the year.

FIGURE 10: GRAYSCALE WEEKLY INVESTMENT BY PRODUCT – 4Q19
OCTOBER 1, 2019 THROUGH DECEMBER 31, 2019

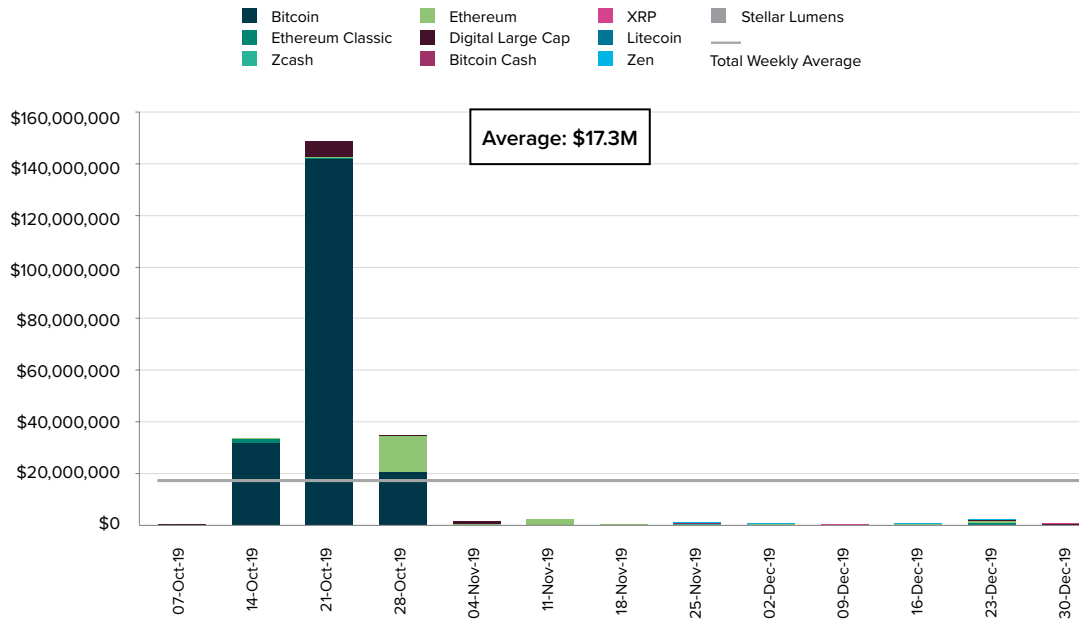
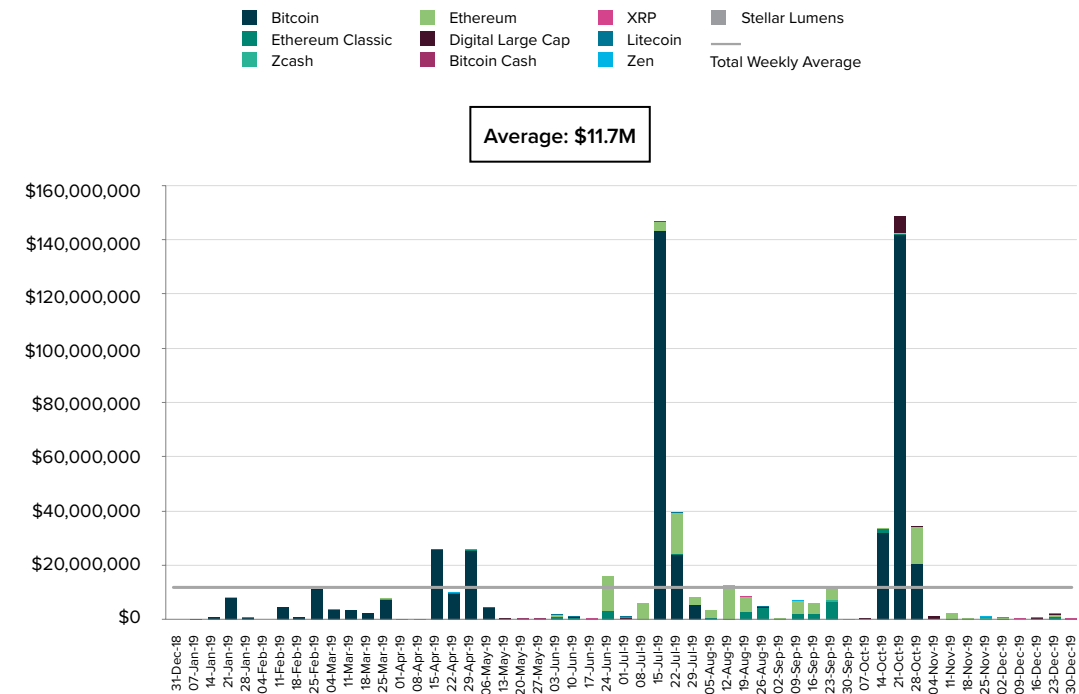


FIGURE 11: GRAYSCALE WEEKLY INVESTMENT BY PRODUCT – 2019
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019





In October, investments in Grayscale Bitcoin Trust hit \$193.8 million, the highest level we've seen in a single month, beating the previous monthly high of \$171.7 million raised in July 2019. This brought 2019 Grayscale Bitcoin Trust investment to \$471.7 million.

FIGURE 12: **GRAYSCALE BITCOIN TRUST CUMULATIVE WEEKLY INVESTMENT – 4Q19**
OCTOBER 1, 2019 THROUGH DECEMBER 31, 2019

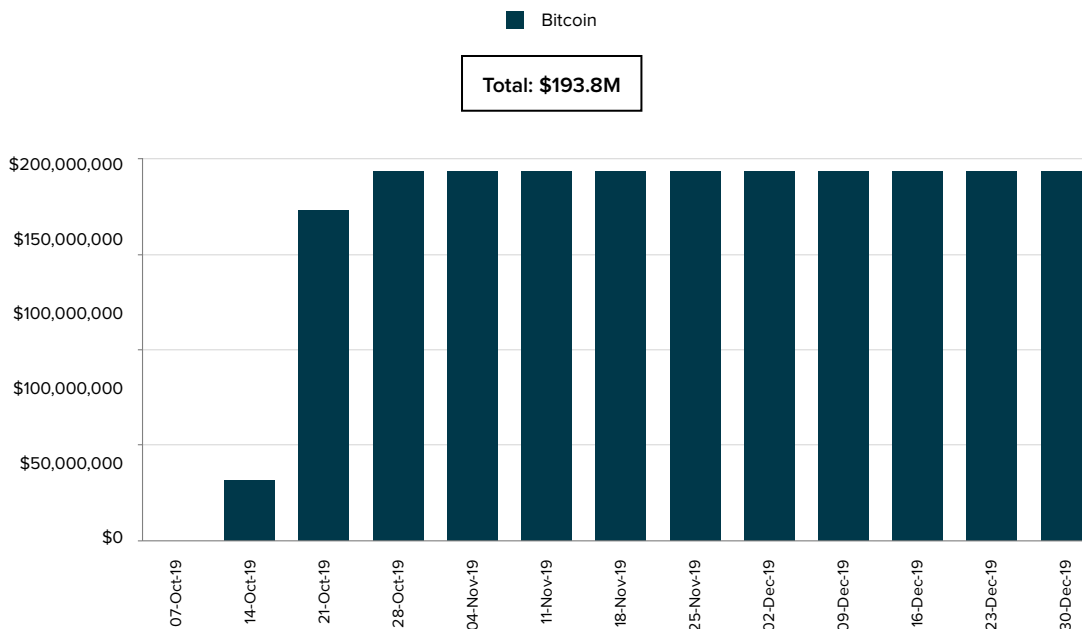
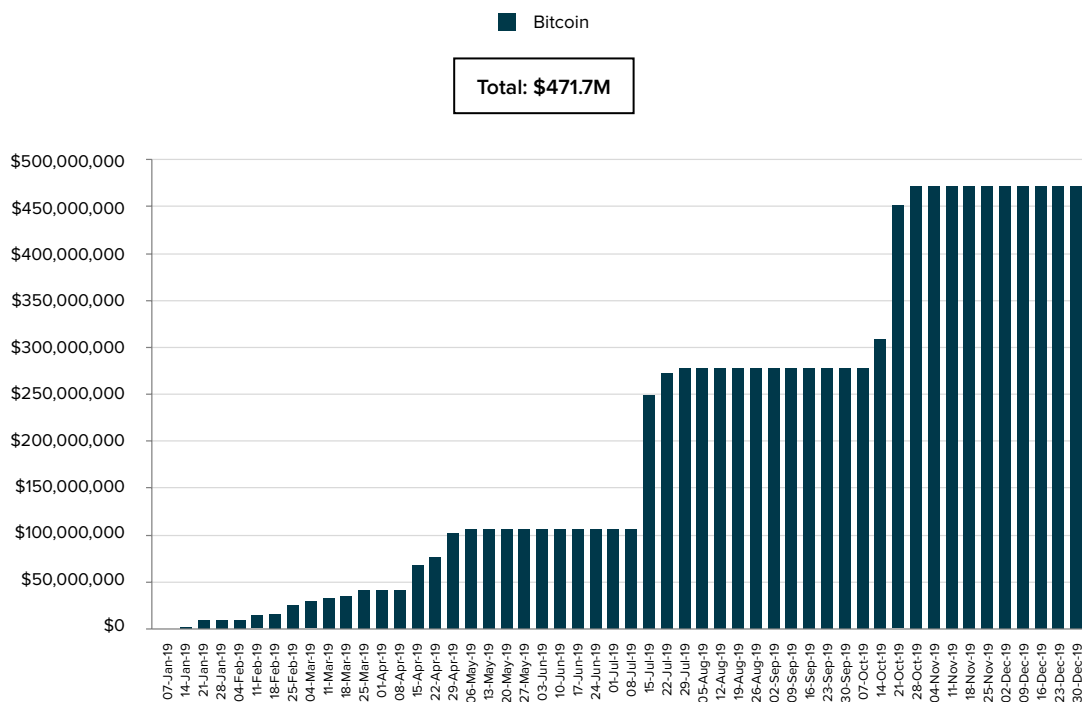


FIGURE 13: **GRAYSCALE BITCOIN TRUST CUMULATIVE WEEKLY INVESTMENT – 2019**
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019





In 4Q19, new demand for Grayscale Products ex Bitcoin Trust waned to \$31.7 million. Grayscale Ethereum Trust (\$19.1 million) and Grayscale Digital Large Cap Fund (\$7.7 million) were the investment leaders, bringing 2019 investment for Grayscale Products ex Bitcoin Trust to \$136 million.

FIGURE 14: **GRAYSCALE PRODUCTS EX BITCOIN TRUST CUMULATIVE WEEKLY INVESTMENT – 4Q19**
OCTOBER 1, 2019 THROUGH DECEMBER 31, 2019

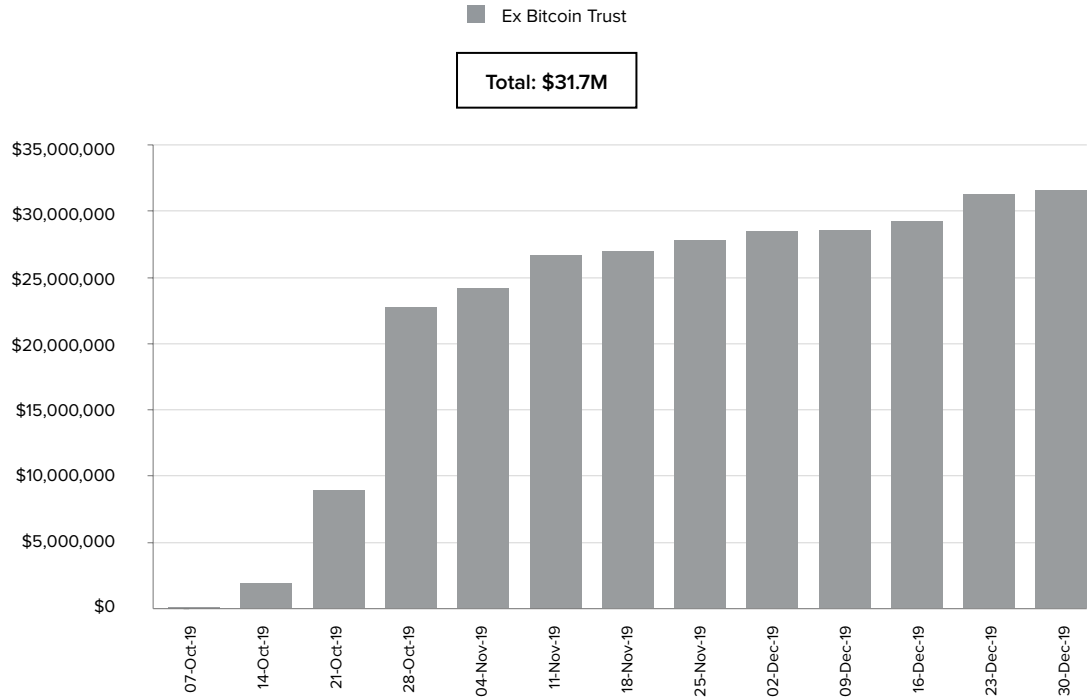
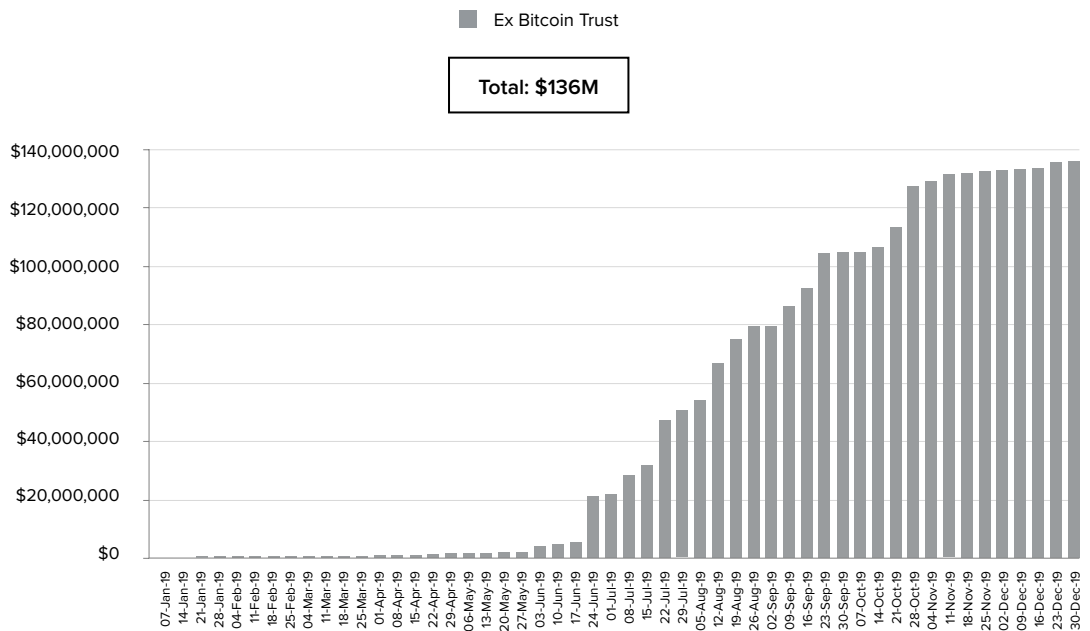


FIGURE 15: **GRAYSCALE PRODUCTS EX BITCOIN TRUST CUMULATIVE WEEKLY INVESTMENT – 2019**
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

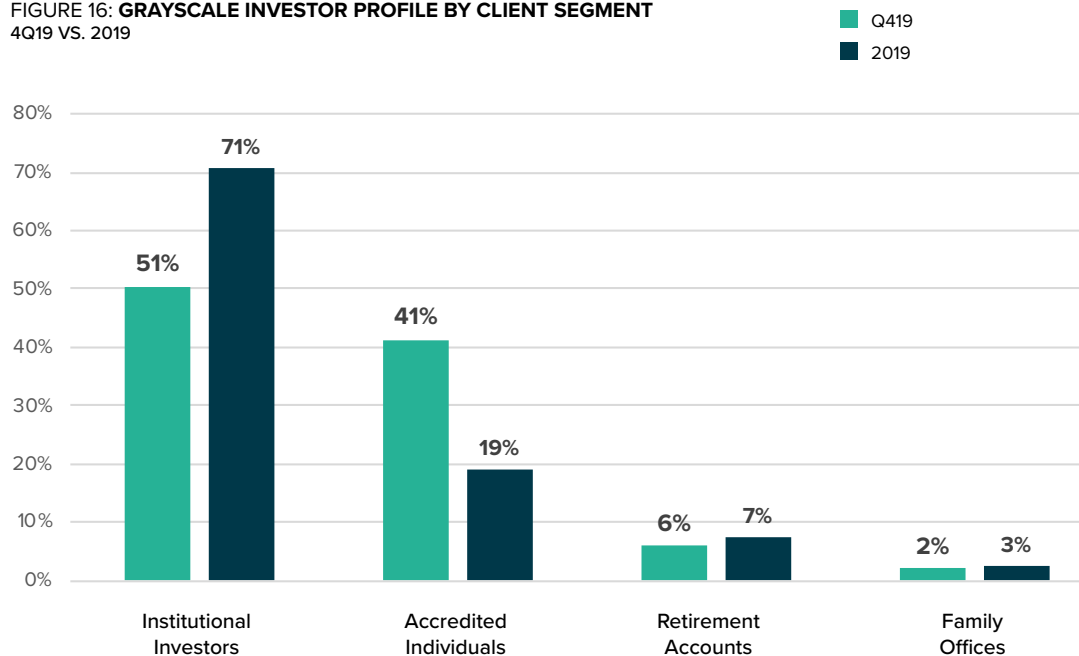




Investor Profiles

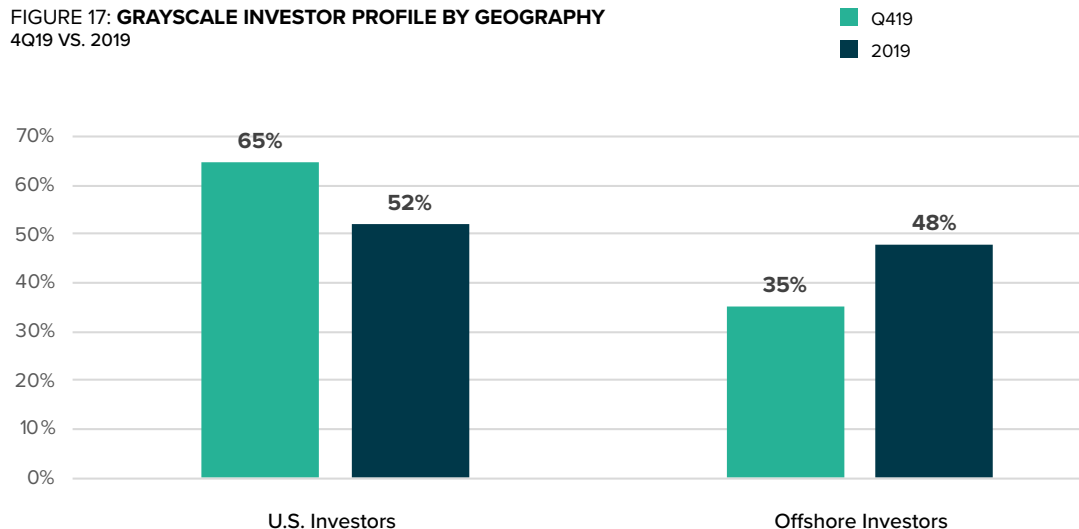
Institutional investors, primarily hedge funds, continued to be the primary source of investment capital for 2019 (71%). However, larger investments from high-net-worth individuals added a meaningful \$93.2 million of investment in 4Q19.

FIGURE 16: GRAYSCALE INVESTOR PROFILE BY CLIENT SEGMENT
4Q19 VS. 2019



The geographic source of new investment capital this quarter was more heavily weighted to U.S.-domiciled investors, while historically it has been roughly split between U.S. and offshore investors.

FIGURE 17: GRAYSCALE INVESTOR PROFILE BY GEOGRAPHY
4Q19 VS. 2019





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 Trust ([OTCQX: ETHE](#)), Grayscale Ethereum Classic Trust ([OTCQX: ETCG](#)), and our flagship diversified product, Grayscale Digital Large Cap Fund ([OTCQX: GDLCF](#)). We have removed the barrier to entry so that institutions and individual investors can benefit from exposure to digital currencies.

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.

As our dataset grows, we will create new analytics that can be used to identify trends in the digital asset investment landscape through the Grayscale lens.





About Grayscale Investments

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





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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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General Inquiries:

info@grayscale.co

Address: 250 Park Ave S 5th floor, New York, NY 10003

Phone: (212) 668-1427

@GrayscaleInvest