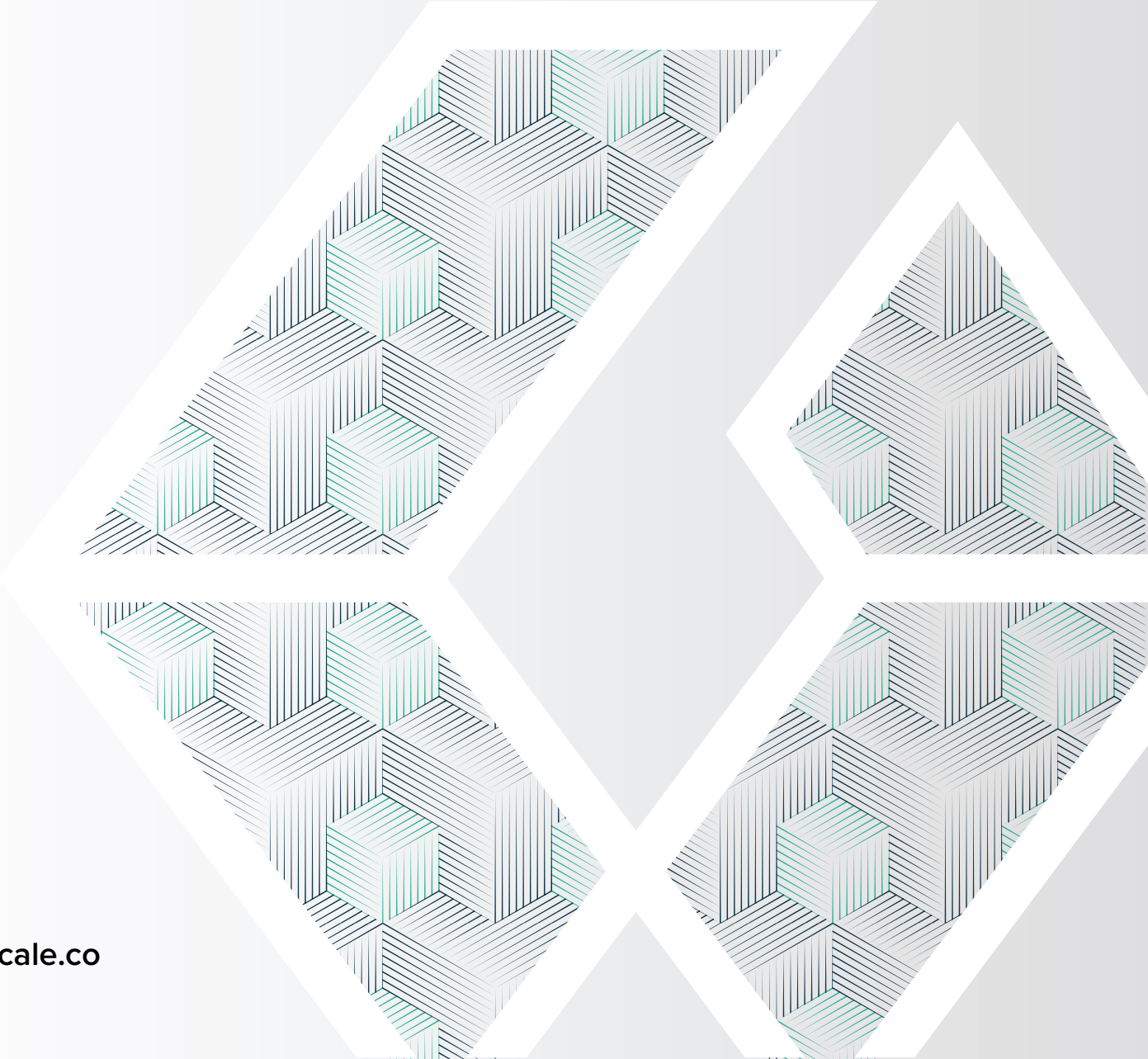


Digital Asset Investment Report

Q3 2018





Digital Asset Investment Report

TOTAL AUM¹
\$1.5B

Q3 2018 Highlights²

- Total Investment into Grayscale Products in Q3 2018: **\$81.1 million**
- Average Weekly Investment – All Products: **\$6.2 million**
- Average Weekly Investment – Bitcoin Investment Trust: **\$4.5 million**
- Average Weekly Investment – “Non-Bitcoin” Investment Products³: **\$1.7 million**
- Majority of investment (**70%**) came from institutional investors.

YTD 2018 Highlights⁴

- Total Investment into Grayscale Products in 2018: **\$329.5 million (↑ 33% in Q3)**
- Average Weekly Investment – All Products: **\$8.4 million**
- Average Weekly Investment – Bitcoin Investment Trust: **\$5.5 million**
- Average Weekly Investment – “Non-Bitcoin” Investment Products⁵: **\$2.9 million**
- Majority of investment (**59%**) has come from institutional investors.

The Takeaway

Despite a slight deceleration in the most recent quarter, new investment into Grayscale products remains strong. Grayscale raised \$81.1 million in Q3, bringing our year-to-date inflows to nearly \$330 million. This marks the strongest year-to-date inflows through September that we’ve experienced during any calendar year since the inception of our business.

Capital inflows continue across the entire Grayscale family of products, but Bitcoin is still king. In Q3, 73% of inflows were into Bitcoin Investment Trust, while 27% were into Grayscale products tied to other digital assets.

1. As of September 30, 2018.

2. For the period from June 30, 2018 through September 30, 2018.

3. “Non-Bitcoin” Investment Products include Bitcoin Cash Investment Trust, Ethereum Investment Trust, Ethereum Classic Investment Trust, Litecoin Investment Trust, XRP Investment Trust, Zcash Investment Trust, Zen Investment Trust, and Grayscale Digital Large Cap Fund LLC.

4. For the period from December 31, 2017 through September 30, 2018.

5. See footnote 3.





Institutional investors remain engaged with Grayscale products, logging into their digital asset allocations over time. Institutional investors' share of new investment increased to 70% in Q3, though the dollar-value invested was lower than in the two previous quarters.

A potential reversal? Bitcoin Investment Trust and XRP Investment Trust are bucking the trend on a possible reversal, generating the first positive quarterly returns for Grayscale products in 2018.

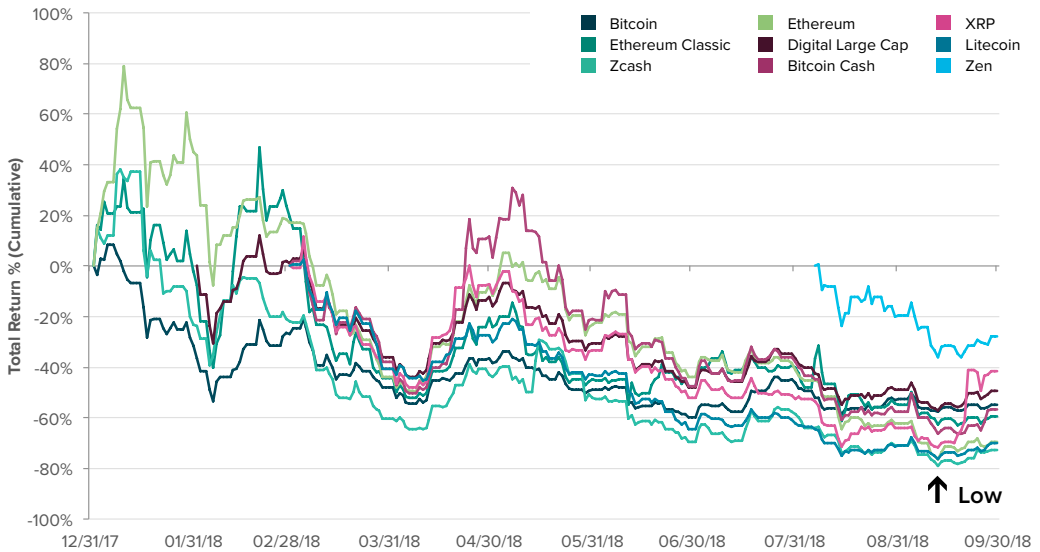
Investment Activity through the Grayscale Lens

As we first outlined in our inaugural quarterly investment report, the digital asset market remains in the midst of one of the largest price drawdowns since the inception of Bitcoin. While Q3 marked the lowest point of the 2018 drawdown, the Bitcoin Investment Trust and XRP Investment Trust seem to be bucking the trend on a potential reversal, generating the first positive quarterly returns for the Grayscale products this year.

FIGURE 1: GRAYSCALE INVESTMENT PRODUCT PERFORMANCE

Net Total Return (Cumulative %)

INVESTMENT PRODUCT	Bitcoin Investment Trust	Ethereum Classic Investment Trust	Zcash Investment Trust	Ethereum Investment Trust	Digital Large Cap Fund	Bitcoin Cash Investment Trust	XRP Investment Trust	Litecoin Investment Trust	Zen Investment Trust
Q3 2018	12.6%	-22.8%	-10.8%	-46.0%	-3.3%	-17.4%	21.3%	-16.4%	-27.7%
YTD 2018	-54.7%	-59.6%	-72.8%	-69.7%	-49.6%	-56.7%	-41.8%	-70.1%	-27.7%
Since Inception*	4635.7%	185.8%	-37.7%	-69.0%	-49.6%	-56.7%	-41.8%	-70.1%	-27.7%



*Inception dates were as follows: Bitcoin Investment Trust – September 25, 2013; Ethereum Classic Investment Trust – April 24, 2017; Zcash Investment Trust – October 24, 2017; Ethereum Investment Trust – December 14, 2017; Grayscale Digital Large Cap Fund LLC – February 1, 2018; Bitcoin Cash Investment Trust, XRP Investment Trust, Litecoin Investment Trust – March 1, 2018; Zen Investment Trust – August 6, 2018.





Despite a slight deceleration of investment into digital assets coinciding with the summer slowdown, Grayscale raised \$81.1 million over the last three months, bringing our year-to-date inflows to nearly \$330 million. This marks the strongest year-to-date inflows through September that we've experienced during any calendar year since the inception of our business. For example, through the third quarter of 2016 and 2017 we raised \$17.6 million and \$25.4 million, respectively. Moreover, it was the fourth highest asset raising quarter since Grayscale has been sponsoring and managing investment products.

FIGURE 2: GRAYSCALE CUMULATIVE INFLOWS BY INVESTMENT PRODUCT – Q3 2018
June 30, 2018 through September 30, 2018

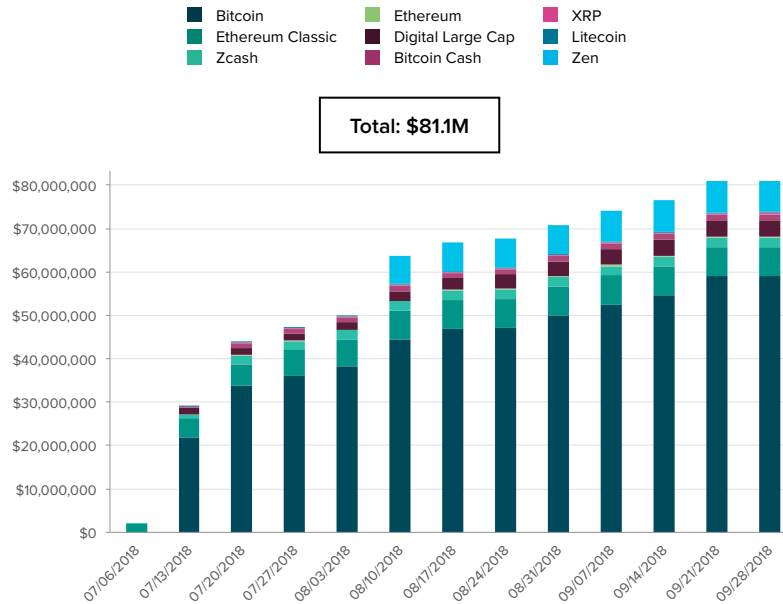
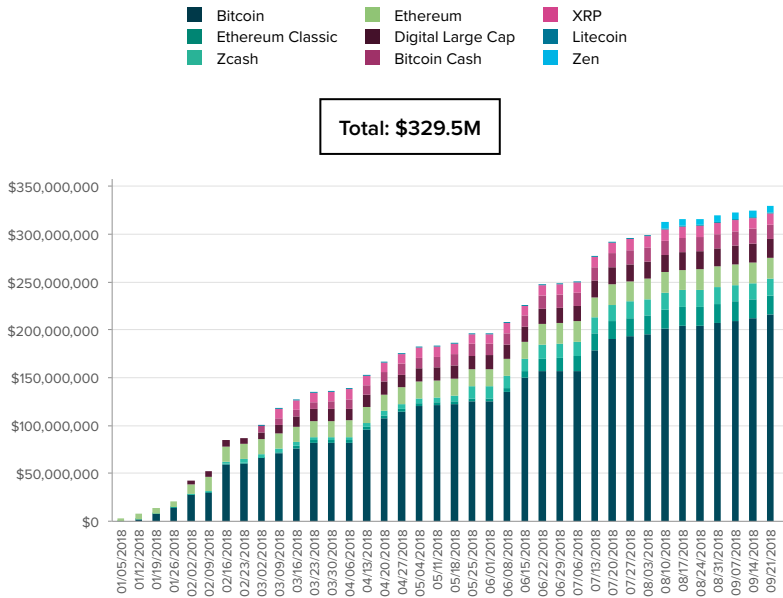


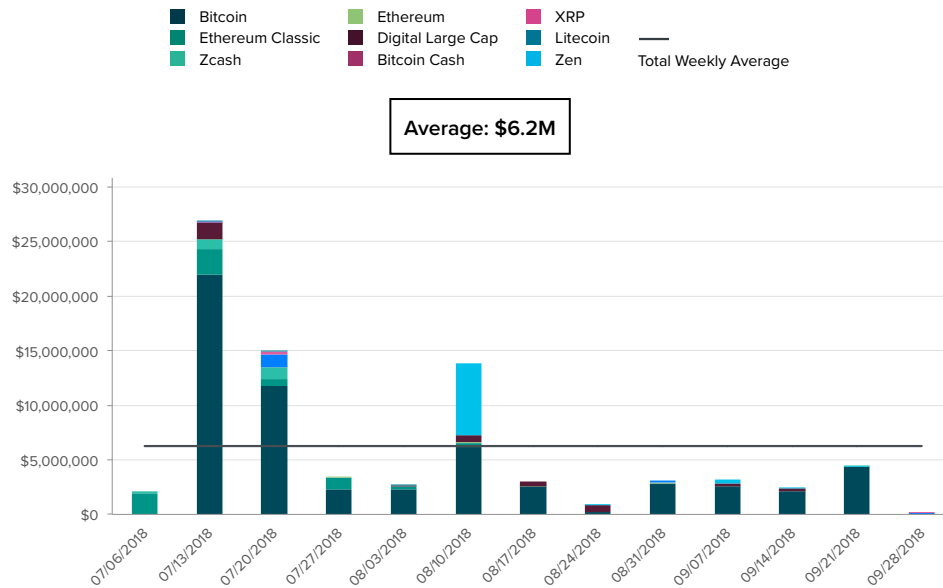
FIGURE 3: GRAYSCALE CUMULATIVE INFLOWS BY INVESTMENT PRODUCT – YTD 2018
December 31, 2017 through September 30, 2018





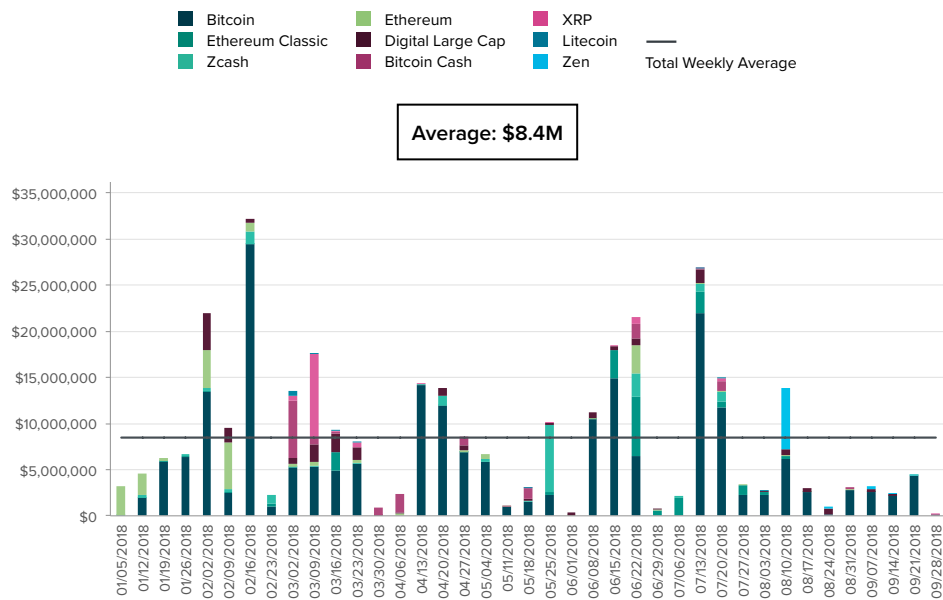
As shown in Figure 4, our average weekly investment across all products this quarter was \$6.2 million.

FIGURE 4: **GRAYSCALE WEEKLY INFLOWS BY INVESTMENT PRODUCT – Q3 2018**
June 30, 2018 through September 30, 2018



Which was strong, but a bit lower than our average weekly investment across all products for 2018.

FIGURE 5: **GRAYSCALE WEEKLY INFLOWS BY INVESTMENT PRODUCT – YTD 2018**
December 31, 2017 through September 30, 2018





Consistent with what we observed during the first half of the year, the majority of new investment this quarter continued to flow into Bitcoin Investment Trust.

FIGURE 6: BITCOIN INVESTMENT TRUST CUMULATIVE INFLOWS – Q3 2018
June 30, 2018 through September 30, 2018

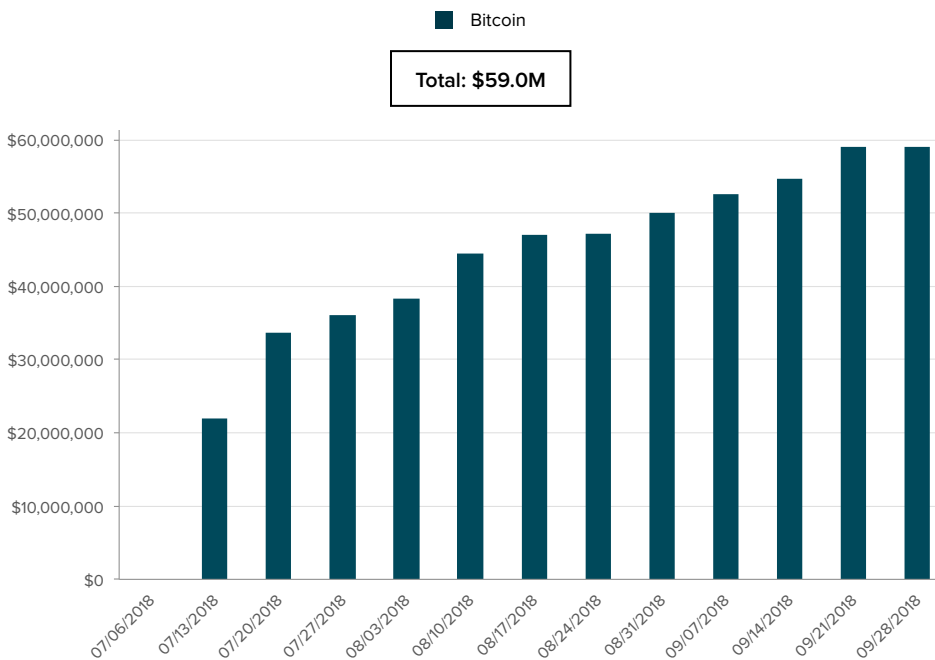
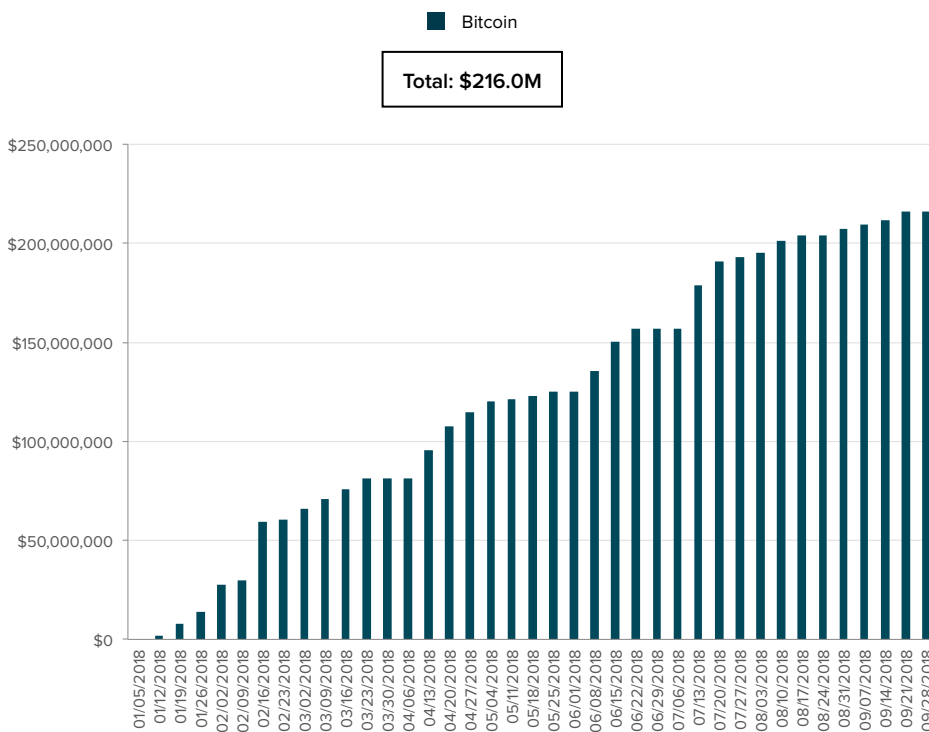


FIGURE 7: BITCOIN INVESTMENT TRUST CUMULATIVE INFLOWS – YTD 2018
December 31, 2017 through September 30, 2018





However, we still see investors diversifying into other digital assets.

FIGURE 8: GRAYSCALE NON-BITCOIN CUMULATIVE INFLOWS – Q3 2018
June 30, 2018 through September 30, 2018

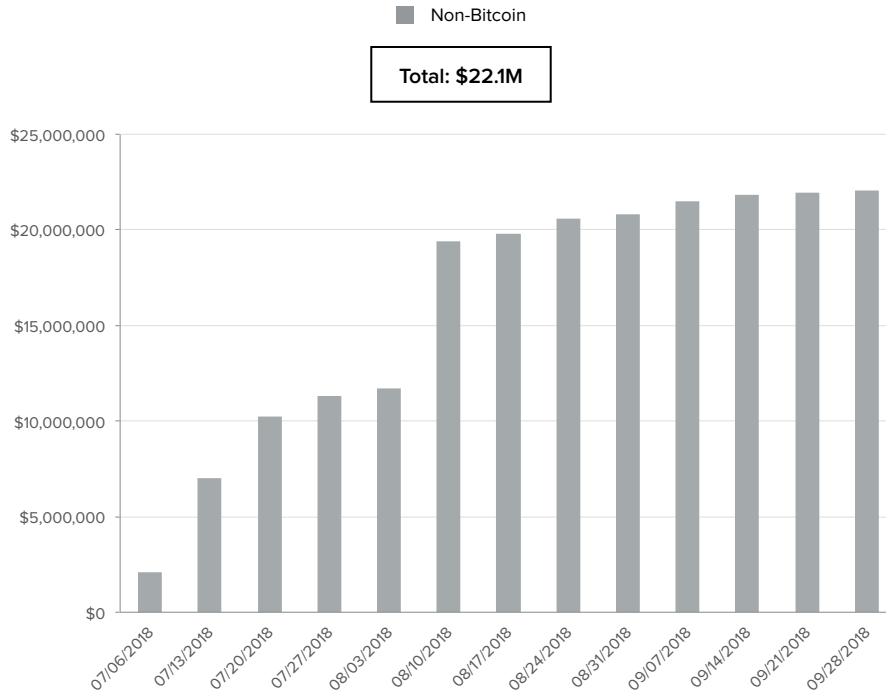
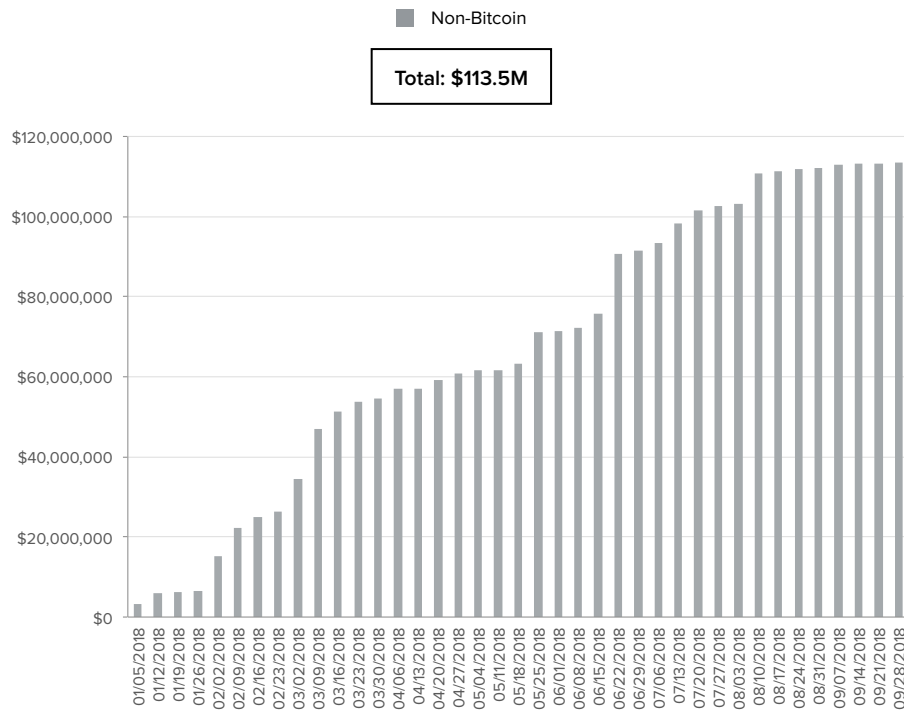


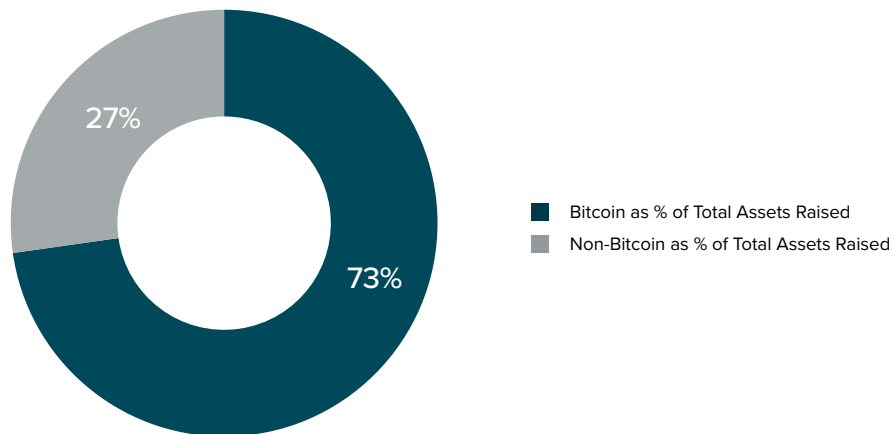
FIGURE 9: GRAYSCALE NON-BITCOIN CUMULATIVE INFLOWS – YTD 2018
December 31, 2017 through September 30, 2018





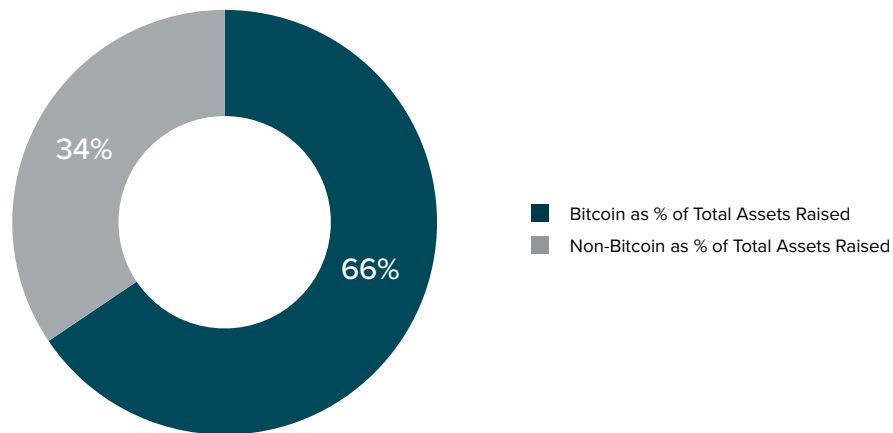
In Q3, 73% of inflows were into Bitcoin Investment Trust, while 27% were into Grayscale products tied to other digital assets.

FIGURE 10: INVESTMENT PRODUCT TYPE AS % OF TOTAL ASSETS RAISED – Q3 2018
June 30, 2018 through September 30, 2018



For Bitcoin Investment Trust, inflows relative to other products were higher than what we've seen over the course of the full year. Through September, 66% of inflows have gone into Bitcoin Investment Trust and 34% have gone into Grayscale products tied to other digital assets.

FIGURE 11: INVESTMENT PRODUCT TYPE AS % OF TOTAL ASSETS RAISED – YTD 2018
December 31, 2017 through September 30, 2018



The average weekly inflow into Bitcoin Investment Trust was \$4.5 million, down from the year-to-date average of \$5.5 million.





FIGURE 12: BITCOIN INVESTMENT TRUST WEEKLY INFLOWS – Q3 2018
June 30, 2018 through September 30, 2018

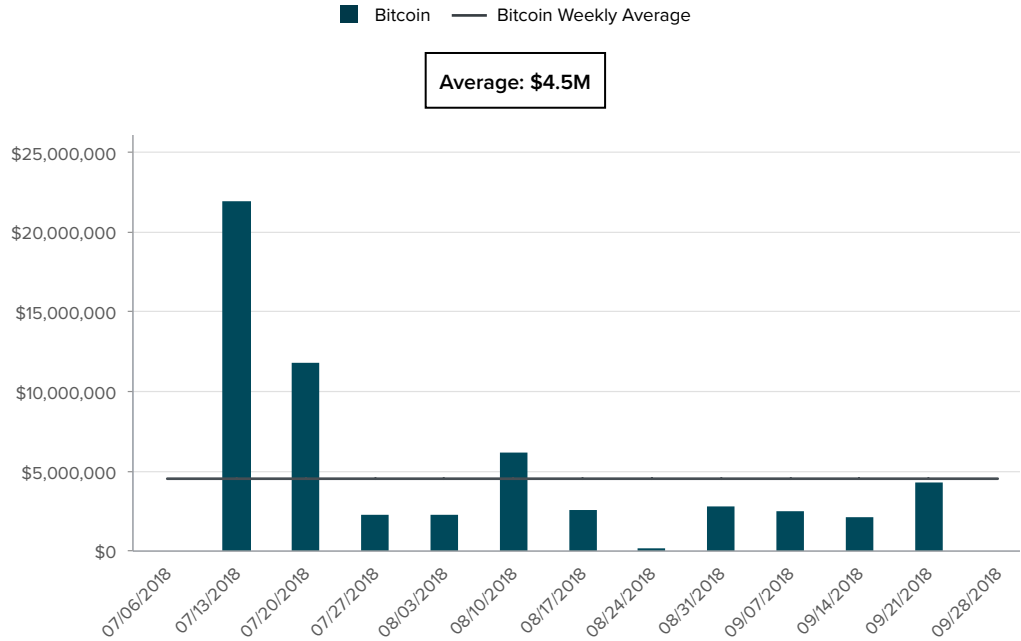
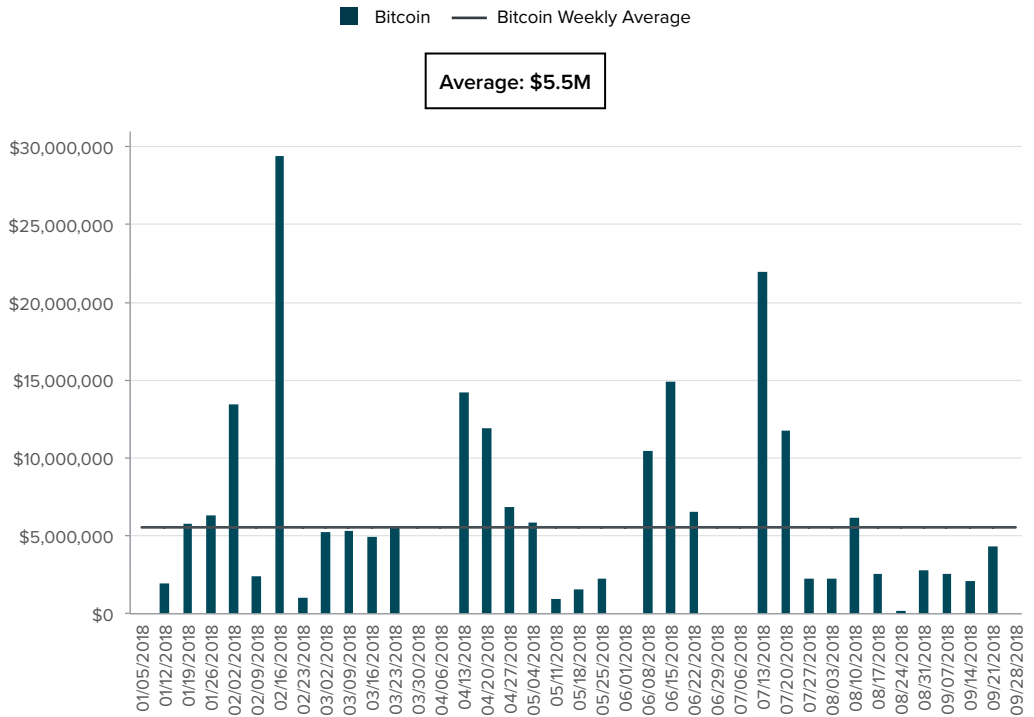


FIGURE 13: BITCOIN INVESTMENT TRUST WEEKLY INFLOWS – YTD 2018
December 31, 2017 through September 30, 2018





Furthermore, the average weekly inflow into “Non-Bitcoin” investment products was \$1.7 million, down from the year-to-date average of \$2.9 million.

FIGURE 14: GRAYSCALE NON-BITCOIN WEEKLY INFLOWS – Q3 2018
June 30, 2018 through September 30, 2018

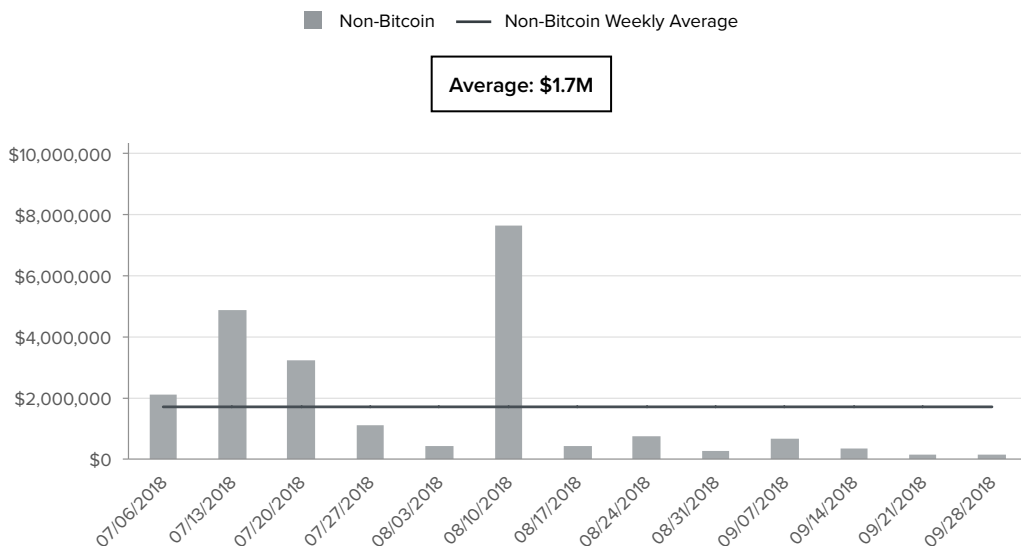
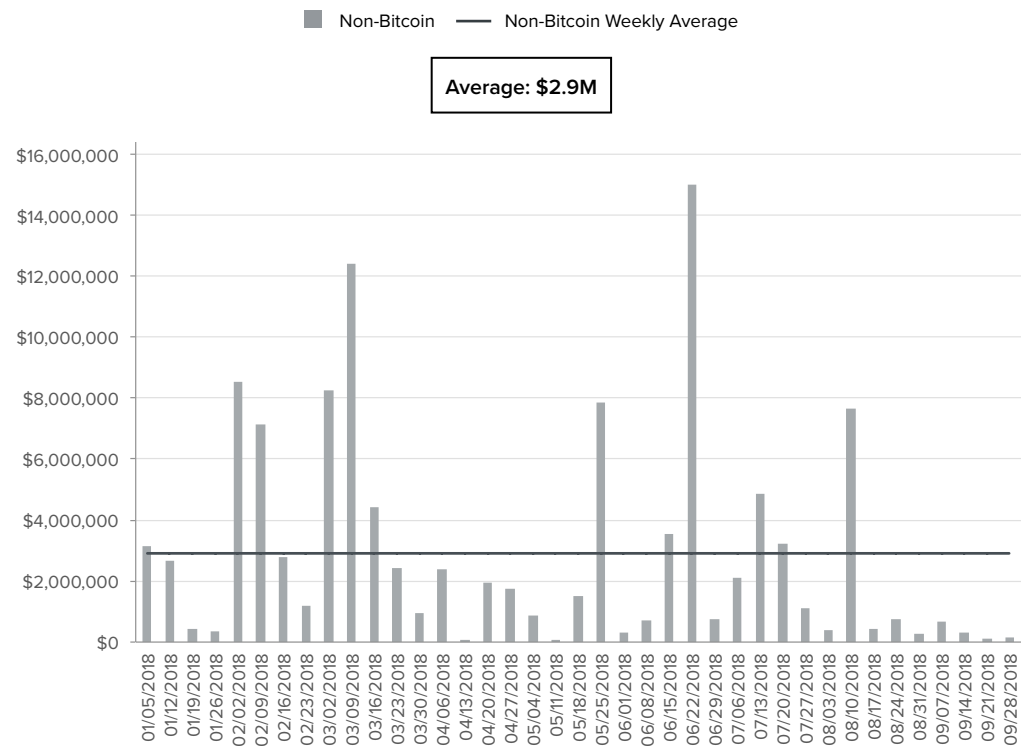


FIGURE 15: GRAYSCALE NON-BITCOIN WEEKLY INFLOWS – YTD 2018
December 31, 2017 through September 30, 2018



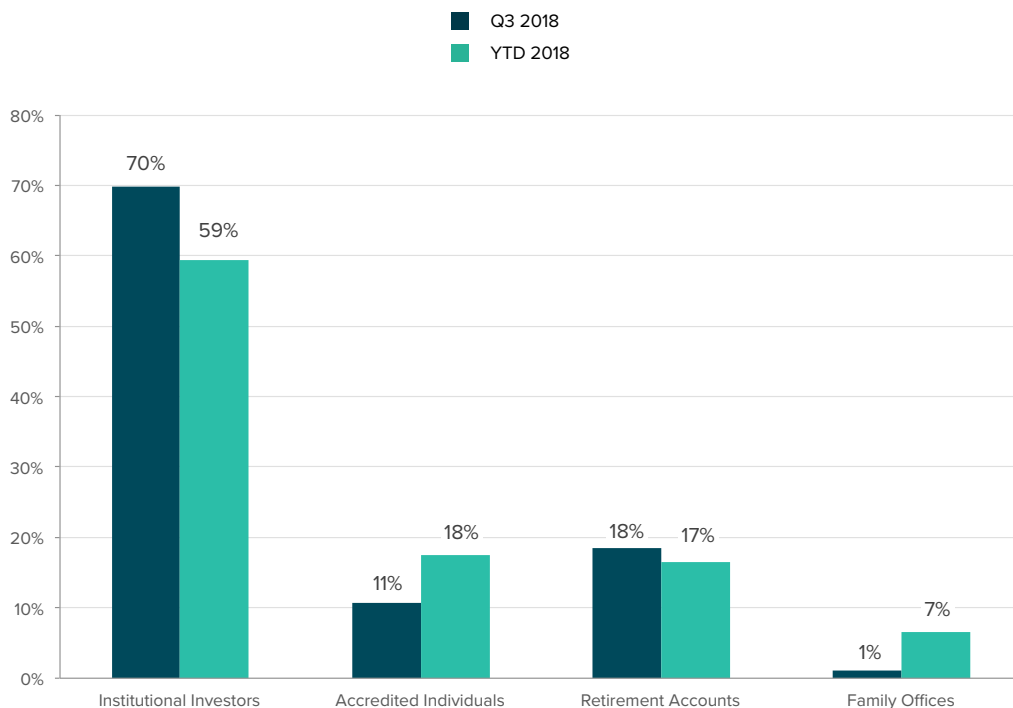


Despite a slowdown in investment across the board, the data continues to provide evidence that investors appreciate the notion that multiple digital assets can survive, thrive, and complement one another in the new digital economy, [allowing them to play a diversifying role within investor portfolios.](#)

Investor Profiles

Just as we saw in the first half of the year, the majority of capital this quarter came from institutional investors. This group’s share of new investment increased to 70% in Q3, though the dollar-value invested was lower than in the two previous quarters.

FIGURE 16: GRAYSCALE INVESTOR PROFILE BY TYPE – Q3 VS. YTD 2018

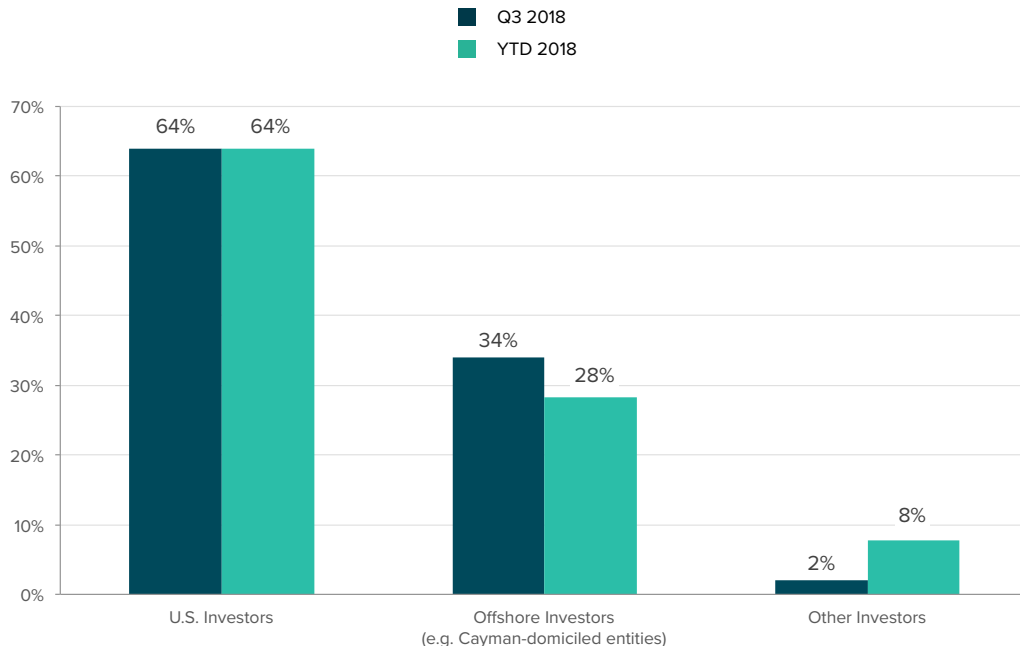


Finally, by breaking down our investor base by geography, we can see that the quarterly results are roughly consistent with what we have observed during the rest of 2018. Roughly 64% of all new investment came from U.S. investors, followed by offshore investors (e.g., Cayman-domiciled entities), and investors in other regions of the world.





FIGURE 17: GRAYSCALE INVESTOR PROFILE BY GEOGRAPHY – Q3 VS. YTD 2018



Conclusion

Grayscale Investments is a leader in digital currency investing. We have brought single-asset and diversified investment products to market over the last 5+ years, including the publicly quoted Bitcoin Investment Trust™ ([OTCQX: GBTC](#)) and Ethereum Classic Investment Trust™ ([OTCQX: ETCG](#)), as well as our flagship diversified offering, Digital Large Cap Fund™.

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

Grayscale Investments, LLC (“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 digital currency intelligence to build better investment products. We have removed the barrier to entry so that institutions and 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, 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 Bitcoin Investment Trust, Bitcoin Cash Investment Trust, Ethereum Investment Trust, Ethereum Classic Investment Trust, Litecoin Investment Trust, XRP Investment Trust, Zcash Investment Trust, and Zen Investment Trust (each, a “Trust”) and the manager of Grayscale Digital Large Cap Fund LLC (the “Fund”); each of the Fund and the Trusts, a “Vehicle”). Information provided about a Vehicle 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 Vehicle. This paper does not constitute an offer to sell or the solicitation of an offer to buy interests in any of the Vehicles. Any offering or solicitation will be made only to certain qualified investors pursuant to a formal offering with additional documentation, all of which should be read in its entirety. Any offer or solicitation of an investment in a Vehicle may be made only by delivery of such Vehicle’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 (the “Securities Act”)), which contain material information not contained herein and which supersede the information provided herein in its entirety.

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Certain Risk Factors

Each Vehicle 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 Vehicle, including but not limited to:

- **PRICE VOLATILITY**
Digital assets have historically experienced significant intraday and long-term price swings. In addition, none of the Vehicles currently operates a redemption program and may halt creations from time to time. There can be no assurance that the value of the common units of fractional undivided





beneficial interest (“Shares”) of any Vehicle will approximate the value of the digital assets held by such Vehicle and such Shares may trade at a substantial premium over or discount to the value of the digital assets held by such Vehicle. At this time, none of the Vehicles is operating a redemption program and therefore Shares are not redeemable by any Vehicle. Subject to receipt of regulatory approval from the SEC and approval by the Sponsor or Manager, as applicable, in its sole discretion, any Vehicle may in the future operate a redemption program. Because none of the Vehicles 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 Vehicles 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 Vehicle 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 Vehicles intends to take the position that it is a grantor trust for U.S. federal income tax purposes. Assuming that a Vehicle is properly treated as a grantor trust, Shareholders of that Vehicle generally will be treated as if they directly owned their respective pro rata shares of the underlying assets held in the Vehicle, directly received their respective pro rata shares of the Vehicle’s income and directly incurred their respective pro rata shares of the Vehicle’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 Vehicle 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 Vehicle will be illiquid and there will be significant restrictions on transferring interests in such Vehicle. The Vehicles 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 Vehicle are being offered in a private placement pursuant to Rule 506(c) under Regulation D of the Securities Act. As a result, the Shares of each Vehicle 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 Vehicles 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 Vehicle, 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**

The Vehicles 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 Vehicles and their sponsors or managers and advisors and agents may be subject to various conflicts of interest.

- **FEES AND EXPENSES**

Each Vehicle’s fees and expenses (which may be substantial regardless of any returns on investment) will offset each Vehicle’s trading profits.





Additional General Disclosures

Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment. Any offering or solicitation will be made only to qualified accredited investors as defined under Rule 501(a) of Regulation D pursuant to a formal offering with additional documentation, all of which should be read in their entirety and contain material information not contained herein. Any offer or solicitation of an investment in a Vehicle may be made only by delivery of its confidential offering documents to qualified accredited investors. You should rely solely on such offering documents in making any investment decision. An investment in Grayscale's Vehicles are not suitable for all investors.

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The above summary is not a complete list of the risks and other important disclosures involved in investing in the Vehicles and is subject to the more complete disclosures contained in each Vehicle's Offering Documents, which must be reviewed carefully.





General Inquiries:

info@grayscale.co

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

Phone: (212) 668-1427

@GrayscaleInvest