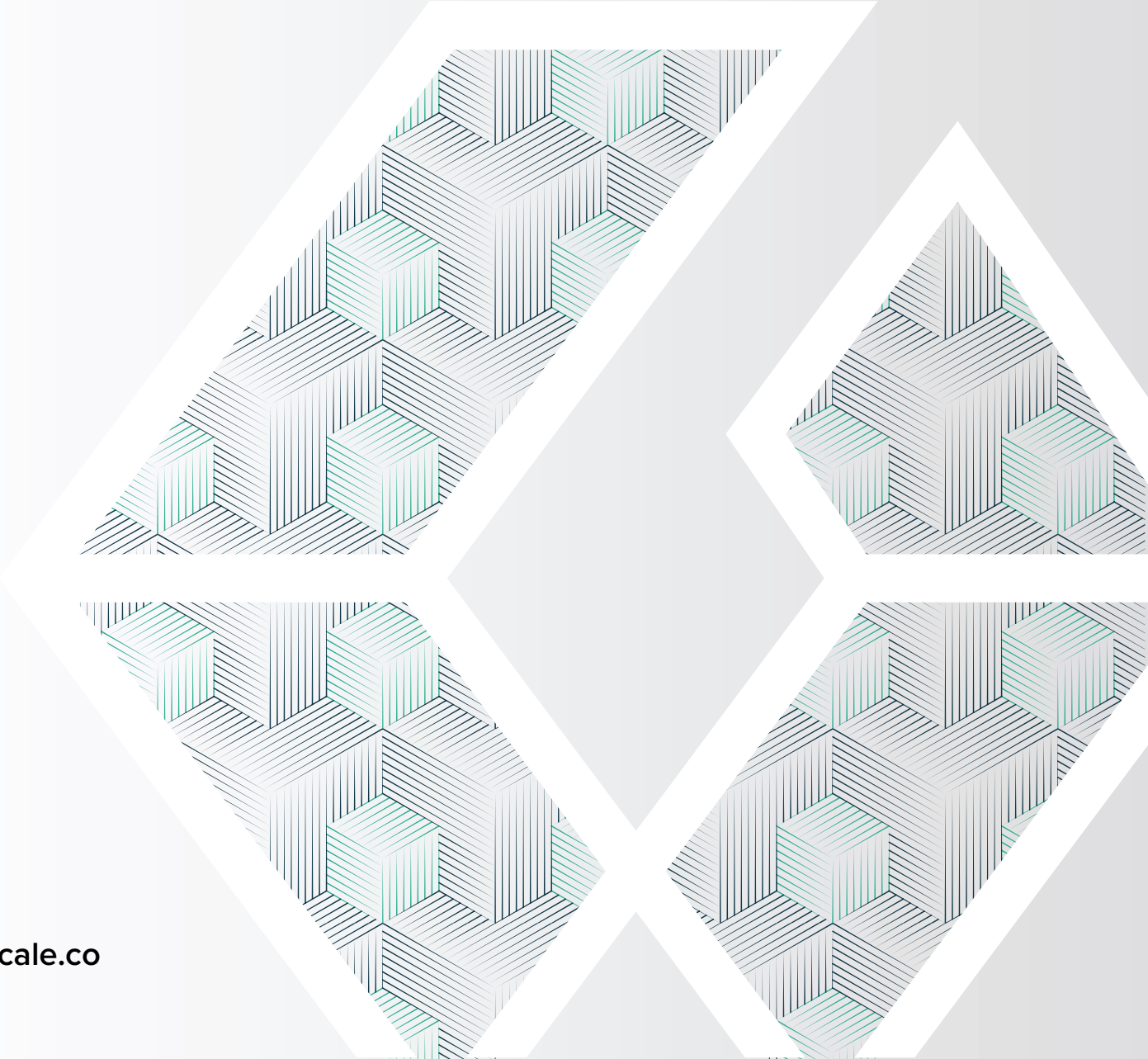


Digital Asset Investment Report

H1 2018





Digital Asset Investment Report

H1 2018 Highlights¹

- Total Investment into Grayscale Products: **\$248.39 million**
- Average Weekly Investment – All Products: **\$9.55 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$6.04 million**
- Average Weekly Investment – “Non-Bitcoin” Investment Products²: **\$3.52 million**
- Majority of investment (**56%**) came from institutional investors.

Introduction

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

Through our experience working with prominent investors around the world, we have compiled a proprietary dataset of investment activity through our regular course of business. In this report we will outline some important trends we’ve seen in the digital asset market during the first half of 2018.

Two Sides to Every Story

As the investment community knows, over the last six months, the digital asset market experienced one of the largest price drawdowns since the inception of Bitcoin in 2009. However, what is more interesting, and somewhat counterintuitive, is that the pace of investment into Grayscale products has accelerated to a level that we have not seen before. In fact, we raised nearly \$250 million in new assets in the first half of this year, marking the strongest inflows of any six month period in the history of our business.

1. For the period from December 31, 2017 through June 30, 2018.

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





FIGURE 1: **GRAYSCALE CUMULATIVE INFLOWS BY INVESTMENT PRODUCT**
December 31, 2017 through June 30, 2018

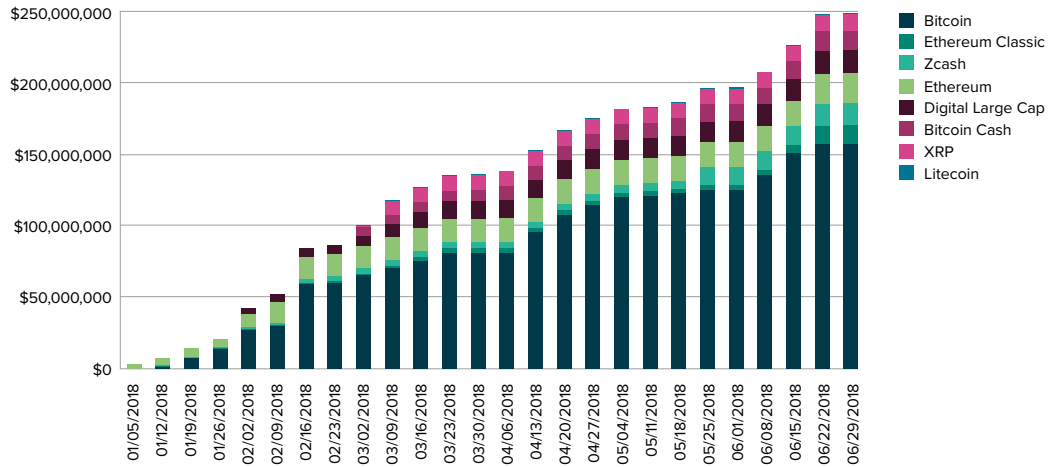
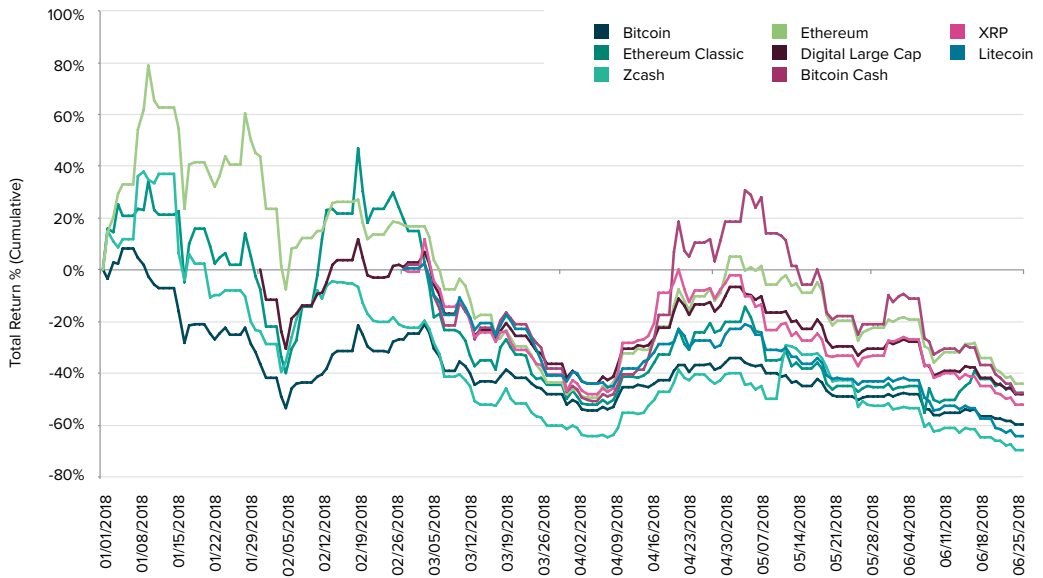


FIGURE 2: **GRAYSCALE INVESTMENT PRODUCT PERFORMANCE**
Total Return (Cumulative %)

	Net Total Return (Cumulative %)							
INVESTMENT PRODUCT	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
H1 2018	-59.8%	-47.7%	-69.4%	-43.9%	-47.9%	-47.6%	-52.0%	-64.3%
Since Inception*	4107.1%	270.3%	-30.1%	-42.6%	-47.9%	-47.6%	-52.0%	-64.3%

H1 2018 Performance



*Inception dates were 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, LLC – February 1, 2018; Grayscale Bitcoin Cash Trust, Grayscale XRP Trust, Grayscale Litecoin Trust – March 1, 2018.

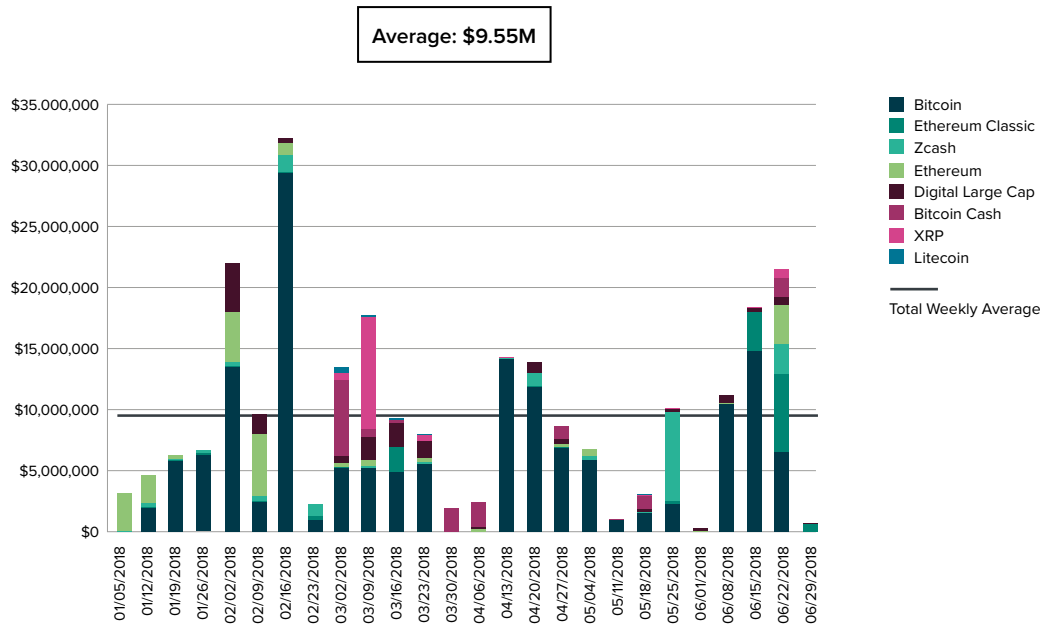




Investment Activity through the Grayscale Lens

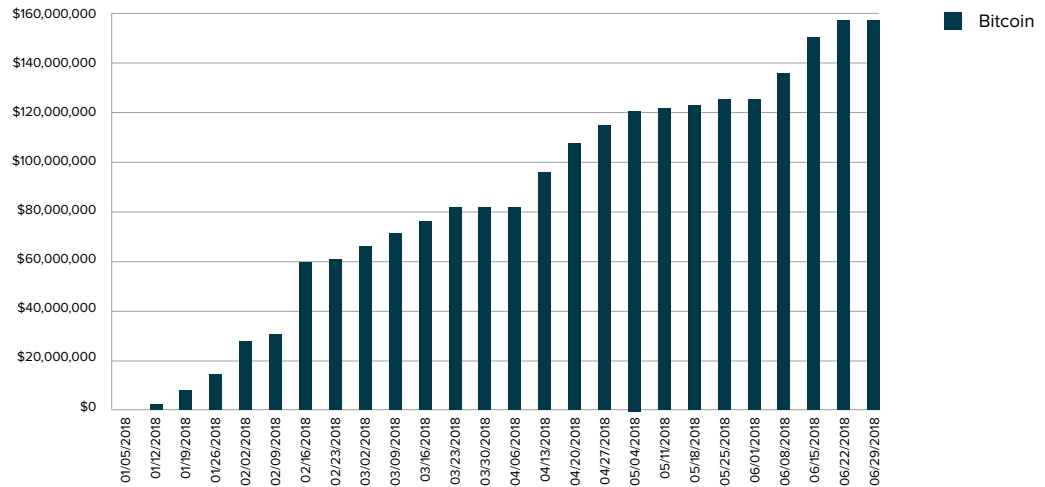
Despite the recent price action, by taking the cumulative investment activity highlighted in Figure 1 and analyzing the week-over-week data, we can see that the inflows into Grayscale products are occurring at a healthy and consistent rate. For example, our average weekly asset raise across all products was \$9.55 million and we've seen fresh inflows during each week of 2018.

FIGURE 3: GRAYSCALE WEEKLY INFLOWS BY INVESTMENT PRODUCT
December 31, 2017 through June 30, 2018



While the majority of assets are still flowing into Grayscale Bitcoin Trust...

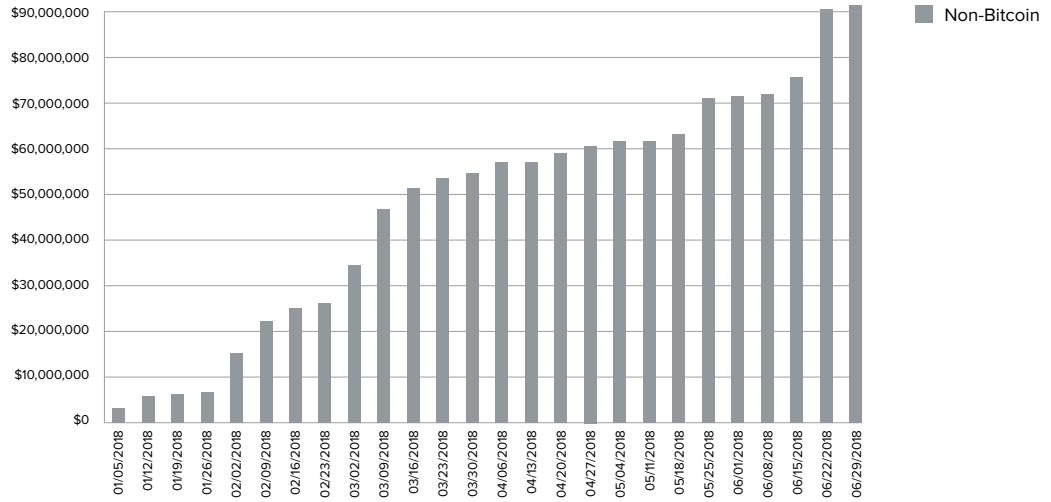
FIGURE 4: GRAYSCALE BITCOIN TRUST CUMULATIVE INFLOWS
December 31, 2017 through June 30, 2018





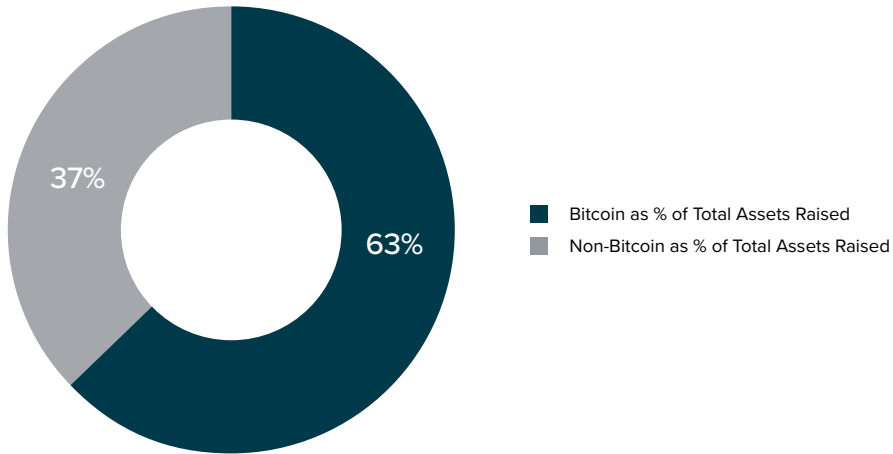
Investors have clearly begun diversifying into other digital assets as well.

FIGURE 5: GRAYSCALE NON-BITCOIN CUMULATIVE INFLOWS
December 31, 2017 through June 30, 2018



Bitcoin continues to be the most popular position for Grayscale investors, with 63% of inflows into Grayscale Bitcoin Trust and 37% into Grayscale products tied to other digital assets.

FIGURE 6: INVESTMENT PRODUCT TYPE AS % OF TOTAL ASSETS RAISED
December 31, 2017 through June 30, 2018





Investment into both our Bitcoin and non-Bitcoin products was strong and consistent, with an average weekly inflow of \$6.04 million into Grayscale Bitcoin Trust and \$3.52 million into non-Bitcoin products.

FIGURE 7: GRAYSCALE BITCOIN TRUST WEEKLY INFLOWS
December 31, 2017 through June 30, 2018

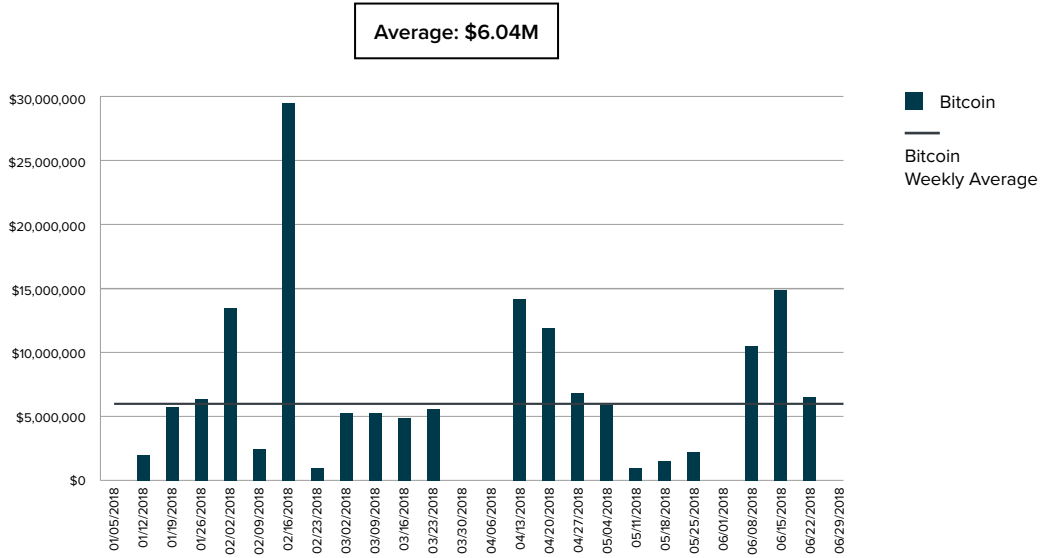
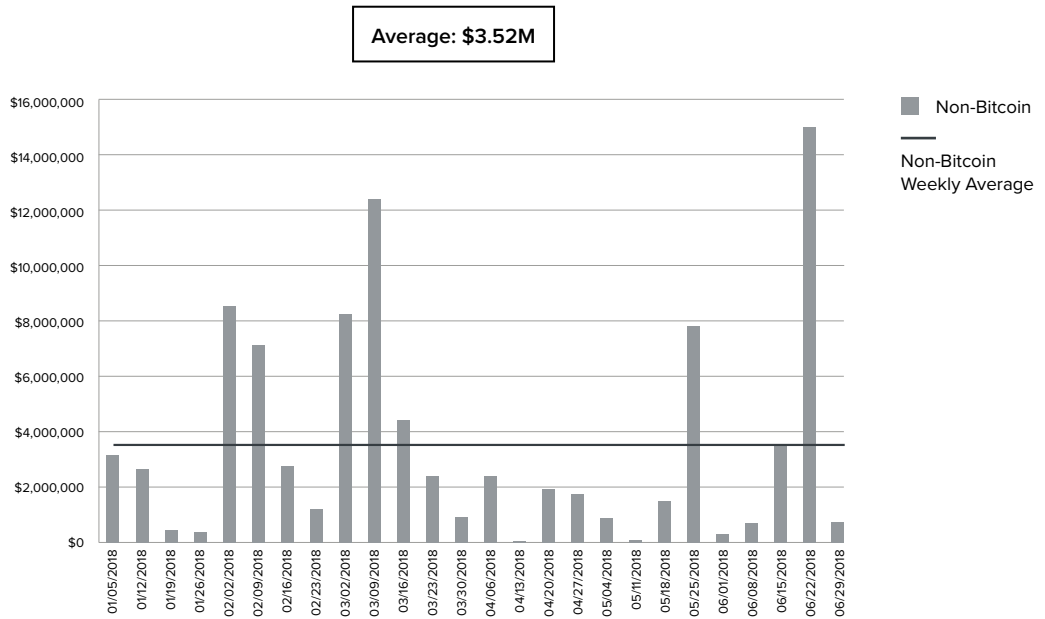


FIGURE 8: GRAYSCALE NON-BITCOIN WEEKLY INFLOWS
December 31, 2017 through June 30, 2018



Our data provides 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.](#)

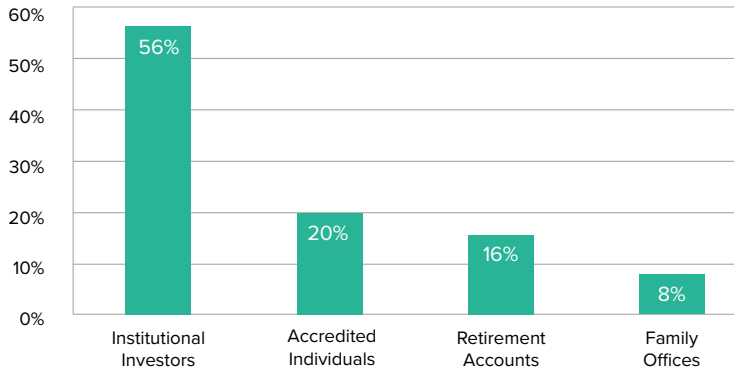




Investor Profile

Another revealing insight is the makeup of our investor base. Through our analysis, we determined that most asset inflows are coming from institutional investors. This segment comprises roughly 56% of all investment YTD, followed by accredited individuals (20%), retirement accounts (16%), and family offices (8%).

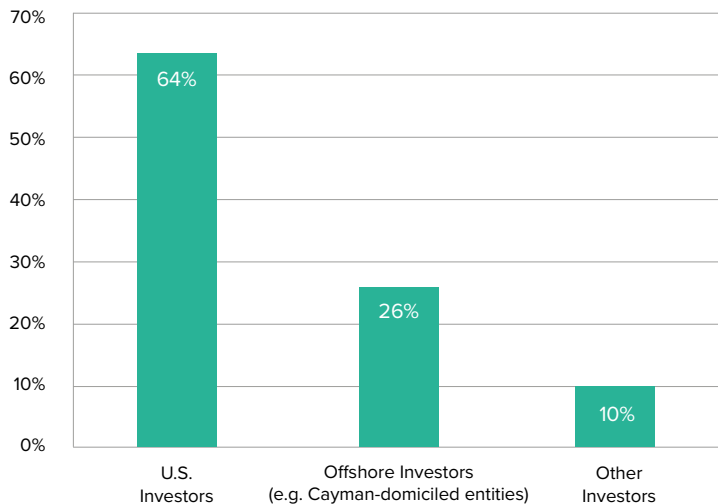
FIGURE 9: **GRAYSCALE INVESTOR PROFILE BY TYPE**
December 31, 2017 through June 30, 2018



The average investment was \$848K for institutional investors, \$553K for family offices, \$335K for retirement accounts, and \$289K for individuals. It is important to note that this data is skewed by the fact that the investment amounts do not necessarily fall within a normal distribution. For example, there were some large, one-time outliers and investments that were broken up into multiple allocations over a series of days. Nonetheless, this should at least paint a general picture of the typical investment amounts we’re seeing from each client segment.

Moreover, if we break down our investor base by geography, roughly 64% of all new investments came from U.S. investors, 26% from offshore investors (e.g. Cayman-domiciled entities), and 10% from investors in other regions of the world.

FIGURE 10: **GRAYSCALE INVESTOR PROFILE BY GEOGRAPHY**
December 31, 2017 through June 30, 2018





Conclusion

We're excited to share this report for two major reasons:

1. We believe it provides an alternate, yet accurate, firsthand perspective on digital asset market activity that is distinct from what is commonly understood.
2. It may be useful to both value and momentum investors as they seek to identify investment opportunities where there are (i) dislocations between market prices and fundamentals and (ii) strong, steady capital inflows.

We intend to regularly update this report to identify trends in the digital asset investment landscape.





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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