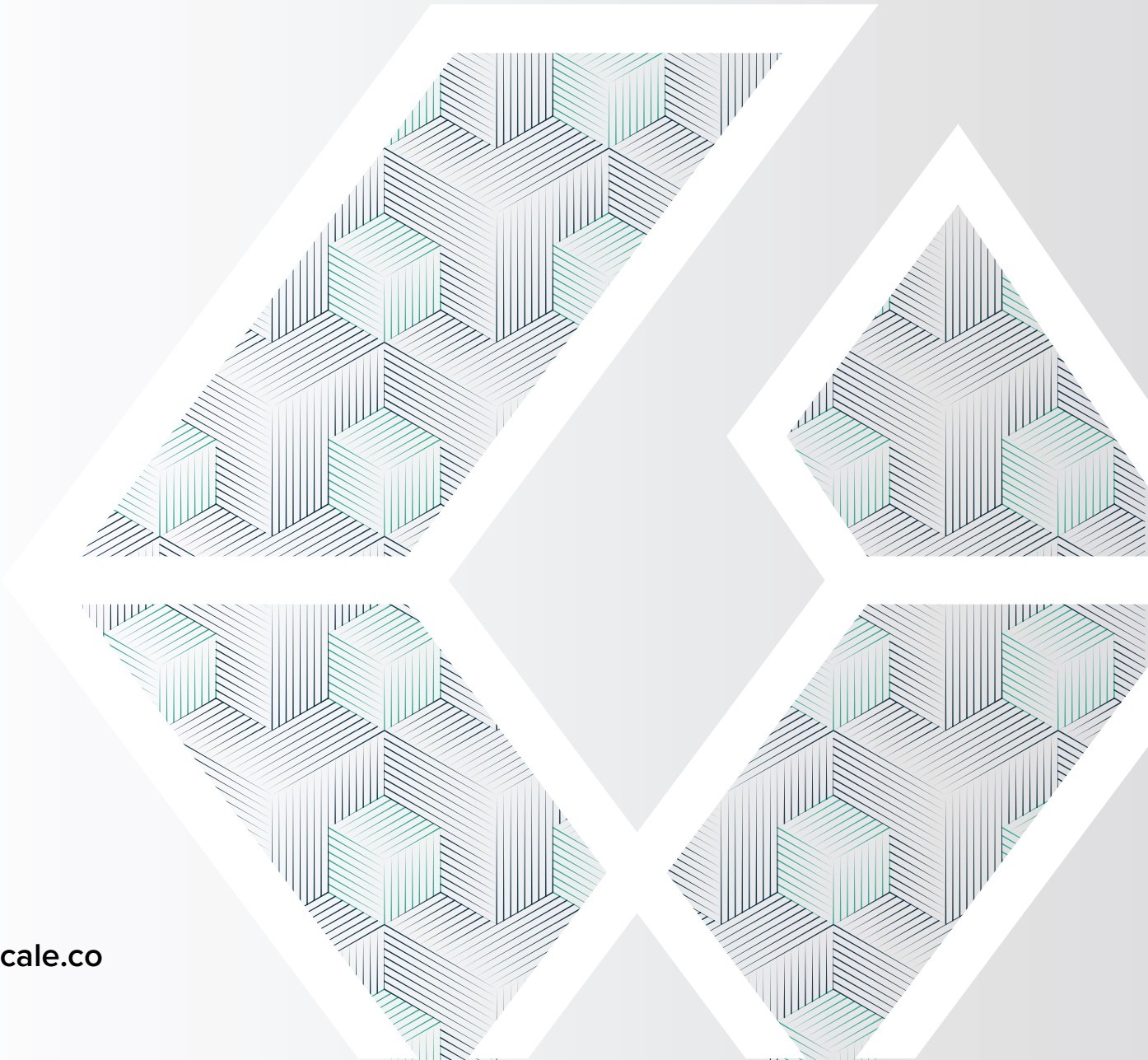


Digital Asset Investment Report



Q2 2019





Digital Asset Investment Report

TOTAL AUM¹
\$2.7B

Q2 2019 Investment Highlights²

- Total Investment into Grayscale Products: **\$84.8 million**
- Average Weekly Investment – All Products: **\$6.5 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$4.9 million³**
- Average Weekly Investment – Grayscale Products ex Bitcoin Trust⁴: **\$1.6 million**
- Majority of investment (**84%**) came from institutional investors, dominated by hedge funds.

H1 2019 Highlights⁵

- Total Investment into Grayscale Products: **\$127.4 million**
- Average Weekly Investment – All Products: **\$4.9 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$4.1 million⁶**
- Average Weekly Investment – Grayscale Products ex Bitcoin Trust⁷: **\$0.8 million**
- Majority of investment (**80%**) came from institutional investors.

Trailing 12-Month Highlights⁸

- Total Investment into Grayscale Products: **\$238.6 million**
- Average Weekly Investment – All Products: **\$4.6 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$3.7 million⁹**
- Average Weekly Investment – Grayscale Products ex Bitcoin Trust¹⁰: **\$0.9 million**
- Majority of investment (**75%**) came from institutional investors.

1. As of June 30, 2019.

2. For the period from April 1, 2019 through June 30, 2019.

3. Grayscale Bitcoin Trust was closed to new investment from May 1, 2019 through June 30, 2019.

4. "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.

5. For the period from January 1, 2019 through June 30, 2019.

6. See footnote 3.

7. See footnote 4.

8. For the period from July 1, 2018 through June 30, 2019.

9. See footnote 3.

10. See footnote 4.





The Takeaway

Grayscale assets under management (“AUM”) nearly tripled from \$926 million to \$2.7 billion amid digital asset market resurgence: The digital asset market rebound gained momentum in Q2 2019 as all ten investment vehicles in the Grayscale family of products generated positive performance net of fees. Quarterly returns for industry benchmark products Grayscale Bitcoin Trust and Grayscale Digital Large Cap Fund were 178.8% and 147.6%, respectively.

Strongest quarterly inflows since Q2 2018 (~\$85 million) driven by “in-kind” creations: Inflows nearly doubled quarter-over-quarter, from \$42.7 to \$84.8 million, demonstrating that the recent rally in digital asset prices is supported by fresh investment and despite the fact that the Grayscale Bitcoin Trust was temporarily closed to new investment throughout May and June. More than 70% of inflows this quarter were associated with contributions of digital assets into the Grayscale family of products “in-kind” in exchange for shares, an uptick from the long-term trend.

“Alt” investment cycle resumes led by Grayscale Ethereum Trust and Grayscale Ethereum Classic Trust: This quarter, Grayscale Products ex Bitcoin Trust accounted for 24% of inflows, capturing a larger slice of the pie compared to 1% of inflows observed in Q1 2019. Q2 2019 inflows into the Grayscale Ethereum Trust reached \$14 million followed by Grayscale Ethereum Classic Trust which reached \$5.5 million. In addition, 76% of Q2 2019 inflows were into Grayscale Bitcoin Trust.

Institutional demand strengthens: This quarter, institutional investors comprised the highest percentage of total demand for Grayscale products (84%) since we began publishing this report in July 2018.

Quarterly Perspective

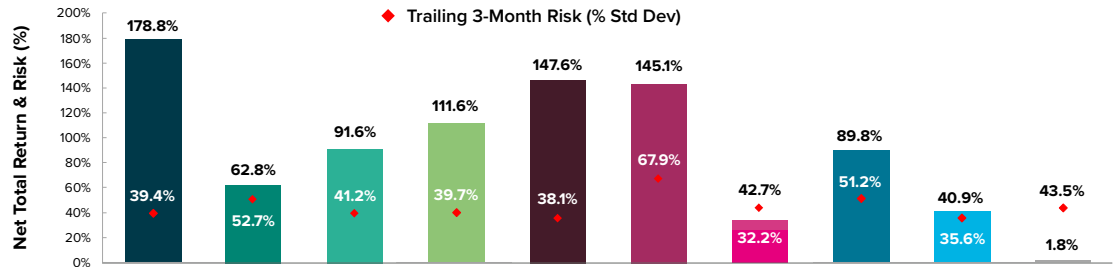
As outlined in the [Grayscale Performance & Risk Monitor \(Q2 2019\)](#), the digital asset market resurgence gained momentum this quarter as industry benchmark products Grayscale Bitcoin Trust and Grayscale Digital Large Cap Fund were up 178.8% and 147.6%, respectively. All ten investment vehicles in the Grayscale family of products generated positive performance, net of fees.





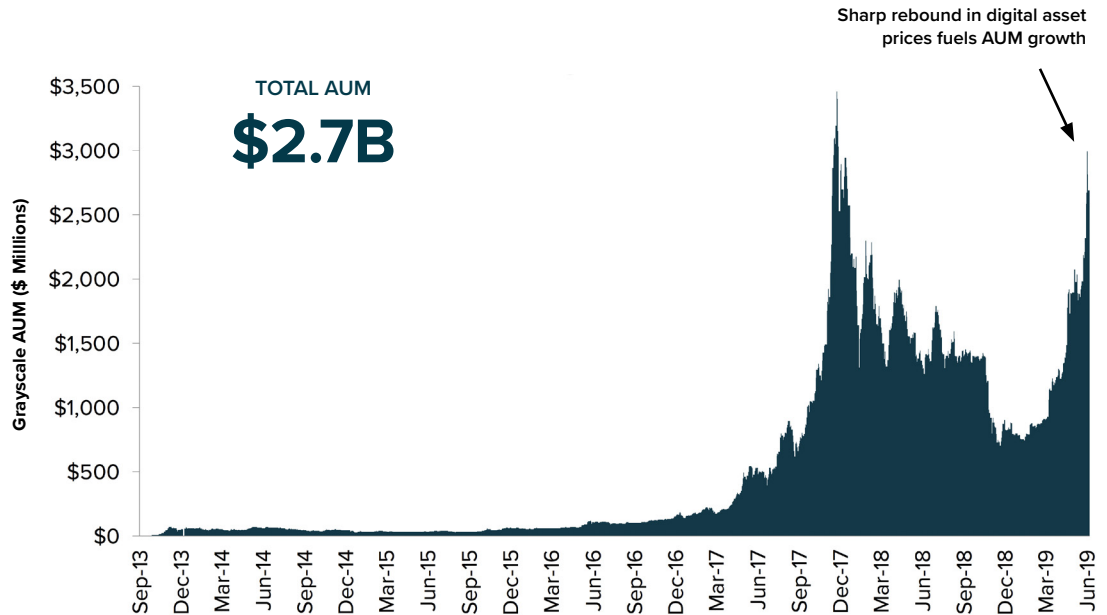
FIGURE 1: GRAYSCALE INVESTMENT PRODUCT PERFORMANCE & RISK – Q2 2019¹¹
MARCH 31, 2019 THROUGH JUNE 30, 2019

	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™
TOTAL RETURN (% Cumulative)	178.8%	62.8%	91.6%	111.6%	147.6%	145.1%	32.2%	89.8%	40.9%	1.8%
RISK (% Std Dev)	39.4%	52.7%	41.2%	39.7%	38.1%	67.9%	42.7%	51.2%	35.6%	43.5%



As a result, Grayscale AUM grew from \$926 million to \$2.7 billion quarter-over-quarter and now stands approximately 22% lower than the all-time high of \$3.5 billion achieved in December 2017.

FIGURE 2: GRAYSCALE AUM SINCE INCEPTION¹²
SEPTEMBER 25, 2013 THROUGH JUNE 30, 2019



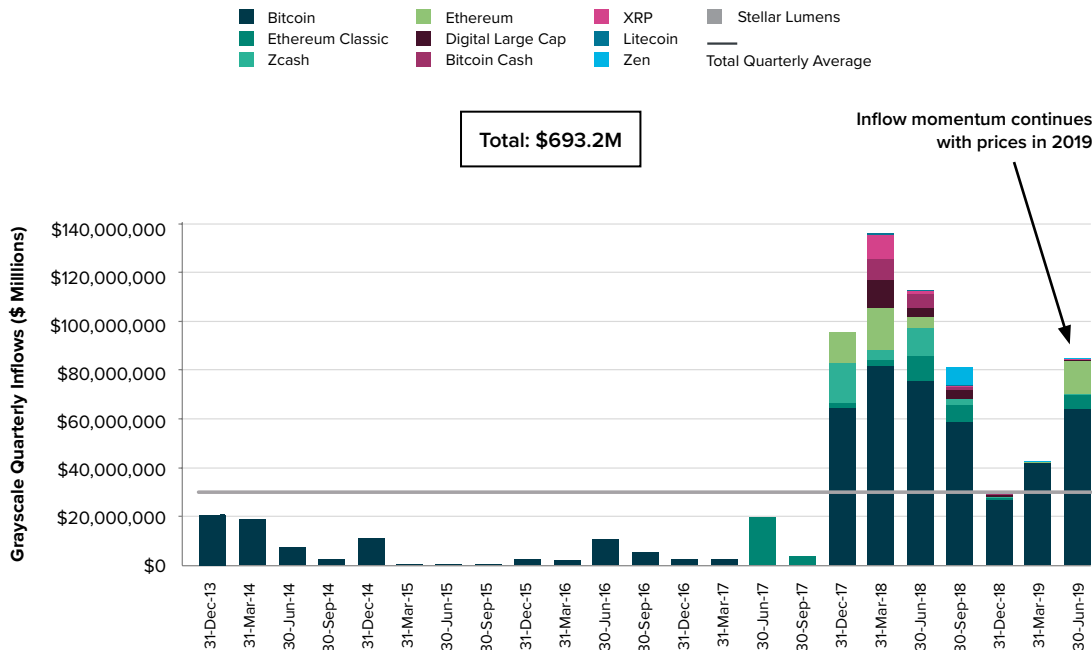
11. Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.
12. Source: Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.





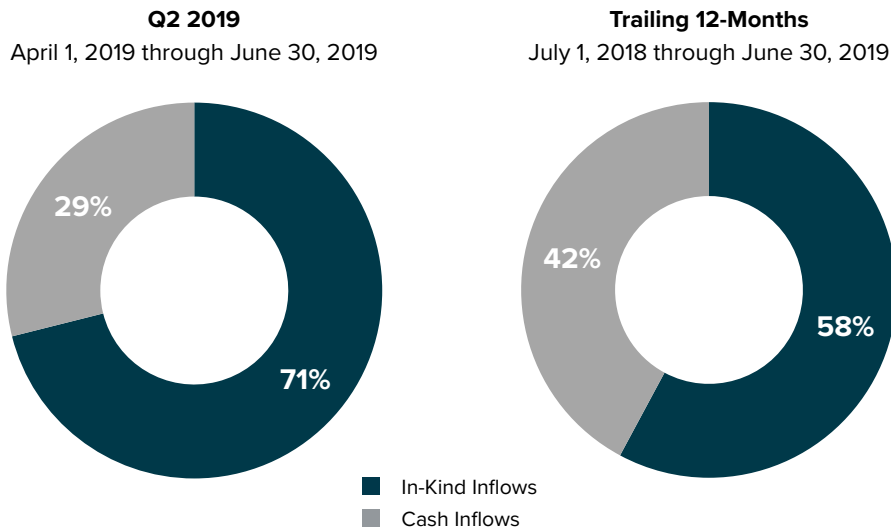
Quarterly inflows also hit the highest level since Q2 2018, up nearly 100% quarter-over-quarter from \$42.7 million in Q1 2019 to \$84.8 million at the end of June. The inflows from this quarter account for more than 12% of total cumulative inflows since Grayscale’s inception in September 2013 and were primarily driven by institutional investors (84%).

FIGURE 3: GRAYSCALE QUARTERLY INFLOWS SINCE INCEPTION¹³
SEPTEMBER 25, 2013 THROUGH JUNE 30, 2019



More than 70% of inflows this quarter were associated with contributions of digital assets to the Grayscale family of products “in-kind” in exchange for shares, a significant increase from what we’ve experienced over the trailing twelve months (58%).

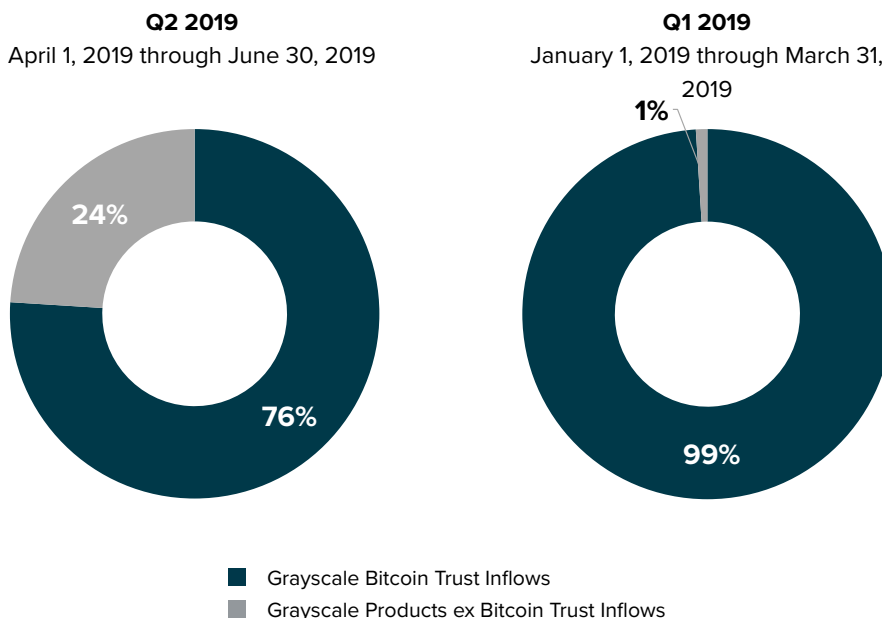
FIGURE 4: GRAYSCALE CASH & IN-KIND INFLOWS AS % OF TOTAL – Q2 2019 VS. TRAILING 12-MONTHS COMPARISON





We've also experienced early signs that an "alt" investment cycle could be starting, led by inflows into Grayscale Ethereum Trust (\$14 million) and Grayscale Ethereum Classic Trust (\$5.5 million). While most of the capital invested into Grayscale Ethereum Trust came in June, Grayscale Ethereum Classic Trust saw twelve consecutive weeks of new inflows through the end of the quarter. As a result, demand was more distributed between Grayscale Bitcoin Trust (76%) and Grayscale Products ex Bitcoin Trust (24%) than in the first quarter of this year, where 99% of all inflows went into Grayscale Bitcoin Trust.

FIGURE 5: GRAYSCALE PRODUCT TYPE AS % OF TOTAL INFLOWS – Q2 2019 VS. Q1 2019



Next, we'll provide our standard series of investment activity analytics for the second quarter of 2019.





Investment Activity through the Grayscale Lens

Grayscale raised \$84.8 million over the last three months, bringing full year 2019 inflows to \$127.4 million and trailing twelve-month inflows to \$238.6 million.

FIGURE 6: **GRAYSCALE WEEKLY CUMULATIVE INFLOWS BY PRODUCT – Q2 2019**
APRIL 1, 2019 THROUGH JUNE 30, 2019

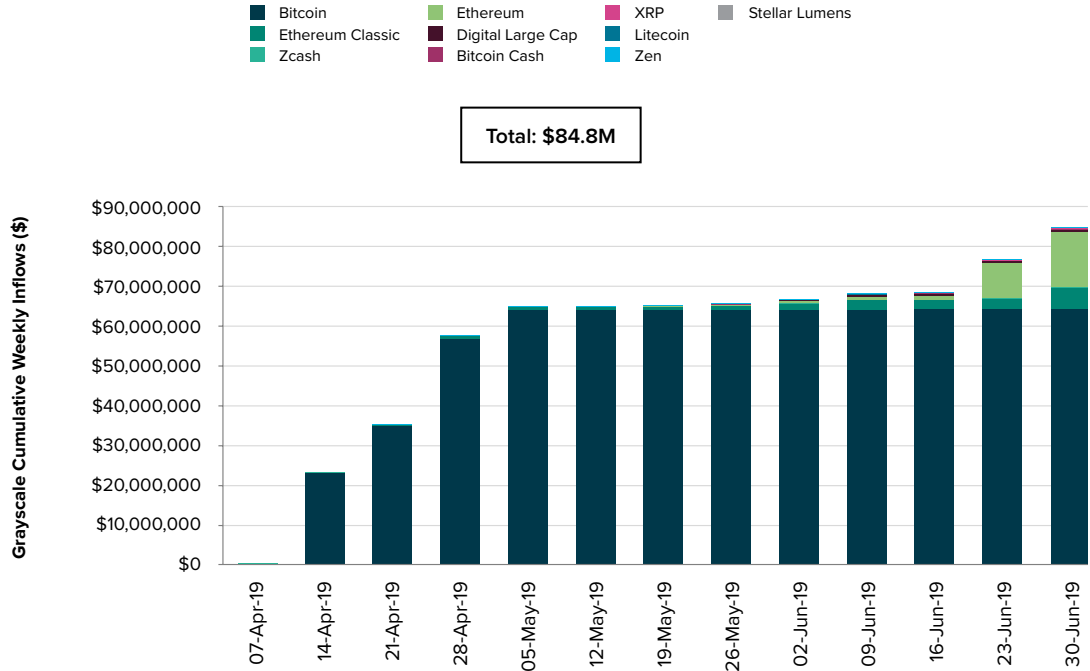
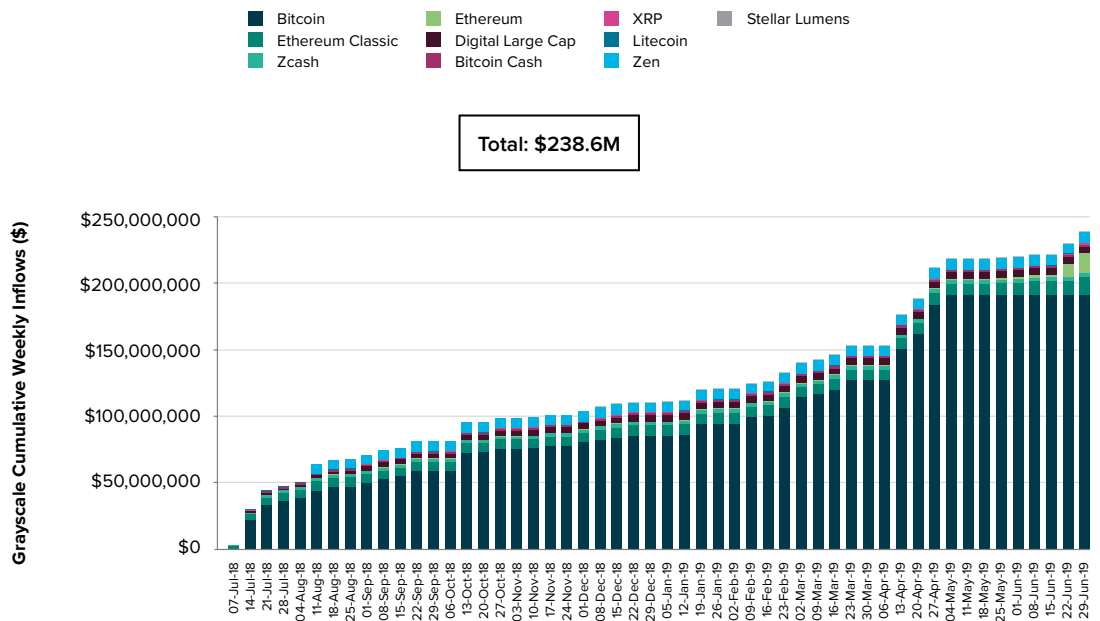


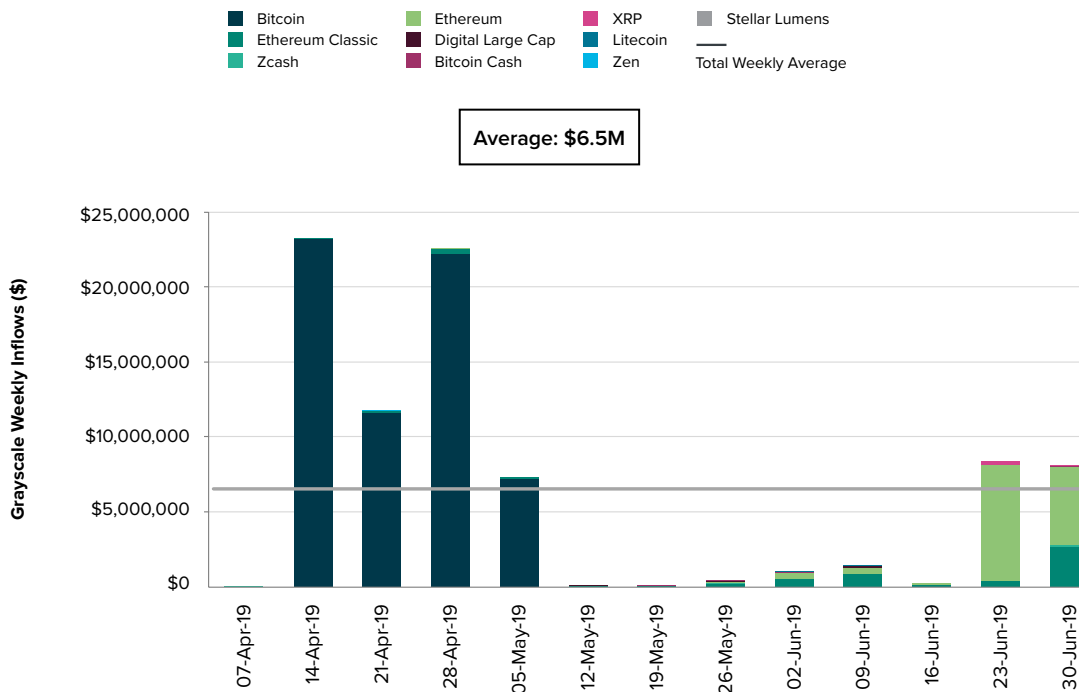
FIGURE 7: **GRAYSCALE WEEKLY CUMULATIVE INFLOWS BY PRODUCT – TRAILING 12-MONTHS**
JULY 1, 2018 THROUGH JUNE 30, 2019





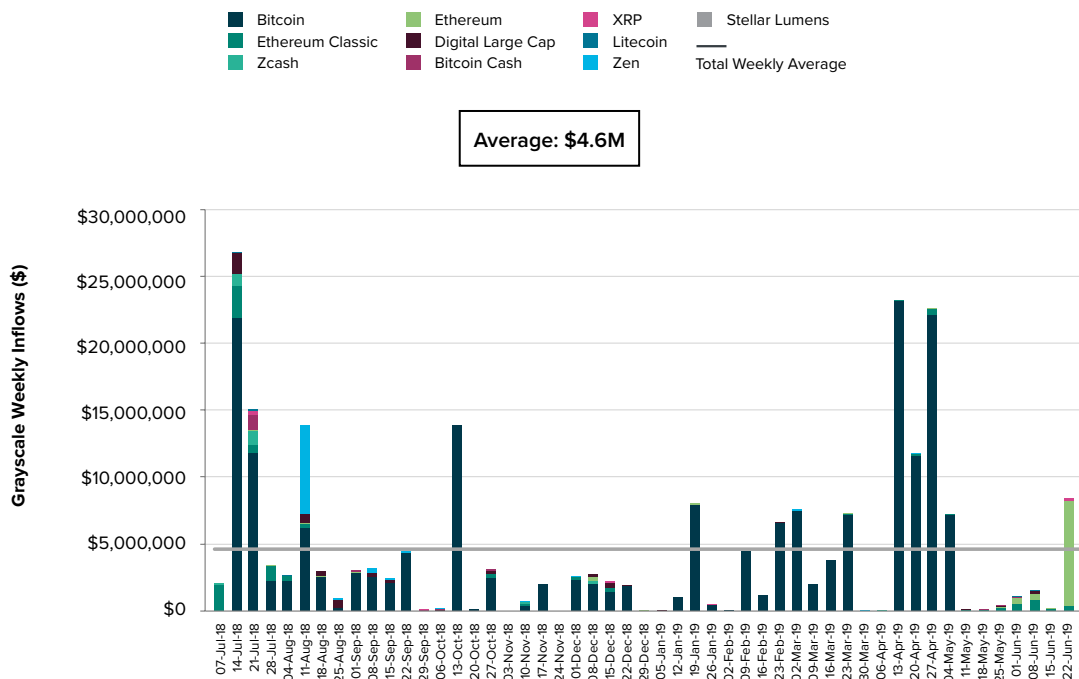
Average weekly investment across all products this quarter was \$6.5 million.

FIGURE 8: GRAYSCALE WEEKLY INFLOWS ALL PRODUCTS – Q2 2019
APRIL 1, 2019 THROUGH JUNE 30, 2019



Average weekly investment across all products for the trailing twelve months was \$4.6 million.

FIGURE 9: GRAYSCALE WEEKLY INFLOWS ALL PRODUCTS – TRAILING 12-MONTHS
JULY 1, 2018 THROUGH JUNE 30, 2019





Grayscale Bitcoin Trust was closed to new investments throughout May and June 2019. However, in April, inflows into Grayscale Bitcoin Trust reached \$64.1 million, the second highest level we've seen in a single month behind the \$64.7 million raised in December 2017. This brings H1 2019 Grayscale Bitcoin Trust inflows to \$106.2 million and trailing twelve-month inflows to \$191.7 million.

FIGURE 10: **GRAYSCALE BITCOIN TRUST CUMULATIVE WEEKLY INFLOWS – Q2 2019**
APRIL 1, 2019 THROUGH JUNE 30, 2019

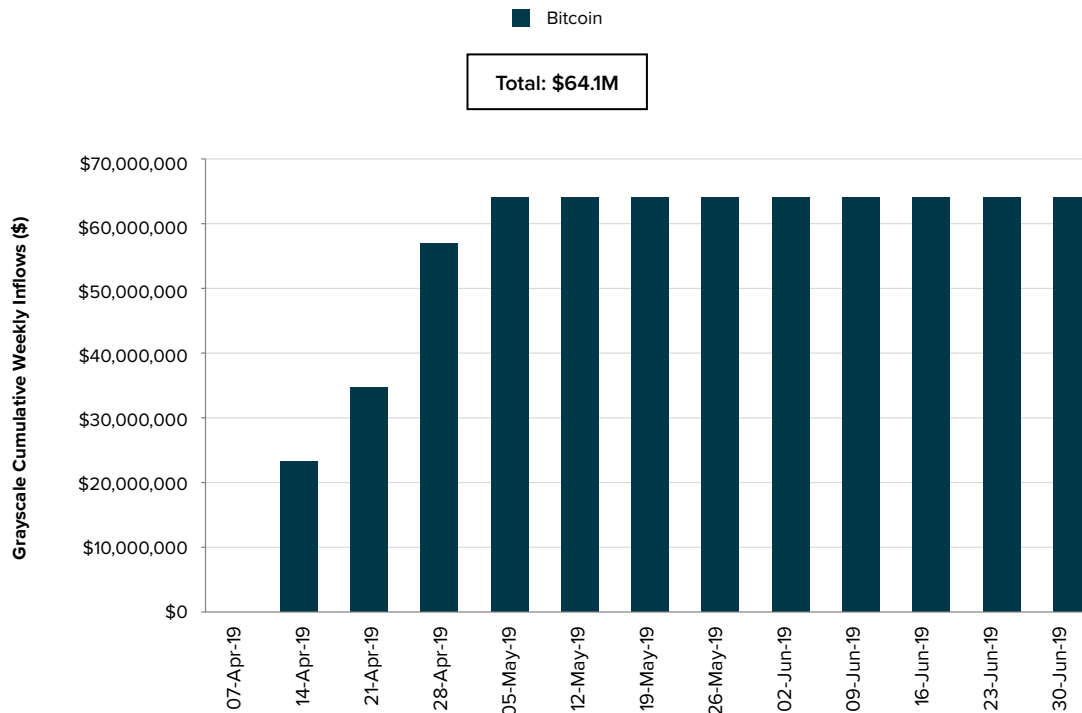
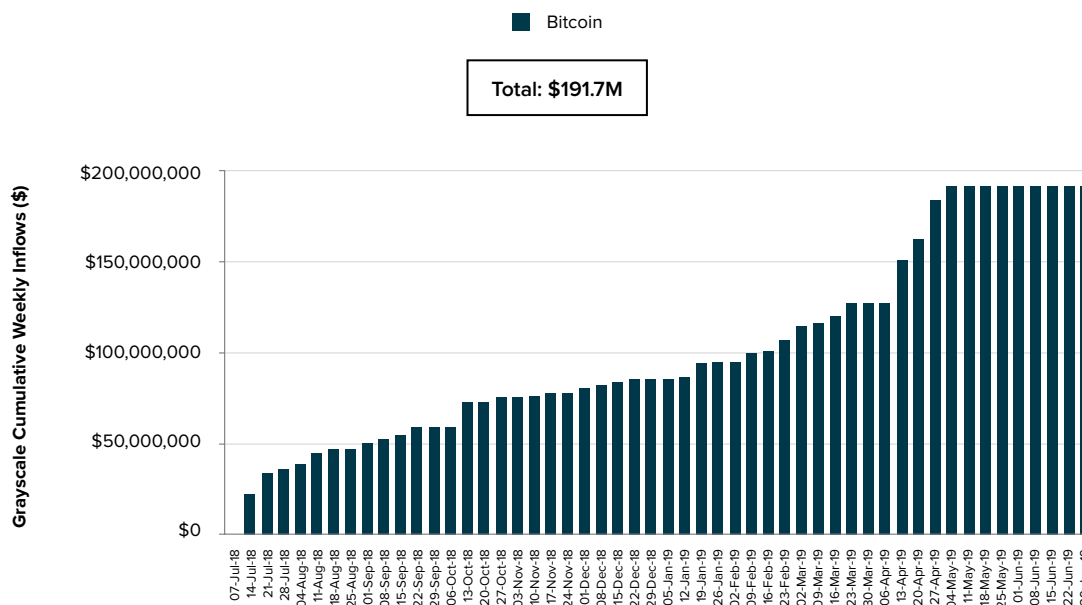


FIGURE 11: **GRAYSCALE BITCOIN TRUST CUMULATIVE WEEKLY INFLOWS – TRAILING 12-MONTHS**
JULY 1, 2018 THROUGH JUNE 30, 2019





We saw new demand for Grayscale Products ex Bitcoin Trust ramp up to \$20.7 million, led by Grayscale Ethereum Trust (\$14 million) and Grayscale Ethereum Classic Trust (\$5.5 million). This brought full year 2019 inflows for Grayscale Products ex Bitcoin Trust to \$21.2 million and trailing twelve-month inflows to \$46.9 million.

FIGURE 12: **GRAYSCALE PRODUCTS EX BITCOIN TRUST CUMULATIVE WEEKLY INFLOWS – Q2 2019**
APRIL 1, 2019 THROUGH JUNE 30, 2019

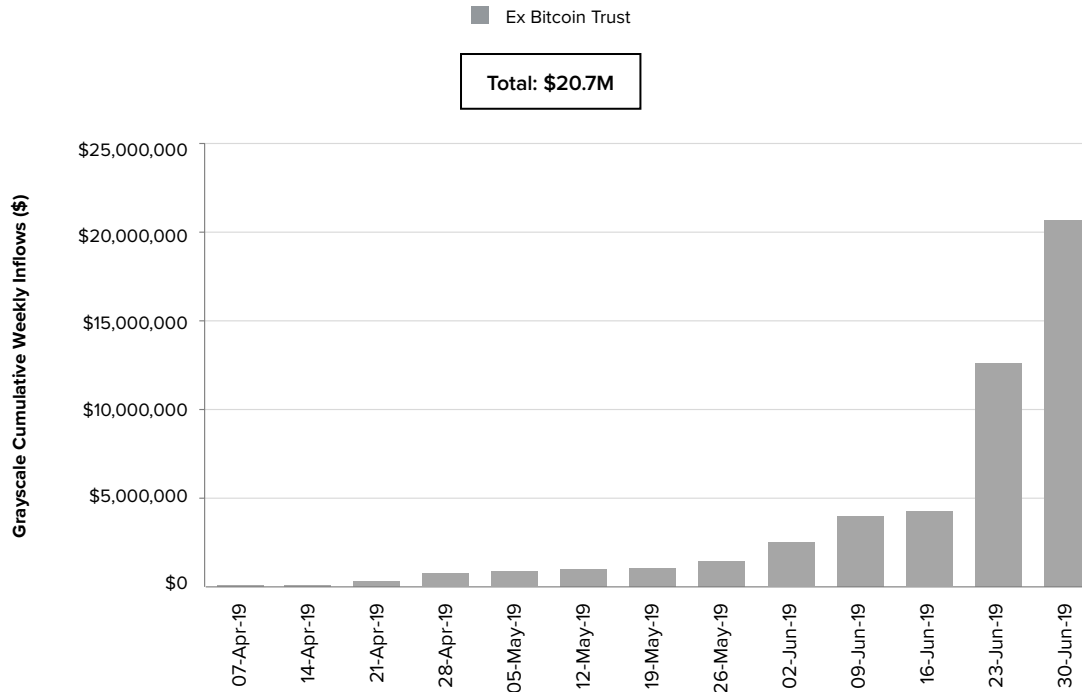
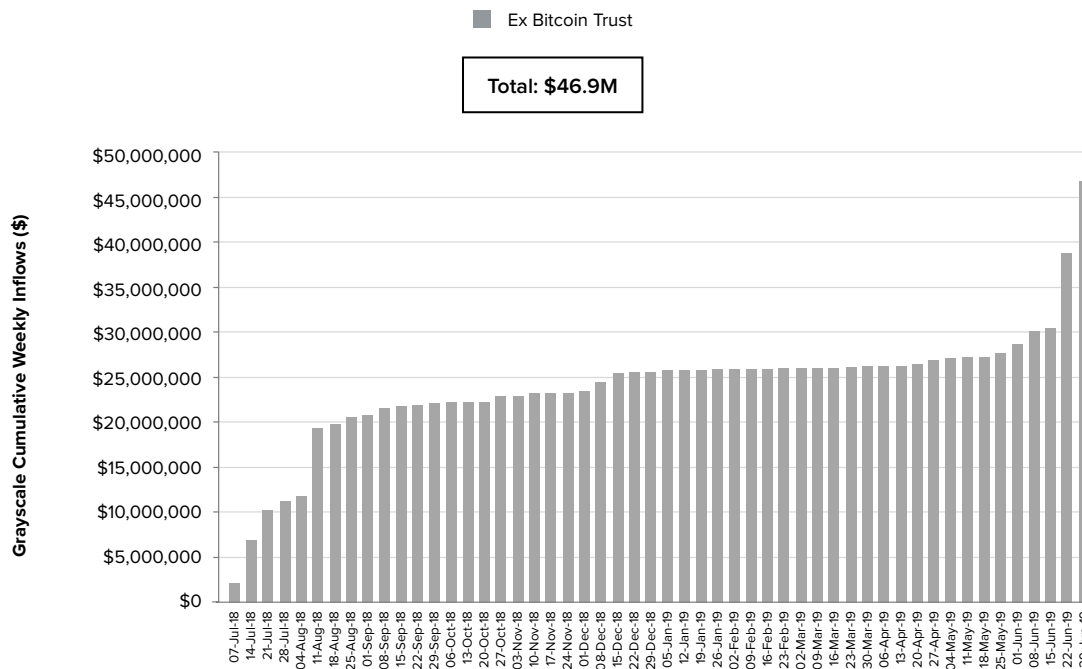


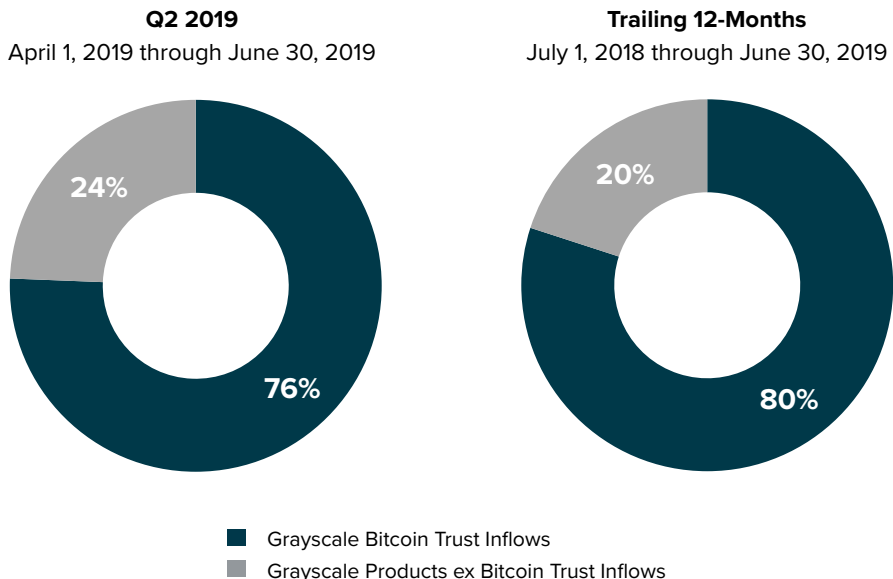
FIGURE 13: **GRAYSCALE PRODUCTS EX BITCOIN TRUST CUMULATIVE WEEKLY INFLOWS – TRAILING 12-MONTHS**
JULY 1, 2018 THROUGH JUNE 30, 2019





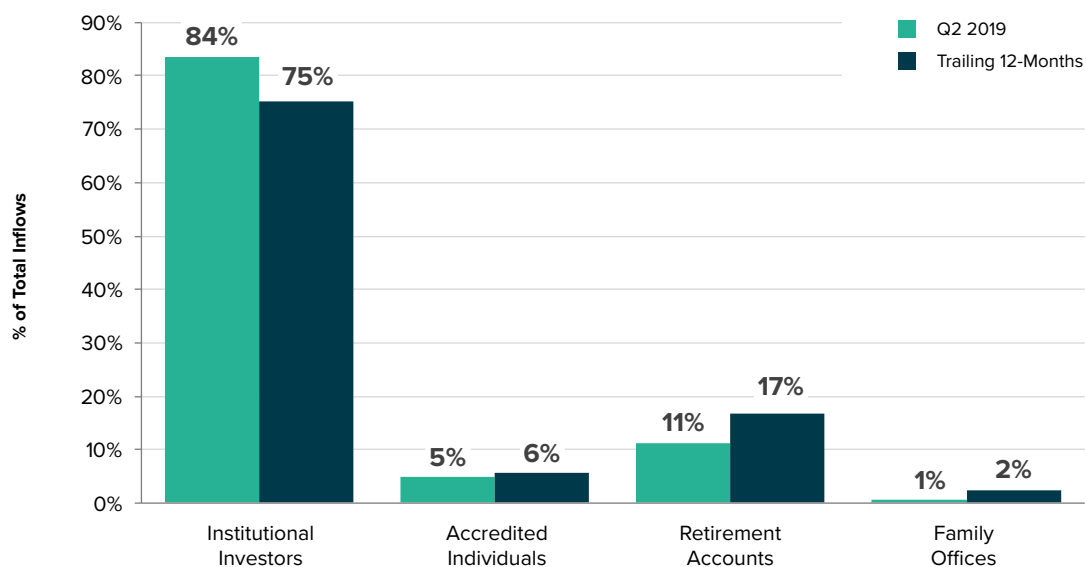
This quarter, 76% of inflows were into Grayscale Bitcoin Trust and 24% were into Grayscale Products ex Bitcoin Trust. This is generally consistent with what we've experienced over the trailing twelve months where 80% of inflows were into Grayscale Bitcoin Trust and 20% were into Grayscale Products ex Bitcoin Trust.

FIGURE 14: GRAYSCALE PRODUCT TYPE AS % OF TOTAL INFLOWS – Q2 2019 VS. TRAILING 12-MONTHS



Institutional investors comprised the highest percentage of total demand for Grayscale products (84%) since we began publishing this report in July 2018. As shown in the chart below, this is merely the strengthening of a consistent trend as institutional investors have been the dominant source of inflows for the last year.

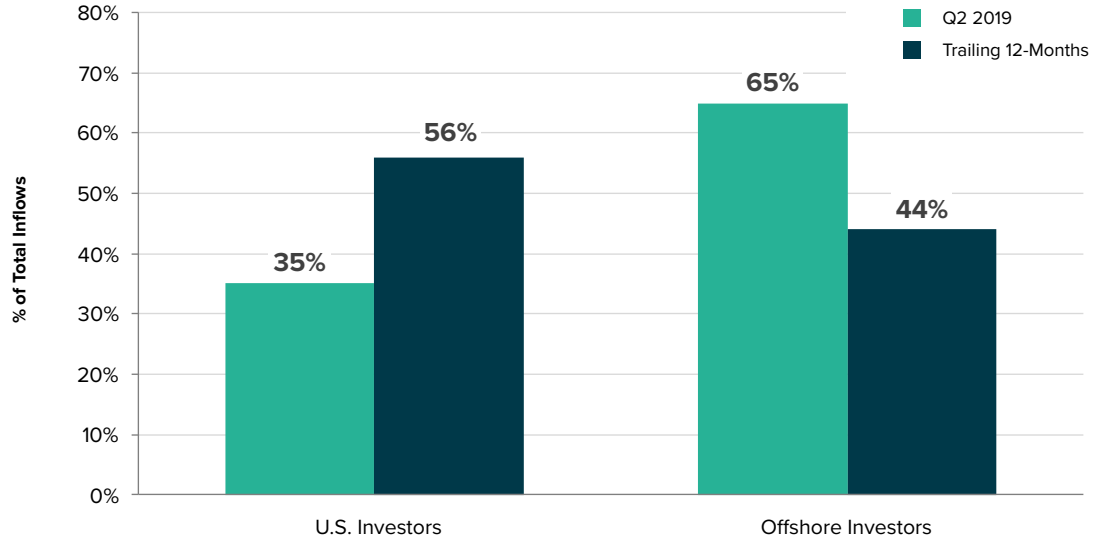
FIGURE 15: GRAYSCALE INVESTOR PROFILE BY TYPE Q2 2019 VS. TRAILING 12-MONTHS





We also witnessed a shift in the geographic source of new investment capital this quarter. Nearly two-thirds of inflows came from offshore funds, a departure from the historical trend in which U.S.-based investors have comprised most inflows. Hedge funds continued to be the largest single source of new capital.

FIGURE 16: **GRAYSCALE INVESTOR PROFILE BY GEOGRAPHY**
Q2 2019 VS. TRAILING 12-MONTHS



Conclusion

Grayscale is the world’s largest digital currency asset manager, with more than \$2.7 billion in assets under management. 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™. 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 with an institutional grade investment.

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 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 alike can benefit from exposure to digital currencies today. Now, forward-thinking investors can embrace a digital future within an institutional grade investment.

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).





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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