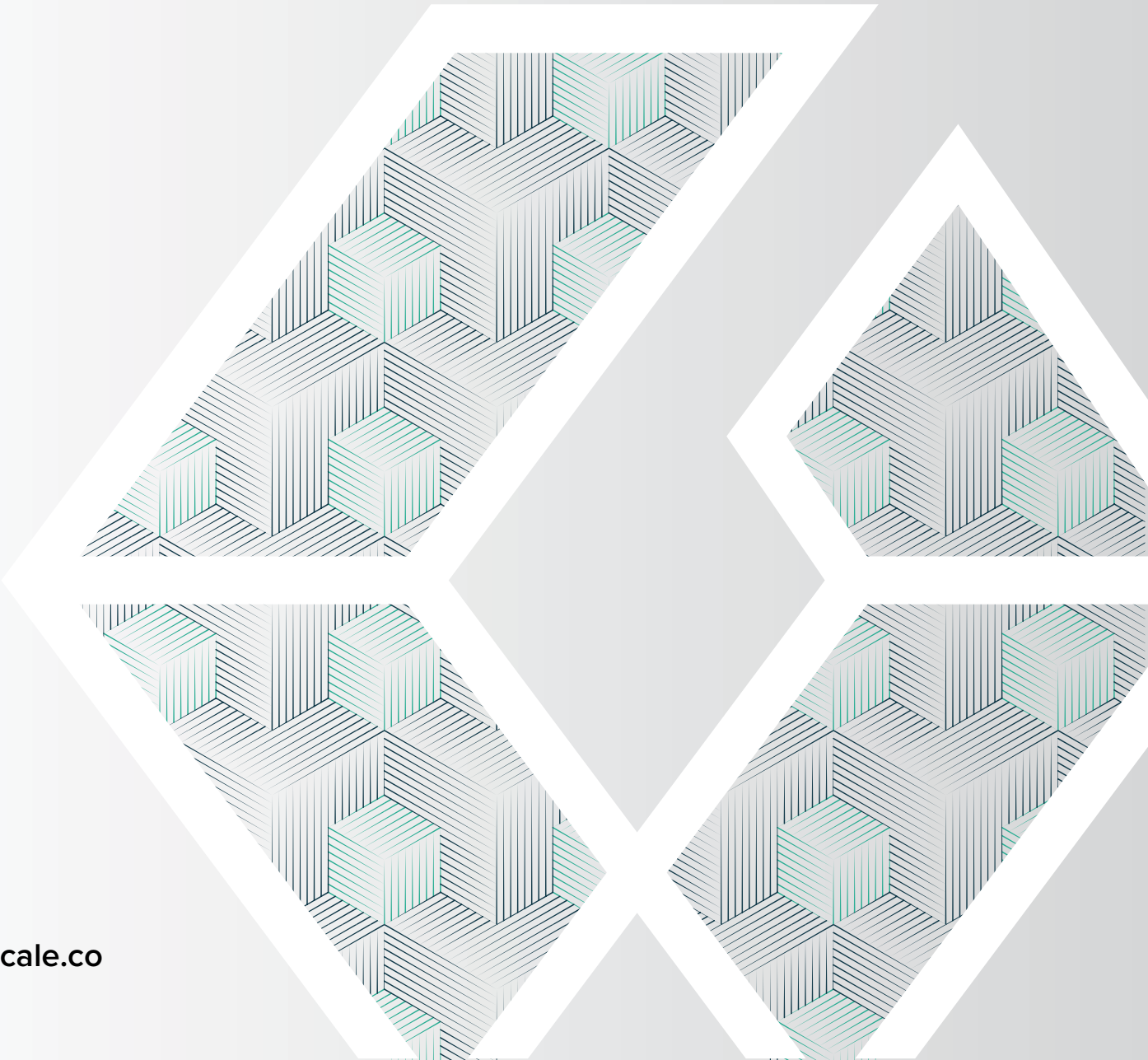


Digital Asset Investment Report

Q2 2020





Digital Asset Investment Report

TOTAL AUM¹
\$4.0B

Second Quarter of 2020 ("2Q20") Highlights²

- Total Investment into Grayscale Products: **\$905.8 million**
- Average Weekly Investment – All Products: **\$69.7 million**
- Average Weekly Investment – Grayscale® Bitcoin Trust: **\$57.8 million**
- Average Weekly Investment – Grayscale® Ethereum Trust: **\$10.4 million**
- Average Weekly Investment – Grayscale Products ex Bitcoin Trust³: **\$11.9 million**
- Majority of investment (**84%**) came from institutional investors, dominated by hedge funds.

First Half of 2020 ("1H20") Highlights⁴

- Total Investment into Grayscale Products: **\$1.4 billion**
- Average Weekly Investment – All Products: **\$54.2 million**
- Average Weekly Investment – Grayscale Bitcoin Trust: **\$43.8 million**
- Average Weekly Investment – Grayscale Ethereum Trust: **\$9.4 million**
- Average Weekly Investment – Grayscale Products ex Bitcoin Trust⁵: **\$10.4 million**
- Majority of investment (**85%**) came from institutional investors, dominated by hedge funds.

Trailing 12-Month ("T12M") Highlights⁶

- Total Investment into Grayscale Products: **\$1.9 billion**
- Average Weekly Investment – All Products: **\$36.3 million**
- Average Weekly Investment – Grayscale Bitcoin Trust⁷: **\$28.9 million**
- Average Weekly Investment – Grayscale Ethereum Trust: **\$6.3 million**
- Average Weekly Investment – Grayscale Products ex Bitcoin Trust⁸: **\$7.4 million**
- Majority of investment (**81%**) came from institutional investors, dominated by hedge funds.

1. As of June 30, 2020.

2. For the period from April 1, 2020 through June 30, 2020.

3. "Grayscale Products ex Bitcoin Trust" 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 January 1, 2020 through June 30, 2020.

5. See footnote 3.

6. For the period from July 1, 2019 through June 30, 2020.

7. Grayscale Bitcoin Trust was periodically closed to new investment throughout 2019 and 2020.

8. See footnote 3.





The Takeaway

Billion Dollar 1H20 and Largest Quarterly Raise: Grayscale recorded its largest quarterly inflows, \$905.8 million in 2Q20, nearly double the previous quarterly high of \$503.7 million in 1Q20. For the first time, inflows into Grayscale products over a 6-month period crossed the \$1 billion threshold, demonstrating sustained demand for digital asset exposure despite a backdrop characterized by economic uncertainty.

Cumulative investment across the Grayscale family of products since inception has reached \$2.6 billion.⁹ Grayscale Bitcoin Trust and Grayscale Ethereum Trust both experienced record quarterly inflows of \$751.1 million and \$135.2 million, respectively.

Grayscale Bitcoin Trust Inflows Exceeded Magnitude of Newly-Mined Bitcoin: After Bitcoin's halving in May, 2Q20 inflows into Grayscale Bitcoin Trust surpassed the number of newly-mined Bitcoin over the same period. With so much inflow to Grayscale Bitcoin Trust relative to newly-mined Bitcoin, there is a significant reduction in supply-side pressure, which may be a positive sign for Bitcoin price appreciation. However, these comparisons are simply to illustrate supply and demand in the market. They do not provide insight into the destination of any mined Bitcoin during the measured period.

New Investor Interest and Multi-Product Institutional Investors: In 2Q20, new investors accounted for \$124.1 million of inflows and 57% of the investor base, up from 49% during the T12M. Additionally, 81% of returning institutional investors in 2Q20 have now allocated to multiple products, an increase from T12M of 71%.

Alternatives Continue to Gain Momentum: In 2Q20, demand for Grayscale Ethereum Trust accounted for almost 15% of total inflows into Grayscale products, the highest percentage to date. Grayscale® Ethereum Classic Trust and Grayscale® Digital Large Cap Fund combined have exceeded \$50 million of inflows during the last 12 months. Grayscale® Litecoin Trust saw its largest inflows to date and Grayscale® Bitcoin Cash Trust saw its largest inflows since 2Q18.

Quarterly Perspective

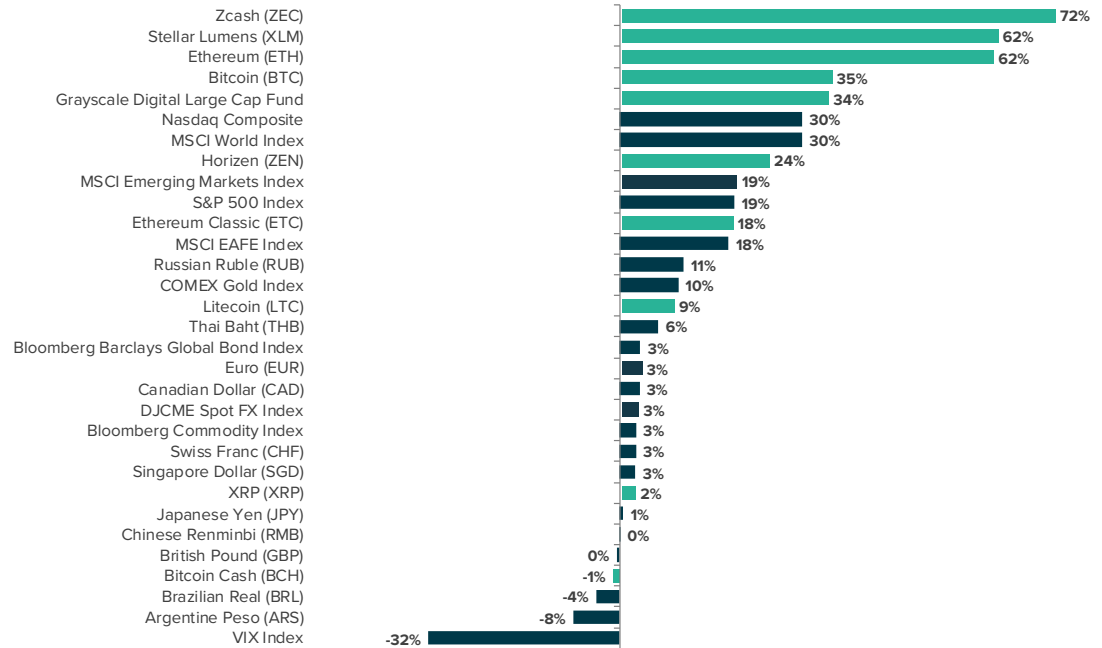
While long volatility was the winning trade in 1Q20, volatility was subdued in 2Q20 as risk assets steadily recovered. In 2Q20, digital assets outperformed most indices, and Zcash, Ethereum, and Stellar led the way returning 72%, 62%, and 62%, respectively. Despite unprecedented monetary intervention, gold has remained relatively muted in 2Q20 with 10% returns relative to Bitcoin (35%) and the S&P 500 (19%).

⁹ Inception date: September 25, 2013.





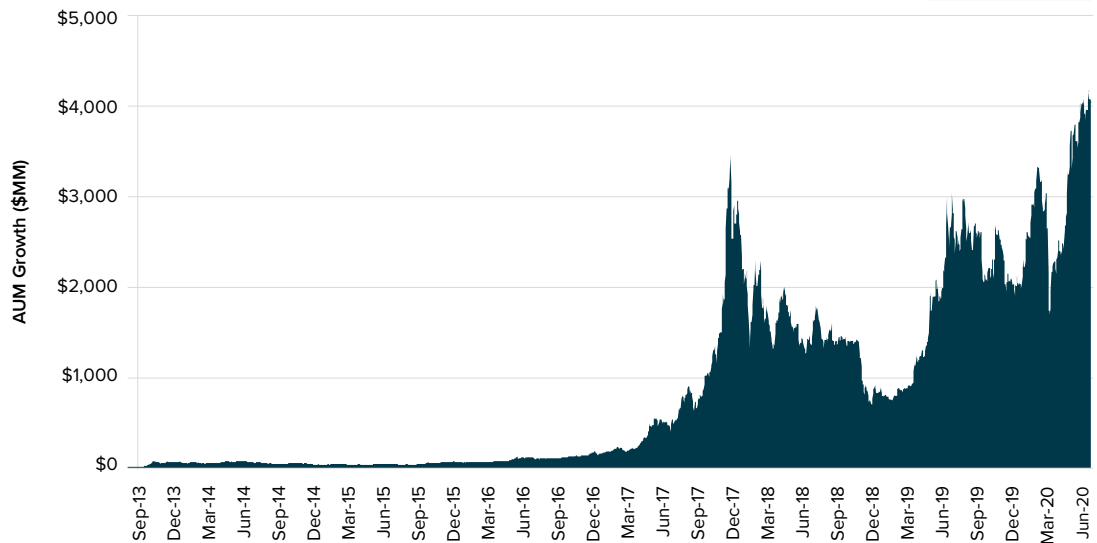
FIGURE 1: MULTI-ASSET CLASS PERFORMANCE – 2Q20¹⁰
APRIL 1, 2020 THROUGH JUNE 30, 2020



Grayscale’s assets under management (“AUM”) reached all-time highs during 2Q20, a broad reflection of investment interest in the digital currency asset class.

FIGURE 2: GRAYSCALE AUM SINCE INCEPTION
SEPTEMBER 25, 2013 THROUGH JUNE 30, 2020

Index	Grayscale
AUM Growth (Cumulative)	179,366.8%
AUM Growth (Annualized)	202.5%
Standard Deviation (Annualized)	72.9%



10. Source: Bloomberg, CoinMarketCap.com, Grayscale. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RETURNS.





During 2Q20, inflows into Grayscale Bitcoin Trust were proportional to almost 70% of all Bitcoin mined over the same period.¹¹ This proportion increased to 118% after Bitcoin completed its third halving in May 2020.

FIGURE 3: BTC FLOWS: GRAYSCALE BITCOIN TRUST VS BITCOIN ENTERING CIRCULATION¹²
APRIL 1, 2020 THROUGH JUNE 30, 2020

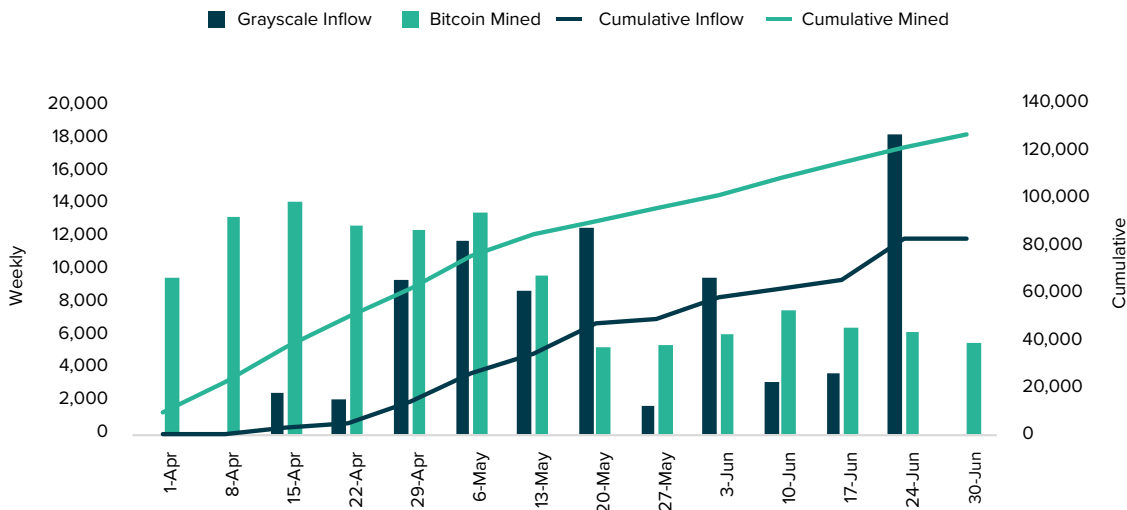
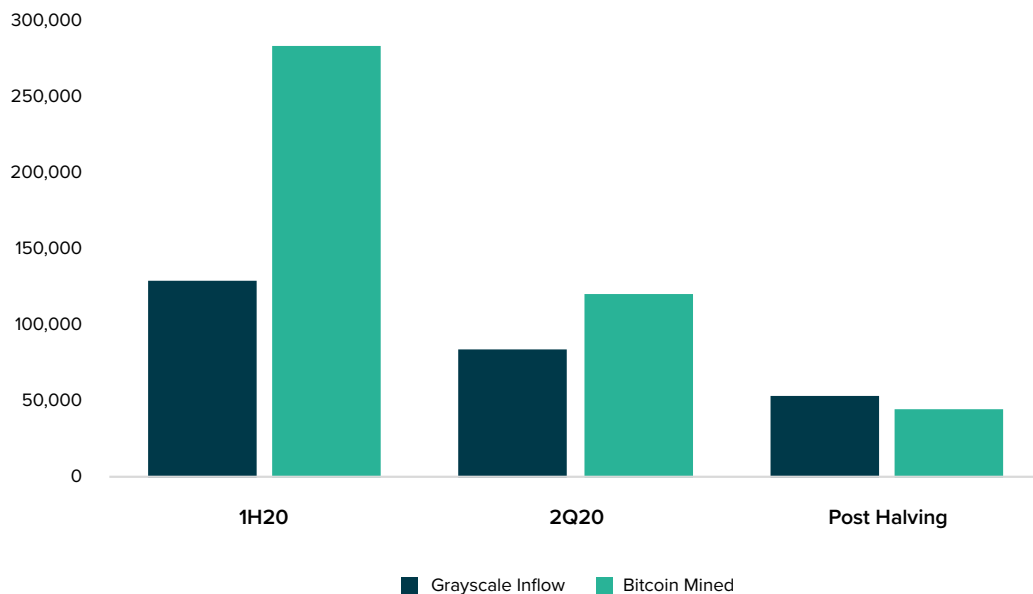


FIGURE 4: POST HALVING FLOW: GRAYSCALE BITCOIN TRUST VS BITCOIN ENTERING CIRCULATION
APRIL 1, 2020 THROUGH JUNE 30, 2020



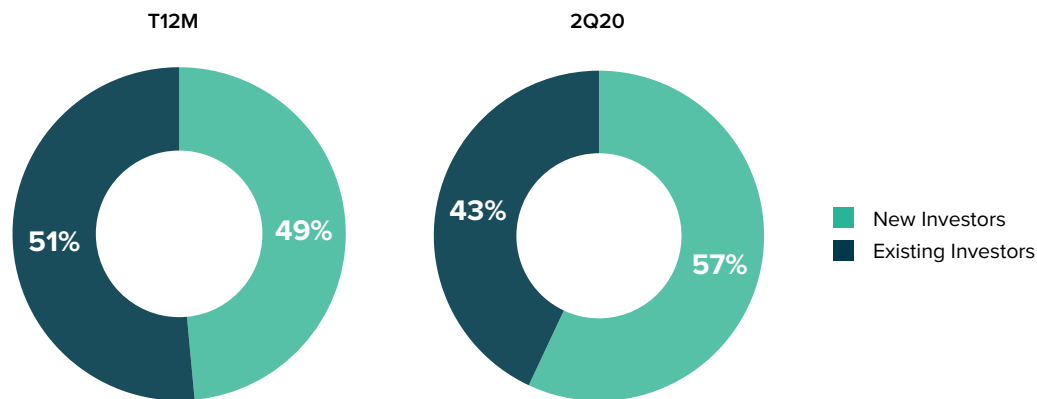
11. Source: Coin Metrics
12. For comparison only. This does not reflect the direct flow of newly mined Bitcoin.





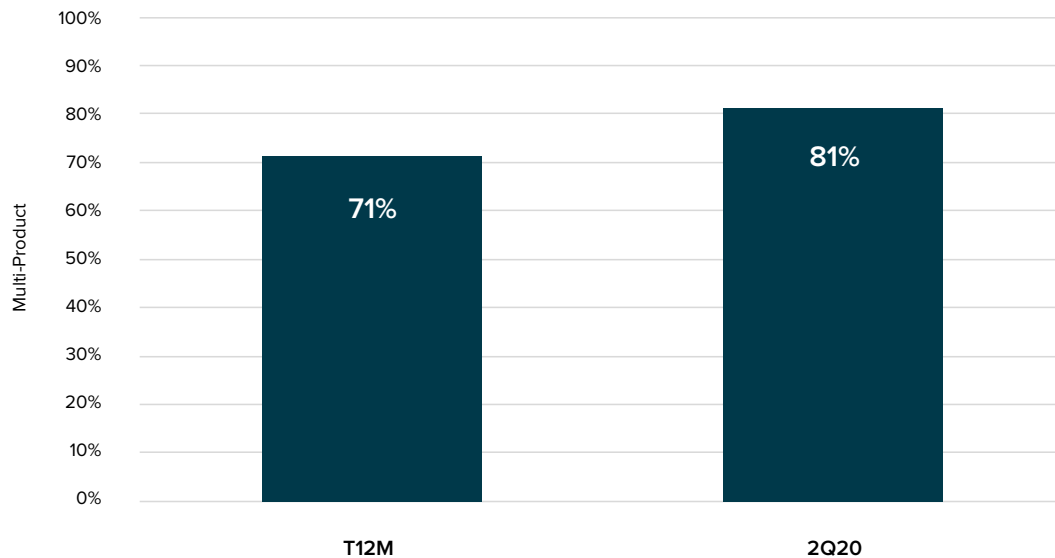
As digital assets gain traction in the investment community, new investors represented 57% of the Grayscale investor base in 2Q20, a significant increase over the twelve month average.

FIGURE 5: NEW GRAYSCALE INVESTORS
JULY 1, 2019 THROUGH JUNE 30, 2020



The returning institutional investor base continues to explore multiple Grayscale products. 81% of returning institutional investors in 2Q20 have now invested in multiple products.

FIGURE 6: RETURNING MULTI-PRODUCT INSTITUTIONAL INVESTORS
JULY 1, 2019 THROUGH JUNE 30, 2020

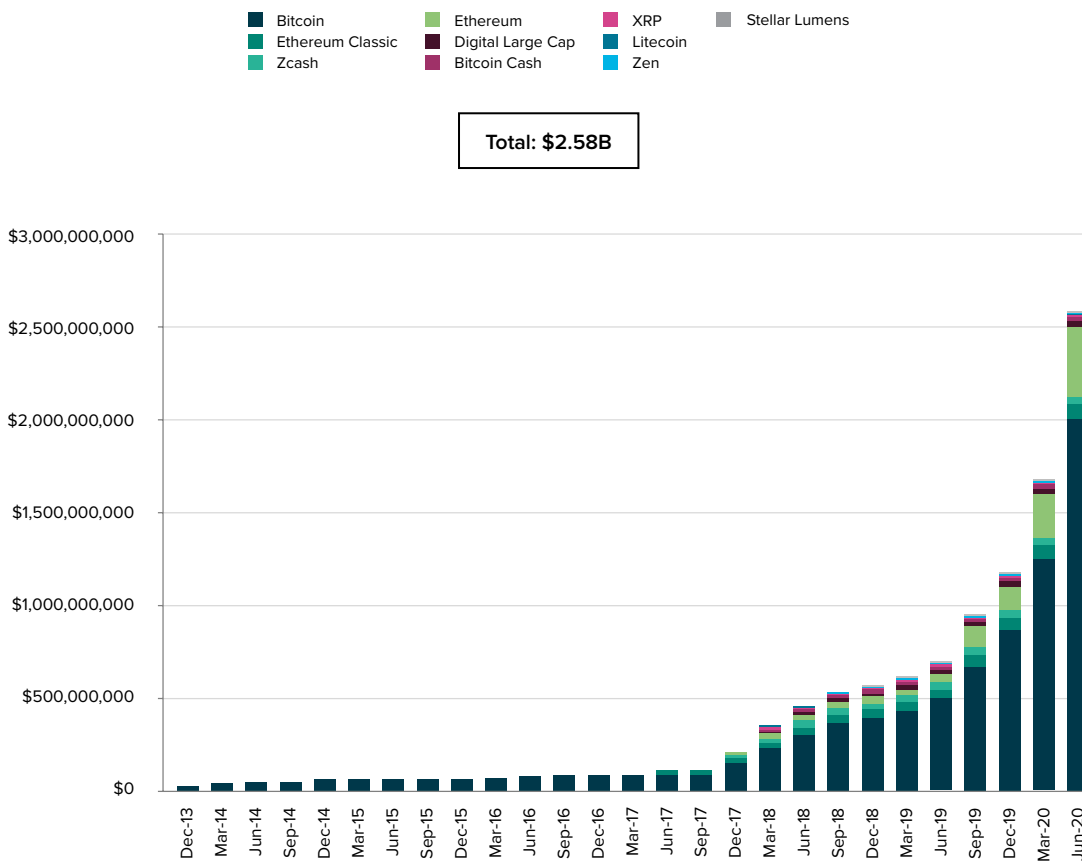


Looking at Figure 7, investors are increasing their exposure to digital assets at an accelerating rate. 1Q20 and 2Q20 were consecutive record quarters for Grayscale. Inflows from 1H20 alone represent almost 55% of Grayscale’s cumulative inflows since inception.





FIGURE 7: GRAYSCALE CUMULATIVE QUARTERLY INFLOWS SINCE INCEPTION
SEPTEMBER 25, 2013 THROUGH JUNE 30, 2020



In Figure 8, we show the T12M dollar-denominated inflows to the Grayscale family of investment products as a percentage of AUM. This metric may serve as a proxy for broad-based investment into digital assets, which may have important implications for future price action. Many investors view large capital inflows relative to asset prices as a fundamental sign of perceived value and potential future price momentum.

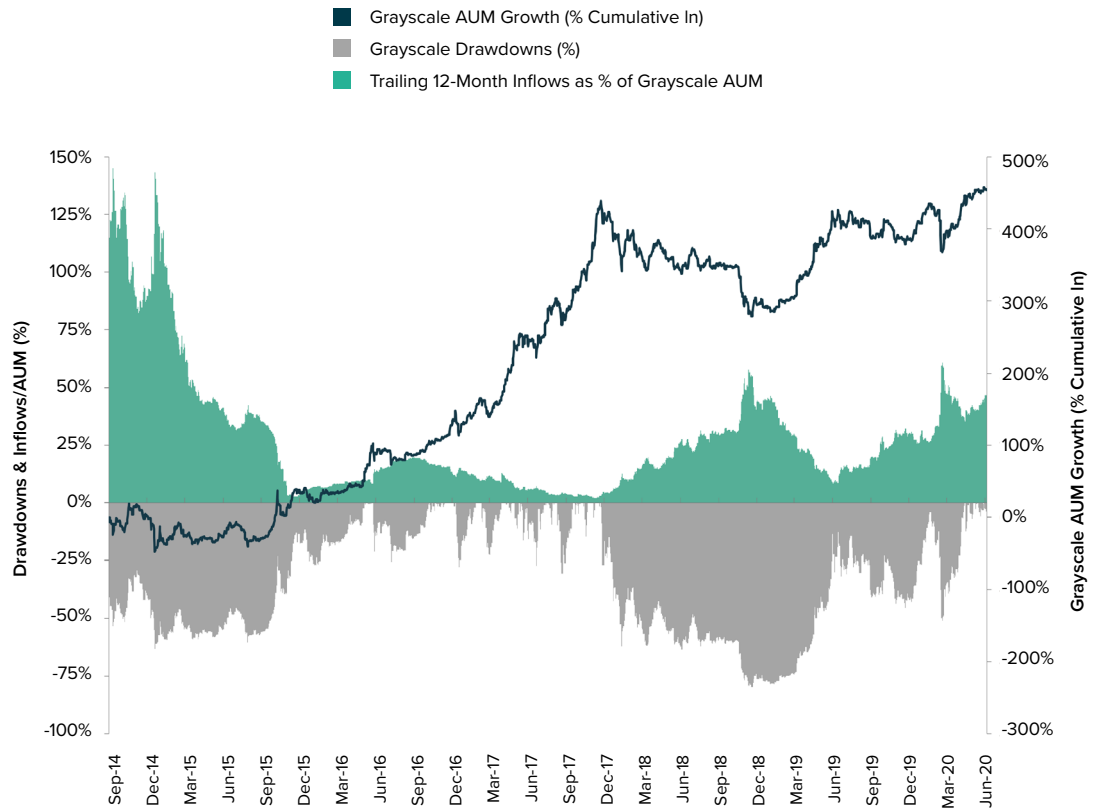
While past performance is not an indicator of future returns, large increases in dollar-denominated inflows relative to Grayscale AUM have historically preceded bull markets. Though the number of observations is limited, and the effects may not be immediate, it will be interesting to see how the next cycle plays out to gauge the strength and validity of this signal.





FIGURE 8: GRAYSCALE T12M INFLOWS AS % OF AUM SINCE INCEPTION
SEPTEMBER 25, 2013 THROUGH JUNE 30, 2020

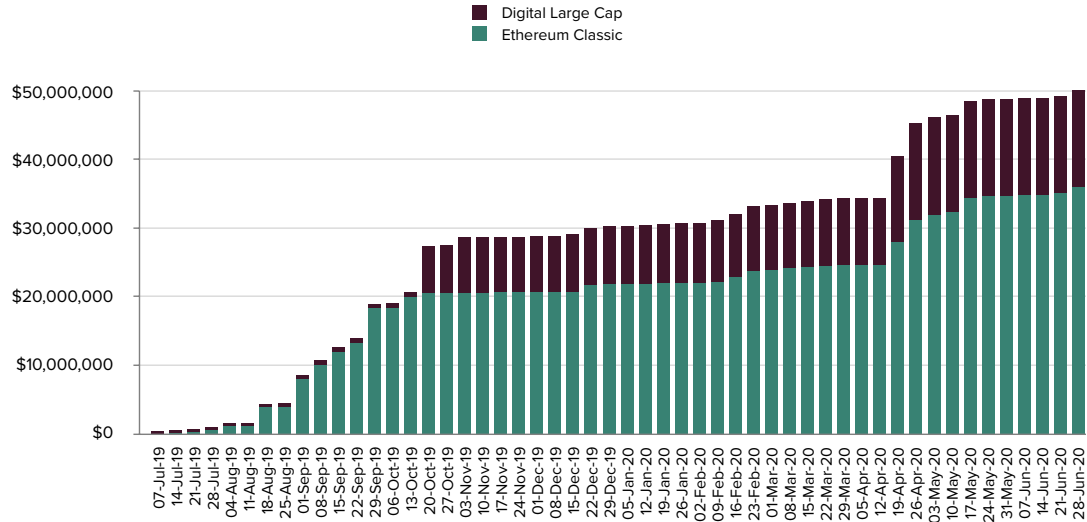
Index	Grayscale
Max Trailing 12-Month Inflow (% of AUM)	144.9%
Average Trailing 12-Month Inflow (% of AUM)	28.1%
Median Trailing 12-Month Inflow (% of AUM)	19.3%
Current Trailing 12-Month Inflow (% of AUM)	46.7%





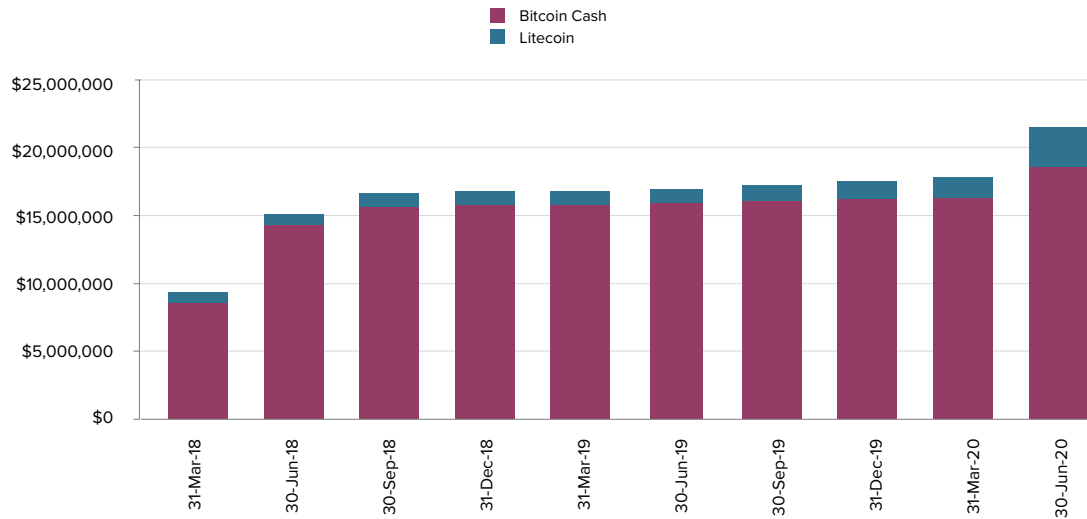
While the Bitcoin and Ethereum Trusts represent the bulk of investment, Grayscale Ethereum Classic Trust and Grayscale Digital Large Cap Fund (GDLC) have experienced inflows exceeding \$50 million during the last twelve months.

FIGURE 9: GRAYSCALE CUMULATIVE INFLOWS FOR GRAYSCALE ETHEREUM CLASSIC TRUST AND GRAYSCALE DIGITAL LARGE CAP FUND – T12M¹³
 JULY 1, 2019 THROUGH JUNE 30, 2020



After a period of slow growth, Grayscale Bitcoin Cash Trust and Grayscale Litecoin Trust have seen a marked uptick in investor interest. The two trusts combined have now reached over \$20 million in inflows since inception.

FIGURE 10: GRAYSCALE CUMULATIVE INFLOWS FOR GRAYSCALE BITCOIN CASH TRUST AND GRAYSCALE LITECOIN TRUST
 JANUARY 1, 2018 THROUGH JUNE 30, 2020



Next, we'll provide our standard series of investment activity analytics for 2Q20 and T12M.

¹³ Grayscale Digital Large Cap Fund was periodically closed to new investment during the measured period.





Investment Activity through the Grayscale Lens

Grayscale raised \$905.8 million in 2Q20, bringing T12M inflows to \$1.9 billion.

FIGURE 11: **GRAYSCALE CUMULATIVE INFLOWS BY PRODUCT – 2Q20¹⁴**
APRIL 1, 2020 THROUGH JUNE 30, 2020

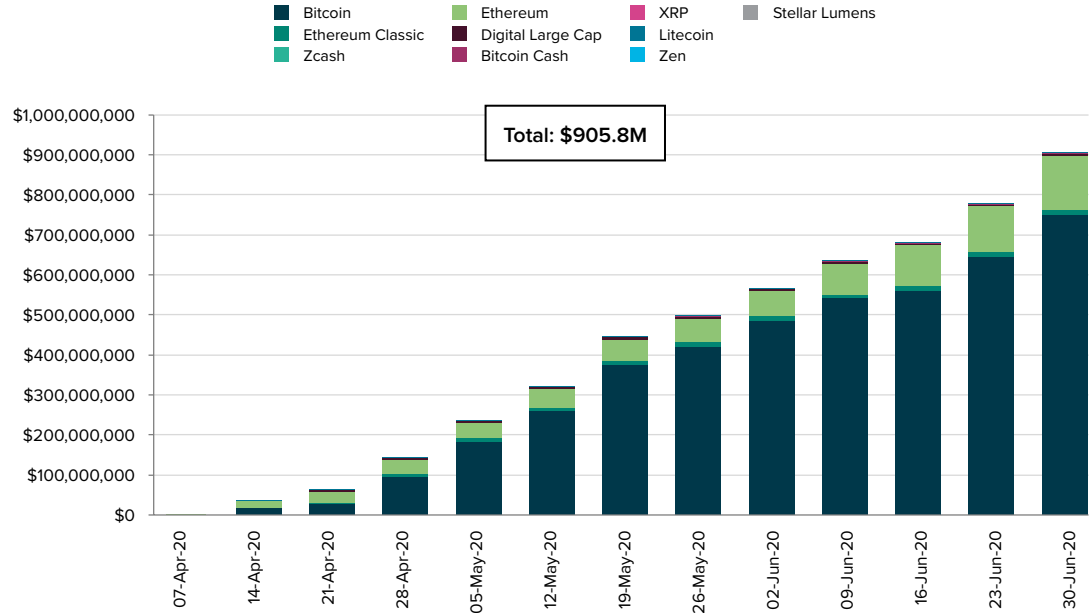
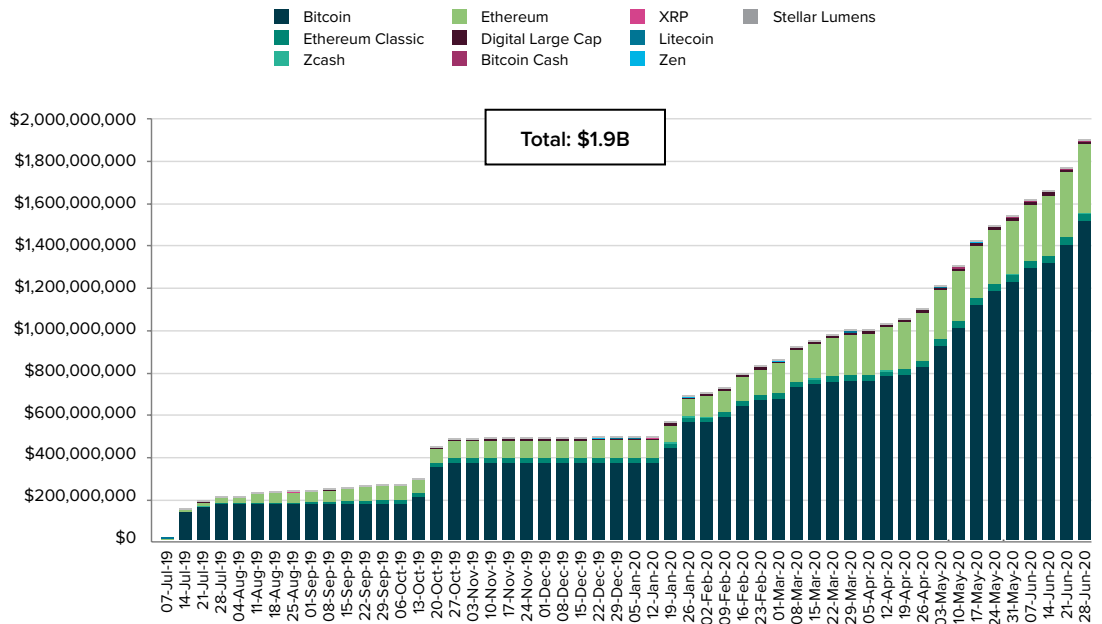


FIGURE 12: **GRAYSCALE CUMULATIVE INFLOWS BY PRODUCT – T12M**
JULY 1, 2019 THROUGH JUNE 30, 2020



14. Grayscale Digital Large Cap Fund and Grayscale Bitcoin Trust were periodically closed to new investment during the measured period.





Average weekly investment across all products in 2Q20 was \$69.7 million, while average weekly investment for T12M was \$36.3 million.

FIGURE 13: GRAYSCALE WEEKLY INFLOWS BY PRODUCT – 2Q20
APRIL 1, 2020 THROUGH JUNE 30, 2020

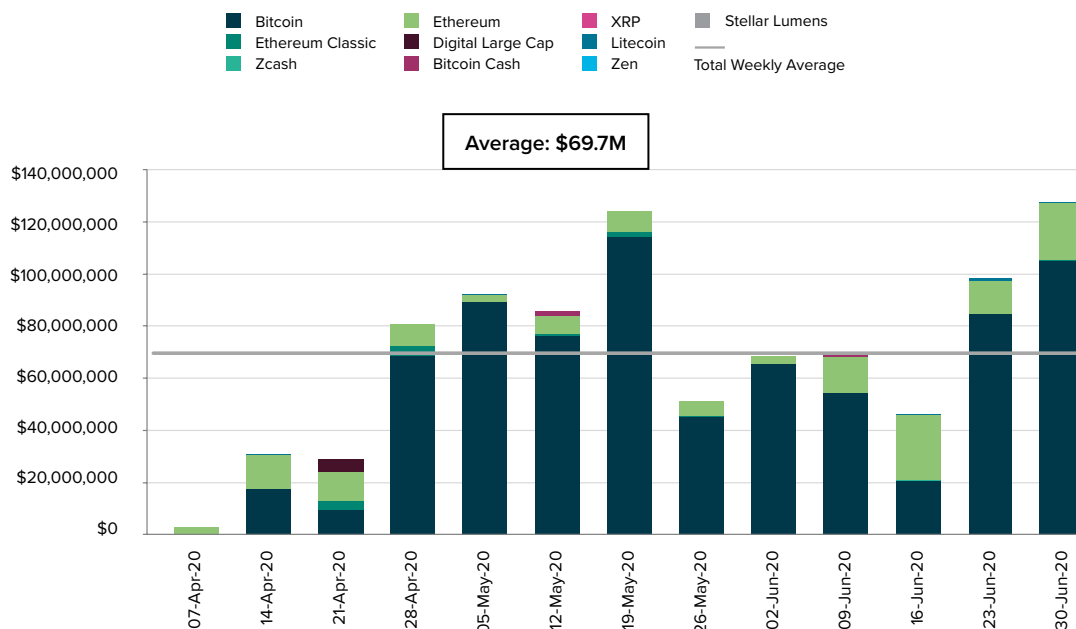
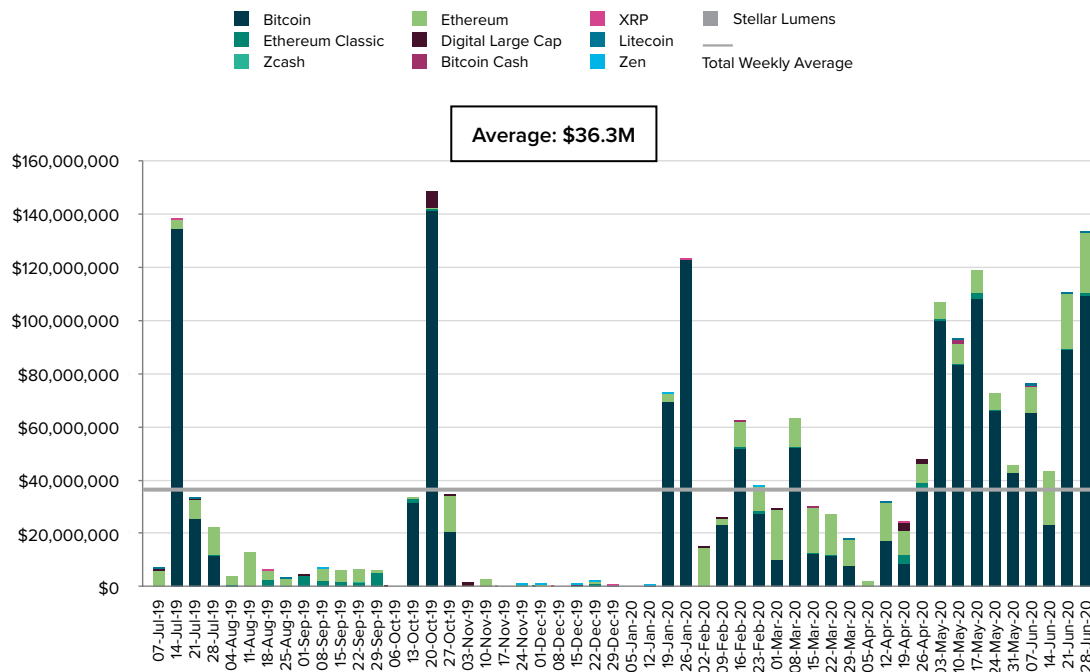


FIGURE 14: GRAYSCALE WEEKLY INFLOWS BY PRODUCT – T12M
JULY 1, 2019 THROUGH JUNE 30, 2020





In 2Q20, inflows to Grayscale Bitcoin Trust were a record \$751.1 million, surpassing the previous high of \$388.9 million raised in 1Q20. This brought T12M Grayscale Bitcoin Trust inflows to \$1.5 billion.

FIGURE 15: **GRAYSCALE BITCOIN TRUST CUMULATIVE WEEKLY INFLOWS – 2Q20**
APRIL 1, 2020 THROUGH JUNE 30, 2020

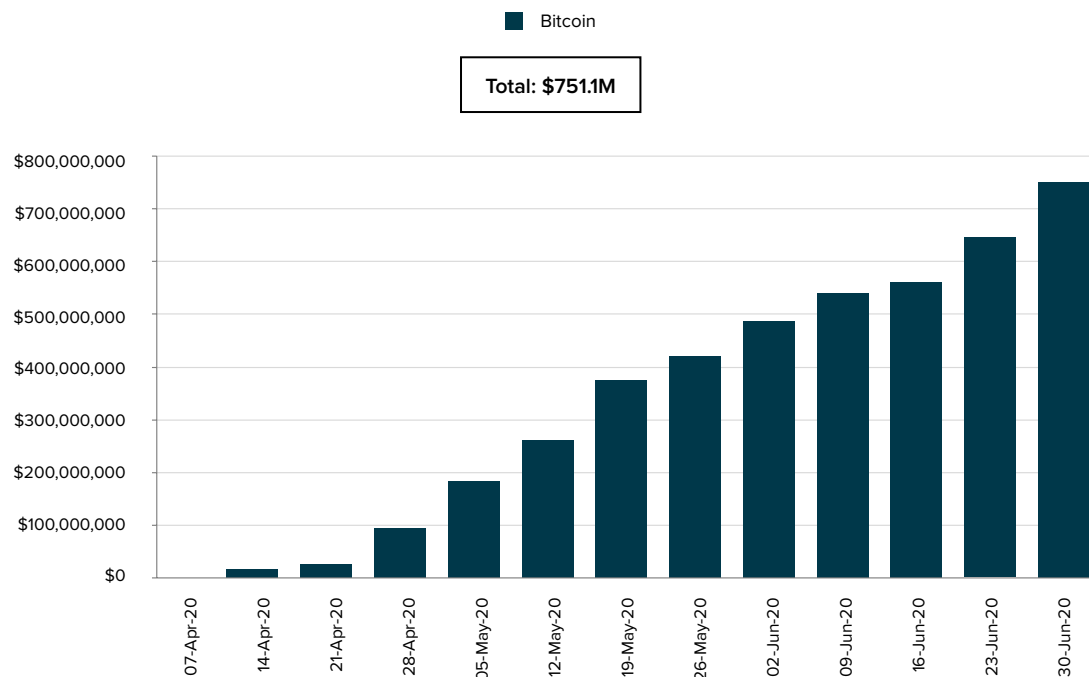
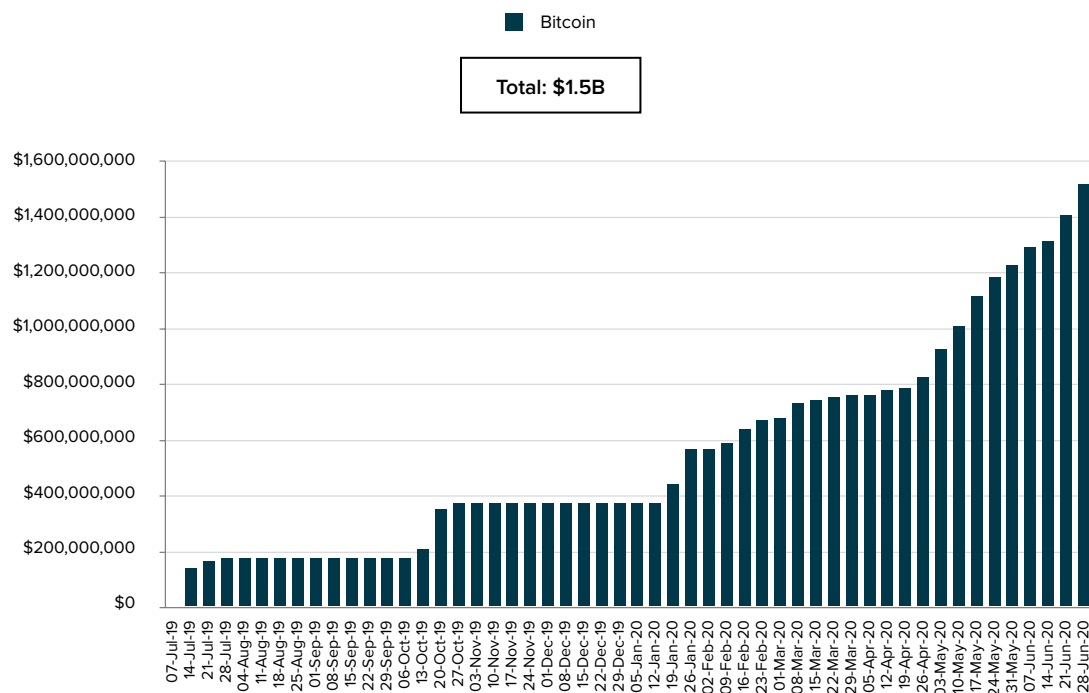


FIGURE 16: **GRAYSCALE BITCOIN TRUST CUMULATIVE WEEKLY INFLOWS – T12M**
JULY 1, 2019 THROUGH JUNE 30, 2020





In 2Q20, demand for Grayscale Products ex Bitcoin Trust grew to \$154.7 million, up 35% QoQ, and up over 649% from 2Q19. Much of the increase was driven by continued inflows into Grayscale Ethereum Trust (\$135.2 million), bringing T12M inflows for Grayscale Products ex Bitcoin Trust to \$384.1 million.

FIGURE 17: **GRAYSCALE PRODUCTS EX BITCOIN TRUST CUMULATIVE WEEKLY INFLOWS – 2Q20**
APRIL 1, 2020 THROUGH JUNE 30, 2020

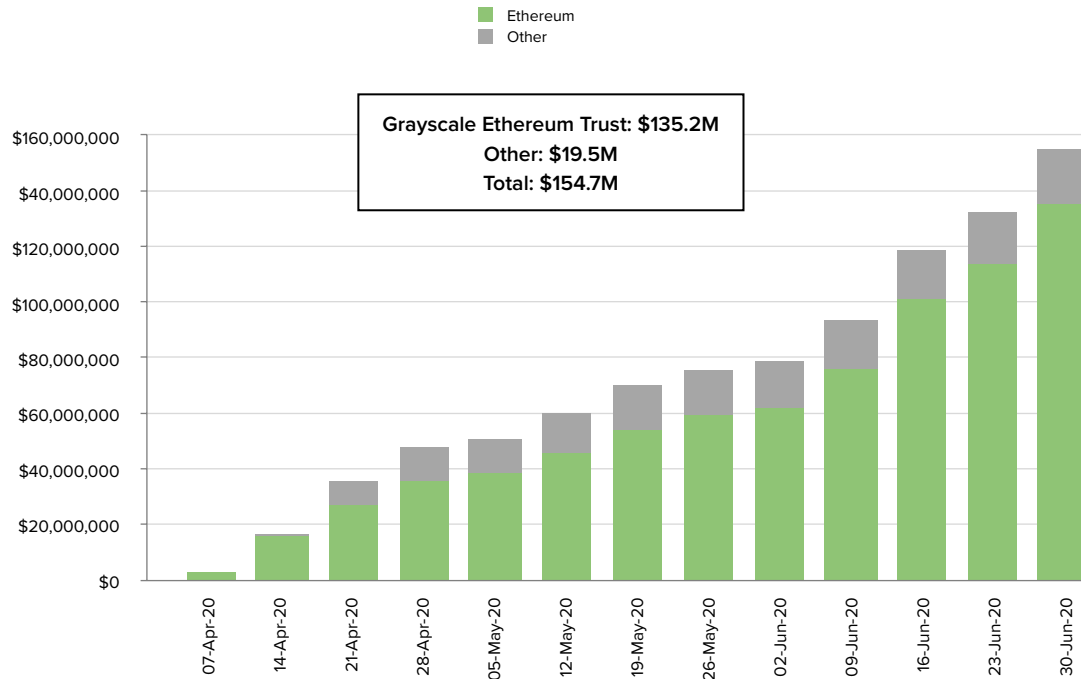
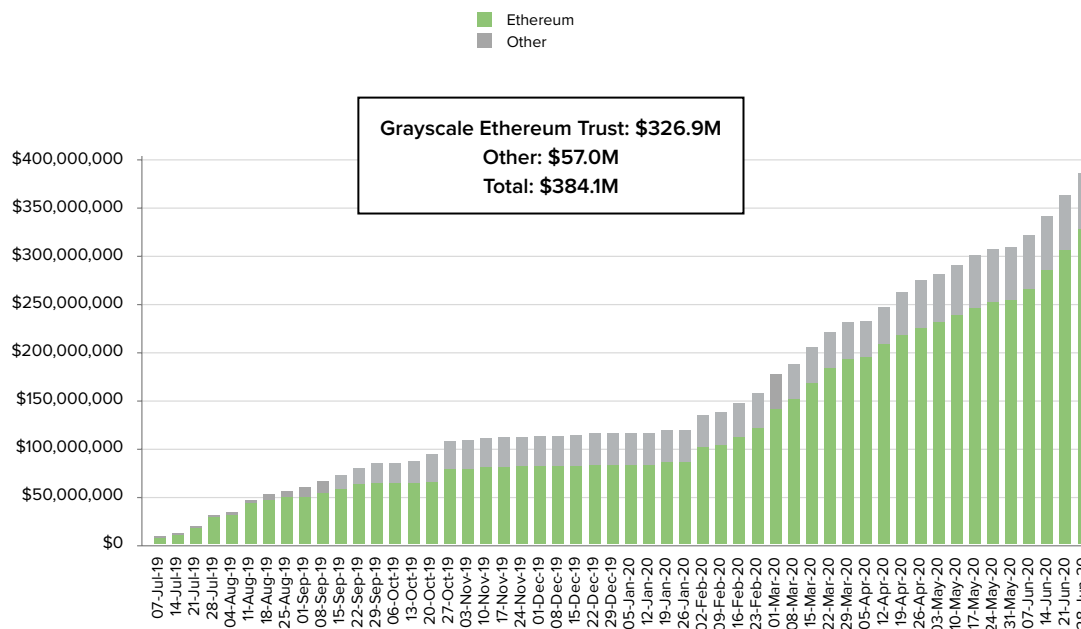


FIGURE 18: **GRAYSCALE PRODUCTS EX BITCOIN TRUST CUMULATIVE WEEKLY INFLOWS – T12M**
JULY 1, 2019 THROUGH JUNE 30, 2020

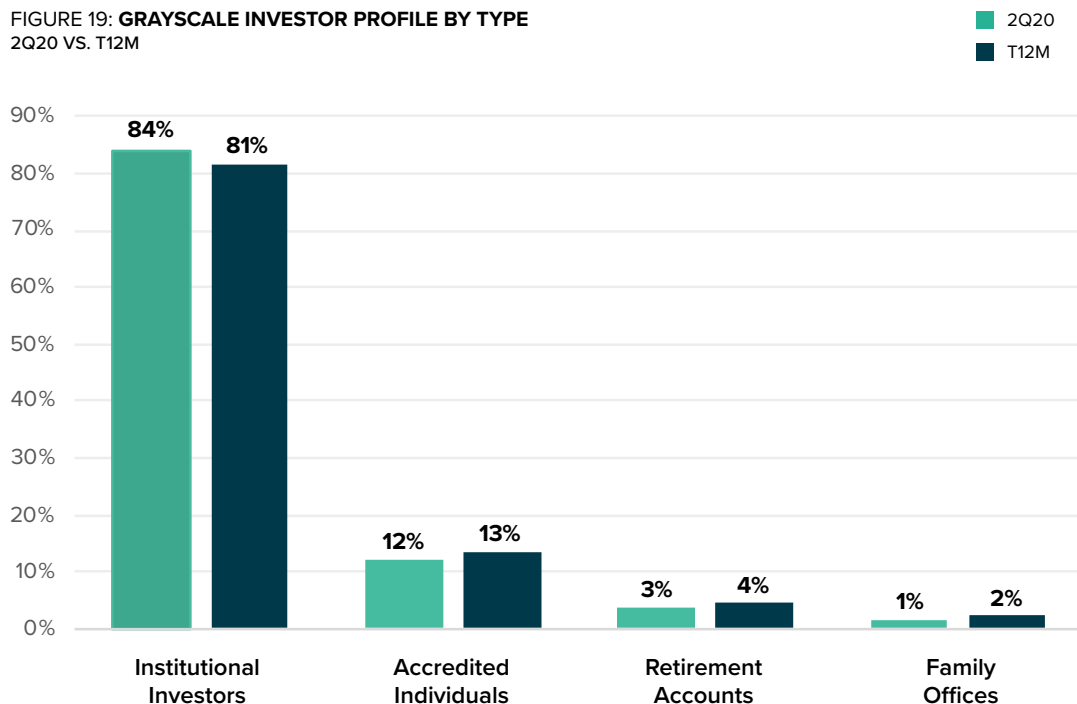




Investor Profiles

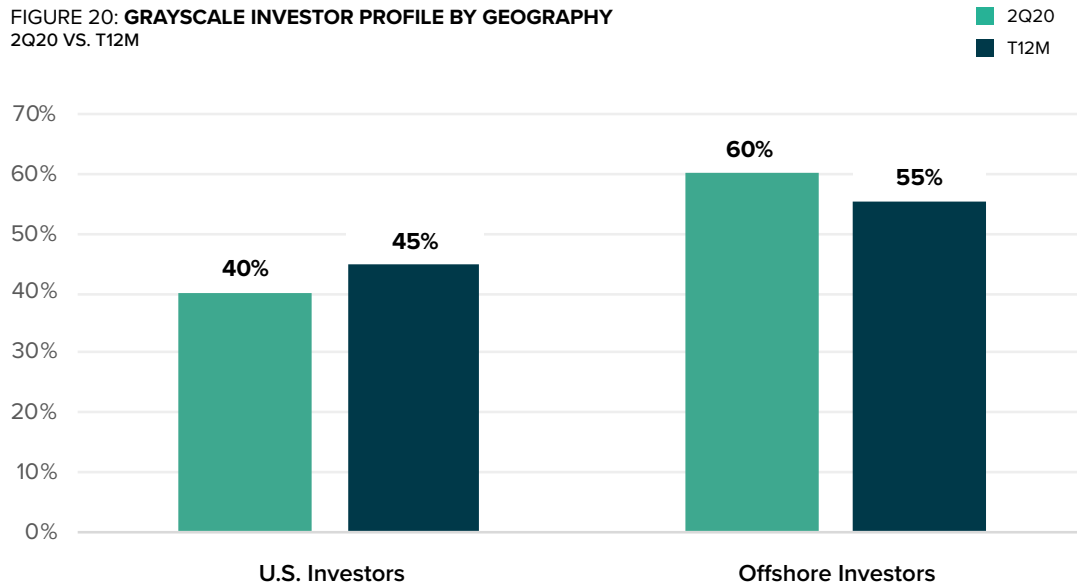
Institutional investors continued to be the primary source of investment capital in 2Q20 (84%), building on the momentum this trend has experienced over the T12M (81%).

FIGURE 19: GRAYSCALE INVESTOR PROFILE BY TYPE
2Q20 VS. T12M



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

FIGURE 20: GRAYSCALE INVESTOR PROFILE BY GEOGRAPHY
2Q20 VS. T12M





Conclusion

In a quarter characterized by unprecedented global events, inflows to Grayscale products reached \$905.8 million, bringing capital raised during 1H20 to \$1.4 billion. The record inflows reflect rapidly growing demand for digital assets, as investors increasingly look to diversify their portfolios amid aggressive monetary and fiscal intervention resulting from the COVID-19 crisis. New investors accounted for 57% of the investor base in 2Q20, up from 49% over T12M.

While Grayscale Bitcoin Trust continues to generate the majority of investor demand, alternative products are gaining momentum, illustrating a trend of increasing diversification within the digital currency asset class. In 2Q20, Grayscale Ethereum Trust saw over \$135 million of inflows, almost 15% of total inflows into Grayscale products. Grayscale Ethereum Classic Trust and Digital Large Cap Fund recorded over \$50 million of inflows during the last 12 months. Grayscale Litecoin Trust and Grayscale Bitcoin Cash Trust have surpassed \$20 million in combined inflows since inception.

With inflows over the last six months alone that eclipse cumulative assets raised over the prior six years, it's difficult to ignore the empirical data signaling a shift in sentiment towards digital assets from individual and institutional investors alike.





About Grayscale Investments®

Grayscale Investments is the world's largest digital currency asset manager, with more than \$4.0B in assets under management as of June 30, 2020. Through its family of 10 investment products, Grayscale provides access and exposure to the digital currency asset class in the form of a traditional security without the challenges of buying, storing, and safekeeping digital currencies directly. With a proven track record and unrivaled experience, Grayscale's products operate within existing regulatory frameworks, creating secure and compliant exposure for investors.

For more information, please visit www.grayscale.co and follow [@GrayscaleInvest](https://twitter.com/GrayscaleInvest).





Non-GAAP Measures

“Assets under management” (AUM), “inflows”, “total investment” and “average weekly investment” are calculated using the Digital Asset Reference Rate for each Grayscale Product, which are not measures calculated in accordance with U.S. generally accepted accounting principles (“GAAP”). The net asset value of each Product determined on a GAAP basis is referred to in this Report as “NAV.”

Each Product’s digital assets are carried, for financial statement purposes, at fair value, as required by GAAP. Each Product determines the fair value of the digital assets it holds based on the price provided by the applicable Digital Asset Exchange that the relevant Product considers its principal market as of 4:00 p.m., New York time, on the valuation date. The cost basis of investments in the applicable digital asset recorded by the applicable Product is the fair value of such digital asset, as determined by such Product, at 4:00 p.m., New York time, on the date of transfer to such Product by the Authorized Participant based on the creation Baskets. The cost basis recorded by a Product may differ from proceeds collected by the Authorized Participant from the sale of each Product’s Share to investors.

Each Product’s investment objective is for its Shares (based on digital assets per Share) to reflect the value of the digital assets held by it, as determined by reference to the applicable Digital Asset Reference Rate, less such Product’s expenses and other liabilities. There are two types of Digital Asset Reference Rates used by the Products: (i) a volumeweighted average price in U.S. dollars of the digital assets held by a Product for the immediately preceding 24-hour period as of 4:00 p.m., New York time, on each business day (each, a “VWAP Price”) and (ii) a volume-weighted index price calculated by applying a weighting algorithm to the price and trading volume data of a digital asset for the immediately preceding 24-hour period as of 4:00 p.m., New York time (each, an “Index Price”), in each case as derived from data collected from the Digital Asset Exchanges trading such digital asset selected by TradeBlock, Inc. (the “Reference Rate Provider”). Grayscale believes that calculating the Digital Asset Reference Rates in this manner mitigates the impact of anomalous or manipulative trading that may occur on any single digital asset exchange, and as such, provides a more reliable price for the relevant digital asset.

Each Product’s AUM is calculated by multiplying such Product’s assets (other than U.S. dollars or other fiat currency), less expenses and other liabilities, by the relevant Digital Asset Reference Rate, and as a result, it is not calculated in accordance with GAAP. Investments are calculated by multiplying the number of digital assets received each day as part of the creation process by that day’s Index Price. Total investment amounts reflect total capital raised using this non-GAAP methodology during the periods presented in the report. Average weekly investments reflect the average of the capital amounts raised using this non-GAAP methodology over the number of weeks in those respective periods.

The following tables show the Grayscale Bitcoin Trust’s total investments and average weekly investments using the GAAP cost basis of such investments during the periods shown below as well as the price of Bitcoin on Grayscale Bitcoin Trust’s principal market, the Digital Asset Reference Rate used by the Trust and the Grayscale Bitcoin Trust’s AUM using the principal market price and Digital Asset Reference Rate.

Grayscale Bitcoin Trust (in millions)	For the Quarter Ended				Trailing 12-Month
	9/30/2019	12/31/2019	3/31/2020	6/30/2020	6/30/2020
Total Investment	164.1	192.2	389.4	757.4	1,503.1
Average Weekly Investment	12.6	14.8	30.0	58.3	28.9

(AUM denominated in millions)	For the Quarter Ended			
	9/30/2019	12/31/2019	3/31/2020	6/30/2020
Price of Bitcoin on principal market	8,283.71	7,145.00	6,474.20	9,134.09
AUM using principal market price	1,976.9	1,866.2	1,972.2	3,532.4
Digital Asset Reference Rate	8,065.08	7,200.71	6,466.48	9,156.26
AUM using Digital Asset Reference Rate	1,924.7	1,880.8	1,969.9	3,540.9





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) and Grayscale Digital Large Cap Fund, which are only offered on a periodic basis, are publicly quoted under the symbols: GBTC and GDLCF, respectively. Except for Grayscale Bitcoin Trust (BTC), 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”) (except for Grayscale Bitcoin Trust (BTC)), 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.

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on Grayscale’s views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements that are forward-looking by reason of context, the words “may, will, should, could, can, expects, plans, intends, anticipates, believes, estimates, predicts, potential, projected, or continue” and similar expressions identify forward-looking statements. Grayscale assumes no obligation to update any forward-looking statements contained herein and you should not place undue reliance on such statements, which speak only as of the date hereof. Although Grayscale has taken reasonable care to ensure that the information contained herein is accurate, no representation or warranty (including liability towards third parties), expressed or implied, is made by Grayscale as to its accuracy, reliability or completeness. You should not make any investment decisions based on these estimates and forward-looking statements.





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) and Grayscale Digital Large Cap Fund, 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

Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment. This document is intended for those with an in-depth understanding of the high risk nature of investments in digital assets and these investments may not be suitable for you. This document may not be distributed in either excerpts or in its entirety beyond its intended audience and the Products and Grayscale will not be held responsible if this document is used or is distributed beyond its initial recipient or if it is used for any unintended purpose.

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The above summary is not a complete list of the risks and other important disclosures involved in investing in any Product or digital assets and is subject to the more complete disclosures contained in each Product’s Offering Documents, which must be reviewed carefully.





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