

CIPHER TECHNOLOGIES MANAGEMENT LP

Form ADV Part 2A

February 21, 2019

This brochure provides information about the qualifications and business practices of Cipher Technologies Management LP ("Cipher"), an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). Registration with the SEC does not imply that Cipher or its principals or employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Please contact Cipher if you have any questions about the contents of this brochure.

Additional information about Cipher is available on the SEC's website at www.adviserinfo.sec.gov.

Cipher Technologies Management LP
600 Steamboat Road
Greenwich, CT 06830
Phone: +1 (203) 769-7800
cipher.tech

Email: compliance@cipher.tech

Item 2: Material Changes

This brochure dated February 21, 2019 was initially issued on October 24, 2018. Material changes since that date include:

- Cipher's name was changed to Cipher Technologies Management LP.
- Cipher's assets under management increased from approximately \$0 to approximately \$28.3 million.
- Cipher registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission.

Item 3: <u>Table of Contents</u>	<u>Page</u>
Item 1: Cover Page	1
Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	5
Item 6: Performance-Based Fees and Side-By-Side Management	7
Item 7: Types of Clients	8
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9: Disciplinary Information	35
Item 10: Other Financial Industry Activities and Affiliations	36
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	37
Item 12: Brokerage Practices	39
Item 13: Review of Accounts	41
Item 14: Client Referrals and Other Compensation	42
Item 15: Custody	43
Item 16: Investment Discretion	44
Item 17: Voting Client Securities	45
Item 18: Financial Information	46

Item 4: Advisory Business

Cipher, a Delaware limited partnership, was founded in 2018 by Gerald T. Banks. Mr. Banks controls Cipher Technologies Management GP LLC, the general partner of Cipher, and also has ultimate authority to manage all affairs of Cipher.

Cipher provides discretionary investment advisory services to pooled investment vehicles (each a “Fund” and collectively the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “Company Act”), and the securities of which are not registered under the Securities Act of 1933, as amended (the “Securities Act”). As the investment adviser to the Funds, Cipher identifies opportunities for acquisition and disposition of Fund investments. Cipher’s investment advice is provided directly to the Funds, subject to the discretion and control of the general partner or the board of directors of the applicable Fund, and not individually to investors in the Funds.

Cipher manages each Fund consistent with the stated investment strategy of such Fund as described in such Fund’s offering documents. The Funds’ investment strategies are described more specifically in Item 8. Services are provided by Cipher to the Funds in accordance with the investment management agreement with the applicable Fund and/or the governing documents of the applicable Fund. Cipher does not provide specifically tailored investment advice to Fund investors, and investors may not impose investment restrictions on the Funds. Investment restrictions for the Funds, if any, are established in the governing documents and/or offering documents of the applicable Fund.

As of December 31, 2018, Cipher had approximately \$28.3 million of regulatory assets under management, all of which are managed on a discretionary basis. Cipher does not manage assets on a non-discretionary basis.

Item 5: Fees and Compensation

Compensation

Cipher typically charges a management fee, and an affiliate of Cipher typically is entitled to a performance allocation, in each case as described in the governing documents and/or investment management agreement of the applicable Fund. The fees and other compensation payable to Cipher and its affiliates by a Fund may vary among Funds and may vary among investors in the same Fund. Funds (feeder funds) that invest all of their investable assets in other Funds (master funds) bear their share of master fund management fees but are not charged stacked fees. In certain circumstances, the fees and other compensation payable to Cipher and its affiliates may be negotiated and set forth in subscription documentation in respect of a particular Fund investor and/or waived in whole or in part. Cipher generally intends to waive the management fee and performance allocation for investments by Cipher, its affiliates, and its principals and employees, including estate planning vehicles of such persons and certain other persons or entities associated with such persons. Investors should review the governing documents and offering documents of the applicable Fund in conjunction with this brochure for complete information on the fees and compensation payable with respect to such Fund. All Fund investors are “qualified purchasers” as defined in section 2(a)(51) of the Company Act; accordingly, no specific fee information is disclosed in this brochure.

Deduction of Fees; Timing of Payments; Termination

Cipher is authorized under the governing documents and investment management agreements of the Funds to charge and deduct management fees and performance allocations from the assets of the Funds for its services. The Funds typically pay management fees in advance. If the investment management agreement is terminated before the end of the billing period, Cipher refunds a pro rata portion of the pre-paid management fee to the applicable Fund’s account. Investor redemptions typically are not permitted intra-quarter, and any such redemptions (and any associated pro rata refund of prepaid management fee borne by such investor) would be in the discretion of the applicable Fund’s directors or general partner. Performance allocations are deducted and paid as of the end of each calculation period (typically each calendar year, but may also include certain withdrawals or redemptions, the realization of certain investments, or other applicable events).

Other Expenses

In addition to the management fees and performance allocations disclosed above, each Fund investor also bears its allocable share of such Fund’s organizational and offering expenses (including without limitation legal fees, accounting fees, printing costs, prospective investor reporting expenses, travel costs (including meals, entertainment, and lodging, and including air travel in any class or on non-commercial aircraft on a time-share basis), regulatory filing fees and expenses, the costs of legal and regulatory compliance, and out of pocket expenses); costs, fees, and expenses directly related to Fund investments and prospective investments, whether or not consummated (including without limitation expenses related to initial and ongoing specialized research and due diligence, monitoring-related expenses, underwriting and private placement expenses, brokerage commissions, execution fees and other transaction costs (including certain trade errors), interest on and any commitment fees or other expenses related to debt balances or borrowings, exchange, clearing, and settlement charges, expenses of third-party registered office, back office and middle office services, bank service fees, borrowing charges on short sales, investment related travel expenses (including meals, entertainment, and lodging, and including air travel in any class or on

non-commercial aircraft on a time-share basis), including without limitation to attend board meetings of special purpose vehicles managed by Cipher or its affiliates, costs, fees, and expenses of any appraisers, accountants, service providers, or other experts engaged by Cipher, and custody fees; withholding, transfer or other taxes imposed or assessed on, or payable by, the Funds (including any interest and penalties); financial and tax accounting, bookkeeping and reporting services, third party administrative services, audit and legal expenses (including costs of third party compliance, regulatory, filing or regulatory inquiry and other expenses incurred for the Funds, the Fund directors, the Fund general partner, or Cipher to comply with applicable laws, rules, or regulations); any fees of the Funds' administrator; costs, fees, and expenses of any litigation or investigation involving the Funds' activities; costs, fees and expenses of any appraisers, accountants, service providers, or other experts engaged by the Funds, the Fund directors, the Fund general partner, or Cipher in connection with the Funds' activities; costs of hardware required to generate private key material, fees and other expenses associated with storing private key backup material in secure facilities, and travel costs (including meals, entertainment, and lodging, and including air travel in any class or on non-commercial aircraft on a time-share basis) to the vaults (wherever they may be located) containing the cryptographic media containing such keys and any other associated costs and expenses, whether incurred at the request of Fund counterparties or investors or on the initiative of the Funds' general partner or directors; expenses incurred in maintaining research or other information and performing systems, including information service subscriptions, software tools, programs or other technology utilized in managing the Funds' investments (including third-party software licensing and implementation), Bloomberg terminals, compliance and risk management systems, technology and communication systems, systems used for portfolio management, valuations and accounting purposes, including statistics and pricing services, service contracts for quotation equipment, and related hardware, software, telephone, and internet charges; costs associated with reporting and providing information to existing and prospective investors and the costs and expenses associated with meetings of investors; costs associated with maintaining insurance for the benefit of the Funds, the Fund directors, the Fund general partner, Cipher, or any other party entitled to indemnification under any Fund's governing documents; out-of-pocket expenses incurred by Cipher's conflicts committee in the performance of its duties; out-of-pocket expenses incurred by Fund directors in the performance of their duties and compensation of third-party directors (if any); registrar, transfer agency, and other expenses associated with registration in the jurisdiction of formation of the Funds (and any special purpose vehicles or alternative investment vehicles formed for the Funds); expenses of any third party valuation agent; any costs or expenses of winding up and liquidating the Funds; and any other extraordinary expenses (including any expenses incurred to satisfy indemnification obligations of the Funds); all as more thoroughly and specifically described in the governing documents and/or offering documents of the Funds. Cipher also anticipates engaging, from time to time and on behalf of the Funds, certain specialist third parties in connection with making certain investments (for example, digital asset security experts), the costs, fees, and expenses of which will be borne by the Funds. Any expenses that are properly borne by a Fund but that are paid initially by Cipher will be reimbursed by the applicable Fund.

Please refer to Item 12 for additional information regarding Cipher's brokerage practices.

Cipher and its supervised persons do not accept compensation or commissions for the sale of securities or other investment products.

Item 6: Performance-Based Fees and Side-by-Side Management

As disclosed in Item 5, an affiliate of Cipher typically is entitled to a performance allocation from the Funds that is based on the net performance of the Funds. Funds (feeder funds) that invest all of their investable assets in other Funds (master funds) bear their share of master fund performance allocations but are not charged stacked allocations. All performance allocation arrangements are structured in accordance with Section 205(a)(1) and Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The performance allocation, which is a form of incentive fee arrangement, may create an incentive for Cipher to make investments for the Funds that are riskier or more speculative than would be the case if the performance allocation were not in effect. Also, the performance allocation is calculated on a basis that includes unrealized appreciation of a Fund’s assets, among other things, and so the performance allocation may be greater in amount than if it were based solely on realized gains on the Fund’s investments. Cipher undertakes to act in a fair and equitable manner with respect to all Funds and to identify and mitigate or resolve actual and potential conflicts of interest in a timely manner. Cipher does not currently manage Funds that are not subject to a performance allocation.

Item 7: Types of Clients

Cipher currently provides investment advisory services only to the Funds. Investment advice is provided directly to the Funds, subject to the discretion and control of the general partner or the board of directors of the applicable Fund, and not individually to the investors in the Funds. It is possible that Cipher will provide advisory services to other categories of clients in the future.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Company Act and the Securities Act. Investors in the Funds may include high net worth or ultra-high net worth individuals, single- or multiple-family offices, trusts, estates, corporations, limited partnerships, limited liability companies, other institutional investors, sovereign wealth funds, charitable organizations, pension plans, foundations, endowments, and other domestic and foreign entities. Cipher also permits certain qualified principals and/or employees to invest in the Funds. The Funds typically impose a minimum initial investment requirement which may be waived at the discretion of the board of directors or general partner of the applicable Fund.

This brochure is not (i) an offer or agreement to provide investment advisory services to any person; (ii) an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund; or (iii) a complete discussion of the investment strategies, risks, conflicts, or features of any Fund managed by Cipher.

As required by the Advisers Act, Cipher provides this brochure to each Fund and may also, in its sole discretion, provide this brochure to current or prospective investors in a Fund, together with applicable offering documentation, prior to or in connection with an investment in a Fund. The delivery of this brochure to an investor or prospective investor in a Fund is not an acknowledgement that the investor or prospective investor is a client of Cipher or any of its affiliates under the Advisers Act.

This brochure is publicly available through the SEC's Investment Adviser Public Disclosure website. Persons who receive this brochure, whether from the Adviser or otherwise, should note that this brochure is designed solely to provide information about Cipher as required to satisfy certain disclosure obligations under the Advisers Act. Accordingly, the information contained in this brochure differs from information provided in Fund offering documents. More complete information about the Funds is provided in such Funds' offering documents, which are provided only to current and certain eligible prospective investors in the Funds. Although unintended, should there be any conflict between the disclosures in this brochure and the information set forth in a Fund's offering documents, the offering documents will govern and control.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**Methods of Analysis and Investment Strategies**

The investment objective of the Funds is to maximize absolute returns on invested capital with low correlation to the broader market through an investment strategy designed to capitalize on market volatility in digital currencies, cryptoassets, cryptocurrencies, decentralized application tokens and protocol tokens, blockchain based assets, and other cryptofinance and digital assets that currently exist or may exist in the future (collectively, “Digital Assets”) principally by trading derivatives. Cipher expects to trade such derivative instruments and the underlying Digital Assets referenced thereby both on various exchanges and over the counter (“OTC”). On behalf of the Funds, Cipher also may in certain circumstances seek opportunities in other securities, commodities, and/or currency markets. Cipher anticipates engaging in hedging transactions as an active part of the Funds’ investment strategy. Cipher also anticipates utilizing both explicit (e.g., prime broker borrowing, note issuance) and implicit (e.g., simultaneous long/short positions, derivative exposures) leverage in connection with the Funds’ investment strategy.

The Funds’ investment strategies involve a high degree of risk. An investment in the Funds is appropriate only for sophisticated or professional investors who can afford the risks associated with such investment strategies. Fund investors should have enough knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of such an investment. Cipher does not make any guarantee or representation that the Funds’ investment strategies will be successful, that the Funds’ investment objective will be achieved, that the targeted return and risk will be achieved or maintained, or that Fund investments will ultimately have low correlation with broader financial markets.

The risk of loss in investing in the Funds’ investment strategies can be substantial, including the potential loss of the entire amount invested by an investor in a Fund. Prospective Fund investors should carefully consider whether an investment in a Fund is suitable for them in light of their financial condition and circumstances. Before investing in a Fund, prospective investors should be aware of the risks associated with an investment in the Funds, which include, but are not limited to, the risk factors discussed below.

The discussion of investment risks below is qualified in its entirety by the risk disclosures contained in the Funds’ offering documents.

Investment RisksGeneral Investment and Trading Risks.

All Fund investments risk the loss of capital. Cipher expects to utilize margin transactions, short sales, option transactions, forward and futures contracts, and other practices that can, in certain circumstances, maximize the potential adverse effect on the Funds. The profitability of a significant portion of the Funds’ investment portfolio depends to a significant extent on Cipher’s ability to identify and capitalize on inefficiencies in the Digital Assets markets and/or to correctly anticipate the future course of price movements in Digital Assets, and there can be no assurance that Cipher will be able to do so effectively.

Leveraged Trading.

The Funds employ a leveraged trading strategy. Accordingly, the Funds will seek to issue debt securities, to trade assets on margin, to sell assets short, and/or to borrow, pledge, lend, or hypothecate assets or cash. These practices may increase the volatility of Fund investment returns. Trading assets on margin

can result in interest charges and such charges could be substantial if trade volumes are high. Additionally, the low margin deposits typically required in options, futures, and forward trading permit significant leverage; accordingly, small price movements in options, futures, or forward contracts may result in immediate and large losses to an investor. Other derivatives also involve a significant degree of leverage. Notwithstanding that Cipher seeks to employ rigorous risk controls, as discussed above, significant leverage necessarily entails substantial risk. The Funds' use of leverage may also exacerbate other risks described in this Item 8.

The Funds' use of short-term margin borrowings creates certain additional risks. If Fund assets pledged to brokers to secure the Fund's margin accounts decline in value, the Fund will be subject to a margin call, following which the Fund must deposit additional funds or assets with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. If there is a sudden drop in the value of the Fund's assets, the Fund might not be able to generate sufficient funds or acceptable assets quickly enough to satisfy its margin requirements.

Investment Judgment; Market Risk.

The profitability of a significant portion of the Funds' investment programs depends largely on Cipher's ability to correctly assess the future course of price movements of various assets. There can be no assurance that Cipher will be able to predict such price movements consistently, over any particular period of time, or at any specific point in time, or with any particular degree of accuracy. The Funds' investment strategies will always involve some, and will occasionally involve a significant degree of, market risk.

Hedging Transactions.

The Funds engage in transactions intended to hedge certain of their investments against exposure to certain risks, including but not limited to price fluctuations in Digital Assets underlying the Funds' derivative positions. For certain Fund investment strategies, such hedging activities may need to occur daily, or even intra-day. Cipher's decisions regarding when, how, and to what extent the Funds will engage in hedging transactions depend on a number of factors, including but not limited to prevailing conditions in relevant markets, the composition of the Funds' investment portfolio, the availability of suitable hedging transactions, and the availability of suitable transaction counterparties. Accordingly, there can be no assurance that the Funds can or will engage in hedging transactions at any particular time or during any particular period of time, or that Cipher will be able to appropriately hedge Fund investments when it desires to do so. Moreover, the determination of which risks to hedge, how to hedge such risks, when to hedge such risks, and to what extent to hedge such risks involves a significant degree of judgment by Cipher. Failure to effectively hedge material risks in the Funds' investment portfolios could result in material adverse effects on the Funds.

Illiquid Investments.

A significant portion of the Funds' investments are expected to be illiquid in that they are not regulated or traded on exchanges, are thinly traded, are not readily marketable, are subject to restrictions or prohibitions on transfer, and/or are not registered under applicable securities laws. The Funds may not be able to readily dispose of illiquid investments and may be contractually prohibited from disposing of certain such investments for a set period of time. Any limitations on the liquidity of the Funds' investments could inhibit or delay a successful disposition, reduce the proceeds realized from a disposition, result in the designation of such investments as special situation investments (which would reduce the value of Fund interests available to be redeemed), result in the distribution of securities in kind upon liquidation of a Fund, or otherwise adversely affect the Funds' investment portfolio value, Fund interest redeemability, or Fund liquidation mechanics.

Fund investments that were originally liquid also may become illiquid as a result of changing market conditions. For example, for a period of time following the U.S. financial crisis in 2008, many credit market investments that had historically been very liquid suddenly became illiquid or nearly illiquid. There also have been historical periods during which derivative market participants refused to quote prices for certain investments or quoted prices with historically unusual price spreads. The Digital Assets markets remain nascent, and there can be no assurance that highly liquid markets will develop, or that highly liquid markets will continue once developed. Market illiquidity, generally speaking, can give rise to price declines, and declines in the values of the Funds' investments may cause the Funds to be required to sell assets to meet margin calls or otherwise to satisfy borrowing-related obligations. Such selling can further pressure prices. A precipitous decline in prices may necessitate a rapid liquidation of certain Fund assets, and the Funds may receive less (or significantly less) for such assets in such events than they could in the absence of such selling pressures.

Derivatives, Generally.

Cipher anticipates that the Funds will invest significantly in derivatives. Derivatives are financial contracts the value of which is derived from the value of an underlying asset such as a security, commodity, financial instrument, currency, reference rate, index, or basket. Cipher uses derivatives as an active part of the Funds' investment strategy and may also use derivatives for hedging certain risks and for leverage. Risks associated with hedging are discussed above. The use of derivatives for leverage increases the Funds' potential gains from investments, but also increases the Funds' potential losses from investments. The use of derivative instruments involves risks different from, and may involve risks significantly greater than, the risks of investing directly in the assets underlying the derivatives. Derivatives are also subject to several risks that are discussed separately in this Item 8, including liquidity risk, leverage risk, counterparty risk, investment and trading risks, and documentation risk.

Certain derivatives counterparties are expected to require the Funds to post collateral, the type and value of which may be determined based on the relevant amount of notional exposure, the value of the applicable derivatives, and other factors. In other cases, counterparties may be required to post collateral to the Funds. The valuation of derivatives is complex and is inherently subjective, relying principally on unobservable inputs. This is particularly true of derivatives based on Digital Assets, the valuation of which is also complex and subjective. It is quite possible that changes in the values of derivatives referencing Digital Assets will not correlate with changes in the values of such Digital Assets. This inherent difficulty in valuation of derivatives may give rise to disagreements between Cipher and the Funds' derivative counterparties regarding the appropriate amount of collateral required in connection with a derivatives transaction. If the Funds fail to post appropriate collateral to a counterparty, the counterparty may terminate the derivatives transaction or take other actions disadvantageous to the Funds. If counterparties fail to post appropriate collateral to the Funds, the Funds may be undercollateralized in respect of a derivatives transaction, which could increase the Funds' risk of loss.

Cipher expects that initially, all or substantially all of the Funds' derivative transactions referencing Digital Assets will be bilateral, negotiated contracts that are not executed on an exchange and are not required to be cleared. However, it is possible that as the Digital Assets ecosystem develops and expands, and as global regulation develops in response to such development and expansion, some portion of the Funds' derivative transactions will become subject to clearing or exchange execution. Cleared derivatives transactions are executed through central derivatives clearinghouses, rather than directly with banks, brokers, or other counterparties. The Funds are not, and are not expected to become, members of any clearinghouses, and only members of a clearinghouse can participate in that clearinghouse. Accordingly,

the Funds would be required to enter into any cleared derivatives transaction through a counterparty that is a futures commission merchant and a member of a clearinghouse. The Funds would make and receive payments (including in respect of margin) through accounts at a clearinghouse member, and the member would guarantee the Funds' performance of its derivative transaction obligations to the clearinghouse. Clearinghouse members (and the clearinghouses themselves) can require termination of existing cleared derivatives transactions at any time (sometimes without notice) and increase the amount of margin required to be provided by a counterparty. Terminations or increased margin requirements might inhibit the Funds' ability to profitably pursue their investment strategy. Additionally, a requirement to clear certain derivative transactions would increase execution risk for those transactions by introducing the risk that no clearinghouse member is willing to clear such transactions, which in turn might require the Funds to terminate the transaction with adverse results. Finally, any requirement to use clearinghouses concentrates credit risk and liquidity risk in such clearinghouses with respect to the applicable derivatives transactions, which may in turn create systemic risks implicated by significant and adverse events affecting clearinghouses or their members. Systemic risks, if implicated, could have material and adverse effects on the values of the applicable derivatives.

It is also possible that certain Fund derivative transactions may be required to be executed on an exchange or swap execution facility (a trading platform in which market participants can execute derivatives by making and/or accepting bids and offers to or from other platform participants). (For example, the Cboe Futures Exchange, LLC began trading in Cboe bitcoin futures in late 2017.) Trading on a swap execution facility could increase costs and risks for the Funds, as such facilities typically charge fees, and broker intermediaries through which the Funds might execute derivatives transactions on such facilities also typically charge fees. Such facilities and intermediaries also may require counterparties (like a Fund) to indemnify them against losses incurred in connection with the counterparty's transactions. The introduction of a swap execution facility as a required counterparty may also make it more difficult for the Funds to execute certain derivatives transaction in concert with other transactions that are not required to be executed through such facility.

The United States and the European Union have discussed, and other jurisdictions may explore, implementing certain new requirements (such as increased margin amounts) in respect of uncleared derivatives. If adopted, any such requirements would make uncleared derivatives transactions more expensive than they are today, which in turn may limit the liquidity of certain derivatives and/or make certain derivatives no longer attractive to the Funds as investments. Such requirements are new, evolving, and may yet change, and so it is not yet possible to accurately assess their effects, if any, on the Funds or the broader markets.

Other risks of the Funds' utilization of derivatives include an increase in the amount of, or an acceleration of the timing of, taxes payable by the Funds or their investors, as well as the loss of an amount that exceeds the principal or notional principal amount invested by the Funds. Finally, particularly with respect to derivatives referencing underlying Digital Assets, there may be no suitable derivative transactions at any particular time or from time to time, and Cipher accordingly may not be able to cause the Funds to engage in transactions that Cipher believes to be in their best interests.

Forward Contracts.

Forward contracts are generally bilateral and individually negotiated (i.e., they do not trade on exchanges and they are not standardized), and they are largely unregulated, meaning that daily price volatility is unlimited and can potentially be extreme, and speculative positions are generally not limited. Forward market participants have no obligation to make or continue to make markets, and forward contracts are

therefore subject to potentially significant liquidity risk. Such risks may be exacerbated if forward contracts are written referencing underlying Digital Assets.

Swap Agreements.

A swap transaction is a bilateral, individually negotiated agreement to exchange cash flows measured by different prices or rates, with payments calculated by reference to a quantity or a principal amount, for example on currencies, securities, commodities, or Digital Assets. Some swap transactions are required to be cleared and are subject to the risks described above in “Derivatives, Generally”. Non-cleared swaps (and Cipher expects that any swap agreements entered into by the Funds would not be subject to clearing, at least in the near term) are subject to certain risks similar to those described above in “Derivatives, Generally”, as well as certain additional risks: (i) uncleared swaps generally have no daily price volatility limitations, (ii) uncleared swaps generally do not have mandated speculative position limits, (iii) swap market participants have no obligation to make or continue making markets in swaps, and (iv) uncleared swaps are subject to counterparty risk with respect to the person party to the swap contract. See “Counterparty Risk”. Depending on their structure and terms, swap agreements may increase or decrease the Funds’ exposure to certain rates or prices. The profitability to the Funds of any swap agreement will depend heavily on Cipher’s ability to accurately predict the likely future returns of two different investments, and there can be no assurance that Cipher will be successful in such predictions. As with many other derivatives, swaps may involve significant leverage.

Options.

Cipher expects to cause the Funds to invest in options, including options on Digital Assets, which can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. Call options grant the holder the right (but not an obligation) to buy the underlying asset, and put options grant the holder the right to sell the underlying asset, in each case on (“European-style”) or on or before (“American-style”) a fixed expiration date. The seller of an option (the “writer”) receives a premium paid by the buyer of the option (the “holder”).

The sale and purchase of options involves numerous risks.

An option holder bears the risk that the option will expire “out of the money” (*i.e.*, worthless), in which case the holder will lose its entire premium. An option holder also bears the risk that the amount gained upon exercising an “in the money” option is insufficient to cover the premium paid by the holder for the option. Moreover, option holders incur opportunity costs on the premiums they pay for their options.

A covered call option (the writer owns the underlying asset) writer gives up the opportunity to benefit from an increase in the value of the underlying asset above the exercise price but continues to bear the risk of a decrease in the value of the underlying asset. If the covered call option is exercised, the writer may be forced to sell the underlying asset at a price that is less than (and possibly much less than) the then-current market price of the underlying asset. Theoretically speaking, the opportunity cost is unlimited, because the potential increase in the market price of the underlying asset is theoretically unlimited. Additionally, the difference between the sales price and the price at which the covered call option writer initially purchased the underlying asset may exceed the amount of premium received when the writer sold the option, resulting in a loss.

An uncovered call option (the writer does not own the underlying asset) writer has a significantly higher risk than a covered call option writer because the uncovered call option writer may incur theoretically unlimited actual losses (not just opportunity cost) if the market value of the underlying asset increases

above the exercise price. If such option were exercised, the writer would be forced to first purchase the underlying asset at the market price (high) and then sell the underlying asset at the exercise price (low). That difference in price may exceed the amount of premium received by the writer when it sold the option, resulting in a loss.

A covered put option (the writer has a short position in the underlying asset) writer gives up the opportunity to benefit from a decrease in the value of the underlying asset below the option exercise price (through the short position) and bears the risk of an increase in the price of the underlying asset. If the covered put option is exercised, the writer may be required to purchase the underlying asset at a price that is higher than the then-current market price of the underlying asset. Theoretically speaking, the current market price of the underlying asset could fall to zero, leading to a loss on the option equal to the entire exercise price. Moreover, the difference between the purchase price and the price at which the writer entered into its short position may exceed the amount of premium received when the writer sold the option, resulting in a loss.

An uncovered put option (the writer does not have a short position in the underlying asset) writer has a significantly higher risk than a covered put option writer because the uncovered put option writer can incur significant (not just opportunity cost) if the market value of the underlying asset decreases below the exercise price. If such option were exercised, the writer would be forced to purchase the underlying asset at the exercise price (high) and then sell the underlying asset at the market price (low) (or retain the underlying asset, valued at a lower price). That difference in price may exceed the amount of premium received by the writer when it sold the option, resulting in a loss.

While Cipher may employ strategies to limit potential losses related to option writing, there can be no assurance that any strategy will be effective, and all such strategies will have their own associated costs and risks. Moreover, as a general matter, strategies employed to limit losses also limit gains.

Cipher may enter into options contracts on behalf of the Funds in jurisdictions other than the United States, and the legal protections available to the Funds in such jurisdictions may be significantly diminished relative to U.S. protections.

Cipher may not be able to sell, purchase, or exercise options if trading in the underlying asset (such as a Digital Asset) is or becomes restricted.

Cipher expects that, at least in the near term, all or most of the Funds' options transactions will be OTC. Unlike exchange-traded options, which have standardized features relating to underlying assets, expiration dates, contract sizes, and strike prices, the terms of OTC options are established through bilateral negotiation between option contract parties. OTC options permit Cipher to tailor options to the needs of the Funds but involve greater credit risk (relating to the option counterparty) than exchange-traded options (which are guaranteed by clearing organizations).

The Funds may engage in spreads, or other combination transactions involving the purchase and sale of related options and futures contracts. Spread trading is often executed on a highly leveraged basis and is accordingly subject to the risk of sudden market illiquidity, which can inhibit Cipher's ability to close out one "leg" of the spread.

Swaptions.

An option on a swap agreement (a “swaption”) is an OTC option that provides the buyer the right, but not the obligation, to enter into a swap on a specified future date in exchange for paying a premium. A swaption provides the owner the right to receive (a receiver swaption) or pay (a payer swaption) a specified return based on a specified asset, reference rate, or index. Generally speaking, and subject to the terms of any particular agreement, the Funds will have greater risk when writing swaptions than when purchasing swaptions. Swaptions are subject to the risks of both options and swap agreements, both of which are described above.

Pricing Limits on Futures Contracts.

Futures contracts trading may be restricted from time to time because some commodity exchanges limit fluctuations in futures contract prices during a single day through regulations referred to as “daily price fluctuation limits” or “daily limits”. Within a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a futures contract increases or decreases to the daily limit, positions in that futures contract can no longer be taken or liquidated unless the parties are willing to effect their trades at or within the limit. If applicable, daily limits could restrict the Funds’ ability to promptly liquidate unfavorable positions, which in turn could cause the Funds to incur substantial losses.

Counterparty Risk.

The Funds are subject to the risk that the other parties to transactions they enter into fail to perform as agreed. In addition, most (and in the near term, possibly all) of the markets in which the Funds effect transactions are OTC or “interdealer” markets in which trading relationships are maintained with counterparties that include domestic and foreign broker-dealers and financial institutions as well as other domestic and foreign persons. OTC trading relationships entail counterparty risks that are different from those in exchange markets. Accordingly, the Funds are subject to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not in good faith) or because of a credit or liquidity problem, in either case causing the Funds to incur losses. The Funds’ counterparty risk will be heightened when contracts have longer terms (such that events may occur and prevent settlement) or when the Funds have a concentrated set of counterparties. Counterparties in foreign countries with limited or no creditor rights also create heightened risks, including the risk that such counterparties are taken over by the government or become insolvent or bankrupt.

The Funds are also subject to credit risk if their counterparties fail to fulfill their obligations or the value of any collateral posted by the counterparty becomes insufficient. Additionally, agreements with counterparties may permit those counterparties to terminate transactions with the Funds if certain events occur with respect to the Funds. If a termination were to occur in such case, the Funds may not be able to fully realize the value of the investments. Moreover, unpredictable market conditions, or changes in market conditions, may result in significant volatility of counterparty credit status. Cipher cannot assure that any counterparty will meet its obligations under any circumstances, particularly during markedly adverse market conditions. If a counterparty defaults, the Funds will have contractual remedies to pursue, but such remedies may not ultimately be enforceable. If a dealer becomes insolvent, the Funds may have only a general, unsecured claim against the dealer, notwithstanding their contractual rights to recovery of the assets held by the dealer.

Documentation Risk.

Transactions relating to many types of financial instruments, including but not limited to OTC derivative instruments, are subject to documentation risk, which involves the risk that the parties to an instrument

may interpret contractual terms differently when a party to the contract seeks to enforce its contractual rights. If such a dispute occurs for the Funds, the cost and unpredictability of the resulting legal proceedings may lead Cipher to determine not to pursue the Funds' claims against the counterparty.

Short Sales.

Cipher expects that the Funds will engage in short sales, which are sales of assets that a Fund borrows but does not actually own, generally made with the anticipation that the prices of the assets will decrease, and the Fund will be able to profit by purchasing the assets later at the lower prices. Cipher may engage in short sales as part of hedging transactions or when it determines that certain assets are overvalued. A loss will occur in a short sale if the price of the asset shorted increases prior to the time that Cipher purchases the asset to replace the borrowed asset. A short sale is riskier than taking a long position in an asset because there is theoretically no limit on the possible cost of replacing the borrowed asset, whereas the risk of loss in a long position is capped at the purchase price of the asset. Closing out a short position can sometimes cause further increases in the value of the shorted asset, which in turn creates an even more significant loss. Moreover, there can be no guarantee that the Funds will be able to continue borrowing a shorted asset; if not, the Funds may be forced to "buy in", which may require them to transact at an inopportune time.

Risks of Investment in Digital Assets.

Digital Assets come in different forms. A cryptocurrency is a peer-to-peer, decentralized, digital currency the implementation of which relies on the principles of cryptography to validate the transactions and generation of the currency itself. A network (or utility) token relies on a network protocol with similar principles to a cryptocurrency, but also purports to serve functions other than the storage of value. The creation and use of Digital Assets is not currently subject to a fully-developed set of legal or regulatory requirements, and trading in Digital Assets is subject to high levels of volatility and the potential for market abuse. Digital Assets exist entirely in electronic form, as entries in decentralized (or "distributed") digital ledgers. The ledgers themselves, as well as the private encryption keys used to access Digital Asset balances, are held on hardware (which can be physically controlled by the holder or by a third party) or via software programs on third-party servers, and as such are susceptible to all of the risks inherent in holding any electronic data, such as power failure, data corruption, security breach, communication failure, and user error, among others. Accordingly, Digital Assets are subject to theft, destruction, or loss of value from hackers, corruption, or technology-specific factors such as viruses that do not affect traditional currency, which is underwritten by central banks and monetary authorities.

Transactions in Digital Assets are recorded and authenticated not by a central repository, but by a peer-to-peer network. While decentralization avoids certain common threats to computer networks (e.g., denial of service attacks), the use of a peer-to-peer system relies on participants in the network having greater numbers and computing power than coordinated attackers. This authentication strategy necessitates investment in substantial amounts of computing power, which in turn increases the burdens on participants in the network to stay ahead of attackers. If and as the popularity of Digital Assets increases, the burdens on participants in the network (which are defrayed by transaction costs) can be expected to increase, which may reduce the value of Digital Assets held by the Funds.

Transactions in Digital Assets also provide a high degree of anonymity, making them susceptible to misuse for criminal activities, such as money laundering. This misuse, or the perception of such misuse (even if untrue) could lead law enforcement agencies to close Digital Asset exchange platforms or other Digital Asset-related infrastructure with little or no notice and prevent users (such as the Funds) from accessing or retrieving Digital Assets held via such platforms or infrastructure.

Investing in Digital Assets, or in instruments the value of which are derived from or based on Digital Assets, is highly speculative and subject to numerous risks described in more detail below.

Market Uncertainty. Digital Assets are part of a new and rapidly evolving industry the growth of which is highly uncertain. Factors that may affect the further development of the industry include, among others, (i) government and quasi-government regulation of Digital Assets and their use, or restrictions on, or regulation of access to, and operation of, related trading systems; (ii) continued worldwide growth in the adoption and use of Digital Assets; (iii) the maintenance and development of the open-source software protocol of the Digital Asset networks; (iv) changes in consumer demographics and public preferences, including negative consumer or public perception of Digital Assets; (v) the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; (vi) the use of the networks supporting Digital Assets for developing smart contracts and distributed applications; and (vii) general economic conditions and the regulatory environment relating to Digital Asset trading systems.

A significant portion of the demand for Digital Assets is generated by speculators and investors seeking to profit from the short- or long-term holding of such Digital Assets. A decline in the popularity or acceptance of Digital Assets could adversely affect the value of the Funds' investments and, by extension, the Funds' investment performance.

Legal Uncertainty. The legal status of Digital Assets, as well as related intermediaries, trading platforms, and other service providers, is unclear. It may be illegal, now or in the future, to own, hold, sell, or use Digital Assets in one or more countries, including the United States. New legal and regulatory regimes have been and may continue to be developed for Digital Assets globally, and such regimes may change suddenly. The uncertainties regarding legal and regulatory requirements relating to Digital Assets and transactions in or relating to Digital Assets, as well as potential accounting, tax, and other issues, could have a significant negative effect on the future marketability and value of the Funds' investments and, by extension, the Funds themselves.

CFTC, SEC, FinCEN and State Regulation. Current and future legislation, CFTC and SEC regulation, and other regulatory developments may affect the treatment of the Funds' investments for classification and clearing purposes. In particular, Digital Assets may not be excluded from (or may be expressly included in) the definition of "security" through SEC rulemaking or indirectly through SEC staff interpretations, enforcement activity, or other actions. Additionally, the CFTC may determine certain transactions in Digital Assets to be futures contracts (which include options thereon) required to be traded on a regulated exchange and cleared through a clearing house, or swaps subject to margin and reporting requirements. The CFTC may also take other actions with respect to derivative instruments on Digital Assets that are determined to be commodities. Cipher cannot anticipate future regulatory developments with certainty or anticipate with certainty how any such developments will affect the treatment of the Funds' investments.

The SEC has recently communicated that it is actively reviewing the Digital Assets markets with a focus on enforcing existing regulations. Specifically, the SEC has confirmed that, under current law, whether a specific Digital Asset, during its initial coin offering ("ICO") and/or thereafter, will be treated as a security is a case-by-case, fact-specific determination, subject to analysis under existing case law and SEC interpretive guidance. Moreover, the SEC has warned that all federal requirements relating to the offer and sale of securities still apply (to the extent a specific Digital Asset is determined to be a security),

regardless of whether the issuer is decentralized or autonomous and regardless of whether the Digital Assets are purchased using Digital Assets or through digital (including distributed ledger) channels.

If one or more Digital Assets held by the Funds that Cipher determines not to be securities are, nevertheless, deemed to fall within the definition of a security pursuant to subsequent rulemaking by the SEC, SEC staff actions, or otherwise, the Funds and Cipher may be required to comply with additional regulations under various U.S. securities laws. Such additional regulatory compliance may result in extraordinary, non-recurring expenses for the Funds. If the general partner and/or board of directors of the Funds determined not to comply with such additional regulatory requirements, then the Funds might terminate and liquidate at a time that is disadvantageous to investors.

The CFTC has determined that at least some Digital Assets, such as Bitcoin, fall within the definition of a “commodity” under the Commodity Exchange Act of 1936, as amended, and at least one U.S. federal court has affirmed this determination and the CFTC’s jurisdiction over spot market transactions in Digital Assets with respect to fraud and anti-manipulation authority. To the extent that certain Digital Assets themselves are deemed to be futures, swaps, or retail foreign exchange contracts pursuant to subsequent rulemaking by the CFTC, the Funds and Cipher may be required to comply with additional regulations under the Commodity Exchange Act. Additionally, even if Digital Assets themselves are not deemed to be futures or swap contracts, the Funds are permitted to engage in borrowings, other transactions, and investment structuring relating to their trading activities in Digital Assets, which may cause such assets to be considered commodity futures or swaps. The Funds also intend to trade derivatives such as OTC options on Digital Assets that would be considered swaps. See “*Swap Agreements*” above for more information.

Additionally, other regulators, such as the U.S. Financial Crimes Enforcement Network (“FinCEN”), a bureau of the U.S. Department of the Treasury tasked with combatting money laundering and illicit use of the financial system, have recently taken actions in the Digital Asset space. As a result, at least one Digital Asset exchange (BTC-e) was fined and subsequently shut down. If FinCEN takes action against other exchanges, whether or not those exchanges are utilized by the Funds, such action may result in the Digital Assets markets becoming less liquid and may reduce or eliminate the value of the Funds’ investments. Investments held by the Funds on an exchange against which action is taken may also be lost temporarily or permanently. Furthermore, it is possible that regulators such as FinCEN may seek to limit or prohibit the issuance, transmission, or trade of Digital Assets in general, or subject such transactions to significant regulatory burdens designed to reduce money laundering or other illicit uses, which would adversely affect the value of the Funds’ investments.

At the state level, the New York State Department of Financial Services (the “NYDFS”) finalized a rule in 2015 that requires most businesses involved in Digital Asset business activity for third parties in or involving New York, excluding merchants and consumers, to apply for a license, commonly known as a “BitLicense”, from the NYDFS and to comply with certain anti-money laundering, cybersecurity, consumer protection, and financial and reporting requirements, among others. As an alternative to the BitLicense in New York, firms can apply for a charter to become a limited purpose trust company qualified to engage in Digital Asset business activity. Other states have considered similar regimes and have passed statutes, regulations, and/or guidance indicating that certain Digital Asset business activities constitute money transmitting services requiring licensure. The inconsistency in applying money transmitting licensure requirements to certain businesses may make it more difficult for those businesses to provide services, which may affect consumer adoption of Digital Assets and their prices. To address these issues, the Uniform Law Commission passed a model law in July 2017, the “Uniform Regulation of Virtual Currency Businesses Act”, which has many similarities to the BitLicense regime and features a multistate reciprocity

licensure feature, wherein a business licensed in one state could apply for accelerated licensure procedures in other states. It is unclear how many states, if any, will ultimately adopt some or all of the model legislation.

No FDIC or SIPC Protection. Digital Assets held by the Funds are not subject to Federal Deposit Insurance Corporation (“FDIC”) or Securities Investor Protection Corporation (“SIPC”) protections. The Funds are not banking institutions or otherwise members of the FDIC or SIPC and, therefore, the Digital Assets held by the Funds are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions.

Uncertainty of ICO Regulation. While Cipher does not currently expect to cause the Funds to invest directly in ICOs, there are still risks that can flow from ICOs to the Funds’ secondary purchases of more established coins originally offered through an ICO. Certain ICO or other Digital Asset sale transactions may constitute the offer and sale of securities under U.S. federal securities laws. There is significant uncertainty regarding which Digital Assets sold in ICOs or other Digital Asset sales may be securities. To the extent that ICOs or other Digital Asset sales are conducted in violation of U.S. federal securities laws, the Digital Assets purchased may be or become worthless in the hands of the ultimate recipient, may be or become difficult or impossible to sell, and may subject the purchaser to potential liability if the purchaser resells the Digital Assets in violation of the requirements of applicable U.S. federal securities laws.

Regulatory limitations on ICOs may negatively affect ecosystems like Ethereum on which most ICOs occur. Many blockchain startups use Ethereum to launch their ICOs. Additionally, such ICOs often accept Bitcoins or Ether as payment for coins, bolstering demand for Bitcoin and Ether. Beginning with the SEC’s “DAO Report” in July 2017 and continuing with the SEC bringing enforcement actions targeting fraudulent conduct involving ICO tokens clearly marketed as securities, the pace at which future ICOs occur could decline. If the SEC further clarifies or if market participants conclude that many ICOs violate federal or state securities, money transmitter, or Digital Asset business activity laws, the number of ICOs may decrease and Digital Assets already issued as part of ICOs may face uncertain regulatory futures. In addition, several foreign jurisdictions have, like the SEC, recently opined on the sale of Digital Assets including through ICOs. China and South Korea have banned (or have been interpreted to have banned) ICOs entirely and other jurisdictions have opined that ICOs may constitute securities offerings subject to local securities regulations, which could similarly affect the number of ICOs and Digital Assets already issued as part of ICOs. These developments may decrease demand for Ether, Bitcoin, or other tokens, and could negatively affect the Digital Asset ecosystem, which indirectly could adversely affect the performance of the Funds.

Lack of Regulation of Exchanges. Most exchange platforms on which Digital Assets are traded are not subject to the same restrictions or governmental supervision as regulated exchanges, which may create opportunities for other traders to abuse the platforms through fraudulent or manipulative schemes. To the extent that Digital Asset exchanges representing a substantial portion of the volume of Digital Asset trading are involved in fraud or experience security failures or other operational issues, such failures may result in a reduction in the value of such Digital Assets and could adversely affect the Funds’ performance regardless of whether the Funds use such exchanges.

Over the past several years, many Digital Asset exchanges have been closed due to fraud, failure, security breaches, or some combination of the foregoing. For example, in 2014, the largest Bitcoin exchange at the time, Mt. Gox, filed for bankruptcy protection in Japan amid reports the exchange lost up to 850,000

Bitcoins, valued then at more than \$450 million. In many of these instances, the customers of such Digital Asset exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Digital Asset exchanges. While smaller Digital Asset exchanges are less likely to have the infrastructure and capitalization that make larger Digital Asset exchanges more stable, larger Digital Asset exchanges are more likely to be appealing targets for hackers, “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems), or other nefarious actors and/or actions.

Regulation of Digital Asset exchanges in the future may raise transaction costs, potentially offsetting or eliminating many of the key benefits of Digital Assets. Lack of international coordination raises the risk of an uneven global regulatory landscape. The development of the market for Digital Assets globally is in relative limbo currently due to regulatory uncertainty. Because of this regulatory uncertainty, payment services incorporating Digital Assets are available only at the margins in the retail sector, predominantly in the United States. Adoption of Digital Asset-enabled payment channels is likely to increase if the Digital Assets are recognized as currency (or some other type of commodity) and regulated as such.

Gatekeepers. Due to the regulatory uncertainty and other risks involving Digital Assets, many service providers and other “gatekeepers” that otherwise may advise on or facilitate Digital Asset transactions could decide not to provide such services. The SEC has been particularly vocal in its criticism of gatekeepers over a lack of due diligence in advising or facilitating Digital Asset transactions that are found to contravene the letter or spirit of the federal securities laws. As a result, there could be a shortage of service providers and other gatekeepers for Cipher to employ to advise on and facilitate the Funds’ Digital Asset transactions, which in turn could increase legal risk and potential monetary loss.

Limited Use in the Marketplace. Currently, there is relatively limited use of cryptocurrencies and other Digital Assets in the retail and commercial marketplace in comparison to use as a store of value, which contributes to price volatility that can often be significant. Cryptocurrencies have only recently become selectively accepted as a means of payment for goods and services by retail and commercial outlets, and use of digital currency by consumers to pay such retail and commercial outlets remains limited. Banks and other established financial institutions may refuse to process fiat currencies for digital currency transactions; to process wire transfers to or from digital currency exchanges, digital currency-related companies, or service providers; or to maintain accounts for persons or entities transacting in digital currencies. Conversely, a significant portion of digital currency demand is generated by investors seeking a long-term store of value or speculators seeking to profit from the short- or long-term holding of the asset. Market capitalization for a digital currency as a medium of exchange and payment method may always be low. There can be no assurance that acceptance of digital currencies will grow, or not decline, in the future. A lack of expansion by digital currency into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the value of the currency, either of which, in certain circumstances, could adversely affect the Funds.

Risks Relating to Availability of Banking Services. Banks may not provide banking services, or may cut off banking services, to businesses that provide digital currency-related services or that accept digital currencies as payment, which could damage the public perception of digital currencies and the utility of digital currencies as a payment method and could decrease the price of digital currencies and adversely affect the Funds’ investment portfolio. Many companies that provide digital currency-related services have been unable to find banks that are willing to provide bank accounts and banking services. Similarly, several such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital currency-related companies or companies

that accept digital currencies as payment for several reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide digital currency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may decrease the usefulness of digital currencies as a payment system and harm public perception of digital currencies or decrease their usefulness. Similarly, the usefulness of digital currencies as a payment system and the public perception of digital currencies could be damaged if banks were to close the accounts of many or of a few key businesses providing digital currency-related services. This could decrease the value of digital currencies held by the Funds.

Scalability Risks. Digital Assets face significant scaling obstacles that can lead to high fees or slow transaction settlement times and attempts to increase the volume of transactions may not be effective. Many Digital Asset networks face significant scaling challenges. For several years, participants in the Bitcoin ecosystem debated potential approaches to increasing the average number of transactions per second that the Bitcoin network could handle. As of August 2017, Bitcoin was upgraded with a technical feature known as “segregated witness” that, among other things, was predicted to potentially double the transactions per second that can be handled on-chain. More importantly, segregated witness also enables so-called second-layer solutions, such as lightning or payment channels, that allow potentially unlimited transaction throughput (i.e., millions to billions of transactions per second). To date, however, wallets and intermediaries that support segregated witness or lightning-like technology have limited (if any) material adoption. Additionally, lightning has not yet seen significant use and there are open questions about lightning services, such as the cost and who will serve as lightning intermediaries.

Certain digital currencies, like Bitcoin Cash or Ethereum, also have implemented other mechanisms or are researching mechanisms thought to increase scale, such as increasing the allowable sizes of blocks, and therefore the number of transactions per block, and “sharding”, which would not require every single transaction to be included in every single miner’s or validator’s block.

As the use of Digital Asset networks increases without a corresponding increase in throughput of the networks, average fees and settlement times can increase significantly. Bitcoin’s network, for example, has occasionally been at capacity, which has led to very high transaction fees. Increased fees and decreased settlement speeds could preclude certain use cases for digital currencies (e.g., micropayments), and can reduce demand for and the price of digital currencies, which could adversely affect an investment in or relating to those currencies. There is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of digital currency transactions will be effective, or how long they will take to become effective, which could adversely affect an investment in or relating to those currencies.

Irrevocability of Transactions. Digital Asset transactions are irrevocable and stolen or incorrectly transferred Digital Assets may be irretrievable. As a result, any incorrectly executed Digital Asset transactions could adversely affect an investment. Digital Asset transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the aggregate hash rate on the respective Digital Asset network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of Digital Asset or a theft of Digital Asset generally will not be reversible, and the Funds may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, the Funds’ Digital Assets could be transferred from custody accounts in incorrect quantities or to unauthorized third parties. To the extent that the Funds are unable to seek a corrective transaction with such third party or are incapable of

identifying the third party that has received the Digital Assets through error or theft, the Funds will be unable to revert or otherwise recover incorrectly transferred Digital Assets. To the extent that the Funds are unable to seek redress for such error or theft, such loss could adversely affect the Funds.

Risks of Flawed or Ineffective Source Code. If the source code or cryptography underlying a Digital Asset held by the Funds proves to be flawed or ineffective, malicious actors may be able to steal the Funds' Digital Asset. In the past, flaws in the source code of Digital Assets have been exposed and exploited. Several errors and defects have been publicly found and corrected, including those that disabled some functionality for users and exposed users' personal information. Discovery of flaws in, or exploitations of, the source code that allow malicious actors to take or create additional Digital Assets in contravention of known network rules have occurred. In addition, the cryptography underlying a Digital Asset could prove to be flawed or ineffective, or developments in mathematics or technology, including advances in digital computing, algebraic geometry, and quantum computing, could result in such cryptography becoming ineffective. In any of these circumstances, if the Funds hold the affected Digital Asset, a malicious actor may be able to steal the Funds' Digital Assets, which would adversely affect the Funds. Even if the Funds did not hold the affected Digital Asset, any reduction in confidence in the source code or cryptography underlying Digital Asset generally could negatively affect the demand for any Digital Asset the Funds may hold and therefore adversely affect the Funds.

Risks of Control by Malicious Actors or Botnets. If a malicious actor or botnet (i.e., a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains control of more than 50% of the processing power on a Digital Asset network, such actor or botnet could manipulate the underlying blockchain to adversely affect the Funds' investments or the ability of the Funds to operate. If a malicious actor or botnet obtains a majority of the processing power dedicated to mining on a Digital Asset network, it may be able to alter the blockchain on which the network and most transactions rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude, or modify the ordering of transactions. However, the malicious actor or botnet generally could not generate new Digital Asset units or transactions using such control. The malicious actor could, however, "double-spend" its own Digital Asset units (i.e., spend the same units in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the Digital Asset network or the network community did not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible.

Although there are no known reports of malicious activity or control of a blockchain that have been achieved through controlling more than 50% of the processing power on the network, it is believed that certain mining pools may have exceeded the 50% threshold on the Bitcoin network. The possible crossing of the 50% threshold generates an enhanced risk that a single mining pool could exert authority over the validation of Bitcoin transactions. To the extent that a Digital Asset ecosystem, including core developers and the administrators of mining pools, does not act to ensure greater decentralization of mining processing power, the feasibility of a malicious actor obtaining control of the processing power on the network will increase, which may adversely affect the Funds.

Risk of a Blockchain "Fork". A temporary or permanent blockchain "fork" could adversely affect an investment in a Digital Asset. Some Digital Assets, including Bitcoin and Ether, are open source, meaning that any user can download the software, modify it and then propose that the users and miners of the currency adopt the modification. When a modification is introduced and a substantial majority of users

and miners consent to the modification, the change is implemented, and the network remains uninterrupted. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “fork” of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the Digital Asset running in parallel, yet lacking interchangeability.

Forks may occur after a significant security breach. In June of 2016, a smart contract using the Ethereum network was hacked, which resulted in most participants in the Ethereum ecosystem electing to adopt a “hard fork” that effectively reversed the hack. However, a minority of users continued to develop the old blockchain, now referred to as “Ethereum Classic” with the digital currency on that blockchain now referred to as Classic Ether, or ETC. Classic Ether remains traded on several digital currency exchanges. Additionally, a fork could be introduced by an unintentional, unanticipated software flaw in the multiple versions of otherwise compatible software users run. Such a fork could adversely affect the Digital Asset’s viability. It is possible, however, that a substantial number of users and miners could adopt an incompatible version of the Digital Asset while resisting community-led efforts to merge the two chains. This would result in a permanent fork, as in the case of Ether and Classic Ether. If a permanent fork were to occur, then the Funds could hold amounts of both the original Digital Asset and the new alternative Digital Asset. Furthermore, a hard fork can introduce new security risks.

For example, when the Ether/Classic Ether split occurred in July 2016, replay attacks in which transactions from one network were rebroadcast to nefarious effect on the other network, plagued Ethereum exchanges through at least October 2016. An Ethereum exchange announced in July 2016 that it had lost 40,000 Classic Ether, which was worth about \$100,000 at that time, because of replay attacks. Another possible result of a hard fork is an inherent decrease in the level of security. After a hard fork, it may become easier for an individual miner or mining pool’s hashing power to exceed 50% of the processing power of the Digital Asset network, thereby making Digital Assets that rely on proof of work more susceptible to attack.

Throughout 2017, Bitcoin forked into two additional currencies—Bitcoin Cash and Bitcoin Gold. In 2017, Bitcoin seemed poised for yet another contentious hard fork, sometimes referred to as “segwit2x” or “B2X”, due to a compromise scaling agreement referred to as the “New York Agreement” reached in May 2017 to pursue an upgrade to Bitcoin by many Bitcoin companies including miners, exchanges, traders, and custodians. Since the creation of Bitcoin Cash, many in the Bitcoin community have argued that some of the changes to Bitcoin outlined in the New York Agreement are no longer necessary. While the proposal has since been called off, this fundamental disagreement may yet lead to a hard fork if a significant group of miners enacts similar scaling changes while other miners do not. A further hard fork of Bitcoin could affect demand for Bitcoin or other Digital Assets and could adversely affect the Funds.

Additionally, it may be unclear following a fork which fork represents the original asset and which is the new asset. Different metrics adopted by industry participants to determine which is the original asset include: wishes of the core developers of a Digital Asset, the blockchain with the greatest amount of hashing power contributed by miners or validators, or the blockchain with the longest chain. To the extent that Cipher must decide which fork is a continuation of an original asset and which is a new asset, Cipher will not look to any one factor as being dispositive and instead will seek to determine which asset is generally accepted as being the continuation of the original asset by looking at a number of factors, including those listed above, the actions of market participants, discussions on relevant forums, and the

relevant spot and futures prices of the assets, among other factors. A fork in the network of a Digital Asset could adversely affect the Funds.

Inability to Realize Benefits of Hard Forks or “Air Drops”. The Funds may not be able to realize the economic benefit of a hard fork or “air drop”, either immediately or ever, which could adversely affect the Funds. If the Funds hold a Digital Asset at the time of a hard fork into two Digital Assets, it would be expected to hold an equivalent amount of the old and new assets following the hard fork. However, the Funds may not be able, or it may not be practical, to secure or realize the economic benefit of the new Digital Asset for various reasons. For instance, a custodian or security service provider may not agree to provide the Funds access to the new Digital Asset. In addition, the Funds may determine that there is no safe or practical way to custody the new Digital Asset, or that trying to do so may pose an unacceptable risk to the Funds’ holdings of the old Digital Asset, or that the costs of taking possession or maintaining ownership of the new Digital Asset exceed the benefits of owning the new Digital Asset.

Additionally, laws, regulation, or other factors may prevent the Funds from benefitting from the new Digital Asset even if there is a safe and practical way to custody and secure the new Digital Asset. For example, it may be illegal for the Funds to sell the new Digital Asset, or there may not be a suitable market into which the Funds can sell the new Digital Asset (either immediately after the fork or ever). In addition, a Digital Asset held by the Funds may become subject to a similar occurrence known as an “air drop.” In an air drop, the promoters of a new Digital Asset announce to holders of another Digital Asset that they will be entitled to claim a certain amount of the new Digital Asset for free. For example, in March 2017 the promoters of Stellar Lumens announced that anyone that owned Bitcoin as of June 26, 2017 could claim, until August 27, 2017, a certain amount of Stellar Lumens. For the same reasons as described above with respect to hard forks, the Funds may or may not choose, or be able, to participate in an air drop, or may or may not be able to realize the economic benefits of holding the new Digital Asset. The timing of any such occurrence is uncertain and the Funds’ participation would be subject to the discretion of Cipher. Any inability to recognize the economic benefit of a hard fork or an air drop could adversely affect the Funds’ investment.

Custody of Fund Assets. Cipher maintains custody of the Funds’ Digital Assets by generating and maintaining the private keys that control their movement. With respect to the Funds, Cipher is responsible for taking such steps as it determines, in its sole judgment, to be required to maintain access to these keys, and prevent their exposure from hacking, malware, and general security threats. However, Cipher and its affiliates are not liable to the Funds or to investors for the failure or penetration of the security system absent willful misconduct, bad faith or gross negligence (as interpreted in accordance with the laws of the State of Delaware) or as otherwise required by law. To the extent that the security system is penetrated, any loss of the Funds’ investments may adversely affect the Funds and could result in total loss of capital. Cipher intends to maintain the Funds’ Digital Asset private keys with a third-party custodian (which, depending on the type of Digital Asset, may or may not be a “qualified custodian” as defined in the Advisers Act). While Cipher will endeavor to select third-party custodians with reasonable care, there can be no assurance that such custodians’ security systems will not be compromised by hacking, malware, or other security threats, and any penetration of such custodians’ security systems may adversely affect the Funds and result in a total or partial loss of capital.

Risk of Loss of Private Key. Digital Assets are controllable only by the possessor of unique private keys relating to the addresses in which the Digital Assets are held. The theft, loss, or destruction of a private key required to access a Digital Asset is irreversible, and such private key most likely would not be capable of being restored by Cipher. Any loss of private keys relating to digital wallets used to store the Funds’

Digital Assets could result in the loss of the Digital Assets and an investor in the Funds could incur substantial, or even total, loss of capital.

Risk of Loss Due to Incapacitation of Key Personnel. A small number of designated principals or employees of Cipher collectively have sole access (via the Funds' custodians) to the unique private keys required to access the Digital Assets held by the Funds. While no single individual alone has the right to access the private keys, the incapacitation of more than one such person could result in the temporary loss of access to the private keys.

Technology and Security. Cipher must adapt to technological change to secure and safeguard the Funds' accounts. While Cipher believes it has developed a security system reasonably designed to safeguard the Funds' investments from theft, loss, destruction, or other issues relating to hackers and technological attack, such assessment is based upon known technology and threats and current industry best practices. As technological change occurs, the security threats to the Funds' investments will likely adapt and previously unknown threats may emerge. Furthermore, the Cipher believes that the Funds may become more appealing targets of security threats as the size of the Funds' investment portfolio grows. To the extent that the Funds are unable to identify and mitigate or stop new security threats, the Funds' investments may be subject to theft, loss, destruction, or other attack, which could have a negative effect on the performance of the Funds or result in loss of the Funds' investments.

Security Breaches. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware, or other computer equipment, and the inadvertent transmission of computer viruses, could result in the halting of the Funds' operations, the suspension of redemptions, or a loss of the Funds' assets. While Cipher believes its security system is consistent with current industry best practices, it is not impenetrable and may not be free from defect, and any loss due to a security breach or software defect will be borne by the Funds, absent willful misconduct, bad faith, or gross negligence (as interpreted in accordance with the laws of the state of Delaware) on the part of Cipher or certain of its affiliates.

Risks of Open-Source Structure. The open-source structure of many of the Digital Asset network protocols means that certain core developers and other contributors may not be directly compensated for their contributions in maintaining and developing the network protocol. A failure to properly monitor and upgrade network protocol could damage the relevant digital networks. Certain digital networks operate based on open-source protocols maintained by the groups of core developers. As these network protocols are not sold and their use does not generate revenues for development teams, core developers may not be directly compensated for maintaining and updating the network protocols. Consequently, developers may lack a financial incentive to maintain or develop the network, and the core developers may lack the resources to adequately address emerging issues with the networks. There can be no guarantee that developer support will continue or be sufficient in the future. Additionally, some developers are funded by companies whose interests may be at odds with other participants in the network or with investors' interests. To the extent that material issues arise with certain digital network protocols and the core developers and open source contributors are unable or unwilling to address the issues adequately or in a timely manner, the digital networks and the Funds may be adversely affected.

Governance Risks. Lack of clarity in the corporate governance of many Digital Asset systems may lead to ineffective decision-making that slows development or prevents a network from overcoming important obstacles. Governance of many Digital Asset systems is by voluntary consensus and open competition.

Bitcoin, for example, has no central decision-making body or clear way participants can come to an agreement other than through overwhelming consensus. The lack of clarity on governance may adversely affect Bitcoin's utility and ability to grow and overcome problems, especially of the long-term nature. For example, a seemingly simple, technical issue has divided the Bitcoin community: whether to increase the block size of the blockchain or implement "segregated witness" to increase the scalability of Bitcoin. Because the resolution of the scaling issue has taken several years, some have referred to a "governance crisis" at decentralized Digital Assets. To the extent lack of clarity in corporate governance of Digital Asset systems leads to ineffective decision-making that slows development and growth, the Funds may be adversely affected.

Risks Related to Insufficient Mining Incentives. With respect to Digital Assets that are developed through mining, if the award of new units of Digital Asset for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize mining, miners may cease expending processing power to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the processing power expended by miners on Digital Asset networks could increase the likelihood of a malicious actor or botnet obtaining control.

Miners generate revenue from both newly created Bitcoins, known as the "block reward", as well as from fees taken upon verifying transactions. If the aggregate revenue from transaction fees and the block reward is below mining costs, the miner may cease operations. If the award of new units of Digital Assets such as Bitcoin and Ether for solving blocks declines or the difficulty of solving blocks increases, and transaction fees voluntarily paid by participants are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. For instance, the current fixed reward for solving a new block on the Bitcoin network is twelve and a half Bitcoins per block, which decreased from twenty-five Bitcoins per block in July 2016. The fixed reward is estimated to halve again in about two years. This reduction may result in a reduction in the aggregate hashrate of the Bitcoin network as the incentive for miners decreases. Miners ceasing operations would reduce the collective processing power on the network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions) and make Digital Asset networks more vulnerable to a malicious actor or botnet obtaining control in excess of 50% of the processing power, which would allow such actor or botnet to manipulate the blockchain and hinder transactions. Any reduction in confidence in the confirmation process or processing power of a Digital Asset network may adversely affect the Funds.

Risks of Exclusion of Transactions. To the extent that any miners exclude some or all transactions on a Digital Asset network, significant increases in fees and widespread delays in the recording of transactions could result, thus causing a loss of confidence on the relevant digital networks and ultimate adverse effect on the Funds. To the extent that any miners solve blocks that exclude some or all transactions that have been transmitted to the network, such transactions will not be recorded on the respective blockchain until another miner solves a block that incorporates those transactions. Certain technologies, such as ASICBoost, are suspected to enhance speed and reduce electricity use of mining while reducing the number of transactions that are included in mined blocks on the Bitcoin network. To the extent that more blocks are mined without transactions (or including fewer transactions), transactions will settle more slowly, fees will increase and confidence in the digital network could diminish, all of which could adversely affect the Funds.

Risks of Collusion of Miners. Miners could act in collusion to raise transaction fees, which may adversely affect the usage of Digital Asset networks. Miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners validate unconfirmed transactions by adding previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees. However, if miners decide instead to collude in an anticompetitive manner to reject low transaction fees, then Digital Asset users could be forced to pay higher fees, thus reducing the attractiveness of the Digital Asset network. Mining is a global process and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely affect the attractiveness of Digital Asset networks and may adversely affect the Funds.

Risks of Intellectual Property Rights Claims. Intellectual property rights claims may adversely affect the operation of Digital Asset networks. Third parties may assert intellectual property claims relating to the holding and transfer of Digital Asset and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in long-term viability or the ability of end-users to hold and transfer the currency may adversely affect the Funds. Additionally, a meritorious intellectual property claim could prevent the Funds and other end-users from accessing, holding, or transferring their Digital Assets, which could force the liquidation of the Funds' holdings of a Digital Asset (if such liquidation is possible). As a result, an intellectual property claim against the Funds or other large Digital Asset participants could adversely affect the Funds.

Digital Currency Derivatives Markets. Regulated derivatives markets for Digital Assets in the United States are developing as registered swap execution facilities and futures exchanges regulated by the CFTC begin to offer listed derivative contracts on Bitcoin. Several CFTC-registered swap execution facilities offer trading in digital currency swaps and both the Chicago Board Options Exchange (the "CBOE") and the Chicago Mercantile Exchange (the "CME"), which are registered futures exchanges, offer futures on digital currencies and options thereon. There is, however, no assurance that any Digital Asset derivatives contracts will be brought to market, that listed derivatives contracts available in the U.S. will be created for digital currencies other than Bitcoin, or that trading in contracts that are offered will be liquid or at beneficial prices to the Funds. Currently, there is very limited price history for existing contracts, which limits the ability of Cipher to rely upon a data set that otherwise would be relevant to its trading decisions for Digital Assets. Moreover, there is no fundamental market supply and demand affecting Digital Assets derivatives. Rather, the underlying spot market is predominantly composed of speculative traders. The margin rates set by brokers and clearinghouses for Bitcoin futures are significantly higher than for other futures contracts due to the novelty and volatility of the underlying Bitcoin spot market. Many futures clearing brokers do not currently allow customers to trade Bitcoin futures. If one of the Funds' futures clearing brokers were to impose restrictions on or prohibit the Funds from trading Digital Asset derivatives, the Funds could incur significant losses.

Additionally, digital currency "forks" or other similar events may pose significant challenges for derivatives exchanges or other markets to address. See "Risk of a Blockchain 'Fork'", above. The existence of regulated markets that offer trading in Digital Asset derivatives, the volume of transactions on those markets, and the nature and sophistication of participants may adversely affect the Funds' ability to take advantage of opportunities in the derivatives markets. Markets in Digital Asset derivatives could also affect prices, liquidity, and other aspects of Digital Asset cash markets and other related markets. Digital Asset derivative markets could facilitate larger volumes of short positions in Digital Assets than what may be possible in the cash market alone. Thus, trading in Digital Asset derivatives could be used by market

participants to accumulate short positions in Bitcoin and other Digital Assets, which could reduce the price of those Digital Assets. This type of trading activity could negatively affect the Funds' investments. Also see the discussion of the risks of investing in derivatives, above.

Newly Developed Contracts. The Funds may trade newly developed contracts, including, without limitation, Bitcoin futures contracts and such other Digital Assets futures contracts that may become listed for trading on futures exchanges. In the United States, designated contract markets self-certify new futures contracts. Likewise, foreign regulatory authorities are typically required to authorize the trading of new futures contracts on exchanges within their countries. Periodically, designated contract markets may self-certify new futures contracts and options and foreign regulatory authorities may designate additional contracts as approved contracts.

If Cipher determines that it is appropriate to trade in a new contract, it may do so on behalf of the Funds. Because these contracts are new, Cipher's trading strategies may not be applicable to, or advisable for, these contracts. The markets in new contracts, moreover, have been historically both illiquid and highly volatile for some period after the contract begins trading. These contracts therefore present significant risk potential.

Competition from Other Methods of Digital Currency Investing. The Funds may be adversely affected by competition from other methods of investing in Digital Assets, which could result in investor redemptions. The Funds will compete with other potential financial vehicles. Such other vehicles may invest in Digital Assets, including through securities backed by or linked to Digital Asset exchange-traded products if ever approved by the SEC. Other competitors may invest in derivative financial products, which utilize Digital Assets as the underlying asset. Market and financial conditions, and other conditions beyond Cipher's control, may make it more attractive for investors to redeem their investment in the Funds in order to invest in such other financial vehicles. Furthermore, more attractive investment products not currently on the market could develop, which may also lead to investors withdrawing their investment in the Funds. Any such redemptions may negatively affect the value of the Funds' investments. Prices for Digital Assets may be affected by the sale of other Digital Asset financial vehicles that invest in and track the price Digital Assets. To the extent financial vehicles tracking the price of Digital Assets other than the Funds are formed and represent a significant proportion of the demand for digital currencies, large redemptions of the securities of those financial vehicles could negatively affect Digital Asset prices and thus the value of the Funds' investments.

Risks of Failure of Other Funds to Receive Listing Approval. Failure of funds that hold Digital Assets, or that have exposure to Digital Assets through derivatives, to receive SEC approval to list their shares on exchanges could adversely affect the Funds. Although the equity interests in the Funds will not be listed for trading on any securities exchange, there have been a growing number of attempts to list on national securities exchanges the shares of funds that hold Digital Assets or that have exposures to Digital Assets through derivatives. These investment vehicles attempt to provide institutional and retail investors exposure to digital currency markets without having to hold digital currencies directly. Many such funds have had their listing requests rejected, including the Winklevoss Bitcoin Trust and SolidX Bitcoin Trust, while many other such funds have withdrawn similar requests, including the Bitcoin Investment Trust, the EtherIndex Ether Trust, and the REX Bitcoin Strategy ETF, among others. The SEC's review of a number of its disapproval orders for such funds remain pending. In addition, while the existence of futures exchanges offering Digital Asset futures and options thereon may or may not increase the likelihood that the SEC will approve an exchange-traded product that tracks the price of a Digital Asset, more established financial institutions such as the CBOE and the New York Stock Exchange have recently submitted

proposals to the SEC to list ETFs that track Bitcoin futures prices. Exchange-listed Digital Asset fund shares would create more opportunities for institutional and retail investors to invest in the Digital Asset markets. If exchange-listing requests are not approved by the SEC, increased investment interest by institutional or retail investors could fail to materialize, which could reduce the demand for Digital Assets generally and therefore adversely affect the Funds.

Nascent Development of Smart Contracts. The nascent nature of smart contract development may magnify initial problems, increase volatility, and reduce interest in smart contracts, which could have an adverse effect on the value of certain Digital Assets such as Ether. Smart contracts are computer protocols that facilitate the negotiation or performance of a contract and have only recently been implemented. Since smart contracts typically cannot be stopped or reversed, bugs in their programming can have catastrophic effects. For example, a bug in the smart contracts underlying The DAO, a “distributed autonomous organization” for venture capital funding, allowed a hacker to steal \$50 million from its accounts. The theft was reversed only by the developers making a “hard fork” of Ethereum. See “Risk of a Blockchain ‘Fork’” above. Nevertheless, the price of Ether dropped 35% because of the attack and the resulting fork. In addition, in July 2017, vulnerability in a smart contract for a multi-signature wallet software provided by Parity led to a \$30 million theft of Ether. Initial problems and continued setbacks with the implementation and development of smart contracts may have an adverse effect on the value of Ether and other Digital Assets.

Risks Related to Demand for Private Blockchains. Major smart contract development on private blockchains may decrease potential demand for Digital Assets powered by public blockchains. Since 2015, the concept of “consortium blockchains” and “private blockchains” has become increasingly popular. In a consortium blockchain, the consensus process is controlled by a pre-selected set of nodes—for example, nodes controlled by several financial institutions. The right to read the blockchain may be either public or restricted to participants on the blockchain. Fully private blockchains maintaining many kinds of partial guarantees of authenticity and decentralization that blockchains provide but with access permissions that are centralized and tightly controlled and rights to modify or even read the blockchain restricted to a few users.

Private blockchain systems have been a significant focus of interest from financial institutions. Private blockchains are being deployed as turnkey solutions directly to businesses by projects like Deloitte’s Rubix and Eris Industries and AlphaPoint’s Streamcore. Other consortium projects like R3 are also receiving notable attention and interest, potentially at the expense of the public blockchain market. To the extent institutions develop major smart contracts on private blockchains instead of public blockchains, there may be an adverse effect on the potential demand for and price of Ether or other Digital Assets that power smart contracts on public blockchains.

Price Volatility. The performance of the Funds’ investments, and thus the performance of the Funds, relates directly to the value of the Digital Assets held by the Funds, or to the values of the Digital Assets referenced by derivative instruments written or held by the Fund, and fluctuations in their price could adversely affect such performance.

Several factors may affect the price of such Digital Assets, including, but not limited to (i) the total quantity of a certain Digital Asset in existence; (ii) the global demand for a certain Digital Asset; (iii) the global supply of a certain Digital Asset, including whether the mathematical protocol under which such Digital Asset was mined permits the creation of a limited, predetermined amount of the asset as opposed to other protocols (such as the one underlying Ether) which have no limit on total supply; (iv) investors’

expectations with respect to the rate of inflation of fiat currencies; (v) investors' expectations with respect to the rate of deflation of Digital Assets; (vi) interest rates; (vii) currency exchange rates, including the rates at which Digital Assets may be exchanged for fiat currencies; (viii) fiat currency redemption and deposit policies of the Digital Asset exchanges and liquidity on such exchanges; (ix) interruptions in service from or failures of the Digital Asset exchanges (interruptions or failures at other Digital Asset exchanges may also have an indirect affect); (x) theft, or news of such theft, of Digital Assets from individuals or retail and service providers, including companies that buy, sell, process payments with, or store Digital Assets; (xi) investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in Digital Assets; (xii) trades of a significant size in comparison to the overall trading in the market for Digital Assets over a short time period; (xiii) "spoofing" or other manipulative tactics employed by participants on the exchange platform; (xiv) monetary policies of governments, trade restrictions, currency devaluations, and revaluations; (xv) regulatory measures, if any, that restrict the use of Digital Assets as a form of payment or the purchase of Digital Assets; (xvi) the maintenance and development of the open-source software protocol of Digital Asset networks; (xvii) increased competition from other forms of digital assets or means of payments in which the Funds do not invest; (xviii) global or regional political, economic, or financial events and situations; (xix) expectations among cryptocurrency economy participants that the value of certain Digital Assets will soon change; and (xx) fees, including miners' and staking fees, associated with processing Digital Asset transactions.

Risks Associated with Cryptocurrency Exchanges. In addition to the regulatory issues described above, other risks exist with respect to the Funds buying and selling Digital Assets through an exchange. Upon the sale of cryptocurrency assets on an exchange, cash proceeds may not be received from the exchange for several business days. The participation in exchanges requires users to take on credit risk by transferring digital assets from a personal account to a third-party's account. The Funds will take on the credit risk of any exchange upon which it transacts in Digital Assets.

Digital Assets exchanges may impose daily, weekly, monthly, or customer-specific transaction or distribution limits or suspend redemptions entirely, rendering the exchange of digital assets for fiat currency difficult or impossible. Additionally, Digital Asset prices and valuations on Digital Assets exchanges have been volatile and subject to influence by many factors including the levels of liquidity on exchanges and operational interruptions and disruptions. The prices and valuation of Digital Assets remain subject to any volatility experienced by Digital Assets exchanges, and any such volatility can in certain circumstances adversely affect the Funds.

The Funds may trade on a limited number of exchanges (and potentially only a single exchange) either because of actual or perceived counterparty or other risks related to a particular exchange. Trading on a single exchange may result in less favorable prices and decreased liquidity for the Funds and, particularly in times of high price volatility, therefore could have an adverse effect on the value of the Funds' investments. Digital Assets exchanges generally operate outside of the United States, which could cause the Funds difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained by the Funds in another country. In general, certain less developed countries lack fully developed legal systems and bodies of commercial law and practices normally found in countries with more developed market economies. These legal and regulatory risks may adversely affect the Funds and their operations and investments.

Risks Associated with Selling Cryptocurrency Through Over-the-Counter Transactions. OTC markets for Digital Assets are subject to a maturing and still-uncertain set of regulations at the federal, state, and international level. By purchasing or selling Digital Assets through cryptocurrency dealers, brokers, and

exchanges, the Funds may become subject to regulation governing currency transactions, as well as regulations governing the purchase and sale of securities and commodities, and may be subject to taxation in manners that are still unclear. When purchasing Digital Assets through OTC markets, the Funds may be subject to risk based on the identity of the transaction counterparty (either a cryptocurrency dealer, a third party or another entity) and the provenance of the Digital Assets being purchased. When selling Digital Assets through OTC markets, the Funds may be subject to risk based on the identity of the transaction counterparty (either a cryptocurrency dealer, a third party or another entity) and the subsequent use of the Digital Assets by the purchasing entity. These risks include, but are not limited to, the Funds being considered money services business under the Bank Secrecy Act, the Funds being considered sellers of securities or certain types of regulated commodities contracts, and may be subject to the re-characterization of profits, and reallocation of associated tax obligations, between the Funds and the OTC dealer and their owners by the U.S. Internal Revenue Service. The nature of cryptocurrency means that any technological difficulties experienced by an OTC dealer may prevent the access, use, sale, or other transaction of the Digital Assets. Some cryptocurrency transactions will be deemed to be made when recorded on a public ledger, which is not necessarily the date or time that the customer initiates the transaction. Some OTC dealers may have insufficient counterparties for the Funds to transact the Digital Assets (by purchasing from or selling to the OTC dealer, which in turn transacts with the relevant counterparties) at the time or price at which Cipher desires.

Prime Broker Risk.

Prime brokers typically have custody of a substantial portion of the securities, cash, distributions, and rights accruing to a private investment fund's securities accounts. SEC rules require U.S. prime brokers to maintain physical possession and control solely of fully paid securities and excess margin securities held in a fund's account and to establish certain reserves for the benefit of customers. For assets other than fully paid securities and excess margin securities, subject to the establishment of reserves, a prime broker generally has the ability to loan, pledge, and rehypothecate the assets in a fund's account, as is typical market practice, and may have insufficient assets to meet all of its obligations to customers in the event of the insolvency of the prime broker or a similar event which restricts a fund's ability to seek return of the assets in the fund's account. In such an event, a fund would typically not have the right to receive delivery of particular assets credited to its account by the prime broker and would have only a claim to participate pro-rata with other customers of the prime broker in the customer property held by the broker. If the prime broker does not have a sufficient amount of any particular asset to satisfy all customers' claims to that asset, the Fund could receive different assets from those transferred by the fund to the prime broker. Also, even if the prime broker does have sufficient assets to meet all customer claims, there could be a delay before a fund receives assets to satisfy its claims. Furthermore, until a fund knows what assets it will receive, it has limited ability to manage its portfolio effectively. Prime brokers also sometimes hold a fund's assets through third parties such as clearing corporations, other brokers, and banks. As a result, the fund may be subject to credit risk relating to those third parties in addition to credit risk relating to the prime broker. In addition, certain of a fund's assets may be held by entities other than its prime brokers. For example, a fund may pledge certain of its assets as collateral to counterparties in connection with "over-the-counter" derivative instruments, in which case it would be an unsecured creditor of such counterparty in the event of its insolvency.

Prime brokerage, though common in traditional securities investment markets, has not developed to date in the Digital Assets market in any meaningful form. However, to the extent Digital Assets prime brokerage develops, it is Cipher's intention to make use of such services for the Funds, in which case the Funds will become subject to the risks described in the foregoing paragraph.

Concentration.

The Funds will principally acquire and sell Digital Assets and derivative instruments referencing Digital Assets, and it is possible that the Funds will hold relatively few Digital Assets or derivative instruments referencing relatively few Digital Assets. Accordingly, the Funds may be subject to more rapid changes in investment portfolio value than would be the case if the Funds held, or were required to hold, a more diverse portfolio of assets. No assurance can be given that the Funds' investments will appreciate in value or that the Funds will ever be able to achieve liquidity on, or otherwise to recover, their investments in Digital Assets, related derivative instruments, or other investments.

Arbitrage Trading.

The Funds may engage in arbitrage trading. In such trading, the Funds generally would attempt to take advantage of price differences of identical or similar Digital Assets in different markets, on different exchanges, or otherwise in different forms. Arbitrage transactions involve the risk that transactions will fail to be executed as intended or agreed upon, the risk that the other party to a transaction will fail to pay or otherwise perform as agreed, and credit risk generally (*e.g.*, that the other party does not post collateral as required). Arbitrage trading also involves the risk that the value of the Funds' long positions potentially decrease while its corresponding short positions increase over the same period. Arbitrage opportunities may disappear rapidly once broadly known. Arbitrage trading can also involve greater transaction costs because of the need to simultaneously buy and sell multiple assets. There can be no assurance that an arbitrage transaction will perform in the manner expected by Cipher and the exposure of the Funds to a movement in the market or other factors could be significantly increased by arbitrage trading.

Loans of Portfolio Assets.

Cipher may cause the Funds to lend their portfolio assets if a market develops for such lending. By doing so, Cipher would seek to increase the Funds' income through the receipt of collateral on the loans. However, in the event of the bankruptcy of a counterparty or another default, the Funds could experience significant delays in recovering the loaned assets. If the value of the lent assets has increased, the inability to recover such lent assets could cause the Funds to lose money.

Currency Risk.

Cipher may cause the Funds to transact in Digital Assets globally, and it may be necessary or prudent to acquire digital assets outside the United States with fiat currencies other than the U.S. dollar, or to receive proceeds from the disposition of Digital Assets in such currencies. However, Cipher will value the Funds' investments in U.S. dollars. If Cipher does not hedge the Funds' exposure to such non-U.S. currencies, then a portion of the value of the Funds' net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Fund's investments. Forward currency contracts and other strategies may be utilized by Cipher to hedge against currency fluctuations; however, the determination of whether and to what extent to hedge will depend on several factors, including prevailing market conditions, the composition of the Funds' investment portfolio, the availability of suitable transactions, and the availability of suitable transaction counterparties. There can be no assurance that Cipher will cause the Funds to engage in hedging transactions at any given time, from time to time, or at all, or that any hedging transaction entered into will be effective.

New Types of Securities and Other Investments.

Cipher expects to cause the Funds to invest in new or relatively new types of assets and financial instruments, which may involve new asset classes, structures, documentation, risk transfers, markets, exchanges, counterparties, regulation, and legal and tax issues. There would necessarily be a limited

significant trading history for such investments, and there can be no assurance that a liquid market in such investments will develop. Lack of liquidity may lead to higher transaction costs and the possibility of forced liquidation of positions at inopportune times.

Legal and Regulatory Risks.

Legal, tax, and regulatory changes could occur that may materially and adversely affect the Funds or their investment portfolio. New or revised laws or regulations may be imposed by U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets including, but not limited to, rules relating to short selling, leverage limits, position limits, or other restrictions. For example, the SEC and non-U.S. regulatory authorities may adopt (and in certain cases, have adopted) bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for the Funds to execute certain investment strategies and may have a material adverse effect on the Funds' ability to generate returns. Such events could make it impossible for Cipher to execute the Funds' investment strategy. In addition, the regulation of derivatives transactions and other types of securities and of private investment funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action at any time. The effect of any future regulatory change on the Funds could be substantial and adverse, and it not capable of accurate prediction.

Litigation.

The Funds may be invested in assets the issuers of which become subject to litigation with third parties or a governmental authority. Under such circumstances, even when the parties settle, or despite the fact that the applicable court or agency may ultimately find in favor of the issuer on all or most of the claims, the issuer's assets can suffer a significant decline in value, resulting in a loss to the Funds. This may be the case for many reasons, including but not limited to the effect of negative media coverage relating to the case. The current state of play in Digital Asset transaction intermediation, in which escrow and escrow-like arrangements are frequently employed, may also give rise to litigation for the Funds if a Digital Assets transaction with a counterparty is not executed as contracted or not confirmed to have been so executed. Any such litigation would entail legal and related costs for the Funds, which in turn could adversely affect their investment performance.

Market Disruption and Geopolitical Risk.

Digital Assets are globally traded, and disruptions can occur in any market traded in by the Funds due to unusually high trading volume, political intervention, or other factors. The imposition of controls by governmental authorities might also limit trading in certain markets to the detriment of the Funds. Significant market illiquidity or disruption could result in major losses to the Funds. Global and regional conflicts may also have a substantial and adverse effect on global economies and investment markets. Global and regional conflicts, terrorism and related geopolitical risks have led, and may in the future lead, to significant market disruption and increased short-term market volatility and may have adverse long-term effects on economies and markets generally. Such events could also prevent Cipher from accessing or utilizing information or technology that is material to its investment process for the Funds or from performing other material duties and responsibilities related to trading, analysis, and reporting to investors.

Cybersecurity.

Information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events

such as fires, tornadoes, floods, hurricanes, and earthquakes. Cipher has adopted measures to manage risks relating to such events, but if such systems are compromised, become inoperable for extended periods of time, or cease to function properly, Cipher may have to make a significant investment to fix or replace them, which expense may be borne in whole or in part by the Funds. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Cipher's operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to Fund investors. Such interruptions could harm Cipher's reputation and/or the reputation of the Funds and could subject Cipher and/or the Funds to legal claims.

Other Risks.

There can be no assurance that the risks highlighted above reflect a complete list of risks relating to the Funds' investment strategy or that there are not other risks that may exist now or may arise in the future. The Digital Assets landscape is rapidly evolving, and new and unexpected risks may arise at any time, many of which could be beyond the control of Cipher.

Item 9: Disciplinary Information

There are no legal or disciplinary events related to Cipher that are material to a client's or prospective client's evaluation of Cipher's advisory business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

Neither Cipher nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

The Funds are considered commodity pools under the Commodity Exchange Act and related regulations promulgated by the United States Commodities Futures Trading Commission (the “CFTC”). Accordingly, Cipher is registered as a commodity pool operator (“CPO”) with the CFTC through the National Futures Association (the “NFA”) and is a member of the NFA. Interests in the Funds are offered only to “qualified eligible persons”, as such term is defined under CFTC rules. Accordingly, Cipher operates pursuant to the CFTC Rule 4.7 exemption from certain recordkeeping, reporting, and disclosure requirements otherwise applicable to registered CPOs. Certain Cipher principals and employees are registered or expected to register with the NFA as “associated persons” of Cipher.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Cipher has adopted a code of ethics (the “Code”) that prohibits employees and certain other persons covered by the Code (for purposes of this Item 11 only, “employees”) from engaging in any investment transaction under circumstances in which the employee would benefit from or interfere with or otherwise disadvantage the acquisition or disposition of investments for any Fund. The Code recognizes that Cipher is a fiduciary to the Funds and therefore has a duty to place the interests of the Funds above the interests of Cipher and its employees. This fiduciary duty generally includes an obligation to address and to mitigate or resolve actual and potential conflicts of interest. Among other things, the Code requires all employees to comply with applicable U.S. federal securities laws.

The Code contains policies regarding personal trading in brokerage or securities accounts in which an employee, or certain members of such employee’s immediate family, has any direct or indirect beneficial ownership. Generally, employees are required to seek advance clearance of any proposed purchase or sale of a covered security (which term excludes certain securities such as mutual fund shares and certain exchange-traded funds) so that such trade requests may be reviewed for conflicts. Although it is unclear with certain digital assets would constitute “covered securities” for purposes of relevant Advisers Act regulations, or constitute securities at all for legal and regulatory purposes, the Code requires employees to seek advance clearance of any proposed purchase or sale of a digital asset so that such trade requests may be reviewed for conflicts with the Funds’ investment strategies. While employees may hold investments that are the same as, similar to, or in a different class or type than, investments held by a Fund, employees may not use information concerning the investments, anticipated investments, or investment strategies of Cipher on behalf of any Fund, or their ability to influence such investments or investment strategies, in any way detrimental to the interests of a Fund. The Code also requires employees to disclose certain personal investment holdings upon employment and annually thereafter, and to report certain personal investment transactions at least quarterly.

Cipher’s Chief Compliance Officer (the “CCO”) has principal responsibility for the day-to-day administration of the Code. Employees are required to promptly report any violation of the Code to the CCO.

The foregoing summary of the Code is qualified in its entirety by Cipher’s Code of Ethics, which is available to any Fund investor or eligible potential Fund investor upon request.

Conflicts of Interest

Certain material actual and potential conflicts of interest that may be applicable to a Fund are described below, but this description is not exhaustive. Other actual and potential conflicts of interest may be described elsewhere in this brochure and/or in the offering documents of each Fund, and Fund investors and eligible potential Fund investors are encouraged to read these materials in their entirety. Cipher has adopted policies and procedures to identify and to mitigate or resolve actual and potential conflicts of interest, including those described below.

Cipher’s employees may engage in transactions or make investments for their own accounts which differ from or are identical to the transactions engaged in or investments made by Cipher for a Fund. Cipher employees also may trade in securities for their own accounts, subject to applicable restrictions and

reporting requirements. The Funds' organizational documents do not prohibit Cipher or its employees from buying or selling securities, commodity interests, digital assets, or other investments for their own account. Cipher maintains compliance policies and procedures, including personal trading policies, which are designed to mitigate potential conflicts of interest associated with such trading activities (for example, see "Code of Ethics" above in this Item 11).

It is possible that a Cipher employee may engage in a principal transaction with a Fund (for example, by transferring one or more digital assets to the Fund). Any such principal transaction will be effected on an arms-length basis in accordance with Section 206(3) of the Advisers Act, any applicable SEC interpretation thereof, and any other applicable laws.

The Funds are part of a master-feeder structure. Accordingly, Cipher generally advises feeder funds to invest all of their investable assets in the master fund. The use of a master-feeder structure may create a conflict of interest in that different tax or other legal considerations for different feeder funds within the master-feeder structure may cause the master fund to structure or dispose of an investment in a manner that results in different tax effects across the feeder funds, and such tax effects may be more advantageous for certain feeder funds than for other feeder funds.

Cipher is also responsible for valuing Fund investments. Such valuation may give rise to a conflict of interest because the management fees and performance allocations earned by Cipher are calculated by reference to the value of such investments.

Item 12: Brokerage Practices

Broker/Dealer/Other Counterparty Selection Process

Cipher seeks to act in the best interests of the Funds when it selects brokers, dealers, or other counterparties to effect transactions for the Funds. In making such selections, Cipher seeks to obtain the best execution for each such transaction. For each specific transaction, Cipher assesses best execution qualitatively in light of all relevant prevailing circumstances. Among others, Cipher may consider the following factors (which may be weighted differently in different transactions) in selecting broker, dealers, or other counterparties to effect Fund transactions: the creditworthiness and financial stability of the entity, the expertise and skill with respect to the specific asset traded, the ability to execute and clear trades in an orderly and satisfactory manner, the adequacy and robustness of trading infrastructure (including technology and security apparatus), capital, responsiveness, speed, access to markets, confidentiality, and trading terms. Pricing (including commission rates and similar charges) is a material consideration, however, Cipher is not required to obtain the lowest possible price for any particular transaction, for any group of transactions, or for the Funds generally. Moreover, in the digital assets market, certain execution costs are frequently pre-established (such as Bitcoin mining fees), and the speed of transaction execution can be directly related to the size of the fee paid. Additionally, considerations like market access, trading infrastructure, and security may frequently be paramount in counterparty selection decisions. In the near term, many if not most of the Funds' transactions are likely to be commodity transactions that may not involve a broker or dealer, per se. Regardless, Cipher will periodically review the quality and cost of execution being achieved for the Funds.

Research and Other Soft Dollar Benefits

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is a safe harbor that permits an investment adviser to use brokerage commissions (or "soft dollars") to obtain certain research and brokerage services in connection with its investment decision-making process. Cipher currently does not permit any soft dollar arrangements; however, it retains the right to do so in the future, particularly if the digital assets markets continue to mature such that soft dollar arrangements currently available in traditional securities markets become more readily available in the digital assets markets. If, in the future, Cipher's receipt of any brokerage or research services is deemed to be a soft dollar arrangement, such arrangement will fall within the Section 28(e) safe harbor.

Investor Referrals

If the digital assets markets continue to mature and prime brokerage services become more readily available within such markets, or if such programs become available through other counterparties, Cipher anticipates that it will from time to time participate in certain capital introduction programs organized or sponsored by prime brokers or counterparties to the Funds (or affiliates of such prime brokers or counterparties) pursuant to which such prime brokers, counterparties, or affiliates introduce Cipher to potential investors with which the prime brokers, counterparties, or affiliates have pre-existing relationships. Should such capital introduction programs become available to Cipher, neither Cipher nor the Funds would compensate such prime brokers, counterparties, or affiliates for organizing such programs, for making any such introductions, or for any investments ultimately made by such introduced investors. Nevertheless, these programs and the introductions made pursuant thereto could create a potential conflict of interest for Cipher with respect to its selection of brokers, dealers, or counterparties for the Funds.

Directed Brokerage

Cipher has no client directed brokerage arrangements.

Aggregation of Investment Orders; Cross Trading

Cipher currently manages the Funds collectively as part of a single master-feeder structure. Because all Fund transactions are expected to be effected through the master fund, Cipher anticipates that all Fund investment orders will necessarily be aggregated, and that there will be no occasion for cross-trading (transactions in which on Fund account purchases or sells assets against another Fund account).

Trade Errors

There are two possible categories of trade errors for the Funds: (i) a breach of the Funds' investment restrictions and (ii) a trade execution error (e.g., selling an asset that was intended to be purchased). In the event of a breach of the Funds' investment restrictions, Cipher will resolve the error in accordance with the terms of the Funds' governing documents. In the event of a trade execution error, Cipher will first endeavor to determine whether the error was caused by Cipher or by a third party. If Cipher determines that a third party caused the error, then Cipher will seek to recover any losses to the Funds' accounts from such third party. If Cipher determines that Cipher caused the error, then Cipher will endeavor to determine whether the error resulted from Cipher's willful misconduct, bad faith, or gross negligence and, if so, will make adjustments in the Funds' accounts to restore the Funds' portfolio to the position it would have been in had the execution error not occurred. If Cipher is unable to recover trade error losses from a third party that caused the error, or if Cipher determines that Cipher caused an execution error otherwise than through willful misconduct, bad faith, or gross negligence, then the Funds will bear any losses resulting from such errors. Cipher will have a conflict of interest when making the foregoing determinations.

In executing the Funds' investment strategies, Cipher expects to make use of computer hardware, computer software, algorithms, and investment models. Cipher expects that, despite employing significant efforts to mitigate mistakes in software programming and algorithm and model design, mistakes will periodically be made. Additionally, computer hardware and software occasionally will experience technical issues. Such mistakes and issues may affect trading for the Funds' portfolios; however, unless hardware, software, algorithm, or model issues cause a breach of Fund investment restrictions or result from the willful misconduct, bad faith, or gross negligence of Cipher, such issues will not be characterized as trade errors.

The Chief Compliance Officer and the Managing Partner will be promptly notified of any identified trade errors, and Cipher will seek to correct each identified trade error as soon as reasonably practicable upon its discovery. The Chief Compliance Officer will maintain a written record of all identified trade errors and the ultimate resolution of such trade errors in accordance with the books and records requirements of Rule 204-2 of the Advisers Act.

Item 13: Review of Accounts

Cipher provides continuous investment advisory services for the Funds, and Cipher's investment professionals monitor the Funds' portfolio investments generally on a daily basis. Such review typically includes analysis of various trade data, risk reports, significant market movements, and such other data as the investment professionals may determine to be relevant.

Cipher provides written reports to Fund investors in accordance with the Funds' governing documents and offering documents, including as such documents may be amended in investor subscription documentation. Cipher has engaged an independent public accounting firm to audit the financial statements of the Funds and to issue an audit report along with such financial statements to Fund investors generally within 90 days of the end of each fiscal year (or such shorter period as may be required by applicable law or set forth in the Funds' governing documents).

Item 14: Client Referrals and Other Compensation

Cipher does not compensate any person for client referrals, nor does it receive any compensation for client referrals. Cipher may in the future engage placement agents and, if so, any fees paid in connection with such engagement would generally be borne by Cipher and not by the Funds.

Item 15: Custody

Item 15 is not applicable to Cipher because the Funds' qualified custodians are not required to send account statements to Cipher clients pursuant to Advisers Act Rule 206(4)-2.

Item 16: Investment Discretion

Cipher provides investment advice directly to the Funds pursuant to written investment management agreements, subject to the discretion and control of the general partner or board of directors of the applicable Fund, and not directly to the investors in the Funds. Cipher has full discretionary authority over Fund assets. Prior to accepting subscriptions from prospective Fund investors, Cipher provides such investors with written offering documentation that sets forth in detail the terms of such investment, including Cipher's discretionary investment authority. Powers of attorney and any restrictions on Cipher's discretionary investment authority are set forth in the governing documents and subscription documents of the Funds.

Item 17: Voting Client Securities**Proxy Voting Policy**

Given the anticipated composition of the Funds' investment portfolios, Cipher does not expect in the near term to receive proxy voting requests in respect of securities for the Funds' investment portfolios. Nevertheless, Cipher has adopted a proxy voting policy, a copy of which is available to Fund investors upon request. The proxy voting policy requires Cipher, in making proxy voting decisions, to act in the best interests of the Funds and to be attentive to potential conflicts of interest between Cipher and its principals and employees, on the one hand, and the Funds, on the other hand. If an actual or potential conflict of interest is identified with respect to any specific material proxy voting matter, Cipher will consider appropriate steps to mitigate the conflict, which may, at the option of the Chief Compliance Officer, include submitting the matter to an independent third party for resolution. Cipher may determine not to vote a proxy if it determines that not voting is in the best interests of the Funds (e.g., if the expected costs associated with voting exceed the expected benefit or if voting would prevent Cipher from selling the affected security for a period of time. Fund investors may request information about how Cipher has voted with respect to securities held by the Funds. Such requests should be directed to the Chief Compliance Officer.

Class Action Policy

It is possible that, from time to time, class action lawsuits involving assets held or previously held by the Funds will result in notices being sent to class members for participation in the lawsuits. In such cases, Cipher may submit certain proofs of claims for payment against settlements or awards in actions for which a Fund has received notice, unless Cipher determines that the costs of participating in such lawsuits or settlements outweigh the benefits. Any amounts received as a result of participation in class action lawsuits will be credited to the applicable Fund at the time such amounts are received, excluding any applicable third-party fees. As a general matter, Cipher expects to refrain from serving as the lead plaintiff in any class action matter.

Item 18: Financial Information

Cipher is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds. Cipher has never been the subject of a bankruptcy petition.