

**PART 2A OF FORM ADV: BROCHURE**

**POLYCHAIN CAPITAL LP  
POLYCHAIN VC LP  
POLYCHAIN VC II LP**

San Francisco, CA 94105

March 28, 2024

This Brochure provides information about the qualifications and business practices of Polychain Capital LP and its relying advisers, Polychain VC LP and Polychain VC II LP. If you have any questions about the contents of this Brochure, please contact Polychain Capital LP's Chief Compliance Officer, Ruby Sekhon, at **[ruby@polychain.capital](mailto:ruby@polychain.capital)**. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to Polychain Capital LP as a registered investment adviser does not imply a certain level of skill or training. Additional information about Polychain also is available on the United States Securities and Exchange Commission's website at **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**.

\*See Form ADV Part 1A for additional details regarding Polychain's address.

---

**ITEM 2: MATERIAL CHANGES**

---

This is the annual updating amendment of Polychain's Form ADV Part 2A for the year ended December 31, 2023.

This Brochure incorporates the following material changes since the last annual filing dated March 30, 2023:

- Items 4, 5, 7, and 8 were updated to reflect the launch of Polychain Ventures IV Fund (as defined in Item 4.B. below).
- Items 4, 8, and 11 were updated to reflect the dissolution of Polychain Alchemy LLC.

---

**ITEM 3: TABLE OF CONTENTS**

---

	<b>Page</b>
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 .....	7
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	12
ITEM 7: TYPES OF CLIENTS .....	12
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	13
ITEM 9: DISCIPLINARY INFORMATION .....	51
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	51
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	53
ITEM 12: BROKERAGE PRACTICES .....	53
ITEM 13: REVIEW OF ACCOUNTS .....	54
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	54
ITEM 15: CUSTODY .....	55
ITEM 16: INVESTMENT DISCRETION .....	56
ITEM 17: VOTING CLIENT SECURITIES .....	56
ITEM 18: FINANCIAL INFORMATION .....	56

---

## ITEM 4: ADVISORY BUSINESS

---

### Item 4.A.

Polychain Capital LP (“**Polychain Capital**”), a Delaware limited partnership, commenced its operations as an investment manager in August 2016, and became registered with the United States Securities and Exchange Commission (“**SEC**”) in March 2018. Polychain VC LP (“**Polychain VC**”), a Delaware limited partnership, commenced operations as an investment manager in January 2018, and is an affiliated entity and relying adviser of Polychain Capital. Polychain VC II LP (“**Polychain VC II**”, and together with Polychain Capital and Polychain VC, “**Polychain**” or the “**Investment Manager**”), a Delaware limited partnership, commenced operations as an investment manager in December 2022, and is an affiliated entity and relying adviser of Polychain Capital. As indicated on Form ADV Part 1A, Olaf Carlson-Wee is the Investment Manager’s principal owner. Polychain’s principal place of business is in San Francisco, California. The general partner of Polychain Capital and Polychain VC II is Polychain Meta LLC (“**Polychain Meta**”), a Delaware limited liability company, which is owned and controlled by Olaf Carlson-Wee, the Managing Member of Polychain Meta. The general partner of Polychain VC LP is Polychain Capital Sub LLC (“**Polychain Capital Sub**”), a Delaware limited liability company, which is wholly owned by Polychain Capital.

### Item 4.B.

Polychain is an investment management firm that provides advisory services on a discretionary basis to privately offered pooled investment vehicles (each a “**Fund**”, and together with any future private investment fund to which Polychain provides investment advisory services, the “**Funds**”).

Polychain Capital’s clients include:

- Polychain Master Fund I LP, a Cayman Islands limited partnership with Polychain Fund I, LP, a Delaware limited partnership, and Polychain Global Ltd., a Cayman Islands exempted company, acting as an onshore and offshore feeder fund, respectively, in addition to Polychain Parallel Fund I LP, a Delaware limited partnership (collectively, “**Fund I**”).

Polychain VC’s clients include:

- Polychain Ventures LP, a Delaware limited partnership, with Polychain Venture Fund Ltd., a Cayman Islands exempted company, acting as an offshore feeder fund (collectively, “**Polychain Ventures Fund**”).
- Dfinity Ecosystem Fund LP, a Delaware limited partnership (the “**Dfinity Ecosystem Fund**”).
- Polkadot Ecosystem Fund LP, a Delaware limited partnership (the “**Polkadot Ecosystem Fund**”).
- Polychain Opportunities Fund I LLC – Series CDCX, a series of Polychain Opportunities Fund I LLC, a Delaware series limited liability company, with Polychain CDCX SP, a segregated portfolio of Polychain SPC Ltd., a Cayman Islands exempted company registered as a segregated portfolio company, acting as an offshore feeder fund (collectively, the “**Opportunities Fund**”). The Opportunities Fund is a single purpose investment vehicle.
- The Math Prophecy LP, a Delaware limited partnership (the “**Math Prophecy Fund**”).

- Celo Ecosystem Fund LP, a Delaware limited partnership (the “**Celo Ecosystem Fund**”).
- Polychain Ventures II LP, a Delaware limited partnership, with Polychain Ventures II (Parallel) LP, a Delaware limited partnership, and Polychain Ventures II A (Parallel) LP, a Delaware limited partnership (collectively, “**Polychain Ventures II Fund**”).
- Polychain Opportunities Fund I LLC – Series CDCX II, a series of Polychain Opportunities Fund I LLC, a Delaware series limited liability company (the “**Opportunities II Fund**”). The Opportunities II Fund is a single purpose investment vehicle.

Polychain VC II’s clients include:

- Polychain Ventures III LP, a Delaware limited partnership, with Polychain Ventures III (Parallel) LP, a Delaware limited partnership, and Polychain Ventures III A (Parallel) LP, a Delaware limited partnership (collectively, “**Polychain Ventures III Fund**”).
- Polychain Ventures IV LP, a Delaware limited partnership, with Polychain Ventures IV (Parallel) LP, a Delaware limited partnership, and Polychain Ventures IV A (Parallel) LP, a Delaware limited partnership (collectively, “**Polychain Ventures IV Fund**”).

The following general partner entities are affiliated with Polychain (each a “**General Partner**” and collectively, the “**General Partners**”):

- Polychain Beacon Partners LLC
- Polychain Partners LLC
- Polychain Venture Partners LLC
- Polychain Polkadot Partners LLC
- Polychain Opportunity Partners LLC
- Polychain Celo Partners LLC
- Polychain Venture Partners II LLC
- Polychain Venture Partners III LLC
- Polychain Venture Partners IV LLC

Polychain’s clients also include special purpose vehicles in which a Fund co-invests along with a Fund’s investors (“**Investors**” and each an “**Investor**”) and third-party investors. In addition, Polychain provides co-investment opportunities to other funds, private investors, groups, or individuals, including Investors (or their affiliates), in the sole discretion of Polychain. Co-investment with such parties are expected to reduce amounts a Fund can invest in any given opportunity, and Polychain is likely not to make as large of an investment out of the Fund as otherwise might be desirable. In addition, the allocation of investments between a Fund and such other parties will be at Polychain’s discretion, and if such other parties offer Polychain more favorable economic terms than it would receive from the same investment out of the Fund, Polychain would have a conflict of interest with respect to allocating investments between a Fund and such other parties. In all cases, consistent with its fiduciary duty, Polychain will allocate trades on a fair and

equitable basis among the Funds. Polychain will generally allocate investments pro rata among the relevant clients unless it determines, in its sole discretion, that such allocation is not appropriate.

The General Partners, Polychain affiliates, or Polychain's principals, officers, and employees ("**Polychain Personnel**") have in the past, and in the future expect, to make investments that are also appropriate for the Funds and will, at certain times, be simultaneously seeking to purchase or sell, in their individual capacities, the same or similar investments for the Funds. Such investments are likely to reduce the amount the Funds can invest in any given opportunity, and the General Partners may be unable to make as large of an investment out of the Funds as otherwise might be desirable. In addition, the allocation of investments between Polychain Personnel, Polychain affiliates, the General Partners, and the Funds will be at Polychain's discretion, and if Polychain Personnel, its affiliates, and the General Partners receive more favorable economic terms for the same investment than the Funds, Polychain would have a conflict of interest with respect to allocating investments between Polychain Personnel, its affiliates, the General Partners, and the Funds. Any investment by the General Partners, Polychain affiliates, or Polychain Personnel alongside the Funds will be subject to approval by Polychain in its sole discretion, on a case-by-case basis and by determining whether such investment is appropriate. If approved, Polychain will allocate an investment among the Funds and the General Partners, Polychain affiliates, or relevant Polychain Personnel in accordance with the procedures set forth in Polychain's Allocation Policy, taking into account factors such as whether a pro rata allocation is appropriate, how much of the investment is available in the aggregate, and what the allocation to the Funds would be absent any allocation to the General Partners, Polychain affiliates, or Polychain Personnel. However, if a conflict should arise as between Polychain's Allocation Policy and a Fund's Governing Documents (as defined below), the Governing Documents will govern. See "*Allocations*" in Items 8.B. and 8.C. for additional disclosures regarding allocation among the Funds, as well as between the Funds, on the one hand, and the Investment Manager and its affiliates, on the other hand.

As a result of the foregoing, certain Polychain Personnel are expected to (and do) have conflicts of interest in allocating their time and activity between the Funds and other personal investments, in allocating investments among the Funds, and in effecting transactions for the Funds and other entities, including ones in which Polychain Personnel have a greater financial interest.

#### **Item 4.C.**

The Investment Manager's advisory services are provided to the Funds, pursuant to the terms of each Fund's relevant investment management agreement, organizational documents, offering documents, applicable side letters and/or other documentation (collectively, the "**Governing Documents**"), and based on the specific investment objectives and strategies as set out in those Governing Documents. The advisory services each Fund receives is tailored to its individual needs, specified investment objectives and strategies as set forth in each Fund's Governing Documents. The Funds may impose restrictions on investing in certain types of securities in accordance with achieving their investment objectives and strategies.

#### **Item 4.D.**

Not Applicable. Polychain does not participate in a wrap fee program.

#### **Item 4.E.**

As of December 31, 2023, Polychain manages approximately \$5,039,703,850 in regulatory assets under management on a fully discretionary basis. Polychain does not manage any of its clients' assets on a non-discretionary basis.

---

## ITEM 5: FEES AND COMPENSATION

---

### Item 5.A.

#### *Management Fees*

With respect to an Investor in Fund I and the Math Prophecy Fund, Polychain Capital and Polychain VC, respectively, will generally receive a monthly management fee on such Investor's capital account. The management fee is calculated and paid monthly in advance, based on the value of each Investor's capital account, as of the first day of the month.

With respect to an Investor in each of the Dfinity Ecosystem Fund, Polkadot Ecosystem Fund, and Celo Ecosystem Fund, Polychain VC will generally receive a quarterly management fee of the aggregate capital commitments of the Investors during the applicable investment period, as defined in the Fund's Governing Documents. With respect to an Investor in each of Polychain Ventures Fund and Polychain Ventures II Fund, Polychain VC will generally receive a quarterly management fee as defined in each Fund's Governing Documents. After such period, the management fee is reduced as provide in the Funds' Governing Documents. The management fee for each of these Funds is calculated and paid quarterly in advance, as of the first day of the calendar quarter.

With respect to an Investor in each of the Opportunities Fund and Opportunities II Fund, Polychain VC will generally receive a quarterly management fee. The management fee is calculated and paid quarterly in advance as of the first day of the calendar quarter.

With respect to an Investor in each of Polychain Ventures III Fund and Polychain Ventures IV Fund, Polychain VC II will generally receive a quarterly management fee as defined in the Fund's Governing Documents. After such period, the management fee is reduced as provided in the Fund's Governing Documents. The management fee is calculated and paid quarterly in advance, as of the first day of the calendar quarter.

Polychain, in its sole discretion, may elect to reduce, otherwise modify, or waive the management fee with respect to any Investor.

#### *Performance-Based Fees*

Each Fund's respective General Partner is entitled to receive an allocation, generally annually, equal to a percentage of the net income allocated for the year to each Investor's account (and each Investor's interest participating through the applicable feeder fund) as of the end of each calendar year (the "**Incentive Allocation**"). An Incentive Allocation is also made as to amounts withdrawn, as of the effective time of the withdrawal or redemption by Investors. Incentive Allocations are subject to a "high water mark" under which the General Partner receives an Incentive Allocation only to the extent the net income allocated to an Investor's capital amount exceeds any net losses previously allocated to it since the date the last Incentive Allocation was assessed (or the original date of contribution if no Incentive Allocation has previously been assessed).

Net investment proceeds from portfolio investments available for distribution in Polychain Ventures Fund, Dfinity Ecosystem Fund, Polkadot Ecosystem Fund, Opportunities Fund, Celo Ecosystem Fund, Polychain Ventures II Fund, Polychain Ventures III Fund, Polychain Ventures IV Fund, and Opportunities II Fund will be distributed among the applicable General Partner and the Investors in proportion to their respective capital contributions. The General Partner will receive a portion of amounts distributable to each Investor

(the “**Carried Interest**”) equal to a percentage of aggregate distributions that are above the Investor’s original capital contribution.

As noted above, the Funds from time to time co-invest with, or provide co-investment opportunities to, certain other co-investors, including Investors and other persons, through special purpose vehicles. Polychain, or its affiliates, as applicable, may earn management fees and carried interest with respect to such co-investments.

Each Fund’s General Partner or Board of Directors (each, a “**Board**”), as applicable, in its sole discretion, may elect to reduce, otherwise modify, or waive the Incentive Allocation or Carried Interest with respect to any Investor.

**It should be noted that any fund launched by Polychain after the date of this Brochure may have materially different terms than those summarized above and any terms for any existing Fund may be amended from time to time.**

#### **Item 5.B.**

Polychain deducts its fees and compensation from the Funds’ accounts by instructing the Funds’ administrator. Fees and compensation from the Funds are collected at the frequency discussed above for the management fee, Incentive Allocation, and Carried Interest, in response to Item 5.A. above.

#### **Item 5.C.**

**Below is a general description of the Funds’ expenses and other fees. Investors should refer to the Funds’ relevant Governing Documents for a complete understanding of expenses and fees. The information herein is qualified in its entirety by such documents.**

Polychain and each General Partner bears its own expenses, including office space and utilities, computer equipment and software (not otherwise paid by the Funds) and secretarial, clerical, employee related and other personnel, except as assumed by the Funds or except as paid for through the permitted use of commission dollars.

#### *Organizational Expenses*

Each Fund generally will bear the following expenses: formation and organization costs and expenses; the offering and sale of Fund interests and partnership interests in any parallel investment vehicle, including expenses incurred by any placement agent and placement agent fees; and the negotiation, execution, and delivery of the Fund’s partnership agreements, any side letter, any investment management agreement and any related or similar documents, including, without limitation, any related legal and accounting fees and expenses, travel expenses, and filing fees.

#### *Expenses of Fund I and Math Prophecy Fund*

Each of Fund I and the Math Prophecy Fund bears and shall be responsible for its own expenses, including but not limited to, investment related expenses such as the Fund’s currency exchange fees, hardware and physical vaults for storage of private keys, the Fund’s custodian fees, insurance for the assets of the Fund, interest on margin accounts and other indebtedness, bank service fees, withholding and transfer fees, taxes, systems and technology expenses, third party research tools, corporate licensing fees, legal and auditing expenses, accounting, fund administration, filing fees and expenses (including regulatory filings made in respect of the Fund such as Form PF preparation and filing expenses), outsourced risk management advisory and software, investment related consultants and travel costs that are research related, expenses incurred



with respect to the preparation, duplication, and distribution to Investors and prospective Investors of each Fund's Governing Documents, annual reports and other financial information, marketing and syndication expenses (including those incurred in marketing the Fund's interests in the European Union), and any other services or service provider expenses (including consultants or other service providers that are affiliates of Polychain) deemed necessary by the applicable General Partner on behalf of the Fund.

In addition, Fund I bears and shall be responsible for expenses including fees payable to Polychain affiliates who provide custody services to Fund I, as well as fees payable to consultants or other service providers that are Polychain affiliates. As discussed below in "*Other Fees*," Fund I will receive services from, and participate in transactions or other arrangements with, affiliates of the Investment Manager, which creates conflicts of interest.

*Expenses of Polychain Ventures Fund, Dfinity Ecosystem Fund, Polkadot Ecosystem Fund, Opportunities Fund, Celo Ecosystem Fund, Polychain Ventures II Fund, Polychain Ventures III Fund, Polychain Ventures IV Fund, and Opportunities II Fund*

Each of Polychain Ventures Fund, Dfinity Ecosystem Fund, Polkadot Ecosystem Fund, Opportunities Fund, Celo Ecosystem Fund, Polychain Ventures II Fund, Polychain Ventures III Fund, Polychain Ventures IV Fund, and Opportunities II Fund bears and will be responsible for its own expenses, including, but not limited to, investment related expenses such as costs and expenses related to the sourcing, investigation, due diligence, identification, analysis, pursuit, negotiation, purchase, holding, monitoring, sale, or exchange of any investments and licenses, regardless of whether such investments are subsequently consummated, the Fund's currency exchange fees, interest on margin accounts and other indebtedness, the Fund's allocable share of the costs and expenses of special purpose vehicles (including their organizational, offering, and operating costs and expenses), hardware and physical vaults for storage of private keys, insurance for the assets of the Fund, payments pursuant to the Fund's indemnification obligations, the Fund's custodial fees (including fees payable to Polychain affiliates who provide custody services), bank service fees, withholding and transfer fees, taxes, systems and technology expenses, third party research tools, corporate licensing fees, legal and auditing expenses, accounting, fund administration, filing fees and expenses (including regulatory filings made in respect of the Fund such as Form PF preparation and filing expenses), outsourced risk management advisory and software, investment related consultants and travel costs that are research related (including lodging and other expenses incurred in connection with meeting members of management of existing or prospective portfolio companies), meetings of the Investors of the Fund and similar meetings, if applicable, expenses incurred with respect to the preparation, duplication, and distribution to Investors and prospective Investors of the Fund's Governing Documents, annual reports and other financial information, any other services or service provider expenses (including consultants or other service providers that are affiliates of Polychain) deemed necessary by the applicable General Partner on behalf of the Fund. As discussed below in "*Other Fees*," each of Polychain Ventures Fund, Polkadot Ecosystem Fund, Polychain Ventures II Fund, Polychain Ventures III Fund, and Polychain Ventures IV Fund currently receive or expect in the future to receive services from, and participate in transactions or other arrangements with, affiliates of the Investment Manager, which creates conflicts of interest.

*Other Fees; Affiliated Service Providers*

Polychain, Polychain Personnel, or other affiliates may receive transaction, commitment, break-up, advisory, syndication, guarantee, directors, officers, management, and other fees (excluding legal fees) from a portfolio company of Polychain Ventures Fund, Polkadot Ecosystem Fund, Polychain Ventures II Fund, Polychain Ventures III Fund, or Polychain Ventures IV Fund. In the event any of Polychain, Polychain Personnel, or other affiliates, is paid such fees, 100% of the fees will offset the management fees payable by Investors, net of any unreimbursed expenses incurred by Polychain, Polychain Personnel, or other affiliates, in accordance with the applicable Fund's Governing Documents.

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services, the benefit of which are received by other Funds over time), and to be reimbursed by the other Funds by their share of such expense, without interest. While Polychain believes such circumstances to be highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, Polychain is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

Companies that are owned by Polychain Personnel and therefore affiliated with the Investment Manager provide fee-based consulting and other services to various companies and their affiliates (“**Affiliated Service Providers**”). Polychain Consulting LLC (“**Polychain Consulting**”) is an Affiliated Service Provider that currently provides (and other Affiliated Service Providers may in the future provide) consulting regarding strategic and operational considerations and practices related to cryptocurrency, blockchain, and other matters (the “**Consulting Services**”) to companies, including portfolio companies, projects, and protocols that a Fund has invested in, as well as those that a Fund has not invested in and which the Funds have elected not to invest in (collectively, “**Consulting Customers**”). The Consulting Customers may in the future include the Investment Manager, its affiliates, or the Funds. Additionally, the Consulting Customers may separately engage the Affiliated Service Providers, such as Polychain Genesis LLC (“**Polychain Genesis**”), to provide Staking Services (as defined below) or Advisory Services (as defined below), as applicable, to such Consulting Customer, as described further below. In exchange for providing the Consulting Services, the Affiliated Service Providers will be compensated by the Consulting Customers in cash, cryptocurrency, tokens, debt and/or equity securities. The Investment Manager may invest Fund assets in any or all of the Consulting Customers and may cause a Fund to purchase, sell, or hold, directly or synthetically, cryptocurrency, tokens, debt and/or equity securities of the Consulting Customers, if the Investment Manager in its good faith judgment determines that any such investments meet the Fund’s investment criteria and are fit for the Fund’s strategy. As such, conflicts of interest would arise in this scenario because the Affiliated Service Providers would directly or indirectly benefit from a Fund’s investments in the Consulting Customers and/or other activities conducted by the Funds in connection with investments in the Consulting Customers. The Investment Manager therefore has an incentive to invest Fund assets in Consulting Customers over independent entities with no such relationships. Any cash, cryptocurrency, tokens, debt and/or equity securities of the Consulting Customers received by the Affiliated Service Providers in connection with the Consulting Services shall solely be the property of the relevant Affiliated Service Providers, and neither the Funds nor the Investors shall have any right or entitlement therein.

Affiliated Service Providers in the future may also provide fee-based staking and related services (the “**Staking Services**”) to various Funds and unaffiliated individuals, entities, and their affiliates (all such customers collectively, the “**Staking Customers**”). Where Staking Services are provided, in exchange for providing the Staking Services, the Affiliated Service Providers are expected to be compensated by the Staking Customers in cash, cryptocurrency, tokens, debt and/or equity securities of the Staking Customers, as applicable. The relevant General Partner, upon consultation with the Investment Manager, would engage the Affiliated Service Providers to provide Staking Services with respect to Fund assets. Revenue generated in connection with any such Staking Services would be shared between the Funds and the applicable Affiliated Service Provider in accordance with the agreement between the General Partner or Investment Manager and such Affiliated Service Provider. For further discussion of Staking Services provided to the Funds, see the description in Item 8.A. The engagement of an Affiliated Service Provider to provide Staking Services to the Funds would give rise to a conflict of interest because the Affiliated Service Provider would directly or indirectly benefit from a Fund’s engagement of the Affiliated Service Provider to provide Staking Services, the Fund’s investments in the cryptocurrencies or tokens that are staked by the Affiliated Service Provider, and/or other activities conducted by the Funds in connection with investments in any such cryptocurrencies or tokens that are staked by the Affiliated Service Provider, as applicable. The Investment

Manager therefore has an incentive to select an Affiliated Service Provider to engage in staking over unaffiliated entities. A decision to engage in staking a Fund's assets shall be made consistent with Polychain's policies and procedures regarding staking. Polychain Genesis is an Affiliated Service Provider that currently provides (and other Affiliated Service Providers may in the future provide) fee-based incubating, financial advisory, and related services (the "**Advisory Services**" and together with the Consulting Services and Staking Services, the "**Services**") to various Fund portfolio companies and unaffiliated individuals, entities, and their affiliates in respect of startup and early stage blockchain entities (all such customers collectively, the "**Advisory Customers**" and together with the Consulting Customers and the Staking Customers, the "**Service Customers**"). The Advisory Customers may in the future include the Funds. The Advisory Customers may also include companies that a Fund has not invested in and which a Fund has elected not to invest in. Furthermore, the Advisory Customers separately engage the Affiliated Service Providers to provide Consulting Services to such Advisory Customer, as described further herein. In exchange for providing the Advisory Services, the Affiliated Service Providers are compensated by the Advisory Customers in cash, cryptocurrency, tokens, debt and/or equity securities of the Advisory Customers, as applicable. The Investment Manager invests Fund assets in any or all of the Advisory Customers and causes a Fund to purchase, sell or hold, directly or synthetically, cryptocurrencies, tokens, debt and/or equity securities of the Advisory Customers, if the Investment Manager in its good faith judgment determines that any such investments meet the Fund's investment criteria and are fit for the Fund's strategy. As such, conflicts of interest arise where the Affiliated Service Providers directly or indirectly benefit from a Fund's investments in the Advisory Customers and/or other activities conducted by a Fund in connection with investments in the Advisory Customers. The Investment Manager therefore has an incentive to invest Fund assets in Advisory Customers over independent entities with no such relationships. Any cash, cryptocurrency, tokens, debt and/or equity securities of the Advisory Customers received by the Affiliated Service Providers in connection with the Advisory Services shall solely be the property of the relevant Affiliated Service Providers, and neither the Funds nor the Investors shall have any right or entitlement therein.

As described above, the Affiliated Service Providers will be compensated by the Service Customers in cash, cryptocurrency, tokens, debt and/or equity securities of the Service Customers and may have pecuniary interests in the Service Customers. To the extent a Fund invests in any of the Service Customers, a conflict of interest would arise because the Fund's investments in any such Service Customers would directly or indirectly benefit the Affiliated Service Providers to the extent the Investment Manager engaged the Affiliated Service Provider on behalf of a Fund or a portfolio company (including projects and protocols in which a Fund has invested). Conflicts of interest also arise because the Affiliated Service Providers are under common control with the Investment Manager and are owned by Polychain Personnel. Polychain has adopted and implemented policies and procedures to address conflicts of interest that arise by retaining the Affiliated Service Providers. In connection with such relationships and arrangements, the Investment Manager has an incentive to retain the Affiliated Service Providers to provide services to the Funds and portfolio companies, even if retaining unaffiliated providers would be as or more advantageous to such Fund or portfolio company, because doing so will provide benefits to the Investment Manager and Polychain Personnel. The Investment Manager generally will not obtain consent from the applicable Fund's Limited Partner Advisory Committee ("**LPAC**") to enter into these arrangements or with respect to the fees and compensation for any specific engagement for these services. While the Investment Manager believes that such fees and other compensation are reasonable and generally at market rates for the relevant activities, such compensation is generally determined through negotiations with related parties (i.e., the service provider and the service recipient are under the common control of Polychain Personnel) and not on an arm's length basis. In connection with such arrangements, the Investment Manager will seek to set compensation at market rates based on its consideration of a number of factors, however appropriate comparisons might not be available due to a lack of a substantial market of providers or users of the Services or the confidential and/or bespoke nature of the Services. Although such arrangements and the fees paid to such Affiliated Service Providers create conflicts of interest, the Investment Manager believes that using

these providers enhances the capabilities of portfolio companies and can generate investment returns for the Funds.

The foregoing description of the Services provided by the Affiliated Service Providers does not purport to be a complete list of potential Services. Both the digital asset marketplace and blockchain technology are continuing to evolve at a rapid pace, and it is expected that the Services will include other future activities of the Affiliated Service Providers. For the avoidance of doubt, any compensation received by the Affiliated Service Providers in respect of current and future Services provided by such Affiliated Service Providers shall solely be the property of the relevant Affiliated Service Providers, and neither a Fund nor the Investors shall have any right or entitlement therein.

#### *Brokerage Fees for the Funds*

Brokerage is specifically discussed in Item 12 below.

#### **Item 5.D.**

As discussed above in response to Item 5.A., the management fee of each of the Funds is payable either monthly or quarterly in advance. If an Investor was permitted to withdraw capital on a date other than the end of a calendar month or quarter, as applicable, the management fee will not be refunded to the Investor for such partial month or quarter.

#### **Item 5.E.**

Currently the Investment Manager retains Unit 410, LLC (“**Unit 410**”) and Coinbase Custody, LLC (“**Coinbase Custody**”) to provide Staking Services to the Funds, depending on the Fund asset to be staked. Unit 410, formerly Polychain Crypto Laboratory LLC, is a former affiliate of Polychain that was sold to Coinbase Global, Inc. (“**Coinbase**”) in September 2021. Unit 410 provides certain non-custodial Staking Services to the Funds as a third-party service provider. As part of the transaction, certain Polychain Personnel have a financial interest in the use of either Unit 410 or its affiliates to provide Staking Services to the Funds. As a result, decisions to engage Unit 410 or its affiliates, including Coinbase Custody, on behalf of the Funds are subject to Polychain’s conflict protocols. For further discussion, see the description of the transaction in Item 14.A.

---

### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

---

Polychain and its affiliates receive a performance-based fee in the form of an Incentive Allocation or Carried Interest, as discussed in response to Item 5.A. Polychain understands that there exist certain potential conflicts of interest associated with the presence of performance-based fees. Such a fee may create an incentive for the Investment Manager to cause the Funds to make investments that are riskier or more speculative than would be the case if there were no performance fee. Performance-based compensation may vary with respect to the Funds and any special purpose vehicles, which may create an incentive to favor clients that pay higher performance-based compensation in the allocation of investment opportunities. However, Polychain advises each of the Funds in accordance with its investment strategy and any allocation restrictions set forth in each Fund’s organizational documents so that Investors in the Funds are aware of the applicable investment strategy, restrictions, and risks.

Additionally, Polychain has established policies and procedures designed to address potential conflicts of interest relating to the side-by-side management of pooled investment vehicles and special purpose vehicles used for co-investment where the performance-based compensation varies, including the allocation of

investments and opportunities. The Investment Manager reviews the portfolio holdings of each client to determine whether any patterns exist which indicate improper allocation, or whether there is any other indication of impropriety. The Investment Manager's procedures require fair and equitable treatment in light of the relevant circumstances for the allocation of limited opportunities among clients.

---

## ITEM 7: TYPES OF CLIENTS

---

As disclosed in Item 4.B., Polychain's clients are privately offered pooled investment vehicles. Investors in the Funds generally are accredited investors under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and are either qualified clients under Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Investment Advisers Act**") or qualified purchasers under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**") so as to comply with the exemption under Section 3(c)(1) or Section 3(c)(7), respectively, of the Investment Company Act.

The minimum initial subscription amount required to invest in a Fund ranges from \$1,000,000 to \$5,000,000, and may be subject to waiver at the discretion of the respective Fund's General Partner or Board. Additional subscription amounts required to invest in the Funds are detailed within each Fund's Governing Documents. Polychain's clients may also include special purpose vehicles which Polychain Ventures Fund, Polychain Ventures II Fund, Polychain Ventures III Fund, or Polychain Ventures IV Fund co-invests in along with Investors and third-party investors.

---

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

---

### Item 8.A.

**The Funds are a highly speculative investment and are not intended as a complete investment program. The Funds are designed only for sophisticated persons who can bear the economic risk of the loss of their investments in the Funds and who have a limited need for liquidity in their investment. There can be no assurance that the Funds will achieve their investment objective or that substantial losses will not be incurred. Each prospective investor in a Fund should carefully review the applicable Fund's Governing Documents and the agreements referred to therein prior to deciding to invest in the Fund.**

#### *Investment Program of Fund I*

Fund I invests in a diversified portfolio of blockchain assets. The creation of Bitcoin has led to the emergence of a new digital asset class in which scarcity is based on mathematical properties. Through cryptographic verification and a game-theoretic equilibrium, blockchain-based digital assets can be created, issued, and transmitted using software. Fund I will invest in digital assets based on the fundamental technological promise of the underlying protocol, with mid- to long-term positions. As blockchain technology expands, Fund I seeks to achieve maximum returns for Investors by constructing a diversified portfolio of these digital assets. Fund I also participates in certain staking activities that produce profits and losses (the "**Staking Income**"). The Investment Manager delegates Fund assets to the Staking Services provider, also known as a "validator", in any of the cryptocurrencies or tokens that are eligible for the Staking Services, where the Investment Manager in its good faith judgment determines that any such investments meet the Fund's investment criteria and are fit for the Fund's strategy. Staking Income generated in connection with any received Staking Service is shared between the Fund and the applicable Staking Service provider in accordance with the agreement between the General Partner or Investment Manager and the service provider. A decision to engage in staking Fund I's assets will be made consistent

with Polychain’s policies and procedures regarding staking. Participation in Staking Income may be limited to certain Investors, as described in Fund I’s governing documents. Fund I may also engage in opportunistic short sales of digital assets and securities. Fund I may also invest in ICOs (as defined below), Simple Agreements for Future Tokens (“**SAFTs**”) (as described in more detail below) and other similar agreements, and other illiquid investments, and such investments generally would be held as “**Side Pocket Investments**” until realized, deemed realized, or distributed, or removed from the Side Pocket Investment, in each case in the sole discretion of the Investment Manager, and no withdrawals are allowed with respect to such Side Pocket Investment until such time.

#### *Investment Program of Polychain Ventures Fund*

Polychain Ventures Fund’s investment objective is to generate long-term capital appreciation through privately-negotiated venture capital investments in early-stage companies (“**Portfolio Companies**” and each a “**Portfolio Company**”) that are active in blockchain technology and the digital assets market, including but not limited to businesses focused on cryptocurrencies and other cryptographic tokens. Polychain Ventures Fund may also seek to invest a portion of its assets directly in cryptographic tokens and other blockchain technology, otherwise known as digital assets. In addition, Polychain Ventures Fund may invest some of its assets in other pooled investment vehicles, including but not limited to pooled investment vehicles managed by Polychain or its affiliates. Polychain Ventures Fund also participates in, and is expected to continue to participate in, certain Staking Services and to receive Staking Income.

#### *Investment Program of Polychain Ventures II Fund, Polychain Ventures III Fund, and Polychain Ventures IV Fund*

Each of Polychain Ventures II Fund’s, Polychain Ventures III Fund’s, and Polychain Ventures IV Fund’s investment objective is to generate long-term capital appreciation through privately-negotiated venture capital investments in Portfolio Companies that are active in blockchain technology and the digital assets market, including but not limited to businesses focused on cryptocurrencies and other cryptographic tokens. Polychain Ventures II Fund, Polychain Ventures III Fund, and Polychain Ventures IV Fund may also seek to invest a portion of their assets directly in cryptographic tokens and other blockchain technology, otherwise known as digital assets, including but not limited to investments in DeFi and NFTs (both as defined below), digital art, digital collectibles, decentralized autonomous organizations and their underlying protocol tokens, and any other digital assets that the Investment Manager deems to be complementary to the applicable Fund’s primary investment objective, and to otherwise engage in network participation. In addition, each of Polychain Ventures II Fund, Polychain Ventures III Fund, and Polychain Ventures IV Fund may invest some of its assets in other pooled investment vehicles, including but not limited to pooled investment vehicles managed by Polychain or its affiliates. Each of Polychain Ventures II Fund, Polychain Ventures III Fund, and Polychain Ventures IV Fund is expected to participate in certain Staking Services and to receive Staking Income.

#### *Investment Program of the Dfinity Ecosystem Fund*

The Dfinity Ecosystem Fund’s investment objective is to generate long-term capital appreciation through investments in Portfolio Companies that are active in Dfinity blockchain technology and the digital assets market in respect of the Dfinity ecosystem, including but not limited to businesses focused on cryptocurrencies and other cryptographic tokens and investments in any of the following, whether readily marketable or not: cryptographic tokens and other blockchain technology, other pooled investment vehicles, securities and other financial instruments of United States and foreign entities, including, without limitation, capital stock; shares of beneficial interest; partnership interests and similar financial instruments, bonds, and notes and debentures (whether subordinated, convertible, or otherwise). The Dfinity Ecosystem Fund will be permitted to invest idle cash, pending investment, usage for expenses or fees, or distribution by the

Fund, in liquid securities or digital currencies and digital assets on a short-term basis, or as otherwise specified in the limited partnership agreement.

#### *Investment Program of the Polkadot Ecosystem Fund*

The Polkadot Ecosystem Fund's investment objective is to generate long-term capital appreciation through investments in Portfolio Companies that are active in the development of blockchain technology related to the Polkadot blockchain protocol and the digital assets market in respect of the Polkadot ecosystem, including but not limited to businesses focused on cryptocurrencies and other cryptographic tokens and investments in any of the following, whether readily marketable or not: cryptographic tokens and other blockchain technology, other pooled investment vehicles, securities and other financial instruments of United States and foreign entities, including, without limitation, capital stock; shares of beneficial interest; partnership interests and similar financial instruments, bonds, and notes and debentures (whether subordinated, convertible, or otherwise). The Polkadot Ecosystem Fund will be permitted to invest idle cash, pending investment, usage for expenses or fees, or distribution by the Fund, in liquid securities or digital currencies and digital assets on a short-term basis, or as otherwise specified in the limited partnership agreement.

#### *Investment Program of the Celo Ecosystem Fund*

The Celo Ecosystem Fund's investment objective is to generate long-term capital appreciation through investments in Portfolio Companies that are active in the development of blockchain technology related to the Celo blockchain protocol and the digital assets market in respect of the Celo ecosystem, including but not limited to businesses focused on cryptocurrencies and other cryptographic tokens and investments in any of the following, whether readily marketable or not: cryptographic tokens and other blockchain technology, other pooled investment vehicles, securities and other financial instruments of United States and foreign entities, including, without limitation, capital stock; shares of beneficial interest; partnership interests and similar financial instruments, bonds, and notes and debentures (whether subordinated, convertible, or otherwise). The Celo Ecosystem Fund will be permitted to invest idle cash, pending investment, usage for expenses or fees, or distribution by the Fund, in liquid securities or digital currencies and digital assets on a short-term basis, or as otherwise specified in the limited partnership agreement.

#### *Investment Program of the Opportunities Fund and the Opportunities II Fund*

Each of the Opportunities Fund's and Opportunities II Fund's investment objective is to generate long-term capital appreciation by investing in privately placed securities of a single Portfolio Company.

#### *Investment Program of the Math Prophecy Fund*

The Math Prophecy Fund's investment objective is to generate long-term capital appreciation through privately-negotiated venture capital investments in Portfolio Companies and liquid assets. The Math Prophecy Fund may also seek to invest a portion of its assets directly in cryptographic tokens and other blockchain technology, otherwise known as digital assets, in a wide range of securities and other instruments, as well as non-traditional assets. In addition, the Math Prophecy Fund may invest some of its assets in other pooled investment vehicles, including but not limited to pooled investment vehicles managed by Polychain or its affiliates.

## Items 8.B. and 8.C.

### GENERAL RISK FACTORS

**Future Regulatory Change is Impossible to Predict.** The Funds invest in digital assets, and there is substantial uncertainty regarding the regulatory treatment of this asset class in the United States. The SEC has asserted regulatory authority over digital assets that are securities, which is a determination based on the specific facts and circumstances of the digital assets in question. The Commodity Futures Trading Commission (“CFTC”) has asserted that digital assets may express characteristics of commodities or commodity derivatives, based on the specific facts and circumstances of the digital assets in question. Currently, only certain kinds of digital assets are subject to CFTC jurisdiction. Other federal and state securities, lending, money transmission, and anti-money laundering (“AML”) laws and regulations may also apply to digital assets in which a Fund invests. To the extent that any type of digital asset is determined to be a security, commodity, future or other regulated asset, or to the extent that a U.S. or foreign government or quasi-governmental agency exerts regulatory authority over the digital assets, the Funds are expected to be adversely affected, for example, through restricting the Fund’s ability to sell such digital asset or by adversely affecting the market price for such digital asset.

Digital assets currently face an uncertain regulatory landscape in not only the United States but also in many foreign jurisdictions such as the European Union, China, and Russia. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect digital assets networks and their users, particularly digital assets exchanges and service providers that fall within such jurisdictions’ regulatory scope. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of digital assets by users, merchants and service providers outside of the United States and may therefore impede the growth of the digital asset economy.

The effect of any future regulatory change on the Funds is impossible to predict, but such change could be substantial and adverse.

**No FDIC or SIPC Protection.** Digital currencies held by the Funds are not subject to Federal Deposit Insurance Corporation (“FDIC”) or Securities Investor Protection Corporation (“SIPC”) protections. The Funds are not a banking institution or otherwise a member of the FDIC or SIPC and, therefore, deposits held with or assets held by the Funds are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. While private insurance may be available at times, the undivided interest in the Funds’ digital currencies represented by interests in the Funds are not insured.

**Legality of Digital Currencies.** It may be illegal, now or in the future, to own, hold, sell, or use digital currencies in one or more countries, including the United States. Although currently digital currencies are not regulated or are lightly regulated in most countries, including the United States, one or more countries may take regulatory actions in the future that severely restricts the right to acquire, own, hold, sell, or use digital currencies or to exchange digital currencies for fiat currency. Such an action may restrict the Funds’ ability to hold or trade digital currencies, and could result in termination and liquidation of the Funds at a time that is disadvantageous to Investors, or may adversely affect an investment in the Funds.

**Current and Future Digital Asset Regulation.** Current and future legislation, CFTC, SEC, and Financial Crimes Enforcement Network (“FinCEN”) rulemaking and other regulatory developments may impact the manner in which digital assets are treated for classification and clearing purposes. The SEC has issued multiple releases stating that, depending on the specific facts and circumstances of the digital asset in question, some digital assets may fall under securities regulation. Additionally, although the CFTC has declared that digital assets are commodities, currently, only certain kinds of digital assets, including digital asset transactions that are entered into, or offered, on a leveraged or margined basis, or financed by the



offeror, may be subject to CFTC regulation. Polychain cannot be certain as to how future regulatory developments will impact the treatment of digital assets under the law.

To the extent that digital assets are deemed to fall within the definition of a commodity future or further within the scope of CFTC regulation pursuant to subsequent rulemaking by the CFTC, Polychain, the General Partners, and/or the Funds may be required to register and/or comply with additional regulation under the Commodity Exchange Act. Moreover, Polychain and the General Partners may be subject to further requirements with the CFTC through the National Futures Association. Such additional registrations, regulations, or disclosures may result in extraordinary, non-recurring expenses of the Funds.

To the extent that digital assets are deemed to fall within the definition of a security pursuant to subsequent rulemaking by the SEC, Polychain, the General Partners, and/or the Funds may be required to register and comply with additional regulation under the Investment Company Act or similar state investment advisory statutes. Such additional registrations may result in extraordinary, non-recurring expenses of the Funds.

Digital assets currently face an uncertain regulatory landscape in not only the United States but also in many foreign jurisdictions such as the European Union, China, and Russia. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect digital asset networks and their users, particularly digital asset exchanges and service providers that fall within such jurisdictions' regulatory scope. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of digital assets by users, merchants, and service providers outside of the United States and may therefore impede the growth of the digital asset economy.

The effect of any future regulatory change on the Funds is impossible to predict, but such change could be substantial and adverse.

**Asset Valuation.** The General Partners and the Investment Manager have substantial discretion in determining the value of the Funds' assets and liabilities, whether or not a public market exists for securities of the same class or type. While some marketable securities are valued based on prices reported in the public markets, other investments may be more thinly-traded or subject to irregular trading activity. Determinations on the value of certain investments, and how to value assets and liabilities as to which limited prices or quotations are available, are based on the Investment Manager's or General Partner's recommendations or instructions to the administrators of the Funds. The General Partners and Investment Manager may face a conflict of interest in making any of these valuation decisions or recommendations. If a General Partner's or Investment Manager's valuation of any such securities is inaccurate, the General Partner and/or Investment Manager might receive an Incentive Allocation, Carried Interest, and/or management fee that is greater than the allocation and fee to which they would otherwise be entitled. The Investment Manager may not be able to effectively manage the Funds' investment portfolios, diversification, and other internal guidelines and risks if the Funds' portfolios are inaccurately valued. Any such inaccuracy could affect Investors adversely. Additionally, any reduction in the value of any assets or increase in the value of any liabilities held by the Funds would reduce the amount of Incentive Allocation or Carried Interest to which a respective General Partner is entitled.

**Tax Risks of Digital Asset Investments.** There is substantial uncertainty regarding the tax treatment of digital assets. As such, the Investment Manager may take certain tax positions that may ultimately be treated differently in the course of an audit by the Internal Revenue Service (the "IRS"), or the regulations promulgated by the IRS may change over time. As a result, Investors may be subject to adverse tax consequences associated with their investment in a Fund.

**Investments with Related Parties.** From time to time, a Fund, a Polychain affiliate, or Polychain Personnel may invest in digital assets or portfolio companies in which another Fund already holds an interest. For

example, the Investment Manager and/or a Fund may enter into a joint transaction with another Fund, invest alongside another Fund in the same digital asset, portfolio company or investment fund, or compete for investments with another Fund. None of the General Partners, the Investment Manager, or their affiliates is obligated to make any particular investment opportunity available to any or all of the Funds and may take advantage of any opportunity for any or all of the Funds or for other accounts the General Partners or the Investment Manager manage for themselves. Conflicts of interest will arise in these situations, as well as in situations when other Funds or accounts managed by the Investment Manager, the General Partners, or their affiliates are indirectly benefited by any of a Fund's investments and/or other activities conducted by such Fund in connection with its investments. These types of transactions will not require consent from the applicable Fund's LPAC.

In addition, from time to time the Funds, a Polychain affiliate, or Polychain Personnel may, through its investments in other investment funds, portfolio companies, and digital assets, have interests in investments in which other Funds invest as well as interests in investments in which other Funds do not invest. Investments by Funds in any portfolio companies or assets in which a Polychain affiliate, Polychain Personnel, or any of the other Funds have a pre-existing interest may be acquired at higher or lower prices than those at which such Polychain affiliate, Polychain Personnel, or Funds invested. Where a Fund, a Polychain affiliate, or Polychain Personnel invest, or more than one Fund invests, in the same assets or securities, there can be no assurance that the Funds, Polychain affiliate and/or Polychain Personnel, as applicable, will dispose of the investments at the same time and on the same terms. As a result of the foregoing, the Investment Manager will have conflicts of interest in allocating its time and activity between the Funds, in allocating investments among the Funds, and in effecting transactions for the Funds, including situations in which the Investment Manager may have a greater financial interest.

**Allocations.** The Investment Manager and General Partners may give advice or take action with respect to a Fund that differs from the advice given with respect to another Fund or actions taken by a Polychain affiliate or Polychain Personnel in their proprietary capacity. As such, conflicts of interest may arise in that certain Funds managed by the Investment Manager or General Partners may compete with other Funds, Polychain affiliates, or Polychain Personnel for investments. Conversely, conflicts of interest may arise when a Polychain affiliate, Polychain Personnel, or a Fund managed by the Investment Manager or General Partners is indirectly benefited by another Fund's investments and/or other activities conducted by such other Fund in connection with its investments. To the extent a particular investment is suitable for more than one of the Funds, such investments may be allocated between the Funds in some manner that the Investment Manager and the General Partners determine is fair and equitable under the circumstances to all Funds. Similarly, if a particular investment is suitable for both a Fund and a Polychain affiliate or Polychain Personnel investing in a proprietary capacity, such investments may be allocated between the Fund and the Polychain affiliate or Polychain Personnel consistent with Polychain's Allocation Policy, in all cases prioritizing the interest of the Fund. When the Investment Manager determines, in its sole discretion and on a case-by-case basis, that it would be appropriate for more than one of the Funds to participate in an investment opportunity, including an opportunity that a Polychain affiliate or Polychain Personnel has also invested in, the Investment Manager will seek to allocate investments to all of the participating Funds on a fair and equitable basis, taking into account factors such as whether a pro rata allocation is appropriate, how much of the investment is available in the aggregate, and what the allocation to the Funds would be absent any allocation to the Investment Manager, the General Partners, Polychain Personnel, or other Polychain affiliate. If, in the discretion of the Investment Manager, a Fund should not participate in a particular investment opportunity due to one or more other such factors and considerations, such investment opportunity will be allocated only to any such Fund not affected by such considerations, as applicable. To the extent an investment is not allocated pro rata, a Fund could incur a disproportionate amount of income or loss related to such investment relative to the other Funds. If a conflict should arise as between Polychain's Allocation Policy and a Fund's Governing Documents, the Governing Documents will govern.

Orders may be combined for all such Funds, and if any order is not filled at the same price, they may be allocated on an average price basis, in the discretion of the Investment Manager. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, digital assets and/or securities may be allocated among the different accounts on a basis which the Investment Manager or its affiliates consider fair and equitable. There is a risk that the Funds may receive varied pricing for the same or similar assets as certain digital asset exchanges may not provide for bulk trading or delayed settlement. In such a case, average pricing between the Funds may not be offered and each the Investment Manager may only be able to execute orders for each participating Fund separately. Each such Fund would receive the pricing attributable to its own executed order and such pricing may be materially varied among the participating Funds.

**Allocation of Costs and Expenses.** The Investment Manager allocates costs and expenses among itself (including its affiliates), Funds and Portfolio Companies as appropriate and in accordance with internal policies. As described below, examples of expenses allocated to and among the Funds include investor reporting systems and software, technology services, accounting, group insurance policies, portfolio and investment tracking and monitoring systems, trade order management system, organizational and offering, operating and legal, tax, compliance and other similar expenses, as well as fees, costs, and expenses payable to service providers, including Polychain affiliates, that relate in whole or in part to the Funds. Expenses are allocated by Polychain in a fair and equitable manner using its good faith judgment, which is inherently subjective, among the Funds that benefit from such expenses. This creates a conflict of interest for Polychain because it has an incentive to allocate costs and expenses in a manner that directly or indirectly benefits Polychain and its affiliates.

Polychain generally will utilize one or more methodologies (that it determines, in its sole discretion, to be fair and equitable) to determine (i) the costs and expenses relating to a particular service (that are not otherwise provided pursuant to a fixed rate) and (ii) the allocation of costs and expenses (including, among other things, for services performed by Polychain, its affiliates, and/or related parties in connection with the operation and/or management of the Funds and/or their investments, potential investments and/or investment entities, that would otherwise be provided by independent third parties (“**Affiliate Services**”), and other amounts charged by third party service providers) among Polychain, the Funds, and, if applicable, Portfolio Companies. These methodologies are expected to include, but are not limited to, one or more of the following: (i) quarterly, semi-annual, annual, or other periodic estimates (including budgetary estimates) of (A) the amount of time spent by or to be spent by employees on provision of a service to one or more Funds, and/or (B) the level of effort required to provide a particular service relative to other services provided by the same employees (for instance, costs and expenses relating to financial reporting services could be allocated based on the estimated level of effort required for audited versus unaudited financial statements); (ii) the relative size (e.g., value or invested equity), number, output, complexity, and/or other characteristic relating to the Funds, Portfolio Companies, and/or potential Portfolio Companies to which the services relate; (iii) where services are provided by groups of employees, the utilization of blended compensation rates across such employees; and/or (iv) any other methodology deemed fair and equitable by Polychain in determining (and/or estimating) the costs and expenses relating to the provision of a particular service.

The methodologies that Polychain utilizes to determine the costs and expenses relating to a particular service and the allocation of costs and expenses (including, among others, Affiliate Services and other amounts charged by third party service providers) among the Funds, Polychain and, if applicable, Portfolio Companies, are expected to vary based on the particular facts and circumstances of each situation (including potentially analogous situations) and over time, and as such there will be some degree of variation in the manner in which situations are addressed (including similar situations over time). The foregoing creates a conflict of interest for Polychain, and there can be no assurance that any such determination will accurately reflect the actual cost of a service in any particular situation, that Polychain’s own interests won’t influence

its determination, and/or that a different methodology would not have also been fair and equitable and/or yield a different (including more accurate) result. Moreover, it is possible that the Funds and/or Portfolio Companies could be allocated a larger portion of costs and expenses relating to one or more services, including services provided by the Funds or Polychain and/or services that are provided to the Funds and/or Portfolio Companies, than they otherwise would have been allocated if Polychain did not face the conflicts of interest considerations discussed herein. Among other things, the determination of costs and expenses generally will be based on estimates (which are inherently subjective) and/or blended rates determined by blending and averaging employee costs. As a result, there can be no assurances that the amounts charged by Polychain to the Funds and/or Portfolio Companies for any service will not be greater (or lower) than the amount that would be charged had Polychain determined the costs and expenses relating to the service(s) and/or the allocation of such costs and expenses among the Funds and Polychain via a different methodology or engaged a similarly-situated third-party service provider to provide the services.

Costs and expenses that are suitable for only one Fund (and/or its Portfolio Companies) are expected to be allocated only to that Fund. Notwithstanding anything in the foregoing to the contrary, in certain situations costs and expenses are expected to be allocated only to one Fund (and/or its Portfolio Companies) despite the fact that the incurrence of such costs and expenses did not or will not directly relate solely to such Fund, and could, in fact, also benefit other Funds or not ultimately benefit such Fund (and/or its Portfolio Companies) at all. For example, costs and expenses could be allocated to a Fund in respect of a specific legal, regulatory, compliance, tax, commercial, and/or other matter, structure, and/or negotiation that does not relate solely to such Fund and/or was addressed prior to the launch of such Fund based on factors that Polychain deems fair and equitable in its sole discretion, regardless of the amount of capital raised for and/or number of investors (if any) who ultimately invest in such Fund in connection with such matter, structure, and/or negotiation, and regardless of the extent to which other Funds or Polychain ultimately benefit from such matter, structure, and/or negotiation. Costs and expenses incurred in connection with a matter, structure, and/or negotiation unrelated to a Fund could thereafter be allocated to a Fund, even if such costs and expenses were incurred prior to the existence of such Fund. Similarly, expenses that are expected to be borne by a particular investor in a Fund or a third party could be allocated to another Fund to the extent such costs and expenses are not ultimately charged to or paid by such investor or third party, including, for example, costs and expenses related to a transfer of an interest in a Fund or bespoke reporting and/or other arrangements.

In certain circumstances, in order to create efficiencies and optimize performance, Polychain expects that one or more Portfolio Companies and/or assets of a Fund will share the operational, compliance, legal, tax, accounting, financial, back-office, and/or other resources of another Portfolio Company and/or assets of such Fund, or of Polychain. Polychain will determine the costs and expenses as well as the allocation of such costs and expenses among the relevant Funds (and/or their Portfolio Companies or assets) utilizing the methodologies set forth above.

Where a potential investment is pursued on behalf of one or more Funds, the Fund(s) that ultimately make(s) the investment will generally be allocated the costs and expenses related to such investment on a pro-rata basis based on their proportionate interests in the investment, unless Polychain determines, in its sole discretion, that such allocation is not fair and equitable. This creates a conflict of interest for Polychain because it has an incentive to allocate costs and expenses in a manner that directly or indirectly benefits Polychain and its affiliates. Any such allocation on a non-pro-rata basis will be effected in accordance with the Investment Advisers Act and the Governing Documents of the applicable Fund(s).

In the case of a potential investment that is not consummated, Polychain expects to allocate the broken deal costs and expenses relating to such potential investment among the Fund(s) that Polychain in its reasonable judgment expected to participate in such investment on a pro-rata basis, based on the proportionate interests in the investment that Polychain in its reasonable judgment expected them to have, provided that pro-rata

interests that were expected to be allocated to (a) other Funds (or Polychain) so as to facilitate a closing of the investment (i.e., with the expectation that such interests would be further syndicated to third-party investors post-closing) and (b) potential third-party co-investors that did not agree to bear broken deal costs and expenses, will be allocated to the relevant Funds for purposes of allocating such broken deal costs and expenses. Polychain's judgments relating to the allocation of broken deal costs and expenses is necessarily subjective, particularly when a potential investment is abandoned at an early stage. This, as well as the financial position of the relevant Funds and Polychain's interests in the relevant Funds, creates a conflict of interest for Polychain because it has an incentive to allocate broken deal costs and expenses in a manner that directly or indirectly benefits Polychain or its affiliates, or certain Funds. In any event, Polychain's allocation of costs and expenses relating to a consummated or unconsummated investment may result in certain Funds reimbursing other Funds (or Polychain) for costs and expenses, or vice versa, so as to achieve an allocation of such costs and expenses that Polychain determines, in its discretion, to be fair and equitable, as described above.

Examples of broken deal costs and expenses include, but are not limited to, the following: (a) research costs and expenses, (b) fees and expenses of legal, financial, accounting, tax, consulting, or other advisers (including Polychain) in connection with conducting due diligence or otherwise pursuing a particular non-consummated transaction, (c) fees and expenses in connection with arranging financing for a particular non-consummated transaction, (d) travel costs, (e) deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, a particular non-consummated transaction, and (f) other costs and expenses incurred in connection with activities related to a particular non-consummated transaction. Polychain will make allocation determinations in its discretion, and it may modify or change its allocation methodologies from time to time to the extent it determines such modifications or changes are necessary or advisable to achieve a fair and equitable allocation, and such modifications or changes could result in a Fund bearing less (or more) costs and expenses than it otherwise would have borne without such modifications and/or pursuant to a different allocation methodology.

Each Fund generally bears all of its operating expenses, including legal, compliance, accounting, tax, financial, organizational, offering expenses, and other expenses, and each Investor bears its pro rata portion of these expenses. Organizational and offering expenses of a Fund include the out-of-pocket expenses of Polychain incurred in the formation and offering of the Fund, certain feeder funds of the Fund, and any legal, compliance, tax and accounting fees and expenses, travel expenses, filing fees, and similar fees and expenses related thereto, which are often subject to a cap. Examples of these expenses include:

- Fees and expenses of the Funds' and Polychain's counsel, including for preparing offering documents and other materials, preparing and negotiating the Funds' governing documents and subscription materials, any Side Letters (as defined herein) with Investors, engagement letters for placement agents, and all other documents relating to the Funds' formation and organization;
- Travel and related expenses of Polychain Personnel incurred in connection with meetings with prospective investors regarding possible investment in a Fund;
- Printing, legal, capital raising, accounting, tax, regulatory compliance, and any administrative or other filings; and
- Any other expenses relating to the Funds' formation.

Each Fund bears all expenses incurred relating to its activities, operations, meetings, and eventual liquidation, which include most expenses related to the Fund (and any alternative investment vehicles, special purpose vehicles, and subsidiaries). These ongoing operating expenses, costs, and fees of a Fund generally include, among other items:

- Legal, regulatory, tax, and compliance (including relating to compliance with the Investment Advisers Act and the rules thereunder (as may be amended or adopted from time to time)) costs

relating in whole or in part to the Fund (whether paid by the Fund, Polychain, or their affiliates) or Investors (including in connection with any audits, opinions, reports, consents, and disclosures), auditing, tax audits, consulting (including those engaged to evaluate the reasonableness of any Affiliate Services and related costs and expenses, or whether Polychain's fee and expense practices are in compliance with a Fund's Governing Documents), and accounting, those related to the administration, including, but not limited to, fees, expenses, and costs incurred in connection with information technology utilized by a Fund, the preparation and circulation of funding or capital call notices and distribution notices (including fees, expenses, and costs of service providers), the maintenance of a Fund's books of account and other reports and the preparation of audited or unaudited financial statements required to implement the provisions of the applicable Governing Documents or by any governmental authority with jurisdiction over a Fund (including those of independent auditors, tax advisers, accountants, and counsel, the costs and expenses of preparing and circulating the reports (including Schedule K-1s or other similar schedules), and any fees or charges of a governmental authority imposed in connection with such books and records and statements), and other administrative fees, expenses, and costs of a Fund or its subsidiaries, including those relating to the preparation of returns and cash management expenses (including treasury and hedging services);

- Meetings and activities of the LPAC (including travel, lodging, meals and other expenses incurred by LPAC members and Polychain, legal counsel, or other third-party service providers or advisers (if any) retained and incurred by the LPAC);
- Meetings with Investors (including annual meetings and travel, lodging, meal, event, and other expenses and costs related thereto incurred by Polychain or third parties);
- Fees paid to, and expenses of, any independent agent for a Fund who, per the applicable Governing Documents, the General Partner appoints and consults with and/or seeks approval from on matters that would otherwise require LPAC approval;
- Defaulting Investors;
- Indemnification and insurance, including those incurred in connection with any litigation, investigation, settlement or review, or other extraordinary event, General Partner/D&O liability, professional liability, cybersecurity, and other insurance and indemnity expenses, including the amount of any legal fees and expenses, judgments, or settlements paid in connection therewith (such as claims or fees, costs, and expenses of consultants, counsel, or other advisors utilized in the procurement, review, maintenance, or analysis of insurance);
- Those incurred in connection with the identification, investigation, structuring, negotiation, acquisition, sourcing (including any retainers, success and finder's fees, legal fees, and other compensation paid to contractors, consultants, counsel, accountants, tax advisors, experts, senior advisors, and sourcing and operating partners), researching, holding, operating, sale, proposed sale, restructuring, other disposition, or valuation of its proposed or actual investments (including due diligence in connection therewith, including, but not limited to, legal, accounting, tax, audit, investment banking, consulting, appraisal, travel, lodging, transportation, meals, and other expenses to the extent not subject to reimbursement), and the attendance at conferences or otherwise relating to general and/or background investigation in connection with the evaluation of future investments or specific sectors or industries solely to the extent that such conferences and those investigation activities are in furtherance of a Fund's business;
- Those arising out of all permitted borrowings made by a Fund or any subsidiary thereof, including, without limitation, any Portfolio Company or related to an investment or any alternative structures (including interest thereon), and those incurred in negotiating, entering into, effecting, maintaining, varying, and terminating any borrowing, guarantee, or other credit arrangement permitted to be incurred under the applicable Governing Documents;
- Brokerage commissions, custodial expenses, appraisal fees, and other costs incurred in connection with actual or proposed investments and temporary investments, including those related to, or

losses incurred in respect of, transactions in derivative instruments and costs resulting from the conversion of any investment proceeds to the currency of distribution;

- Hedging transactions;
- Proposed transactions or investments by a Fund that are not consummated, to the extent not reimbursed by a third party, including those that would have been allocable to co-investors had such proposed transaction or investment been consummated, if the amount allocable to such co-investors is not paid by such parties;
- Those incurred in connection with all subsidiaries of a Fund, and other vehicles and special purpose entities through which investments are held or managed, including the costs associated with establishing, administering, managing, winding up, and dissolving such entities and maintaining a permanent residence in certain jurisdictions (in each case, such as rent for office space, related overhead, board of directors' expenses, and employee salaries and benefits);
- Business development and professional development activities (including conferences organized by Polychain or third parties) for portfolio investment executives, including travel, lodging, meals, and other expenses;
- Communications (including any software or online data portal used in connection with reporting and any expenses incurred in connection with webcasts, video conferencing, or similar technology services);
- Information technology system expenses, including the costs of acquiring, developing, implementing, and maintaining computer software (including, but not limited to, specialty and custom software), and hardware and other technological systems for the benefit of a Fund (including third-party diligence software and service providers);
- Those incurred in connection with administering and ongoing compliance with Side Letters entered into with Investors, including summaries thereof, finance and operations manuals in respect thereof, and any revisions or amendments;
- Those incurred in connection with government and regulatory filings (including Form PF but excluding Form ADV);
- Those related to any litigation or arbitration relating to the activities or operations of the Fund (including the costs of discovery related thereto), whether involving the Fund, Polychain, or their affiliates, and any related judgments or settlements (including any indemnification paid pursuant to a Fund's Governing Documents, any extraordinary expenses or liabilities relating to the affairs of the Fund, and any similar obligations);
- Those relating to any audit, investigation, regulatory or governmental inquiry, proceeding, or investigation, or public relations undertaking (including lobbying);
- Those related to any depositary, custodian, paying agent, valuation agent, trustee, rating agent, or transfer agent;
- Those paid to any management entity outside of North America for management and other services provided to a Fund or any other partnership or legal entity and/or the General Partner or the general partner of such other partnership or legal entity (including taxes thereon);
- Any taxes, fees, interest, and other governmental or regulatory charges (including penalties) payable by a Fund (including taxes and other amounts related thereto), and those incurred in connection with any tax audit, investigation, settlement, or review relating to a Fund or Polychain's or its affiliates' services to a Fund, in each case, except to the extent such amounts are (i) allocable to or payable by an Investor, and (ii) actually borne and paid by such Investor;
- Those incurred by Polychain in its capacity as a Fund's "partnership representative" or any similar role under applicable state, local, or non-U.S. tax law, or otherwise relating to the representation of a Fund or Investors with respect to tax compliance or controversy matters, or in connection with any tax audit, investigation, settlement, or review of a Fund and expenses incurred in connection with tax preparation and filings;

- Those incurred in connection with a purchase, sale, assignment, pledge, or transfer of an Investor's interest in a Fund or the withdrawal or termination of an Investor (except to the extent allocable to or payable by, and actually borne and paid by, the applicable purchaser or Investor, assignee, pledgee, or transferee, as the case may be), including prospective transfers that are not consummated;
- Those incurred in connection with AML or "know your customer" ("KYC") compliance, tax diligence, and/or related procedures (including in relation to the initial onboarding and admission of Investors into a Fund);
- Those incurred in connection with the collection of any amounts due to a Fund from any person;
- Costs and expenses associated with the maintenance and operation of the General Partner of a Fund;
- Expenses incurred in connection with any restructuring, amendments, or other modifications to, and compliance with (or monitoring compliance with), the Governing Documents of a Fund, or any laws, rules, or regulations applicable to a Fund, Polychain, or their affiliates; and
- Those incurred in connection with engaging one or more credit rating agencies.

Additional fees and expenses to be borne by a Fund are set out in each such Fund's Governing Documents.

The list of operating expenses included in a Fund's Governing Documents is based on Polychain's past experiences and current expectations of the types of costs and expenses to be incurred by such Fund. Additional and/or new costs and expenses are expected to arise over time and Polychain will allocate such costs and expenses to such Fund as it determines, in its discretion, to be fair and equitable. In addition, although organizational expenses of Funds are generally subject to a cap, certain costs and expenses that are to be borne as operating expenses, which are not subject to a cap, include costs and expenses related to organizational matters, such as costs and expenses relating to distributing and implementing applicable elections pursuant to any "most favored nations" clauses in Side Letters, and fees, costs, and expenses of anti-bribery and corruption, AML, and/or KYC compliance, tax diligence expenses, and costs and expenses of ongoing related procedures.

Polychain has previously engaged a law firm and a compliance consultant and could engage similar firms or compliance consultants to provide services in connection with its investor relations operations, including the review of diligence and marketing materials. Costs and expenses incurred in relation to the formation and organization of the Funds will be treated as organizational expenses subject to the caps of the applicable Funds, and thereafter, those incurred in respect of the ongoing operation or administration of such Funds will be treated as operating expenses.

**Selection of Other Funds.** With respect to any of the Funds' underlying fund investments, the General Partners have the authority to invest a portion of the applicable Fund's assets in other Funds managed by the General Partners, the Investment Manager, or their affiliates. Presently, certain of the Funds have invested a portion of such Funds' assets in other Funds managed by the General Partners, the Investment Manager, or their affiliates. To the extent that any of the General Partners have invested or in the future invest a portion of a Fund's assets in another Fund, such General Partner has a conflict of interest between its duty to select investments for the benefit of such Fund and its investors, on the one hand, and its financial interest in selecting another of the Funds on the other hand (thereby potentially increasing the amount of compensation payable to the General Partners, the Investment Manager, and/or their affiliates, and providing other benefits to such other Funds). The General Partners have agreed to allocate investment opportunities among accounts fairly on an overall basis.

**Side Letters.** From time to time, the Investment Manager or General Partners enter into agreements with one or more Investors which have the effect of establishing rights under, or, subject to applicable law, altering or supplementing the terms of the Governing Documents or such Investor's subscription agreement, including with respect to (a) exclusion from particular investments; (b) additional or different reporting or



notice obligations of a Fund; (c) transfer to affiliates and other parties; (d) co-investment opportunities; (e) withdrawal rights under certain limited circumstances; (f) consent rights to certain amendments to the Governing Documents; (g) limits on indemnification obligations; (h) special economic terms; (i) “most favored nations” rights (subject to certain exceptions); (j) the right to cease making capital contributions under certain limited circumstances; (k) regulatory matters or considerations applicable to the an Investor; (l) periodic meetings with certain of the General Partners; (m) confidentiality and use of name rights or restrictions; (n) limitations on in-kind distributions; or (o) any other matters described therein (such as agreements, “**Side Letters**”). As a result of such Side Letters, certain Investors may receive additional benefits (including expanded informational rights, preferential economic terms, preferential co-investment rights, excuse rights with respect to certain investments, or “most favored nations” rights (subject to certain exceptions)) which other Investors will not receive or have the ability to review. Although any rights or terms established in a Side Letter with an Investor are intended to govern solely with respect to such Investor, such rights or benefits may, by altering the terms of the Governing Documents or requiring the consent of an Investor for certain investments and other actions, materially impact the Funds and other Investors. Polychain may enter into Side Letters with any Investor in its discretion at any time. Each Fund will generally bear the expenses of administering Side Letters and other Investor-specific requests.

**Other Activities of Polychain and Polychain Personnel.** Polychain and Polychain Personnel, including those that play key roles in managing the Funds’ investment and other affairs, for example, through serving on an investment committee, spend a portion of their time on matters other than or only tangentially related to the Funds. Their time is also spent on managing investment and other affairs of Polychain and its affiliates and other Funds. Among others, the same professionals that are involved in sourcing and executing investments for one Fund are responsible for sourcing and executing investments for Polychain affiliates, Polychain Personnel, and other Funds, and have other responsibilities with the Investment Manager’s affiliates. As a result, Polychain’s and Polychain Personnel’s other responsibilities are expected to conflict with their responsibilities to the Funds. These potential conflicts will be exacerbated in situations where the employees have a greater economic interest in connection with certain responsibilities or certain accounts relative to other responsibilities and accounts, or where there are differences in Polychain Personnel’s investments in certain Funds relative to others.

## INVESTMENT AND TRADING RISKS

**General Investment and Trading Risks.** An investment in the Funds involves a high degree of risk, including the risk that the entire amount invested may be lost. The Funds make investments using strategies and investment techniques with significant risk characteristics. No guarantee or representation is made that the Funds’ investment programs will be successful. Certain Funds’ investment programs may utilize investment techniques including, but not limited to option transactions, margin transactions, short sales, forwards, leverage, and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which the Funds may be subject.

The market valuation of digital or blockchain assets, including securities of companies engaged in the blockchain-based technology and other digital asset industries in which the Funds will concentrate its investments is extremely volatile. This volatility can increase the Funds’ risks associated with direct investments in such digital or blockchain assets and equity securities of companies engaged in blockchain-based technology and other digital asset industries.

**Digital Assets.** Digital assets are loosely regulated and there is no central marketplace for currency exchange. Supply is determined by a computer code, not by a central bank, and prices can be extremely volatile. Digital asset exchanges have been closed due to fraud, failure, or security breaches. Any of the Funds’ assets that reside on an exchange that shuts down may be lost.

Several factors may affect the price of digital assets, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates, or future regulatory measures (if any) that restrict the trading of digital currencies or the use of digital currencies as a form of payment. There is no assurance that digital assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of digital asset payments by mainstream retail merchants and commercial businesses will grow.

Digital assets are created, issued, transmitted, and stored according to protocols run by computers in the digital asset network (each, a “**Network**”). It is possible these protocols have undiscovered flaws which could result in the loss of some or all assets held by the Funds. There may also be Network scale attacks against these protocols which result in the loss of some or all of assets held by the Funds. Some assets held by the Funds may be created, issued, or transmitted using experimental cryptography which could have underlying flaws. Advancements in quantum computing could break the cryptographic rules of protocols which support the assets held by the Funds. The Funds make no guarantees about the reliability of the cryptography used to create, issue, or transmit assets held by the Funds.

**Investing in Blockchain Technology Companies.** Companies in the rapidly changing fields of blockchain technology and the digital assets markets face special risks. The Investment Manager has no control over and limited visibility into future technological developments. The rapid pace of technological development creates the risk that an issuer's products and services become obsolete, fail to gain meaningful market share, or fall out of favor as more appealing and advanced technologies and products emerge. A Portfolio Company's intellectual property rights may be subject to legal challenge. Many companies in the blockchain technology and digital assets space have limited operating histories. Such a company may be unable to engage and retain sufficient skilled engineering, marketing and management personnel to allow it to maintain its technological edge and develop the corporate infrastructure required to sustain and grow its business. Some digital asset or blockchain industries may be subject to greater governmental regulation than other sectors, and changes in governmental policies and the need for regulatory approvals may materially and adversely affect the business of companies in those sectors. For these and other reasons specific to particular industries and companies, investments in companies in blockchain technology industries pose greater risks than those in certain other sectors.

**Equity Investments.** A Fund's equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which a Fund may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth, and companies with new products or services could sustain significant losses if projected markets do not materialize). Equity prices are directly affected by issuer-specific events, as well as general market conditions. In addition, investing in common stocks may be subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

**Digital Asset Exchanges.** The digital asset exchanges on which digital assets trade are relatively new and largely unregulated and may therefore be more exposed to theft, fraud and failure than established, regulated exchanges for other products. In general, digital asset exchanges are currently start-up businesses with no institutional backing, limited operating history, and no publicly available financial information. Exchanges generally require cash to be deposited in advance in order to purchase digital assets, and no assurance can be given that those deposit funds can be recovered.

Additionally, upon sale of digital assets, 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 credit risk of an exchange every time they transact.

Digital asset exchanges may impose daily, weekly, monthly, or customer-specific transaction or distribution limits or suspend withdrawals entirely, rendering the exchange of digital assets for fiat currency difficult or impossible. Additionally, digital asset prices and valuations on digital asset 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 asset exchanges, and any such volatility can adversely affect an investment in the Funds.

Digital asset exchanges are appealing targets for cybercrime, hackers, and malware. It is possible that while engaging in transactions with various digital asset exchanges located throughout the world, any such exchange may cease operations due to theft, fraud, security breach, liquidity issues, or government investigation. In addition, banks may refuse to process wire transfers to or from exchanges. Over the past several years, many exchanges have, indeed, closed due to fraud, theft (e.g., Mt. Gox voluntarily shutting down because it was unable to account for over 850,000 Bitcoin), government or regulatory involvement, failure or security breaches (e.g., the voluntary temporary suspensions by Mt. Gox of cash withdrawals due to distributed denial of service attacks by malware and/or hackers), or banking issues (e.g., the loss of Tradehill's banking privileges at Internet Archive Federal Credit Union).

Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Funds to recover money or digital assets being held by the exchange, or to pay investors upon redemption. Further, the Funds may be unable to recover digital assets awaiting transmission into or out of the Funds, all of which could adversely affect an investment in the Funds. Additionally, to the extent that the digital asset exchanges representing a substantial portion of the volume in digital asset trading are involved in fraud or experience security failures or other operational issues, such digital asset exchanges' failures may result in loss or less favorable prices of digital assets, or may adversely affect the Funds, their operations and investments, or the Investors.

**Limited Exchanges on Which to Trade.** 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 therefore could have an adverse effect on the Funds and Investors.

**Exchanges Operating Outside of the U.S.** Certain of the Funds' digital assets exchanges may operate outside of the United States. The Funds may have difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained by a Fund in another country. Further, should an exchange cease operation due to criminal actions or for financial or regulatory reasons, the Funds may suffer losses and will likely be subject to the laws of the exchange's home country when pursuing remedies. 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. Exchanges operating outside the U.S. typically limit or prohibit, or may in the future without notice limit or prohibit, investment by entities with U.S. beneficial owners in order to avoid U.S. regulations. Should an exchange on which the Funds trade prohibit U.S. beneficial owners or limit a Fund's trading, such Fund may be forced to liquidate its positions at an inopportune time and be further limited or prevented from making investments in accordance with its investment strategy. It is possible in such an event that the exchange could "freeze" such Fund's account thereby preventing such Fund from accessing its account completely, and such Fund would be unable to trade or withdraw funds from the exchange. Furthermore, any trading profits that such Fund would have made as a result of early liquidation will not be available to the Fund and the Fund, in certain cases, may be obligated to indemnify the exchange for

losses incurred due to the liquidation and to participate in an investigation conducted by the exchange and/or relevant authorities. These legal and regulatory risks may adversely affect the Funds and their operations and investments.

**Synthetic Exposure to Certain Investments.** The Funds may be ineligible from making certain investments due to, without limitation, the criteria for eligibility of investment in such investment as determined by the issuer and, as a result, the Funds may seek to gain exposure to such investment synthetically through a participation agreement, total return swap, or by other means with another Fund or special purpose vehicle managed by the Investment Manager or an affiliate as determined by the Investment Manager in its sole discretion. Such synthetic exposure may require the Funds to post collateral and at times pay premiums or other similar payments to maintain exposure to certain investments. There is no guarantee that premiums or other payments made to gain synthetic exposure to such investments will result in a positive return for the Funds.

**Risks of Buying or Selling Digital Assets.** The Funds may transact with private buyers or sellers or virtual currency exchanges. The Funds will take on credit risk every time they purchase or sell digital assets, and their contractual rights with respect to such transactions may be limited. Although the Funds' transfers of digital assets or cash will be made to or from a counterparty which the Investment Manager believes is trustworthy, it is possible that, through computer or human error, or through theft or criminal action, the Funds' digital assets or cash could be transferred in incorrect amounts 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 which has received the Funds' digital assets or cash (through error or theft), the Funds will be unable to recover incorrectly transferred digital assets or cash, and such losses will negatively impact the Funds.

**Liquidity Risk.** Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Funds from selling out of these illiquid investments at an advantageous price.

**Hedging Transactions.** The Investment Manager is not required to attempt to hedge portfolio positions in the Funds and, for various reasons, may determine not to do so. Furthermore, the Investment Manager may not anticipate a particular risk so as to hedge against it. The Funds may utilize financial instruments, both for investment purposes and for risk management purposes. The success of the Funds' hedging strategy is subject to the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transactions. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of a Fund's portfolio holdings.

**Limited Diversification.** The Funds' Governing Documents, including the partnership agreements, do not limit the amount of the Funds' capital that may be committed to any single investment, industry, or sector. At any given time, it is therefore possible that the Investment Manager may select investments that are concentrated in a limited number or types of investments. This limited diversity could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

**Custody of Fund Assets.** The Investment Manager seeks to maintain Fund assets with qualified custodians (as defined in Rule 206(4)-2 under the Investment Advisers Act) who the Investment Manager believes can provide appropriately secure custody solutions for the Funds. To determine whether a particular qualified custodian has security protocols that are robust enough in the Investment Manager's judgment to sufficiently ensure the security of Fund assets, the Investment Manager has developed policies and

procedures guided by certain core principles, including, among others, that the custodian confirm to the Investment Manager's satisfaction that it: meets the requirements of a qualified custodian, it segregates Fund assets, it ensures no single party has the ability to initiate or finalize the initiation of a transaction, and it keeps each private key securely and durably split and geographically distributed. If and so long as the Investment Manager determines that no available custodians qualified under Rule 206(4) can provide appropriately secure custody arrangements consistent with its policies for one or more Fund assets, the Investment Manager generally expects to maintain custody of such assets itself consistent with its policies and procedures. Where Polychain seeks to stake a Fund's assets as described in Item 8.A, it will generally delegate assets to be staked to the provider of the Staking Services. Depending on the features of the underlying Network, the provider may or may not be deemed to have custody over Fund assets that are staked (or are preparing to be staked). Arrangements with Staking Services providers that the Investment Manager determines would result in the provider having custody over Fund assets are subject to Polychain's custody policies described in Item 15. Where Staking Services arrangements do not involve the Staking Service provider, or "validator", having custody of Fund assets, the Investment Manager will maintain custody of Fund assets itself using sophisticated wallet technologies. As described in Item 5.C., the Investment Manager may in the future determine in certain circumstances to engage one of its affiliates to provide Staking Services. Currently the Investment Manager retains Unit 410 and Coinbase Custody to provide Staking Services to the Funds, depending on the Fund asset to be staked. For further discussion about the use of Unit 410 and Coinbase Custody for Staking Services, see the description in Item 14.A.

See "*Custody*" in Item 15 below for additional information regarding the Investment Manager's custody arrangements. Although the Investment Manager believes that its policies and procedures concerning self-custody meet the objectives of the Investment Advisers Act's custody provisions and are in the best interests of the Funds, the Investment Manager is not a qualified custodian within the meaning of Rule 206(4)-2.

In addition, the Investment Manager's custody policies and procedures provide that, to the extent the Investment Manager maintains custody of any of the Fund's digital currencies, the Investment Manager shall select the private keys that control movement of the currencies. The Investment Manager may also determine, in its sole discretion, to generate the private keys. Currency exchanges may also require the Investment Manager to provide control of the private keys when the exchange is utilized by a Fund. The Investment Manager 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. To the extent that the security system is penetrated, any loss of the Fund's digital currencies may adversely affect an Investor's investment, and could result in total loss of capital.

Unforeseen difficulties in operating and maintaining technical infrastructure to store cryptoassets pose challenges to a custodian's ability to ensure safekeeping of Fund assets, whether the custodian is the Investment Manager or a third-party qualified custodian. Existing security protocols and technological infrastructure may not protect against all software flaws or vulnerabilities, and defects may only be discovered after a failure in a custodian's safekeeping and storage of Fund assets. Security threats to Fund assets will likely adapt to technological change and previously unknown threats are likely to emerge. To the extent the Investment Manager or a third-party custodian is unable to identify and mitigate or stop new security threats, Fund assets are at risk of theft or loss. To the extent the Investment Manager maintains custody of any of the Fund's assets using cold storage, hardware, paper wallets, and/or "air-gapped" computers, such assets may nonetheless be at risk of loss. The Investment Manager may use such storage methods to minimize the risk of loss, damage, and theft, however the Investment Manager cannot guarantee the prevention of such loss, damage, or theft, whether caused intentionally or accidentally. The Investment Manager believes that its custody policies and procedures requiring segregation, redundancy, offline data storage, and other security protocols are reasonably designed to safeguard Fund assets from theft, loss, or other issues relating to technological attack. The Investment Manager also endeavors to ensure that any third-party qualified custodian also maintains such security protocols. Nevertheless, as described above,

such policies and procedures cannot guarantee the prevention of any loss due to a security breach, technological defect, or other flaw.

**Airdrops and Forks.** Polychain may acquire or trade on behalf of the Funds new digital tokens or assets associated with airdrops and forks. Consistent with its fiduciary duties, Polychain will, in its sole discretion make reasonable efforts to identify and, where appropriate, claim airdrops and forks that become available to the Funds. Any Network participant can distribute a new token through an airdrop or cause an existing chain to fork. Currently, there is no single resource or information feed that notifies prospective recipients of all new airdrops or forks. Polychain regularly monitors the market for new airdrops or forks. Despite this monitoring, it is likely that Polychain will not be aware of all airdrops or forks at all times. Further, Polychain may, in its sole discretion, determine not to claim assets associated with airdrops or forks.

Where Polychain determines to claim new assets associated with airdrops or forks, it will value those assets as of the day it takes possession of such assets, pursuant to its Airdrops and Fork Policy. Receiving airdrops and forks through wallets maintained by Polychain is likely to place those assets, as well as existing client assets, at risk of loss including but not limited to exposing assets to hacking, unauthorized access to information or systems, loss or corruption of technology, or other security breaches.

Receiving airdrops and forks through wallets maintained by Third Party Custodians (as defined below) also introduces risk of loss in addition to the above referenced risks. Polychain endeavors to retain Third Party Custodians whose policies regarding airdrops and forks are consistent with Polychain's own policies, including with respect to ensuring the security of new and existing assets. Nonetheless, it is likely that Third Party Custodians will have their own internal policies with respect to airdrop and fork assets, which may at times be inconsistent or even contrary to Polychain's policy. As such, there are increased risks in identifying and claiming airdrop and fork assets where Polychain does not retain control of the new assets and does not undertake the claiming process itself.

Polychain or an outside service provider, including Third Party Custodians, may determine not to claim and thus not to distribute certain airdrop or fork assets. Accordingly, at times, Polychain may not be able to claim or obtain an airdrop or fork at all or may not be able to realize the full value of airdrop and fork assets that it otherwise would have determined to claim. In some cases, Polychain may determine that the potential or current value of the airdrop or fork assets is de minimis or does not exceed the technical resource or other costs associated with claiming them and/or the security risks to existing assets. In such cases, Polychain will generally elect to forgo claiming such assets. These scenarios may result in the loss of potential asset value associated with the airdrop or fork assets, including future value derived from having claimed airdrop or fork assets.

**Third Party Wallet Providers.** The Funds may use third party wallet providers to hold a portion of each Fund's digital assets. Presently, certain of the Funds do use such third party wallet providers to hold a portion of such Fund's digital assets. The Funds may have a high concentration of its digital assets in one location or with one third party wallet provider, which are prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware, or cyber-attacks. The Funds are not required to maintain a minimum number of wallet providers to hold the Funds' digital assets. There can be no assurance that the Funds' information technology or other diligence on such third party wallet providers will make them aware of all security vulnerabilities and risks. Not all third party wallet providers indemnify the Funds against any losses of digital assets. Digital assets held by third parties could be transferred into "cold storage" or "deep storage," in which case there could be a delay in retrieving such digital assets. To the extent any of the Funds utilize third party wallet providers, the Funds do and may in the future also incur costs related to third party storage. Any security breach, incurred cost, or loss of digital assets associated with the use of a third party wallet provider, will adversely affect an investment in the Funds.

**Bankruptcy of Third Party Wallet Providers, Custodians, and Exchanges.** The Funds may hold digital assets with one or more third party wallet providers, custodians, and/or exchanges (each, a “**Third Party Custodian**”). There is a risk that a bankruptcy court would deem digital assets held with a Third Party Custodian to be the property of the bankruptcy estate in the event of a Third Party Custodian’s bankruptcy. In that case, the Funds could be treated as a general unsecured creditor of the Third Party Custodian, which means the Funds would not have a claim to its specific digital assets held with the Third Party Custodian, and could only recover the value of its digital assets to the extent there are funds remaining after more senior and secured creditors’ claims have been satisfied. Moreover, the value of such digital assets may fluctuate (up or down) after the filing of the bankruptcy petition and the Funds’ claim may not receive the benefit of such higher valuation or could be reduced in the case of a lower valuation. In such an event, the Funds may be unable to recover the full value of its digital assets held at the Third Party Custodian, which could result in significant losses.

**Risk of Loss Due to Failure of Custodial Systems.** Polychain utilizes a proprietary self-custody system for custody of the Funds’ assets that seeks to mitigate risk from any single malicious individual or security threat, however there are a variety of risks that could lead to a system failure, resulting in the loss of the Funds’ digital assets. Any hardware including physical backups used by Polychain to store the Funds’ digital assets could fail or become unusable. The incapacitation or coercion of any privileged team members of Polychain and the General Partners who have access to the cryptographic keys required to access some or all of the digital assets held by the Funds could result in the loss of the private keys and consequently, the loss of the digital assets held by the Funds. The system is also vulnerable to a malicious insider sabotaging the system or sophisticated malware and cryptographic errors or attacks, which could lead to a loss of funds. Additionally, while funds are being transferred from the applicable custody system, protocol, application, or user errors could additionally lead to incorrect sends that cause funds to be irrecoverably lost. In any of the events described above, Investors could incur substantial, or even total, loss of capital.

**Digital Asset Trading is Volatile and Speculative.** Digital assets represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, digital currencies have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, 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 digital assets. The relative lack of acceptance of digital assets in the retail and commercial marketplace limits the ability of end-users to pay for goods and services with digital assets. A lack of expansion by digital assets into retail and commercial markets, or a contraction of such use, may result in increased volatility.

Digital asset prices and valuations on digital asset 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 asset exchanges on which digital assets trade, and any such volatility can adversely affect an investment in the Funds.

**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 destructions of a private key required to access a digital asset is irreversible, and such private keys would not be capable of being restored by the Funds. Any loss of private keys relating to digital wallets used to store the Funds’ digital assets could result in the loss of the digital currencies and an Investor could incur substantial, or even total, loss of capital.

**Proof of Stake.** The Funds invest assets through protocols that verify transactions through a concept known as Proof of Stake (“**PoS**”). PoS generally allows holders of a digital asset to verify future transactions in a protocol based on various factors, depending on the rules of the protocol. Some protocols allow holders

with a larger amount of the digital asset (i.e., stakes) deposited in the protocol to be awarded with additional digital assets through the verification of future transactions. Those with stakes in some protocols have the ability to govern and vote on how the protocol is controlled in the future. Polychain generally believes that constructing a diversified portfolio of digital assets that use the PoS consensus mechanism provides benefits to Funds. As PoS typically requires storing a large amount of the relevant digital asset for a potentially long period of time in order to verify future transactions on the protocol, such investments would be illiquid for an extended period of time before there is any realized return on investment. Such illiquidity could have an adverse effect on Funds that invest in these assets. To the extent any of the Funds invest any of their assets through PoS-based protocols, there is a risk that a protocol assesses a penalty against any such Fund in connection with the Fund's participation in the validation process in such protocol, which could result in a loss of some or all of the Fund's digital assets that have been deposited in the protocol. Further, PoS is subject to the same risks associated with digital assets in general including, but not limited to, equipment failure, regulatory control, and a failure of the Network which the stake is deposited on.

Staking increases the risk of loss of such digital assets through increasing vulnerabilities to hacking and risk of slashing. Staking may also require custodying staked digital assets with a Staking Services provider, which raises the risks described in "*Custody of Fund Assets.*" In the future, Polychain may use an Affiliated Service Provider to provide Staking Services to the Funds, which would give rise to the conflicts of interest discussed in Item 5.B. Currently, Polychain engages Unit 410 and Coinbase Custody to provide Staking Services to the Funds. Unit 410 is a former affiliate of Polychain and certain Polychain Personnel have a financial interest in the engagement of Unit 410 and Coinbase Custody to provide Staking Services, which gives rise to the conflicts of interest described further in Item 5.E and Item 14.A. In addition, staking is expected to generate income that is treated as effectively connected income or unrelated business taxable income and that is expected to create negative tax implications for certain investors in a Fund. In those circumstances, Polychain will seek to accommodate investors who seek to minimize these sources of income.

**Slashing of Digital Assets.** A "slashing" is an event where the validator in a PoS Network or blockchain is penalized for violating a rule of the protocol, typically by forcing such validator to forfeit a defined proportion of staked tokens, which are then typically burned or redistributed to other stakeholders. Tokens pledged by delegators to validators are typically not subject to slashing, but once pledged by the validator to the protocol are subject to slashing. Downtime and double-signing are examples of behaviors that may be deemed harmful to the protocol and that may result in slashing penalties. Most PoS Networks have defined slashing parameters with corresponding penalties and varying degrees of severity, although some Networks do not penalize such activities and, instead, rely on opportunity costs and validator reputation to create an efficient delegation market. Certain Networks therefore will pose more risks due to parameters around slashing. Additionally, while Polychain and the General Partners will seek to only delegate digital assets to reputable validators, any validator may engage in dishonest validations or other malicious behavior over which Polychain and the General Partners have no control, and which may result in the "slashing" of the digital assets staked by the validator (including digital assets delegated by the Funds to the validator). To the extent the Funds delegate digital assets to a validator on a PoS Network or blockchain that is subject to slashing, such assets are also subject to slashing which may result in a partial or complete loss of such assets.

**Short Selling.** Fund I may engage in short sales. Short selling involves selling securities or digital assets which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities or digital assets at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities or digital assets. The extent to which Fund I engages in short sales depends upon the Investment Manager's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security or digital asset could theoretically increase without limit,



thus increasing the cost of buying those securities or digital assets to cover the short position. There can be no assurance that Fund I will be able to maintain the ability to borrow securities or digital assets sold short. In such cases, Fund I can be “bought in” (i.e., forced to repurchase securities or digital assets in the open market to return to the lender). There also can be no assurance that the securities or digital assets necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities or digital assets to close out the short position can itself cause the price of the securities or digital assets to rise further, thereby exacerbating the loss.

### **Risks Associated with Investing through Decentralized Exchanges (“DEXs”).**

*Dependence on a Few DEXs.* There are currently very few decentralized, non-custodial protocols with platforms through which the Funds may invest. If platforms representing any significant portion of the decentralized credit market were to dissolve, liquidate, become bankrupt or otherwise cease operations, change their business, and cease originating loans, the Funds would be unable to fulfill their investment objectives.

*DEXs Dependent on New Technology.* DEXs are in the rapidly changing fields of blockchain technology and the digital assets markets and face special risks. The Investment Manager has no control over and limited visibility into future technological developments. The rapid pace of technological development creates the risk that a DEX’s products and services become obsolete, fail to gain meaningful market share, or fall out of favor as more appealing and advanced technologies and products emerge. A DEX’s intellectual property rights may be subject to legal challenge. Many companies in the blockchain technology and digital assets space have limited operating histories. Such a company may be unable to engage and retain sufficient skilled engineering, marketing and management personnel to allow it to maintain its technological edge and develop the corporate infrastructure required to sustain and grow its business. For these and other reasons specific to the lending industry, investments through DEXs which operate in blockchain technology industries pose greater risks than those in certain other sectors.

*Limited Supply of Investments.* The Investment Manager’s ability to execute its investment strategies depends on its ability to access a sufficient supply of stablecoins or other cryptoassets. The extent of such supply is outside of the Funds’ and the Investment Manager’s control. The Funds may not be able to acquire investments in the quantities and at the times it otherwise desires. In such cases, the Funds may hold large cash positions for extended periods of time, which may adversely affect their performance. In addition, if insufficient attractive investments are available, the Funds may not accept additional capital, which could cause greater concentration in any of the Funds’ portfolios and cause the Funds’ expense ratios to be higher than they would with a larger asset base.

The Funds must also compete with other investors for investment opportunities on DEXs. Competition for investment opportunities may adversely affect the terms of the investments and may prevent the Funds from finding a sufficient number of attractive opportunities to meet their investment objectives.

*Regulatory Risks Due to Novelty of Decentralized Exchanges.* DEXs are fairly new, and their compliance with various aspects of regulatory regimes applicable to consumer credit transactions is untested. A federal or state regulator could take a position that a DEX’s activities (and perhaps the activities of the lenders/borrowers/members of those platforms, such as the Funds) do not comply with applicable law. Further, there is a risk that DEXs are mandated to comply with AML and KYC regulations applicable to traditional lenders as well as jurisdiction-specific lending laws. Any such regulatory action could adversely affect the Funds and their Investors.

*Lack of Transparency.* The Investment Manager selects investments for the Funds and executes their investment strategies based in part on information and data that DEXs make available to their users,

including interest rates set by these platforms. The Investment Manager is not in a position to confirm the completeness, genuineness, or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

*Scalability Risk.* Although the Investment Manager believes that the decentralized finance ecosystem presents an opportunity for attractive returns as compared to other fixed income markets, there is a possibility that as additional capital enters any DEX the interest rates and potential for returns will diminish which will negatively affect the Funds' returns.

*Collateral and Borrower Default Risks.* The Funds are subject to various risks associated with the collateral securing the loans invested in by the Funds. The prices of digital currencies and digital assets can be extremely volatile, and the value of collateral pledged by a borrower may decrease, resulting in the borrower's loan being under-collateralized. If the value of the collateral decreases and in the event the Funds were forced to liquidate the collateral upon a buyer's default, there is no assurance that liquidation of any collateralized digital currencies or digital assets would satisfy a borrower's obligations under the applicable loan. Although borrowers on most DEXs are required to "over-collateralize" i.e., post collateral valued greater than the value of the loan (typically 120%-\$150%), the frequent and rapid volatility of digital assets may result in a situation where the value of the collateral that a borrower posted falls so rapidly that despite algorithmic liquidation triggers there is insufficient collateral value left over to repay the loan.

Due to the volatility of pricing digital currencies and digital assets, there may not be significant demand for a particular digital currency or digital asset, and the Funds may have difficulty liquidating certain digital currencies or digital assets held as collateral if a borrower defaults.

*Interest Rate Risk.* The loans invested in by the Funds are subject to interest rate risk, which relates to changes in a loan's value as a result of changes in interest rates generally. Certain of the interest rates selected by the DEXs utilized by the Funds are variable and can fluctuate even after a loan has been made. Accordingly, the Funds may earn a lower interest rate on loans they have invested in if the interest rate is lower than the rate applicable at the time the Funds made the investment. Additionally, the interest rates applicable to the loans invested in by the Funds are determined by the DEXs through which such loans are made. Neither the Investment Manager nor the Funds have control over the interest rates applicable to such loans.

*Liquidation Risk.* The Funds are also subject to liquidation risks when borrowing digital currencies and digital assets. DEXs utilized by the Funds or lenders of loans invested in by the Funds may force liquidation of the digital currencies and digital assets offered by the Funds as collateral for loans. Generally, liquidation will be forced if the loan is defaulted on or if the value of the posted collateral falls below a specific collateral ratio in comparison to the value of the amount borrowed. If liquidation is forced the Funds may be required to pay a liquidation penalty to the applicable DEX in addition to a separate discount on price of the amount of collateral sold, resulting in greater losses to the Funds' investments.

*Technology Risk.* The software and technology of DEXs is experimental and new, and may now or in the future contain undetected bugs or security vulnerabilities. In addition, like digital exchanges, DEXs are appealing targets for cybercrime, hackers and malware. All of these risks could result in the loss of some or all assets held by the Funds.

*Smart Contracts.* The loans invested in by the Funds utilize smart contracts. Smart contracts are computer codes that can be created and run by the users of the Network on which such smart contract is based. A smart contract can take information as an input, process that information through the rules defined in the computer code, and execute certain actions, such as digital currency or digital asset transactions, that have been programmed into the smart contract. The Funds' digital assets may at times be locked in a smart

contract resulting in limited liquidity. The use of smart contracts creates risk exposure because smart contracts use experimental cryptography. The occurrence of code errors, software bugs, or other flaws cannot be ruled out and could potentially result in the theft or destruction of funds or for the smart contract to execute differently than as expected.

*Oracles.* Smart contracts receive external information from blockchain oracles which provide a link between off-chain and on-chain data. Without blockchain oracles, smart contracts would be limited to only information already within their Networks, considerably limiting their capabilities. A blockchain oracle retrieves, verifies, and authenticates external data for smart contracts from external sources (often online databases) and then relays that information to smart contracts. The data transmitted by oracles may include price information, successful completion of a payment, weather information, etc. The data provided to a smart contract by oracles determines how the smart contracts execute, which may pose concerns if the data is compromised or of inferior quality. Oracles are not part of the main blockchain consensus and as such, are not part of the security mechanisms that public blockchains can provide. Oracles may be subject to malicious attacks whereby a malicious actor gains access to the data flow between the oracles and the smart contract and modifies or falsifies the data. If an oracle is compromised, the smart contract relying on the oracle may also be compromised. Decentralized oracles have the potential to introduce safeguard mechanisms that could eliminate much of the systemic risk from the blockchain ecosystem.

*Network Risk.* Most smart contracts are stored on a limited number of Networks and the Funds will be subject to certain risks related to such Networks. The development of the Networks could be impacted by one or more regulatory inquiries or regulatory actions. Additionally, Networks have various levels of centralized control (e.g., the Ethereum Foundation exerts a strong influence on the Ethereum platform), and the centralization of such power could make such Networks less secure. Furthermore, Networks may become destabilized due to the increased cost of running distributed applications. Destabilization of a Network could dampen interest in the Network and its native digital assets, making it more difficult for businesses utilizing the Network to operate, which could negatively impact the Funds and other users of such businesses.

*Ethereum Risk.* Most smart contracts are stored on the Ethereum Network and the Funds will be subject to certain risks related to Ethereum. The development of the Ethereum platform could be impacted by one or more regulatory inquiries or regulatory actions. Additionally, the Ethereum Foundation exerts a strong influence on the Ethereum platform, and the centralization of such power could make the Ethereum platform less secure. The Ethereum platform is also subject to risks applicable to Networks as defined and further described in these risk factors. Furthermore, the Ethereum platform may become destabilized due to the increased cost of running distributed applications, if the demand for ETH grows at a pace that exceeds the rate with which ETH miners can create new ETH tokens. A destabilization of the Ethereum platform could dampen interest in the Ethereum platform and ETH, making it more difficult for Ethereum-based businesses to operate, which could negatively impact the Funds and other users of such businesses.

*Systemic Economic Risk.* Given the nascent state of the decentralized finance ecosystem, as well as interconnectivity of various protocols, there are unknown degrees of systemic risk.

*Dependence on Service Providers.* DEXs rely on various parties to execute their business models. For example, DEXs administrators may rely on hardware security modules (HSMs), cloud based solutions for key management, and other critical operating infrastructure, which could be the subject of failure, loss, or theft. In such cases, administrative governance and control of the DEXs could be materially affected and, in some scenarios, lead to complete loss of funds. The platforms could be adversely affected if any such party ceases to provide those services, which would, in turn, adversely affect the Funds and the investors.

*Operational Risk.* Certain of the Funds’ investment strategies rely extensively on DEXs and DEXs’ computer programs and systems to borrow or make loans, settle transactions and monitor their portfolios. The Investment Manager may not be in a position to verify the risks or reliability of such systems. If there is a failure in the price mechanism, or the occurrence of data manipulation or other failure to retrieve correct market data owing to price source issues, the value of collateral provided by a buyer for any loans invested in by the Funds may be determined incorrectly, which could adversely impact the Funds.

*Tax Risk.* The tax treatment of digital asset lending transactions is uncertain, and it is possible that such a transaction would be treated as a taxable disposition of the relevant digital asset for U.S. federal income tax purposes.

*Potential for Frontrunning.* The structure of DEXs permit independent Network participants (“**Searchers**”) to seek out and execute trades to obtain the maximal extractable value or miner extractable value (“**MEV**”) that can be extracted from block production in excess of the standard block reward and gas fees. Searchers can also utilize the bots or algorithms used to identify MEV opportunities to copy potentially profitable trades identified by other Network participants and submit them with a higher gas price, enabling the Searcher to “front-run” the other Network participants’ trading activity. Such activities by Searchers may adversely affect the Funds by reducing or eliminating the profits available to the Funds in connection with its trading activity.

**Stablecoin Specific Risks.** Stablecoins are distinct from other digital currencies and digital assets in that their value is backed by the value of an underlying asset, such as fiat currency like USD, commodities, or other digital currencies. Stablecoins are subject to the same risks as other digital currencies and digital assets described in these risk factors, but are also subject to unique risks. While stablecoins are intended to be less volatile than digital currencies, they are inherently subject to the volatility of the underlying assets they are pegged to. Fiat-based stablecoins are centralized, which exposes the holder of such stablecoins to counterparty risk, including but not limited to, a centralized entity that issue the applicable stablecoin and manages the fiat conversion. Specifically, fiat-based stablecoins require the holder of such stablecoins to rely on the issuer to have sufficient reserve to back up all of the issued stablecoins. For example, USDT issued by Tether is subject to controversy due to the lack of transparency and claims that Tether does not hold sufficient USD reserves to back all of the issued USDT tokens, which resulted in a significant drop in value of USDT in October 2018. Further, fiat-based stablecoins are subject to greater oversight and regulation, and will be further dependent on the banking industry and other geopolitical factors, all of which could affect the value of such stablecoins. Digital currency backed stablecoins are inherently more volatile than stablecoins backed by fiat or commodities. The collateral backing digital currency based stablecoins is held in smart contracts and the underlying digital currency can be immediately liquidated if the value of such digital currency falls below a certain threshold. Further, if the underlying digital currency loses too much value, the system may become under-collateralized and there is potential the stablecoin itself will be liquidated. In addition, there is a risk that the underlying digital currency held as collateral is not adopted or accepted on other platforms, which increases borrower default risk.

**Lack of Diversification.** Certain of the Funds invest by borrowing and lending digital currencies through certain DEXs as well as investing in other cryptoassets. Although the Funds may also invest in various other instruments, primarily for hedging purposes, their portfolios will be concentrated heavily in investments that derive their value from loans obtained or made using DEXs. Lack of diversification generally increases risk. In addition, the Funds are not required to maintain a minimum level of capital. If any Fund incurs losses or withdrawals, it may not have sufficient funds to adequately diversify its investments even within the types of digital currencies borrowed or loaned, which will subject the Fund’s portfolio to greater risk than if it held a broader variety of such instruments.

**Use of Leverage and Financing.** Certain Funds may leverage their capital because Polychain believes that the use of leverage may enable a Fund to achieve a higher rate of return and meet withdrawals which would otherwise result in the premature liquidation of investments. Accordingly, a Fund may pledge its securities or digital currencies or digital assets in order to borrow additional funds for investment purposes. Funds borrowed will be subject to interest, transaction, and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Funds' portfolios. The Funds may also leverage their investment return with options, short sales, swaps, forwards, and other derivative instruments. The amount of borrowings which a Fund may have outstanding at any time may be substantial in relation to its capital. While leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Fund would be magnified to the extent a Fund is leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to a Fund which would be greater than if a Fund were not leveraged. Lastly, the exact amount of leverage in a DEX may be difficult to determine at times.

**Risk of Cryptocurrencies Lending.** Certain of the Funds may borrow and lend cryptocurrencies, tokens, and other types of digital assets in the ordinary course of their business. Third parties that borrow cryptocurrencies, tokens, or other digital assets from the Funds may not be able to return these cryptocurrencies, tokens, or other digital assets on demand (possibly causing the Funds to default on their obligations to other parties) and may also default on the payment obligations owed to the Funds in connection with such loans, potentially resulting in substantial losses to the Funds. The Funds may lose the entire value of the cryptocurrencies, tokens, and other types of digital assets they lend to defaulting borrowers. The Funds may lend only one or a limited universe of digital assets, including but not limited to stablecoins. In the event of the catastrophic failure of a particular digital asset protocol, such protocol may convert the entire digital asset to another digital currency or digital asset (such as Ethereum), which may result in a particular risk that some or all of the principal may be lost, or assets placed into the protocol may be lost in their entirety.

**Securities and Digital Asset Lending and Borrowing.** Certain Funds may lend securities or digital assets to securities brokers and other institutions to earn additional income or borrow securities or digital assets from securities brokers or other institutions to enable short sales. If the other party becomes insolvent or bankrupt, the Funds could experience delays and costs in recovering payment or the securities. If, in the meantime, the value of the securities changes, the Funds could experience further losses. Security and digital assets loans may be fully collateralized and the Investment Manager may misjudge the creditworthiness of the other party to the transaction. If the lending or borrowing occurs through a blockchain-based platform, additional risks related to such platform may impair the Funds' loans or collateral.

**Decentralized Finance ("DeFi") Lending of Digital Assets.** DeFi lending involves participation in a blockchain-based Network, protocol, or platform ("**DeFi Lending Platform**") wherein a Fund contributes digital assets and receives interest on such digital assets. Where DeFi lending is on an uncollateralized basis, a Fund is exposed to the credit risk of the underlying borrowers but typically will not be able to conduct due diligence or credit checks on such underlying borrowers and will have to rely on any such due diligence or credit checks conducted or other threshold conditions imposed by the DeFi Lending Platform. Where DeFi lending is on a collateralized basis, there is a risk that, notwithstanding any margin calls or other collateral protection and maintenance mechanisms as may be built into the DeFi Lending Platform, the value of such collateral may not be sufficient to satisfy the principal (or interest) owed on any digital assets lent. As DeFi lending may not be ring-fenced on a geographic basis, it is also possible for lending to occur across different jurisdictions, which may cause the Funds and/or the DeFi Lending Platform to potentially be in breach of laws or subject to regulatory oversight in such jurisdictions, including as a result of laws or regulations governing the dealing in digital assets, usury laws, and money lending laws, and may

also give rise to the risk of the Funds being deemed to have a business or tax presence in such jurisdictions. There are also greater risks in terms of the profile of borrowers on DeFi Lending Platforms as compared to borrowers on the commercial paper or bond markets. There is no established equivalent to the system of credit ratings for debt issuers or credit scores for individuals for DeFi Lending Platforms. Furthermore, DeFi Lending Platforms will typically incorporate smart contracts into their operations and both the blockchain and the smart contracts may be subject to slow transaction speeds, denial of service attacks, and other vulnerabilities, flaws, bugs, or loopholes that could be the subject of malicious hacks or result in accidental or unintended outcomes, which can result in losses for some or all participants on such DeFi Lending Platforms. For example, a “rug pull” scam, whereby a liquidity provider lists a token on a DEX for the sole purpose of gaining investment for such token and then pulls all of its liquidity from the project (thereby causing a rapid price crash that prevents other investors from retrieving their funds in time), may result in losses for participants on DeFi Lending Platforms. Recovery from such outcomes may not be possible, and in decentralized DeFi Lending Platforms, may require the agreement of all or the majority of participants on such DeFi Lending Platforms to amend or otherwise vary on the operations of the DeFi Lending Platform. On DeFi Lending Platforms where a trusted central or third party authority plays a role, while such trusted authority may have certain powers within the DeFi Lending Platform (such as emergency controls to halt certain transactions) significant power may be vested in such trusted authorities, introducing a potential key point of failure. Furthermore, DeFi lending is a new and relatively untested technology, subject to further developments in the area. While it is intended that potential risks will be identified and resolved or otherwise mitigated, there may be risks or categories of risks for which it is not possible to identify or have prior knowledge of, given their novel nature and the failure to adapt to and resolve such novel risks may have an adverse effect on the Funds.

**Digital Assets Lending Programs.** Certain of the Funds may participate in digital asset lending programs offered by certain centralized and decentralized (blockchain protocol-based) exchanges to investors, including investors seeking to short such digital assets. Interest will accrue to the Funds until such digital assets are replaced. While the exchanges on which the Funds lend their digital assets require borrowers to post collateral and provides for forced liquidation procedures, there is no assurance that such procedures will prevent the Funds from losing capital in connection with its lending practices. For any particular loan, and thus for all loans, there are many risks that some or all of the principal and interest may fail to be repaid.

**Impermanent Loss.** Automated Market Maker (“AMM”) protocols and other yield-bearing capital pools are a new and novel technology which allow the relevant Funds to earn trading fees by providing liquidity to such pools. AMM protocols and other yield-bearing capital pools are a new and novel technology which allow the Funds to earn trading fees by providing liquidity to such pools. These systems may have risks that are not yet fully understood when there is volatility in the underlying digital assets which comprise the capital pool. Volatility within such yield-bearing capital pools could lead to loss of committed digital assets (such loss, “**Impermanent Loss**”) or other unexpected adverse behaviors, thereby lowering the value of the Funds’ returns of digital assets from such yield-bearing capital pools. Additionally, such capital pools are open market systems that may be subject to a variety of economic/volatility attacks by other market participants. Such adverse action by other market participants may further increase the volatility of the underlying digital assets in the capital pools thereby compounding any Impermanent Loss.

**Rebasing of Digital Assets.** Unlike Bitcoin and other digital assets where the supplies of such digital assets are readily and predictably known, certain other digital assets are engineered through smart contracts where the supplies of such digital assets are not fixed and adjust routinely. Such digital assets have a dynamic or elastic supply (and may be referred to as elastic supply tokens), and the mechanism used to adjust the supply is referred to as a rebase. The rebasing mechanism adjusts an elastic supply token’s circulating supply periodically when a related parameter of any such token, such as price, changes. Elastic supply tokens aim for a target price with a time-varying supply of such tokens. For example, if the target price for an elastic supply token is \$1 USD and such price falls below \$1 USD, the current supply of such elastic supply token

will decrease and the value of each such token will increase. Conversely, if the price increases above \$1 USD, the rebase will increase the supply of such elastic supply tokens and the value of each such token will decrease. Because investments in any elastic supply tokens may be subject to periodic rebasing's, the Funds' investments in any elastic supply tokens may fluctuate greatly with respect to the number and value of such tokens held. While a rebase may potentially result in a profitable event, investments in elastic supply tokens may be extremely volatile, even more volatile than the digital asset space, generally. An investment in elastic supply tokens may result in a loss of value or amount of an investor's total holdings as each rebase occurs, and in a downtrend, this may cause a spiral of negative rebases. In the worst-case scenario, the supply changes are unable to increase demand and re-stabilize the price and market cap of such elastic supply token, resulting in further losses.

**Risk of Rug Pull Scam.** In recent years, "rug pull" scams have become a predominant exit scam in the digital asset and DeFi space. A "rug pull" scam (also known as "rugging") occurs when a hacker or a fraudulent issuer injects liquidity into an underlying asset that is thinly traded and, in some cases, encourages other investors to do the same, causing a significant increase in the underlying price (such increase otherwise known as the "pump" in a "pump-and-dump scheme"). In a rug pull, the hacker or issuer subsequently sells its underlying assets, receiving generally a large profit (otherwise known as the "dump"). Such a large sell-off of the assets may cause a chain reaction in the marketplace that crashes the value of the asset. While it may be difficult to detect a rug pull before it has been completed, the Investment Manager conducts extensive research before investing in any digital assets whether an asset is susceptible to becoming victim to a rug pull to minimize the likelihood of a rug pull affecting the Funds' investments. A rug pull may adversely affect an Investor's investment and could result in a total loss of capital.

**Computer Malware, Viruses, Bugs, Etc.** Computer malware, viruses, and computer hacking and phishing attacks have become more prevalent in the industries in which the digital asset exchanges operate, and may occur on such exchanges' systems or technologies. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, and availability of exchange products and technical infrastructure may harm such exchanges' reputations, their ability to retain existing users and attract new users, and their results of operations.

Digital asset exchange products and internal systems generally rely on software that is highly technical and complex, and such exchanges' internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. Such software may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within such software may result in a negative experience for users and marketers who use digital asset exchange products, delay product introductions or enhancements, or result in measurement or billing errors. Any errors, bugs, or defects discovered in an exchange's software could result in damage to such exchange's reputations, loss of users, loss of revenue, or liability for damages, any of which could adversely affect such exchange's business and financial results, and could result in significant losses for the Funds.

**Market Manipulation.** The digital asset markets are new and unregulated. In the past, such markets have been targets of market manipulation, which could adversely affect holders of the underlying assets, and thus the Funds. Digital asset transaction validators or other syndicates could collude to raise and lower prices artificially. Individuals, entities, or groups could conspire to manipulate prices through "pump and dump" strategies, or other tactics. Other schemes, syndicates, groups, or individuals could play a part in manipulating markets to the detriment of the Funds.

**MEV and Front-Running.** MEV describes the opportunities that blockchain miners have to extract value from users by manipulating the order of transaction executions and transaction inclusion when mining blocks. MEV is a measure that models the profit a miner or validator can make through its ability to

arbitrarily include, exclude, or re-order transactions from the blocks they produce. MEV is often captured by traders (often arbitrage bots) through front-running. When a trade is broadcast to the blockchain, the trade awaits verification from miners who decide which transactions to include in the following block. Pending transactions sit in a transparent pending transaction pool where transactions and their corresponding gas prices can be viewed by malicious actors. Front-runners can then set a higher gas price than pending orders, making it attractive for miners to prioritize their transaction. This way, front-runners are able to enter their trades first, profiting on the resulting price movements when prior orders are eventually executed. Miners can also participate in front-running themselves by choosing to execute their own trades ahead of prior orders. As a result of front-running, the original trader experiences a higher amount of slippage than normal. In the worst of cases, front-running can cause chain instability if the profit from MEV is higher than the block reward, incentivizing miners to orphan blocks and keep the profits.

**Credit Risk.** Because derivative transactions in which certain of the Funds may engage involve instruments that are not traded on an exchange but are instead traded between counterparties based on contractual relationships or on crypto-related platforms, the Funds are subject to the risk that a counterparty will not perform its obligations under the related contracts. Although the Funds intend to enter into transactions only with counterparties which the Investment Manager believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Funds will not sustain a loss on a transaction as a result. In situations where the relevant Funds are required to post margin or other collateral with a counterparty, the counterparty may fail to segregate the collateral or may commingle the collateral with the counterparty's own assets. As a result, in the event of the counterparty's bankruptcy or insolvency, the Funds' collateral may be subject to the conflicting claims of the counterparty's creditors, and the Funds may be exposed to the risk of a court treating the Fund as a general unsecured creditor of the counterparty, rather than as the owner of the collateral.

The Funds are subject to the risk that issuers of the instruments in which they invest and trade may default on their obligations under those instruments, and that certain events may occur that have an immediate and significant adverse effect on the value of those instruments. There can be no assurance that an issuer of an instrument in which the Funds invest will not default, or that an event that has an immediate and significant adverse effect on the value of an instrument will not occur, and that the Funds will not sustain a loss on a transaction as a result.

Transactions entered into by the Funds may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearing houses, custodians, depositories and prime brokers throughout the world. Although the Funds attempt to execute, clear and settle the transactions through entities the Investment Manager believes to be sound, there can be no assurance that a failure by any such entity will not lead to a loss to the Funds.

**Credit Market Illiquidity.** Crypto-related credit markets are an especially nascent industry and may experience an extended period of significant illiquidity. While a lack of liquidity may create opportunities for the relevant Funds to acquire assets at prices that the Investment Manager believes are attractive, lack of liquidity also creates a number of risks. There is no guarantee that the credit markets will not experience a lack of liquidity or increased volatility in the future. Further, there can be no assurance that the markets will, in the future, continue to be more liquid. It is also possible that illiquidity in the market could cause prices to decline further, which may have the result of forcing the Funds or other leveraged investment vehicles to sell assets to satisfy requirements under its borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of the Funds' portfolios of investments, investments may need to be liquidated quickly, and perhaps not at fair value. Upheavals in the crypto-related credit markets may cause margin borrowing costs and securities borrowing costs to increase. Such increases in borrowing costs may impact the Funds' ability to generate returns.



**Parachains and Parachain Loan Offerings.** Certain of the Funds invest in parachain loan offerings (“PLOs”) and are subject to various risks associated with participating in PLOs. A PLO is a form of crowdfunding by which a digital asset project, including projects that the Funds may have already invested in, seeks to raise tokens of a particular Network (as defined below), such as the Polkadot Network, from supporters for the purpose of winning an auction that will give the project a right for its blockchain to become a “parachain” of such Network’s primary relay chain. The relevant Funds participate in a PLO by contributing a Network’s tokens to a project in exchange for a number of the project’s native tokens. While PLOs may create opportunities for the Funds to acquire additional native tokens of a particular project, the number of a Network’s tokens that are bid by a winning project are locked or bonded to the Network in a smart contract for a dedicated period of time. The Funds’ contributions cannot be traded or staked elsewhere, regardless of price fluctuations, and cannot be used toward other parachain auctions. The tokens will continue to be locked up for the duration of the auction and, if the specific project backed by the relevant Funds wins the auction, will continue to be locked up for the duration of the parachain slot acquired by the project (such portion, the “**Locked Tokens**”). It may take significant time for a project to materialize and to begin returning tokens to contributors, and such returns, if any, may not outweigh other investment opportunities available to the Funds. Generally, parachain tokens are distributed pro rata based on the contributions received by the particular project, however, the project or any platform (e.g., an exchange) used to facilitate such contributions may place certain conditions on contributions such that future distributions are not made pro rata (e.g., earlier supporters at auction receive more tokens). Although a parachain auction backed by the Funds may be successful in obtaining the slot, there is no guarantee that the project will deliver any particular Network functionalities or reward tokens following an auction. In such event, the Funds may have limited or no recourse against the project. In addition, the Networks and auction processes are new and, in some ways, untested, and any bugs or hacks that may affect the network could affect the Funds’ ability to recoup their contributions or any proceeds thereon. Since such networks are new, there is a higher risk that vulnerabilities may be present. In the event of any technical failures by a project or Network, there is a risk that some or all of a Fund’s investment may be lost.

Most parachain auctions employ a “candle” auction. Candle auctions are a variant of open auctions where bidders submit bids that are increasingly higher and the highest bidder at the conclusion of the auction is considered the winner. When candle auctions are used online, they typically require a random number to decide the moment of termination of the auction. When used in parachain slot auctions, however, a random number is not used to determine termination, but rather a known open bidding phase is established at the outset of the auction and after the auction has concluded, the Network will retroactively determine when the auction ended. Therefore, during the open bidding phase, bids will continue to be accepted, but later bids have a higher probability of losing since the retroactively determined termination may precede the time that such bids were submitted.

Crowdfunding carries excess risk compared to traditional funding methods. Crowdfunding does not always assure success. Businesses and projects capitalized through crowdfunders or equity crowdfunding may run a greater risk of failure than those funded through traditional means. Crowdfunding generally does not provide any other support systems to such businesses and projects, which can often be determinative of the success of such business or project. Further, there are no or limited financial controls and regulatory oversight of crowdfunding. Crowdfunded projects are often not FDIC-insured and the platforms offering such projects often do not have internal controls that would meet the standards of certain applicable regulations, such as financial record keeping and reporting implemented in the Sarbanes-Oxley Act of 2002. Interests in crowdlending and crowdfunding projects are not registered under state or federal securities laws and, to the extent such projects rely on an exemption from registration, there is no guarantee that the projects are in compliance with such exemptions or that such exemptions will continue to apply.

**Stolen or Incorrectly Transferred Digital Assets May be Irretrievable.** Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of digital assets or a theft of digital assets 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 in incorrect amounts or to unauthorized third parties. To the extent that the Funds are unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the Funds' 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 an investment in the Funds.

**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 a Fund's operations, or the suspension of redemptions or a loss of a Fund's assets. While the Investment Manager believes it has developed controls, 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 gross negligence, willful misconduct or fraud on the part of the Investment Manager.

**Trading on Digital Asset Networks.** The Funds will convert U.S. dollar contributions made by Investors to Bitcoins and other alternative digital assets over the Bitcoin Network or specific Networks, as applicable. Many Networks are online end-user-to-end-user networks that host a public transaction ledger, known as the blockchain, and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such Networks. In many digital asset transactions, the recipient of the digital asset must provide its public key, which serves as an address for a digital wallet, to the party initiating the transfer. In the data packets distributed from digital asset software programs to confirm transaction activity, each digital asset user must "sign" transactions with a data code derived from entering the private key into a "hashing algorithm," which signature serves as validation that the transaction has been authorized by the owner of such digital asset. This process is vulnerable to hacking and malware, and could lead to theft of the Funds' digital wallets and the loss of the Funds' digital assets. Many digital asset exchanges have been closed due to fraud, failure or security breaches. 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 exchange.

**Counterparty Risk.** Some of the markets in which the Funds may effect their transactions are "over-the-counter" ("OTC") or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Funds 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 bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Funds have no internal credit function that evaluates the creditworthiness of their counterparties. The ability of the Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

**Amendments to a Digital Asset Network's Protocols and Software Could Adversely Affect the Fund's Investment and Trading Activities.** Networks are typically based on protocols that govern peer-to-peer interactions between computers connected to a digital asset's Network. Generally, the code that sets forth

a digital asset's protocol is informally managed by a development team known as the core developers. A digital asset's core developers, miners, and/or users (each such core group in respect of a particular digital asset, the "**Community**") can propose amendments to a Network's source code through one or more software upgrades that alter such digital asset's protocols, the software that govern its Network and the properties of the digital asset itself, including, but not limited to, the irreversibility of transactions and limitations on the mining/creation of new digital asset units. To the extent that a majority of a Community installs such software upgrade(s), such digital asset's Network could be subject to new protocols and software that may adversely affect the Fund's investment and trading activities. If less than a majority of a Community installs such software upgrade(s), such digital asset's Network could "fork."

Many digital assets are open source projects and, although there may be an influential group of leaders in a specific Community, there may be no official developers or group of developers that formally control the applicable Network. For many digital assets, any individual can download the applicable Network software and make any desired modifications, which are proposed to the relevant digital asset's Community through software downloads and upgrades. However, the Community must usually consent to those software modifications by downloading the altered software or upgrade that implements the changes; otherwise, the changes do not become a part of that Network. A developer or group of developers could potentially propose a modification to a Network that is not accepted by the applicable Community, but that is nonetheless accepted by a substantial portion of such Community. In such a case, a "fork" in the blockchain could develop and two separate Networks could result, one running the pre-modification software program and the other running the modified version (i.e., a second such Network in respect of the same digital asset). Such a fork in the blockchain typically would be addressed by Community-led efforts to merge the forked blockchains. This kind of split in a Network could materially and adversely affect the value of Fund investments and, in the worst-case scenario, harm the sustainability of the applicable digital asset's economy.

**Risk to Digital Asset Networks from Malicious Actors.** If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on certain Networks, it may be able to alter the blockchain on which the digital asset transaction relies by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the Network can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude, or modify the ordering of transactions, though it could not generate new bitcoins or transactions using such control. Using alternate blocks, the malicious actor could double spend its own digital assets and prevent the confirmation of other users' transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power on various Networks or the Community does not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Such changes could adversely affect an investment in the Funds or the ability of the Funds to transact.

**Computer Malware, Viruses, Bugs, Etc.** Computer malware, viruses, and computer hacking and phishing attacks have become more prevalent in the industries in which digital asset exchanges and Portfolio Companies operate, and may occur on such exchanges' or Portfolio Companies' systems. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, and availability of exchanges' or Portfolio Companies' products and technical infrastructure may harm such exchanges' or Portfolio Companies' reputations, their ability to retain existing users and attract new users, and their results of operations.

Digital asset exchanges' and Portfolio Companies' products and internal systems generally rely on software that is highly technical and complex, and such exchanges' or Portfolio Companies' internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. Such software may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors may only

be discovered after the code has been released for external or internal use. Errors or other design defects within such software may result in a negative experience for users and marketers who use digital asset exchanges' or Portfolio Companies' products, delay product introductions or enhancements, or result in measurement or billing errors. Any errors, bugs, or defects discovered in digital asset exchanges' or Portfolio Companies' software could result in damage to such Portfolio Companies' reputations, loss of users, loss of revenue, or liability for damages, any of which could adversely affect such digital asset exchanges' or Portfolio Companies' business and financial results, and could result in significant losses for the Funds.

**Digital Assets Miners May Cease to Solve Blocks.** If the award of new digital assets, including Bitcoin or other Altcoins, as applicable, for solving blocks declines and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Miners ceasing operations would reduce the collective processing power on such Network, as applicable, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions) and make the Bitcoin Network more vulnerable to a malicious actor or botnet obtaining control in excess of fifty percent (50%) of the processing power on such Network. Any reduction in confidence in the confirmation process or processing power of such Network may adversely impact an investment in the Funds.

**Intellectual Property Rights Claims May Adversely Affect the Operation of Digital Asset Networks.** Third parties may assert intellectual property claims relating to the operation of digital assets and their source code relating to the holding and transfer of such assets. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the digital asset's long-term viability or the ability of end-users to hold and transfer digital assets may adversely affect an investment in the Funds. Additionally, a meritorious intellectual property claim could prevent the Funds and other end-users from accessing such digital asset network or holding or transferring their digital assets, which could force the Funds to terminate and liquidate digital assets (if such liquidation of the Funds' digital assets is possible). As a result, an intellectual property claim against the Funds could adversely affect an investment.

**Initial Coin Offering Risk and Pre-Sale Initial Coin Offering Risk.** The Funds may invest some of their assets in initial coin offerings ("ICOs"). A Fund may also invest some of its assets in presale-ICOs ("pre-ICOs"), which may include but are not limited to SAFTs. ICOs and pre-ICOs allow for investors to purchase digital tokens offered or created by blockchain based companies on various platforms in exchange for dollars or already established digital currencies which can then be converted to dollars on a cryptocurrency exchange. ICOs and pre-ICOs are currently unregulated and are subject to fraud, security breaches, regulatory developments, enforcement actions, and technological developments. ICOs and pre-ICOs can at any point become subject to federal and state securities laws, federal commodity laws, and various international regulations, among other restrictions. Such restrictions may have an adverse impact on the Funds' assets or on the Funds' ability to sell their assets. As investors can purchase new tokens with already existing digital currencies, investments in ICOs and pre-ICOs subject the Funds to all risks associated with digital currencies in general.

ICOs and pre-ICOs occur in respect of digital assets that have not been tested or used in the marketplace. As a result, the risk that digital assets obtained by the Funds through ICOs or pre-ICOs will have imperfections and/or be susceptible to hackers is greater than that of digital assets that have already been established. In addition, there is also the risk that digital assets obtained by the Funds through ICOs or pre-ICOs will not develop a following.

As ICOs and pre-ICOs may arise at unpredictable intervals, there is a risk that a Fund's investments may become concentrated in a single (or limited number of) digital asset(s). Such limited diversification may

result in the concentration of risk, which, in turn, could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements with respect to such digital asset(s). In addition, the Funds may be forced to hold cash for significant periods of time (until the occurrence of an ICO or pre-ICOs opportunity).

Digital assets acquired by the Funds in connection with ICOs and pre-ICOs may also entail promises to sell within, or hold for, a specified time period. As a result, the Funds may be forced to sell an investment at an inopportune time, or hold an investment at times where it would otherwise be advantageous to sell. Digital assets sold through ICOs and pre-ICOs have experienced high levels of performance and rapid increases in price. While past performance is generally not indicative of future results, this is especially the case with respect to digital assets purchased through ICOs and pre-ICOs, which are relatively new and untested products. In addition, there is not yet sufficient information to determine whether such high levels of performance are sustainable and/or how the digital asset market will react in the short- or long-term to the proliferation of ICOs and pre-ICOs currently taking place.

**ICO and Pre-ICO Valuation Risks.** ICOs and pre-ICOs may offer a Fund the ability to purchase digital assets at discounted prices. Digital assets purchased by a Fund will generally be valued at cost until active trading in such digital assets develops. Any such digital assets may also be revalued in the event the respective General Partner believes such valuation does not accurately reflect the value of the applicable digital assets because there are subsequent offerings of such digital assets at higher values, as reported by the relevant issuer during the applicable financing round. Such values will be deemed accurate and will be used in determining the value of the applicable digital assets held by the Fund. Accordingly, while Investors who invest in a Fund prior to any revaluation or the emergence of such active trading, as applicable, will receive the benefit of purchasing such digital assets at discounted prices, any withdrawal proceeds paid to Investors who withdraw from a Fund prior to any revaluation or the emergence of such active trading will reflect the lower, discounted prices and not the adjusted valuation price or expected trading price of such digital assets on any active exchange or other market, as applicable.

**Fraudulent ICOs and Pre-ICOs.** ICO and pre-ICOs campaigns in which the Funds may participate are unregulated and may turn out to be fraudulent. There is no guarantee that funds lost due to such fraudulent actions will be recovered by the Funds.

**ICO Ineligibility.** The Funds may be ineligible to participate in certain ICOs (particularly, ICOs issued by non-U.S. sponsors that limit participation to non-U.S. persons or entities). While the Funds may seek to participate in ICOs through a non-U.S. subsidiary, there is no guarantee that a non-U.S. subsidiary of any of the Funds will be permitted to take part in an ICO that generally limits participation to non-U.S. persons or entities.

**Simple Agreement for Future Tokens.** The Funds' assets may be invested in ICOs through SAFTs. SAFTs are agreements that offer the right to a digital asset (e.g. tokens) at a later point in time, usually upon the triggering of a condition outlined in the agreement. SAFTs that the Funds invest in may offer the right to digital assets that have some characteristics of equity securities, such as obtaining an interest in a company. Consequently, such tokens are subject to some of the same risks as equity securities. Such tokens may be subject to legal or other restrictions on transfer, may have no liquid market, may afford limited voting rights to the holder of the token, and may have a lack of control in the management of the issuer of the token. SAFTs are also subject to the same risks as ICOs including, but not limited to, fraud, security breaches, regulatory developments, enforcement actions, failure of the conditions of the agreement to memorialize, no guarantee in value or worth of the underlying token, and technological developments. Such future restrictions may have an adverse impact on the Funds' assets or on their ability to sell their assets. SAFTs further subject the Funds to all risks associated with digital assets in general.

**SAFT Valuation Risks.** Digital assets purchased through a SAFT will generally be valued at cost until distributions are made with respect to such digital assets. Any such digital assets may also be revalued in the event Polychain or the General Partners believe such valuation does not accurately reflect the value of the applicable digital assets because there are subsequent offerings of such digital assets at higher values, as reported by the relevant issuer during the applicable financing round. Such values will be deemed accurate and will be used in determining the value of the applicable digital assets held by the Funds.

**Non-Fungible Tokens.** Non-fungible tokens (“NFTs”) are unique digital assets (often in the form of art or collectibles) that cannot be exchanged for the same amount of the same kind of asset because each holds different characteristics. Unlike digital currencies, NFTs are differentiated from others of its kind in code and each may hold several different functionalities and characteristics. Similar to digital currencies, there are risks associated with using internet-based assets, including, but not limited to, the risk of source code, hardware, software, and Internet connections failure or problems. The source code relating to the holding and transfer of such assets is vulnerable to software failure, hacking, and malware, and could lead to theft and loss of the Funds’ assets. NFTs are created, issued, and transmitted according to their respective protocols run by computers in the NFT network. These protocols may have underlying flaws that may result in the loss of some or all assets held by the Funds. These protocols may also be subject to network scale attacks that result in the loss of some or all assets held by the Funds.

In general, these protocols are currently start-up businesses with no institutional backing, limited operating history, and no publicly available financial information. The participation in such protocols requires users to take on risk by transferring digital currency and digital assets from a personal account to a third-party’s account. In particular, NFTs are traded peer-to-peer in decentralized online marketplaces; therefore, it may be difficult or impossible to verify the identity of third-party buyers and sellers, or whether a third-party buyer or seller is a bona fide participant in the network. This creates credit risk that the unknown counterparty will not perform its obligations under the related agreement. It also increases the risk of fraudulent transactions, in that an unscrupulous market participant could use hidden wallets to sell and/or buy assets to or from itself at inflated prices, thereby seeming to create gains that in reality do not exist. For example, OpenSea is the largest marketplace for user-owned digital goods and NFTs; however, it is only an administrative platform that facilitates peer-to-peer transactions between buyers and sellers. OpenSea is not a broker, financial institution, or creditor. The Funds are therefore subject to risks that a counterparty will not perform its obligations under the related contracts without any recourse through the exchange platform.

These platforms may also impose daily, weekly, monthly, or customer-specific transaction or distribution limits or suspend access or withdrawals entirely, rendering the exchange of such digital assets for fiat currency difficult or impossible. Additionally, digital asset prices and valuations on such platforms have been volatile and subject to influence by many factors including the levels of liquidity on protocols and operational interruptions and disruptions. The prices and valuation of digital assets remain subject to any volatility experienced by digital currency and digital assets protocols, and any such volatility can adversely affect an investment in the Funds.

**NFT Valuation Risks.** The unique nature of NFTs presents an inherent difficulty in the valuation of the digital assets. The unique nature of NFTs present an inherent difficulty in the valuation of the digital assets. Each NFT is comprised of its own data, which defines its characteristics in the context of its network; therefore, without a liquid market of comparable assets, the valuation of the current market price of the NFT will likely be less precise. The value of NFTs may be based on certain criteria within the context of its Network and often on the appreciation of its respective Community of Network participants. Valuation of certain NFTs thus may require identifying the criteria and distinguishing characteristics that define its value within its native Network. For the aforementioned reasons, the Investment Manager will value NFTs using market comparables until they are sold.

The value of NFTs may also be dependent upon the use or public interest in the creation and development of distributed Networks and related applications surrounding the NFTs. A lack of use or public interest in the creation of such Networks and ecosystems of applications may negatively impact the potential value or utility of the NFTs and adversely affect the Funds' investment.

**Claims by Holders of Rights in NFT Underlying Works.** The work underlying an NFT may have been "minted" into an NFT and offered for sale without the right holder's permission. While many NFT marketplaces have attempted to develop safeguards to prevent the infringement of the rights of the holder of such underlying works, there is no assurance that such safeguards are reliable. While it can be expected that the individuals who minted the NFT would be subject to copyright infringement claims, rather than the Funds as a purchaser of the NFT, if an NFT held by the Funds is subject to a copyright infringement claim it may affect the resale value of the NFT and adversely affect an investment in the Funds.

**Risk of NFT Duplication by Malicious Actors.** While the blockchain underlying NFTs allows the authenticity of the NFT to be proven, there is a risk that malicious actors may duplicate the NFT on the blockchain and engineer components of the NFT, such as its token ID and transaction history, to closely resemble the original NFT. While Polychain and the General Partners believe authenticity will be determined, there is a risk that such duplicate NFTs are sold to other investors, diluting the NFT market and adversely affecting investor confidence in NFTs. Such events could negatively affect the entire NFT ecosystem and the Funds' investments.

**Public Nature of NFT Investments.** Considering the public nature of the NFT marketplace, other participants in the NFT ecosystem may be able to determine the Funds' holdings and attempt to recreate the Funds' strategies. This could adversely affect the profitability of the Funds' strategy by forcing the Funds to compete with additional market participants or by increasing the acquisition costs of the Funds' targeted investments.

**Risk of NFT Wash Trading.** Certain NFT marketplaces have seen an increased volume of "wash trading" of NFTs. "Wash trading" occurs when a trader buys and sells an NFT for the purpose of feeding misleading information to the market, typically by selling the NFT to themselves via a second account or colluding with other traders. Such wash trading creates the illusion of increased demand for an NFT and artificially increases the price of the NFT. Increased wash trading will affect the ability of Polychain and the General Partners to properly price potential investments, which could negatively impact the Funds' investments by causing the Funds to overpay for an NFT.

**Highly Volatile NFT Markets.** The market valuation of NFTs can be extremely volatile. This volatility can increase the Funds' risks associated with direct investments in NFTs.

**Uncertain Legal Status of Decentralized Autonomous Organizations ("DAOs").** DAOs are organizations that rely on smart contracts to grant members the ability to control or direct the DAO's assets. Smart contracts and an underlying blockchain keep track of members, and membership can be purchased or allocated as a reward (such as in the form of a token) in exchange for capital, services, use, or resources. Membership in a DAO gives participants specific rights as enumerated in such DAO's smart contracts and other applicable constituent documents, which may include a portion of such DAO's profits or losses, the right to access, manage, or transfer the assets or services of the DAO, or specific privileges, such as the ability to engage in the DAO's decision-making processes.

The legal status of, and laws and regulations applicable to, DAOs is generally unclear and may vary based on jurisdiction, organizational structure (or lack thereof) and other factors such as the DAO's purpose or level of decentralization. Some previous approaches to DAOs have been regarded by the SEC as illegal offers of unregistered securities. Moreover, there is a substantial risk that DAOs formed for the purpose of

making a profit would be deemed general partnerships, thus exposing their participants to unlimited joint and several personal liability for the DAO's debts and obligations. If characterized as general partnerships, DAOs may struggle to attract members or meet their intended objectives. Large businesses, institutional investors, and other regulated commercial entities may be reluctant to invest in, participate in, or otherwise support a DAO for fear that membership would put their assets at risk. Due to the untested nature of DAOs and the risks inherent in digital assets in general, a Fund's investment or participation in DAOs could be adversely affected, which could result in loss to the Fund.

On July 1, 2021, Wyoming became the first state in the United States to allow DAOs to file for legal status as a specific form limited liability company. Some DAOs have attempted to obtain recognized legal status and/or shield members from personal liability by incorporating as a corporation, limited liability company or other currently recognized legal entity (a "wrapped" DAO), while other DAOs have either dissolved such legal entity after achieving a certain level of decentralization or sustainability or forgone such corporate formation altogether (an "unwrapped" or "DAO first" DAO).

**Distributed Governance and Lack of Infrastructure in DAOs.** DAOs rely on blockchain technology and smart contracts for governance instead of traditional corporate structures with clear fiduciaries and decision-makers (e.g., a board of directors for a corporation). Most early DAOs are managed by distributed consensus, while other methods for governance such as delegated authority are currently being tested. These wide-ranging and experimental approaches to governance may result in inefficient coordination mechanisms, voter apathy, collusion amongst participants, and chaotic consensus efforts. DAOs will likely face internal disputes which could result in dissolution or "forks" of the DAO. Moreover, DAOs are attempting to discover more efficient proposal and execution processes to conserve assets (e.g., moving proposal and voting processes off-chain while continuing to execute decisions on-chain). Thus, DAO infrastructure is currently extremely kinetic and unsettled while DAO tooling is still in its infancy. Furthermore, DAO treasuries and other assets remain subject to smart contract risk and hack. See "*Smart Contracts*" above. Due to the emerging nature of DAOs, DAO governance and infrastructure remains fluid and untested.

**Regulatory Risks of DAOs.** Participation in a DAO often is evidenced through a blockchain-based "token" that is coupled with the smart contracts that govern the organization. DAO tokens are generally increasingly designed to provide their holders with the right to govern the DAO's activities through voting and execution mechanisms. Whether or not such tokens are considered securities, commodities, commodity interests, or other regulated assets is an open question and may vary on a case-by-case basis. Furthermore, even if these tokens are not deemed to be regulated assets, DAO investments in other assets such as securities would subject the DAO to securities regulations. For example, a DAO formed for the purpose of making venture investments (a "**Venture DAO**") would need to comply with the Investment Company Act and the Investment Advisers Act. A failure to comply with such laws and regulations would subject the Venture DAO to enforcement actions and other penalties. Such regulatory actions could adversely affect the Funds and their investors by restricting a Fund's ability to hold or trade digital currencies, digital assets, or securities, and/or resulting in the forfeiture of the Fund's investment in such DAO.

**Force Majeure.** A Fund's performance and its investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including the Funds or a counterparty to the Funds) to perform its obligations until it is able to remedy the force majeure event and/or prompt precautionary government-imposed closures of certain travel and business. In addition, forced events, such as the cessation of the operation of machinery



for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact a Fund's returns, cause personal injury or loss of life, disrupt global markets, damage property, or instigate disruptions of service. In addition, the cost to the Funds of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a Fund's expected returns. Certain force majeure events (such as war, terrorism, or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds may invest and the markets the Funds may trade specifically. Military action or governmental sanctions prompted by certain force majeure events may further impact general economic conditions and market liquidity internationally or in the specific markets the Funds invest. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over industry assets, could result in losses to a Fund, including if its investments are canceled, unwound or acquired (which could be without adequate compensation).

**Public Health Risk.** The Funds could be adversely affected by the effects of a widespread outbreak of contagious disease, such as the outbreak of a novel coronavirus ("COVID-19"). Public health crises can develop rapidly and unpredictably, which may prevent governments, companies or others (including the Investment Manager and the Funds) taking timely or effective steps to mitigate or reduce any adverse impacts. Any outbreak of contagious diseases and other adverse public health developments, together with any resulting disruptions or restrictions on travel or quarantines imposed, could have a material and adverse effect on the Funds and their investments, including by disrupting or otherwise adversely affecting the human capital, business operations or financial resources of the Investment Manager, the Funds, counterparties in respect of the Funds' investments (which could, in turn, adversely impact the ability of such counterparties to perform any contracts they have with the Funds or relating to investments), or the Funds' administrator or other service providers (which could, in turn, adversely impact the ability of such providers to fully support the administration and operation of the Funds). In addition, a significant outbreak of contagious diseases in the human population, and any containment or other remedial measures imposed, could result in a widespread health crisis that could severely disrupt global, national and/or regional economies, resulting in an economic downturn that could adversely affect the performance of the Funds and their investments. For example, the spread of COVID-19 previously led to significant uncertainty and extreme volatility in the financial markets, including volatility in digital asset prices. The performance of the Funds may be affected by particular issues affecting their investments, including risks associated with potential disruptions in the technological infrastructure involved in, *inter alia*, trading, custodying, transferring, and securing the investments. The extent of any such impacts will depend on future developments, which are highly uncertain and cannot be predicted at this time, including the effectiveness of efforts, among others, by U.S. or other governments to restrict the spread of a contagious disease like COVID-19.

**ADDITIONAL INVESTMENT RISKS FOR POLYCHAIN VENTURES FUND, DFINITY ECOSYSTEM FUND, POLKADOT ECOSYSTEM FUND, OPPORTUNITIES FUND, MATH PROPHECY FUND, CELO ECOSYSTEM FUND, POLYCHAIN VENTURES II FUND, POLYCHAIN VENTURES III FUND, POLYCHAIN VENTURES IV FUND, AND OPPORTUNITIES II FUND**

**Lack of Operating History of Portfolio Companies.** Certain Funds expect to invest in Portfolio Companies that have relatively limited operating histories. Generally, very little public information exists about these companies, and the Funds will rely on the ability of Polychain to obtain adequate information to evaluate the potential returns. If Polychain is unable to uncover all material information about these companies, the Funds may not make a fully informed investment decision, and may lose money on their investments. These companies may be particularly vulnerable to U.S. and foreign economic downturns such

as the recent recession and may have limited access to capital. These businesses also frequently have less diverse product lines and a smaller market presence than larger competitors and may experience substantial variations in operating results. They may face intense competition, including from companies with greater financial, technical, operational and marketing resources, and typically depend upon the expertise and experience of a single individual executive or a small management team. The applicable Fund's success depends, in large part, upon the abilities of the key management personnel of the Portfolio Companies, who are responsible for the day-to-day operations of the Portfolio Companies. Competition for qualified personnel is intense at any stage of a company's development. The loss of one or more key managers can hinder or delay a company's implementation of its business plan and harm its financial condition. Portfolio Companies may not be able to attract and retain qualified managers and personnel. In addition, Portfolio Companies may compete with each other for investment or business opportunities and the success of one could negatively impact the other. Furthermore, Portfolio Companies do business in regulated industries and could be affected by changes in government regulation. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to the Funds, and may materially and adversely affect the return on, or the recovery of, the Funds' investment. As a result, a Fund may lose its entire investment in any or all of the Portfolio Companies.

**Economic Risks of Portfolio Companies.** The business and operating results of Portfolio Companies may be impacted by worldwide economic conditions. Any conflict or uncertainty, including due to natural disasters, public health concerns, political unrest, or safety concerns, could harm their financial condition and results of operations and cash flows. In addition, if the government of any country in which products are developed, manufactured, or sold sets technical or regulatory standards for products developed, manufactured in, or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards, and disrupt cross-border manufacturing, marketing, or business relationships which, in each case, could harm the business of Portfolio Companies. In addition, Portfolio Companies may be susceptible to economic slowdowns or recessions.

**Failure of a Portfolio Company.** Although the Portfolio Companies are carefully selected by Polychain, it is possible that a Fund may lose all or a portion of its investment in some Portfolio Companies. No assurance can be given that the failure of one or more Portfolio Companies will not have a material adverse effect on the Fund's overall performance.

**Unidentified Investments; Competitive Market for Investments.** Polychain may be very selective when seeking investments for a Fund. The business of identifying and structuring certain transactions is competitive (and may become more competitive in the future), and involves a high degree of uncertainty. There can be no assurance that Polychain will be able to locate and complete attractive investments or that it will be able to adhere to the investment strategy outlined in a Fund's Governing Documents. Furthermore, there can be no assurance that Polychain will be able to invest the entire amount of a Fund's assets or that suitable investment opportunities will otherwise be identified. If Polychain is unable to identify adequate investments at any given time, a significant portion of the Fund's assets may be held in cash or equivalents, which produce low rates of return.

**High Risk Investments.** While investments in companies in certain industries may offer the opportunity for significant capital gains, such investments generally involve a high degree of business, financial, technological, and regulatory risk, which can result in substantial losses. Moreover, a Fund's portfolio is likely to include investments particularly subject to increased risk because they are in companies at an early stage of development, which have been or may go into bankruptcy, acquired as leveraged buyouts subject to interest rate fluctuations, or engaged in highly competitive industries dominated by companies with

substantially greater resources. As a result, a Fund may experience substantial volatility and potential for loss. Polychain believes that its investment selection techniques moderate this risk. However, no guarantee or representation is made that the portfolio investments will be successful.

**No Control over Portfolio Issuers.** Certain Funds may acquire substantial positions in the securities of particular companies. Nevertheless, a Fund is unlikely to be represented on the board of directors or share any control over the management of any such company. The success of each investment depends on the ability and success of the management of that company, in addition to economic and market factors.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Each Investor and prospective Investor in a Fund should carefully review the applicable Fund's Governing Documents and the agreements referred to therein for risks involved in an investment in the Fund.**

---

## **ITEM 9: DISCIPLINARY INFORMATION**

---

There are no material legal or disciplinary events related to the Investment Manager.

---

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

---

### **Item 10.A. and Item 10.B.**

Not Applicable. Polychain and its management persons are not registered and do not have any application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate of the foregoing entities.

### **Item 10.C.**

As noted in Item 4, Polychain is an affiliate of, and under common control with, affiliated entities that serve as general partners to the Funds.

Polychain's affiliate, Polychain Consulting, currently provides services, such as Consulting Services, to portfolio companies, projects and protocols that a Fund has invested in. This relationship creates conflicts of interest, as described in Item 5.C. with respect to Consulting Services, where Polychain Consulting directly or indirectly benefits by a Fund's engagement to provide such services or by the Fund's investments in companies or projects that receive Consulting Services from Polychain Consulting. These arrangements are subject to conflicts management protocols.

### **Item 10.D.**

Not Applicable. Polychain does not recommend or select other investment advisers for its clients.

---

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

---

### Item 11.A.

Polychain has adopted a Code of Ethics (the “**Code**”) under Rule 204A-1 under the Investment Advisers Act designed to provide that Polychain employees comply with applicable federal securities laws. The Code addresses, among other things, Polychain’s standard of business conduct, requirements and restrictions relating to personal securities trading, policy regarding political contributions, policy regarding gifts and entertainment, and confidentiality. Polychain employees must acknowledge, in writing, to having received and read a copy of the Code and any amendments to the Code, initially upon employment and upon receipt of any such amendments. The Code requires all employees to report personal securities holdings (initially and annually) and certify quarterly personal trading activity. The Code places certain restriction on employees when transacting in the same investments as the Funds. The Code is monitored by Polychain’s Chief Compliance Officer and any exceptions to the Code need prior approval by Polychain’s Chief Compliance Officer.

A copy of the Code is available to clients or Investors and prospective clients or Investors upon their individual request.

### Items 11.B., 11.C., and 11.D.

The Investment Manager or its affiliates also manage internal portfolios for the account of the Investment Manager and its affiliates, including Polychain Personnel (collectively, “**Proprietary Accounts**”) in a similar manner to how the Funds’ assets are managed or in order to evaluate a possible investment strategy. Polychain also seeks to make investments for one or more Funds in which one or more Proprietary Accounts hold investments. Proprietary Accounts may also, at any time, seek to make investments alongside the Funds or investments that Polychain determines are not, at such time, appropriate for the Funds. Such activities give rise to conflicts of interest, including the incentive for the Investment Manager, the General Partners or their affiliates to favor such Proprietary Accounts over Fund accounts, including without limitation, with respect to allocation of investments, time and attention. See Item 4.B. and “*Allocations*” in Items 8.B. and 8.C. above for additional disclosure regarding allocation among the Funds, as well as between the Funds, on the one hand, and the Proprietary Accounts, on the other hand. Polychain will allocate an investment among the Funds, the General Partners, and Proprietary Accounts in accordance with the procedures set forth in Polychain’s Allocation Policy, taking into account factors such as whether a pro rata allocation is appropriate, how much of the investment is available in the aggregate, what the allocation to the Funds would be absent any allocation to the Proprietary Account, and whether such investment is consistent with the Funds’ investment mandate and risk appetite. However, if a conflict should arise as between Polychain’s Allocation Policy and a Fund’s Governing Documents, the Governing Documents will govern. See “*Allocations*” in Items 8.B. and 8.C. for additional disclosures regarding allocation among the Funds, as well as between the Funds, on the one hand, and the Investment Manager and its affiliates, on the other hand.

From time to time, the Investment Manager may effect “cross” transactions such that certain assets held by one or more Funds managed by the Investment Manager are expected to be transferred to other of the Funds managed by the Investment Manager, including for the purpose of rebalancing the portfolios of such Funds or to allow a Fund that may be ineligible from making a certain investment directly to seek to gain exposure to such investment synthetically by means of an agreement with another Fund. At times, the Investment Manager may enter into “principal transactions” within the meaning of Section 206(3) of the Investment Advisers Act, such that certain assets held by one or more Proprietary Accounts may also be transferred to

any of the Funds managed by the Investment Manager. This may happen in the event that an investment or investment strategy tested in a Proprietary Account becomes appropriate and to the benefit of the Funds to invest in or employ. From time to time, the Funds also invest in the same investment as a Proprietary Account, including as a co-investor. Such activities give rise to a conflict of interest for the Investment Manager, the General Partners, or their affiliates to favor making investment decisions for the Funds that would either directly or indirectly benefit the Proprietary Accounts. Such transactions will be conducted in accordance with, and subject to, the Investment Manager's fiduciary obligations to each of the Funds as well as consistent with the investment objectives of each of the Funds involved in such transactions. Moreover, transactions between the Funds and Proprietary Accounts or that involve the Funds and Proprietary Accounts investing in the same underlying investment will also be subject to Polychain's policies for handling conflicts of interest. If and to the extent required by applicable law or Polychain's conflicts policy, the Investment Manager will seek approval for these transactions from the applicable Fund's Investors (or LPAC), which approval will be deemed to constitute the approval of, and be binding upon, the relevant Funds and all Investors (in the case of LPAC approval).

Polychain, as a fiduciary, endeavors to always make decisions in the best interest of its clients if a conflict of interest arises between the Investment Manager's transactions on behalf of its clients and those of the Investment Manager's personnel and related persons. In order to monitor any conflict of interest, Polychain employees are required to pre-clear certain contemplated transactions in their personal accounts which may present the appearance of impropriety, and must disclose on an initial and annual basis the holdings of all personal accounts, as well as all transactions on a quarterly basis.

---

**ITEM 12: BROKERAGE PRACTICES**

---

**Item 12.A.1.**

The Funds intend to make portfolio investments that will be privately placed, on digital exchanges, or OTC without the use of a broker-dealer. In the event Polychain requires the services of a broker-dealer, Polychain will seek to obtain best execution for all transactions.

To inform Polychain's decisions in placing transactions with digital exchanges or in assessing the quality of an OTC counterparty, Polychain considers the following factors: speed, ability to handle various trades and orders, liquidity, reliability, transaction fees, pricing, customer services, security, and geography, among other criteria.

Polychain does not currently engage in the use of soft dollars.

**Item 12.A.2.**

Polychain does not participate in selecting or recommending broker-dealers in exchange for client referrals.

**Item 12.A.3.**

Not Applicable. Polychain does not engage in directed brokerage by its clients.

**Item 12.B.**

Polychain may face actual or potential conflicts of interest when allocating investment opportunities among the Funds. The general policy of Polychain is to allocate investment opportunities among the applicable Funds in a fair and equitable manner and in accordance with the terms of its policies and the applicable

Governing Documents for such Funds. See Items 4.B., 8.B. and 8.C. for additional disclosures regarding investment allocations among the Funds, as well as between the Funds, on the one hand, and the Investment Manager, its affiliates, and Polychain Personnel, on the other hand.

---

**ITEM 13: REVIEW OF ACCOUNTS**

---

**Items 13.A. and 13.B.**

Client holdings are reviewed on a regular basis to determine their conformity with their risk parameters, investment objectives, and guidelines. Polychain regularly monitors the portfolio investments of the Funds. Polychain's investment personnel periodically convene to evaluate each position's conformance with the relevant Fund's Governing Documents, including the offering memorandum and any investment limitations, restrictions, or risk parameters.

**Item 13.C.**

Investors in the Funds will each receive written unaudited reports of the performance of the Fund in which they are an investor on a monthly or quarterly basis, as applicable, and written audited year-end financial statements prepared using U.S. generally accepted accounting principles on an annual basis within 120 days after the fiscal year end of such Fund or as soon thereafter as reasonably practicable.

---

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

---

**Item 14.A.**

Under the transaction agreement for the sale of Unit 410 by Polychain's principals to Coinbase, a portion of the purchase price paid by the buyer is contingent on Unit 410 or its affiliate, including Coinbase Custody, continuing to provide specified levels of Staking Services to the Funds consistent with past practice. Certain members of Polychain's senior management team, including Polychain's principal owner Olaf Carlson-Wee, were prior shareholders of Unit 410 and will receive a portion of that purchase price. As a result, Polychain has an incentive to recommend staking activities to the Funds and, specifically, to delegate Fund assets to Unit 410 and/or its affiliate for Staking Services, rather than third party service providers. As such, conflicts of interest arise when Polychain considers whether to recommend a Fund partake in staking activities and the selection of Staking Service providers. As a result, decisions to engage Unit 410 or Coinbase Custody on behalf of the Funds are subject to Polychain's conflict protocols. Further, any decision to engage in staking is made consistent with Polychain's policies and procedures regarding staking and if in the best interest of the Fund.

Polychain and members of its senior management team do not otherwise receive a direct economic benefit from any third party for providing investment advice or other advisory services to any of the Funds.

**Item 14.B.**

Polychain does not currently maintain any referral arrangements with individuals or entities that may be compensated, directly or indirectly, for referrals. However, Polychain may establish referral or placement arrangements in the future.

---

## ITEM 15: CUSTODY

---

Polychain seeks to maintain each Fund's assets with a qualified custodian in an account in the name of the respective Fund or in accounts that contain only assets owned by the Fund, under Polychain's name as agent or trustee for the Fund. Polychain custodies certain digital assets internally as well as with third party wallet providers. Although Polychain is not a qualified custodian under the meaning of Rule 206(4)-2 under the Investment Advisers Act, Polychain has developed policies and procedures for safekeeping of digital assets that it self-custodies that it believes are consistent with the objectives of the Investment Advisers Act's custody provisions. Where assets are held in self-custody, Polychain currently safekeeps the Fund assets using sophisticated wallet technologies and may in the future engage an affiliate to provide custodial services, as described in Item 5.C. In addition, digital assets are held at exchanges, which take various measures to safeguard the digital assets held by such exchanges. Polychain conducts due diligence on all service providers (including Affiliate Service Providers), exchanges, or qualified custodians prior to utilizing their services. See the "*Custody of Fund Assets*" discussion in Item 8 for risks related to custody of digital assets. The nature of custodial arrangements, and associated risks, are also described in the Governing Documents for the relevant Funds.

Where Polychain seeks to stake a Fund's assets, it will generally delegate assets to be staked to the provider of the Staking Services. Depending on the features of the underlying digital asset network, the Staking Services provider may or may not be deemed to have custody over Fund assets that are staked (or are preparing to be staked). In general, if the Investment Manager determines that no available qualified custodians can provide appropriately secure custody arrangements with robust functionality for exercising governance rights for one or more Fund assets that are staked or if Staking Services are not provided by a qualified custodian for the relevant Fund asset, the Investment Manager expects to custody the relevant Fund assets itself using sophisticated wallet technologies and to engage Unit 410 to provide Staking Services. See the description of conflicts of interest in relation to the use of Unit 410 for Staking Services provided in Item 14.A. In the future, the Investment Manager may engage an Affiliate Service Provider to provide Staking Services and that entity could have custody of Fund assets. In these circumstances, Polychain applies its procedures regarding self-custody and a conflicts management protocol that requires a determination that using Unit 410 or an affiliate is in the best interest of the Fund without taking into account the benefits to the Investment Manager. All material facts associated with such arrangements, including the conflicts of interest and any fees paid by the Funds, are disclosed to the Funds and Investors.

The Funds will be subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB") and audited financial statements of each Fund will be prepared in accordance with generally accepted accounting principles and distributed to investors within 120 days of the end of each Fund's fiscal year or as soon thereafter as reasonably practicable. Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by Polychain.

Additionally, although Polychain is not a qualified custodian under the meaning of Rule 206(4)-2 under the Investment Advisers Act, Polychain has developed policies and procedures for digital assets that it self-custodies that it believes are consistent with the objectives of the Investment Advisers Act's custody provisions, including providing quarterly account statements to Investors and distributing annual audited financial statements of the Funds. Investors should carefully review their account statements upon receipt, and should compare these statements to any account information provided by Polychain.

Certain assets of the Funds may be exempt from the requirement to be held by a qualified custodian where:

- (1) the assets are acquired from the issuer in a transaction or chain of transactions not involving any public

offering; (2) the assets are uncertificated, and ownership thereof is recorded only on the books of the issuer in the name of the client; and (3) the assets are transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

---

**ITEM 16: INVESTMENT DISCRETION**

---

Polychain accepts discretionary authority to manage securities accounts on behalf of clients and therefore, determines which securities and the amounts of securities it buys and sells for the clients. This authority has been granted to Polychain by means of the execution of the relevant organizational and/or advisory agreements that set forth the scope of the Investment Manager's discretion with respect to each of the Funds.

---

**ITEM 17: VOTING CLIENT SECURITIES**

---

**Item 17.A.**

Polychain generally has proxy voting authority with respect to securities held by the Funds due to the fact that it has discretionary authority over the securities held in the Funds. Accordingly, Polychain has adopted proxy voting policies and procedures to vote proxy proposals, amendments, consents, or resolutions (collectively, "**proxies**") relating to the Funds' investments. The Funds, Investors, or other clients generally cannot direct the proxy voting of Polychain. Polychain understands its fiduciary responsibility to monitor corporate events and to vote proxies and cast votes in the best economic interests of its Funds and their Investors, and not to put these interests second to its own economic interests. Each proxy is voted on a case-by-case basis taking into consideration any relevant facts and circumstances at the time of the vote. Conflicts may arise between the interests of the Funds and their Investors versus the interests of Polychain and its affiliates. In such cases, the Investment Manager will address each such conflict, and endeavor to resolve it in a fair and equitable basis. Notwithstanding the foregoing, because proxy proposals and individual company facts and circumstances may vary, Polychain may not always vote proxies in accordance with the proxy voting policy. In addition, many possible proxy matters are not covered in such policy.

Investors may request a copy of the proxy voting policies and procedures and the proxy voting records by contacting the Investment Manager at the address, email or telephone number listed on the cover page of this Brochure.

**Item 17.B.**

Not Applicable; see response to Item 17.A. Polychain has authority to vote client securities.

---

**ITEM 18: FINANCIAL INFORMATION**

---

**Item 18.A.**

Not Applicable. Polychain does not require nor solicit pre-payment of more than \$1,200 in fees per client, six months or more in advance.



**Item 18.B.**

Polychain is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to clients.

**Item 18.C.**

Not Applicable. Polychain has not been the subject of a bankruptcy petition at any time during the past ten years.