

**ITEM 1. COVER PAGE**

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

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**GALAXY DIGITAL CAPITAL MANAGEMENT LP**

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March 30, 2024

**Important Disclosure:**

*This brochure (this “Brochure”) provides information about the qualifications and business practices of Galaxy Digital Capital Management LP and Galaxy Vision Hill Asset Management LLC, its relying adviser (each an “Adviser” and together referred to as, the “Adviser”, “we”, “us”, and similar terms). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at 212-499-0081 or [Compliance@galaxy.com](mailto:Compliance@galaxy.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

*The Adviser is registered with the SEC as an investment adviser. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

*This Brochure contains certain material information in the manner and format promulgated by the SEC. Additional information, which must be read and considered with the information in this Brochure, may be found in other documents including, as applicable, registration statements, offering memoranda and/or investment management agreements, among others. Please also read and understand the entire Brochure as responses to certain Items also may respond to or provide additional or fuller information regarding the responses to other Items.*

*Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **ITEM 2. MATERIAL CHANGES**

The Brochure contains material changes to the disclosures the Adviser provided in its brochure dated March 31, 2023. These changes include:

- Item 4 – updates to reflect changes in the amount of assets under management of the Adviser and the types of clients, including the management of Managed Accounts (as defined below).
- Item 5 – updates to the fees and compensation payable to the Adviser.
- Item 8 – updates to the Investment Strategies offered by the Adviser and certain risk factors in connection therewith as well as updates to certain other risk factors to developments in the Digital Assets industry and the regulation of Digital Assets.
- Item 10 – updates to the actual and potential conflicts of interest related to the various business activities of the Adviser and its affiliates.

Please note that the above summary addresses only changes that the Adviser has determined to be material, and does not reflect all of the changes that have been made to the Brochure since the previous filings.

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## ITEM 4. ADVISORY BUSINESS

### A. General Description of Advisory Firm

#### 1. *Galaxy Digital Capital Management LP*

Galaxy Digital Capital Management LP, “**GDCM**”) is a Cayman Islands exempted limited partnership formed on November 30, 2017. Our principal office and place of business is at 300 Vesey Street, 13<sup>th</sup> FL, New York, New York. GDCM commenced operations in March 2018 as an exempt reporting adviser; and registered, effective July 2019, as an investment adviser with the United States Securities and Exchange Commission (the “**SEC**”) under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Galaxy Vision Hill Asset Management LLC (“**GVHAM**”), a Delaware limited liability company formed on February 1, 2018, is a relying adviser of GDCM. For purposes of this Brochure, “**Adviser**”, “**we**”, and “**us**” refer to both GDCM and its relying adviser unless otherwise indicated.

#### 2. *Ownership of the Adviser*

GDCM and its general partner, Galaxy Digital Capital Management GP LLC (the “**Adviser General Partner**”), a Cayman Islands exempted limited liability company, and GVHAM are controlled by Galaxy Digital LP (“**GD LP**”), a Cayman Islands exempted limited partnership. GD LP is an operating company and its sole limited partner is Galaxy Digital Holdings LP (“**GDH LP**”), a Cayman Islands exempted limited partnership. GDH LP’s general partner is Galaxy Digital Holdings GP LLC, a Cayman Islands exempted limited liability company. GDH LP has two classes of units representing limited partnership interests: Class A Units and Class B Units.

Class A Units of GDH LP are held by Galaxy Digital Holdings Ltd. (“**GDH Ltd.**”), a Cayman Islands corporation, and its wholly owned subsidiary, GDH Intermediate LLC, organized in Delaware. GDH Ltd. is a publicly traded company whose shares are listed on the Toronto Stock Exchange (TSX) under the symbol “GLXY.” Class B Units of GDH LP are held by three groups of shareholders: (i) Galaxy Group Investments LLC (“**GGI**”), a Delaware limited liability company, owned 100% by Michael Novogratz and his family members; (ii) employee founders of GDH LP; and (iii) former First Coin Capital Corp. shareholders. In May 2021 GDH LP announced that, subject to shareholder approval, GDH Ltd. expects to effect a reorganization and domestication whereby GDH Ltd. shares will be converted into and exchanged for stock in its successor entity, Galaxy Digital Inc., a Delaware corporation (“**GD Inc.**”). In January 2022, GDH Ltd. and GD Inc. publicly filed a registration statement to the SEC for the public offering of shares of GD Inc. in the United States.

As indicated on Form ADV Part 1A, the principal owner of the Adviser and GDCM’s General Partner, through the organizational structure described above, is Mr. Novogratz (the “**Principal Owner**”). The Principal Owner is not generally involved in the day-to-day operations of the Adviser.

#### 3. *Affiliates of the Adviser*

The Principal Owner, GD LP, GDH LP and GDH Ltd., through affiliates and subsidiaries (collectively, “**Galaxy Digital**”), have interests in certain other entities described in this Brochure (including in Item 10.C), and are seeking to build a full service, institutional-quality merchant banking business in the Digital

Assets<sup>1</sup> (as defined below) space. Currently, Galaxy Digital intends to capitalize on market opportunities made possible by the ongoing evolution of the cryptocurrency space through three primary business lines: Global Markets, Asset Management and Digital Infrastructure Solutions. Galaxy Digital may add or discontinue business lines at any time, and expects its business to continually evolve given the rapidly developing cryptocurrency space. Certain senior officers of the Adviser also are senior officers of Galaxy Digital. As discussed below, the Adviser has assumed management of the Galaxy Principal Investments Portfolio (as defined below), which has previously been managed separately from the Adviser by the Galaxy Digital principal investments team. The Adviser's facilities and personnel are provided by an affiliate, Galaxy Digital Services LLC, a limited liability company organized in Delaware and wholly owned by GD LP.

## **B. Description of Advisory Services**

This Brochure generally includes information about us and our relationships with our clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information applies to specific clients or affiliates only.

We are an investment management firm that provides advisory services on a discretionary basis to privately offered pooled investment vehicles (including funds of funds (i.e., funds that seek to achieve their investment objective(s) by investing substantially all of their assets in private funds managed by third party investment managers and/or our affiliates)), which are intended for investment by certain investors ("**investors**") that are accredited investors under Rule 501 of Regulation D of the Securities Act of 1933, as amended (the "**Securities Act**"), and Managed Accounts (as defined below). Investors in certain of these vehicles that we manage are also required to be qualified purchasers under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**") or "knowledgeable employees," as defined under Rule 3c-5 of the Investment Company Act so as to comply with the exemption under Section 3(c)(7) of the Investment Company Act. Certain investors in pooled investment vehicles and Managed Account clients are also required to be qualified clients under Rule 205-3 of the Advisers Act. We do not limit our investment advice to only certain types of investments. The Adviser and its affiliates also provide management services to accounts that do not invest in securities, including accounts that only invest in Bitcoin (BTC) or Ether (ETH), as described in further detail below in Item 10.C. Such services are not provided by the Adviser in its capacity as a registered investment adviser and are not subject to the Advisers Act. In addition, the Adviser provides management services to other accounts, including the Crypto Index Fund (as defined below) that, due to their investment strategy, do not constitute "securities portfolios" and are therefore not included in the calculation of the Adviser's regulatory assets under management. Additionally, the Adviser and its affiliates may in the future provide advisory services on a non-discretionary basis to certain clients.

Our "**clients**" include private investment funds (collectively referred to herein as the "**Funds**," and each, individually, a "**Fund**") and Managed Accounts which pursue the investment strategies described below in

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<sup>1</sup> "**Digital Assets**" means cryptographically derived digital assets, referred to as cryptoassets, cryptocurrencies, and/or blockchain tokens, virtual currencies or digital currencies, such as Bitcoin (BTC), Ether (ETH), or Solana (SOL), as well as other assets available on public, private or permissioned blockchains and/or ledger systems, including decentralized application tokens and protocol tokens, and other digital assets that are based on a cryptographic protocol of a computer network that may be (i) centralized or decentralized, (ii) closed or open-source, and/or (iii) used as a medium of exchange, store of value, and/or represent ownership in some asset, interest or object, whether real or intangible.

Item 8. Our clients also include special purpose vehicles which the Funds invest in, or alongside, with Fund investors and third-party investors. The Adviser and the Fund General Partners (as defined below), in their sole discretion, also provide co-investment opportunities to other funds, private investors, groups or individuals, including Fund investors (or their affiliates). In addition, subject to the compliance policies of the Adviser and GD LP, the General Partners' or the Adviser's affiliates, principals, officers, and employees make investments that are also appropriate for the Funds and, at certain times, simultaneously seek to purchase or sell, including in their individual capacities, the same or similar investments for the Funds. Finally, in addition to the assets maintained on behalf of clients, the Adviser has assumed the management of a portfolio of principal investments held and beneficially owned by the Galaxy Related Parties (as defined below) (the **"Galaxy Principal Investments Portfolio"**). In addition, in 2023 the Adviser was appointed by FTX Trading Ltd. and its affiliated debtors and debtors in possession (collectively, **"FTX"**) to manage certain assets of the FTX bankruptcy estate. Under the investment management agreement with FTX (as approved by the bankruptcy court), the Adviser is authorized to sell, transfer and stake certain Digital Assets and other instruments held by the FTX bankruptcy estate and to enter into certain hedging arrangements with respect to such assets. Please see Item 6 for details on potential conflicts of interest arising in the context of co-investments and managing different accounts side-by-side.

We provide our investment advisory services to the Funds in part through special purpose entities established to be the general partner or managing member of such Funds (the **"Fund General Partners"**). The Fund General Partners operate under our supervision and control and are subject to our compliance program.

### **C. Availability of Customized Services for Individual Clients**

Our advisory services are provided to the Funds, pursuant to the terms of the Funds' relevant offering documents and based on the specific investment objectives and strategies as disclosed in the offering documents. The advisory services each Fund receives are tailored to its individual needs, specified investment objectives and strategies as set forth in each Fund's offering documents. The Funds may impose restrictions on investing in certain types of Digital Assets and other instruments in accordance with achieving their investment objectives and strategies. Otherwise, there are no material restrictions on the types of investments and/or strategies we may employ for our clients.

We also offer investment advice to a limited number of clients that are separately managed accounts (**"Managed Accounts"**). The investment objectives and guidelines of such Managed Accounts are determined in conjunction with the applicable client.

### **D. Wrap Fee Programs**

We do not currently participate in any Wrap Fee Programs.

### **E. Assets Under Management**

As of December 31, 2023, we manage approximately \$3,649,532,477 in regulatory assets under management on a fully discretionary basis. We do not manage any clients' assets on a nondiscretionary basis as of such date.

## **ITEM 5. FEES AND COMPENSATION**

### **A. Advisory Fees and Compensation**

The fees applicable to any client are detailed in each Fund's offering documents and each other client's investment management agreement or similar document. A brief summary of the fees that we charge is provided below. In the sole discretion of the Adviser or a Fund General Partner or Fund Board of Directors, as applicable, such fees may be waived, reduced or calculated differently with respect to certain investors, including investors affiliated with the Adviser.

**It should be noted that any client of the Adviser after the date of this Brochure may have materially different terms as to fees than those summarized below and any such terms for an existing client may be amended from time to time.**

The Adviser receives a management fee from the Funds or Managed Accounts for investment management services (the "**Management Fee**"). As of the date hereof, the amount of Management Fee equals up to 2% per annum depending upon the Managed Account or the Fund and the investor's choice of share class. The Management Fee for the various funds and accounts is generally calculated based upon assets under management, net asset value, capital commitments or invested capital. With respect to certain Managed Accounts, Management Fees or similar fees may be charged based on such other metrics as may be agreed with the applicable client. The Management Fee is generally calculated and paid, either in advance or arrears (generally quarterly or monthly), in accordance with the relevant Funds' offering documents or Managed Accounts' investment management agreement, and will generally be pro-rated for any period that is less than a full period. For its Funds, the Adviser will determine to reduce or waive the Management Fee in respect of particular investors, including any affiliate of the Adviser. A detailed description of the Management Fee calculation is provided in the applicable investment management agreement and/or offering or similar document.

Additionally, certain Funds and other clients, as noted in Item 6 below, bear a performance-based incentive allocation or pay a performance-based fee to the Adviser or a Fund General Partner or its affiliates (any such allocation or fee, "**Carried Interest**") of up to 20% depending upon the Fund. As described in more detail under Item 6 below, for certain Funds Carried Interest is calculated based upon returns in excess of a benchmark.

### **B. Payment of Fees; Carried Interest Allocations**

Management Fees paid to the Adviser or its affiliates, and any Carried Interest paid or allocated thereto by a client are generally deducted from the client's account or paid directly to the Adviser or an affiliate by the applicable client, on the basis described in the offering documents of each Fund and each other client's investment management agreement or similar document.

### **C. Additional Fees and Expenses**

The expenses attributable to each specific client are detailed in each client's investment management agreement and/or offering or similar document. Subject to the terms of such agreements and documents, we have set forth below the expenses that each client can generally be expected to bear. However in some instances certain expenses listed below may be borne by, or solely applicable to, certain clients and not others, or be subject to a cap or other limits as to certain clients and not others. In addition,



certain expenses not listed below may be allocated to certain clients if permitted by the client's investment management agreement and/or offering or similar document.

### *1. Categories of Expenses*

Unless otherwise specified in a client's investment management agreement and/or offering or similar document, Adviser shall bear and pay its (i) overhead expenses, including office rent; (ii) cost of furniture and fixtures; (iii) cost of stationery; (iv) employee salaries, benefits, travel expenses associated with the marketing of the Fund, (v) payroll taxes and other related expenses and (vi) entertainment expenses. There are several categories of expenses that are allocated to and among clients. These categories are discussed below under "Organizational and Operational Expenses," "Sourcing and Diligence Expenses" and "Portfolio Company-Related Expenses."

#### (a) Organizational and Operational Expenses

Organizational and operational expenses relate to the organization and operation of Funds or other clients that are not directly related to sourcing investments or to any particular portfolio company.

Examples of organizational expenses are legal, accounting, and filing expenses incurred in connection with organizing, establishing and maintaining any Fund and the related general partner, expenses attributable to the marketing and offering of interests in such Fund or vehicle, including commissions, costs, fees, and expenses of any placement agent or finder and legal, accounting, filing, capital raising, travel and accommodation expenses incurred in connection with such Fund's establishment, organization and marketing (including, first class and/or business class airfare and/or private charter, first class and/or business class lodging, ground transportation, and premium meals), printing and other similar costs, fees, and expenses. We and our affiliates may compensate third parties, including brokers and placement agents and others, in connection with the solicitation of certain prospective clients and investors. Such referral fees may be based upon a percentage of such client's assets under management, management fees and/or performance-based compensation earned by the Adviser (or our affiliates), or any other fee arrangement agreed to by the Adviser (or our affiliate) and such third party. To the extent applicable, such arrangements will conform to the applicable provisions of the Advisers Act. Other examples of organizational expenses include fees and expenses associated with the negotiation and preparation of side letters with Fund investors and compliance therewith.

Operational expenses include costs associated with the recommendation of, transactions in, and maintenance of client's investments, including costs of valuation and pricing services; expenses incurred in connection with compliance with the E.U. Alternative Investment Fund Managers Directive ("AIFMD") and expenses attributable to compliance with other private placement regimes and with anti-money laundering laws and know-your-customer requirements (including any related software and licenses costs and the appointment of any anti-money laundering compliance officer, money laundering reporting officer and deputy money laundering reporting officer of a Fund or any alternative investment vehicle required pursuant to the Anti-Money Laundering Regulations (2020 Revision) of the Cayman Islands); compliance with U.S. federal, state, local, non-U.S. and other laws and regulations (including, but not limited to, securities laws, the Employee Retirement Income Security Act of 1974, Department of Labor, SEC and Commodity Futures Trading Commission ("CFTC") rules and regulations) and related expenses, including fees and expenses related to filings, documents, qualifications and registrations relating to a client with the SEC, CFTC and/or other foreign or domestic regulators

(including short and long exposure and/or ownership filings with U.S. and foreign regulators and Form PF, if any, of the Adviser or any of its affiliates), AIFMD Annex IV and the AIFMD annual report (but excluding expenses related to preparation of the Adviser's Form ADV); and fees and expenses relating to: indemnification expenses as permitted pursuant to applicable agreements; registered office, corporate licensing, corporate secretarial and other similar expenses; the private placement of the interests in a Fund (other than placement fees); operating agreements and subscription agreements of the Funds and any applicable amendments and revisions; obtaining consents or waivers of investors; transfers of interests in a Fund, including with respect to transfer documentation and legal and tax analysis in connection with such transfer; communications with Fund investors (including printing, mailing, investor web portal and other costs of information dissemination); management, performance, advisory, sponsorship or other fees, expenses, and amounts due to a Fund's investing in or allocating assets to other private funds; certain taxes and other governmental charges levied against the Fund; holding any meetings of Fund partners and/or any advisory committee of the Fund or Board of Directors of the Fund; dissolution or liquidation of the Funds or special purpose vehicles of the Funds; agreements related to products and/or services for the benefit of clients and compliance therewith (including, without limitation, any required custodial services); litigation and threatened litigation, if any, and legal inquiries (formal and informal), including regulatory "sweeps"; obtaining and maintaining insurance to benefit, directly or indirectly, clients and/or the Adviser and its affiliates or their respective shareholders, partners, members, officers, directors, employees and agents; certain administrative and accounting services fees; negotiating agreements relating to investments; brokerage commissions, transaction costs, loan servicing and administration fees, ticket charges, clearing and settlement charges and custodial fees; interest expenses and other financing charges; placements of investments and similar expenses, investment banking, syndication, valuation, appraisal, due diligence, record keeping, legal, accounting and administrative services; services of the administrator of a Fund (including for certain information technology services and middle-office trade support services, as well as for accounting, reporting, tax, compliance and audit services and software); third party accounting, tax compliance and related services (including services incurred in connection with the annual audit of a client, any "surprise" audit, tax filings, preparation of tax information and audits and expenses attributable to compliance with the Foreign Account Tax Compliance Act, the Organization for Economic Cooperation and Development's Common Reporting Standard and similar regimes); any applicable expenses relating to proxy voting, research, reporting, execution, and recordkeeping services; costs of hedging transactions; legal services relating to ISDA negotiation or other negotiation with counterparties; consulting, advisory, investment banking and other professional services relating to particular investments or contemplated investments; custody of Digital Assets, securities and other assets (including, but not limited to, third party custodians or wallet providers); research-related services (including fees for news and quotation equipment and connectivity costs and services, market data services and fees paid to third-party providers of research and software for managing and monitoring research and legal expenses); portfolio risk management services (including the costs of risk management software or database packages and related connectivity costs); market information systems and related connectivity costs; and investment-, operations and accounting-, and portfolio-related software, and related connectivity costs of each such type of software.

In addition, the Adviser, or its affiliates, may perform some or all of such functions in-house generally if it believes it can provide such services more effectively and at a cost that is comparable to prevailing market rates for such services. The Adviser may also provide services in connection with each Fund's ongoing operations. Such services may include, without limitation, legal, administrative, accounting, tax, valuation, audit and insurance expenses of each such entity, as well as compensation and overhead expenses related to the Legal & Compliance Department of the Adviser or its affiliates to the extent allocable to any such entity.

While it is not the Adviser's current practice, a portion of such expenses described above may be borne by a client to the extent permitted under the client's investment management agreement or similar agreement. Such fees and expenses would be in addition to the Management Fee and may be subject to a cap. The fees may be used by the Adviser or its affiliates in engaging personnel and in incurring other overhead costs to manage client assets in lieu of hiring an unaffiliated third-party service provider to provide these services.

Each client of the Adviser and each investor into a Fund must review the applicable offering memoranda, limited partnership agreements and investment management agreements, among other documents, for a fuller discussion and understanding of all the fees, expenses and other compensation the Adviser and other parties may obtain or receive from, or in connection with, clients and investors.

#### (b) Sourcing and Diligence Expenses

Sourcing and diligence expenses are expenses that relate more generally to investment sourcing and diligence for a particular investment strategy as well as investment-related travel and accommodation expenses (including, first class and/or business class airfare and/or private charter, first class and/or business class lodging, ground transportation, and premium meals) and professional fees relating to investments and costs and expenses of research and technology including statistical and market data, conferences (including first class and/or business class airfare and/or private charter travel to and from conferences), software and software consulting.

Sourcing and diligence expenses may include those expenses incurred with respect to the pursuit of particular investments that are never actually consummated. Examples of such "broken deal" expenses include fees and expenses of any legal, financial, accounting, consulting or other advisors or lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated, any travel and accommodation expenses, and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated transactions.

#### (c) Portfolio Company-Related Expenses

Portfolio company-related expenses are expenses that are specifically attributable to a particular Fund portfolio company. The Adviser may seek to have the applicable portfolio company bear these expenses, which will have the effect of reducing the returns of the applicable Fund. Examples of expenses that fall within this category are travel and accommodation expenses (including, first class and/or business class airfare and/or private charter, first class and/or business class lodging, ground transportation, and premium meals) for an employee to attend a board of directors meeting of a portfolio company, other compensation and expenses for services provided to or on behalf of a portfolio company (including directors' fees, consulting fees, equity grants and other compensation of senior advisors or industry advisors (including phantom equity)), and fees and expenses of any other consultants, counsel, accountants or other experts for services provided to a Fund portfolio company. Other examples include, without limitation: (i) costs (including administrative and filing fees) of maintaining the holding structure for portfolio investments, (ii) portfolio and risk management expenses, and (iii) expenses related to industry conferences directly related to a particular portfolio company, including first class and/or business class airfare and/or private charter travel for employees of the Adviser to attend such conferences.

Certain of our related persons serve as members of the boards of directors of certain portfolio companies

of Funds managed by the Adviser. Such related persons are reimbursed by the underlying portfolio companies for travel costs and other expenses related to attendance at portfolio company board meetings.

## *2. Expense Allocation Procedures*

It is the policy of the Adviser to charge and allocate expenses in accordance with the expense arrangements set forth in the relevant client's offering documents and/or investment management or other agreements. Detailed information regarding the fees, costs and expenses to be paid by each Fund or client, and the allocation thereof, is contained in such documents. Additionally, the Adviser has implemented an expense allocation policy governing the allocation of expenses among Funds and other client accounts. Investors should not consider an investment in a Fund without fully understanding the Fund's fees, cost and expense structure.

Generally, all expenses borne by a Fund client, other than the Management Fee and any expenses that the applicable Fund General Partner or Fund Board of Directors determines should be allocated to a particular investor (e.g., investor-related taxes), will be debited or charged against all of the capital accounts of Fund interests on a *pro rata* basis, based on capital account balances, capital commitments or other metrics. To the extent that expenses to be borne by a client are paid by the Fund General Partner or the Adviser, a client will reimburse such party for such expenses.

In addition, the nature of an expense will dictate how such expense is allocated among different clients or as between clients, on the one hand, and other parties, including the Adviser or its affiliates (including the Galaxy Principal Investments Portfolio), on the other hand:

“Organizational and Operational Expenses” generally are charged to the client to which they relate.

“Sourcing and Diligence Expenses” are generally attributable to the clients, third parties and/or affiliates of the Adviser that invest in a given strategy. If a transaction is consummated, such expenses will typically be borne by the relevant portfolio company or a related investment vehicle through which the investment is made and capitalized as part of the acquisition price of the relevant transaction to the extent not reimbursed by a third party. If a transaction is not consummated, the allocation of such “broken deal” costs will be in accordance with the proposed allocation for the investment had it been made. If the agreement with a client or third party (including a co-investor as discussed further in response to Item 6) does not permit the allocation of broken deal expenses, unless otherwise determined by the Adviser, such person's *pro rata* share of broken deal expenses will be borne by the Fund or Funds involved in such potential transaction.

“Portfolio Company-Related Expenses” are generally charged to the portfolio company to which they relate, or, if not, are generally allocated to clients based on the ownership percentages of the relevant portfolio company held by the relevant clients at the time of the relevant service period, if applicable. Transaction expenses for consummated investments will typically be borne by the relevant portfolio company or a related investment vehicle through which the investment is made and capitalized as part of the acquisition price of the relevant transaction to the extent not reimbursed by a third party. In addition, ongoing expenses that are specific to a portfolio company may be borne by the relevant portfolio company. When the portfolio company bears an expense directly, each client that is a direct or indirect equity owner of such company will indirectly bear a portion of such expenses.

#### **D. Payment of Fees in Advance**

As discussed above in response to Item 5.A, the management fee of each of the Funds or Managed Accounts is payable either monthly or quarterly, in advance or in arrears. If an Investor was permitted to withdraw capital on a date other than the end of a calendar month or quarter, as applicable, the *pro rata* portion of any management fee that was paid in advance typically will be refunded to the Investor for such partial month or quarter.

#### **E. Additional Compensation and Conflicts of Interest**

Neither the Adviser nor any of its supervised persons (except for those who are also employed by the Adviser's affiliate, Galaxy Digital Partners LLC ("**GDP**"), a broker-dealer registered with the SEC and a member of FINRA) accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

As discussed in response to Item 10.C, GDP and its registered representatives (some of whom are also employed by the Adviser) as well as other affiliates and representatives that are also part of GGM (as defined below) more broadly may participate in underwriting syndicates and/or selling groups with respect to the securities and debt instruments of portfolio companies in or through which certain clients invest.

GGM may also charge fees to our clients in connection with the provision of bona fide trading, investment banking or other services to clients or portfolio companies. This compensation may include brokerage commissions, brokerage fees, financing or commitment fees, spreads and financial advisory fees or fees in connection with restructurings and mergers and acquisitions ("**M&A**"), underwriting fees or placement fees. We may engage (i) GGM or other affiliates in lieu of hiring an unaffiliated third-party service provider to provide these services if we believe that our affiliates can provide such services as effectively and at a cost that is comparable to prevailing market rates for such services, and on such terms reasonably expected by the Adviser to be available in an arm's-length transaction with an unaffiliated third party or (ii) as otherwise agreed with the applicable client. GGM may receive fees and commission, which may be payable in cash or securities, in respect of the activities described above. Clients generally will not receive the benefit of any such fees or other compensation. See "*Affiliated Trading Activities*" and "*Other Fees and Compensation*" below.

In addition, GDP currently serves as placement agent for our Funds. Under current arrangements, neither GDP, GDP's registered representatives, nor we will earn commissions from such sales; nor will investors who or which invest because of such sales activities be charged any sales costs or commissions attributable to such sales.

As discussed in response to Items 8.A and 10.C, the Adviser has developed, together with Bloomberg, LP ("**Bloomberg**"), various indices including the Crypto Index. Pursuant to its agreement with Bloomberg, the Adviser is entitled to receive a certain portion of license fees collected by Bloomberg for use of such indices by persons other than the Adviser or funds managed by the Adviser. The Adviser and its affiliates also may, from time to time, receive fees from licensing Galaxy Digital's trademark to third parties; for instance, the Adviser and its affiliates receive fees from Alerian, an index provider, in consideration for Galaxy Digital's license of the "Galaxy" trademark to Alerian and Alerian's sub-license

of the “Galaxy” trademark to Invesco Ltd.

## ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed in response to Item 5.A, the Fund General Partners and other Galaxy Related Parties are entitled to receive a performance fee or other form of Carried Interest from or in respect of certain clients. The Adviser understands that there exists certain potential conflicts of interest associated with the presence of performance-based fees and other forms of Carried Interest, including with respect to the timing of the disposition of investments. From time to time, with respect to certain Funds (including the Liquid Crypto Fund), the Adviser (subject to the terms and conditions set forth in the governing documents of the applicable Fund) is entitled to receive Carried Interest in instances where the net performance of the Fund in a given year exceeds the performance of a chosen benchmark over the same period (the “**Benchmark**”). Because the Carried Interest payable to the Adviser is calculated in respect of the difference between the net performance of the applicable Fund and the Benchmark over a particular period, Carried Interest may be allocated or paid to the Adviser in respect of a period in which the Fund has sustained an overall loss, if such performance is still in excess of the performance of the Benchmark for such period. Such a fee or other Carried Interest may create an incentive for the Adviser to cause the Funds to make investments that are riskier or more speculative than would be the case if there were no Carried Interest. 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, the Adviser advises each of the Funds in accordance with its investment strategy and any allocation restrictions set forth in each Fund’s organizational documents.

Additionally, the Adviser has established policies and procedures designed to address potential conflicts of interest, including the allocation of investments and opportunities, relating to side-by-side management of different client accounts where performance-based or other compensation varies or other conflicts of interest exist. The Adviser periodically reviews the allocations among client accounts in an attempt to determine that higher fee-paying accounts or proprietary accounts are not systematically favored. As described generally in Item 11.D, pursuant to its allocation policy, the Adviser seeks to allocate investment opportunities fairly and equitably over time across clients to the extent such opportunities are appropriate for such clients. In allocating investment opportunities among clients, the Adviser or its affiliates (including the investment activity with respect to the Galaxy Principal Investments Portfolio) may take into account factors including, among other things, the relative amounts of capital available for new investments and the investment programs and portfolio positions of the client and such other clients and investment vehicles as well as any applicable contractual provisions. However, situations may arise in which the activities of the Adviser or its affiliates (including with respect to the Galaxy Principal Investments Portfolio) may be disadvantageous to a client, such as the inability of the market to fully absorb orders for the purchase or sale of particular investments placed by the Adviser for a client and other clients or at prices and in quantities which may be obtainable if the same were being placed only for the client.

In addition, as discussed in response to Items 4.B and 10.C, the Adviser may cause clients to invest alongside co-investors when the Adviser deems it appropriate and consistent with the interests of the clients. In this Brochure, we refer to (i) the Fund General Partners’ or the Adviser’s affiliates, principals, officers, and employees, Fund investors, third-party investors and other third-party funds, private investors, groups or individuals (or their affiliates) that invest alongside clients, collectively, as “**co-investors**” and (ii) the investments that co-investors make alongside clients as “**co-investments**.” The term “co-investment” also includes investment opportunities in the form of financing facilities relating to portfolio companies. Such co-investments are likely to reduce the amount clients can invest in any given opportunity, and the Adviser may

be unable to make as large of an investment on behalf of a client as otherwise might be desirable. In addition, the allocation of investments between co-investors and clients will be at the Adviser's discretion, and if the co-investors receive more favorable economic terms for the same investment than clients, the Adviser may have a conflict of interest with respect to allocating investments between the co-investors and clients. The Adviser is not obligated to arrange co-investment opportunities or to offer any investor the opportunity to co-invest (although, for some Funds, certain investors may be provided priority co-investment access, as more fully described in the offering documents of the applicable Funds), and no such investors or beneficial owners will be obligated to participate in such an opportunity if offered. Any investment by co-investors alongside clients will be subject to approval by the Adviser in its sole discretion, on a case-by-case basis and by determining whether such co-investment is appropriate. If approved, the Adviser will allocate an investment among its clients, on the one hand, and the co-investors, on the other hand (and among co-investors), in its sole discretion, taking into account the following, non-exhaustive list of factors: (i) the co-investor's role, if any, in sourcing a particular opportunity; (ii) the ability of a co-investor to commit to invest in a short period of time, in light of the timing constraints applicable to the co-investment; (iii) the ability of a co-investor to commit to a significant portion of such opportunity; (iv) whether a co-investor is a strategic investor; (v) the size of a co-investor commitment to or investment in a client; (vi) a co-investor's tenure as an investor with the Adviser or its affiliates; and (vii) tax and regulatory considerations relevant to a co-investor and the particular co-investment opportunity.

From time to time, the Adviser may elect to facilitate co-investment opportunities with respect to a particular investment within a certain period of time after such investment is consummated by a Fund through subsequent sales or dispositions of portions of such investment to co-investors. Proceeds received by a Fund in connection with any such sale or disposition are generally distributed on a *pro rata* basis to participating partners of the Fund in proportion to their respective interests in the applicable investment. In addition, the general partner of the Fund typically reserves the ability to charge any co-investor participating in such co-investment opportunity a cost of carry based on the cost basis of the interest in the investment being acquired by such co-investor. Any cost of carry paid to a Fund by a co-investor is also generally distributed on a *pro rata* basis to all participating partners of the Fund. If the Adviser elects for a Fund to facilitate a co-investment opportunity in this manner, the Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, among other things, such Fund may hold a larger than expected interest in such portfolio investment, may bear a greater amount of fees, costs and expenses associated with such portfolio investment, or may realize lower than expected returns from such portfolio investment. Co-investors typically bear their *pro rata* share of various fees, costs and expenses related to their co-investments and the Adviser will attempt to cause committed co-investors to pay their *pro rata* share of fees, costs and expenses related to their potential co-investments that are not consummated, such as reverse breakup fees or broken deal costs. To the extent co-investors do not agree to or do not otherwise bear fees, costs and expenses related to unconsummated co-investments then such fees, costs and expenses will be borne by the Fund or Funds involved in such transaction.

Investment opportunities in the form of financing facilities relating to portfolio companies of Funds or clients may arise from time to time, and affiliates of the Adviser and/or certain investors in Funds or other clients may be selected to participate in such facilities and may receive additional benefits in connection with doing so. The selection of financing sources depends on a variety of facts and circumstances, potentially including specific expertise and speed of execution. The Adviser selects financing sources in its sole discretion based on its analysis of the facts and circumstances and does not offer financing opportunities to every investor in the Funds or other clients.



In addition, the Adviser or its affiliates, because of differing investment objectives, different investment teams or other factors, may cause a client to take investment positions that are different from or adverse to those taken by another client or co-investor, including positions contrary to those held by such other client or that are senior or junior to those held by such other client or co-investor. To the extent that a client holds interests that are different from (or more senior or junior to) those held by another client or co-investor, the Adviser and its affiliates may be presented with decisions involving circumstances where the interests of one client are in conflict with those of another client or co-investor, including with respect to the operation of a company, the expected returns for the investment and the timeframe for and method of exiting the investment. Furthermore, it is possible that (in a bankruptcy proceeding or otherwise) a client's interest may be subordinated or otherwise adversely affected relative to another client or co-investor or otherwise by virtue of such client's or co-investor's involvement and actions relating to its investment. For example, a client that is a debt holder of a company may be better served by the company's liquidation, in which case it may be paid in full, whereas a client that is an equity holder of a company may prefer a reorganization that could create value for the client and other equity holders. In addition, the existence of varying compensation arrangements among clients or the management of the Galaxy Principal Investments Portfolio or other clients in which proprietary capital is invested could incentivize the Adviser to manage such clients differently. There will be no obligation to purchase, sell or exchange any security or financial instrument for a client if the Adviser or its affiliates believe in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the particular client.

Sometimes, following an investment by a client, the Adviser or its affiliates have the opportunity to make an additional or follow-on investment in the same portfolio company or a related company. Occasionally, rather than allocate these additional or follow-on investment opportunities to the client(s) that made the original investment, the Adviser may allocate the opportunity in a different manner, including but not limited to amongst other clients or co-investors. Typically, the Adviser makes these allocations in circumstances where the additional investment opportunity or follow-on investment could not, because of available capital, expected holding period of the investment, risk limits, size, tax considerations, concentration or other reasons, be allocated in the same manner as the original investment to which it relates. Additional investment opportunities and follow-on investments may be more or less profitable than the original investment to which they relate.

From time-to-time, a client makes commitments to provide capital for investments at a certain date in the future. As described above with respect to the Adviser's facilitation of co-investment opportunities following the consummation of certain investments, at the time any such investment requires funding, the Adviser may allocate the investment opportunity among such client, other clients eligible to participate in the investment and/or co-investors. In addition, the client and its affiliates may establish investment vehicles to facilitate the investment of clients in certain opportunities. To the extent that any other clients make an initial investment in or increase their investment in such an investment vehicle, such investment will dilute the existing interest holders (and the underlying investments therein) unless the Adviser determines to increase the other interest holders' commitment to the platform on a proportionate basis. Accordingly, clients may be disadvantaged if the Adviser allocates opportunities that prove to be profitable away from them or if the Adviser allocates opportunities that prove to be unprofitable to them.

As described above and generally in Item 11.C, there may be situations in which one client (or affiliate of a client) makes or otherwise acquires an investment that is later sold to another client. Such transactions are referred to as "**Internal Cross Transactions.**" The client making the initial investment will bear the

investment risk related to the investment if and until such time as an Internal Cross Transaction is effected with another client. The client making the initial investment may be paid interest or other compensation from the client purchasing the investment in such circumstances if believed to be necessary and appropriate by the Adviser, including as described above.

The portfolio strategies we and our affiliates use for certain clients could conflict with the transactions and strategies we employ in managing other clients and may affect the prices and availability of the securities and other financial instruments in which clients invest. For example, the use of currency or Digital Asset hedging, securities hedging or other hedging, trading, asset allocation and derivative strategies designed to increase, decrease or otherwise modify the exposure of a client's holdings to particular strategies, may result in investments for certain clients that are contrary (economically or otherwise) to the investment positions taken by the Adviser on behalf of another client and may result in higher or lower returns and greater or less downside or other risk for a client. In addition, the trading activity of certain clients or other accounts may impact the pricing or availability of Digital Assets or other instruments held by the Adviser's clients, in some cases materially. This is particularly true with respect to the trading activity undertaken by the Adviser with respect to the FTX estate, particularly given the size of the positions held by the FTX estate.

Client investments may include investments in vehicles that are directly or indirectly affiliated with the Adviser, such as the Funds. Though in many cases the Adviser will waive fees and allocations payable with respect to the underlying Fund or other vehicle in those situations, absent such waivers the client bears management fees and performance fees that are paid to, or performance allocations that are made to, the managers, general partners or members of such affiliates, including the Adviser. The Adviser will endeavor to make investment decisions for the benefit of the client in good faith and to treat each of the Funds and all of its clients in a fair and equitable manner over time. There can be no assurance, however, that certain investment decisions made for a client or for any other Fund will not adversely affect other Funds or clients, even if such investment decisions are made in good faith.

## **ITEM 7. TYPES OF CLIENTS**

As discussed in response to Item 4.B, our clients include privately offered pooled investment vehicles, which are intended for investment by investors that are accredited investors under Rule 501 of Regulation D of the Securities Act, and, for certain Funds, are qualified purchasers under Section 2(a)(51) of the Investment Company Act or “knowledgeable employees,” as defined under Rule 3c-5 of the Investment Company Act so as to comply with the exemption under Section 3(c)(7) of the Investment Company Act. We also offer investment advice to Managed Accounts. The investment objectives and guidelines of such Managed Accounts are determined in conjunction with the applicable client.

The minimum investment for a client or an investor generally will be determined by the Adviser, or the applicable Fund General Partner of the client and will generally be set out in the relevant client’s offering documents and/or investment management or other agreements. Such minimum investment amounts may be waived by the Adviser or the applicable Fund General Partner, if permissible under relevant law. Minimum investment amounts generally are negotiated on a case-by-case basis with a client or an investor.

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

### A. Methods of Analysis and Investment Strategies

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, as well as investment strategies pursued and investments made by the Adviser on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines.

**The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved. Investment products we manage are designed only for sophisticated persons who can bear the economic risk of the loss of their investments and who have a limited need for liquidity in their investment. There can be no assurance that an investment strategy will achieve its investment objective or that substantial losses will not be incurred. Each prospective client or investor should carefully review the applicable offering documents and/or investment management or other agreements prior to deciding to invest in the strategy, product or Fund managed by the Adviser.**

#### *1. Methods of Analysis*

Investment ideas are usually generated internally, through research and analysis, and are based primarily upon the research and analytical experience and expertise of each of the investment and other professionals that supervise and review the applicable accounts. The Adviser may obtain information regarding investment opportunities through industry participants, broker-dealers and business and other relationships. The Adviser may, from time to time, engage the services of affiliates as well as consultants and third parties to provide investment ideas, source potential investments, or gather further research or information.

The Adviser's investment analysis methods may include, depending upon the investment strategy and circumstances, charting, fundamental, technical and cyclical methods. In addition, the Adviser's methods of analysis may include quantitative and computer-aided analysis of investments and market attributes, and computer application of models applying proprietary evaluation criteria to investments, among others. The Adviser also may use risk-generated analysis and reports or other such information as it believes is advisable in connection with its investment strategies.

#### *2. Investment Strategies*

##### *(a) Index Strategies*

The principal investment objective of one index strategy offered by the Adviser (the "**Crypto Index Strategy**") is to provide investment results that, before expenses, correspond generally to the performance of the Bloomberg Galaxy Crypto Index (the "**Crypto Index**"), an index developed by Bloomberg and the Adviser and maintained on an ongoing basis by Bloomberg, which is designed to track the performance of the largest, most liquid portion of the cryptocurrency market as can be ascertained by certain public data sources as measured by Bloomberg. Among other criteria, the methodology developed by Bloomberg excludes any Digital Assets from the Crypto Index that have been

deemed a security by the SEC. The Galaxy Crypto Index Fund, L.P. (collectively with Galaxy Crypto Index Master Fund, L.P., the “**Crypto Index Fund**”) pursues its investment objective through investments in a portfolio of Digital Assets that are tracked by the Index; *provided* that the Adviser intends for a minimum of 60% of the Index Fund’s gross portfolio to be invested in BTC and ETH (in the aggregate) as of each valuation date. Based on the rules of the Index and the composition of the Crypto Index Fund’s investment portfolio, the Crypto Index Fund is not a “private fund” for purposes of the Adviser’s Form ADV, and also does not constitute a “securities portfolio,” which means that the assets of the Crypto Index Fund are therefore not included in the calculation of the Adviser’s regulatory assets under management.

As discussed in response to Items 5.E and 10.C, the Adviser is entitled to receive a certain portion of license fees collected by Bloomberg for use of the Crypto Index by persons other than the Adviser or funds managed by the Adviser.

(b) Interactive Content and Technology Space Strategy

The Adviser pursues another strategy that focuses on portfolio companies that are engaged in or planning to engage in business in the interactive content and technology space with a focus on, but not limited to, video game and interactive content studios, interactive social platforms and related infrastructure technology. In addition to its investments in such portfolio companies, the strategy may also invest a portion of its assets in certain Digital Assets, securities or commodities, including, but not limited to, certain cryptocurrencies, tokens, non-fungible tokens (also known as NFTs), in-game virtual currencies, and other “digital” or “crypto” assets which may be held directly by a client, or indirectly through portfolio companies, that, in turn, invest in such assets.

(c) Funds of Funds

The principal investment objective of another investment strategy offered by the Adviser through GVHAM (the “**Funds of Funds Strategy**”) is to achieve capital appreciation through investments in hedge funds, venture capital funds and/or other private funds (the “**Portfolio Funds**”) that invest primarily in Digital Assets. In addition to its investments in such Portfolio Funds, the strategy may also invest a portion of its assets directly in Digital Assets or equity and equity-like investments that are active in blockchain technology and the Digital Assets market.

(d) Liquid Crypto Strategy

The principal investment objective of another investment strategy offered by the Adviser (the “**Liquid Crypto Strategy**”) is to provide exposure to the current and next generation of Digital Assets and blockchain technology generally. The Liquid Crypto strategy seeks to achieve capital appreciation with alpha enhancing opportunities by using active portfolio management to benefit from the expansion of use cases and adoption of Digital Assets globally. The Galaxy Liquid Fund LP (together with Galaxy Liquid Crypto Fund Ltd., the “**Liquid Crypto Fund**”) pursues its investment objective by acquiring Digital Assets (including, but not limited to, protocols, tokens and initial coin offerings) as well as simple agreements for future tokens and other investments in the Digital Assets space broadly defined. The Liquid Crypto Fund is not required to invest in either Bitcoin or Ethereum (but may elect to do so at the discretion of the Adviser)—the Adviser identifies the core investment universe of Digital Assets that

meet specific requirements such as market cap, liquidity and development/management teams. The Adviser uses a proprietary allocation framework and a multifactor ranking model to screen Digital Assets based on both a fundamental and quantitative basis.

(e) Other Investment Activity

As discussed in response to Items 4.B and 10.C, in addition to assets managed on behalf of clients, the Adviser has assumed management of the Galaxy Principal Investments Portfolio, a portfolio of largely private investments across the Digital Assets industry that is held and beneficially owned by Galaxy Related Parties. In managing the Galaxy Principal Investments Portfolio, the Adviser seeks to identify, invest in, and support category-defining companies and networks that the Adviser anticipates will grow the crypto-economy and shape the adoption of the ecosystem. Through the Galaxy Principal Investments Portfolio the Adviser will also seek to make strategic investments in the equity and debt of companies operating in similar or adjacent businesses to Galaxy Digital with an eye toward future commercial relationships and/or strategic alignment of interests.

In addition, in 2023 the Adviser was appointed by FTX to manage certain assets of the FTX bankruptcy estate. Under the investment management agreement with FTX (as approved by the bankruptcy court), the Adviser is authorized to sell, transfer and stake certain Digital Assets and other instruments held by the FTX bankruptcy estate and to enter into certain hedging arrangements with respect to such assets.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies**

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in clients advised by the Adviser. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Adviser or particular investment instruments in which we invest on behalf of clients. In addition, not all risk factors set forth below apply to each client. Some risk factors apply to certain clients and not to others. The risk factors applicable to a specific client are further detailed in that client's offering documents and/or investment management or other agreements.

References in this section to actions taken or investments made by a "client" should be understood to mean, as context requires, that such actions may be taken or investments made by the Adviser (and references to the Adviser should include, for purposes of this section, a Fund General Partner, as context requires).

***General Risks***

*Investment-Related Risks.* The investment business, and in particular investing in Digital Assets and/or the debt or equity of companies operating in and around the distributed ledger, Digital Asset and broader emerging digital FinTech sectors ("**Digital Asset Companies**") is speculative, underlying asset prices are volatile and market movements are difficult to predict. Market supply and demand for investment opportunities change rapidly and are affected by a variety of factors, including interest rates, housing prices, merger activities, regulation, unemployment, wage growth and general economic trends. In addition to these general investment risks, the Adviser may use investment techniques that may subject its clients to certain risks; some, but not all, of these risks are summarized below.

*Investment and Trading Risks Generally.* Investing involves a high degree of risk, including the risk that the entire amount invested may be lost. Depending upon the specific strategy, a client generally will make direct or indirect investments in Digital Assets or in Digital Asset Companies, using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of Digital Assets, global equity, currency and fixed income markets, leverage, regulatory uncertainty, the potential illiquidity of derivative instruments and other portfolio investments and loss from counterparty defaults. No guarantee is made that a client's investment program or overall portfolio, or various investment strategies used or investments made, will have low correlation with each other or that a client's returns will exhibit low long-term correlation with an investor's traditional securities portfolio. A client's investment program may use such investment techniques as margin transactions, option transactions, swap and other derivative transactions, short sales and forward and futures contracts, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which a client may be subject. The use of certain trading counterparties and exchanges, in the context of Digital Asset transactions, may substantially increase transactional risks and increase the adverse impact to which a client may be subject. All investments made by a client risk the loss of capital. No guarantee or representation is made that a client's investment program will be successful, that a client will achieve its investment objective or that there will be any return of capital invested to investors in a client, and investment results may vary substantially over time.

*Risks Related to Pricing Sources.* With respect to the Index Strategies listed in Item 8.A.2(a) above, each fund portfolio will be priced using the pricing input used by Bloomberg to calculate the Crypto Index. Each pricing input is calculated as an average of those pricing sources selected by the pricing input provider. Therefore, it will not necessarily be reflective of the price of the applicable Digital Assets available on any given exchange or other venue where the fund's trades are executed. In addition, the applicable pricing input is available once per day, whereas Digital Assets trade 24 hours a day. As such, the pricing input may not be reflective of market events and other developments that occur after its pricing window and thus the pricing input may not be reflective of the then-available market price of Digital Assets in periods between its calculation.

Because the net asset value of a fund will be based almost entirely on the value of the portfolio's Digital Assets as determined by reference to the applicable pricing input, and subscriptions and withdrawals are processed based on the net asset value of the fund, if the pricing input does not accurately reflect the value of the applicable Digital Assets, at a given time, subscription and withdrawal transactions will be effected at prices that may adversely affect investors and the fund. For example, if the accurate value of the applicable Digital Assets is less than the applicable pricing input at the time in question, investors will effectively overpay when they subscribe to a fund, and the fund will effectively overpay when an investor withdraws (thereby diluting the remaining investors). Conversely, if the accurate value of the applicable Digital Assets is greater than the pricing input at the time in question, fund investors will effectively underpay when they subscribe to a fund client (thereby diluting existing investors), and investors will be effectively underpaid when they withdraw from the applicable fund.

*Different from Directly Owning Digital Assets.* The performance of a client fund will not reflect the specific return an investor would realize if the investor actually purchased the Digital Assets that comprise the fund's portfolio. Investors in a fund will not have any rights that Digital Asset holders have, and in certain circumstances will not realize benefits that would be applicable if investors held the Digital Assets directly. (See "Inability to Realize Benefits of Hard Forks or 'Air Drops'" below.)

*No Guarantee of Return or Performance.* The obligations or performance of a client or the returns on investments in a client portfolio will not be guaranteed in any way.

*Broad Discretionary Power to Choose Investments and Strategies.* The Adviser has broad discretionary power to decide what investments a client will make and what strategies it will use. The Adviser may choose any other investments and strategies that it believes are advisable, consistent with a particular client's investment objectives and subject to the ultimate authority of the Adviser.

*Limited Operating Histories.* Many Fund and strategies offered by the Adviser have limited operating histories upon which prospective investors can evaluate performance. A client's investment program should be evaluated on the basis that there can be no assurance that the Adviser's assessment of the prospects of investments will prove accurate or that a client will achieve its investment objective.

*Dependence on Key Individuals.* The authority for all client decisions will be delegated to the Adviser. Investors will have no authority to make decisions or to exercise discretion on behalf of a client. The success of a client will be significantly dependent upon the expertise of the relevant key person and the other members of the investment team. Although the Adviser anticipates that it and its principals will devote a significant portion of their time to the conduct of the business of each client, the Adviser or its principals also serve as general partner, managing member, investment adviser or investment manager to multiple funds or investment vehicles. Furthermore, the principals of the Adviser are not required to devote all of their time to the Adviser or a client, and there can be no assurance that any principal of the Adviser will continue to remain associated with the Adviser. The Adviser has previously experienced turnover in the ranks of its senior executives and employees. For example, former Co-President Damien Vanderwilt stepped down from his role effective January 2023 to become a senior adviser to GD LP and join its board of directors.

*Legal, Tax and Regulatory Risks.* In the wake of the 2008 global financial crisis, widespread legislative and regulatory actions were taken by numerous governments and their agencies, including in the United States the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”). The Dodd-Frank Act significantly revised and expanded the rulemaking, supervisory and enforcement authority of federal bank, securities and commodities regulators and imposed enhanced recordkeeping and reporting obligations on investment advisers in respect of private funds. The Dodd-Frank Act also established a general framework for systemic regulation. Legal, tax and regulatory developments are likely to continue to occur, and such developments may adversely affect a client. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements and regulators, and self-regulatory organizations and exchanges have been authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to change by government and judicial actions. The regulatory environment for private funds is evolving, and currently there are numerous legislative and regulatory proposals in the United States, Europe and other countries that could affect a client and its trading and investing activities. In particular, in August 2023, the SEC adopted a series of rule changes (collectively, the “**Private Funds Rule**”) that will substantially expand the disclosure and reporting obligations to which advisers to private investment funds are subject. Shortly after the SEC adopted the Private Funds Rule, several industry groups initiated suit against the SEC, claiming that the SEC lacks the statutory authority to promulgate and enforce all aspects of the Private Funds Rule. It is impossible to predict how various courts may resolve this lawsuit or whether more lawsuits will be brought against the SEC attempting to scale back or prevent the adoption or enforcement of



the Private Funds Rule. Even if such lawsuits are unsuccessful, and the Private Funds Rule is implemented in substantially the form adopted by the SEC, given the substantial scope of the Private Funds Rule it is difficult to predict how industry participants will change their practices in order to comply with the rule—at base, investors should expect that a client will bear higher costs and expenses stemming from increased compliance obligations associated with managing, operating and reporting on the performance of a client. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. Such scrutiny may increase a client’s exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Adviser, including responding to examinations and investigations, implementing new policies and procedures and complying with recordkeeping and reporting obligations. Such burdens may divert the Adviser’s time, attention, and resources from portfolio management activities. It is impossible to predict what, if any, changes in laws and regulations may occur, but any laws and regulations that restrict or limit a client’s ability to trade in securities or to employ (or obtain from brokers and other counterparties) credit in its trading could have a material adverse impact on a client’s portfolio.

A client and the Adviser may also be subject to regulation in jurisdictions in which they engage in business. Investors should understand that a client’s business is dynamic and is expected to change over time. Therefore, a client may be subject to new or additional regulatory constraints in the future. The offering materials and other agreements prepared in connection with the clients cannot address or anticipate every possible current or future regulation that may affect a client, the Adviser or their businesses. Such regulations may have a significant impact on investors or the operations of a client, including, without limitation, by restricting the types of investments a client may make, preventing a client from exercising its voting rights with regard to certain financial instruments and requiring a client to disclose the identity of its investors. The Adviser may cause a client to be subject to such regulations if it believes that an investment or business activity that may trigger such regulation is in a client’s interest, even if such regulations may have a detrimental effect on one or more investors. Prospective investors are encouraged to consult their own advisors regarding an investment in a client.

In summary, regulation generally, as well as regulation more specifically addressed to the private fund industry, including tax laws and regulation, whether in the United States or elsewhere, could increase the cost of acquiring, holding or divesting investments, the profitability of enterprises and the cost of operating private funds. Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of certain clients exposes those clients, the Adviser and each of their respective affiliates generally to the risks of third-party litigation. Further, regulatory changes or actions may restrict the use of Digital Assets or the operation of Digital Asset networks or exchanges in a manner that adversely affects an investment in the Interests. See “*Risks Related to Regulation of Digital Asset Companies and Digital Assets*” below.

*Risks of Misconduct and Errors.* The Adviser’s reputation is critical to maintaining and developing relationships with existing and prospective investors, as well as the numerous third parties with which the Adviser or a client does business. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry, and in particular the Digital Assets sector, and there is a risk that an employee of or contractor to the Adviser or any of its affiliates could engage in misconduct that adversely affects the investment strategies implemented by the Adviser, or that an employee or contractor of a service provider could engage in such misconduct. It is not always possible to deter such misconduct, and the precautions the Adviser (or any service provider) takes to detect and prevent such misconduct may not be effective in all cases. Misconduct by such individuals, or even unsubstantiated allegations

of such misconduct, could result in both direct financial harm to the Adviser and a client, as well as harm to the reputations of the Adviser and the client, or, in certain circumstances, lead to increased skepticism of the Digital Asset markets generally, which would have a materially adverse effect on a client.

The inappropriate and/or unauthorized use of social media platforms, including weblogs (or blogs), social media websites and other forms of internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons by clients or employees could increase the Adviser's costs, cause damage to the Adviser's brand, lead to litigation or regulatory enforcement or result in information leakage. In addition, negative or inaccurate posts or comments about the Adviser or a client on any social networking platforms could damage the Adviser's (or such client's) reputation, brand image and goodwill. Despite the Adviser's efforts to clearly define its mission and strategy and accurately characterize its products and service offerings, the Adviser's or a client's employees, contractors or affiliates may engage in activities either in their official capacity or in their unofficial capacities, that are in conflict with or are incongruent with the Adviser's values, positions or strategies. Any instance of such discontinuity could have a materially adverse effect on a client.

Employee or service provider errors, including mistakes in executing, recording, or processing transactions for customers, could expose the Adviser's clients to the risk of material losses even if the errors are detected. Although the Adviser and its affiliates have implemented processes and procedures and provide trainings to our employees and service providers to reduce the likelihood of misconduct and error, these efforts may not be successful. There may be confusion among employees, business partners and service providers with respect to compliance obligations, particularly including confidentiality, data access, trading, and conflicts.

It is not always possible to deter misconduct, and the precautions taken by the Adviser to prevent and detect this activity may not be effective in all cases. The Adviser could be subject to regulatory sanctions, financial penalties, and restrictions for failure to properly identify, monitor and respond to potentially problematic activity and may be subject to reputational damage. The Adviser's employees, contractors, and agents could also commit errors that subject the Adviser to financial claims for negligence, as well as regulatory actions, or result in financial liability. Further, allegations by regulatory or criminal authorities of improper trading activities could affect the Adviser's brand, reputation and credibility.

*Risk of Inadequate Recordkeeping of Electronic Communications.* The Adviser has an obligation, pursuant to Rule 204-2(a)(7) under the Advisers Act, to maintain four categories of written communications – specifically, communications “received and . . . sent by such investment adviser” relating to (i) recommendations made or proposed to be made and advice given or proposed to be given; (ii) receipt, disbursement or delivery of funds or securities; (iii) placing or execution of orders to purchase or sell securities; and (iv) certain performance. In addition, Rule 206(4)-7 under the Advisers Act requires that the Adviser to adopt and implement policies and procedures that address, among other things, the recordkeeping obligations under Rule 204-2. Consequently, the Adviser prohibits its employees from engaging in business-related communications on unapproved channels where adequate records cannot be kept, which include personal email and text messaging and certain social media and other messaging applications (“off-channel communications”). While the Adviser has designed and implemented policies and procedures to prevent the use of off-channel communications by its employees, there can be no assurance that certain employees will not violate such policies and procedures from time to time. Failure to maintain comprehensive records of written communications, as required pursuant to the Advisers Act and under the Adviser's own policies and procedures, poses significant risks for the Adviser. The inability to

produce complete and accurate records during SEC examinations can result in enforcement actions, fines, or even revocation of registration. Also, in the event of disputes, investigations, or litigation, the absence of records can weaken the Adviser's legal position and hinder effective defense. Failing to capture texts, emails, instant messages, and other off-channel communications also creates operational vulnerabilities. These gaps may lead to misunderstandings, misrepresentations, or unauthorized actions, including with respect to the trading process, that may cause harm to the Adviser or its reputation or harm to the Adviser's clients. Finally, personal devices used for off-channel communications may lack the same security protocols as firm-managed systems. This increases the risk of data breaches, leaks, or unauthorized access with respect to sensitive information concerning the Adviser and its operations, potentially including client data.

*Projections.* A client expects, at times, to rely upon projections developed by the Adviser or a portfolio company concerning such portfolio company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the Adviser and such portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements, and the occurrence of other unforeseen events could impair the ability of a company to realize projected values and cash flow.

*Future Investment Techniques and Instruments.* A client may employ other investment techniques and invest in other instruments that the Adviser believes will help achieve a client's investment objective, whether or not such investment techniques or instruments are specifically described herein. Such investment techniques and investments may entail risks not described herein.

*Interest Rate Risk.* The market value of fixed-income loans and debt securities generally varies in response to changes in interest rates and the financial condition of the borrower of such loan or the issuer of such securities. During periods of declining interest rates, the value of debt generally increases. Conversely, during periods of rising interest rates (such as the current period of rising interest rates discussed below under "*General Economic and Market Conditions*"), the value generally declines. These changes in market value will be reflected in the net asset value of a client's portfolio. No assurance can be given that the debt and fixed income obligations in which a client invests will continue to earn yields comparable to those earned historically or with the expectations of the Adviser, nor can any assurance be given that the issuers of such securities will make payment on such obligations as they become due.

*Counterparty Risk.* Some of the markets in which a client may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. To the extent a client invests in over-the-counter transactions on these markets, a client may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. Similarly, Digital Asset exchanges that clients or their Portfolio Funds may trade on are not SEC or CFTC-regulated and may subject such clients or their Portfolio Funds to counterparty risks similar to those of trading with other counterparties. These risks may differ materially from those entailed in exchange-traded transactions subject to SEC and CFTC regulations, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. Such transactions expose a client 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. In such events, a client may bear a loss in connection with the relevant

transaction. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a client has concentrated its transactions with a single or small group of counterparties. A client is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of a client to transact business with any one or a number of counterparties, the lack of any independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a client.

In situations where a client places assets in the care of a custodian (which may include a Digital Asset exchange) or is required to post margin or other collateral with a counterparty, the custodian or the counterparty may fail to segregate such assets or collateral, as applicable, or may commingle the assets or collateral with the relevant custodian’s or counterparty’s own assets or collateral, as applicable, even if contractually limited or prohibited from doing so. As a result, in the event of the bankruptcy or insolvency of any client custodian or counterparty, the client’s excess assets and collateral may be subject to the conflicting claims of the creditors of the relevant custodian or counterparty, and the client may be exposed to the risk of a court treating the client as a general unsecured creditor of such custodian or counterparty, rather than as the owner of such assets or collateral, as the case may be. As described in further detail below under “*Failure of Digital Asset-Focused Firms*” and “*Digital Asset Exchanges and Trading Venues*,” there have been a number of recent high-profile failures of Digital Asset exchanges, counterparties and custodians, most notably the November 2022 bankruptcy of FTX (as defined below). The bankruptcy proceedings initiated following the failures of such firms are, for the most part, currently ongoing, and the availability of recovery for such firms’ clients and counterparties (and whether such firms’ clients will be treated as general unsecured creditors of the respective estates) remains unclear. To the extent that a counterparty misuses assets in contravention of applicable laws and agreements, as has been alleged in the case of FTX, such assets may receive non-traditional treatment in the context of a bankruptcy proceeding, which may result in non-traditional or unexpected recovery outcomes for clients and creditors. In certain cases, assets of a client may be placed in the care of a non-U.S. custodian—in any such case, the bankruptcy or insolvency of such custodian will be governed under the laws of the local jurisdiction, which may be less favorable to the client or provide less protection to the client’s assets than U.S. law.

*Custodial Risk.* There are risks involved in dealing with the custodians who hold a client’s assets, particularly with respect to non-U.S. investments. It is expected that all cash and other non-loan assets deposited with custodians will be clearly identified as being assets of a client and hence a client should not be exposed to a credit risk with respect to such parties. However, as discussed above under “*Counterparty Risk*,” it may not always be possible to achieve this segregation and there may be practical or timing problems associated with enforcing a client’s rights to its assets in the event of the insolvency of any such custodian. See “*Risks Relating to Custody of Digital Assets*” discussion below for the particular risks related to custody of Digital Assets.

*Risk Control Framework.* The Adviser will implement a risk control framework to help each client manage its risk exposure. No risk control system is fail-safe, and no assurance can be given that the Adviser’s risk control framework will achieve its objectives. Any target exposures developed by the Adviser may be based upon historical patterns for the instruments in which a client trades and may rely upon models for the behavior of the instruments in response to various changes in market conditions. No assurance can be given that the historical patterns will accurately predict trading patterns or that the models will necessarily accurately predict the manner

in which the instruments are priced.

*Dependence on Service Providers.* The Adviser relies on service providers for certain aspects of their business, including certain financial operations, trade related activity, IT infrastructure and systems, trade reconciliation, and margin and collateral movement. The Adviser does not control these service providers and has limited transparency into such businesses' day-to-day operations. Recent events have demonstrated the failure or lack of internal controls at a number of Digital Asset service providers. In addition, certain service providers used by the Adviser have suffered data breaches whereby sensitive information with respect to clients and Fund investors has been accessed by unauthorized third parties. Any operational issues, interruption or deterioration in the performance of such service providers could impair the quality of the Adviser's operations, negatively affect its and the reputation of a client and the investment strategies of the Adviser, limit a client's potential to grow, expose personally identifiable information and other confidential information of clients and investors to malicious actors and other unauthorized parties and ultimately expose clients to losses or other harm.

*Lack of Fiduciary Duty by Service Providers.* Service providers to a client, including custodians and security vendors, owe no fiduciary duties to clients or investors, are not required to act in their best interest and could resign or be removed by the Adviser. The service providers, including custodians and security vendors, that a client employs or may employ in the future are not trustees for, and owe no fiduciary duties to, a client or investors. Current or future service providers, including custodians and security vendors, typically can terminate their role as custodian or security vendor for any reason whatsoever upon the notice period provided under the relevant custody agreement. A service provider may also be terminated.

*Operational Risk.* A client will depend upon the Adviser to develop the appropriate systems and procedures to control operational risks. Operational risks arising from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Adviser's operations may cause a clients to suffer financial loss, other liability to clients or third parties and regulatory intervention or reputational damage.

*Systems Risks.* A client will depend upon the Adviser to develop and implement appropriate systems for a client's activities. In particular, the Adviser will rely extensively on computer programs and systems to evaluate certain securities based on real-time trading information, to monitor their portfolios and net capital and to generate risk management and other reports that are critical to the oversight of a client's activities. In addition, certain of the Adviser's operations will interface with or depend on systems operated by third parties, including market counterparties and their sub-custodians and other service providers, and the Adviser may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Any such defect or failure could have a material adverse effect on a client. For example, such failures could cause inaccurate reports, which may affect the Adviser's ability to monitor a client's investment portfolio and its risks. In addition, despite the security measures established by the Adviser and third parties to safeguard its and their respective systems, including the information therein, such systems may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise these systems and result in the theft, loss or public dissemination of the information stored therein and could have a material adverse effect on a client.

*Reliance on Technology.* Certain strategies and critical aspects of the Adviser's operations are reliant on

technology, including hardware, software and telecommunications systems. Significant parts of the technology used in the management of each client may be provided by third parties and are therefore beyond the Adviser's direct control. Forecasting, trade execution, data gathering, risk management, portfolio management, IT infrastructure and support, compliance and accounting systems all are designed to depend upon a high degree of automation and computerization. Although the Adviser seeks, on an ongoing basis, to ensure adequate backups of software and hardware where possible and the Adviser will attempt to conduct adequate due diligence and monitoring of providers, if such efforts are unsuccessful or inadequate, software or hardware errors or failures may result in errors, data loss and/or failures in trade execution, risk management, portfolio management, compliance or accounting. Errors or failures may also result in the inaccuracy of data and reporting or the unavailability of data or vulnerability of data to the risk of loss or theft. Errors may occur gradually and once in the code may be very hard to detect and can potentially affect results over a long period of time. If an unforeseeable software or hardware malfunction or problem is caused by a defect, virus or other outside force, a client may be materially adversely affected.

In particular, the Adviser may rely on cloud (including private and public cloud-based) technology for certain operations, including data storage. Cloud-based technology, like any electronic data storage or processing technology, is not fail-safe. It may be subject to certain defects, failures or interruptions of service beyond the Adviser's direct control. It is also possible that such technology could be compromised by a third party, including through the use of malicious software or programs, such as viruses, which may expose the Adviser and a client to theft (of data or other assets) and/or significant business interruption. In addition, a software provider may cease operations or be relatively thinly capitalized and the Adviser's and a client's ability to be made whole after any loss may be compromised as a result.

*Trade Execution Risk.* To the extent a client trades Digital Assets, a client's investment and trading strategies will depend upon its ability to establish and maintain an overall market position in a combination of financial instruments selected by the Adviser. A client's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, trading volume surges or systems failures attributable to a client, the Adviser, a client's counterparties, brokers, dealers, agents or other market participants. In such event, a client may only be able to acquire or dispose of some, but not all, of the components of such position, and, if the overall position were to need adjustment, a client may not be able to make such adjustment. As a result, a client may not be able to achieve the market position selected by the Adviser, which could result in a loss.

*Trade Errors.* On occasion, errors may occur with respect to transactions executed on behalf of a client. Trade errors can result from a variety of situations, including, for example, when the wrong asset is purchased or sold, when the correct asset is purchased or sold but for the wrong account and when the wrong quantity is purchased or sold. Trade errors frequently result in losses but may, occasionally, result in gains. The Adviser determines whether to have the costs arising from trade errors borne by a client or the Adviser by applying the same standard of liability that would apply to any other action or omission by the Adviser in the course of such management under the applicable client agreement. Trade errors are evaluated on a case-by-case basis. For the Adviser's clients, the applicable standard of liability is generally gross negligence, willful misconduct or fraud. The Adviser may execute all or a portion of its transactions via a proprietary algorithm. Transactions resulting from errors made with respect to the coding or development of such algorithm will not be considered trade errors in most circumstances under the Adviser's policies. Clients will also generally not be reimbursed by the Adviser for such errors, unless they resulted from the Adviser's

gross negligence, willful misconduct or fraud.

*Cyber Security, Other Breaches and Identity Theft.* Cyber security incidents and cyberattacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The Adviser's and its service providers' information and technology systems may be vulnerable to damage or interruption from computer viruses and other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches (by physical or electronic means), usage errors by their respective users or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. As described under "Dependence on Service Providers" above, there have been recent instances where service providers of the Adviser have suffered data breaches, exposing sensitive information of the Adviser's funds and investors to unauthorized third parties. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information. Although the Adviser has implemented, and service providers may implement, various measures to manage risks relating to these types of events, such systems could be inadequate and, if compromised, could become inoperable for extended periods of time, or cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing it from being addressed appropriately. The Adviser may have to make a significant investment to fix or replace any inoperable or compromised systems. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors) and the intellectual property and trade secrets of the Adviser. Such a failure could harm the Adviser's reputation, subject the Adviser and its affiliates (including a client) to legal claims, cause direct harm to the Adviser's clients and investors and otherwise affect their business and financial performance.

### ***Risks Applicable to Various Strategies***

*Venture Capital Investments.* Certain clients may make venture capital investments. Such investments involve a high degree of business and financial risk that can result in substantial losses. The most significant risks are the risks associated with investments in: (i) companies in an early stage of development or with little or no operating history, (ii) companies operating at a loss or with substantial fluctuations in operating results from period to period and (iii) companies with the need for substantial additional capital to support or to achieve a competitive position.

*Private Equity Investments.* The private equity investment vehicles or strategies in which certain clients may invest will be subject to significant legal or contractual restrictions on transferability or other special considerations (such as the lack of a liquid market) that restrict or limit the ability of the client to dispose of such investments without impairing their value. A client's participation in such investments may significantly restrict the ability of an investor to make withdrawals. An investor may be required to continue to participate in such investments irrespective of whether such investor has withdrawn the balance of its capital accounts available for withdrawal, and the client may be required to hold such investments indefinitely, even if such investments become completely illiquid or unprofitable.

*Actively Managed Investments.* In implementing the Liquid Crypto Strategy and other actively managed strategies, the Adviser has significant discretion on what investments to purchase and sell, and in exercising that discretion the Adviser may concentrate client portfolios in a small number of assets and/or sectors. In addition, the Adviser may invest client portfolios in assets that are currently out of favor in the market. These factors and others may therefore increase the risk and volatility of such actively managed portfolios.

Client portfolios that are actively managed may engage in active and frequent trading and have a high portfolio turnover, which would result in increased transaction costs, including brokerage commissions, exchange fees, dealer mark-ups and other transaction costs on the sale of Digital Assets and on reinvestment in other Digital Assets.

*Funds of Funds Investments.* A Funds of Funds Strategy will be subject to certain risks and expenses of the Portfolio Funds as described below.

- Lack of Operating History of Portfolio Funds. Certain Portfolio Funds have relatively limited operating histories. Generally, very little public information exists about these companies, and the Fund will rely on the ability of the Adviser to obtain adequate information to evaluate the potential returns. If the Adviser is unable to uncover all material information about these companies, the Fund may not make a fully informed investment decision, and may lose money on its investment.
- Economic Risks of Portfolio Funds. The business and operating results of Portfolio Funds 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 or manufactured in or imported into its 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 Funds. In addition, Portfolio Funds may be susceptible to economic slowdowns or recessions.
- Concentration Risk; Selection of Investment Funds. A Portfolio Fund may participate in a limited number of investments and, as a consequence, the aggregate return of such Portfolio Fund may be substantially adversely affected by the unfavorable performance of even a single investment. To the extent that a Portfolio Fund concentrates investment in a particular company, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto.
- Failure of a Portfolio Fund. Although the Portfolio Funds are carefully selected by the Adviser, it is possible that the Fund may lose all or a portion of its investment in some Portfolio Funds. No assurance can be given that the failure of one or more Portfolio Funds will not have a material adverse effect on the Fund's overall performance.
- Reliance on Portfolio Fund Management. The day-to-day operations of each Portfolio Fund will be the



responsibility of its own management team. Although the Adviser will monitor the performance of the Fund's investments and will screen for and, if necessary, recruit capable management, there can be no assurance that such management will be able to operate any such Portfolio Fund in accordance with the Fund's expectations. In addition, the loss to a Portfolio Fund of a member of its management team could be detrimental to the performance of the Portfolio Fund. The compensation Portfolio Funds offer their key personnel depends in part upon the performance of their respective portfolios, which may perform poorly in adverse market conditions. As a result Portfolio Funds may face additional challenges in retaining key management personnel.

- Multiple Layers of Fees and Expenses; Portfolio Fund Management Fees and Incentive Fees. The Fund will incur management, performance, advisory, or other fees and expenses when it invests in or allocates assets to Portfolio Funds. Further, if such Portfolio Funds invest in exchange-traded funds or similar managed products, the Fund will be subject to the fees and costs associated with such investments. The Portfolio Funds may charge incentive fees which may be paid on a quarterly or annual basis. Therefore, a Portfolio Fund manager could receive performance fees in a year even though its corresponding Portfolio Fund was unprofitable during such year. Once a performance fee is paid, the Portfolio Fund manager retains the fee regardless of subsequent performance of its corresponding Portfolio Fund. Performance fees will be calculated separately for each Portfolio Fund, so the Fund could bear substantial performance fees in respect of Portfolio Funds whose trading is profitable even when the Fund as a whole has a loss. Such layers of fees could be substantial and have a material adverse effect on the performance of an investment in a Fund.
- Indemnification of Portfolio Fund Management. The Portfolio Funds generally indemnify their corresponding Portfolio Fund managers and their affiliates from any liability, damage, cost or expense arising out of, among other things, certain acts or omissions. The Portfolio Fund managers often have broad limitations on liability and indemnification rights.
- Potential for Portfolio Fund Manager Fraud or Misconduct. When a Fund invests in a Portfolio Fund, the Fund does not have custody of the assets or control over its investment. Therefore, there is always the risk that the manager of the Portfolio Fund could divert or abscond with the assets, fail to follow agreed-upon investment strategies, provide false reports of operations or engage in other misconduct. The Portfolio Funds with whom the Fund invests are private and do not register their securities or investment advisory operations under federal or state securities laws.

As discussed below under “*Failure of Digital Asset-Focused Firms*”, in July 2022 Three Arrows Capital, a Digital Asset hedge fund that at one point reportedly held approximately \$10 billion in assets under management, filed for bankruptcy. Numerous counterparties and lenders to Three Arrows Capital have alleged that Three Arrows Capital misled its counterparties, lenders and stakeholders concerning the financial condition, stability and exposure of the firm leading up to the firm's bankruptcy filing. In addition to the possibility that a Fund managed by the Adviser may be adversely affected in the event that one or more of its Portfolio Funds engages in similar misconduct, the loss of confidence in Digital Asset-focused funds as a result of the Three Arrows Capital bankruptcy or similar examples or allegations of misconduct may adversely affect the operations, financial condition or performance of Portfolio Funds.

- Limited Access to Information on Portfolio Funds' Investments. Although the Adviser receives detailed information from each Portfolio Fund regarding the Portfolio Fund's historical performance and investment strategy, the Adviser generally is not given access to real-time information regarding the actual investments made by the Portfolio Funds. At any given time, the Adviser may not know the composition of the Portfolio Funds' portfolio companies or investments. In addition, the Adviser may not learn of significant structural changes, such as personnel, manager withdrawals or capital growth, until after the fact.
- Portfolio Fund Deal Flow. The marketplace for investing in Portfolio Funds is competitive. Intermediation by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in Portfolio Funds, and the competition for investment opportunities is at historically high levels. Although the Adviser will attempt to make investments on behalf of the Fund which meet the criteria set forth in a Fund's offering memorandum, there is no assurance that such investments can be located in sufficient quantity to allocate all of a Fund's capital commitments. There can be no guarantee that the Adviser's investment decisions will be profitable. Due to the adverse conditions in the market for Digital Assets discussed below under "*Failure of Digital Asset-Focused Firms*", there may be fewer Portfolio Funds that the Adviser believes present attractive investment opportunities for the Funds it manages while such market turbulence and uncertainty continues.
- Reliability of Valuations. The value of a Fund's investment in each Portfolio Fund is generally determined pursuant to the instrument governing such Portfolio Fund and reported by the relevant Portfolio Fund manager or such Portfolio Fund's administrator. Such valuations may not be indicative of what actual fair market value would be in an active, liquid or established market. There may be extraordinary circumstances in which actual or estimated net asset values of Portfolio Funds would be adjusted by the Adviser if the Adviser determines that a significant and unusual circumstance with a Portfolio Fund warrants a downward net asset value adjustment.
- Portfolio Funds Not Registered. The Portfolio Funds are not registered as investment companies under the Investment Company Act and, therefore, a Fund is not entitled to the protections of the Investment Company Act with respect to the Portfolio Funds.
- The Adviser's Selection of Portfolio Fund Managers. The Adviser's decisions regarding the selection of particular Portfolio Fund managers, the timing and size of the Fund's allocations to particular Portfolio Fund managers, and the overall mix of investment styles and techniques employed by the Portfolio Fund managers used by a Fund at any given time may prove unsuccessful in generating profits or avoiding loss because of, but not limited to, faulty assumptions, incomplete intelligence on and misleading statements from Portfolio Fund managers.
- Non-U.S. Portfolio Fund Managers. Certain of the Portfolio Funds may be managed by non-U.S. Portfolio Fund managers, which could subject a Fund to potential risks because non-U.S. Portfolio Fund managers may not, among other things, be subject to accounting, auditing and financial reporting standards and regulatory requirements comparable to those of U.S. Portfolio Fund managers. In addition, less information may be available regarding such non-U.S. Portfolio Fund managers. A Fund might have greater difficulty taking appropriate legal action in non-U.S. courts.

- Other Accounts Managed by Portfolio Fund Managers. The Portfolio Fund managers may manage other funds (including other accounts in which such Portfolio Funds may have an interest) which, together with funds already being managed, could increase the level of competition for the same investments that the relevant Portfolio Fund might otherwise make. This could make it difficult or impossible to take or liquidate a position in a particular investment of the Portfolio Fund.
- Delayed Statements from Portfolio Funds; Risk of Delayed Audit. In providing periodic reporting to investors, Funds employing a Fund of Funds Strategy rely on, among other things, receipt of timely information from each of their Portfolio Funds. In certain circumstances the delivery of such information by the applicable Portfolio Funds may be delayed for reasons beyond the control of the Adviser; such delays have previously occurred with respect to Fund managed by the Adviser. Similarly, the delivery of audited financial statements by such Funds will be subject to delay in the event of their late receipt of audited financial statements and other necessary information from their Portfolio Funds.

*Valuation of Illiquid Assets.* Valuations of a client's portfolio are expected, from time to time, to involve uncertainties and discretionary determinations. From time to time, third-party pricing information may not be generally available regarding a portion of a client's Digital Assets, securities, derivatives or other assets. The Adviser, on behalf of a client, may delegate to an administrator the computation of a client's net asset value. The relevant administrator will assume that the assets and liabilities reported by the Adviser represent a complete record of a client's investments as of the date of a client's reports as prepared by the administrator. Additionally, the relevant administrator, in computing the net asset value of a client, will use prices that are determined by the Adviser or a client, as described in the relevant administration agreement. If the administrator's valuations should prove to be incorrect, the net asset value of a client could be materially adversely affected.

*Trading Limitations.* For all securities listed on a securities exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject a client to potential losses. Also, such suspensions or limits could render it impossible for the Adviser to liquidate positions and thereby expose a client to potential losses.

*Availability of Investment Strategies.* The success of a client's investment and trading activities will depend on the ability of the Adviser to identify overvalued and undervalued investment opportunities that fit a client's investment objectives as described in the relevant offering materials. Identification and exploitation of these opportunities involve a high degree of uncertainty. No assurance can be given that the Adviser will be able to identify suitable investment opportunities in which to deploy all of a client's capital. Various market factors over which the Adviser has no control may reduce the pool of profitable investment opportunities for a client—please see for instance, due to the adverse market conditions discussed under “*General Economic Market Conditions*” and “*Failure of Digital Asset-Focused Firms*” below.

*General Economic and Market Conditions.* The success of a client's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a client's investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist

acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of a client's investments, including, without limitation, common equity and related equity derivative instruments, high-yield securities, convertible securities and derivatives, including futures and option prices, which can be highly volatile. During periods of limited liquidity and higher price volatility, a client's ability to acquire or dispose of its investments at a price and time that the Adviser deems advantageous may be impaired. There is no guarantee that a client will be able to achieve its investment objectives or provide any return on invested capital.

In the fourth quarter of 2021, measured inflation rates began to increase rapidly in economies around the world, which inflation rates continued to increase over the course of 2022. Many central banks, including the U.S. Federal Reserve, the Bank of England and the European Central Bank, increased interest rates over the course of 2022 and 2023 in an effort to curb rising inflation rates. These rate hikes contributed to broad selloffs across virtually all global financial markets, resulting in a steep decline in value for most investment assets, including Digital Assets. It is possible that global financial markets will enter an extended period of adverse conditions—while it is unclear the extent to which the performance of Digital Assets is correlated with the performance of global financial markets, over the course of 2022 the prices of almost all Digital Assets fell substantially as more traditional financial asset prices declined.

During the global financial crisis of 2007 to 2008, various sectors of the global financial markets experienced an extended period of adverse conditions featuring market uncertainty, reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency. To the extent that similar marketplace events were to occur in the future, either as a result of the COVID-19 pandemic, Russia's invasion of Ukraine, rising interest rates or otherwise (see "*Risks Relating to COVID-19*" and "*Risks of Political or Economic Crises; Military Conflict*" below), these events may have an adverse impact on a client's investments. In addition, governments may from time to time intervene, directly and by regulation. Such intervention is often intended to directly influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction. It is also possible that a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs may cause a series of defaults by other institutions. This is sometimes referred to as a "systemic risk." These factors and general market conditions could have a material adverse effect on markets in general and on a client's portfolio.

*Risks Relating to COVID-19.* During the first quarter of 2020, global financial markets experienced a period of sharp decline and volatility due in large part to the real and perceived economic impact of the novel coronavirus (SARS-CoV-2) and related respiratory disease (COVID-19) pandemic. The COVID-19 pandemic, and it (or any future outbreak) could have caused disruptions in the worldwide economy. The COVID-19 pandemic and any future outbreaks could have a further adverse impact on the economies of nations where the novel coronavirus has arisen and on the global economy in general. Any such economic downturn, either short-term or prolonged, could impact the Digital Asset market as well.

Additionally, disruptions to the commercial activity of the Adviser and various counterparties to, and service providers of, client accounts, as well as across economies generally, due to the imposition or reimposition of quarantines, business continuity plans, remote working policies, "social distancing" practices and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact a client's investments, both in the near- and long-term in a variety of industries and regions or globally. The imposition or reimposition of such restrictions (including "shelter in place" or "lock-down"

directives) could materially disrupt the Adviser's business activities, including travel by personnel in connection with potential or existing investments, in turn negatively affecting the Adviser's ability to effectively identify, monitor, operate and dispose of client investments. Future outbreaks of other infectious diseases or any other serious public health concerns may lead to similar disruptions.

*Operating and Financial Risks of Portfolio Companies.* Portfolio companies in which a client invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in their competitive environment, or an economic downturn—for instance, as discussed below under “*Failure of Digital Asset-Focused Firms*”, a number of companies in the Digital Asset industry (including several relatively large, well-established firms) have recently declared bankruptcy, several of which may have failed due to the collapse of important counterparties, lenders, service providers and other participants in the larger Digital Asset ecosystem. As a result, portfolio companies that the Adviser expected to be stable could operate at a loss or have significant variations in operating results, could require substantial additional capital to support their operations or to maintain their competitive positions, or could otherwise have a weak financial condition or be experiencing financial distress. In some cases, the success of a client's investment strategy and approach will depend, in part, on the ability of a client to effect improvements in the operations of an investment and/or recapitalize its balance sheet. The activity of identifying and implementing operating improvements and/or recapitalization programs at portfolio companies entails a high degree of uncertainty. There can be no assurance that a client will be able to successfully identify and implement such operating improvements and/or recapitalization programs.

*Additional Capital; Follow-On Investments.* Certain of the portfolio companies in which a client invests, especially those in a development phase, may require additional financing to satisfy their working capital requirement (such additional financing, a “**Follow-On Investment**”). The amount of the additional financing needed will depend upon the maturity and objectives of the particular investment. Each such round of financing (whether from a client or other investors) is typically intended to provide a company with enough capital to reach its next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to its existing investors, including a client. In addition, a client may make additional debt and equity investments or exercise preemptive rights under warrants or options or for the purpose of converting convertible securities that were acquired in the initial investment in such investment in order to, among other things, preserve a client's proportionate ownership when a subsequent equity or debt financing is planned, to protect a client's investments when, for example, such investment's performance does not meet expectations, to enhance the value of an existing investment or in anticipation of disposition, refinancing, recapitalization or other transactions.

A client may extend capital commitments to a portfolio company that becomes due and payable when such company reaches certain milestones related to product development, capital deployment or otherwise. If one or more portfolio companies fail to meet such milestones, and a client has reserved significant capital for such purpose, a client will have incurred opportunity costs associated with the milestone financing commitment. There can be no assurance that a client will be able to redeploy such committed funding quickly.

The availability of capital is generally a function of capital market conditions that are beyond the control of a client or any portfolio company. There can be no assurance that a portfolio company will be able to predict accurately future capital requirements necessary for success or that additional funds will be available from any source. A client may be called upon to provide follow-on funding for a portfolio company or have the

opportunity to increase its investment in such portfolio company. There can be no assurance that a client will make Follow-On Investments or that it will have sufficient funds or the ability to do so. Any decision not to make a Follow-On Investment, including due to a client's inability to make such an investment, may have a substantial negative impact on a portfolio company in need of such an investment or may diminish a client's ability to influence the portfolio company's future development.

*Competition for Investment Opportunities.* The Adviser operates in a highly competitive market for investment opportunities. The Adviser, on behalf of clients, will compete for investments with various other investors, such as public and private funds, commercial and investment banks and commercial finance companies. The lending, investment and securities industries and the various financial markets in which the Adviser participates are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger lending, securities and investment banking firms, which have substantially greater financial resources and research staffs. Such other firms may have investment objectives that overlap with those of a client, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to a client, and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and to establish more relationships. These competitive pressures could impair a client's business, financial condition and results of operations. As a result of this competition, a client may not be able to take advantage of attractive investment opportunities.

*Event-driven Investments.* Certain investment opportunities are expected to arise due to the pendency or occurrence of specific events affecting a company. Event-driven investing requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. Because of the inherently speculative nature of event-driven investing, a client's results with respect to any such investments may be expected to fluctuate from period to period and will not necessarily be indicative of results that may be expected in future periods.

*Investment in Reorganizations and Restructurings.* A client may make investments in restructurings that involve companies that are experiencing or are expected to experience severe financial difficulties. These severe financial difficulties may never be overcome, and may cause such companies to become subject to bankruptcy proceedings. In such situations, a client's investment is subject to the risk that a bankruptcy filing and/or high administrative costs may adversely and permanently impact the value of such companies. In addition, such investments could subject a client to certain additional potential liabilities that may exceed the value of a client's original investment therein. For instance, under certain circumstances, payments to a client and distributions by a client to investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in distressed companies and restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Some of the investments a client makes may require active monitoring and representation on official and unofficial creditors' committees for a company involved in a reorganization proceeding or restructuring. Accordingly, a client may seek representation on such committees from time to time if the Adviser, in its sole discretion, determines that such representation is necessary or advisable to protect or further a client's interests.

If a client joins a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to a client in such proceedings. Serving on an official or unofficial committee increases the possibility that a client will be deemed an "insider" or a "fiduciary" of the company it has so assisted and may restrict a client's trading of its investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the bankruptcy court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest held by a client in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of a client's committee activities. In addition, if representation of a creditors' committee of a company causes a client to be deemed an affiliate of the company, the securities of such company held by a client may become restricted securities, which are not freely tradable. As a client will indemnify any person serving on a committee on its behalf for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on a client's investment in a portfolio company.

*Fraudulent Conveyance Considerations.* Various federal and state laws enacted for the protection of creditors may apply to a client's investments by virtue of a client's role as a creditor with respect to the issuers of such investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower (*i.e.*, a portfolio company), such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that (a) the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and granting any security interest or other lien securing such investment and (b) after giving effect to such indebtedness, the borrower either (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, then such court could invalidate, in whole or in part, such indebtedness and any security interests or other lien securing such investment as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could recover amounts previously paid by the borrower (including to a client) in satisfaction of such indebtedness or amounts representing proceeds of such security interest or other liens previously applied in satisfaction of such indebtedness. In addition, upon any insolvency of a portfolio company, payments made on the investment could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one (1) year) before insolvency. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction that is being applied. Generally, however, a borrower would be considered insolvent at a particular time if the sum of its debts was greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the particular indebtedness or that, regardless of the method of evaluation, a court would not determine that the borrower was "insolvent" upon giving effect to such indebtedness.

In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as a client) or from subsequent transferees of such payments, including investors. Accordingly, there can be no assurance as to the timing or amount of return of capital, if any, to investors in a client.

*Illiquid Investments.* The Adviser expects to invest in securities of private companies and/or privately issued

securities of public companies, Digital Assets, or securities that lack a readily ascertainable market value or otherwise lack sufficient liquidity or Digital Assets or securities that should be held until the resolution of a special event or circumstance. A client may not be able to readily dispose of such non publicly traded Digital Assets or securities and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. In other situations, the investments or collateral held by a client may be difficult or impossible to liquidate at the time that a client would like or at the price that a client believes the Digital Assets or other instruments are currently worth. A client's ability to realize full value in the event of the need to liquidate certain Digital Assets or other instruments may be impaired and/or result in losses to such client. Illiquidity risk also may be greater in times of financial stress.

Illiquid investments may also be difficult to value and their pricing may be more volatile than more liquid investments, which could adversely affect the price at which the client is able to sell such instruments. Other assets and liabilities for which no market prices are available generally will be carried on the books of a client at fair value (which may be cost) as reasonably determined by the Adviser in good faith. There is no guarantee that fair value will represent the value that will be realized by a client on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

*Hedging Transactions.* The Adviser may, at times, utilize financial instruments, both for investment purposes and for risk management purposes, in order to: (i) protect against possible changes in the market value of a client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect a client's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a client's portfolio; (v) hedge the interest rate or currency exchange rate on any of a client's liabilities or assets; (vi) protect against any increase in the price of any securities the Adviser anticipates purchasing at a later date; or (vii) for any other reason that the Adviser deems appropriate. Notwithstanding the foregoing, the Adviser will not be required to hedge any particular risk in connection with a particular transaction or the portfolio generally.

Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of hedging instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of a client's positions (or that there may be losses on both legs of a transaction). In addition, certain hedging instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, a client may not be able to close out a transaction in certain of these instruments without incurring losses substantially greater than the initial deposit. Although the contemplated use of hedging instruments should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time the use of these instruments tends to limit any potential gain that might result from an increase in the value of such position.

The ability of a client to hedge successfully will depend on the Adviser's ability to predict pertinent market movements, which cannot be assured, and to continually recalculate, readjust and execute hedges in an efficient and timely manner. However, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. For a variety of reasons, the Adviser and its affiliates may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may



prevent a client from achieving the intended hedge or expose a client to risk of loss. The Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high or the magnitude of the risk to be sufficiently large as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Finally, the daily variation margin requirements in futures contracts that may be sold by a client would create an ongoing greater potential financial risk than would options transactions, where the exposure is limited to the cost of the initial premium and transaction costs paid by a client.

*Non-U.S. Investments.* The Adviser expects, regularly or from time to time, to invest in non-U.S. securities or U.S. securities denominated in non-U.S. currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property, including, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or non-U.S. governments, United States and non-U.S. withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries and political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the U.S. and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the U.S. have for the most part substantially less volume than U.S. markets, and many securities traded on these foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is slower and more susceptible to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in particular countries than in the U.S. These risks may be greater for companies in emerging markets.

Additional costs could be incurred in connection with a client's international investment activities. Foreign brokerage commissions generally are higher than in the U.S. Expenses also may be incurred on currency exchanges when the Adviser changes investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in foreign jurisdictions.

*Foreign Exchange Risk.* A portion of a client's assets may be invested in equity instruments denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. dollar. A client, however, will value its securities and other assets in U.S. dollars. To the extent unhedged, the value of a client's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of a client's investments in the various local markets and currencies. A client may utilize options to hedge against currency fluctuations but there can be no assurance that such hedging transactions will be effective.

*Leverage and Financing Risk.* To the extent the relevant offering documents and/or investment management or other agreements allow, a client may leverage its capital because the Adviser believes that the use of

leverage may enable a client to achieve a higher rate of return. Leverage may take the form of loans for borrowed money (e.g., margin loans) or derivative securities and instruments that are inherently leveraged, including options, futures, forward contracts and swaps. The use of leverage by a client can substantially increase the market exposure (and market risk) to which a client's investment portfolio may be subject. Trading on leverage will result in interest charges or costs, which may be explicit (in the case of loans) or implicit (in the case of many derivative instruments) and, depending on the amount of leverage, such charges or costs could be substantial. The level of interest rates generally, and the rates at which a client can leverage in particular, can affect the operating results of a client. In addition, in the case of financial difficulty or market turmoil affecting a client's brokers, the brokers may reduce their lending to a client, forcing a client to liquidate investments under severe time pressures.

A client's use of short-term margin borrowings, derivatives and other instruments, including leverage, would result in certain additional risks to a client. For example, should the securities pledged to brokers to secure a client's margin accounts decline in value, a client could be subject to a "margin call," pursuant to which a client may be required on minimum notice either to deposit additional funds with the brokers or to suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A significant increase in margin calls as a result of spread widening could harm a client's results of operations, financial condition and business prospects. Additionally, in order to obtain cash to satisfy a margin call, a client may be required to liquidate assets at a disadvantageous time, which could cause it to incur further losses. In the event of a sudden precipitous drop in the value of a client's assets, a client might not be able to liquidate assets quickly enough to pay off its margin debt.

Any financing used by a client to leverage its portfolio would be extended by securities brokers and dealers in the markets in which a client will invest. While a client expects that it would attempt to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so will be limited. A client will therefore be subject to changes in the value that the brokers-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such brokers-dealer's willingness to continue to provide any such credit to a client. Because a client does not currently have an alternative credit facility that could be used to finance its portfolios in the absence of financing from brokers-dealers, it could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or a portion of a client's portfolios at distressed prices could result in significant losses to a client.

*Exposure to Material Nonpublic Information.* Each of the Adviser, a client, their respective affiliates (including the Galaxy Principal Investments Portfolio) and their respective members, officers, directors, employees or principals may come into possession of material nonpublic information. The possession of such information may limit the ability of a client to buy or sell a security or otherwise to participate in an investment opportunity or may restrict the ability of a client to receive information with respect to certain opportunities. Further, in the current environment, there is an increased risk of insider trading enforcement actions in a variety of jurisdictions and by a number of regulators. Even in the absence of wrongdoing, any such enforcement activity, or regulatory investigations in connection with a potential enforcement action, could have a material adverse effect on the Adviser or its affiliates. The boundaries of the laws applicable to insider trading and practices relating to insider trading enforcement are continuing to evolve, which may impact a client's trading and investment activities in ways that are unexpected.

*Accuracy of Public Information.* The Adviser will select investments for a client, in part, on the basis of information and data filed by issuers of securities with various government regulators or made directly available to the Adviser by such issuers or through sources other than such issuers. Although the Adviser will generally evaluate all such information and data and, when the Adviser considers it appropriate and when it is reasonably available, seek independent corroboration, the Adviser will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be available. Investments may not perform as expected if information is inaccurate.

*Investments in Equity Securities Generally.* A client may invest in or otherwise hold equity securities or derivatives thereon. Such equity securities and derivatives may take various forms, including, but not limited to, common stock, preferred stock, warrants, convertible securities, equity options and other equity or hybrid equity securities. Various risks pertain to the holder of such equity and related instruments, certain of which are described as follows. Equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the directors of the issuer, out of the issuer's income or other assets available, if any, after making interest, dividend and any other required payments on more senior securities of the issuer. In general, options, warrants, stock purchase rights and other similar instruments are securities or instruments granting the right to or otherwise permitting, but not obligating, their holders to subscribe for equity securities, and they do not represent any rights in the assets of the issuer. As a result, options, warrants, stock purchase rights and other similar securities or instruments may be considered more speculative than other types of equity investments.

*Money Market Instruments.* A client may invest, for defensive purposes or otherwise, some or all of its assets in high quality, fixed income securities, money market instruments and money market mutual funds, or hold cash or cash equivalents in such amounts as the Adviser deems appropriate under the circumstances.

*Small Capitalization Companies.* A client may invest a portion of its assets in small and/or unseasoned companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of the trading of securities for such companies may be substantially less than are typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When liquidating large positions in small companies, a client may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small transactions over an extended period of time.

### ***Risks Related to Digital Assets and Digital Asset Companies***

Depending upon the specific strategy, a client generally will make direct or indirect investments in Digital Assets or in Digital Asset Companies, using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility, regulation, system and circulatory factors, adoption, security, and underlying functional and or structural components of Digital Assets. As such, a client will be directly and indirectly exposed to risks relating to the further development and acceptance of Digital Assets, which are part of a new and rapidly changing industry. Digital Assets and Digital Asset Companies are subject

to a variety of factors that are difficult to evaluate both in their day-to-day operations and services offered, but also in their relation to the Digital Asset landscape as a whole. The slowing or stopping of the development or acceptance of such currencies may adversely affect all or certain Digital Assets or Digital Asset Companies, as well as an investment in the interests of a client.

Additionally, the Adviser may take security interests in Digital Asset portfolio companies. As such, the Digital Assets held by such companies may be collateral for investments, which exposes a client to the risks described below with respect to holding Digital Assets. In addition, a client may directly hold Digital Assets depending upon the strategy.

The use of Digital Assets to, among other things, buy and sell goods and services, to transfer value, and to represent ownership and control is part of a new and rapidly evolving industry that employs Digital Assets based upon a computer-generated mathematical and/or cryptographic protocol. Bitcoin, ETH, and SOL are prominent, but not unique, parts of this industry. The growth of this industry is subject to a high degree of uncertainty. The factors affecting the further development of this industry, include, but are not limited to:

- continued worldwide growth in the adoption and use of Digital Assets;
- government and quasi-government regulation of Digital Assets and their use, services relating thereto, or restrictions on or regulation of access to and operation of Digital Assets networks;
- changes in consumer demographics and public tastes and preferences regarding Digital Assets;
- the maintenance and development of the open-source software protocol of the Digital Assets networks;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- the use of the networks supporting Digital Assets for developing smart contracts and distributed applications;
- changes in the availability, location, cost and functionality of hosting, cloud, and web service providers necessary to maintain Digital Asset networks;
- general economic conditions and the regulatory environment relating to Digital Assets;
- improved anti-fraud, anti-money laundering, and suspicious activity controls, reporting and methodologies applicable to Digital Assets;
- negative consumer or public perception of Digital Assets; and
- upgrades, merge events and modifications to the Ethereum network and Ether which may include certain changes to circulating Ether relating to the development, deployment, and chain merge events associated with the launch of Ethereum 2.0.

*Volatility of Digital Asset Values.* Values of Digital Assets have historically been highly volatile, experiencing periods of rapid price increase as well as decline. These increases were followed by steep drawdowns. For instance, during each of the periods from December 17, 2017 to February 5, 2018, from February 13, 2020 to March 16, 2020, from April 15, 2021 to June 8, 2021 and from November 8, 2021 to January 7, 2022, the value of Bitcoin fell by 40% or more. These drawdowns notwithstanding, Other Digital Assets have behaved similarly. Extreme volatility in the future, including further declines in the trading prices of Digital Assets, could have a material adverse effect on the value of a client's investment, including a loss of all or substantially all of a client's investment.

*Digital Asset Risks.* Digital Assets are loosely regulated and there is no central marketplace for currency exchange, pricing, or validation. Supply of any Digital Asset is generally determined by a computer code or network administration, not by a central bank, and prices can be extremely volatile relative to more traditional markets. Additionally, such Digital Asset exchanges often have limited access to liquidity in certain Digital Assets, follow few, if any uniform frameworks applicable to asset pricing, and may suffer from operational issues, such as delayed execution, that could have an adverse effect on a client. The reliability of such exchanges can be difficult to verify and many Digital Asset exchanges have been closed due to fraud, failure, security breaches or failure to adhere to regulatory requirements and licensure schemes applicable to their operations. Any Digital Asset that resides on an exchange that shuts down may be lost.

Several factors may affect the price of Digital Assets or the value of the debt and/or equity of Digital Asset Companies, including, but not limited to: supply and demand, public and non-public information, investors' expectations with respect to use cases, the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of Digital Assets, the use of Digital Assets as a form of payment, the use of Digital Assets as collateral to secure debt obligations and the process of perfecting and/or enforcing a security interest in Digital Assets. There is no assurance that any Digital Asset will maintain its long-term value in terms of purchasing power in the future, or that there will be sustained demand for the products and services offered by all or certain Digital Asset Companies.

Digital Assets are created, issued, transmitted, and stored according to defined protocols designed by various development and offering teams and run by a centralized or decentralized system of computers in the applicable Digital Asset network. The validity, operation, and surety associated with any protocol or network depends on a number of factors, not the least of which is the source-code and protocol design upon which it runs. Malicious smart contracts, protocols, and networks increase the risks of transacting in the Digital Asset and blockchain ecosystem and expose clients to significant risks. Additionally, it is possible these protocols have undiscovered and unintentional flaws which could result in the loss of some or all assets held, whether as collateral or otherwise, by a client. There may also be network scale attacks against these protocols which result in the loss of such assets, including attacks by network participants and developers in the form of forks and control attacks. Some assets held, whether as collateral or otherwise, by a client may be created, issued, or transmitted using experimental or not-yet-validated cryptography methods which could have underlying flaws. Advancements in quantum computing could break the cryptographic rules of protocols which support Digital Assets.

*Transacting on Digital Asset Networks.* In certain cases, a client may convert Digital Assets to or from U.S. dollars or other traditional value or store of value mechanisms which may cause the client to risk the loss of the value mechanisms to the extent that security mechanisms, controls, and wallet and password hygiene are not maintained applicable to the Digital Assets purchased. Similarly, a client may use certain Digital Assets to purchase other Digital Assets. Such transactions generally involve specific Digital Asset networks, or online end-user-to-end-user networks that host a public transaction ledger, known as a blockchain, and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many such transactions, the recipient of the Digital Assets must provide its public key, which serves as a public facing address for a digital wallet, into which assets will be transferred, to the party initiating the transfer. In the data packets distributed from Digital Asset software programs to confirm transaction activity, the transferring user, the sender of the Digital Asset, must "sign" the transaction with an output derived from

entering the sender's private key, a unique code private to the sender, into a "hashing algorithm," and this signature serves as validation that the transaction has been authorized by the owner of such Digital Asset. Many Digital Asset exchanges and other providers have been closed due to fraud, failure or security breaches and certain other actions taken while using the exchange or provider services. In many of these instances, the customers of such Digital Asset exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Digital Asset exchanges or service provider accounts or wallets. Additionally, users of Digital Asset exchanges and other Digital Asset products are often subject to "phishing" scams, where hackers use communication channels to fraudulently obtain account credentials and private keys to perpetuate large-scale thefts of users' Digital Assets. Due to these security and wallet control risk factors for theft, fraud, and account and wallet access issues, a client's Digital Assets collateral or assets, as well as the digital wallets associated with such collateral or assets, may be subject to loss or theft.

*Failure of Digital Asset-Focused Firms.* Recently, a number of high-profile Digital Asset-focused firms have failed, including Terraform Labs (along with its associated Digital Assets, Terra USD (now Terra Classic USD) and Terra LUNA), Three Arrows Capital, Celsius Network Ltd., Voyager Digital Ltd., BlockFi Inc. and, most prominently, the Digital Asset exchange FTX (defined below) and its associated Digital Asset, FTT. The Adviser believes that the failure of these firms, several of which were important components of the growing Digital Asset market infrastructure, likely contributed to the decline in Digital Asset values experienced over the course of 2022. The Digital Asset market infrastructure, and the Digital Asset-focused firms that support its operation, have complex interdependencies that may cause the failure of one firm to cause failures at other affiliated and unaffiliated firms. As a result of these interdependencies, the Digital Asset market may face certain contagion risks associated with the failure of one or more Digital Asset-focused firms.

The sudden collapse of these firms, particularly FTX, also led to allegations that a number of Digital Asset-focused firms had deployed poor risk management strategies, failed to implement meaningful or effective corporate governance structures, engaged in speculative borrowing and investment practices, mishandled client assets, failed to establish appropriate accounting oversight and controls and potentially defrauded investors and clients. Most notably, in December 2022, the Department of Justice charged Samuel Bankman-Fried, the founder of FTX, with a series of crimes, including wire fraud, conspiracy to commit commodities fraud and conspiracy to commit securities fraud. In November 2023, Mr. Bankman-Fried was found guilty of all counts he faced, and in March 2024 he was sentenced to 25 years in prison. Separately, Mr. Bankman-Fried was charged by each of the SEC and the CFTC with a number of alleged violations of federal law, including fraud. Apart from the immediate decline in Digital Asset values that has accompanied the failure of Digital Asset-focused firms, revelations of wrongdoing and mismanagement in prominent Digital Asset-focused firms may cause investors to be more skeptical of Digital Assets as an asset class, inhibit further adoption of Digital Assets as an asset class or medium of exchange, lead to enhanced regulation and legal and regulatory scrutiny of Digital Assets and related companies (such as the Adviser) both in the U.S. and internationally, and ultimately adversely affect the value of Digital Assets held by clients.

*Scalability Risks.* Digital Assets face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. The appeal of many new and growing Digital Asset ecosystems rests on the system's transactional speed and efficiency, and for many, the on-chain fee structures which result. Many Digital Asset networks face significant scaling challenges including, but not limited to, issues relating to gas fees, limited network availability, costs of liquidity, and applicable limited resources and transactional viability limitations. For example, as of March

2024, Bitcoin could handle, on average, four to seven transactions per second, and Ethereum could handle upwards of approximately 15 to 20 transactions per second. For several years, participants in the Bitcoin ecosystem debated potential approaches to increasing the average number of transactions per second that the Bitcoin network could handle. In August 2017, Bitcoin was upgraded with a technical feature known as “segregated witness” that, among other things, would potentially approximately double the transactions per second that can be handled on-chain. More importantly, segregated witness technology also enables so-called second layer solutions, such as the Lightning Network or payment channels, that allow potentially unlimited transactions throughput (*i.e.*, millions to billions of transactions per second).

While an increasing number of wallets and Bitcoin intermediaries, such as exchanges, have begun supporting segregated witness technology and the Lightning Network, or similar technology the wide-scale adoption of these technological advances is limited. Many of these related transactional upgrade technology solutions result from cryptographic simplifications to which the industry at large is slow to accept, preferring instead to continue to search for cryptographically complex but operationally swift methods; for example, the Lightning Network does not yet have material adoption. Additionally, the Lightning Network has not yet seen significant use, and there are open questions about Lightning Network services, such as its cost and who will serve as lightning intermediaries, among other questions.

Additionally, the blockchain ecosystem is built primarily on two foundational methods of transactional validation: proof-of-stake and proof-of-work. Each of these methodologies has its own network of supporting users and networks. In order for a Digital Asset ecosystem or network to run, nodes must be established and maintained to validate and record transactions on the blockchain such that transactions are confirmed by a consensus of the network prior to being added to the blockchain’s ledger. Consensus methods of transactional validation are designed to ensure that transactions are recorded on the blockchain only once and supports the prevention of fraud and double spending by requiring that certain multi-node or validations be completed before a transaction or new token is minted on-chain. The proof-of-work model is commonly associated with the Bitcoin network, which validates transactions and mints new units of BTC when miners, using a mining method to solve a complex mathematical problem, prove their mining work to the protocol by being the first to provide their solution to the network, thereby winning the right to update the blockchain with the applicable transaction or minting information. The network then rewards the successful miner with a fee paid in the network’s Digital Asset. In the proof-of-stake model, network participants lock-up certain volumes of their Digital Assets and as a result gain the right to run certain network supporting protocols which permit them to update, as chosen by a randomizing network function, the blockchain for certain transactions and mining activities. In this model, the nodes providing the validation for on-chain activities are validators run on staked or locked-up Digital Assets by selecting validators using a randomizing function weighted by the amount staked and length of time staked in each validator. Each method creates its own challenges and issues, within a Digital Asset network, relating to the continued operation of the consensus validation method, such issues can cause loss in value, cancelled transactions, failed transactions, fork events, and other risks that a client will lose value or Digital Assets.

Network proof-of-work and proof-of-stake methodologies are not static, and may be changed from time to time. For example, the Ethereum network recently underwent a significant upgrade called Ethereum 2.0. Ethereum 2.0 is a new iteration of ETH that is intended to improve the scalability and security of the Ethereum network. Ethereum 2.0 amended the consensus mechanism of the Ethereum network, moving from a “proof-of-work” consensus mechanism to a “proof-of-stake” consensus mechanism. Ethereum 2.0 also is intended to

increase the speed and scalability of the Ethereum network by introducing “sharding,” which allows the Ethereum blockchain to be split up, enabling transactions to be handled in parallel chains instead of consecutive ones by splitting the data processing responsibility among many nodes, allowing for parallel processing and validation of transactions; the intent of this change is for the Ethereum network to be able to process a much greater number of transactions per second.

Ethereum 2.0 represents new and unproven technology. Ethereum 2.0 has changed, and is expected to continue to change, the cost, efficacy and profitability of supporting the Ethereum network. There can be no assurance that the implementation of such changes will be successful, or that sharding will be implemented in a timely manner. Given how recently it was implemented, it is impossible to predict the impact of Ethereum 2.0 on the Ethereum network, the value and liquidity of the ETH held by a client and, consequently, on the performance of a client’s investment.

As the use of Digital Asset networks increases without a corresponding increase in throughput of the networks, average fees and settlement times can increase significantly. At times, the Bitcoin and the Ethereum networks, for example, have been at capacity, which has led to very high transaction fees and slower settlement speeds. For example, Bitcoin transaction fees increased from \$0.33 per Bitcoin transaction on January 5, 2020, on average, to a high of \$54.50 per transaction on April 23, 2022, on average. Increased fees and lower settlement speeds could reduce the value of Digital Assets or threaten the sustainability of certain Digital Asset Companies, which could adversely affect a client’s investments. Additionally, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of Digital Asset transactions will be effective, or how long they will take to become effective, which could adversely affect a client’s investments. Transactional validation methods, costs, fees, and procedures create certain risks relating to Digital Asset transactions and the value of a particular Digital Assets which may adversely affect a client’s investments.

*Loss of Access Risks.* The loss or destruction of a private key required to access a client’s Digital Assets, whether held as collateral or otherwise, may be irreversible. The loss of access to the private keys associated with a client’s Digital Asset collateral or assets could adversely affect a client’s investment. Digital Assets are controllable only by the possessor of both the unique public key and unique private key or keys relating to the digital wallet in which the currency is held. While public keys can be regenerated or located using certain on-chain information, private keys are unique and cannot be replaced or recreated. Private keys must be safeguarded and kept private in order to prevent a third party from accessing the Digital Assets while held in such wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, a client will be unable to access the Digital Assets held, whether as collateral or otherwise, in the related digital wallet. Any loss of private keys relating to digital wallets used to store a client’s Digital Asset collateral or assets could adversely affect an investment held by a client. Additionally, the existence of control over private keys by a third or adverse party may make enforcement of a client’s rights over collateral difficult. Though the Adviser will attempt to obtain suitable assurances regarding its ability to exercise on collateral, the Adviser’s inability to access private keys following enforcement of its rights would be expected to lead to material losses for a client.

*Irrevocability of Transactions.* Digital Asset transactions are irrevocable and stolen or incorrectly transferred Digital Assets may be irretrievable. As a result, any incorrectly executed Digital Asset transactions could adversely affect a client’s investment. Digital Asset transactions are not, from an administrative perspective,



reversible without the consent and active participation of the recipient of the transaction (or, in theory, control or consent of a majority of the aggregate hashrate on the respective Digital Asset network). Further, it may be impossible to identify the owner, responsible party, or any individual or entity in control of the wallet to which Digital Assets have been improperly transferred. 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 a client 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, a client's Digital Assets could be transferred from custody accounts in incorrect quantities or to unauthorized third parties. To the extent that a client is unable to seek a corrective transaction with such third party or is incapable of identifying the third party that has received a client's Digital Assets through error or theft, a client will be unable to revert or otherwise recover such incorrectly transferred Digital Assets. To the extent that a client is unable to seek redress for such error or theft, such loss would impair the value of the Digital Assets held, whether as collateral or otherwise, or adversely affect a client's investment.

*Risks of Centralized Networks.* Some purportedly decentralized Digital Assets may be more centralized than widely believed, or may become more centralized over time, increasing the risk that an adverse event impacting an individual personality or entity could result in a reduction in the price of Digital Assets.

While Digital Assets networks are typically decentralized and do not need to rely on any single government or institution to create, transmit and determine value, in reality a single personality or entity may have the ability to exert centralized authority over a network. Additionally, for Digital Assets that rely on miners, sophisticated miner groups may become overly influential over time if system or bandwidth requirements become too high. Where a single personality or entity exerts an outsize influence, an adverse event impacting that individual or entity, such as an insolvency proceeding, could result in a reduction in the price of a Digital Assets.

*Risks of Flawed or Ineffective Source Code.* If the source code, protocol, or cryptography underlying a Digital Asset held by a client proves to be flawed, fraudulent, or ineffective, malicious actors may be able to steal a client's Digital Asset collateral or assets. In the past, flaws in the source code for Digital Assets have been exposed and exploited, including those that exposed users' personal information and/or resulted in the theft of users' Digital Assets. Material flaws with respect to the Ethereum source code, for example, have been discovered that have resulted in the theft of a significant amount of ETH. Several errors and defects have been publicly found and corrected, including those that disabled some functionality for users and exposed users' personal information. Discovery of flaws in, or exploitations of, the source code that allow malicious actors to take or create money in contravention of known network rules have occurred. In addition, the cryptography underlying a Digital Asset could prove to be flawed or ineffective, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in such cryptography becoming ineffective. In any of these circumstances, if a client holds the affected Digital Asset, as collateral or otherwise, a malicious actor may be able to steal a client's Digital Asset collateral or assets, which could adversely affect a client's investment. Even if a client did not hold the affected Digital Asset, any reduction in confidence in the source code or cryptography underlying Digital Assets generally could negatively affect the demand, functionality, or validity for Digital Assets and therefore adversely affect the value of the Digital Asset or threaten the sustainability, compliance, or functionality of certain Digital Asset Companies.

*Risks of Control by Malicious Actors or Botnets.* If a malicious actor or botnet obtains control of more than 50% of the processing power on a Digital Asset network, such actor or botnet could manipulate the blockchain to adversely affect a client's investments or collateral. This scenario is often called a "51% attack." Digital Asset networks are subject to control by entities that capture a significant (1) amount of the network's processing power, (2) percentage of the Digital Assets issued and outstanding, or (3) number of developers or intermediaries important for the operation and maintenance of such Digital Asset network, depending on the algorithm used to secure the network. Many blockchain networks are secured by a proof of work algorithm that depends on the strength of processing power of participants to protect the network. 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 a Digital Asset network, it may be able to alter the blockchain on which the network and most transactions rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions. However, it could not generate new Digital Asset units or transactions using such control. The malicious actor could "double-spend" its own Digital Asset units and prevent the confirmation of other users' transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the Digital Asset network or the network community did not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Further, a malicious actor or botnet could create a flood of transactions in order to slow down confirmations of transactions on the relevant Digital Asset network.

Recently, some Digital Asset networks have been subject to malicious activity achieved through control of over 50% of the processing power on the network. For example, on May 24, 2018, it was reported that attackers compromised the Bitcoin Gold network in this manner and were successfully able to double-spend units of Bitcoin Gold in a series of transactions over the course of at least one week and in a total amount of at least \$18 million. Other Digital Assets such as Verge, Monacoin and Electroneum have also suffered similar attacks. Although there have been no reports of such activity on the Bitcoin network, it is believed that certain mining pools may have exceeded the 50% threshold on the Bitcoin network in the past. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of Digital Asset transactions, and this risk is heightened if over 50% of the processing power on the network falls within the jurisdiction of a single governmental authority. To the extent that a given Digital Asset ecosystem, including the core developers and the administrators of mining pools, does not act to ensure greater decentralization of mining processing power, the feasibility of a malicious actor obtaining control of the processing power on the network will increase, which may adversely affect a client's investment.

*Risk of a Blockchain "Fork".* A temporary or permanent blockchain "fork" could adversely affect the Digital Assets held, whether as collateral or otherwise, by a client. Many Digital Assets, including BTC and ETH, are open source, meaning that any user can download the software, modify it and then propose that the users and miners of the currency adopt the modification. When a modification is introduced and a substantial majority of users and miners consent to the modification, the change is implemented and the network remains uninterrupted. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "fork" of the network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the Digital Asset running in parallel, yet containing different applicable Digital Asset protocols

and rules, and lacking interchangeability.

Forks can occur after a significant security breach. In June of 2016, a smart contract using the Ethereum network was hacked, which resulted in most participants in the Ethereum ecosystem electing to adopt a “rescue fork” that effectively reversed the hack. However, a minority of users continued to develop the old blockchain, now referred to as “Ethereum Classic” with the Digital Asset on that blockchain now referred to as Ether Classic, or ETC. Ether Classic remains traded on several Digital Asset exchanges.

Forks can also occur when a given Digital Asset’s community cannot agree on whether or not to accept a network upgrade (for example, to allow for a new feature). In July 2017, Bitcoin “forked” into Bitcoin and a new Digital Asset, Bitcoin Cash, as a result of a several-year dispute over how to increase the rate of transactions that the Bitcoin network can process. Since then, Bitcoin has been forked several times to launch new and competing Digital Assets, such as Bitcoin Gold, Bitcoin Silver and Bitcoin Diamond. Further forks of the Bitcoin blockchain could impact demand for Bitcoin or other Digital Assets and could adversely impact a client’s investment.

Forks can also occur through an unintentional, unanticipated software flaw contained in multiple versions of otherwise compatible software users run. Such could adversely affect the given Digital Asset’s viability. It is possible, however, that a substantial number of users and miners could adopt an incompatible version of the Digital Asset while resisting community-led efforts to merge the two chains. This would result in a permanent fork, as in the case of ETH or ETC, as detailed above.

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

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

The classification for various types of forks, forking events, and the duplication or bifurcation of various Digital Assets is a complex and growing field of analysis. Forks pose a risk to client Digital Asset value whether they are malicious, result from on-chain error, or because they simply change the resulting demand for and operability of a given Digital Asset. A fork in the network of a particular Digital Asset could adversely

affect the value of certain Digital Assets held, whether as collateral or otherwise, by a client.

*Inability to Realize Benefits of Hard Forks or “Air Drops.”* A client may not be able to realize the economic benefit of a hard fork or “air drop,” either immediately or ever. If a client holds, whether as collateral or otherwise, a Digital Asset at the time that such Digital Asset experiences a hard fork, a client would be expected to hold an equivalent amount of the old and new assets following the hard fork. However, a client may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. For instance, a custodian or security service provider may not agree to provide a client access to the new asset. In addition, a client may determine that there is no safe or practical way to custody the new asset, or that trying to do so may pose an unacceptable risk to a client’s holdings in the old asset, or that the costs of taking possession and/or maintaining ownership of the new Digital Asset exceed the benefits of owning the new Digital Asset including by subjecting the client, the Adviser or any of their respective affiliates to additional legal, regulatory, tax or reputational concerns. Additionally, it is possible that the Adviser may not have the necessary systems in place to monitor, analyze, or participate in hard forks or airdrops. These issues may be exacerbated with respect to any Digital Assets held as collateral. Therefore, a client may not receive any new Digital Assets created as a result of a hard fork or airdrop, thus losing the potential value of such Digital Assets. Additionally, laws, regulation or other factors may prevent a client from benefitting from the new asset even if there is a safe and practical way to custody and secure the new asset. For example, it may be illegal for a client to sell the new asset, or there may not be a suitable market into which a client can sell the new asset (either immediately after the fork or ever).

In addition, a Digital Asset may become subject to a similar occurrence known as an “air drop.” In an air drop, the promoters of a new Digital Asset announce to holders of another Digital Asset that they will be entitled to claim a certain amount of the new Digital Asset for free. For example, in March 2017 the promoters of Stellar Lumens announced that anyone that owned Bitcoin as of June 26, 2017 could claim, until August 27, 2017, a certain amount of Stellar Lumens. Participating in airdrops can also increase the risk of receiving tainted, fraudulent, malicious, and/or damaged Digital Assets. Certain features permitting wallet enrollment, wallet identification, and wallet address integration can be used to send malicious assets and may expose wallets enrolled or receiving assets pursuant to airdrop arrangements to increased risk of hacking, compromise, or unauthorized transactions. These types of “air drop scam tokens” or “scam airdrops” are malicious airdrop arrangements where scammers attempt to access wallet and account information through phishing websites, false profiles, fake air drop enrollment mechanisms, and other fraudulent air drop and token offerings and may be offered relating to major trusted asserts, token, and networks. For the same reasons as described above with respect to forks, a client may or may not be able, to participate in an air drop, or may or may not be able to realize the economic benefits of holding the new Digital Asset. The timing of any such occurrence is uncertain and a client’s participation would be subject to the Adviser’s discretion. Any inability to recognize the economic benefit of a hard fork or an air drop could adversely affect the value of the Digital Asset held, whether as collateral or otherwise.

A similar issue involving Digital Assets which are sent without consent into a client wallet and or remain unspent within a wallet is known as “dust” or “dusting.” Though typically associated with data and informational privacy the existence or receipt of “dust” in any client wallet may raise concerns relating to asset transfer and loss with respect to client Digital Assets. Dust may result from transactions involving Digital Assets or on-chain costs, or may be received from unknown or unauthorized third parties in an attempt to identify certain wallets. Dust is simply defined as trace amounts of Digital Assets which either remain or are

received in a Digital Asset wallet and either do not represent a value sufficient enough to cover the gas fees for its transfer or are otherwise unusable or non-transferrable. For example, most wallets observe a Bitcoin dust limit of 0.00000546 BTC, or roughly 7 cents making asset values less than 7 cents non-transferrable. When “dusting” occurs, also often called a dusting attack, a negligible Digital Asset amount is sent to many addresses in an attempt to identify or link the addresses with a certain business or individual. While “dusting” is often seen as a method to identify wallets, it is also used for airdrop and advertising purposes, as described above. In either case, “dust” may, for a variety of reasons, be transferred into a client account or exist in a client account and remain unspent or unused, no matter the value of its appreciation, leading to a possible loss or lack of utilization of the “dust” value.

*Risks of Internet Disruptions.* A disruption of the internet may affect the use of Digital Assets and subsequently the value of the interests in a client. Many Digital Assets are dependent upon the internet. A significant disruption in internet connectivity could disrupt a currency’s network operations until the disruption is resolved and have an adverse effect on the price of Digital Assets. In particular, some variants of Digital Assets have been subjected to a number of denial-of-service attacks, which have led to temporary delays in block creation and in the transfer of the currency. While in certain cases in response to an attack, an additional “hard fork” has been introduced to increase the cost of certain network functions, the relevant network has continued to be the subject of additional attacks. Moreover, it is possible that as Digital Assets increase in value, they may become more attractive targets for hackers and subject to more frequent hacking and denial-of-service attacks.

Certain Digital Assets rely on a “proof-of-stake” consensus mechanism, under which transactions are validated by validators that deposit their Digital Assets into a smart contract and run software in order to validate transactions on the applicable Digital Asset network. A significant portion of a Digital Asset network may be maintained by users employing hosted web services and cloud services like Amazon’s AWS, among others. There are a limited number of web hosting and cloud service providers available to network users, validators, and Digital Asset platforms and firms. In participating in a proof-of-stake validation process, a significant number of validation nodes may employ the same hosting providers. The centralization of network validation nodes at a limited number of providers or a single provider may increase the risk that issues with that provider or set of providers would negatively impact the function, validity, and operation of a Digital Asset network. The failure of a single hosting provider supporting a large volume of validating nodes selected for a transaction may negatively impact the validity and finality of the transaction.

Digital Assets are also susceptible to border gateway protocol hijacking, or BGP hijacking. Such an attack can be a very effective way for an attacker to intercept traffic en route to a legitimate destination. BGP hijacking impacts the way different nodes and miners are connected to one another to isolate portions of them from the remainder of the network, which could lead to a risk of the network allowing “double-spending” (*i.e.*, spending the same interests in more than one transaction) and other security issues. If BGP hijacking occurs on a Digital Asset network, participants may lose faith in the security of Digital Assets, which could affect the value of those Digital Assets and consequently the value of the interests in a client. Any future attacks that affect the ability to transfer the Digital Asset could have a material adverse effect on the value of the Digital Asset held, whether as collateral or otherwise, certain Digital Asset Companies and a client’s investment.

*Risks of Intellectual Property Rights Claims.* Intellectual property rights claims may adversely affect the operation of Digital Asset networks or the viability of certain Digital Asset Companies. For example, third

parties may assert intellectual property claims relating to the holding and transfer of Digital Assets and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in long-term viability or the ability of end-users to hold and transfer the currency may adversely affect a client's investment. Additionally, a meritorious intellectual property claim could prevent a client and other end-users from accessing, holding, or transferring the affected Digital Assets, which could force the liquidation (if such liquidation is possible at all) of certain Digital Assets held by a client, whether as collateral or otherwise. As a result, such an intellectual property claim could adversely affect the value of certain Digital Assets held by a client, whether as collateral or otherwise.

*Risks of Open-Source Structure.* Many Digital Asset networks, including Bitcoin, Ethereum and Solana, operate on open-source protocols maintained by groups of core developers. The open-source structure of these network protocols means that certain core developers and other contributors may or may not be compensated, either directly or indirectly, for their contributions in maintaining and developing the network protocol and may or may not have continuing duties to ensure that the network is maintained, protected, and upgraded. A failure to properly monitor and upgrade network protocol could damage the Digital Asset networks. Certain Digital Asset networks operate based on open-source protocol maintained by the groups of core developers. As these network protocols are not sold and their use does not generate revenues for development teams, core developers may not be directly compensated for maintaining and updating the network protocols. Consequently, developers may lack a financial incentive to maintain or develop the network, and the core developers may lack the resources to adequately address emerging issues with the networks. There can be no guarantee that developer support will continue or be sufficient in the future. At the same time, a failure to properly monitor and upgrade a given network protocol could damage the associated Digital Asset network. To the extent that material issues arise with certain Digital Asset network protocols and the core developers and open-source contributors are unable or unwilling to address the issues adequately or in a timely manner, such Digital Asset networks, and any corresponding Digital Assets held by a client, whether as collateral or otherwise, may be adversely affected.

*Protocol Governance Risks.* Lack of clarity in the governance of many Digital Asset systems may lead to ineffective decision-making that slows development or prevents a network from overcoming important obstacles. Governance of many Digital Asset systems is by voluntary consensus and open competition. Bitcoin, for example, has no central decision-making body or clear manner in which participants can come to an agreement other than through overwhelming consensus. The lack of clarity on governance may adversely affect Bitcoin's utility and ability to grow and face challenges, both of which may require solutions and directed effort to overcome problems, especially long-term problems. For example, a seemingly simple, technical issue once divided the Bitcoin community: namely, whether to increase the block size of the blockchain or implement another change to increase the scalability of Bitcoin, known as "segregated witness," and help it continue to grow. Because the resolution of the scaling issue has taken several years, some have referred to a "governance crisis" at decentralized currencies. Governance of other networks, such as the Cardano network, is formally directed by the companies that founded such networks. However, users may disagree with updates proposed by these companies, which may also lead to a lack of clarity on the governance of such networks. To the extent lack of clarity in governance of Digital Asset systems leads to ineffective decision-making that slows development and growth, the value of the Digital Asset held, whether as collateral or otherwise, and certain Digital Asset Companies, and in turn, the interests in a client, may be adversely effected.

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

Miners generate revenue from both newly created Bitcoin, known as the “block reward” and from fees taken upon verification of transactions. If the aggregate revenue from transaction fees and the block reward is below a miner’s cost, the miner may cease operations. As discussed above, one of the purposes of Ethereum 2.0 is to amend its consensus mechanism to include proof-of-stake. The current version of the Ethereum network also contains a “difficulty bomb,” under which mining will become extraordinarily difficult over time, encouraging miners to switch to proof-of-stake.

As the award of new units of Digital Assets such as Bitcoin for solving blocks declines and/or the difficulty of solving blocks increases, often by way of power and structural cost increases, and if transaction fees voluntarily paid by participants are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. For instance, the current fixed reward for solving a new block on the Bitcoin network is 6.25 Bitcoin per block, which decreased from 12.5 Bitcoin per block on May 11, 2020. It is anticipated that it will halve again in or around April 2024. This reduction may result in a reduction in the aggregate hashrate of the Bitcoin network as the incentive for miners decreases. Miners ceasing operations would reduce the collective processing power on the network, which would adversely affect the confirmation process for transactions (*i.e.*, temporarily decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions) and make Digital Asset networks more vulnerable to a malicious actor or botnet obtaining control in excess of 50% of the processing power, which would allow such actor or botnet to manipulate the blockchain and hinder transactions. Any reduction in confidence in the confirmation process or processing power of a Digital Asset network may adversely affect the value of the Digital Asset held, whether as collateral or otherwise, certain Digital Asset Companies, and in turn, a client’s investment.

While the aggregate Bitcoin hashrate remains near its all-time highs, pressure on the profitability of Bitcoin mining may cause more Bitcoin miners to abandon or reduce their mining efforts, resulting in a decline in the aggregate Bitcoin hashrate.

*Proof of History Risks.* Certain Digital Asset networks, such as the Solana network, use a novel technology known as “Proof of History,” which is designed to allow transactions on the network to be timestamped and more quickly verified by providing a cryptographically safe source of time throughout the network, reducing the consensus overhead. While Proof of History, by facilitating rapid verification of transactions, may represent a key component of the value proposition of networks that rely on this consensus mechanism, the technology is relatively new and untested compared to more widely utilized technologies. As such, there may be an increased chance of undiscovered issues with respect to the Proof of History protocol, which in turn could have an adverse effect on the networks that rely on the protocol and the value of associated Digital Assets held by a client.

*Risks of Exclusion of Transactions.* To the extent that any miners exclude some or all transactions, significant

increases in fees and widespread delays in the recording of transactions could result in a loss of confidence in the relevant Digital Asset networks, which could adversely affect the value of the Digital Asset held, whether as collateral or otherwise, certain Digital Asset Companies, and in turn, a client's investment.

To the extent that any miners solve blocks that exclude some or all transactions that have been transmitted to the network, such transactions will not be recorded on the respective blockchain until another miner solves a block that incorporates those transactions. Some in the Digital Asset community have suspected that certain technologies (for example, before segregated witness was activated, ASICBoost), enhance speed and reduce electricity use of mining when reducing the number of transactions that are included in mined blocks on the Bitcoin network. To the extent that more blocks are mined without transactions, transactions will settle more slowly and fees will increase. This could result in a loss of confidence in a Digital Asset network, which could adversely affect the value of the Digital Asset held, whether as collateral or otherwise, certain Digital Asset Companies, and in turn, a client's investment.

*Risks of Staking.* The Adviser may elect for a client to participate in staking of a Digital Asset, such as ETH or Solana, and may also elect for a client to participate in certain staking or lock-up functionalities supported for certain DeFi tokens and Digital Assets. Staking is a process of actively participating in transaction validation such as the one that is available to holders of ETH following the Ethereum 2.0 transition. The risks involved in staking remain uncertain, but may include the following:

- *Staking Lock-Ups and Lack of Liquidity.* Staked Digital Assets may be locked up, and the staking entity may be unable to “unstake” or transfer such Digital Assets, in which case such Digital Assets will generally be illiquid.
- *Slashing Risks.* Staked Digital Assets could be the subject of a “slashing” event. Slashing is a penalty enforced at the protocol level designed to discourage validator misbehavior and is irreversible. Malicious activity, such as violating voting and attestation rules, may result in a portion or all of such staked Digital Assets being slashed. Validators that are fully slashed are prevented from participating in the protocol further and are forcibly exited. Validators may also be penalized if they are offline for a certain period of time when they are meant to be participating in the protocol. Typically, such validators will not have their staked Digital Assets slashed but will only stand to lose what they would have gained as rewards had they been participating correctly in the protocol. However, there is no predefined penalty for being offline, and if a validator is offline regularly or for an extended period of time, all or a portion of its staked Digital Assets could be slashed. Although slashing is designed to only affect validators who misbehave deliberately, a client could lose a portion or all of its staked Digital Assets due to a slashing event.
- *Custodian and Third Party Staking Risks.* Staking certain Digital Assets is technologically challenging and requires a validator to run and maintain its own complex computer systems. For example, validators may be expected to keep their nodes connected to a Digital Asset network at all times. In order to reduce these technological burdens or for other reasons, clients of the Adviser may engage the services of custodians and other third party service providers that offer services that help facilitate staking by Digital Asset investors and, if so, such clients will compensate such custodian and/or other third party service provider. The compensation that clients pay for such services may be significant, including 25% or more of the proceeds of the staking activity. There is no guarantee that the custodian and/or service provider will properly stake such Digital Assets, and errors and omissions on the part of such custodian or service provider could subject staked Digital Assets to a slashing event. There can be no assurances that clients would be reimbursed in such case. In addition, a client's use of a



custodian or other service provider to facilitate its staking will also such clients to operational and technological risks at such custodian or service provider, which could result in the loss of staked Digital Assets or an interruption in the ability to earn staking rewards.

- *Anti-Money Laundering/Countering the Financing of Terrorism (“AML/CFT”) Staking Risks.* Staking arrangements in certain assets, on certain Digital Asset networks and protocols and within certain Digital Asset ecosystems may include features, protocols, smart contracts and other mechanisms by which third parties can stake assets “to” a staking node or address without the consent of the parties operating such staking node or address. Such systems are often referred to as permission-less or semi-permissioned protocols. In these instances, third parties may be able to stake assets to the address or node performing the staking or validating function without having undergone prior screening or assessment, or without notice to the parties operating the staking node or address. Parties operating staking nodes in this context may be unable to prohibit or reject assets sent to the staking node by third parties. As a result, certain staking protocols may expose their participants to increased risk of participating in transactions with prohibited third parties and/or sanctioned individuals or entities located in prohibited geographic areas or countries. The U.S. Department of the Treasury's Office of Foreign Assets Control (“OFAC”) identified certain unique vulnerabilities, like permission-less staking, in its report entitled “Illicit Finance Risk Assessment of Decentralized Finance” published by OFAC in April 2023. Staking nodes and addresses operating in permission-less or semi-permissioned environments may have increased risk of exposure to illicit actors, including ransomware cybercriminals and state-sponsored scammers from Democratic People’s Republic of Korea (DPRK) and other jurisdictions, using staking and other DeFi services in the process of transferring and laundering illicit proceeds by exploiting vulnerabilities in the U.S. and foreign AML/CFT supervisory and enforcement regimes as well as the technology underpinning DeFi services and, in certain cases, staking systems. It may not be possible to completely avoid transactions with illicit third parties or prevent illicit transactions with respect to certain protocols and staking systems. Screening mechanisms and other preventative AML/CFT programs may be unable to adequately mitigate these risks. Certain counterparties, third parties and transactions may require that nodes and addresses be closed and that staking in certain protocols be suspended or stopped in order to prevent ongoing illicit transactions. In these cases, staking fees and penalties may be assessed and may damage the value of assets at the address or node in question. Additionally, enforcement and other actions taken by certain regulators and governments may freeze certain staking addresses and nodes relating to illicit conduct. To the extent that a staking node or address receives assets from an illicit third party, that node or address may be frozen or forced to close, or may be assessed fees or penalties associated with closing the node, and assets hosted at the node or address may be “tainted”. The value of a client’s assets staked to any such node or address may be materially adversely affected as a result. These risks will be exacerbated to the extent that a client stakes assets to validators run or administered by the Adviser or its affiliates, as is currently anticipated.
- *Staking and Qualified Custody.* Certain staking arrangements may require that control of assets, private keys and asset-identifying coding be transferred into the staking node or reward-generating wallet address. In such cases, the staking node or address – and by extension its operator – may be deemed to have custody of the assets. Staking nodes and addresses, and their related technology protocols, transaction mechanisms and validation protocols, may cause custody to be effectuated functionally on protocols or in Digital Asset ecosystems. Qualified custodians and other custody intermediaries may not be available in these circumstances. Additionally, in certain staking arrangements, effectuating the staking protocol technology may be considered to be custody, for which no suitable or verifiable third party can be identified as the sole or primary qualified custody party for the staking node or address. Such custody uncertainty and effectuating custody at certain staking nodes dependent on their own functional or self-implementing technology components may cause the node or address

supporting the staking or validating mechanism to be considered the location where custody is effectuated. See “*Risks Relating to Custody of Digital Assets*” below.

- *Additional Staking Risks.* There can also be no assurances that staking activity will result in additional income despite the additional risks. For example, validators that stake Digital Assets may not automatically earn rewards. Instead, they may need to be randomly selected (with preference given to the validators that have staked the most Digital Assets) to validate transactions in order to earn rewards. There can be no assurances that a client will be able to stake sufficient Digital Assets to be likely to be so selected or that such client will otherwise regularly be able to earn rewards through its staking activities. In addition, in February 2023, Kraken settled charges with the SEC relating to allegations that its staking service amounted to an unregistered offering of securities and agreed to discontinue this service. Many believe that the SEC is engaged in similar investigation of other staking services—for instance, in a March 22, 2023 announcement by Coinbase, Inc. (“**Coinbase**”) that the company had received a “Wells Notice” from the SEC (indicating the SEC had made a preliminary determination to recommend an enforcement action against Coinbase), Coinbase expressed its belief that, based on discussions with SEC staff, the SEC’s potential enforcement actions would relate to Coinbase’s staking product (among other products and services). Such actions by the SEC and other regulators could lead to an overall decrease in staking activity, which could have an adverse effect on the operation of such networks and the value of affiliated Digital Assets.

*Risks of Collusion of Miners.* Miners could act in collusion to raise transaction fees, which may adversely affect the usage of Digital Asset networks. Miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners validate unconfirmed transactions by adding the previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees. If miners collude or otherwise organize, including in an anticompetitive manner, to reject low transaction fees, then Digital Asset users could be forced to pay higher fees, thus reducing the attractiveness of the Digital Asset network. Such collusion by miners may also include collusion by mining pools, entities running mining collectives or mining groups, and the participation by miners in different networks in refusing certain participating transactions. Mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely affect the value of the Digital Asset held, whether as collateral or otherwise, certain Digital Asset Companies, and in turn, a client’s investment.

*Nascent Development of Smart Contracts.* The nascent nature of smart contract development may magnify initial problems, increase volatility and reduce interest in smart contracts, which could have an adverse impact on the value of ETH, Solana, certain DeFi protocols, or other Digital Assets, as well as certain Digital Asset Companies. Smart contracts are computer protocols that facilitate the negotiation or performance of certain contractual terms or events and have only very recently been implemented in the Digital Asset landscape. Since smart contracts typically cannot be stopped or reversed, bugs or fraud in their programming and design can have catastrophic effects. Nevertheless, the price of ETH dropped 35% because of the attack and also the fork. In addition, in July 2017, a vulnerability in a smart contract for a multi-signature wallet software provided by Parity led to a \$30 million theft of ETH, and in November 2017, a new vulnerability in Parity’s wallet software led to roughly \$160 million worth of ETH being indefinitely frozen.

Smart contracts are integral to many decentralized finance activities, and therefore such decentralized finance

activities are subject to risks related to errors, bugs, or other vulnerabilities and problems with the development and deployment of smart contracts (see “*Decentralized Finance (“DeFi”) Risks*” below). For example, in August 2020, Yam Finance, a decentralized finance application that allowed users to stake various Digital Assets in exchange for YAM tokens announced that the protocol had a critical bug. Following the announcement, the value of YAM dropped to zero. Problems and continued setbacks with the implementation and development of smart contracts may have an adverse effect on the value of certain related or supported Digital Assets (such as ETH and Solana), certain Digital Asset Companies, and in turn, a client’s investment.

*Decentralized Finance (“DeFi”) Risks.* DeFi refers to a variety of blockchain-based applications or protocols that provide for peer-to-peer financial services using smart contracts and other technology rather than such services being offered by central intermediaries.

The inception of decentralized autonomous organizations (“DAOs”) in 2015 marked the beginning of DeFi, and later led to the use of cryptocurrency for lending and borrowing. MakerDAO, founded in 2015, was the first platform to enable the scaled use of cryptocurrency as collateral for financial arrangements. MakerDAO published its first formal white paper in 2017, introducing the original DAI Stablecoin System, which launched in December 2017.

Common DeFi applications include borrowing/lending Digital Assets and providing liquidity or market making in Digital Assets. Because DeFi applications rely on smart contracts, any errors, bugs, or vulnerabilities in smart contracts used in connection with DeFi activities may adversely affect such activities. DeFi lending is subject to counterparty risk and credit risk, but because lending is automated through the DeFi protocol, rather than individual decisions made by the Adviser on behalf of a client, such risks may be exacerbated, particularly if there are flaws in DeFi protocol’s code or operation.

DeFi applications may involve regulated financial products or regulated activities, however because of their decentralized nature, there is generally no entity subject to regulatory supervision. For example, one former commissioner of the CFTC has publicly stated that he believes certain DeFi protocols and activities operating without regulatory licensing likely violate the CEA. Moreover, in June 2023, in granting the CFTC’s motion for default judgment against a DAO, a federal judge ruled that the CFTC had sufficiently pleaded that a DAO operates a DeFi protocol that has not registered as a futures commission merchant (“FCM”) and thereby illegally offered leveraged and margined retail commodity transactions in digital assets, engaged in activities only registered FCMs can perform, and failed to adopt a customer identification program as part of a BSA compliance program, as required of FCMs. In an accompanying settled enforcement order, the CFTC found the two founders, as token holders who voted their DAO tokens to govern the DAO, personally liable for the DAO’s violations of the CEA and regulations promulgated thereunder. While the scope of liability for persons associated with a DAO, or its accompanying DeFi protocol, are currently unclear notwithstanding the default judgment entered against the DAO, it is possible that regulatory agencies may consider other DeFi token holders, or users of a DeFi protocol, liable for potential violations of the CEA or other laws or regulations. In addition, in certain decentralized protocols, it may be difficult or impossible to verify the identity of a transaction counterparty necessary to comply with any applicable anti-money laundering, countering the financing of terrorism, or sanctions regulations or controls.

In light of the foregoing, a client’s use of DeFi applications may be subject to more risks than engaging in similar activities through regulated financial intermediaries.

*Attacks on Decentralized Applications.* The complexity and interconnectedness of Digital Asset networks, applications, and economic systems enables new forms of malicious attacks that leverage a feature or vulnerability of one system to attack another. Such an attack may take the form of a temporary manipulation of the price of certain Digital Assets that trigger second order behaviors, such as automatic collateral liquidations on decentralized applications or Digital Asset trading platforms. Such an attack could adversely affect a client's investment. A malicious actor can exploit the structure of one or a series of smart contracts or applications in ways that do not technically constitute exploitation of a "bug" or flaw in the smart contract or application. For example, such an exploit has occurred repeatedly in the Ethereum DeFi ecosystem, whereby a decentralized exchange or lending application is designed to reference an external pricing source of a particular Digital Asset to determine when to liquidate collateral. By manipulating the price of the particular Digital Asset on a third-party platform (such as a Digital Asset trading platform), the pricing source used by the decentralized trading platform or application is consequently manipulated, which then leads to uneconomic collateral liquidations on the decentralized trading platform or application. Such liquidations may be processed automatically and could have a material adverse effect on a client's investment.

*Risks Related to Nonfungible Tokens (NFTs).* NFTs are unique, one-of-a-kind Digital Assets made possible by certain Digital Asset network protocols. Because of their non-fungible nature, NFTs introduce digital scarcity and became popular as online "collectibles," similar to physical rare collectible items, such as trading cards or art. Like real world collectibles, the value of NFTs may be prone to "boom and bust" cycles as popularity increases and subsequently subsides. Certain metadata pertaining to NFTs may be stored "offchain," i.e., not on a decentralized Digital Asset network and as a result the NFT, instead of a representation of value, may be an indication of title or ownership for the off-chain object. If the entity behind an NFT project ceases hosting relevant metadata relating to NFTs, such NFTs may become worthless. If any of these events were to occur, it could adversely affect an investment in the Fund. In addition, because NFTs generally rely on the same types of underlying technologies as Digital Assets, most risks applicable to Digital Assets (including phishing, hacking, blockchain risks) are also applicable to NFTs and hence any investment by a client into NFTs will be subject to general Digital Assets risks as described elsewhere in this Brochure. For instance, the NFT market was significantly affected by the general Digital Asset market downturn in 2022, with trading volumes in NFTs falling by 97% from January to October 2022, accompanied by a steep downturn in the asset value of most NFTs. Like other Digital Asset exchanges discussed below under "*Digital Asset Exchanges and Trading Venues*", fraudulent transactions and practices have been detected (or alleged to have taken place) on NFT exchanges—for instance, in June 2022 an employee of OpenSea, one of the largest NFT exchanges, was charged with wire fraud and money laundering for allegedly purchasing NFTs in advance of their promotion on the OpenSea website.

*Risks Associated with Investing in Initial Coin Offerings ("ICOs").* Certain ICO or token sale transactions may constitute the offer and sale of securities under the U.S. federal securities laws. There is significant uncertainty regarding which tokens sold in ICOs or token sales may be securities. To the extent that ICOs or token sales are conducted in violation of the U.S. federal securities laws, the tokens purchased may be worthless, may be difficult or impossible to sell, and may subject the purchaser to potential liability if the purchaser resells the tokens in violation of the requirements of the U.S. federal securities laws.

The ability of investors in ICOs or token sales to recover in the event of fraud or theft may be limited. While investors who have been defrauded have rights under various laws, including potentially the U.S. federal

securities laws or the Commodity Exchange Act, their ability to recover may be significantly limited due to one or more of the following factors:

*Tracing money.* Traditional financial institutions often are not involved with ICOs or Digital Asset transactions, making it more difficult to follow the flow of money.

*International scope.* ICOs and Digital Asset transactions and users span the globe. Regulatory and law enforcement agencies may be unable to quickly obtain information from persons or entities located overseas.

*Freezing or securing Digital Assets.* Law enforcement officials may have difficulty freezing or securing investor funds that are held in a Digital Asset wallet. Digital Asset wallets are encrypted and unlike money held in a bank or brokerage account, Digital Assets may not be held by a third-party custodian.

*Risks Associated with Investing in Simple Agreements for Future Tokens (“SAFTs”).* SAFTs are designed to convey rights in digital tokens prior to the development of the tokens’ functionality. Under a SAFT, the SAFT instrument itself is designed to be treated as a security, and thus its offering is subject to U.S. federal or other securities laws, but the token to be delivered under the SAFT is typically designed not to be treated as a security for purposes of U.S. federal securities laws or commodity derivatives subject to regulation under the CEA.

The market for such instruments is not well developed (and SAFTs are frequently illiquid) and the regulatory treatment of SAFTs is unclear. U.S. regulators, including the SEC and CFTC, have not issued definitive guidance or otherwise indicated whether they believe SAFTs or the underlying tokens would be subject to regulation as securities or commodity derivatives. There is a risk that SAFTs, because they provide for forward delivery of a token that is designed to be a commodity, could be viewed by the CFTC as swaps and subject to regulation as such. The tokens delivered under a SAFT could be viewed by the SEC as securities or by the CFTC as commodity derivatives, depending on the nature of the tokens and the manner of their offering. In two separate 2020 lawsuits—*SEC v. Kik Interactive Inc.* and *SEC v. Telegram Grp.*—courts ruled in favor of the SEC in finding that SAFTs issued by Kik Interactive Inc. and the Telegram Group, respectively, each using the two-stage token structure described above, constituted illegally unregistered offerings of securities. Guidance or other action taken by regulators could significantly affect the regulatory treatment of SAFTs and tokens delivered under SAFTs. Such action, or legal action brought by market participants against issuers of SAFTs or the underlying tokens, could negatively affect the value or liquidity of any SAFTs or tokens held by a client and could negatively affect the ability of the Adviser to use these instruments as part of its investment strategy.

In addition, the Adviser or its clients could face investigations, expensive remedial actions, penalties and fines, and could be restricted from selling or effecting any transactions involving SAFTs or tokens received from SAFTs, and the SAFTs or tokens could be worthless. All of these occurrences could have an adverse effect on clients of the Adviser.

*Risks Related to Demand for Private Blockchains.* Major smart contract development on private blockchains may decrease potential demand for Digital Assets powered by public blockchains. The concept of

“consortium blockchains” and “private blockchains” has become increasingly popular. In a consortium blockchain, the consensus process is controlled by a pre-selected set of nodes, for example nodes controlled by a number of financial institutions. For private blockchains, the right to read the blockchain or to have access to blockchain-related data may be public or may be restricted to certain participants and institutions. Fully private blockchains have access permissions that are centralized and tightly controlled, with rights to modify or even read the blockchain state restricted to a few users, while still maintaining many kinds of partial guarantees of authenticity and decentralization that blockchains provide. Private blockchain systems have been a significant focus of interest from financial institutions.

Private blockchains are being deployed as turnkey solutions directly to businesses by projects like Deloitte’s Rubix and JPMorgan’s Quorum. Other consortium projects like R3 are also receiving an enormous amount of attention and interest, potentially at the expense of the public blockchain market. To the extent major smart contract development by institutions occurs on private blockchains instead of public blockchains, this may have an adverse effect on the potential demand for and price of ETH or other Digital Assets that power smart contracts on public blockchains.

*Limited History of Digital Asset Companies and Digital Assets.* Due to the limited history of Digital Asset Companies and Digital Assets and the rapidly evolving nature of the Digital Asset industry, it is not possible to know all the risks involved in making an investment in the debt and/or equity of Digital Asset Companies, and new risks may emerge at any time. Digital Asset Companies and Digital Assets have gained commercial acceptance only within the past decade and, as a result, there is limited data on the long-term sustainability of Digital Assets, as well as the business models among Digital Asset Companies that will provide for long-term profitability. Additionally, due to the rapidly evolving nature of the Digital Asset market, including the development of new Digital Assets, advancements in the underlying technology and the emergence of new Digital Asset Companies, it is not possible to predict which Digital Assets a client may have economic exposure to in the future or even to fully describe those potential Digital Assets. New Digital Assets or changes to existing Digital Assets may expose client Investors to additional risks which are impossible to predict as of the date of this filing. This uncertainty makes a client’s investment very risky.

*Risks Related to Lending Transactions.* A client may engage in Digital Asset lending transactions, which could result in losses for a client if any borrower under such transactions fails to perform or fails financially. A client may earn additional income from lending its Digital Assets, although such transactions increase a client’s risk of loss. In a Digital Asset lending transaction, a client will lend certain of its Digital Assets to a borrower, and a client may be compensated for such loan. Upon termination of a Digital Asset lending transaction, the borrower is obligated to return the borrowed Digital Assets to a client. This obligation of the borrower to return the loaned Digital Assets gives a client credit exposure to the borrower, and there is no limit on the amount of a client’s Digital Assets that may be lent at any one time. To the extent a client loans a portion of its Digital Assets, a client will generally receive collateral from the borrower of the Digital Assets. As with other extensions of credit, there are risks of delay and costs involved in recovery of loaned Digital Assets or even loss of rights in the Digital Assets loaned or sold or in the collateral if the borrower fails to perform under the terms of the Digital Asset lending transaction or fails financially. If the borrower fails to perform under the terms of the Digital Asset lending transaction or fails financially, the collateral held by a client may not be sufficient to cover any losses suffered by a client. A client may engage an agent to arrange loans of Digital Assets by a client (a “**lending agent**”), and that lending agent, which may be an affiliate of the Adviser, may be paid a fee by a client or may otherwise share in the profits from a client’s Digital Assets

lending transactions. This fee or share of profits may represent a material portion of the income generated by a client by entering into Digital Asset lending transactions. The market for Digital Asset lending transactions is new and evolving, and may be riskier than the more traditional securities lending market, and may expose a client to unforeseen risks. A client may also sell its Digital Assets in Digital Asset reverse repurchase transactions to the extent that a market develops for such transactions, or may enter into other transactions with similar effect to Digital Asset lending transactions or reverse repurchase transactions. 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.

Engaging in Digital Asset lending transactions could increase the risk that a client's Digital Assets are lost or stolen. The storage systems and security measures employed by a client and its custodians to secure a client's private keys are generally most vulnerable to security breaches, cyber-attacks, computer malware or other forms of attack, and the private keys are also more vulnerable to be lost or compromised due to operational error, at points in time when a client is using its private keys to effect transactions in the Digital Assets held by a client. If a client engages in Digital Asset lending transactions, a client will be required to access its private keys more frequently than it would if it did not engage in such transactions, because Digital Asset lending transactions require the lender of the Digital Assets to use its private keys to effect a transfer of the Digital Assets to the borrower. As a result, engaging in Digital Asset lending transactions could increase the risk that a client's Digital Assets are lost or stolen.

If a client engages in Digital Asset lending transactions, sales of Digital Assets by the borrowers under such Digital Asset lending transactions could decrease the trading prices of the Digital Assets held by a client and therefore adversely affect a client's investment. The market for Digital Asset lending transactions is new and evolving, and a client's willingness to lend its Digital Assets may materially increase the supply of Digital Assets available for borrowing by market participants. If a client engages in Digital Asset lending transactions, it is likely that the borrower in such Digital Asset lending transactions are borrowing such Digital Assets in order to engage in short sales of such Digital Assets. This selling activity by borrowers of a client's Digital Assets could decrease the trading prices of the currencies currently held by a client and therefore adversely affect a client's investment.

*Digital Asset Exchanges and Trading Venues.* The Digital Asset trading platforms (also called "exchanges" though often neither licensed nor regulated as such) on which Digital Assets trade are relatively new and, in many cases, largely unregulated and, therefore, may be more exposed to fraud and failure than established, regulated exchanges for other assets. Any fraud, security failure or operational problems experienced by the Digital Asset exchanges could result in a reduction in the value of the Digital Assets and adversely affect an investment in the interests of the clients. Furthermore, many such exchanges do not provide the public with detailed information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, Digital Asset exchanges, including prominent exchanges handling a significant portion of the volume of trading. 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. To the extent that a Digital Asset is hosted or traded on a limited number of exchanges, these risks are amplified and may cause a significant diminution in value of such Digital Asset.

Digital Assets traded on a blockchain may not rely on a trusted intermediary or depository institution. The

participation in exchanges often requires a user to take on credit risk by transferring Digital Assets from such user's account to a third party's account which may or may not be hosted directly at or by the exchange. Accordingly, a client and/or a portfolio company is exposed to credit risk with respect to its counterparties in each transaction, including transactions directly with a counterparty sourced through an exchange as well as transactions directly with such an exchange. Certain Digital Asset exchanges may also require a client and/or a portfolio company of a client to pre-fund its trading accounts in fiat or in stablecoins or other Digital Assets, exposing such client or portfolio company to additional credit risk associated with the party to whom the assets are transferred. To the extent a client or portfolio company uses margin for trading, such risks may be magnified. It may be difficult or impossible for the client and/or the portfolio companies to monitor or control this credit risk, which could have an adverse impact on the client and/or the portfolio companies and, to the extent the client and/or the portfolio companies suffer losses as a result, on the value of a client's investment. There can be no assurance that deposited funds can be recovered.

There are a limited number of Digital Asset exchanges in operation, and many operate in jurisdictions outside of the United States. Trading on Digital Asset exchange outside of the United States may involve certain risks not applicable to trading on Digital Asset exchanges that operate in the United States. Foreign markets may be subject to instability, temporary closures due to fraud, business failure, local capital requirements or government-mandated regulations. Digital Asset exchanges located outside the United States may not be subject to regulatory, investigative, or prosecutorial authority through which an action or complaint regarding missing or stolen Digital Assets may be brought. Additionally, due to lack of globally consistent treatment and regulation of Digital Assets, certain exchanges located outside the United States may not be currently available to or may in the future become unavailable to certain persons or entities based on their country of domicile, including the United States. The Adviser may also have difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained on behalf of a client in another country. In general, certain less developed countries lack fully developed legal systems and bodies of commercial law and practices normally found in countries with more developed market economies. These legal and regulatory risks may adversely affect a client's investment.

Over the past several years, a number of 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 exchanges. While smaller Digital Asset exchanges are less likely to have the infrastructure and capitalization that make larger Digital Asset exchanges more stable, larger Digital Asset exchanges are more likely to be appealing targets for hackers and "malware" (*i.e.*, software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems). In 2014, the largest Bitcoin exchange at the time, Mt. Gox, filed for bankruptcy in Japan amid reports the exchange lost up to 850,000 Bitcoin, valued then at over \$450 million.

In January 2015, Bitstamp announced that approximately 19,000 Bitcoin had been stolen from its operational or "hot" wallets. In August 2016, it was reported that almost 120,000 Bitcoin worth around \$78 million were stolen from Bitfinex, a large Digital Asset exchange. The value of Bitcoin immediately decreased by more than 10% following reports of the theft at Bitfinex. In addition, in December 2017, Yopian, the operator of Seoul-based Digital Asset exchange Youbit, suspended Digital Asset trading and filed for bankruptcy following a hack that resulted in a loss of 17% of Yopian's assets. Following the hack, Youbit users were allowed to withdraw approximately 75% of the Digital Assets in their exchange accounts, with any potential



further distributions to be made following Yapien’s pending bankruptcy proceedings. Additionally, in January 2018, hackers stole a reported \$534 million worth of NEM Cryptocurrency from Coincheck, a Tokyo-based exchange.

In January 2019, QuadrigaCX, a Canadian cryptocurrency exchange, ceased operations and the company was declared bankrupt. Following the reported death of the company's CEO and founder, Gerald Cotten, in December 2018, up to C\$250 million (US\$190 million) owed to 115,000 customers was discovered missing or could not be accessed because only Cotten held the password to off-line cold wallets. In a report released in April 2019, the auditing firm Ernst and Young said it had determined Cotten was mixing his personal and corporate finances, saying some QuadrigaCX funds may have been used to buy assets held outside the business.

In May 2019, Binance, one of the world’s largest cryptocurrency exchanges, revealed that it had been the victim of a “large scale security breach” in which hackers had stolen 7,000 Bitcoin worth around US\$40 million at the time. Binance reported that the hackers “used a variety of techniques, including phishing, viruses and other attacks” and structured their transaction in a way that passed its existing security checks. In addition, in June 2023, the SEC filed 13 charges against Binance and its founder Changpeng Zhao, including for operating unregistered exchanges, broker-dealers and clearing agencies; misrepresenting trading controls and oversight on the Binance exchange. Additionally, in late 2023, OFAC announced a \$968,618,825 settlement with Binance Holdings, Ltd. The enforcement action involves 1,667,153 alleged violations by Binance of multiple sanctions programs.

In 2021 alone there were more than 20 hacks in which more than \$10 million in Digital Assets was stolen from a Digital Asset exchange or project. In at least six of these cases, hackers stole more than \$100 million in Digital Assets.

In November 2022, FTX Trading Ltd (together with its affiliates, “FTX”), one of the largest and most well-established Digital Asset exchanges, filed for bankruptcy. At the time of FTX’s bankruptcy filing, the company reported billions of dollars of liabilities and an estimated hundreds of thousands of users had their assets frozen on the exchange after FTX stopped processing client withdrawals. In December 2022, the Department of Justice charged Samuel Bankman-Fried, the founder of FTX, with a series of crimes, including wire fraud, conspiracy to commit commodities fraud and conspiracy to commit securities fraud, alleging that client Digital Assets held on the FTX exchange were not adequately segregated and secured, and were improperly used to support the proprietary trading strategy of Alameda Research, FTX’s affiliated proprietary trading firm. In November 2023, Mr. Bankman-Fried was found guilty of all counts, and in March 2024 he was sentenced to 25 years in prison. Caroline Ellison, former Chief Executive Officer of Alameda Research, and FTX’s co-founder Gary Wang both pleaded guilty to their counts of fraud and conspiracy as part of a cooperation deal with prosecutors.

Even prior to the FTX bankruptcy, the SEC has continuously cited concerns over the integrity of Digital Asset exchanges. For example, in declining to approve any rule change applications that would allow for exchange traded funds holding economic exposure to bitcoin, either directly or through futures contracts, the SEC has noted that these markets have low liquidity, which makes them more susceptible to price manipulation. This risk is heightened by the fact that a significant amount of the trading volume occurs outside of the United States. Further, in a public statement issued in March 2018, the SEC noted that these exchanges may lack

necessary safeguards to protect investors from fraudulent practices and losses due to operational and security issues. In December 2022, the SEC and the CFTC also charged Mr. Bankman-Fried for fraud in connection with FTX's comingling of customer funds. In December 2023, the CFTC proposed a new rule called "Protection of Clearing Member Funds Held by Derivatives Clearing Organizations," that would require registered clearing organizations to completely separate customer funds from their own. The rule aims to fix a gap where current protections only apply to futures commission merchants, not clearing members, and aims to strengthen protections for customer funds after the FTX bankruptcy and Mr. Bankman-Fried's conviction. The proposed rule still has to go through a public comment period before being finalized. Further, in June 2023, the SEC charged Coinbase, Inc. with operating its crypto asset trading platform as an unregistered national securities exchange, broker, and clearing agency. The SEC also charged Coinbase for failing to register the offer and sale of its crypto asset staking-as-a-service program.

Digital Asset exchanges that are regulated typically must comply with minimum net worth, cybersecurity, insurance, audit, and anti-money laundering requirements, but are not typically required to protect customers or their markets to the same extent that regulated securities exchanges or futures exchanges are required to do so. For example, U.S. state and federal regulatory regimes for Digital Asset exchanges have no specific requirements that exchanges detect, report or prevent manipulative trading activity, such as spoofing.

In addition, many Digital Asset exchanges lack certain safeguards put in place by more traditional exchanges to enhance the stability of trading on the exchange and prevent flash crashes, such as limit-down circuit breakers. As a result, the prices of Digital Assets on Digital Asset exchanges may be subject to larger and/or more frequent sudden declines than assets traded on more traditional exchanges. For example, on June 21, 2017, at approximately 3:30 p.m., the price of ETH on the GDAX exchange declined from \$317.81 to \$0.10 and then recovered to prices above \$300, all within the span of approximately 10 seconds.

A lack of stability in Digital Asset exchanges, manipulation of Digital Asset markets by Digital Asset exchange customers and the closure or temporary shutdown of such exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation have in all likelihood reduced and may in the future further reduce confidence in the Digital Assets generally and result in greater volatility in the market price of Digital Assets. These potential consequences of an exchange's failure or failure to prevent market manipulation could adversely affect a client's investment.

*Decentralized Digital Asset Trading Platforms.* Though not currently contemplated, the Adviser may in the future also use decentralized trading platforms, a type of decentralized finance application, to effect some portion of its transactions in Digital Assets. Decentralized trading platforms may be implemented in a variety of manners, including some that are purely technical (e.g., based on smart contracts) or others that require substantial intervention by one or several parties (to perform verifications of parts of the transaction) and they generally facilitate direct trades between participants using software protocol without the use of a third party to provide a custodian for some or all of the assets involved in the transaction. Decentralized trading platforms present risks that are different than those associated with using a centralized exchange. As with any Digital Asset trading platform, decentralized trading platforms may include bugs that expose a client's Digital Assets to the risk of being lost or stolen. Flaws in the protocols or structure of such exchanges may expose trading information of a client in a manner that allows other entities or individuals to front-run a client's orders or transactions or otherwise cause harm to, or profit at the expense of, a client.

Decentralized exchanges may be created in part to avoid potential regulation and to mask the identity of participants. As such, decentralized trading platforms may attract bad actors. Accordingly, compared to centralized Digital Asset trading platforms, there may be an increased counterparty risk and increased risk of theft, fraud or loss when using such an exchange, and compliance with laws and regulations relating to AML/CFT, sanctions and export controls may be difficult or in some cases, impossible. Due diligence on decentralized trading platforms may be limited insofar as there may be no intermediary organization to subject to such diligence—only the trading platform itself, its protocols and, to the extent such information is available, the persons responsible for developing the trading platform. The decentralization of a trading platform and the lack of regulation means that there is no intermediary or regulator from which one might seek recourse or remedy in the event of any disruptions in the expected performance of such trading platforms.

Decentralized trading platforms and the lack of a central custodian responsible for security and maintaining the protocols on which the trading platform operates may make them easier targets and potentially increase the risk of cyberattacks and manipulation. Currently, decentralized trading platforms generally offer limited functionality as compared to centralized exchanges, often including an inability to accommodate certain order types (e.g. limit orders) or transaction types (e.g., inter-chain trading or converting Digital Assets to fiat currency). Decentralized trading platforms also currently suffer from limited trade volume, which can be expected to reduce the liquidity of the assets traded on the trading platform and the ability of a client to exchange assets thereon.

*Momentum Pricing of Future Appreciation.* The value of Digital Assets as represented by the prices for Digital Assets may, at times, be subject to momentum pricing due to speculation regarding future appreciation in value, leading to greater volatility, which could adversely affect the value of the Digital Assets held, whether as collateral or otherwise.

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, is impacted by anticipated future appreciation in value. The Adviser believes that momentum pricing of certain Digital Assets has resulted, and may continue to result, in speculation regarding future appreciation in the value of Digital Assets, inflating and making these prices more volatile. As a result, Digital Assets may be more likely to fluctuate in value due to changing investor confidence in future appreciation or depreciation in prices, which could adversely affect the value of the Digital Asset held, whether as collateral or otherwise.

*Social Media and Publicity Risk.* Bitcoin, along with other Digital Assets, receives a high degree of public scrutiny, both from traditional media sources and through social media and other forums. Unfavorable publicity regarding Bitcoin has adversely affected the price of Bitcoin, as has unfavorable publicity involving other Digital Assets or Digital Asset-focused firms. Bitcoin has in the past, and may in the future, be the target of social media criticism, including regarding the market value, utility and environmental effects of Bitcoin. Such unfavorable media coverage could continue to materially impact decisions to buy, hold, or trade Bitcoin and, as a result, impact the price of Bitcoin.

In addition, social media posts and other statements and actions by prominent individuals, including Elon Musk and Michael Saylor, have resulted in outsized movements in the market price of Bitcoin and other cryptocurrencies. It is possible that future statements by Mr. Musk and other individuals concerning Bitcoin and other cryptocurrencies will have disproportionate impacts on the market price of Bitcoin and other Digital

Assets.

*Competing Digital Assets.* The Bitcoin network and BTC, as an asset, hold a “first-to-market” advantage over other Digital Assets. This first-to-market advantage has resulted in the Bitcoin network evolving into the most well-developed network of any Digital Asset. The Bitcoin network enjoys the largest user base and has more mining power in use to secure the Bitcoin blockchain than any other Digital Asset. Having a large mining network provides users confidence regarding the security and long-term stability of the Bitcoin network. The Adviser believes that this in turn creates a domino effect that inures to the benefit of the Bitcoin network – namely, the advantage of more users and miners makes a Digital Asset more secure, which potentially makes it more attractive to new users and miners, resulting in a network effect that potentially strengthens the first-to-market advantage. However, despite the first-mover advantage of the Bitcoin network over other Digital Assets, it is possible that real or perceived shortcomings in the Bitcoin network, or technological, regulatory or other developments, could result in a decline in popularity and acceptance of Bitcoin and the Bitcoin network, and other digital currencies and trading systems could become more widely accepted and used than the Bitcoin network.

*Central Bank Competition.* Central banks have introduced digital forms of legal tender (“**Central Bank Digital Currencies**” or “**CBDCs**”). China’s CBDC project, known as Digital Currency Electronic Payment (“**DC/EP**”), has reportedly been tested in a live pilot program conducted in multiple cities in China, which pilot program was expanded throughout China over the course of 2022. A survey published by the Bank for International Settlements in May 2022 indicated that 90% of central banks surveyed are exploring the creation of CBDCs. Whether or not they incorporate blockchain or similar technology, CBDCs, as legal tender in the issuing jurisdiction, could have an advantage in competing with, or replacing, Bitcoin and other Digital Assets as a medium of exchange or store of value. As a result, the value of Bitcoin could decrease.

*Stablecoins.* Stablecoins are Digital Assets designed to be redeemable for a set amount of an underlying asset, often a fiat currency. A stablecoin issuer typically maintains reserves of the underlying asset as collateral, growing or shrinking its reserves according to the number of stablecoins in circulation. As a result, a stablecoin is meant to maintain the same price as to both the amount of the underlying asset to which it is pegged and at every exchange where it trades. In this manner, stablecoins are designed to provide a Digital Asset “peg” to the underlying asset and a digital-native mechanism to transact on the basis of that value. Numerous market or operational disruptions may cause a stablecoin to lose its “peg” to an underlying asset, which may cause stablecoin holders to lose confidence in the token—for instance, following the collapse of SVB (discussed below under “*Risks Related to Availability of Banking Services*”), the issuer of the stablecoin USD Coin, Circle, announced that it was unable to withdraw \$3.3 billion of its \$40 billion in reserves held at SVB, which momentarily caused USD Coin to lose its “peg” to the U.S. dollar.

Even if a client does not hold stablecoins, whether as collateral or otherwise, prices of certain Digital Assets that a client may hold, whether as collateral or otherwise, may be affected by the prices for certain stablecoins. For example, some exchanges list trading pairs that include a stablecoin, on the one hand, and a Digital Asset that a client may hold, whether as collateral or otherwise, on the other hand. Price fluctuations in stablecoins can thus affect the market value of Digital Assets held, whether as collateral or otherwise, by a client. Such effects tend to be most significant during periods of reduced market confidence in a particular stablecoin, or in stablecoins generally; for example, in May 2022, the stablecoin terraUSD (“UST”) and its companion token Luna, which was supposed to stabilize UST’s \$1 price, lost nearly all of their value and have not recovered.

However, these effects may occur, from time to time, in normal market trading.

Stablecoins present additional risks that can affect the broader Digital Asset market, including risks relating to the activities of stablecoin issuers and uncertainty in the regulatory treatment of stablecoins. Further, some stablecoins are not audited or provide limited information about the financial institutions that hold collateral, and may be subject to risks related to the solvency of those institutions or their continued willingness to provide services. Some stablecoins, referred to as “algorithmic” stablecoins, use an algorithm to control supply—for example, by issuing and destroying coins depending on market demand, until the target price is reached. Algorithmic stablecoins are relatively new and may pose various regulatory and operational risks that are difficult to predict.

Even if a client does not intend to hold stablecoins, whether as collateral or otherwise, it may nonetheless be exposed to these and other risks that stablecoins pose for the broader Digital Asset market. For example, the activities of stablecoin issuers and future actions relating to the regulatory treatment of stablecoins may adversely affect markets for Digital Assets more generally, increase regulatory focus or restrictions on these markets, or negatively affect investor perceptions about Digital Asset markets. This may, in turn, negatively affect a client or an investment in the interests in a client.

In April 2019, for example, the New York State Attorney General (the “**NYS AG**”)’s office announced that it was investigating iFinex, the company behind exchange Bitfinex and stablecoin Tether, over an alleged \$850 million fraud. The NYS AG alleged that iFinex lost \$850 million through a series of transactions with Panama-based Crypto Capital. The NYS AG also accused iFinex with allowing New York-based investors to use Bitfinex to trade Tether without holding a license to operate in New York. On February 23, 2021, the NYS AG announced an agreement with iFinex, Tether, and their related entities which requires them to cease any further trading activity with New Yorkers, as well as force the companies to pay \$18.5 million in penalties, in addition to requiring a number of steps to increase transparency.

*Digital Asset Derivatives Markets.* Regulated derivatives markets for Digital Assets in the United States are developing as registered futures exchanges and swap execution facilitates, which are regulated by the CFTC, and are beginning to offer futures, options, and swaps on Bitcoin. Several CFTC-registered swap execution facilitates offer trading in Digital Asset swaps and both the CBOE and CME, which are registered futures exchanges do, or plan to, offer futures and options on Digital Assets. There is, however, no assurance that any particular Digital Asset derivatives producers will be brought to market, that derivatives products will be created for Digital Assets other than Bitcoin, or that trading in products that are offered will be liquid or at beneficial prices to a client. Additionally, Digital Asset forks or other similar events may pose significant challenges for derivatives exchanges or other markets to address.

The existence of regulated markets that offer trading in Digital Asset derivatives, the volume of transactions on those markets and the nature and sophistication of participants may impact the value of the Digital Assets held by a client, whether as collateral or otherwise, even if a client does not invest in such derivatives.

In that regard, markets in Digital Asset derivatives could also affect prices, liquidity, and other aspects of Digital Asset cash markets and other related markets. Digital Asset derivatives markets could facilitate larger volumes of short positions in Digital Assets than what may be possible in cash market trading only. Thus, trading in Digital Assets derivatives could be used by market participants to accumulate short positions in

Bitcoin and other Digital Assets, which could reduce the price of these Digital Assets. This type of activity could negatively impact the value of any Digital Assets held by a client, whether as collateral or otherwise.

*Impact of Sales by Other Digital Asset Financial Vehicles.* Prices for Digital Assets may be affected by the sale of other Digital Asset financial vehicles that invest in and track the price of Digital Assets. Such competitive financial vehicles may invest in Digital Assets, including through securities backed by or linked to Digital Assets, such as exchange-traded products or ETPs. Other competitors may invest in derivative financial products, which utilize Digital Assets as the underlying asset. Additionally, over the last few years there have been a growing number of attempts to list on national securities exchanges the shares of funds that hold Digital Assets or that have exposures to Digital Assets through derivatives. These investment vehicles attempt to provide institutional and retail investors with exposure to the markets for Digital Assets. In January 2024, the SEC approved the listing and trading of certain spot Bitcoin ETFs, including the Invesco Galaxy Bitcoin ETF, where an affiliate of the Adviser, Galaxy Digital Funds LLC, serves as execution agent. Nonetheless, despite the recent success of these offerings, Gary Gensler, the current Chairman of the SEC, warned that investors should remain cautious about the myriad risks associated with Bitcoin and products whose value is tied to Digital Assets.

To the extent other Digital Asset financial vehicles tracking the price of Digital Assets are formed and represent a significant proportion of the demand for Digital Assets, large redemptions of the securities of these Digital Asset financial vehicles, or private funds holding Digital Assets, could negatively affect prices and a client's holding of Digital Assets.

*Risks of Political or Economic Crises; Military Conflict.* Political or economic crises and military conflict may motivate large-scale sales of Digital Assets, which could result in a reduction price of Digital Assets and adversely affect the value of Digital Assets held by a client, whether as collateral or otherwise. As an alternative to fiat currencies that are backed by central governments, Digital Assets, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be affected by geopolitical events. Nevertheless, political or economic crises and military conflict may motivate large-scale acquisitions or sales of such Digital Assets. In February 2022, Russia invaded Ukraine. The U.S. and its European allies implemented severe sanctions on Russia in the wake of the invasion, which precipitated a contraction of the Russian economy. Some members of Congress have expressed concern that cryptocurrency could be used as a tool to undermine the effectiveness of the sanctions. The Ukrainian economy has also been devastated by the conflict. Following the International Monetary Fund's prediction in March 2022 that the Ukrainian economy could shrink by up to 35% if Russia's invasion becomes a protracted conflict, the government of Ukraine raised millions of dollars in Digital Asset donations. Large-scale sales of Digital Assets, whether as a result of liquidation of holdings by Russians or donations made to Ukrainians or otherwise, would result in a reduction in the price and adversely affect the value of Digital Assets held by a client, whether as collateral or otherwise. The imposition of regulations to combat the perceived evasion of economic sanctions through the use of Digital Assets would also have an adverse effect on the value of Digital Assets held by a client.

Similarly, in the Fall of 2021, China announced a wide-spread crackdown on cryptocurrencies and in particular Digital Asset mining activities labeling many Digital Asset activities "illegal." China made up for almost 75% of all Bitcoin mining volume prior to the ban and the network saw a roughly 40% decrease in mining following

the crackdown. While significant redeployment of Chinese mining equipment overseas is cited as supporting the general market bounce-back which followed, the crackdown network impacts were, at the time, significant and severe. Such governmental events, most specifically where large volumes of Digital Asset network mining and validation efforts are maintained and executed may have significant negative effects on Digital Asset prices and as a result the value of client Digital Assets.

*Large Scale Distributions on Non-Market Terms.* Entities with substantial holdings in Digital Assets may engage in large-scale sales or distributions on non-market terms, or sales in the ordinary course, which could result in a reduction in the price of Digital Assets and adversely affect the value of Digital Assets held by a client, whether as collateral or otherwise. Foundations and individuals with substantial holdings in Digital Assets frequently enter into contractual lock-up agreements or use smart contracts to prevent premature sales or distributions. If such escrow mechanisms fail or are circumvented, it could result in large-scale sales, and such selling pressure could result in a reduction in the price of the affected Digital Assets and adversely affect the value of Digital Assets held by a client, whether as collateral or otherwise.

Additionally, certain foundations may engage in sales or distributions of Digital Assets in order to fund further investment in protocols or in the ordinary course of business. Any such sales or distributions, if conducted on a large-scale and/or at non-market terms, could result in a reduction in the price of a Digital Asset and adversely affect the value of Digital Assets held by a client, whether as collateral or otherwise.

*Risks Relating to Availability of Banking Services.* Digital Asset services and related products are often considered “high risk” business activities for banks, making it difficult for Digital Asset and Digital Asset-related businesses to establish and maintain banking relationships. Banks may not provide banking services, or may cut off banking services, to businesses that provide Digital Asset-related services or that accept Digital Assets as payment, which could damage the public perception of Digital Assets and the utility of Digital Assets as a payment system and could decrease the price of Digital Assets and the value of the debt and/or equity of Digital Asset Companies and adversely affect a client’s investment.

A number of companies that provide Digital Asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Digital Asset Companies or companies that accept Digital Assets for a number of reasons, such as perceived compliance risks or costs. Additionally, certain privacy-preserving features have been or are expected to be introduced to Digital Asset networks, such as the Ethereum network, and exchanges or businesses that facilitate transactions in ETH may be at an increased risk of having banking services cut off if there is a concern that these features provide law enforcement agencies with less visibility into transaction level data and/or interfere with the performance of anti-money laundering duties and economic sanctions checks. For example, in August 2022, OFAC effectively banned all U.S. citizens from using Tornado Cash, a digital asset protocol designed to obfuscate blockchain transactions, by adding certain Ethereum wallet addresses associated with the protocol to its Specially Designated Nationals list. Notable industry participants and validators on the Ethereum network have reportedly complied with the sanctions and blacklisted the sanctioned addresses from interacting with their networks. However, although no regulatory action has been taken to date to treat privacy-enhancing digital assets differently, there can be no assurances that governments or regulatory agencies will not take similar action in the future.

The difficulty that many businesses that provide Digital Asset-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of Digital Assets as a payment system and harming public perception of Digital Assets or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of Digital Assets as a payment system and the public perception of Digital Assets could be damaged if banks were to close the accounts of many (or of a few key) businesses providing Digital Asset-related services. This could decrease the value of Digital Assets held by a client, whether as collateral or otherwise, and the value of the debt and/or equity of Digital Asset Companies, and it could adversely affect a client's investment.

In March 2023, concerns over the solvency of Silicon Valley Bank (“SVB”) prompted a large volume of depositor withdrawals that ultimately resulted in the California Department of Financial Protection and Innovation placing SVB into U.S. Federal Deposit Insurance Corporation (“FDIC”) receivership on March 10, 2023. The sudden collapse of SVB coincided with the March 8, 2023 announcement that the Digital Asset-focused Silvergate Bank (“Silvergate”) intended to wind down its operations and voluntarily liquidate the bank. SVB's collapse caused substantial turmoil in the banking industry—it is likely that the sudden insolvency of SVB contributed to the closure of Signature Bank (“Signature”) on March 12, 2023 (which continues to be in FDIC receivership), as well as the stress placed on other banks like First Republic Bank and Credit Suisse. Both U.S. and non-U.S. regulators have taken emergency measures to support struggling financial institutions and prevent the crisis triggered by SVB's failure from spreading further. To date, the turmoil in the banking industry particularly affected banks providing financial services to technology and Digital Asset-focused customers; it is possible that the failure of such banks will limit the ability of the Adviser or its clients to find banks that are willing to provide them with bank accounts and related services.

A number of Funds advised by the Adviser or its affiliates held accounts with Silvergate or Signature. Though the Adviser believes that the failure of such institutions did not have a material adverse effect on the applicable Funds, failure of these or any other banks with which the Funds or other clients of the Adviser maintain accounts poses a number of risks. When a Fund places its deposits with an FDIC member bank, the Fund's deposits may not be completely guaranteed against loss in the event of a bank failure—any amount placed by a depositor with an FDIC member bank in excess of \$250,000 is not insured by the FDIC and may be subject to consolidation into the bank's estate in any liquidation or bankruptcy proceeding. Even in instances where a U.S. federal or state governmental agency or private actor steps in to prevent a bank failure or backstop the uninsured deposits of an insolvent bank, it may be difficult or impossible for a depositor to withdraw its funds or access routine banking services from a distressed bank in a timely manner. The distress or insolvency of a bank engaged by a Fund or other client of the Adviser may cause the Fund or client to lose, on a temporary or permanent basis, access to a substantial portion of the funds held with such bank, or may impair the Adviser's ability to process subscriptions or redemptions on behalf of such Fund or client or engage in ordinary course cash management or other operational activities. There can be no assurance that any bank retained by a Fund or client of the Adviser will remain operational, and the failure of one or more such banks may have a material adverse effect on the operations or financial performance of such Fund or client.

*No Federal Insurance Protections.* Unlike bank deposits or securities accounts respectively, Digital Assets are not subject to FDIC or U.S. Securities Investor Protection Corporation (“SIPC”) protections. In the event of the permanent loss or theft of any Digital Assets, the insolvency of any of the Digital Asset exchanges where a client's Digital Assets are held or the insolvency of any depository or custodian for such Digital Assets, a client may be unable to recover all of its funds or the value of its assets so deposited.



*Effects of Blockchain Analytics.* Bitcoin and certain other Digital Assets utilize public blockchains on which all transactions are publicly viewable and which contain certain information about the Digital Assets transferred and each transaction, such as the public wallet addresses and amounts involved. Accordingly, individual Bitcoin and certain other Digital Assets can be traced through statistical analysis, big data and by imposing an accounting convention such as “last in, first out” or “first in, first out.” These methods are commonly referred to as “blockchain analytics,” and may include certain on-chain investigative techniques included in the “Know Your Transaction” or KYT process which is incorporated by some institutions as a component of a Digital Asset AML/CFT program.

The fact that blockchain analytics can be performed implies that Bitcoin and certain other Digital Assets may not be perfectly fungible or freely transferrable because prospective purchasers or counterparties can theoretically discriminate against certain Digital Assets by making certain assumptions about its particular transaction history in light of any legal risks associated with holding “tainted” currency, as the legal framework protecting fungibility of government-issued currency may not clearly apply to Bitcoin or other Digital Assets. Potential risks include (i) a holder being exposed to conversion tort liability if Digital Assets were previously stolen or (ii) a Digital Asset exchange refusing to exchange the Digital Assets for government-issued currency on anti-money laundering or economic sanctions grounds. These limitations are reflected by the publication of Bitcoin address “blacklists,” such as the one currently being considered by OFAC.

Though the market currently does not apply discounts or premia to Bitcoin and certain other Digital Assets in this manner, it is possible that in the future blockchain analytics could lead to disruptions in the market. Such developments could become a substantial limiting factor on a Digital Asset’s usefulness as a currency, and serve to reduce the value of, or restrict a client’s ability to liquidate certain Digital Assets held in its portfolio.

*Risk of Loss, Theft or Restriction on Access of Digital Assets.* Digital Assets held by a client, whether as collateral or otherwise, may be subject to loss, theft or restriction on access, each of which could result in the halting of a client’s operations or a loss of a client’s assets. Such losses could result in a reduction in the value of the interests in a client. There is a risk that some or all such Digital Assets could be lost, stolen, destroyed or inaccessible, potentially by the loss or theft of the private keys held by custodians associated with the public addresses that hold a client’s Digital Assets. The public profile of our Principal Owner, Michael Novogratz, and Galaxy Digital could make Galaxy Digital and its affiliates, including the Adviser and a client, an appealing target to hackers or malware distributors seeking to destroy, damage or steal the Digital Assets or private keys held, whether as collateral or otherwise, by a client.

Multiple thefts of Digital Assets from other holders have occurred in the past. Because of the decentralized process for transferring Digital Assets, thefts can be difficult to trace, which may make Digital Assets a particularly attractive target for theft. Each client has adopted security procedures intended to protect assets held by it, whether as collateral or otherwise, but there can be no assurance that those procedures will be successful in preventing such loss, theft or restriction on access. Access to a client’s Digital Assets could be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack). A client’s Digital Assets held in custody accounts will likely be an appealing target to hackers or malware distributors seeking to destroy, damage or steal a client’s Digital Assets or private keys. Security breaches, cyber-attacks, computer malware and computer hacking attacks have been a prevalent concern for Digital Asset exchanges. Any cybersecurity 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 harm a client's business operations and reputation, resulting in loss of a client's assets. Digital Asset exchanges may in particular be at risk of cyber security breaches orchestrated or funded by state actors. It has been reported, for instance, that South Korean Digital Asset exchanges have been subject to cybersecurity attacks by North Korean state actors with the intent of stealing Digital Assets, possibly with the intention of evading international economic sanctions.

The invasion of Ukraine by Russia in February 2022 may present new cybersecurity risks to client portfolios. The U.S. and its European allies have implemented severe sanctions on Russia in the wake of the invasion. Russia could carry out cyberattacks on Digital Asset companies, including Digital Asset exchanges or vendors utilized by the Adviser, as retribution for the imposition of sanctions.

Any problems relating to the performance and effectiveness of security procedures used by a client and its custodians to protect Digital Assets held by a client, whether as collateral or otherwise, such as algorithms, codes, passwords, multiple signature systems, encryption and telephone call-backs may have an adverse impact on a client's investment. Furthermore, the Adviser believes that, as a client's assets grow, it, along with its custodians, may become a more appealing target for cyber security threats such as hackers and malware. Furthermore, cybersecurity attacks orchestrated or funded by state actors may be particularly difficult to defend against because of the resources that state actors have at their disposal.

No storage system is impenetrable, and storage systems employed by a client or its custodians may not be free from defect or immune to acts of God. Any loss due to a security breach, software defect or act of God generally will be borne by a client.

Such storage systems and operational infrastructure may be breached due to the actions of outside parties, error or insider malfeasance of an employee of the Adviser or its custodians, or otherwise, and, as a result, an unauthorized party may obtain access to the Adviser's, a client's, or a client's custodians' or security vendors' or its custodians' storage systems, private keys, data or Digital Assets. Additionally, outside parties may attempt to fraudulently induce employees of the custodians or the Adviser to disclose sensitive information in order to gain access to a client's infrastructure. The Adviser, its custodians or any technological consultant engaged by them will periodically examine and propose modifications to storage systems, protocols and internal controls to address the use of new devices and technologies to safeguard a client's systems and Digital Assets. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, the Adviser may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of a storage system occurs, a loss of confidence in Digital Asset networks may decrease the market price of the Digital Assets held by a client, whether as collateral or otherwise. An actual or perceived breach may also cause investors to seek to withdraw interests in a client, which may harm a client's investment performances. In the event of an actual or perceived security breach of a storage system, a client may cease operations.

If a client's Digital Assets are lost, stolen or destroyed under circumstances rendering a party liable to a client, the responsible party may not have the financial resources sufficient to satisfy a client's claim. For example, as to a particular event of loss, the only source of recovery for a client may be limited to the relevant custodian

or, to the extent identifiable, other responsible third parties (for example, a thief or terrorist), any of which may not have the financial resources (including liability insurance coverage) to satisfy a valid claim of a client.

It may not be possible, either because of a lack of available policies or because of prohibitive cost, for a client to obtain insurance that would cover losses associated with certain Digital Assets held as collateral or otherwise. If an uninsured loss occurs or a loss exceeds policy limits, a client could lose a significant amount of its assets.

*Risks Related to Security Protocols.* A client could experience unforeseen difficulties in operating and maintaining its security procedures or other key elements of its technical infrastructure. Security protocols have been designed specifically to provide security for a client's assets and may be expanded, updated and altered from time to time. Any effort to expand, update or alter the security system is likely to be complex, and unanticipated delays in the completion of these projects may lead to unanticipated project costs, operational inefficiencies or vulnerabilities to security breaches. In addition, there may be problems with the design or implementation of certain security protocols or with an expansion or upgrade thereto that are not evident during the testing phases of design and implementation, and that may only become apparent after a client has utilized the infrastructure. Any issues relating to the performance and effectiveness of the security procedures used by a client, its custodians and security vendors to protect its Digital Assets, such as algorithms, codes, passwords, multiple signature systems, encryption and telephone call-backs, may have an adverse impact on a client's investment.

The security procedures implemented by the Adviser, a client and its custodians and security vendors are technical and complex, and a client depends on these security procedures to protect the storage, acceptance and distribution of data relating to Digital Assets and the digital wallets into which a client deposits its Digital Assets. These security procedures may not protect against all errors, software flaws or vulnerabilities. Additionally, a client will be impacted by failures with the security systems of any of its portfolio companies. Defects in the security procedures may only be discovered after a failure in the custodians' and security vendors' safekeeping and storage of a client's Digital Assets. Such custody and security systems may be implemented by the Adviser directly as well as by third-party custody providers.

It is not uncommon for businesses in the Digital Asset space to experience large losses due to fraud and breaches of their security systems. For example, in September 2015, the global Bitcoin payment agent, BitPay, lost approximately \$1.8 million of Bitcoin due to a hacker's fraudulent impersonation of BitPay's CFO, whereby the hacker was able to access the CFO's email account and successfully request BitPay's custodian to transfer funds. Furthermore, a client's private keys required to transfer a client's Digital Assets could be stored on systems or vaults located across the world, depending on the practices and procedures of a client's custodians or security vendors, which could be subject to (i) hostile regulatory treatment of Digital Assets, (ii) unforeseen social, economic or political unrest and (iii) natural or man-made disaster. As discussed above under "*Digital Asset Exchanges and Trading Venues*", a number of Digital Asset exchanges have lost a substantial amount of assets as a result of fraud or a security breach.

Each client, the Adviser, the custodians, the security vendors and each of their agents will take measures to protect the clients and their Digital Assets from unauthorized access, damage or theft. However, it is possible that the security procedures in place may not prevent the improper access to, or damage or theft of a client's Digital Assets. A security breach could harm a client's reputation and could result in the loss of some or all

of a client's Digital Assets. A resulting perception that the security procedures do not adequately protect a client's Digital Assets may have an adverse impact on a client's investment.

*Risks Relating to Custody of Digital Assets.* The risks relating to the custody of Digital Assets include risks relating to appropriate custodial techniques, qualifications, and arrangements for which defined best practices and industry standards are not yet defined. Custody and security services for a client's Digital Assets, depending on the asset in question, will be provided by a qualified custodian, where possible, or a third party wallet providers, exchanges, trust companies and other custodial or security service providers or, if a third party is not available, by the Adviser or its affiliates. A single type of Digital Asset held by a client may be custodied or secured in different ways (for example, with respect to a particular Digital Assets, a portion of a client's holdings may be custodied by one third-party custodian and another portion by another third-party custodian), and different types of the Digital Assets may have different custody or security arrangements. Over time, a client may choose to change a custody or security arrangement for a particular Digital Asset. A client and the Adviser have limited operating experience in choosing security or custody arrangements for Digital Assets. For more information concerning the risks associated with the custody arrangements of Digital Assets, particularly the risks associated with holding such assets on a third-party exchange in the event of an exchange bankruptcy, see "*Counterparty Risk*" above.

In addition, Digital Assets represent a relatively new asset class which few state and federal legal frameworks directly address. As such, there is considerable uncertainty as to how to attach and perfect a security interest over Digital Assets; if not properly perfected, a client's claim over such assets could be unsecured, increasing a client's risk of loss in the event of default. Additionally, the Adviser has limited experience establishing appropriate arrangements and protocols for any Digital Assets over which the client has a security interest. The Adviser will decide the appropriate security and custody arrangements for a particular Digital Asset based on, among other factors, the availability of licensed and experienced custodians and a client's ability to securely safeguard the assets; however, with respect to collateral, the Adviser may be reliant on security arrangements put in place by the portfolio company that owns the collateral. To the extent that the Adviser has custody of client funds and securities that are Digital Assets, the Adviser will hold such interests in a manner intended to satisfy applicable regulatory requirements. See "*Regulations Relating to Custody of Digital Assets*" below.

The Adviser may provide security services for some or all of its Digital Assets, and in certain circumstances may be deemed to have custody of its Digital Assets. The Adviser has a limited operating history providing such services for Digital Assets. The Adviser currently does not intend to obtain insurance to cover such activities nor to have any related services qualified or audited for security or certification purposes. A loss of confidence or breach in a client's security and technology policies may adversely affect clients and investors.

The Adviser will endeavor to keep in place procedures to reduce risk of loss or theft of Digital Assets, and the Adviser is focused on maintaining a high level of security, and, as custody and security technologies and practices in respect of Digital Assets are evolving areas, the Adviser closely monitors the advances and best practices within the Digital Asset ecosystem regarding Digital Asset custody and security.

*Risks Related to Custodians and Security Vendors.* A client may use different custodians and/or security vendors to hold custody of some types of Digital Assets or various portions of some types of its Digital Assets. A client may have a high concentration of its Digital Assets in one location or with one custodian, which may

be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware, or cyberattacks as described herein. A client is not required to maintain a client's Digital Assets with a minimum number of custodians. Custodians and security vendors of Digital Assets may have limited liability, impairing the ability of a client to recover losses relating to its Digital Assets and any recovery may be limited, even in the event of fraud. In addition, a custodian or security vendor may not be liable for any delay in performance of any of its custodial or security vendor obligations by reason of any cause beyond its reasonable control, including acts of God, war or terrorism, and may not be liable for any system failure or third-party penetration of its systems, unless such system failure or third-party penetration is the result of gross negligence, bad faith or willful misconduct on the part of the custodian or security vendor. Similarly, investors have limited recourse against the Adviser for any losses sustained when such party or its affiliates had custody of any assets. As a result, the recourse of a client or the investor to such custodians or security vendors may be limited. A loss of confidence or breach in the Adviser's security and technology policies may adversely affect clients and investors.

In addition, many Digital Asset custodians may not have implemented security and custody arrangements that comport with their contractual and other requirements. While the Adviser performs due diligence on each custodian and other service provider engaged on behalf of its clients, it has limited ability to directly validate the security procedures and other arrangements implemented by such parties. For certain clients the Adviser must rely on the management of Portfolio Funds to perform due diligence on their respective custodians and service providers, and the Adviser expects that their capacity to validate the security procedures implemented by such parties will be similarly limited. A loss of confidence or breach in the security and technology policies implemented on behalf of service providers may adversely affect the value of a client's investment.

*Risk of Loss Under a Multi-Factor Security System.* The ability to recover losses related to a client's Digital Assets secured through a multi-factor security system may be limited. For some types of Digital Assets or a portion of some types of its Digital Assets, a client may make use of a multi-factor security system under which none of the Adviser, a client, nor a designated security vendor has the unilateral ability to transfer a client's Digital Assets. Such an arrangement may be used with respect to Digital Asset collateral and or custodied Digital Assets. In these situations, lack of a controlling custodian or a party that holds exclusive access to a client's Digital Assets on a client's behalf, as well as limited liability of designated security vendors, may impair the ability of a client to recover losses relating to its Digital Assets. In addition, because the security of a client's Digital Assets may be facilitated by multiple parties, it may be difficult for a client to prove that any particular party caused a loss, which could limit a client's ability to recover losses relating to its Digital Assets. In addition, designated security vendors may have limited liability, impairing the ability of a client to recover losses relating to its Digital Assets and any recovery may be limited, even in the event of fraud. Furthermore, designated security vendors may not be liable for any delay in performance of any of their obligations by reason of any cause beyond its reasonable control, including acts of God, war or terrorism, and may not be liable for any system failure or third-party penetration of its systems, unless such system failure or third-party penetration is the result of gross negligence, bad faith or willful misconduct on the part of the designated security vendor. As a result, the recourse of a client or the investor may be limited. A loss of confidence or breach in the Adviser's security and technology policies may adversely affect clients and investors.

*Changing Security Needs.* A client's custodians' and security vendors' ability to adopt technology in response to changing security needs or trends poses a challenge to the safekeeping of a client's Digital Assets. Digital

Asset exchanges, custodians and large holders of Digital Assets must adapt to technological change in order to secure and safeguard client accounts, transactions, and associated Digital Assets and data. The ability of the custodians and security vendors that are or will be employed by a client (including, potentially, a client itself, the Adviser, or affiliates of the Adviser) to safeguard the Digital Assets that a client holds from theft, loss, destruction or other issues relating to hackers and technological attack, is based upon known technology and threats. As technological change occurs, the security threats to the custodial Digital Assets will likely adapt and previously unknown threats may emerge. Furthermore, the Adviser believes that a client may become a more appealing target of security threats as the size of a client's assets grows. If a custodian or security vendor is unable to identify and mitigate or stop new security threats, the custodial Digital Assets may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of a client or result in loss of a client's assets.

### ***Risks Related to Regulation of Digital Asset Companies and Digital Assets***

Regulatory changes or actions may alter the nature of a client's investment or restrict the use of Digital Assets or the operation of Digital Asset Companies or Digital Asset networks in a manner that adversely affects a client's investment.

*Uncertain Regulatory Environment.* While regulation of Digital Assets is still nascent, as Bitcoin and other Digital Assets have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies have been examining Digital Asset networks, Digital Asset Companies and exchange markets. The current U.S. regulatory framework does not present a uniform or unifying set of legal theories or applicable legal regimes to which Digital Assets are regulated or for which Digital Assets can be defined, as a result and as new regulations come on-line, regulatory changes and unforeseen regulatory implications have the potential to negatively impact the value of a client's Digital Assets and the use and interest in such Digital Assets. Many of these state and federal agencies have issued consumer advisories regarding the risks posed by Bitcoin and other Digital Assets to investors. In addition, U.S. federal and state agencies, and regulatory bodies in other countries have issued rules or guidance about the treatment of Digital Asset transactions or requirements for businesses engaged in Digital Asset activity.

In March 2022, President Biden issued an Executive Order entitled "Ensuring Responsible Development of Digital Assets" which asserts that technological advances and the rapid growth of crypto markets "necessitate an evaluation and alignment of the United States Government approach to Digital Assets."

Specifically, the Executive Order calls for measures to:

- Protect U.S. Consumers, Investors, and Businesses by directing the Department of the Treasury and other agency partners to assess and develop policy recommendations to address the implications of the growing Digital Asset sector and changes in financial markets for consumers, investors, businesses, and equitable economic growth. The Order also encourages regulators to ensure sufficient oversight and safeguard against any systemic financial risks posed by Digital Assets.
- Protect U.S. and Global Financial Stability and Mitigate Systemic Risk by encouraging the Financial Stability Oversight Council to identify and mitigate economy-wide (i.e., systemic) financial risks

posed by Digital Assets and to develop appropriate policy recommendations to address any regulatory gaps.

- Mitigate the Illicit Finance and National Security Risks Posed by the Illicit Use of Digital Assets by directing a coordinated action across all relevant U.S. Government agencies to mitigate these risks.
- Promote U.S. Leadership in Technology and Economic Competitiveness to Reinforce U.S. Leadership in the Global Financial System by directing the Department of Commerce to work across the U.S. Government in establishing a framework to drive U.S. competitiveness and leadership in, and leveraging of Digital Asset technologies.
- Promote Equitable Access to Safe and Affordable Financial Services by affirming the critical need for safe, affordable, and accessible financial services as a U.S. national interest that must inform our approach to Digital Asset innovation, including disparate impact risk.
- Support Technological Advances and Ensure Responsible Development and Use of Digital Assets by directing the U.S. Government to take concrete steps to study and support technological advances in the responsible development, design, and implementation of Digital Asset systems while prioritizing privacy, security, combating illicit exploitation, and reducing negative climate impacts.
- Explore a U.S. Central Bank Digital Currency (CBDC) by placing urgency on research and development of a potential United States CBDC, should issuance be deemed in the national interest.

The Executive Order tasks several government agencies with responsibility for the effort, led out of the White House, including 13 of 23 Cabinet departments (including Treasury, Justice, State and Homeland Security), all major financial services regulators, several science and technology offices, economic and policy officials, the intelligence community and the EPA. While many in the Digital Asset community reacted positively to the announcement of the Executive Order, believing that it could lead to greater certainty with respect to the regulation of Digital Assets, the actual implications of the Executive Order remain wholly uncertain. It is possible that the implication of the Executive Order could be to prohibit or curtail certain investment activity or operational practices of the Adviser's clients and have a corresponding adverse impact on the value of a client's investments.

Ongoing and future regulatory actions may alter, perhaps to a materially adverse extent, the nature of a client's investment or the ability of a client to continue to operate.

*AML/CFT Obligations of Certain Digital Asset Service Providers.* In 2013 guidance, the U.S. Treasury Department's Financial Crime Enforcement Network ("**FinCEN**") took the position that any administrator or exchanger of convertible Digital Assets must register with FinCEN as a money transmitter and must comply with the anti-money laundering regulations applicable to money transmitters. In 2015, FinCEN assessed a \$700,000 fine against Ripple Labs for violating several requirements of the Bank Secrecy Act of 1970, as amended (the "**BSA**"), by acting as a money services business ("**MSB**"), and selling XRP without registering with FinCEN, and by failing to implement and maintain an adequate anti-money laundering program. In 2017, FinCEN assessed a \$110 million fine against BTC-E, a now defunct Digital Asset trading platform, for similar

violations. As a “money transmitter” under the BSA, such platforms are subject to certain anti-money laundering/combating the financing of terrorism (“**AML/CFT**”) rules.

On March 6, 2018, FinCEN released a letter to U.S. Senator Ron Wyden dated February 13, 2018 (the “**Wyden Letter**”) summarizing FinCEN’s interpretation of its oversight and enforcement authority with respect to certain financial activities related to Digital Assets. FinCEN expressed the view that, under existing regulations and interpretations, certain issuers of Digital Assets may meet the definition of a MSBs.

On May 9, 2019, FinCEN issued guidance clarifying the BSA obligations of businesses involved in Digital Assets that are characterized as “convertible virtual currency” subject to regulations under the BSA including when related services and business models involving Digital Assets may be subject to the BSA, such businesses providing hosted wallets for Digital Assets and Digital Asset exchanges. Developers of games that offer the ability to purchase Digital Assets, including in-game currencies, digital goods, electronic gift cards, and similar products may be regulated as money services business under the BSA. In October of 2023, FinCEN proposed a rule that would identify international convertible virtual currency (“**CVC**”) mixing as a class of transactions of primary money laundering concerns. The proposed rule follows multiple recent actions by the U.S. Department of Treasury to target illicit finance involving the use of mixing services. In February 2022, the 2022 National Money Laundering Risk Assessment (NMLRA) identified that criminals have increased their use of anonymity-enhancing technologies, including CVC mixing and other Digital Asset mechanisms, to help hide the movement or origin of funds. In addition to actions specifically focused on mitigating risks associated with CVC mixing, the Department of the Treasury has taken several other actions to counter illicit finance in the CVC ecosystem more broadly. For example, in January 2023, FinCEN identified the virtual currency exchange Bitzlato Limited as a primary money laundering concern connected with illicit Russian financing.

On June 21, 2019, the Financial Action Task Force (“**FATF**”) published several documents that, according to then U.S. Treasury Secretary Steve Mnuchin, will require Digital Asset service providers, including businesses involved in ICOs, to implement the same AML/CFT requirements as traditional financial institutions. Much of the substance of these FATF documents is similar to the May 2019 FinCEN guidance mentioned above.

On December 18, 2020, FinCEN issued a notice of proposed rulemaking regarding a proposal to impose on banks and MSBs new recordkeeping, reporting, and identity verification requirements in relation to certain transactions involving convertible virtual currency or Digital Assets with legal tender status. If adopted, the proposed rule will impose significant new burdens on banks and MSBs involved in Digital Asset businesses and undercut the role of U.S. institutions in Digital Asset economies, including in the growing area of DeFi.

Clients may invest in portfolio companies that are or may become issuers of Digital Assets or may otherwise offer Digital Asset related services that may be subject to the AML/CFT rules under the BSA. In addition, clients may participate directly or indirectly in Digital Asset investments that may be subject to the AML/CFT rules according to the view expressed by FinCEN in the Wyden Letter. It is difficult to predict how FinCEN, together with the SEC and the CFTC, may respond with respect to future Digital Asset investments and related services and products. Clients may also invest in portfolio companies that otherwise engage in activities with respect to Digital Assets that are regulated by FinCEN as MSBs, such as issuing certain types of Digital Assets or providing hosted wallet services. It is uncertain how a determination that a portfolio company investment



was in violation of the AML/CFT rules would affect a client's investments, but it is possible that such a determination may have a material adverse impact on the value of any Digital Asset issued by the portfolio company and thus have an adverse effect on the overall value of the client's assets or could create litigation and other legal expenses for a client, which, in either case, could have an adverse impact on the value of a client's investment. The requirement that portfolio companies that do business in the United States register with FinCEN and comply with anti-money laundering regulations could also increase the cost of compliance for such company and therefore may adversely affect their profitability, and accordingly, the value of a client's investment.

In addition to applicable FinCEN regulations targeting Digital Asset activity in the context of MSBs, certain state laws applicable to money transmission may require certain Digital Asset related businesses to register themselves, maintain licenses, money transmission licensure (MTL), and to adhere to certain applicable federal AML/CFT regimes. As described above, it is unclear how a determination that a certain Digital Asset, service, or portfolio company was in violation of these regimes would affect a client's investments, but it is possible that such a determination may have a material adverse impact on the value of a Digital Asset, service, or portfolio company and thus have an adverse effect on the overall value of the client's assets or could create litigation and other legal expenses for a client, which, in either case, could have an adverse impact on the value of a client's investment. Additionally, the requirement that certain Digital Asset services providers and portfolio companies register and maintain licensure and compliance with these certain MTL regimes could also increase the cost of compliance for such company and therefore may adversely affect their profitability, and accordingly, the value of a client's investment.

*Sanctions and Export Controls Risks.* The Adviser, client accounts, and portfolio companies are subject to economic sanctions and export control laws administered by OFAC, the U.S. Department of Commerce and the U.S. Department of State. The U.S. Department of Commerce and the U.S. Department of State administer and enforce certain export control laws and regulations, and OFAC and the U.S. Department of State administer and enforce economic sanctions based on U.S. foreign policy and national security goals against targeted countries, territories, regimes, entities, organizations and individuals. These laws and regulations may be implicated by a number of activities, including investing or trading. In recent years, the U.S. government has devoted greater resources to enforcement of sanctions and export control laws. A number of other countries have also expanded significantly their enforcement activities. Recently, the U.S. government has also used sanctions and export controls to address broader foreign and international economic policy goals.

For example, following Russia's invasion of Ukraine in February 2022, the U.S. and its European allies implemented severe sanctions on Russia. As discussed above under "*Risks of Political or Economic Crises; Military Conflict*," some members of Congress have expressed concern that Digital Assets could be used as a tool to undermine the effectiveness of the sanctions. The imposition of regulations to combat the perceived evasion of economic sanctions through the use of Digital Assets could adversely affect the value of Digital Assets held by a client.

While the Adviser has developed and implemented policies and procedures designed to ensure compliance with sanctions and export control laws, such policies and procedures may not be effective in all instances to prevent violations. In particular, transactions in Digital Assets are subject to sanctions and export control laws and regulations yet the disintermediated nature of Digital Asset transactions may make such compliance efforts difficult. These risks may be increased if Digital Asset trading platforms the Adviser uses on behalf of

a client do not adequately screen their users, or if DeFi protocols or decentralized trading platforms render it impossible to verify a counterparty's identity. To the extent that Digital Assets or Digital Asset transactions involve counterparties, intermediaries, or other prohibited persons or entities, associated Digital Assets, funds, accounts, and or wallets may be confiscated, frozen or seized which could negatively impact a client's interest in or the value of the applicable Digital Assets.

In addition, any determination that the Adviser, a client, or any portfolio company has violated these laws could result in, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, litigation, reputational harm and a general loss of investor confidence, any one of which could adversely affect the Adviser's business prospects and/or financial position.

*FATF Travel Rule.* On June 21, 2019, FATF made a recommendation regarding the need to mitigate the money laundering and terrorist financing risks associated with virtual asset activities. FATF is an international organization founded to address concerns about money laundering and the threat it poses to the world financial system. While FATF's recommendations are not binding, member countries generally adopt them or risk being put on a blacklist, which hinders such countries' ability to attract foreign investments. Once adopted by FATF member countries, Digital Asset exchanges and other "virtual asset service providers" (as defined in the FATF recommendation) ("**VASPs**") will be required to pass customer information to each other when transferring Digital Assets. The FATF recommendation is similar to the standard that U.S. banks are currently required to abide by for wire transfers under the Bank Secrecy Act (BSA), which is often referred to as the "**Travel Rule**."

Applying a traditional banking industry rule to firms that transfer Digital Assets may prove difficult from a technological perspective. Under the Travel Rule, a traditional bank initiating a wire transfer needs to provide information not just about the originator of a payment, but also the beneficiary. Currently, there is uncertainty as to whether a particular Digital Asset Company is a VASP, but it likely applies to Digital Asset exchanges. Also, there is no current technological solution for a Digital Asset exchange or any other VASP to know with any certainty who the destination address is owned by, as there is no register of such addresses and new addresses can be created at any time. While there are industry movements toward a self-governance mechanism by which certain industry participants can participate in a VASP Travel Rule reporting system, where Digital Asset exchanges and other VASPs find this new FATF requirements too onerous to comply with, it could force them to shut down, and, as a result, have a potential negative impact on liquidity. In addition, it is possible that there will be other rules imposed on VASPs in relation to Digital Assets' origins and past history. For example, VASPs could be required to perform blockchain analysis<sup>2</sup> on Digital Assets to determine whether any of such assets have been associated with public addresses that are known to have been involved in criminal activity. This could affect the fungibility and pricing of certain Digital Assets. Such developments could negatively affect the value of a client's Digital Assets and/or Digital Asset Companies that are VASPs or transact with VASPs, which could adversely affect the value of a client's investment.

*Potential Client or Adviser Registration Under Applicable State Laws.* To the extent that the activities of a client cause it to be deemed a money transmitter or engaged in other business involving Digital Asset activities

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<sup>2</sup> Blockchain analysis is the process of inspecting, identifying, clustering, modeling and visually representing data on a cryptographic distributed-ledger (blockchain). The goal of blockchain analysis is to discover certain information about the different actors adding additional blocks to the chain and is defined above as the KYT process.

that are regulated in any state in which a client operates, a client may be required to seek a license or otherwise register with a state regulator and comply with state regulations that may include the implementation of anti-money laundering programs, cyber security, consumer protection, financial and reporting requirements, and maintenance of certain records and other operational requirements. These regulatory and licensure regimes differ from state to state and vary in application by Digital Asset, product, and service type. Most notably, state money transmission and money service and state Digital Asset regulations may create registration, licensure, and ongoing compliance requirements which adversely affect the profitability of the Adviser, the value of certain assets or services, or otherwise negatively impact the Adviser's ability to render services or the client's value in certain Digital Assets or Investments.

In 2015, the New York State Department of Financial Services (the "NYDFS"), finalized a rule that requires most businesses involved in Digital Assets business activity for third parties in or involving New York, excluding merchants and consumers, to apply for a license, commonly known as a BitLicense or Virtual Currency License, from the NYDFS and to comply with anti-money laundering, cyber security, consumer protection, and financial and reporting requirements, among others. As an alternative to the BitLicense in New York, firms can apply for a charter to become limited purpose trust companies qualified to engage in Digital Assets business activity.

In April 2019, the NYDFS denied a virtual currency license to a cryptocurrency exchange that had been operating in New York, which was the first time the agency took such action. The NYDFS denied the application of Bittrex, Inc. due to an alleged failure to meet certain licensing requirements, including, according to the NYDFS, deficiencies in Bittrex's BSA/AML/OFAC compliance program; a deficiency in meeting the NYDFS' capital requirement; and deficient due diligence and control over Bittrex's token and product launches. NYDFS ordered Bittrex to cease operating in New York. In addition, in April 2022, the New York State Department of Financial Services issued guidance on the use of blockchain analytics for all virtual currency businesses that either have a BitLicense or are chartered as limited purpose trust companies under the New York Banking Law (VC Entities).

Other states (such as New Jersey and California) have instituted similar licensing and regulatory structures to the BitLicense, and have passed statutes, regulations or guidance indicating that certain Digital Assets business activities constitute regulated financial services or money transaction requiring licensure. The inconsistency in applying state financial services and money transmitting licensure requirements to certain businesses may make it more difficult for these businesses to provide services, which may affect consumer adoption of Digital Assets and their price. Significant state-by-state differences in regulatory application, regulatory activity, and oversight continue to create significant uncertainty for Digital Asset providers offering products and services in multiple U.S. jurisdictions. In an attempt to address these issues, the Uniform Law Commission passed a model law in July 2017, the Uniform Regulation of Virtual Currency Businesses Act, which has many similarities to the BitLicense and features a multistate reciprocity licensure feature, wherein a business licensed in one state could apply for accelerated licensure procedures in other states. Additionally, in 2022, the Uniform Law Commission adopted new amendments to the model Uniform Commercial Code ("UCC") to address cryptocurrency transactions, including secured lending involving Digital Assets. These amendments have been enacted by at least five states (Washington, New Mexico, Colorado, Indiana and North Dakota) and introduced in another 21 states (including California and Texas, but not New York). It is still unclear, however, how many states, if any, will adopt some, part or all of the model legislation. The requirement that such businesses comply with NYDFS rules and regulations, including the BitLicense, may

increase the cost of compliance for certain Digital Asset Companies and therefore may adversely affect their profitability, and accordingly, the value of their debt and/or equity.

The Adviser does not believe that it or any of its clients are currently required to register or be licensed under, or be subject to, these various regimes. However, there can be no assurance that a client or the Adviser will not be required to so register or be so licensed or so comply in the future. To the extent that a client or Adviser need to register as MSBs or become licensed as money transmitters or businesses engaged in Digital Asset business activity, and be subject to associated regulatory obligations, such obligations may cause a client to incur additional expenses, possibly affecting a client's investment in a material and adverse manner. In addition, to the extent a client or the Adviser is found to have operated without appropriate state or federal licenses, it may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which could harm the reputation of a client or the Adviser and affect the value of the interests investors have in the clients. Furthermore, a client and its service providers may not be able to timely acquire necessary state licenses or be capable of complying with certain federal or state regulatory obligations applicable to MSBs, money transmitters, and businesses engaged in Digital Asset activity. If the Adviser is deemed to be subject to, and determines not to comply with, such additional regulatory and registration requirements, the Adviser may act to dissolve and liquidate a client. Any such termination could result in the liquidation of a client's Digital Assets at a time that is disadvantageous to a limited partner.

*Regulations Relating to Custody of Digital Assets.* Regulatory changes or interpretations relating to the custody of Digital Assets could require certain security vendors to be required to apply for licenses that they do not already have, and could subject these parties to investigations and penalties, which could adversely affect a client's investment.

For some types or some portion of some types of a client's Digital Assets, the Adviser may make use of multi-factor security systems, under which no party is "storing, holding or maintaining custody or control of virtual currency on behalf of others," as defined in New York's BitLicense regulations. For these and other reasons, multi-factor security system vendors may not have applied for or received a BitLicense or other license that would allow them to undertake Digital Asset business activity involving New York or a New York resident. These vendors also may not have registered as money transmitters or parties engaged in Digital Asset business activity (or equivalent designation) under state law in any other state in which a client operates. The relevant state authorities may not agree with these vendors' conclusions and could have the power to subject these parties to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which would harm the reputation of a client or the Adviser, decrease the liquidity of a client, and have a material adverse effect on the value of the interests in a client. In the event that any such registration becomes required, the required registrations, licensure and regulatory compliance steps may result in extraordinary, nonrecurring expenses to a client. A client may also decide to terminate its relationships with multi-factor security system vendors and may not be able to find successor vendors or custodians that have appropriate licenses, and/or may be forced to dissolve itself.

Among other requirements, the Advisers Act's custody rule (the "**Custody Rule**") mandates that if a registered adviser has custody of client funds and securities, it must maintain them with a "qualified custodian." Given the characteristics of Digital Assets and the relative immaturity of the asset class, there are limited numbers of "qualified custodians" available at this time (if any). Difficulties and market limitations applicable in finding a "qualified custodian" could have a material adverse effect on a client, including potentially causing

a client to liquidate a substantial portion of its portfolio or the client to be unable to make an investment into those Digital Assets. For those accounts where the Custody Rule applies, the Adviser will maintain Digital Assets with one or more state-chartered trust companies who have represented that they are qualified custodians and maintain certain industry standard levels of security and account protection commensurate with traditional custody provision. The SEC staff has requested public comment on the capabilities of state-chartered trust companies to serve as qualified custodians and has not yet stated its views on whether a state-chartered trust company meets the definition of a qualified custodian. There is a risk that the SEC determines that certain custodians used by a client are not, regardless of their representations to the contrary, “qualified custodians,” which would potentially require the Adviser to move certain Digital Assets and/or subject the Adviser to regulatory action. As described under “Risks of Staking – Staking and Qualified Custody” above, with respect to certain staking arrangements, qualified custodians may not be available or the staking protocol itself may be deemed to have custody. While it is not currently anticipated that the Adviser will operate staking or validation mechanisms requiring the Adviser to take direct custody of third-party staked assets, the Adviser may, in its discretion, determine to do so in the future and may use certain technology and infrastructure providers, as necessary, to do so. Further, the Adviser may cause a client to engage in such staking services through certain third-party providers that participate in offering such staking arrangements (including, but not limited to, custodians). The regulatory ramifications of such situations are uncertain, and may expose a client and the Adviser to material liabilities.

In February 2023, the SEC issued a proposed rule (the “**Proposed Safeguarding Rule**”) that would amend the Custody Rule by, most notably, (i) expanding the coverage of the Custody Rule to clarify that, under the new Proposed Safeguarding Rule, all “assets” over which a registered investment adviser is deemed to have custody (likely including all Digital Assets) would need to be placed with a qualified custodian and (ii) imposing additional obligations on such qualified custodians. While there is substantial uncertainty concerning the impact the Proposed Safeguarding Rule will have on the operations of the Digital Asset market and the custodians and counterparties that currently custody or otherwise hold Digital Assets, if the Proposed Safeguarding Rule is implemented, such rule could serve to narrow the number of Digital Asset custodians in the market, place restrictions on the use of certain Digital Asset exchanges or similar marketplaces by registered investment advisers and require the Adviser (and the managers of any Portfolio Funds) to take additional steps and incur additional costs in order to ensure that client assets are appropriately custodied under the new rule.

*Future CFTC, SEC, and State Regulation and Enforcement.* Current and future legislation, CFTC and SEC rulemaking, U.S. federal and state regulatory enforcement actions, and other developments may impact the manner in which Digital Assets are treated for regulatory classification and clearing purposes. In particular, various Digital Assets may not be excluded from the definition of a “commodity future” or “security” by such future CFTC and SEC rulemaking, respectively. As of the date of this Brochure, the Adviser is not aware of any rules that have been proposed to further regulate Digital Assets as commodity futures or securities. The Adviser cannot be certain as to how future regulatory developments will impact the treatment of Digital Assets under the law. The CFTC has declared that some Digital Assets are commodities, and Digital Assets transactions that are entered into, or offered, to retail customers on a leverage or margined basis or financed by the offeror, may be subject to CFTC jurisdiction. Additionally, the SEC has stated that certain transactions in Digital Assets may be securities transactions, depending on the specific facts and circumstances of the Digital Assets and transaction in question.

In July 2017, for instance, the SEC determined that Digital Assets issued by The DAO are securities under the U.S. securities laws. The SEC could make a similar determination with respect to digital tokens distributed in other ICOs or token sales, and, in March 2018, it was reported that the SEC had issued at least 80 subpoenas to issuers of ICO tokens to gather information about potential illegal public securities offerings. Additionally, in December 2020, the SEC filed an action against Ripple Labs Inc. and two of its executives alleging that they raised over \$1.3 billion through an unregistered, ongoing securities offering with respect to the Digital Assets known as XRP. In addition, the SEC has also stated that at least some Digital Asset exchanges may be operating as illegal unregistered national securities exchanges, to the extent that such exchanges facilitate trading of tokens that are securities.

In July 2021, five state securities regulators initiated cease-and-desist proceedings against BlockFi, Inc., alleging that the company issued unlicensed securities by offering its customers interest-bearing cryptocurrency-based accounts. In February 2022, the SEC charged BlockFi with failing to register the offers and sales of its retail crypto lending product. The SEC also charged BlockFi with violating the registration provisions of the Investment Company Act. To settle the SEC’s charges, BlockFi agreed to pay a \$50 million penalty, cease its unregistered offers and sales of the lending product, BlockFi Interest Accounts (BIAs), and attempt to bring its business within the provisions of the Investment Company Act within 60 days. BlockFi’s parent company also announced that it intends to register under the Securities Act of 1933 the offer and sale of a new lending product. In parallel actions announced in February 2022, BlockFi agreed to pay an additional \$50 million in fines to settle the actions brought by state securities regulators.

In September 2022, the SEC filed a complaint against a US-based Digital Asset “influencer”—while the substance of the complaint was similar to previous actions brought by the SEC in the Digital Asset space, notably the SEC’s theory of the jurisdictional nexus of the complaint would seemingly extend the SEC’s jurisdiction over the entire Ethereum network. Other jurisdictions, following the logic employed by the SEC in 2022, may start to define the location for Digital Asset transactions using the hosting location for their cloud services and servers. Since the provision of cloud and web services by hosting providers like Amazon’s AWS may be provided in regions all over the world, the Ethereum network may become subject to the reach of a variety of non-U.S. regulators irrespective of the location of the parties involved in executing a particular transaction. Regulatory interpretations establishing a jurisdictional nexus in the physical location where validator systems are supported by physical servers and computing systems may impact the regulation, execution, and the support of the Ethereum network, or Digital Assets that rely on the Ethereum network. See “*Legality of Digital Assets; Regulation Worldwide*” below for further discussion of non-U.S. regulation of Digital Assets.

The bankruptcy of the Digital Asset exchange, FTX (described in further detail above under “*Digital Asset Exchanges and Trading Venues*”) may prompt more forceful U.S. regulation of Digital Assets through enforcement, SEC and CFTC rulemaking or legislation. In the wake of FTX’s collapse numerous U.S. lawmakers, including members of the House Financial Services Committee, the Senate Committee on Banking and the Subcommittee on Investor Protection and Capital Markets, have suggested that Congress should pass comprehensive legislation regulating the Digital Asset markets, while also urging the SEC to take more aggressive enforcement action within the Digital Asset space. SEC Commissioner Hester Peirce suggested that the FTX bankruptcy could be a catalyst for the SEC and the CFTC to more comprehensively regulate the Digital Asset markets. While it is unclear what, if any, regulatory action will emerge out of the FTX bankruptcy, it is possible that substantial regulatory oversight in the United States will result.

The SEC may take the view in the future that one or more Digital Assets should be classified as securities due to the history or development of these Digital Assets, for example their sale in “initial coin offerings.” In September 2022, the Chairman of the SEC, Gary Gensler, outlined his view that the “vast majority” of Digital Asset are securities that fall within the ambit of the SEC’s regulatory authority, along with the intermediaries that transact in such tokens. If any Digital Asset is determined to be a “security” under U.S. federal or state securities laws or a Digital Asset exchange is determined to be operating illegally, it may have material adverse consequences for Digital Assets due to negative publicity or a decline in the general acceptance of Digital Assets. As such, any determination Digital Asset exchanges are operating illegally or that any Digital Asset is a security under U.S. federal or state securities laws may adversely affect the value of a particular Digital Asset or Digital Assets generally and, as a result, the value of a client’s investment. Further, if a particular client Digital Asset is deemed a “security,” the Adviser could cause a client to liquidate its holdings of that Digital Asset, which could result in tracking error, additional expenses or other losses for such clients.

To the extent that Digital Assets are deemed to fall further within the definition of a security pursuant to subsequent rulemaking by the SEC, the Adviser and a client account may be required to register and comply with additional regulation under the Investment Company Act or similar state investment advisory statutes.

For example, as discussed in “*Regulations Relating to Custody of Digital Assets*” above, there remains an unsettled interpretative question whether state-chartered trust companies meet the definition of “bank” for purposes of the definition of a qualified custodian under the Advisers Act. In November 2020, SEC staff issued a statement encouraging interested parties to engage with the SEC staff directly on the application of the Custody Rule to Digital Assets, including with respect to the definition of “qualified custodian” under the Custody Rule. To the extent the Adviser is unable to identify a qualified custodian to custody any Digital Asset securities, it may be subject to enforcement by the SEC for violating the Custody Rule. Such additional registrations and compliance, or any enforcement action, may result in extraordinary, non-recurring expenses of a client’s account. If the Adviser determines not to comply with such additional regulatory and registration requirements, the Adviser will be required to terminate and liquidate a client’s investments at a time that may be disadvantageous to the client or investors.

To the extent that Digital Assets (including certain derivative instruments based upon Digital Assets) or transactions are deemed to fall further within the definition of a “commodity interest” under the Commodity Exchange Act of 1936, as amended (the “CEA”), or further within the scope of CFTC jurisdiction pursuant to subsequent rulemaking by the CFTC, the Adviser or a client account may be required to register and comply with additional regulation under the CEA. Moreover, the Adviser may be subject to further requirements with the CFTC through the NFA.

For example, in June 2021, a commissioner of the CFTC made public statements suggesting that DeFi protocols and tokens potentially should be required to be regulated under the CFTC regulatory framework for derivatives and futures contracts while noting that the CEA does not contain any exception from registration for digital currencies, blockchains or smart contracts. The commissioner also expressed concerns that DeFi markets trading derivatives may not share the same protections that their centralized counterparts offer.

Additionally, the commissioner cited that DeFi tokens themselves should be considered derivatives or swaps. If the CFTC took steps to regulate a DeFi protocol or token under the CEA, it could result in such protocol or

token not being able to function as designed and potentially not being functional at all, such as if the DeFi protocol was required to operate as a registered designated contract market or swap execution facility. If this were to occur, any such DeFi tokens held by a client could rapidly lose some or all of their value. Further, if DeFi tokens themselves are considered derivatives or swaps by the CFTC, a client could be considered a commodity pool and the Adviser could be required to register with the CFTC and to operate the client in accordance with the CEA and CFTC regulations. In such an event, the Adviser could cause a client not to hold any DeFi tokens, however this could cause a tracking error in respect of the index for the client and cause the client to incur losses and lost opportunities. Alternatively, the Adviser could seek to register or otherwise apply for and comply with an exemption with the CFTC. Such a decision could increase the expenses of the client that are borne by investors.

In addition to increased scrutiny by the CFTC, other regulators have also increased their focus on DeFi protocols and tokens. For example, it has been reported that in June 2021 the CFTC, the SEC and other regulators participated in a meeting hosted by the International Organization of Securities Commissions to discuss the rapid growth of DeFi protocols and the DeFi market. The CFTC's 2022-2026 Strategic Plan published in 2022, acknowledged the need for broad stakeholder involvement in innovative industries like DeFi. However, on December 2023, the CFTC issued orders simultaneously filing and settling charges against Opyn, Inc., ZeroEx, Inc. and Deridex, Inc. Deridex and Opyn were charged with failing to register as a swap execution facility (“SEF”) or designated contract market (“DCM”), failing to register as a futures commission merchant (“FCM”), and failing to adopt a customer identification program as part of a Bank Secrecy Act compliance program, as required of FCMs. ZeroEx, Opyn and Deridex were also charged with illegally offering leveraged and margined retail commodity transactions in Digital Assets. The companies engaged in these activities in connection with DeFi protocols and tokens. Despite this enforcement decision made by the CFTC, it is uncertain whether and how regulators may seek to impose additional regulation on DeFi activities, but any such action may materially and adversely affect a client's investments in DeFi tokens.

*Legality of Digital Assets; Regulation Worldwide.* It may be illegal, now or in the future, to own, hold, sell or use Digital Assets in one or more countries, including the United States. Although currently most Digital Assets are not regulated or are lightly regulated in most countries, including the United States, one or more countries have and may continue to take regulatory actions in the future that severely restricts the right to acquire, own, hold, sell, or use Digital Assets or to exchange Digital Assets for fiat currency, including actions that conflict with laws, regulations or directives of the United States.

A number of countries have explicitly banned Digital Asset ownership or transactions and some have placed significant restrictions on the ability of banks to deal or transact in Digital Assets. Furthermore, Digital Assets currently face an uncertain regulatory landscape in many foreign jurisdictions. Many regulatory bodies have not yet issued official statements regarding determinations on regulation of Digital Assets, users or networks.

Additionally, over the past decade the Chinese government has imposed a series of restrictions with respect to Digital Assets. Most recently, in September 2021 China's central bank announced that all transactions in Cryptocurrencies constitute illegal financial activities, effectively banning Chinese Digital Assets ownership or Digital Assets-related business within China. It is uncertain whether the Chinese government will relax its prohibitions on Cryptocurrencies and Digital Asset exchanges, and the Adviser believes that this uncertainty has had and will continue to have an adverse effect on the price of Digital Assets and therefore the value of a client's investments.



Other foreign governments have enacted laws, regulations and policies that are favorable to Digital Assets. For example, in April 2017, Japanese regulators recognized Cryptocurrencies as a legal method of payment and required market participants to meet certain compliance requirements and be subject to oversight by the Financial Services Agency. In October 2022, the United Kingdom's House of Commons voted in favor of recognizing Digital Assets as regulated financial instruments and products. On September 7, 2021, El Salvador adopted Bitcoin as legal tender, making it the first sovereign state to adopt a Digital Asset as a national currency. While this development may suggest that Bitcoin (and Cryptocurrencies more generally) is gaining increasing acceptance among governments as a mainstream medium of exchange, the decision by the El Salvadorian government to adopt Bitcoin as legal tender and purchase Bitcoin in open market transactions using treasury funds has been controversial. Little public information is available concerning El Salvador's Bitcoin purchases. As of December, 2023, it is unclear whether any gains on El Salvador's investments in Bitcoin have exceeded the country's cost of investing in Bitcoin or adopting Bitcoin as a currency. While it is too early to predict whether El Salvador's approach to Bitcoin will prove successful, continued scrutiny of El Salvador's strategy may discourage other foreign governments from adopting or promoting Bitcoin and other Digital Assets.

Further regulatory actions by one or more countries, including the United States, may restrict the Adviser's ability to hold or trade (directly or indirectly) Digital Assets on behalf of clients and could result in termination and liquidation of a client's account at a time that is disadvantageous to the client or investors, or may adversely affect a client's investment.

### ***Risks Related to the Interactive Content and Technology Space Strategy***

*Investments in New Growth Industries.* Portfolio companies of the Adviser's clients may operate in new growth industries associated with the interactive content and technology space. Investments in such industries may involve risks greater than those generally associated with other industries and may experience significant fluctuations in returns. New growth industries are challenged by rapidly changing market conditions and participants, new competing products and services and improvements in existing products and services. A number of portfolio companies may compete in this volatile environment. There is no assurance that products or services sold by such portfolio companies will not be rendered obsolete or adversely affected by competing products and services or other challenges. Instability, fluctuation or an overall decline within new growth industries may not be balanced by investments in other industries not so affected. In the event that the new growth industries decline, returns to the Adviser's clients may decrease.

*Emerging Technology Company Risks.* The possibility that the portfolio companies in which the Adviser invests will not be able to commercialize their technology or product concept presents significant risk. Additionally, although some of such portfolio companies may already have a commercially successful product or product line at the time of investment, technology products and services often have a more limited market or life span than products in other industries. Thus, the ultimate success of these portfolio companies may depend on their ability to continually innovate in increasingly competitive markets.

*Interactive Content and Technology Space.* Technology changes rapidly in the interactive content and technology space and industry participants must continually anticipate and adapt to emerging technologies, such as cloud-based streaming, and new business models, such as free-to-play and subscription-based access

to a portfolio of interactive content, in order to stay competitive. Supporting a new technology or business model may require a portfolio company to partner with a new platform, business or technology partner, which may be on terms that are less favorable than those for traditional technologies or business models, and may take significant time and require significant capital expenditures. Technology and business models employed by portfolio companies focused on the interactive content and technology space are dependent on digital distribution channels to drive revenue and rely on consumers' access to internet bandwidth for the sale and digital distribution of content. The success of such portfolio companies may become heavily dependent on access to third-party providers and digital distribution channels, which access may result in additional costs incurred by such portfolio companies. Such portfolio companies' success may also depend on their ability to obtain trademark protection, copyright protection and patent protection of their proprietary technologies, intellectual property and other innovations, and if not obtained, lost and/or challenge, protection may be lost and such portfolio companies may not be able to successfully prevent competitors from imitating content or solutions and/or using processes employed by such portfolio companies.

*Video Game Industry.* The Adviser may invest in portfolio companies focused on or developing technology related to the video game industry. The video game industry has been cyclical in nature in response to the introduction and maturation of new technology and is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. Successful video games and related technology can lose consumer audiences over time, and remaining popular is increasingly dependent on the games being refreshed with new content, technology or other enhancements. Participants in the video game industry must continuously develop new products, new technology and new content for, or other enhancements to, existing products. A failure by a portfolio company to develop a high-quality product could potentially result in additional expenditures to respond to consumer demands, harm such portfolio company's reputation, and increase the likelihood that such portfolio company's future products will not be well-received. The increased demand for consistent enhancements to video game products also requires a greater allocation of financial resources. Such portfolio companies are also dependent on development of new gaming consoles and/or the ability to reach consumers via online networks operated by third parties and other digital distribution channels. If video game distribution platforms fail to develop new hardware, technological and/or distribution capabilities, portfolio companies focused in the video game industry and employing related technology may incur significant losses. Such portfolio companies and their technologies also rely on platforms and networks operated by third parties for the sale, digital delivery and functionality of downloadable technology and game content. The failure of such platforms and networks could adversely affect a portfolio company's ability to sell and distribute digital products, which could adversely affect such portfolio company's business.

*Esports Industry.* The Adviser's clients may invest in portfolio companies focused on or developing technology related to the esports industry (and the related online gaming and interactive content industries). The online esports gaming and interactive entertainment industry is relatively new and continues to evolve. Whether this industry grows, and whether portfolio companies operating in this space will succeed, will be affected by, among other things, developments in interactive networks and mobile platforms, legal and regulatory developments, data privacy laws and regulation and other factors that a portfolio company is unable to predict and which are beyond such portfolio company's control, each of which could also subject a portfolio company to additional capital expenditures. Given the dynamic evolution of this industry, it can be difficult to plan strategically, and it is possible that competitors will be more successful than a portfolio company at adapting to change and pursuing business opportunities. The esports industry is also largely dependent on a

large market of interactive content users and esports live event participation, and is reliant on third-party data and live streaming providers. If the industry does not continue to attract large user demand and/or a portfolio company is unable to develop or continue relationships with third-party data and/or live streaming providers, such portfolio company's operations could be materially affected.

**C. Material or Unusual Risks Relating to Particular Securities**

Please see the response to Item 8.B.

## **ITEM 9. DISCIPLINARY INFORMATION**

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

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. Broker-Dealer Registration Status

The Adviser is not registered as a broker-dealer. As discussed in Items 5.E and 10.C, the Adviser's affiliate, GDP, is a broker-dealer registered with the SEC and a member of Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

Several of employees of the Adviser are also employees of GDP and may spend a substantial amount of time on GDP's business or the business of other affiliates of the Adviser. Please see Item 10.C.

### B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

The Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities. As discussed in Item 10.C, the Adviser's affiliate, Galaxy DBL LLC (f/k/a Drawbridge Lending LLC) ("**Galaxy DBL**") is a commodity pool operator and commodity trading adviser registered with the CFTC and a member of the National Futures Association ("**NFA**").

### C. Material Relationships or Arrangements with Industry Participants

As discussed in response to Item 4.A, the Adviser's affiliates (collectively, the "**Galaxy Related Parties**"), provide broker-dealer, investment banking and other corporate advisory services as well as engage in trading activities. Together with the Adviser, the Galaxy Related Parties constitute a diversified financial services company ("**Galaxy Digital**") dedicated to the Digital Assets industry.

Certain senior officers of the Adviser also are senior officers of Galaxy Digital. The Adviser's and the Fund General Partners' facilities and personnel are provided by an affiliate of the Adviser, Galaxy Digital Services LLC, a New York limited liability company ("**GDS**"), 100% owned by GD LP. GDS acts as a firm-wide "common paymaster" for all personnel of Galaxy Digital based in the U.S. While the Adviser's and Fund General Partners' respective U.S.-based personnel formally enter into employment contracts with GDS for internal administrative and accounting purposes, such personnel operate under the supervision and control of the Adviser and are subject to the Adviser's compliance program.

Galaxy Digital's full suite of financial services is custom-made for a digitally native ecosystem, spanning multiple synergistic business lines: Global Markets, Asset Management and Digital Infrastructure Solutions:

- **Global Markets:** Galaxy Global Markets ("**GGM**") provides comprehensive financial products and services primarily to institutions, corporates and qualified individuals within the Digital Asset ecosystem. GGM offers institutional-grade expertise and access to a broad range of Digital Asset products, including Digital Asset trading, derivatives, structured products, financing, capital markets and M&A advisory services. GGM operates in two discrete business units: trading and investment banking. GGM's trading business services more than 280 active counterparties globally and provides liquidity on a principal basis across a variety of centralized exchanges and over-the-counter markets globally. GGM also engages in proprietary quantitative, arbitrage and macro trading strategies.

GGM's investment banking business, operating primarily through GDP, is a leader in financial and strategic advisory services for the Digital Assets, Web3 and blockchain technology sector. The investment banking team provides specialized crypto expertise while offering a full suite of financial services to public and private clients globally. In particular, the investment banking team helps clients execute large, complex transactions, including M&A and divestitures; provides restructuring advisory services; and offers equity and debt capital markets services, including project financing.

- **Asset Management:** Galaxy Asset Management (“**GAM**”), is a global asset management platform providing investors access to the Digital Asset ecosystem via a diverse suite of institutional-grade investment vehicles that span passive, active and venture strategies. GAM's Digital Assets investments and ventures business manages approximately \$2.4 billion in assets across more than 15 investment strategies. The business is strategically focused on scaling active and venture investment strategies to grow its alpha-generating assets under management, while leveraging a regional partnership model, with premiere local managers, to expand its global reach. GAM, through the Adviser, manages the Galaxy Principal Investments Portfolio which was previously managed separately from GAM by the Galaxy principal investments team. In managing the Galaxy Principal Investments Portfolio, the Adviser seeks to identify, invest in, and support category-defining companies and networks that the Adviser anticipates will grow the crypto-economy and shape the adoption of the ecosystem. Through the Galaxy Principal Investments Portfolio, the Adviser also seeks to make strategic investments in the equity and debt of companies operating in similar or adjacent businesses to Galaxy with an eye toward future commercial relationships and/or strategic alignment of interests. In addition, beginning in 2023, GAM, through the Adviser, begin managing certain Digital Assets and other instruments on behalf of the FTX bankruptcy estate, as described above.
- **Digital Infrastructure Solutions:** Galaxy Digital Infrastructure Solutions (“**GDIS**”) develops, operates and invests in technology that powers the Digital Assets ecosystem. Through GDIS, the Adviser conducts proprietary bitcoin mining, provides hosting services and critical network validator services, and develops enterprise-grade custodial technology. The Adviser is strategically focused on growing its capacity for both proprietary and hosted bitcoin mining. The Adviser is also focused on emerging areas of blockchain infrastructure. This includes supporting the integrity of protocols and ecosystem projects by operating validator nodes to secure blockchains, and by offering self-custody technology solutions to institutions.

The Adviser and its affiliates also provide management services to accounts that do not invest in securities. Such services are not provided by the Adviser in its capacity as a registered investment adviser and are not subject to the Advisers Act. Such accounts include the Invesco Galaxy Bitcoin ETF, Galaxy Bitcoin Fund LP, Galaxy Institutional Bitcoin Master Fund, LP, Galaxy Institutional Bitcoin Fund LP, Galaxy Institutional Bitcoin Fund, Ltd. and Galaxy BBG GLXY Bitcoin BR ETF (collectively, together with BTCX (as defined below), the “**Bitcoin Funds**”) as well as Galaxy Institutional Ethereum Master Fund, LP, Galaxy Institutional Ethereum Fund LP, Galaxy Institutional Ethereum Fund, Ltd. and BBG GLXY Ethereum BR ETF (collectively, the “**Ethereum Funds**”). The Bitcoin Funds provide exposure to Bitcoin, the largest and most liquid Digital Asset, through an institutional-quality fund platform by investing directly (or through a master fund) in Bitcoin. The Ethereum Funds provide exposure to ethereum tokens (“**ETH**”), the Digital Assets that are created and transmitted through the operation of the Ethereum network, through an institutional-quality fund platform by investing directly (or through a master fund) in ETH. The Adviser also provides services,

not in its capacity as a registered investment adviser, as sub-adviser to the CI Galaxy Bitcoin ETF, CI Galaxy Ethereum ETF and the CI Galaxy Multi-Crypto ETF, each an exchange traded fund (“ETF”) listed on the Toronto Stock Exchange (“BTCX”) managed by CI Investments Inc. In exchange for its services to the Bitcoin Funds and the Ethereum Funds, the Adviser earns a management fee based on assets under management.

The Bitcoin Funds and other clients of the Adviser trade Bitcoin. The Ethereum Funds and other clients of the Adviser trade ETH. The Adviser and its affiliates may aggregate Bitcoin or ETH orders placed on behalf of the Bitcoin Funds or the Ethereum Funds, as applicable, with orders placed on behalf of advisory clients, in accordance with trading procedures agreed upon with such clients. When such orders are aggregated, certain Digital Asset trades may be executed at more or less favorable prices than situations where such orders were not aggregated. However, in situations where orders are not aggregated, trades generally will be processed in the order that they are placed with the Digital Asset counterparty selected by the Adviser. As a result, certain Digital Asset trades for the Bitcoin Funds or the Ethereum Funds may receive more or less favorable prices or terms than received by advisory clients, and orders placed later may not be filled entirely or at all. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. Galaxy and its affiliates may change this practice in the future without notice and begin aggregating orders placed on behalf of the Bitcoin Funds and or the Ethereum Funds with those placed on behalf of the Adviser’s clients – see Item 12 below.

Galaxy Digital may launch additional business lines from time to time as discussed in “*Possible Future Activities*” below and elsewhere in this Brochure.

### ***Conflicts of Interest***

Potential or actual conflicts of interest may arise from time to time between the Adviser and its affiliates, on the one hand, and its clients, on the other hand. In addition, as a consequence of Galaxy Digital’s status as a public company, the officers, directors, members, managers and employees of Galaxy Digital may take into account certain considerations and other factors, including publicity concerns and short-term share value, in connection with the management of clients that would not necessarily be taken into account if Galaxy Digital was not affiliated with a public company.

As noted above, the Adviser and Galaxy Related Parties engage in a broad spectrum of activities, including, without limitation, trading and investment banking, asset management, and digital infrastructure solutions. The Adviser’s clients may benefit from the broad activities of Galaxy Digital and the relationships that arise incidental to such activities, which could generate investment and other opportunities and wider industry expertise. However, situations could arise in which the activities of the Galaxy Related Parties conflict with the interests of the Adviser’s clients and investors. Due to the broad scope of Galaxy Related Parties’ businesses, potential conflicts of interest include situations where the Adviser’s services to a particular client or Galaxy Related Parties’ own investments (including its management of the Galaxy Principal Investments Portfolio) or other interests conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of Galaxy Related Parties’ businesses have access to material non-public information that may not be shared with its other businesses and situations where Galaxy Related Parties may be an investor or creditor of an entity with which it also has an advisory or other relationship.

For example, Galaxy Related Parties' subsidiaries may provide corporate advisory or other services to companies that are also Galaxy Strategic Investments (as defined below), investee companies of the Galaxy Principal Investments Portfolio or the Adviser's clients. Unless otherwise provided in the investment management agreement or similar documents with respect to any clients, any fees or other compensation earned by any Galaxy Related Party from such companies will not be shared with any client. Furthermore, to the extent that the Galaxy Related Parties are not providing such services at the time of an investment by a client, the Adviser will have an incentive to recommend the Galaxy Related Parties to such client to provide the applicable services, even if another service provider may be more qualified or can provide such services at a lesser cost. Galaxy Related Parties may also have ongoing relationships with issuers that are being considered for a potential client investment, which may give the Adviser incentive to make such investment. Additionally, the allocation of investment opportunities among clients and Galaxy Related Parties (including the Galaxy Principal Investments Portfolio) could also present a conflict of interest. As described above, several employees of the Adviser are also employees of GDP; as such, employees and executives may also have conflicts of interest in allocating their time and activity between the businesses. Additionally, when acting on behalf of Galaxy Related Parties other than the Adviser, no representative of Galaxy will have any obligation or duty to act or make decisions in the best interests of clients. Instead, such persons shall be entitled to take into account the interests solely of the applicable Galaxy Related Parties. Such actions taken may have a material and adverse effect on the Adviser's clients.

The Adviser expects to also, subject to applicable law, make a market in and conduct proprietary trading activities for its own account or for the account of its clients in securities of, or other investments in, portfolio investments in which one or more clients directly or indirectly invests. The proprietary activities, investments or portfolio strategies of the Adviser and the Galaxy Related Parties, and those of customer accounts, could conflict with the transactions and strategies employed by the Adviser and affect the prices and availability of the securities and instruments in which a client invests.

Furthermore, Galaxy Related Parties may, both currently and in the future, pursue investments (including through the Galaxy Principal Investments Portfolio) outside of a client account and operate or advise other investment funds, accounts or entities (collectively, with the Funds and managed accounts described herein, the "**Other Accounts**"). For example, one Other Account maintained by Galaxy Related Parties (and not the Adviser) is the portfolio of proprietary strategic investments in Digital Assets and interests in Digital Asset-focused companies that Galaxy Related Parties will make from time to time (such investments, the "**Galaxy Strategic Investments**"). Additionally, as discussed above, from time to time GGM will engage in proprietary quantitative, arbitrage and macro trading strategies for the benefit of Galaxy Related Parties, which strategies will not be managed by the Adviser or made available to clients advised by the Adviser. Galaxy Related Parties and such Other Accounts will pursue investments pursuant to their respective investment objectives and strategies and may implement investment objectives, strategies, pursue investment opportunities and/or conduct any other business operations similar to, different than, or in competition with those of a client, which may reduce the number, size and type of investment opportunities available to a client. The Adviser may refer a potential investment to Other Accounts to the extent such investment is not appropriate for a client, as determined by the Adviser. In the event that any Other Accounts invest in portfolio companies or other investments alongside a client, situations may arise where the client and Galaxy Related Parties and its Other Accounts have different and conflicting interests regarding the development of a particular investment, the exercise of rights or remedies in respect of an investment or the timing of an exit from an investment.



It is possible that any of these conflicts could materially and adversely affect the Adviser's ability to manage a client and thus a client's or an investor's return. The following discussion enumerates certain conflicts of interest that could arise by virtue of the activities of Galaxy Digital but is not, and is not intended to be, exhaustive:

*Principal Investment Activity.*

As discussed in response to Items 4.A and 8.A above, the Adviser has assumed management of the Galaxy Principal Investments Portfolio, which represents a diverse range of largely private investments across the Digital Assets industry that are beneficially owned by Galaxy Related Parties. Additionally, as discussed above, Galaxy Related Parties hold a diversified portfolio of Galaxy Strategic Investments and will continue to make proprietary investments over time, including via the trading strategies implemented by GGM. Whether through the Galaxy Principal Investments Portfolio managed by the Adviser, the portfolio of Galaxy Strategic Investments held in accounts that are not managed by the Adviser or otherwise, Galaxy Related Parties may currently or in the future beneficially own actual or potential investments that would otherwise be made or held by a Fund or other client. Unless otherwise agreed with respect to the applicable Fund or other advisory client, the Adviser has no obligation to allocate all or a portion of any investment opportunity to a Fund or any other advisory client of the Adviser. In circumstances in which a Fund or other advisory client makes an investment in a security in which Galaxy Related Parties already hold an interest, or concurrently will make or seek to make such an investment, contractual, liquidity, concentration and other considerations may limit the Fund's or other advisory client's participation in such investment or the Adviser's ability to dispose of the investment readily. Furthermore, in such circumstances, a Fund or other advisory client, on the one hand, and the Galaxy Related Parties, on the other hand, may have conflicting interests and investment objectives and strategies, including with respect to the targeted returns from the investment and the timeframe for disposing of the investment, and therefore, the Adviser, on behalf of the Galaxy Principal Investments Portfolio, or another Galaxy Related Party may take action with respect to an investment made on behalf of Galaxy Related Parties that differs from the action taken with respect to the investment made on behalf of the Fund or other advisory client. It is possible that an action taken on behalf of Galaxy Related Parties with respect to an investment could have a material adverse effect on a Fund or other advisory client. If Galaxy Related Parties hold an interest in a particular investment that is also held by a Fund or other advisory client, there can be no assurance that the returns on such investment made by the Fund or other advisory client will be equivalent to or better than the returns obtained by the Galaxy Related Parties on such investment. In other circumstances, the actions taken by the Adviser on behalf of the Galaxy Related Parties could conflict with the transactions and strategies employed by a Fund or other advisory client, including by affecting the prices and availability of Digital Assets and other instruments in which the Fund or other advisory client might invest, directly or indirectly. The records of any investments held by Galaxy Related Parties (whether through the Galaxy Principal Investments Portfolio or otherwise) will not be open to inspection by investors in a Fund or any other client of the Adviser.

Additionally, the portfolio holdings of Galaxy Related Parties may impact the clients of the Adviser. For example, as discussed under "*Selection of Service Providers including Affiliated Service Providers*" below, Galaxy Related Parties hold interests in a number of companies that are likely to provide services to portfolio companies of the Funds. In addition, as described below under "D. Material Conflicts of Interest Relating to Other Advisers," the Galaxy Principal Investments Portfolio includes, and certain other Galaxy Related Parties have made (and will continue to make), investments in External Managers (as defined below). In the event that a Fund or other client of the Adviser invested in any Portfolio Fund managed by such External

Manager, such investment would serve to benefit the Galaxy Principal Investments Portfolio (or such other Galaxy Related Party), both by their share of any fees and other amounts payable by the Fund (or other client) and any benefits derived from such External Manager having increased assets under management or otherwise. In these circumstances, the Adviser will seek to address such conflicts of interest by any means that the Adviser deems reasonable under the circumstances, which may include, without limitation, disclosing such transaction to the client or the advisory committee of the applicable Fund.

*M&A Activities.* In connection with M&A transactions, situations may arise where an issuer, or a related party (collectively referred to as an “**issuer**”), in which the Adviser’s client has invested engages the Adviser’s broker-dealer affiliate, Galaxy Digital Partners LLC, which is part of the GGM division, to provide advisory services and GDP also provides investment banking, financing, capital markets and M&A advisory services. Further, GDP may provide advice with respect to competitors of issuers in which an Adviser’s client has invested and with respect to issuers that may be suitable for potential investment by an Adviser’s client. In addition, GDP may act as an adviser to clients of the Adviser and other persons (including investment funds that may compete with the Adviser’s clients) with respect to, among other things, investments in, dispositions of, governmental or regulatory actions relating to, or business combinations involving, issuers in which the Adviser’s clients may invest. GDP (in connection with their M&A activities, restructuring activities or private placement activities) also may “pass on” or introduce certain issuers and investment ideas to the Adviser for investment by clients in exchange for which GDP may seek or receive compensation from such issuers or otherwise. Such activities may result in restrictions on the Adviser’s and its clients’ trading and investment activities. In some of these circumstances, GDP will receive fees or other compensation in connection with its advisory services and the Adviser’s client or investors in the Adviser’s client will not receive any benefit from such fees or other compensation and activities. GDP may give advice to its clients and other persons or recommend courses of action that may differ from (or be contrary to) the advice given by the Adviser with respect to the Adviser’s client. GDP may give advice to persons competing with a client, or an issuer in which the Adviser’s client has invested, that is contrary or materially adverse to the interests of such client or such issuer or its investment. In summary, GDP, when acting on behalf of its corporate advisory clients or other persons, may recommend actions that are not in the best interests of, or are materially adverse to, the Adviser’s client or investors in a client.

*Restructuring Activities.* In connection with restructuring transactions, situations may arise where an issuer in which the Adviser’s client has invested engages GDP to provide advisory services on corporate restructurings and recapitalizations. GDP also may represent creditors, equity holders or debtors in connection with debt restructurings or workouts and with bankruptcy proceedings under the U.S. Bankruptcy Code and similar domestic and foreign laws. GDP may serve as adviser to creditor or equity committees (including ad hoc and other committees) established prior to or pursuant to such proceedings, and may give advice to such persons or committees that may be contrary or materially adverse to the interests of the Adviser’s client. GDP will receive fees or other compensation in connection with such advisory services and a client generally will not receive any benefit from such fees or other compensation or activities. The involvement of GDP in restructuring transactions may limit or preclude the flexibility that the Adviser’s client may otherwise have to make, retain or dispose of such investments, securities or interests or cause the Adviser’s client to make investment decisions it otherwise would not make. GDP is under no obligation to decline any engagement, and the Adviser’s client may have to divest itself of an investment or take other action if and to the extent that such investment may prevent GDP from accepting a restructuring or other engagement. In certain circumstances, the Adviser may modify or restructure an investment in an issuer (including, for example, by transferring all or a portion of such an investment to an independent voting trust) in order to permit GDP to

issue advice to such persons or entity. Any such restructuring will be at the sole discretion of the Adviser and the fees and expenses of such may be allocated to clients.

*Initial Public Offering Advisory Services, Underwriting and Private Placement Activities.* GDP provides initial public offering advisory services (also called capital markets advisory services), which services consist of providing financial advice and assistance to clients in preparation for an initial public offering. Such services include assisting such clients with identifying appropriate underwriters for the IPO syndicate and negotiating the economic terms with such underwriters and/or pre-IPO investors, assisting in coordinating diligence sessions for underwriters, and assisting in crafting an appropriate aftermarket trading, investor relations and monetization strategy.

Additionally, in connection with providing IPO advisory services, GDP also engages in underwriting of public debt and equity securities. In connection with such underwriting services, GDP will receive compensation in the form of an underwriting fee attributable to the amount of its commitment in an offering. In order to receive an underwriting fee, GDP may be invited to participate as an underwriter in connection with public debt or equity securities offerings (collectively, “**public offerings**”). GDP’s role as underwriter in public offerings is expected to be limited to committing capital and marketing efforts. GDP expects the lead underwriter to be responsible for selling securities that are the subject of an offering (including those securities for which affiliates have received an allocation) to its investor customers and clearing and settling those transactions.

GDP may also act as placement agent in connection with the offer and sale of securities of, or other interests in, issuers, including the Funds or portfolio companies of clients. GDP does not currently earn fees from placing securities of any Fund. However, it is expected that GDP may in some cases act as placement agent or underwriter or provide IPO advisory services for issuers in which the Adviser’s client has invested or is considering investing. GDP may also provide such services for competitors of issuers in which the Adviser’s clients have invested or are considering investing. Clients also may seek to acquire securities or other interests from an issuer in an offering for which GDP is acting as placement agent or underwriter or providing IPO advisory services, or may seek to acquire securities or other interests from an issuer for which GDP is seeking to or has previously acted as placement agent or underwriter or provided IPO advisory services. In certain cases, the opportunity to invest in securities or other interests of an issuer for which GDP is acting as placement agent or underwriter or providing IPO advisory services may not be offered to a client, or the Adviser may cause a client to decline such an opportunity, due to the perceived conflict of interest even if the securities or other interests being offered would be a suitable investment for the client. In providing such private placement services, GDP generally will receive fees and other compensation from the issuer based upon the amount of securities or other interests purchased by investors, including clients.

In providing IPO advisory services, GDP will be compensated for its services in the form of a cash payment from the issuer and/or an underwriting fee attributable to the amount of its commitment in a public offering. Clients will not receive the benefit of any such fees or other compensation, and in certain circumstances may, as described above, indirectly bear such compensation. See the “*Additional Compensation and Conflicts of Interest*” discussion in Item 5.

In connection with providing private placement services and IPO advisory services or participating in an underwriting, GDP also may conduct due diligence or research regarding an issuer, competitors of an issuer, or an issuer’s industry, business and markets, among other things, and may assist in the preparation of

offering, marketing and other materials for an issuer. Such information may not be expected to be made available to the Adviser or its clients. Although GDP may, in connection with such activities, assist an issuer in the offering process, purchasers of the issuer's securities generally are not expected to have any recourse to GDP or the Adviser. In certain cases, GDP may be entitled to indemnification from the issuer.

*Bitcoin Mining Activities.* In connection with its provision of digital infrastructure solutions, GDIS may, from time to time, provide bitcoin mining products and services to portfolio companies of the Adviser's clients as well as to investee companies of other affiliates of the Adviser. Further, GDIS may provide products and services to competitors of issuers in which an Adviser's client has invested. GDIS will receive fees or other compensation in connection with its services and the Adviser's client or investors in the Adviser's client will not receive any benefit from such fees or other compensation and activities.

*Affiliated Trading Activities.* The Adviser's Fund clients do not currently trade with GGM. Certain transactions in Digital Assets will be executed between GGM and the Bitcoin Funds or the Ethereum Funds, however the Adviser's services to the Bitcoin Funds and the Ethereum Funds are not subject to the Advisers Act. For certain Managed Accounts, a portion of transactions in Digital Assets are executed by GGM on behalf of the applicable client in accordance with trading procedures agreed upon with such client. For each such trade, GGM seeks to execute the transaction at the best price reasonably available for the Digital Assets being traded (although GGM is not required to select the trading venue or counterparty with the lowest available price if GGM believes a client could achieve better execution for the trade elsewhere, such as in terms of transaction certainty or the venue's or counterparty's ability reliably to effect the trade). GGM earns commission for each trade that it executes on behalf of a client, and such costs reduce a client's return. In addition, when representing another customer in a transaction with a client, GGM would have a conflicting division of loyalties and responsibilities between a client, on the one hand, and GGM and any such customer, on the other hand, which could result in a client obtaining a less favorable price for a transaction than it would have in an arm's-length transaction with a third party. In addition, the Adviser and GGM will have significant overlap in personnel, which may increase any such conflict, because, among other things, the personnel making decisions on behalf of a client for the Adviser could in certain circumstances also be making decisions for GGM and thus they could effectively be negotiating with themselves in a transaction with or between a client and GGM.

As discussed in response to Item 11.B, a transaction between the Adviser's client and a client of GGM may be deemed an "Agency Cross Transaction" and a transaction between a client and GGM in any instrument that GGM is holding for its own account may be deemed a "Principal Transaction." The Adviser will only consider engaging in a principal or a cross transaction with an affiliate of the Adviser if such transaction is in accordance with the Adviser's policies and procedures to mitigate the conflicts described above, and permitted by applicable law, including, if required or appropriate, the making of appropriate disclosure to and receipt of consent from a client.

GGM may also enter into positions in Digital Assets or engage in other activity in Digital Asset markets that may be adverse to a client. Among other issues, GGM's activities in the Digital Asset markets could result in less supply in the market for one or more types of Digital Assets in which a client seeks to trade, which could result in the client paying higher prices for its Digital Assets and having fewer investment opportunities. In addition, by way of example, GGM (or its customers) may take short positions in Digital Assets in which a client has a long position, which could reduce the value of the positions held by a client.

The Adviser does not currently enter into soft dollar arrangements with its affiliated broker-dealer, GGM.

*Research Activities.* GGM and other Galaxy Related Parties provide research and analysis relating to Digital Assets. The Adviser may use such research and analysis in making investment decisions on behalf of its clients. While the Adviser receives research from multiple sources, the Adviser does not currently pay for research from affiliates, but may do so in the future, including at below market rates, which may cause the Adviser to rely more heavily on such affiliated research. In addition, the Galaxy Related Parties may hold views, make statements or investment recommendations, or publish reports that may differ from the views of the Adviser. Further, such affiliates may recommend courses of action that may differ from, or be contrary to, the advice given by the Adviser to its clients. In summary, the Galaxy Related Parties, when providing research to other parties or investors, may recommend actions that are not in the best interests of the Adviser's clients.

*Conflicts Arising from Expense Allocations.* As described under Item 5, from time to time, the Adviser will be required to decide whether costs and expenses are to be borne by a Fund or other client, on the one hand, or the Adviser or any other Galaxy Related Party (including the Galaxy Principal Investments Portfolio), on the other hand, and/or whether certain costs and expenses should be allocated between or among certain Funds or clients. Certain costs and expenses may be related only to one entity and borne only by such entity or, as is more often the case, costs and expenses may be allocated among the Funds and other entities. The Adviser may face a conflict of interest when making such allocations due to its affiliates' varying equity interests in the various entities. As described under Item 5, the Adviser implements expense allocation review and approval policies and procedures in order to supervise the allocation of expenses in accordance with the disclosure pertaining to expenses set forth herein and will make such judgments in its fair and reasonable discretion while taking into account factors it considers relevant and appropriate, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable.

*Carried Interest.* The Fund General Partners and certain other Galaxy Related Parties are entitled to receive Carried Interest with respect to certain Funds. The Carried Interest may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect. In addition, while gain from the sale of a capital asset is generally treated as long-term capital gain if the asset has been held for more than one year at the time of disposition, gain that is allocated as Carried Interest will generally be treated as long-term capital gain only if the relevant asset has been held for more than three years at the time of the disposition. Long-term capital gain recognized by an individual is subject to U.S. federal income tax at rates that are substantially lower than the rates applicable to ordinary income and short-term capital gains. As a result, conflicts of interest will arise between the interests of the Adviser, on the one hand, and the interests of the investors in such Fund, on the other hand, in connection with investment-related determinations. Specifically, the Adviser, the Fund General Partners and the direct and indirect recipients of Carried Interest will have an incentive to cause a Fund to hold an investment for more than three years, even if a favorable disposition opportunity arises prior to that time, or to make other decisions intended to mitigate the consequences of the rule applicable to gain that is allocated as Carried Interest, including decisions with respect to the discovery, development, negotiation, evaluation, acquisition, structuring, restructuring, holding, carrying, monitoring, management, disposition or monetization of investments.

*Other Fees and Compensation.* As described above, the Adviser and its affiliates, including GGM, may receive certain other fees in connection with client investments or portfolio companies or otherwise related to the Adviser's clients. Unless otherwise provided in the applicable investment advisory agreement or similar document, such amounts will not generally be applied to offset the Management Fee or otherwise shared with clients.

*Material Non-Public Information.* Galaxy Related Parties will frequently come into possession of confidential information as a result of their respective business activities, including advisory activities, restructuring activities, private placement activities, and asset management activities. Disclosure of such information among the Galaxy Related Parties (including the Adviser) generally will only be on a need-to-know basis; Galaxy Related Parties will have no duty to, and are not expected to, share such information with the Adviser. Therefore, the Adviser may not have access to information in the possession of affiliates of Galaxy Digital that might be relevant to an investment decision to be made by the Adviser, and the Adviser's client (subject to the next paragraph) may purchase, retain or sell an investment that, had such information been known to the Adviser, may not have been purchased, retained or sold.

In addition, if the Adviser or any of its personnel come into, or are deemed to come into, possession of material non-public information, the Adviser may be restricted from consulting with, or otherwise benefiting from, personnel of other Galaxy Digital affiliates. The disclosure or imputed disclosure of material non-public or other confidential information acquired by affiliates of Galaxy Digital to any personnel of the Adviser, whether in connection with a client's activities or other activities of the Adviser or of affiliates of Galaxy Digital (or otherwise), could result in restrictions on transactions in investments or securities on behalf of the Adviser's client, affect the prices of its investments or the ability of the Adviser to make, retain or dispose of such investments on behalf of a client, or otherwise create conflicts of interest for a client, any of which could adversely affect the Adviser's ability to conduct a client's business and thus the return to the client or its investors. In order to avoid potential conflicts of interest and protect the integrity of confidential information, the Adviser has adopted policies and procedures designed to ensure that its personnel properly safeguard any confidential information provided by clients, investors and other persons (including the aforementioned affiliates of Galaxy Digital).

There may be certain cases where the Adviser may be restricted from effecting purchases and/or sales of financial instruments or investments on behalf of clients due to its possession of information. For example, if the Adviser invests in the debt securities of an issuer on behalf of a client, the Adviser may have access to material non-public information and may be restricted from trading such securities; additionally, there may be other instances where the Adviser does not receive material non-public or other confidential information but may be contractually or otherwise restricted by the issuer or its agent, from investing in other investments of the same issuer or other parties. At times, the Adviser, in an effort to avoid restrictions for a client may elect not to receive material non-public or other confidential information, which may be relevant to a client's portfolio, that other market participants are eligible to receive or have received, or may seek to retain a party, at the client's expense, that could review material non-public or other confidential information in seeking to ensure that the Adviser and its clients obtain certain benefits without becoming subject to restrictions resulting from the receipt of material non-public or other confidential information.

*Management of Multiple Clients and Investments in Affiliated Funds.* It is expected that the Adviser and its affiliates will sponsor or manage multiple Funds and Managed Accounts, some of which have objectives that are similar to, or which overlap with, those of other clients (including, but not limited to, the Galaxy Principal

Investments Portfolio). In general, a client that is sponsored or managed by the Adviser or its affiliates may invest in the same issuers in which other clients may invest. The Adviser may also sponsor Funds or advise clients that provide financing to portfolio companies in or through which certain clients invest. Further, a client's investments may include investments in vehicles that are directly or indirectly affiliated with the Adviser, such as the Funds. Such activities raise potential conflicts of interest, including the determination of whether and to what extent investment opportunities should be allocated among clients. Please see Item 6 for a further discussion of the management of multiple clients and investments in affiliated Funds; and Items 6 and 11.D for a discussion of allocation of investment opportunities among clients.

*Side Letters and Other Agreements with Certain Investors.* Certain Fund investors may invest pursuant to side letter agreements that have the effect of altering or supplementing the material terms of a Fund; additionally, certain Managed Accounts may invest substantially in parallel with a Fund. Such arrangements also may afford certain clients or investors different terms from the terms of a Fund with respect to liquidity, fees and expenses, subscription rights and the content and frequency of reports. Clients or investors that have been granted additional access to portfolio information or enhanced transparency may be able to make investment decisions, including, without limitation, making additional capital contributions, making withdrawals and entering into hedging transactions designed to offset exposure to investment positions taken by the client or Managed Account (which may be the same investment positions taken by a Fund), based on information not generally available to other investors, including Fund investors. Any such investment decisions made by these clients or investors on the basis of such information, including any substantial withdrawals, could adversely affect the market value of a Fund's portfolio and therefore the value of investors' interests in the Fund. Neither the Fund nor the Adviser will be required to disclose any such agreements to other investors, unless otherwise required to do so pursuant to applicable law or regulation (including the Private Funds Rule) or the terms of an investment management agreement or other applicable contract. Investors that are granted such rights, including the right to bear or pay a reduced Management Fee or the right to receive a share of the Management Fees earned by the Adviser, may include, without limitation, individuals affiliated with the Adviser. To the extent that compliance with any of the provisions of any such agreement would cause the Adviser, the Fund or any of their respective affiliates to violate their respective fiduciary obligations to other clients or to violate any applicable laws, the Adviser, the Fund or such affiliate will not be obligated to comply with any such provision and any such non-compliance will not be deemed to be a breach of such agreement.

*Investments, Directorships or Similar Roles with Issuers.* Officers, members, partners, affiliates and employees of the Adviser, Galaxy Digital and their respective affiliates may make personal investments in certain issuers or serve as directors or officers of certain issuers in which a client invests and, in those capacities, may be required to make decisions that they consider to be in the best interests of their personal investments or such companies. In certain circumstances, for example, in situations involving the bankruptcy or near-insolvency of a company, actions that may be in the best interest of the issuer or in connection with a personal investment may not be in the best interest of a client, or actions that may be ultimately found to be in the best interest of a client may not be in the best interest of the issuer or in connection with a personal investment. In these situations, there may be conflicts between an individual's duties as an officer, affiliate or employee of the Adviser or Galaxy Digital, or their respective affiliates and such individual's personal investments or duties as a director or officer of the issuer.

*Restrictions Arising under the Securities or Other Laws or Agreements.* The activities of affiliates of Galaxy Digital (including, without limitation, the holding of investment positions or having one of its personnel on

the board of directors of a company or as its officer or otherwise) could result in securities law or other restrictions on transactions in investments held by the Adviser's client, affect the prices of the Adviser's client's investments or the ability of the Adviser's client to purchase, retain or dispose of such investments, or otherwise create conflicts of interest for the Adviser's client, any of which could have a material adverse impact on the performance of the Adviser's client and thus the return to the Adviser's clients or investors.

*Related Party Transactions.* As discussed in response to Item 11.B, the Adviser may, if it deems appropriate, select one or more persons who are not affiliated with the Adviser to serve on a committee, the purpose of which is to consider and, on behalf of investors in certain clients, approve or disapprove, to the extent and in the manner required by applicable law, principal transactions or certain other related party transactions, including approvals required under the Advisers Act (including Section 206(3)). Any approval of such committee of a decision, transaction or other matter will generally be binding upon a client and upon each of the client's investors, as well as upon any intermediate investment vehicles, and master funds and each investor in any such vehicles. The Adviser will generally cause a client to reimburse members of the committee for their out-of-pocket expenses and to indemnify them to the maximum extent permitted by law.

Further, as discussed in response to Item 11.C, the Adviser, other Galaxy Related Parties (including through the Galaxy Principal Investments Portfolio), and the Adviser's access persons (as defined in Item 11.A), hold, and are expected to continue to, buy, sell, or hold securities or other investments (including investments in Digital Assets and Digital Asset Companies) for their own accounts while, where applicable, recommending such investments to clients or making different investment decisions for a client. Such investments have been and may continue to be made without regard to the interest of a client. It is expected that, when such investments are made, the size and nature of these investments will vary over time. Certain investments made by the Adviser and its affiliates may be suitable or appropriate for a client but may not necessarily be shown, made available or allocated to such client. The Adviser may be more willing to cause a client to make such investments, and the terms on which such investments are made for a client may differ from those offered to, or made by, the Adviser.

Affiliates of the Adviser that are invested in clients ("**Affiliated Investors**"), as well as other partners and investors, may invest, directly and indirectly, in certain, but not all, of the Funds or other clients advised by the Adviser on terms that likely will be more advantageous to those offered to other investors or clients. It is expected that, if such investments are made, the size and nature of these investments will vary over time. Such Affiliated Investors and/or other partners and investors and other accounts may not be required to keep any minimum investment in any of the Funds or other clients managed by the Adviser or may not be subject to lock-up or notice periods. Also, as discussed in response to Item 10.C, GGM may provide liquidity to Fund investors with regards to buying and selling of cryptocurrencies and other Digital Assets. Pursuant to such transactions and under certain circumstances, GGM may take possession of an investor's interests in a Fund (thereby becoming an Affiliated Investor) and withdraw all or any portion of such Fund interests without notice to the remaining Fund investors. The investment of such affiliates and other accounts may constitute a significant portion of the interests of a Fund or other client, which may create a further conflict and may pose a risk to the Funds or other client in the event of a significant withdrawal or redemption.

*Co-Investments.* As discussed in response to Items 4.B, 6 and 11.D, the Adviser and its affiliates may, from time to time, offer co-investments to one or more co-investors when the Adviser deems it appropriate and consistent with the interests of its clients. Such co-investments are likely to reduce the amount clients can invest in any given opportunity, and the Adviser may be unable to make as large of an investment on behalf



of a client as otherwise might be desirable. In addition, the allocation of investments between co-investors and clients will be at the Adviser's discretion, and if the co-investors receive more favorable economic terms for the same investment than clients, the Adviser may have a conflict of interest with respect to allocating investments between the co-investors and clients. The Adviser is not obligated to arrange co-investment opportunities or to offer any investor the opportunity to co-invest, and no such investors or beneficial owners will be obligated to participate in such an opportunity if offered. Any investment by co-investors alongside clients will be subject to approval by the Adviser in its sole discretion, on a case-by-case basis and by determining whether such co-investment is appropriate. If approved, the Adviser will allocate an investment among its clients, on the one hand, and the co-investors, on the other hand, in its sole discretion, taking into account the following, non-exhaustive list of factors: (i) the co-investor's role, if any, in sourcing a particular opportunity; (ii) the ability of a co-investor to commit to invest in a short period of time, in light of the timing constraints applicable to the co-investment; (iii) the ability of a co-investor to commit to a significant portion of such opportunity; (iv) whether a co-investor is a strategic investor; (v) the size of a co-investor commitment to or investment in a client, (vi) a co-investor's tenure as an investor with the Adviser or its affiliates and (vii) tax and regulatory considerations relevant to a co-investor and the particular co-investment opportunity.

*Valuation.* The assets and liabilities of the Adviser's clients will be valued in accordance with the Adviser's valuation policy, which seeks to fairly and accurately value investments based on approved methodologies in accordance with either International Financial Reporting Standard or United States Generally Accepted Accounting Principles, as applicable, except as otherwise described in any offering or other document. The Adviser's clients and investors should be aware that there is a conflict of interest to the extent that the Adviser or an affiliated entity is performing valuations for the Adviser's clients, including, among others, when the Adviser is expected to receive management fees and performance-based compensation based on such valuations.

*Diverse Investors.* The direct and indirect investors in clients are expected to include persons or entities organized in various jurisdictions, which may have misaligned or conflicting investment, tax and other interests. As a result, conflicts of interest may arise in connection with decisions made by the Adviser that may be more beneficial for one type of investor over other types of investors, especially with respect to investors' liquidity rights, individual tax situations (including with respect to the nature or structuring of investments) and other preferential terms. In making decisions, the Adviser intends to consider the investment objectives of each client as a whole, and not necessarily of the investment objectives of any investor individually.

*Allocation of Time and Attention.* The Adviser will cause its personnel to devote as much of its time and effort to the affairs of a client as it deems necessary and appropriate. Our Principal Owner, Mr. Novogratz, is not expected to be involved in the daily operations of the Adviser or a client. While Mr. Novogratz will conduct any discretionary Digital Asset investing activities through Galaxy Digital, he has other business and investing activities outside of Galaxy Digital. As a result of such activities and the other activities of Galaxy Digital mentioned above, Mr. Novogratz and the other employees and executives of Galaxy Digital, including employees of the Adviser, may have conflicts of interest in allocating their time and activity between the Adviser's clients, on the one hand, and other Galaxy Related Parties (including affiliated Service Providers), on the other hand. Furthermore, when acting on behalf of such Galaxy Related Parties other than the Adviser, neither Mr. Novogratz, nor any other such representative of Galaxy Digital will have any obligation or duty to act or make decisions in the best interests of a client. Instead, such persons will be entitled to take into

account the interests solely of such Galaxy Related Parties. Such actions taken may have a material and adverse effect on a client.

*Profile of Mr. Novogratz and Galaxy Digital.* Mr. Novogratz has been a vocal and visible proponent of investing in Digital Asset Companies and Digital Assets. Galaxy Digital is among the first, largest and most prominent companies of its kind, whose business revolves around controversial asset classes the legality and regulation of which are unclear in many parts of the world. Together, these considerations make it foreseeable that Galaxy Digital could attract material regulatory scrutiny driven in part by the visibility of Mr. Novogratz. Regulatory scrutiny may take the form of requests for information or responses, examinations, meetings or other types of interactions that do not proceed to any formal enforcement action, suit, fine or other formal negative sanction but that can nonetheless consume a material amount of management's time, attention and efforts, lead to material spending on legal and other advisors and cause other negative consequences.

*Software and other Licensing Arrangements.* It is anticipated that the Adviser's investment teams will develop quantitative models and software for use by one or more investment teams for the benefit of one or more clients. Similarly, models and other systems (e.g., order management) developed by employees of the Adviser and other Galaxy Related Parties may be used by any of the Adviser's investment teams, including investment teams that do not manage the same client's assets. Additionally, investment teams that do not manage a specific client's assets and/or third parties with a license to utilize the Adviser's or other Galaxy Related Parties' proprietary models and software, may develop implementation methods for such models and software that provide a competitive advantage over one or more clients, thereby reducing and/or eliminating the effectiveness of such model or software with respect to one or more clients.

From time to time, the Adviser may license intellectual property developed by the Adviser or other Galaxy Related Parties to third parties or use such intellectual property for proprietary trading or investing purposes. For example, as discussed in response to Items 5.E and 8.A, the Adviser has developed, together with Bloomberg, the Crypto Index and certain other indices. The Adviser is entitled to receive a certain portion of license fees collected by Bloomberg for use of such indices by persons other than the Adviser or funds managed by the Adviser, which will be retained by the Adviser and will not offset any Management Fees or Carried Interest borne by clients. The ability of the Adviser to license (or participate in revenues from licensing) of intellectual property to third parties may limit the investment opportunities available to clients.

*Possible Future Activities.* As the operations of the affiliates of Galaxy Digital are relatively new, it is expected that such affiliates will expand the range of services that they provide over time. The affiliates of Galaxy Digital will not be, and are not, restricted in the scope of their respective businesses or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein, in a Fund's relevant offering memoranda or any other documents. The affiliates of Galaxy Digital have, and will continue to develop, relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with clients who may hold or may have held investments similar to those intended to be made by a client of the Adviser. These other clients may themselves represent appropriate investment opportunities for a client of the Adviser or may compete with a client of the Adviser for investment opportunities.

*Selection of Service Providers including Affiliated Service Providers.* The Galaxy Principal Investments Portfolio includes, and other Galaxy Related Parties currently hold, and in the future may continue to hold and acquire, equity or debt interests in companies with which a client will transact or retain as a compensated service provider, including Bitcoin mining services, Digital Asset exchanges, software providers, cyber- or other security service providers, custodial or other storage service providers, securities lending and other transactions and the provision of back office services (each, a “**Service Provider**”). For example, as noted above in “*Affiliated Trading Activities*,” GGM’s over-the-counter desk may be utilized to trade on behalf of a client and, as noted above in “*Bitcoin Mining Activities*,” GDIS may provide mining products and services to portfolio companies of the Adviser’s clients. In addition, GGM may provide financial and strategic advisory services to any portfolio company. A Service Provider or an affiliate of a Service Provider may be a client or investor, a source of investment opportunities or a co-investor or commercial counterparty or entity in which the Adviser, its clients and/or other Galaxy Related Parties have an investment or other business, financial, personal or other relationship. The Adviser may be more willing to engage in business transactions with related Service Providers that are beneficial to the Adviser and other Galaxy Related Parties, but not necessarily beneficial to the Adviser’s clients.

Compensation received by a Service Provider may be substantial, and as such will benefit the Adviser, clients and/or other Galaxy Related Parties via any relationship described above. Such fees will be on commercially reasonable terms and not materially less favorable than the terms that would be obtained on an arm’s-length from a third party with commensurate skill, expertise or experience, as determined by Galaxy in its reasonable discretion; however, there can be no assurance that such fees will be less than or equal to the fees charged by all third party providers of such services. A Service Provider may also enter into an arrangement with the Adviser or other Galaxy Related Parties that provides for more favorable rates or terms than an arrangement with a client. Client portfolio transactions will be allocated to Service Providers on the basis of numerous factors and not necessarily lowest pricing. Clients will not receive the benefit of any such fees or other compensation unless otherwise provided in the relevant client offering documents and/or investment management or other agreement.

In addition, certain Portfolio Funds and other underlying investments of fund-of-funds clients may engage such Service Providers, and a portion of the compensation paid to any such Service Provider will be indirectly borne by a client and, therefore, its investors. Such compensation will not be offset by the underlying Portfolio Fund or the client. Additionally, such engagement could create a perception that the Adviser has sought to influence the decision by the management of the underlying investment to retain or otherwise transact with such Service Provider, instead of other service providers or counterparties that may be more appropriate or offer better terms.

To avoid potential conflicts, including those described above, personal investment transactions by partners, members, officers and employees of the Adviser and its controlled affiliates are subject to the policies and procedures, which are reasonably designed to mitigate conflicts of interest and to detect and prevent misuse of material non-public or inside information. In addition to various trading restrictions, the Adviser’s personnel’s personal investment transactions are monitored and, in some cases, pre-cleared by the Adviser’s Legal and Compliance Department. However, there can be no assurance that such conflicts will be adequately mitigated or that the use of such Service Providers will not have an adverse effect on one or more clients.

*Allocation of Investment Opportunities.*

In addition, the Adviser determines whether and to what extent investment opportunities should be allocated among clients and accounts that the Adviser manages (including, but not limited to, the Galaxy Principal Investments Portfolio and the FTX managed accounts), on a basis it believes to be fair and equitable over time and has adopted allocation policies designed to address potential conflicts of interest. The Adviser's general policy is to allocate investment opportunities promptly and on a fair and equitable basis after consideration of the relevant circumstances. The Adviser follows a number of broad allocation models which are subject to change from time to time. Generally speaking, the allocation models follow formulas that are aimed at balancing portfolios managed by the Adviser or complying with specific portfolio management instructions. Although the Adviser generally seeks to allocate investment opportunities on a *pro rata* basis based on the size of accounts under its management, the Adviser's allocation decisions shall be based upon and informed by relevant circumstances specific to each portfolio under management, such as: the investment objectives, strategies and restrictions of each portfolio; portfolio and risk management strategies; tax, legal, regulatory and other considerations; asset levels and cash flow considerations; portfolio liquidity; duration and/or time horizon profile; timing and size of capital contributions and redemptions; market conditions; whether certain accounts would receive nominal or de minimis allocation amounts; and other criteria believed to be relevant by the Adviser. The Adviser may also consider if a client is in its investment period or ramp-up phase or it has received a capital infusion or withdrawal request (including Funds with substantial investments by affiliates of the Adviser), preference may be given to that client so that it reaches its desired position quickly. Upon assuming the management of the Galaxy Principal Investments Portfolio, the Adviser will update its allocation policies and procedures in order to ensure that the allocation of investment opportunities between its clients, on the one hand, and the Galaxy Principal Investments Portfolio, on the other, is fair and equitable over time giving consideration to the relevant circumstances specific to each portfolio.

The foregoing list of conflicts of interest does not purport to be a complete enumeration or explanation of the conflicts involved in an investment with, or managed by, the Adviser. To the extent that prospective investors would benefit from an independent review, such benefit is not available through the Adviser or any of its affiliates. In addition, as the Adviser's investment programs and clients develop and change over time, a client may be subject to additional and different conflicts.

#### **D. Material Conflicts of Interest Relating to Other Advisers**

As noted in Item 4, the Adviser is an affiliate of, and under common control with, affiliated entities that serve as Fund General Partners. Other than the Fund General Partners, we do not recommend or select investment advisers for our clients.

Certain of the Funds and accounts managed by the Adviser (including, without limitation, the Galaxy Principal Investments Portfolio) and certain Galaxy Related Parties have or are expected to have ownership interests in other investment advisers (“**External Managers**”) and the clients of External Managers, including External Managers that invest all or substantially all of their client assets in Digital Assets. In addition, our Principal Owner, Michael Novogratz, has ownership interests in External Managers and Portfolio Funds and other clients of External Managers. As discussed in Item 6.C, Mr. Novogratz will conduct any discretionary Digital Asset investing activities through Galaxy Digital. However, because none of Mr. Novogratz, the Galaxy Related Parties or the Adviser’s clients control (nor are any of them expected to control) such External Managers, neither Mr. Novogratz nor Galaxy can limit their Digital Asset investing activities. The investment activities of Galaxy Related Parties and our Principal Owner may result in potential conflicts of interest as the Adviser may compete for investment opportunities with such External Managers on behalf of its Portfolio Funds and other clients. In addition, certain Funds or other accounts managed by the Adviser have and are expected to continue to invest in the Portfolio Funds or other investment products managed by one or more External Managers. The Adviser believes it has adopted standards in its policies and procedures to address such potential conflicts of interest.

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

### **A. Code of Ethics**

The Adviser has adopted a Global Code of Business Ethics and Conduct and a Personal Trading Accounts Policy (together, the “**Code of Ethics**”).

The Code of Ethics is applicable to all of the Adviser’s directors, partners, officers and employees (collectively referred to as “**access persons**”). The Code of Ethics, which is designed to comply with Rule 204A-1 of the Advisers Act, establishes guidelines for professional conduct, to ensure that Adviser’s high ethical standards are maintained and to preclude circumstances that may lead to, or give the appearance of, conflicts of interest, insider trading or unethical business conduct.

The Code of Ethics addresses, among other things, the following issues:

- Fiduciary Duties of Adviser’s Personnel;
- Conflicts of Interest;
- Treatment of Confidential Information;
- Compliance with Federal Securities Laws;
- Prohibitions on Insider Trading;
- Personal Trading Accounts Policy;
- Prohibition on the acceptance or provision of certain gifts and entertainment that exceed Adviser’s policy standards; and
- Political Contributions.

Clients may request a copy of the Code of Ethics by making a request to the Chief Compliance Officer at the address, email or telephone number listed on the cover page of this Brochure.

### **B. Securities that the Adviser or a Related Person Has a Material Financial Interest**

The Adviser may participate or have an interest in client transactions in several ways: (1) the Adviser may recommend to a client that the client buy or sell securities and investment products in which the Adviser or a related person has some financial interest (such as, but not limited to, the Funds) and (2) as principal, the Adviser may buy securities and investments for itself from or sell securities and investments it owns to a client.

The Adviser may engage in transactions in which it is not “acting as a broker” for purposes of Section 206(3) of the Advisers Act because the Adviser receives no compensation or other transaction-based fee, either directly or indirectly, from a cross trade between two of its clients (an “**Internal Cross Transaction**”). For these Internal Cross Transactions, the Adviser may seek to use an independent pricing mechanism to value the investments involved in the Internal Cross Transaction. Internal Cross Transactions may involve situations in which, among others, one client (or affiliate of a client) makes or otherwise acquires an investment that is later sold to another client. In such situations, the client making the initial investment will bear the investment risk related to the investment if and until such time as an Internal Cross Transaction is effected with another client. The client making the initial investment may be paid interest or other compensation from the client purchasing the investment in such circumstances if believed to be necessary and appropriate by the Adviser.

There also may be instances in which one client, due to administrative or other reasons, agrees to make an investment on behalf of another client. In such instances, the client making the initial investment may be paid interest or other compensation, as applicable or deemed appropriate, from the client purchasing the investment in such circumstances.

The Adviser may also effect “**Agency Cross Transactions**” in which an affiliate acts as agent for either the buyer or seller in the transaction. For example, a transaction between the Adviser’s client and a client of GGM may be deemed an Agency Cross transaction. We will only trade with an affiliate on behalf of a client on an agency cross basis when the client has consented to our effecting such transactions or as Internal Cross Transactions, as described above, when no commission is charged on either side of the transaction. Any agency cross transaction will be effected in compliance with applicable law, as well as policies and procedures we have designed to prevent and disclose potential conflicts of interest. As discussed in response to Item 10.C, GGM may receive commissions from, and have potentially conflicting division of loyalties and responsibilities regarding, the Adviser’s client and the other parties to such transactions.

The Adviser and other Galaxy Related Parties may execute trades for its own account in securities or other investments that it also recommends to clients (“**Principal Transactions**”). For example, any transaction between a client and GGM in any instrument that GGM is holding for its own account may be deemed a Principal Transaction.

The Adviser will only consider engaging in a principal or a cross transaction with an affiliate of the Adviser if such transaction is in accordance with the Adviser’s policies and procedures and permitted by applicable law, including, if required or appropriate, the making of appropriate disclosure to and receipt of consent from a client.

### **C. Investing in Securities that the Adviser or a Related Person Recommends to Clients**

The Adviser, other Galaxy Related Parties (including through the Galaxy Principal Investments Portfolio), and the Adviser’s access persons (including in personal trading accounts), hold, and are expected to continue to, buy, sell, or hold securities or other investments (including investments in Digital Assets and Digital Asset Companies) for their own accounts while, where applicable, recommending such investments to clients or making different investment decisions for a client. Such investments have been and may continue to be made without regard to the interest of a client. It is expected that, when such investments are made, the size and nature of these investments will vary over time. Certain investments made by the Adviser and its affiliates may be suitable or appropriate for a client but may not necessarily be shown, made available or allocated to such client. The Adviser may be more willing to cause a client to make such investments, and the terms on which such investments are made for a client may differ from those offered to, or made by, the Adviser. Further, the Adviser and its affiliates may buy and sell such investments at different times than clients, or when a client is doing the opposite. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients.

In addition, Affiliated Investors, as well as other partners and investors, may invest, directly and indirectly, in certain, but not all, of the Funds or other clients advised by the Adviser on terms that likely will be more advantageous to those offered to other investors or clients. It is expected that, if such investments are made, the size and nature of these investments will vary over time. Such Affiliated Investors and/or other partners and investors and other accounts may not be required to keep any minimum investment in any of the Funds

or other clients managed by the Adviser or may not be subject to lock-up or notice periods. The investment of such affiliates and other accounts may constitute a significant portion of the interests of a Fund or other client, which may create a further conflict and may pose a risk to the Funds or other client in the event of a significant withdrawal or redemption.

The Adviser believes it has adopted standards in its policies and procedures to address the potential conflicts described above. In addition, the Code of Ethics places restrictions on personal investments by access persons, including that they disclose their personal holdings and transactions in securities and other instruments, including Digital Assets, on a periodic basis. In addition to various trading restrictions, the access persons' personal investment transactions are monitored and, in some cases, pre-cleared by the Adviser's Legal and Compliance Department.

#### **D. Conflicts of Interest Created by Contemporaneous Trading**

The Adviser provides investment advisory services on behalf of a number of clients and other pooled investment vehicles, as well as non-client accounts such as the Galaxy Principal Investments Portfolio. It is expected that certain clients and accounts will have investment programs that are similar to, or overlap with, other clients and accounts and may, therefore, participate with each other in investments. As discussed in Item 10.C, the Adviser determines whether and to what extent investment opportunities should be allocated among clients and accounts on a basis it believes to be fair and equitable over time and has adopted allocation policies designed to address potential conflicts of interest.

In addition, as discussed in response to Items 4.B, 6 and 10.C, the Adviser and its affiliates may, from time to time, offer co-investments to one or more co-investors. Such co-investments are likely to reduce the amount clients can invest in any given opportunity, and the Adviser may be unable to make as large of an investment on behalf of a client as otherwise might be desirable. If approved, the Adviser will allocate an investment among the Funds and the co-investors in accordance with the procedures set forth in Adviser's allocation policy.

As discussed in response to Item 10.C, Galaxy Digital is a diversified financial services company dedicated to the Digital Assets industry. Various potential or actual conflicts of interest arise from the overall activities of Galaxy Digital. Galaxy Digital engages in asset management and broker-dealer, investment banking and other corporate advisory services as well as in trading and principal investing activities. The Adviser's clients may benefit from these activities and the relationships that arise incidental to such activities, which could generate investment and other opportunities and wider industry expertise. However, situations could arise in which the activities of Galaxy Digital conflict with the interests of the Adviser's clients and investors. It is possible that any of these conflicts could materially and adversely affect the Adviser's ability to manage a client and thus a client's or an investor's return. Item 10.C enumerates certain conflicts of interest that could arise by virtue of the activities of Galaxy Digital.



## ITEM 12. BROKERAGE PRACTICES

### A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

The Adviser intends to make portfolio investments on behalf of clients that will be privately placed, on digital exchanges or over-the-counter (“OTC”) without the use of a broker-dealer. In making investments on behalf of clients, including in the event the Adviser requires the services of a broker-dealer, the Adviser will seek to obtain best execution for such transactions.

Consistent with customary “best execution” principles, the Adviser is not required to select the trading venue or counterparty with the lowest available price if the Adviser believed the Fund or other client could achieve better execution for the transaction elsewhere, including, without limitation, through consideration of the following factors: speed, ability to handle various trades and orders, liquidity, reliability, transaction fees, pricing, customer services, security and geography.

As described in Item 10.C, the Adviser’s Fund clients do not currently trade with the Adviser’s trading affiliate, GGM. For certain Managed Accounts, a portion of transactions in Digital Assets are executed by GGM on behalf of the applicable client in accordance with trading procedures agreed upon with such client.

#### *1. Research and Other Soft Dollar Benefits*

We do not currently intend to receive research and other “soft dollar” benefits from broker-dealers.

If the Adviser decides to utilize soft dollars in the future, the Adviser will implement and administer policies and procedures designed to ensure that such use of soft dollars falls within Section 28(e) of the Exchange Act, which provides a safe harbor that allows investment managers with discretionary authority over client accounts to pay more than the lowest possible commission in order to obtain “brokerage and research services” without breaching their fiduciary duties to clients.

Research services within the Section 28(e) safe harbor generally include, among other things, advice, analyses, reports, publications and writings that furnish advice as to the value of investments, the advisability of investing in, purchasing or selling investments, and the availability of investments, as well as analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts which the Adviser determines constitute advice, analysis or reports. Research services also may include, among other things, market data such as stock quotes, last sale prices, trading volumes and financial and economic data, pre-trade and post-trade analytics, software and other products that depend on market information to generate market research (including research on optimal execution venues and trading strategies), raw data which an investment adviser can use to prepare its own research analytics, conferences and seminars related to research discussions, meetings with corporate executives to obtain reports on, among other things, the performance of a company, publications targeted at a narrow audience, including, without limitation, publications which are directed to readers with specialized interests in particular products, industries or issuers, and software that provides analyses of investment portfolios. Research services and information may be in written, oral or electronic formats. Research services may be provided by third parties or may be proprietary to a broker or dealer.

Brokerage services that meet a “temporal standard” are eligible under the Section 28(e) safe harbor. Under the

“temporal standard,” brokerage begins when an investment manager communicates with a broker or dealer for the purpose of transmitting an order for execution and ends when funds or investments are delivered or credited to the advised client. Using this standard, the following items are, without limitation, examples of eligible brokerage services: clearance, settlement and custody services in connection with trades effected by the broker or dealer, post-trade services incidental to executing a transaction, comparison services that are required by SEC or self-regulatory organization rules, such as the use of electronic confirmation and affirmation of institutional trades, communications services related to execution, clearing and settlement of investment transactions, trading software to route orders to market centers, software that provides algorithmic trading strategies and software used to transmit orders to direct market access systems.

If an expense relates to “mixed-use” services or products that include functions that would generally qualify for soft dollar payment has functions that the Adviser intends to use that do not so qualify, the Adviser will implement and administer policies and procedures designed to ensure that the Adviser makes a good faith allocation of the cost or discount between qualifying and non-qualifying functions to determine the portion that may be paid or discounted with soft dollars credits.

## *2. Brokerage for Client Referrals*

Please refer to Item 14.B below regarding the Adviser’s brokerage practices with respect to capital introduction events sponsored by broker-dealers.

## *3. Directed Brokerage*

The Adviser does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer.

## **B. Order Aggregation**

If the Adviser determines that the purchase or sale of Digital Assets is appropriate with regard to multiple clients, the Adviser may, but is not obligated to, purchase or sell Digital Assets on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. As discussed above, the Adviser and its affiliates may aggregate Bitcoin or ETH orders placed on behalf of the Bitcoin Funds or the Ethereum Funds, as applicable, with orders placed on behalf of advisory clients, in accordance with trading procedures agreed upon with such clients. When an aggregated order is filled through multiple trades at different prices on the same day, each participating account will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each account’s participation in the order (or allocation in the event of a partial fill) as determined by the Adviser. In the event of a partial fill, allocations may be modified on a basis that the Adviser deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the Digital Asset counterparty selected by the Adviser. As a result, certain Digital Asset trades for one account (including the Galaxy Principal Investments Portfolio and any other account in which the Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **A. Frequency and Nature of Review of Client Accounts or Financial Plans**

Each client portfolio is maintained, supervised and reviewed on a regular basis by the client's respective portfolio manager and investment team and also benefits from the resources of the Adviser, including compliance, finance, operations, technology, risk management, legal and marketing resources.

### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

A review of a client account may be triggered by any unusual activity or special circumstances.

### **C. Content and Frequency of Account Reports to Clients**

With respect to the Funds, the Adviser generally provides annual audited financial statements to investors within 120 days (or 180 days for fund-of-funds clients) of the applicable Fund's fiscal year end. In addition, clients generally will receive monthly or quarterly account summaries (as applicable).

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits for Providing Services to Clients**

We do not receive economic benefits from non-clients for providing investment advice with respect to securities. As noted above in response to Item 4.A, we manage the assets of the Funds, respectively, and we receive compensation for those services.

### **B. Compensation to Non-Supervised Persons for Client Referrals**

The Adviser and its affiliates compensate third parties, including brokers, dealers, placement agents and others, in connection with the solicitation of prospective clients and investors. Such fees may be a percentage of such client's assets under management or a portion of the management fees and/or performance-based compensation earned by the Adviser (or its affiliates), or any other fee arrangement agreed to by the Adviser (or its affiliates) and such third party. To the extent applicable, such solicitation arrangements will seek to conform to the applicable provisions of the Advisers Act and, as applicable, appropriate provisions/guidance under The Employee Retirement Income Security Act of 1974, as amended.

Subject to best execution, the Adviser may, when selecting or recommending broker-dealers to clients, consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds.

## ITEM 15. CUSTODY

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”) with respect to certain Funds and other clients. Under the Custody Rule, if the Adviser is deemed to have custody of client “funds or securities,” it is generally required to maintain such assets with qualified custodians, such as certain broker-dealers, banks and trust companies. Details of the custody arrangements for Funds and other clients are contained in the applicable offering documents and related agreements.

As to Digital Assets, depending on the asset in question, custody and security services will be provided by third party wallet providers and other service providers, exchanges, trust companies and other custodial or security service providers or, if a third party is not available, may be provided in certain limited circumstances by the Adviser or its affiliates. In determining the appropriate custody and security arrangements for a particular Digital Asset, the Adviser will consider the relative ability of such persons to securely safeguard such Digital Assets. A single type of Digital Asset held by clients may be custodied or secured in different ways and different types of Digital Assets may have different custody or security arrangements. Custodial service providers for Digital Assets may not be able or willing to hold all of the Digital Assets in which a client may invest, including Digital Assets received through a fork in a blockchain or an air drop and may have certain protocol, volume, or other limitations applicable to unique or illiquid Digital Assets. Custodial service providers may also have certain Digital Asset screening requirements which may limit which particular Digital Assets, even of a type generally accepted or custodied by the service provider, may be placed into a custodial wallet. The Adviser conducts due diligence on all such third-party wallet, custody or security service providers, prior to utilizing their services, including due diligence on the various measures such service providers utilize to safeguard Digital Assets, applicable accounts and wallets. See the “*Risks Relating to Custody of Digital Assets*” discussion in Item 8 for the particular risks related to custody of Digital Assets.

Generally, 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 in the United States and distributed to investors within 120 days (or 180 days for fund-of-funds) of the end of each Fund’s fiscal year. Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by the Adviser. With respect to clients other than Funds, if the Adviser is subject to the Custody Rule in respect of such clients, such clients will receive account statements from qualified custodians (e.g., broker-dealers) with respect to the clients’ assets held by such custodians. Clients should review such statements carefully and clients are urged to compare such statements to any statements they receive from the Adviser.

Certain assets of Funds and other clients may be exempt from the requirement to be held by a qualified custodian where the Adviser is deemed not to be acting as an investment adviser with respect to the management of such vehicle (including as described under Item 10.C above), the assets are not considered “funds or securities” for purposes of the Custody Rule or: (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**

The Adviser receives discretionary authority from clients at the outset of an advisory relationship to select the identity and amount of investments to be bought or sold. Such authority is provided in the Adviser's advisory contract with each client, which in the case of each Fund, will be contained in an investment management agreement or similar agreement between the Fund and the Adviser or an affiliate of the Adviser. Such discretion generally is exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting investments and determining amounts, the Adviser seeks to observe the investment policies, limitations and restrictions of the clients for which it provides advice.

## **ITEM 17. VOTING CLIENT SECURITIES**

### **A. Policies and Procedures If Adviser Has Authority to Vote Client Securities**

The Adviser generally has proxy voting authority with respect to securities held by clients due to the fact that it has discretionary authority over the securities held in client accounts, including those held by the Funds. Accordingly, the Adviser has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. The policies are believed to be consistent with Adviser's fiduciary obligations in seeking to maximize long-term investment returns for clients.

The Adviser may engage a third party proxy voting service to vote proxies on behalf of clients and in such case, the Adviser may, when it is believed to be in the best interest of clients, adopt such third party's proxy voting policies and guidelines; any cost of such third party proxy voting service may be borne by such clients, as applicable. If engaged, unless the relevant portfolio manager's standing instructions are to vote with the relevant issuer's management, directors, general partners, managing members or trustees, the Adviser will generally vote with the advice of third party proxy voting service whose recommendations are intended to be in the best economic interest of investors. If a third party proxy voting service is not engaged or the relevant portfolio manager's standing instructions are to vote with the relevant issuer's management, directors, general partners, managing members or trustees, the Adviser will generally vote with the recommendation of the relevant issuer's management, directors, general partners, managing members or trustees.

Under certain circumstances, when it is believed to be in the best interest of clients, the Adviser may vote in a manner that is contrary to the above general proxy voting principles and guidelines or may abstain from voting, subject to the conflicts procedures described below.

Unless the Adviser has voted a proxy in accordance with the general proxy voting principles and guidelines above, the Chief Compliance Officer will review the proxy for any material conflicts of interest the proxy vote may present. This process includes a review of the relationship of the Adviser and its affiliates with the issuer of the relevant security to determine if the issuer is a client of the Adviser or one of its affiliates or if the Adviser (including its officers and/or directors) has some other relationship with the issuer. In the event the Chief Compliance Officer cannot be certain the vote was taken in the investor's best interests, he or she shall direct that the specific ballot item(s) not be cast.

A client may obtain a copy of the Adviser's proxy policies and procedures, as well as the manner in which proxy votes have been cast on behalf of such client during the prior annual period with respect to portfolio securities held by such client, by making a request to the Chief Compliance Officer at the address, email or telephone number listed on the cover page of this Brochure.

### **B. Policies and Procedures If Adviser Does Not Have Authority to Vote Client Securities**

Not Applicable. See response to Item 17.A. The Adviser has authority to vote client securities.

## **ITEM 18. FINANCIAL INFORMATION**

The Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.