

PART 2A OF FORM ADV: FIRM BROCHURE

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**This brochure provides information about the qualifications and business practices of CMT Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at (312) 930-9050 or [compliance@cmtam.com](mailto:compliance@cmtam.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**References to “we,” “us,” and “our” in this brochure are to CMT Asset Management LLC (“CMTAM”).**

**CMTAM is registered with the United States Securities and Exchange Commission (“SEC”) as an investment adviser. Registration with the SEC does not imply a certain level of skill or training, nor has the SEC approved or disapproved of our qualifications.**

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

### MATERIAL CHANGES

There have been no changes to our Part 2A of Form ADV (this “Brochure”) that we believe to be material since we last filed an annual update to our Brochure on March 29, 2019.

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## ADVISORY BUSINESS

CMT Asset Management LLC is a Delaware limited liability company that commenced business as an investment adviser in November 2017. Our principal place of business is 156 N. Jefferson Street, Suite 102, Chicago, Illinois 60661.

We are wholly owned by CMT Digital Holdings LLC a Delaware limited liability company which is also our managing member (“CMT DH”). CMT DH is, in turn, wholly owned by GTO LLC. The majority owners of GTO LLC are Scott A. Casto and Jan-Dirk Lueders, who are referred to in this Brochure as the “principals.”

We use the investment personnel, infrastructure, and support provided by our affiliates in connection with managing assets for our clients. In this Brochure, we refer to CMTAM and our affiliates collectively as “CMT,” and to our affiliates collectively as the “CMT Group.” The CMT Group was founded 20 years ago by the principals.

Our “Clients” are investment funds and accounts for which we currently serve, or may in the future serve, as investment manager. We have investment discretion with respect to the investment decisions we make for our Clients. We provide investment management services to each Client based on the particular investment objectives and strategies of that Client. The investment objectives and strategies of a Client that is a private investment fund (a “Fund”) are described in that Fund’s Offering Documents (as defined below). The investment objectives and strategies of a Client that is not a Fund are set forth in an investment management or similar agreement between us and that Client. Please see the section of this Brochure entitled “Methods of Analysis, Investment Strategies and Risk of Loss” for additional details.

As of March 27, 2020, our regulatory assets under management were \$26,682,278. This represents the amount of client assets that we manage on a discretionary basis, calculated in accordance with the method for calculating regulatory assets under management set forth in the instructions to Part 1A of SEC Form ADV. For a description of the manner in which we characterize accounts as “discretionary,” see “Investment Discretion” below. We do not currently manage any client assets on a non-discretionary basis. For the avoidance of doubt, we do not include the proprietary assets of our affiliates in the calculation of our regulatory assets under management pursuant to previous guidance we received from the SEC’s staff.

As of the date of this Brochure, we serve as investment manager for four Clients, three of which are Funds offered exclusively to sophisticated investors (generally, institutional investors, high net worth individuals, and family offices), and the other of which is an entity that is part of the CMT Group. Our three Clients that are Funds are: CMT Digital Ventures Fund I LLC (“VIF”), which we formed in February 2018 and which held its final closing in November 2019; CMT Digital Ventures Fund II LLC (“VIF II”), which we formed in July 2019 and which we anticipate will hold its initial closing during the second half of 2020; and CMT Digital Investments I LLC (“DIF”), which we formed in March 2020 and Series I of which we anticipate will hold its initial closing in March 2020. Because it is a Fund that is structured as a “Series LLC,” DIF will offer separate “Series” of investments to investors and each Series of DIF may invest in separate and unrelated underlying investments.

In this Brochure, we refer to VIF, VIF II, and DIF, collectively, as the “Venture Initiative Funds.” We may serve as investment manager for additional Funds and/or other types of Clients in the future.

**All discussions in this Brochure relating to a Client that is a Fund, including but not limited to the Fund’s investments and investment strategies, the fees and other costs associated with an investment in the Fund, the risks associated with an investment in the Fund, and the conflicts of interest to which we and our affiliates are subject in connection with our management of the assets of the Fund, are qualified in their entirety by reference to the Fund’s confidential offering memorandum (if any) and governing documents (referred to collectively as the Fund’s “Offering Documents”).**

### FEES AND COMPENSATION

We do not currently have a general fee schedule. The fees and expenses that we charge to Clients vary. In the case of a Client that is a Fund:

- we typically will determine, in connection with launching the Fund, the management fee, carried interest, performance allocation or performance fee (discussed below under “Performance-Based Fees and Side-by-Side Management”), and expenses payable to us by the Fund and/or its investors, but will reserve the right, in our sole discretion, to reduce or waive the management fee and/or carried interest, performance allocation, or performance fee payable by the Fund or by any investor in the Fund; and
- such management fee, carried interest, performance allocation or performance fee, and expenses, and the timing of our receipt of the same, are set forth in detail in the Fund’s Offering Documents.

In the case of VIF and VIF II specifically, we receive:

- a management fee calculated and payable quarterly in advance at an annual rate of 2% of the Fund’s net asset value, capital commitments, or net capital contributions, as applicable (subject to our reserved right to reduce or waive the management fee payable by the Fund or any investor in the Fund in our sole discretion); and
- carried interest of 20% of profits after a Fund investor has been repaid his/her aggregate capital contributions to the Fund (subject to our reserved right to reduce or waive the carried interest in respect of any investor in the Fund in our sole discretion).

In the case of Series 1 of DIF specifically, we receive:

- a management fee calculated and payable quarterly in advance at an annual rate of 1% of the net asset value, capital commitments, or net capital contributions of Series 1 of DIF, as applicable (subject to our reserved right to reduce or waive the management fee payable by Series 1 of DIF or any investor in Series 1 of DIF in our sole discretion); and
- carried interest of 10% of profits after an investor in Series 1 of DIF has been repaid his/her aggregate capital contributions to Series 1 of DIF (subject to our reserved right to reduce

or waive the carried interest in respect of any investor in Series 1 of DIF in our sole discretion).

As noted above, DIF will offer separate Series of investments to investors and each Series of DIF may invest in separate and unrelated underlying investments. Each Series of DIF may be subject to different fees and expenses than those applicable to Series 1 of DIF or those applicable to any other Series of DIF.

In the case of a Client that is not a Fund, the management fee, performance fee, and expenses payable to us by the Client typically are negotiated between us and the Client and are set forth in detail in the investment management or similar agreement between us and the Client.

We currently serve as investment manager for one non-Fund Client, which is an entity that is part of the CMT Group. We do not charge any fees or expenses to such Client under our investment management agreement with such Client.

To the extent a Client invests in other investment vehicles, that Client will not only be subject to the management fee, carried interest, performance allocation or performance fee, and expenses charged by us, but will also be subject to similar asset-based fees, carried interests, performance allocations or performance fees, and expenses charged by those investment vehicles. Investors in a Client that is a Fund should refer to the Offering Documents for that Fund for additional information regarding investment vehicles of this type. A non-Fund Client should consult directly with us for additional information regarding investment vehicles of this type.

We may, in our discretion, manage other Client accounts with higher or lower fees, different fee structures, and/or different expense payment arrangements than those applicable to our existing Clients for whom we currently serve as investment manager.

We may pay a portion of the fees, carried interest, and/or performance allocations or performance fees we receive from Clients to selling agents, consultants, or other advisers.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

In the case of a Client that is a Fund, we ordinarily will receive from such Fund, or from its investors, either (i) a performance allocation or performance fee based on the net capital appreciation of the Fund's assets (or the net capital appreciation of an investor's investment in the Fund) or (ii) a "carried interest" on realized profits of the Fund. In the case of a Client that is not a Fund, we may similarly receive "carried interest" or other forms of performance-based compensation directly from such Client.

Our receipt of carried interest or performance allocations/performance fees from our Clients (and, with respect to Clients that are Funds, from the investors in such Funds) rewards us for continuing increases in the value of the assets managed by us on behalf of such Client, without directly penalizing us for losses, creating an incentive for us to invest and reinvest the assets of such Client in a manner that is riskier or more speculative than would otherwise be the case. These arrangements also create an incentive for us to favor Clients that pay us greater carried interests or higher performance allocations/performance fees over other Clients that pay us such forms of compensation at lower rates or do not pay us such forms of compensation at all. However, we

have a fiduciary duty to, and will, seek to allocate investment opportunities in a manner that we believe treats all Clients fairly over time.

## **TYPES OF CLIENTS**

As discussed above under “Advisory Business,” we currently serve as the investment manager for four Clients – VIF, VIF II, DIF, and an entity that is part of the CMT Group. We may serve as investment manager for other Funds in the future and we may serve as investment manager for Clients of all types, including institutional investors (*e.g.*, corporations, partnerships, insurance companies, banking or thrift institutions, charitable organizations, governmental entities, pension and profit-sharing plans, sovereign wealth funds, trusts and estates) and high net worth individuals. Similarly, subject to the considerations set forth in the following paragraph, a Client that is a Fund may offer its interests to institutional investors and high net worth individuals.

Investors in a Fund generally will be required to complete and submit a subscription agreement binding them to the terms of the Fund’s Offering Documents. A Fund generally will admit only: (A) sophisticated U.S. taxable investors that are both (i) “accredited investors,” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933, as amended, and (ii) as applicable, “qualified purchasers” (or “knowledgeable employees”), as defined in the U.S. Investment Company Act of 1940, as amended (the “Company Act”), and the rules thereunder, or “qualified clients” as defined in Rule 205-3 under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”), (B) sophisticated non-U.S. investors, or (C) sophisticated U.S. tax-exempt investors that are “accredited investors” and either “qualified purchasers” or “qualified clients,” as applicable.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Investment Strategies**

We generally employ investment strategies designed to achieve capital appreciation and maximize absolute returns by investing in all types of investment instruments (subject to our compliance with applicable regulatory requirements), including but not limited to: equities and equity-linked securities; various types of derivatives, including credit derivatives; swaps, including total return, debt, credit default and equity swaps; options; forwards; futures; currencies; sovereign debt issued or guaranteed by national, state or provincial governments of various countries; interest rate derivatives; distressed and high yield investment instruments; commodities products and derivatives; and cryptocurrencies (*e.g.*, bitcoin (BTC)) and other digital assets.

We manage the Venture Initiative Funds, and we may manage the assets of other Clients (including other Funds), with the investment objective of achieving long-term capital appreciation through privately-negotiated venture capital investments in seed- and early-stage companies that are developing and/or utilizing blockchain-enabled technology, including companies focused on cryptocurrencies, tokens, and other digital assets. We define “digital assets” or “crypto assets” (collectively, “Digital Assets”) as a new asset class that enables decentralized applications, which are a way to create a service that no single entity operates (*e.g.*, the first decentralized application for payments was bitcoin (BTC)). A Client engaged in this strategy may purchase equity or debt securities of early-stage companies, may invest directly or indirectly in certain Digital Asset

investments, including in token sales and pre-sales for Digital Assets, and/or may make the foregoing investments through other investment vehicles.

### Methods of Analysis

We endeavor to complete a thorough and robust review of each company in which the Venture Initiative Funds or any other Client invests. Screening of these investments begins after receiving an opportunity from our venture capital and private equity networks, which networks should provide us with what we believe to be significant high-quality deal flow. Screening generally starts with a high-level review of the target company, including a review of the company's marketing materials and a call with management if sufficient interest exists on our part. The company will then be vetted for certain attributes, including, but not limited to: (i) total addressable market; (ii) management; (iii) uniqueness; (iv) competitive landscape; (v) quality of investor base; and (vi) valuation. Further diligence includes review of historical and projected financials, a detailed cap table, and, if applicable, a term sheet.

If we believe that a company is an attractive opportunity after following the screening process described above, we then move to an advanced fundamental research and analysis process, which is usually a multi-week and sometimes multi-month endeavor. Such analysis will typically include calls and meetings with management, current and former employees, customers, suppliers, and competitors, as well as industry analysis and a financial review. The final step is conducting an operational due diligence review, whereby we employ a robust checklist to ensure that the company has met the appropriate operating standards.

The investment process ultimately concludes with an investment decision, which includes a decision on the amount of capital to be allocated to the opportunity.

Following investment in a company, we will typically have multiple opportunities to invest additional capital into that company. We continue to closely monitor the company by reviewing monthly updates and quarterly financials, conducting searches for any relevant press, and engaging in regular contact with management. All of this ongoing monitoring is conducted for the purpose of either adding to investments in target companies which are performing well and (where possible) terminating investments that are performing poorly.

### Risk of Loss

Investing in securities, Digital Assets, and other assets involves risk of loss that investors must be prepared to bear. There can be no assurance that we will achieve a Client's investment objective or that a Client will not incur losses. Clients, and investors in Funds, must be prepared to lose all or substantially all of their investments.

The following is a summary of some of the material risks associated with our strategies. This summary does not attempt to describe all of the risks associated with an investment selected by us.

#### *General Risks*

*Venture Capital Investments.* The Venture Initiative Funds focus (and other Clients may focus) on early-stage venture capital investments, which is the segment of venture capital with the highest

degree of investment risk. Typically, early-stage companies have no operating history, unproven technology, untested management, and unknown future capital requirements. These companies often face intense competition from other start-up ventures and also from established and more experienced companies with much greater financial and technical resources, marketing and service capabilities, and a greater number of qualified personnel.

*Investing in Private Companies.* The Venture Initiative Funds invest (and other Clients may invest) in the equity securities of privately-held companies. As a result, there generally will be limited or no marketability of those investments, and such investments may decline in value while a Client is seeking to dispose of them. Furthermore, a Client may find it necessary to sell investments at a discount or to sell over extended periods of time. Consequently, these investments generally will not be sold for a number of years and will remain relatively illiquid and difficult to value.

All investments in private companies involve substantial risks, including, without limitation: (i) adverse or ineffective, as well as inconsistent, alignment of interests among management (including as a result of personal/family rather than business issues); (ii) technological obsolescence; (iii) financial planning misjudgment; (iv) employee or management misconduct; (v) lack of reliable financial information; and (vi) any number of general economic conditions that are beyond our control, such as: changing market sentiment; changes in economic conditions, competition and technology; changes in interest rates; changing economic or political conditions or events; and changes in tax laws and governmental regulation.

*General Start-Up Company Risk.* Certain companies in which the Venture Initiative Funds invest (or in which another Client may invest) will involve a high degree of business and financial risk. These companies, in certain cases, may have volatile operating results, operate in rapidly changing business environments, offer products subject to a substantial risk of lack of market acceptance and/or obsolescence, require significant additional capital to support their operations, or otherwise have a weak or unstable financial condition.

Certain of these companies may have highly leveraged capital structures. Investments in such leveraged companies, when compared with investments in similar companies that are not highly leveraged, are at much greater risk in the event of any deterioration in their operating results as well as adverse changes in general economic factors such as increased interest rates or an economic downturn.

*Early-Stage Investments; Venture-Stage Investments.* The Venture Initiative Funds and other Clients may make seed- and early-stage venture capital investments in companies that are developing and/or utilizing blockchain-enabled technology. Most of these types of investments are made at an early point in a company's life cycle, when a company is newly formed, and may not have any revenue. These "early-stage" or "seed" investments can create value inherent in particular companies or situations that can be realized only with substantial effort or expense. Often the success of the investment will depend not only on the efforts of its management team, but also upon actions of other key individuals, or extraneous factors including political or economic developments over which we have little or no control. Many early-stage companies face significant competition from other firms, both established and start-up, with greater financial resources, more extensive development, manufacturing, marketing and service capabilities, and a larger number of

qualified managerial and technical personnel. The Venture Initiative Funds and other Clients will be subject to these risks to the extent they participate in early-stage investments.

Early-stage investments are typically made in firms that are seeking to develop and bring to market new, unproven ideas or technology. This endeavor is subject to a number of risks, including, but not limited to: failure to develop or perfect the idea as planned; obsolescence; patent infringement and similar claims that prevent the idea or technology from being used or licensed; lack of market acceptance; and loss of key personnel. These companies are typically dependent on the abilities of key individuals, including founding entrepreneurs, owners or employees with critical technological skills or ownership of important patents or other intellectual property, and marketing and financial professionals. The growth and development of early-stage companies may depend on the regular injection of additional capital and financing beyond that which the Venture Initiative Funds or another Client is prepared or able to invest. Such financing may not be available from other sources, and if an early-stage company is unable to raise the capital it needs to execute, the value of the Venture Initiative Funds' and other Clients' investments in such company could be significantly impaired.

Venture stage companies are typically thinly staffed and may lack the internal resources or procedures and controls to detect and prevent accounting errors, or more serious losses caused by the misconduct or negligence of officers, employees or agents. The very significant returns that have been earned in a small portion of venture capital investments have in large part resulted from the completion of highly successful initial public offerings ("IPOs") or acquisitions that have permitted the venture investors to sell their equity interests at multiples of original cost. There can be no assurance that the public securities markets will support an IPO of a venture stage company, that there will be acquisition interest from other companies in the market, or that the venture stage company's fundamentals will warrant an exit on terms that will be attractive for the Venture Initiative Funds or any other Client.

*Investment in Publicly-Traded Securities.* The Venture Initiative Funds or another Client may invest in publicly-traded securities, and may hold publicly-traded securities as a result of a public offering of securities of one or more companies (or as a result of an IPO or other transaction that converts such company's securities into publicly-traded securities). Investments in public securities can entail certain risks. For example, CMT and its Clients may obtain less information and disclosure about a company whose securities are publicly traded than from a privately-held company. Further, the market for publicly-traded securities is extremely volatile due to economic conditions, political events, and for many other reasons. Such volatility may adversely affect the ability of the Venture Initiative Funds or another Client to dispose of investments or affect the value of investment securities on the date of sale by the Venture Initiative Funds or such other Client. Furthermore, notwithstanding the existence of a public market for the securities of a particular company held by the Venture Initiative Funds or another Client, publicly-traded securities held by the Venture Initiative Funds or another Client may be thinly traded or may cease to be traded after the Venture Initiative Funds or such other Client invests in them. Any securities that the Venture Initiative Funds or another Client holds that are thinly traded may be subject to wider price fluctuations than other companies whose securities are more actively traded, and the spreads between the bid and ask prices of thinly-traded securities of these companies may be larger than the spreads for more actively-traded securities. There can be no assurance that the Venture Initiative Funds' or another Client's investments in publicly-traded securities will be profitable,

and there is a material risk that they could incur losses from their investments in publicly-traded securities.

*Foreign Investments.* The Venture Initiative Funds or another Client may invest in companies that are based outside of the United States or the operations of which are primarily outside of the United States. Any investment in a foreign country involves risks not found in the domestic securities market, including, but not limited to, the following: (i) the risk of economic and financial instability in the foreign country, which in some cases may include a collapse in credit markets, stock prices, currencies, and/or consumer spending; (ii) the risk of adverse social and political developments, including, but not limited to, nationalization, confiscation without fair compensation, political, and social instability, and war; (iii) the risk that the foreign country may impose restrictions on the repatriation of investment income or capital or on the ability of foreign persons to invest in certain types of companies, assets, or securities; (iv) risks related to the possible lack of availability of sufficient financial information as a result of accounting, auditing, and financial disclosure standards that differ, in some cases significantly, from those in the United States; (v) risks related to foreign laws and legal systems, which are likely to differ from those of the United States, including, but not limited to, the laws with respect to the rights of investors which may not be as comprehensive or well developed as those in the United States and the procedures for the judicial or other enforcement of such rights which may not be as effective as in the United States; (vi) risks related to the fact that some investments or company operations may be denominated in foreign currencies and, therefore, will be subject to fluctuations in exchange rates; and (vii) risks related to applicable tax laws and regulations and tax treaties, which are likely to vary from country to country and may be less well developed than those in the United States, possibly resulting in retroactive taxation so that the Venture Initiative Funds or another Client could become subject to an unanticipated local tax liability. The profits or losses of the Venture Initiative Funds and other Clients from any investment, as measured in U.S. dollars, will be affected by fluctuations in currency exchange rates and exchange control regulations as well as by the success of the investment itself. In addition, the Venture Initiative Funds and other Clients may incur costs in connection with conversions between various currencies.

*Regulated Industry Investments.* Investments in companies with technology-enabled business models may conduct operations, directly or indirectly, in industries that may become subject to extensive United States federal, state, and local legal and regulatory requirements, as well as non-U.S. legal and regulatory requirements. Certain regulations may prevent the Venture Initiative Funds or another Client from making certain investments that they would otherwise make. Other regulations may cause the Venture Initiative Funds or another Client to incur substantial additional costs or lengthy delays in connection with the completion or disposition of an investment.

*Restrictions Imposed on Exit Strategies.* Even if an exit strategy — for example, an IPO — is able to be implemented with respect to an investment in a private company, the Venture Initiative Funds or any other Client — as an early-stage investor — may be subject to material “holdback” restrictions which would limit the Venture Initiative Funds’ or such other Client’s ability to sell such investment in the public markets and may result in a decrease in the price of the company’s securities below the price at which the Venture Initiative Funds or such other Client would initially have been able to sell if they had not been subject to such holdback.

*Dilution.* Venture capital investments in private companies are subject to the risk of material dilution. Dilution can result from the company's unanticipated need for additional financing, foreclosure by creditors, adverse litigation outcomes draining the company's resources, and numerous other factors. Because private companies often have limited financial resources and access to additional capital, events which could be more easily absorbed by larger capitalization public companies can force private companies to take steps which result in the positions of existing investors being severely comprised, and often without existing investors having the opportunity to maintain their investments by making an additional investment. The Venture Initiative Funds or another Client implementing a venture capital strategy may successfully invest in a company with significant profit potential but then may find its position significantly diluted by subsequent financing activity.

*Market Risk.* The success of the Venture Initiative Funds' or another Client's investment program may be substantially and adversely affected by general economic and market conditions. The market value of the companies invested in by the Venture Initiative Funds or other Clients ("portfolio companies") and their ability to succeed may be affected by, among other things: changing supply and demand; changes in interest rates; governmental laws, regulations and enforcement activities; trade, fiscal and monetary programs and policies; and national and international political and economic developments. None of these conditions is within our control and no assurances can be given that we will anticipate these developments. These factors may affect the price, level, volatility, and liquidity of investments held by the Venture Initiative Funds and other Clients. Unexpected price or level changes or volatility or illiquidity could impair the Venture Initiative Funds' or another Client's profitability or result in substantial or total losses.

*Dependence on Portfolio Company Management.* The successful operation of a portfolio company will generally depend heavily on the skills and performance of a small management team, the members of whom will often have limited or no prior experience managing an enterprise. There can be no assurance that the Venture Initiative Funds' or any other Client's involvement with a portfolio company will be sufficient or effective enough to protect the Venture Initiative Funds' or other Client's investment in such portfolio company. There can be no assurance that the management of a portfolio company will perform satisfactorily, and any failure to perform could materially and adversely affect the Venture Initiative Funds' or other Client's investment in such portfolio company. There also can be no assurance that a portfolio company will be successful in retaining key members of its management team, the loss of whom could have a material adverse effect on the Venture Initiative Funds' or other Client's investment in such portfolio company. Although we will monitor the performance of each of the Venture Initiative Funds' and other Clients' respective investments, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although CMT generally intends to select companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

*No Assurance of CMT's Success in Identifying Investments.* There can be no assurance that CMT will be able to locate suitable investments for its Clients. CMT's success in locating suitable investments will depend in part on the reputation and relationships of CMT's investment team. If the reputation or relationships of any of these parties is negatively affected, this may adversely impact the ability of CMT to locate suitable investments. Apart from Warehoused Investments (as defined below), CMT may not have identified the specific investments to be made

on behalf of a Client, and, as a result, the investors in or account holders of the Client will not have the opportunity to personally evaluate the relevant economic, business, financial, and other information which will be used by CMT in making investment decisions. Although CMT will attempt to make investments on behalf of its Clients, there is no assurance that such investments can be identified. Market and other conditions may CMT's Clients to make investments that offer a lower rate of return or involve a higher degree of risk than described herein. Furthermore, other venture capital fund and market participants may have access to more and better investment opportunities than CMT. If CMT does not obtain sufficient deal flow of high-quality investment opportunities for its Clients, the investment returns for such Clients may be negatively impacted.

*No Assurance of Returns.* There can be no assurance that investors in the Venture Initiative Funds or non-Fund Client account holders will receive distributions from such Funds or accounts in amounts equal to their investment in such Funds or accounts. The timing of profit realization, if any, is highly uncertain. A Client's operating costs, including any management fees payable to CMT, may exceed such Client's income, thereby requiring the difference to be paid out of such Client's capital. In the case of the Venture Initiative Funds, most of the capitalization of such Funds, except for operating cash reserves and funds set aside for follow-on investments in portfolio companies and investments then in process, are expected to be invested or committed during the applicable investment period. The respective expenses of the Venture Initiative Funds, in their early years, will likely exceed their respective incomes. Such losses will reduce each such Fund's capital. It is possible these losses may never be recovered.

*Leverage.* Private companies in which the Venture Initiative Funds or another Client may invest may use leverage (*i.e.*, taking on debt) to fund operations. The Venture Initiative Funds or another Client may not have consent rights regarding the debt obtained by these companies and may not be able to control, or even be consulted regarding, the use of additional leverage. The greater the leverage used by a portfolio company, the greater such portfolio company's debt service obligations as well as exposure to changes in interest rates. Furthermore, the debt issued by start-up companies is often secured by some or all of the companies' underlying assets, so that if there is a default on such debt by a company, the creditors may take possession of some or all of the company's assets, potentially resulting in a complete loss for equity holders such as the Venture Initiative Funds or another Client.

*Bridge Financing.* From time to time, the Venture Initiative Funds or another Client may make loans to portfolio funds on a short-term, unsecured basis in anticipation of the closing of a contemplated permanent investment transaction. It is possible, for reasons not always in such Fund's or such Client's control, that the subsequent permanent investment transaction never occurs and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured loan.

*Non-controlling Investments.* The Venture Initiative Funds or another Client may hold a non-controlling interest in its portfolio companies and, therefore, may have limited influence and/or access to financial or operating information. Such a portfolio company may have economic or business interests or goals that are inconsistent with those of the Venture Initiative Funds or another Client, and the Venture Initiative Funds or such other Client may not be in a position to limit or otherwise protect the value of its investment in such portfolio company (although, as a condition of making such investments, the Venture Initiative Funds or such other Client may

attempt to negotiate appropriate shareholder rights to protect their investments). In these cases, the Venture Initiative Funds or such other Client will be significantly reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom the Venture Initiative Funds or such other Client are not affiliated and whose interests may conflict with the interests of the Venture Initiative Funds or such other Client.

*Concentration Risk; Lack of Diversification.* The Venture Initiative Funds will, and other Clients may, invest in a limited number of portfolio companies that are developing and/or utilizing blockchain-enabled technology, including, but not limited to, portfolio companies engaged in or planning to engage in businesses focused on cryptocurrencies (including digital currencies), decentralized application tokens and protocol tokens, and other cryptofinance coins, tokens, and other Digital Assets. As a result, the investments of the Venture Initiative Funds will, and those of other Clients may, be concentrated, which increases the risk of loss. The failure of one or more portfolio companies in which the Venture Initiative Funds are, or another Client is, invested could make it very difficult for them to achieve their investment objective or avoid incurring substantial or total losses. Because the Venture Initiative Funds will, and other Clients may, be further concentrated in certain direct or indirect Digital Assets, their overall risk level will be highly correlated to the markets related to Digital Assets. We do not intend to follow any formal diversification policies in our trading on behalf of the Venture Initiative Funds. The Venture Initiative Funds and other Clients may overweight or underweight direct or indirect exposures to certain Digital Assets, which may cause their performance to be more or less sensitive to developments affecting certain Digital Assets. The market value of the Venture Initiative Funds' and other Clients' investments may be highly correlated in certain market conditions and could experience substantial or total losses due to market, regulatory, or other events that broadly impact the markets related to Digital Assets. This could lead to substantial or total losses for the Venture Initiative Funds and other Clients.

*Warehoused Investments.* Certain of the Venture Initiative Funds' or other Clients' investments may be investments which were initially made by CMT, the principals, and/or another investment entity managed or advised by them and were subsequently transferred to the Venture Initiative Funds or other Clients on or shortly after the applicable Venture Initiative Fund's or other Client's initial closing date (such investments, "Warehoused Investments"). Warehoused Investments will be sold to all Clients at cost. Given the illiquid nature of Warehoused Investments, however, it is impossible to know their true fair market value at the time they are purchased by a Client, which value may be substantially less (or more) than the price at which the Client is purchasing such asset. As such, investors in the Venture Capital Funds and other Clients will be assuming the risk of fluctuations in fair market value of Warehoused Investments from the date such assets were initially acquired by them.

#### *General Risks Relating to Digital Assets*

*Digital Assets Generally.* The Venture Initiative Funds and other Clients may invest, directly or indirectly, in certain Digital Assets, which may include, but are not limited to, sales and pre-sales of certain digital protocols and/or tokens, including, but not limited to, ICOs, security token offerings ("STOs"), and initial exchange offerings ("IEOs"). Some of the risk factors discussed in this Brochure relating to ICOs (as defined below) may also apply to STOs and

IEOs. Digital Assets present a constantly changing environment in which the associated risks are also constantly changing. The investment characteristics of Digital Assets generally differ from those of traditional currencies, commodities, or securities. Importantly, Digital Assets are not backed by a central bank or a national, supra-national, or quasi-national organization, any hard assets, human capital, or other form of credit. Supply and the validity of transactions are determined by a computer code, not by a central bank or other trusted intermediary, and prices have been extremely volatile. Digital Assets may have no inherent value. Rather, Digital Assets exist on online, peer-to-peer, distributed networks that act as a tamper-resistant and tamper-evident record of all transactions in the underlying Digital Asset. These networks (collectively, “Digital Networks”) facilitate the creation of records of ownership of the underlying Digital Assets. The records created by Digital Networks are generally referred to as “blockchains” because each set of verified transactions is added as a new “block” to an existing chain of blocks that comprises the entire record of transactions from the inception of the particular Digital Network. Digital Assets are market-based; a Digital Asset’s value is determined by (and fluctuates often, according to) supply and demand factors, the development and adoption of the network related to the specific Digital Asset, including the number of merchants that accept it for payment, if the Digital Asset is used as a version of payment, and the value that various market or network participants place on it through their mutual agreement, barter, or transactions. There can be no assurance that Digital Assets will maintain their value in the future, or that acceptance of using Digital Assets as currency or to make payments by mainstream retail merchants and commercial businesses will continue to grow.

Digital Assets are generated and traded according to the protocols established with respect to such Digital Assets. There can be no assurance that such protocols do not have undiscovered flaws that may allow for such Digital Assets to be compromised, resulting in the loss of some or all of the Venture Initiative Funds’ or other Clients’ direct or indirect investments in such Digital Assets. In addition, Digital Assets often rely on cryptographic and other computational security measures that may become obsolete, including because of advances in computing technology. Such Digital Assets may experience periods of disruption or become subject to manipulation as new technologies become available or during periods of disparate adoption of new hardware, software, or protocols.

*Digital Asset Exchanges.* The exchanges and platforms on which Digital Assets trade are relatively new and largely unregulated and may therefore be more exposed to theft, fraud, and failure than established, regulated exchanges for other products. In general, Digital Asset exchanges are currently start-up businesses with no institutional backing, limited operating history, and no publicly available financial information. Exchanges generally require cash to be deposited in advance in order to purchase Digital Assets, and no assurance can be given that those deposit funds can be recovered. Additionally, upon sale of Digital Assets, cash proceeds may not be received from the exchange for several business days. The participation in exchanges requires users to take on credit risk by transferring Digital Assets from a personal account to a third-party’s account. A user like the Venture Initiative Funds or another Client will take credit risk of an exchange every time it transacts.

Digital Asset exchanges may impose daily, weekly, monthly, or customer-specific transaction or distribution limits or suspend withdrawals entirely, rendering the exchange of virtual currency for fiat currency difficult or impossible. Additionally, Digital Asset prices and valuations on

exchanges have been volatile and subject to influence by many factors including the levels of liquidity on exchanges and operational interruptions and disruptions. The prices and valuation of Digital Assets remain subject to any volatility experienced by exchanges, and any such volatility can adversely affect an investment in the Venture Initiative Funds or another Client. Virtual currency exchanges are appealing targets for cybercrime, hackers, and malware. It is possible that while engaging in transactions with various Digital Asset exchanges located throughout the world, any such exchange may cease operations voluntarily or involuntarily due to theft, fraud, security breach, liquidity issues, or government investigation without any recourse to investors. In addition, banks may refuse to process wire transfers to or from exchanges.

Over the past several years, many digital asset exchanges have been closed due to fraud, business 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 and may be more likely to be targets of regulatory enforcement action. At this time, there is no U.S. or foreign governmental, regulatory, investigative, or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen Digital Assets from an exchange. Consequently, an exchange may be unable to replace missing Digital Assets or seek reimbursement for any theft of Digital Assets, adversely affecting investors in the Venture Initiative Funds or other Funds or non-Fund Client accounts.

Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Venture Initiative Funds or another Client to recover money or Digital Assets being held by the exchange, or to pay investors upon withdrawal. Further, the Venture Initiative Funds or another Client may be unable to recover Digital Assets awaiting transmission into or out of its account, all of which could adversely affect an investment in the Venture Initiative Funds or other Funds or non-Fund Client accounts. Additionally, to the extent that the Digital Asset exchanges representing a substantial portion of the volume in Digital Asset trading are involved in fraud or experience security failures or other operational issues, such Digital Asset exchanges' failures may result in loss or less favorable prices of Digital Assets, or may adversely affect the Venture Initiative Funds or another Client and its operations and investments.

### Secondary Trading of Digital Asset Securities

Digital tokens offered pursuant to ICOs (as defined below under "Risks Relating to Digital Assets: Token Sales or Initial Coin Offerings – Initial Coin Offerings") that are securities may have no or limited established public markets. In March 2018, the SEC's Divisions of Enforcement and Trading and Markets issued a joint public statement warning that many trading platforms that provide for trading digital assets are not registered with the SEC and not subject to SEC oversight as regulated national securities exchanges or alternative trading systems.

Although some digital assets or tokens may be listed on exchanges outside the United States, there can be no assurance that such exchanges will maintain a listing or that they will allow access by the Venture Initiative Funds or another Client. Further, there can be no assurance that a secondary market in a particular ICO token will develop or, if a secondary market does develop, that it will

provide the digital token holders with sufficient liquidity or that the market will continue for the life of the digital token. The Venture Initiative Funds or another Client may not be able to sell a digital token investment or may only be able to do so at a substantial loss.

### *Risks Relating to Digital Assets: Trading*

*Non-U.S. Operations.* Many Digital Asset exchanges operate outside of the United States. The Venture Initiative Funds or another Client may have difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained by it in another country. In general, certain less developed countries lack fully developed legal systems and bodies of commercial law and practices normally found in countries with more developed market economies. These legal and regulatory risks may adversely affect the Venture Initiative Funds or another Client and its operations and investments.

Various foreign jurisdictions have or may adopt policies, laws, regulations or directives that affect the sale of ICOs, digital assets or tokens. Some jurisdictions have taken a highly accommodative approach to regulating digital assets, while others have taken a hostile approach, with some jurisdictions even outlawing trading and ownership of certain types of ICOs or digital assets entirely. Such additional foreign regulatory obligations may cause the Venture Initiative Funds or another Client to incur extraordinary expenses and ongoing expenses, possibly affecting an investment in a material and adverse manner. Due to the global and borderless nature of digital assets and digital token transactions, there is also considerable uncertainty about which jurisdictions laws and regulations may apply to a particular asset or transaction. This uncertainty could have an adverse impact on the Venture Initiative Funds or any other Client that invests in Digital Assets.

*Risks of Buying or Selling Digital Assets.* The Venture Initiative Funds or another Client may transact with private buyers or sellers or Digital Asset exchanges, in which case it will take on credit risk every time it purchases or sells Digital Assets, and its contractual rights with respect to such transactions may be limited. Although the Venture Initiative Funds' or another Client's transfer of Digital Assets or cash will be made to or from a counterparty whom we believe to be trustworthy, it is possible that, through computer or human error, or through theft or criminal action, Digital Assets or cash could be transferred in incorrect amounts or to unauthorized third parties. To the extent that the Venture Initiative Funds or another Client is unable to seek a corrective transaction with such third party or is incapable of identifying the third party that has received its Digital Assets or cash (through error or theft), it will be unable to recover incorrectly transferred Digital Assets or cash, and such losses will negatively impact it. Certain Digital Asset exchanges may place limits on the Venture Initiative Funds' or another Client's transactions, or the Venture Initiative Funds or another Client may be unable to find a willing buyer or seller of Digital Assets. To the extent the Venture Initiative Funds or another Client experiences difficulty in buying or selling Digital Assets, it may experience delays in subscriptions or payment of withdrawal proceeds, or there may be delays in liquidation of its Digital Assets—adversely affecting its net asset value.

*Uncertainty of Valuations.* The valuation of the assets and liabilities of the Venture Initiative Funds or another Client may be subject to considerable uncertainty due to the novel nature of the Digital Assets in which it invests. Such uncertainties could have an impact on the valuation of an

investment in the Venture Initiative Funds or other Clients that are Funds or on the valuation of non-Fund Clients' accounts.

*Legal and Regulatory Uncertainty Surrounding Digital Assets.* Globally, regulators, legislators and courts are only beginning to assess the legal character of Digital Assets and the manner and extent to which these assets and derivatives of these assets should be subject to regulation. The legal and regulatory treatment of these products is currently uncertain and is evolving, sometimes in an inconsistent “patchwork” of potentially conflicting or overlapping rules. In the United States, the SEC, the Commodity Futures Trading Commission, the Internal Revenue Service, the Office of Comptroller of the Currency, the Treasury Department’s Financial Crime Enforcement Network, the Federal Trade Commission, state regulators, and non-governmental self-regulatory organizations have taken divergent approaches to regulation. Recently legal and regulatory developments in the United States and certain other jurisdictions have in some cases been highly critical of the manner in which Digital Assets have been developed, distributed, and traded. Non-U.S. laws and regulations are similarly evolving in a manner that is leading to inconsistent treatment across jurisdictions. Some jurisdictions have taken a highly accommodative approach to regulating Digital Assets, while others have taken a hostile approach, with some jurisdictions even outlawing trading and ownership of certain types of Digital Assets entirely. Certain exchanges and other market participants have relocated to jurisdictions perceived to be “friendlier” to Digital Assets, but which may also provide substantially fewer protections for persons transacting in those jurisdictions. Due to the global and borderless nature of digital currency and digital token transactions, there is also considerable uncertainty about which jurisdictions laws and regulations may apply to a particular asset or transaction. This uncertainty could have an adverse impact on the Venture Initiative Funds or another Client that invests in Digital Assets.

*Political Uncertainty.* Some of the results of recent elections and referenda in the United States, the United Kingdom, Italy, and other developed market countries in the European Union (“EU”) and elsewhere have been unexpected and resulted in material market changes and increases in market uncertainty. Given recent changes in administrations and applicable law following these votes, the future of current regulations, or the adoption of new regulations, is also uncertain. These uncertainties may have adverse impacts on, or alternatively create investment opportunities for, the Venture Initiative Funds and other Clients. Regulation of Digital Assets in particular is rapidly evolving and may be impacted by such political changes and uncertainty.

#### Other Regulatory Treatment

Digital assets and tokens may be subject to additional regulation by other national, state and local regulatory authorities.

On March 18, 2013, FinCEN issued interpretive guidance relating to the application of the Bank Secrecy Act to distributing, exchanging and transmitting “virtual currencies.” More specifically, it determined that a user of virtual currencies for its own account will not be considered a money service business (“MSB”) or be required to register, report and perform recordkeeping; however, an administrator or exchanger of virtual currency must be a registered money services business under FinCEN’s money transmitter regulations. To the extent that the Venture Initiative Funds another Client invests in an ICO or digital asset associated with a platform that is required to

comply with FinCEN regulations and register as an MSB, the compliance costs may adversely affect an investment.

In a September 2015 administrative proceeding, *In the Matter of Coinflip, Inc. d/b/a Derivabit* (“Coinflip”), the U.S. Commodity Futures Trading Commission (“CFTC”) determined that bitcoin (BTC) and other virtual currencies are regulated as commodities under the U.S. Commodity Exchange Act of 1936, as amended (the “CEA”). On March 6, 2018, the federal district court for the Eastern District of New York agreed with the CFTC’s position in *Coinflip* and held that bitcoin (BTC), as a virtual currency, was a commodity as defined by the CEA and subject to CFTC jurisdiction for fraud and manipulation in the spot market (without directly involving futures or derivatives contracts.)

To the extent a company’s activities are viewed as holding or offering digital asset derivatives (including futures, options and swaps) or if the digital assets themselves are deemed to be commodity interests, the Venture Initiative Funds or another Client may be required to register and comply with additional regulation under the CEA, such as registering as a commodity pool operator (where holding instruments deemed to be commodity interests) and/or being subject to the CFTC requirements with respect to such instruments, such as reporting, recordkeeping, mandatory clearing or minimum margin requirements, or a company that develops digital assets that are held by the Venture Initiative Funds or another Client may be required to register as a swap execution facility or swap dealer (when offering instruments deemed to be commodity interests) and/or be subject to similar CFTC requirements. The foregoing registration and associated compliance costs could adversely affect an investment in a Digital Asset.

#### *Risks Relating to Digital Assets: Market Disruption and Access*

*Price Volatility.* A central risk in trading Digital Assets is the rapid fluctuation in their market prices. Digital Asset prices have been subject to periods of extreme volatility, and such periods can be expected to recur. Similar price volatility has occurred, and will likely continue, in the markets for derivatives on Digital Assets. A significant amount of the current demand for Digital Assets is driven by speculative trading activity and not by purchasers seeking to acquire the Digital Assets for their primary uses. High price volatility undermines the value of certain Digital Assets, such as bitcoin (BTC) and other digital currencies, as a medium of exchange and store of value.

The price volatility of Digital Assets is influenced by many unpredictable factors, including, but not limited to: sentiment; inflation rates; investor tastes; perceptions of value (whether accurate or not); widespread participation by unsophisticated investors; the availability of third-party service providers, such as exchanges and wallet providers, capable of providing services with respect to the assets, interest rate movements, and the interaction of the forces of supply and demand; fiscal and monetary policies of governments; and general economic and political conditions. While volatility can create profit opportunities for the strategies we pursue, it can also create the risk that historical or theoretical pricing relationships and predicted valuation fluctuations will be disrupted, causing losses. On the other hand, a lack of volatility could also result in losses with respect to investments that involve positions that profit from large price movements.

*Disruption Risk.* The markets for Digital Assets have experienced frequent disruptions, thefts by state and non-state actors, “forks,” and other issues that have resulted in participant losses. We expect this to continue to occur in the future.

*Lack of Access Due to Loss of Private Keys.* Digital currency and digital tokens generally may be controllable only by the possessor of both the unique public key and unique private key relating to the local or online digital wallet in which the Digital Asset is held. While each digital network may require a public key relating to a digital wallet to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the Digital Asset 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, the Digital Assets held in the related wallet will not be accessible. The loss or destruction of a private key required to access a digital token may be irreversible. Any loss of private keys relating to digital wallets used to store the Venture Initiative Funds’ or another Client’s Digital Assets could lead to substantial losses.

#### *Risks Relating to Digital Assets: Token Sales or Initial Coin Offerings*

*Initial Coin Offerings.* Digital tokens have emerged as a new alternative channel for raising funds and for distributing so-called “functional tokens.” These offerings have come to be referred to as “initial coin offerings” (or “ICOs”), and more recently, have also included STOs and IEOs. Regardless of the label applied, such ICOs may, in some instances, be the digital equivalent of an initial offering of securities. The Venture Initiative Funds or another Client may participate in token sales, including in ICOs that may be deemed securities offerings. The legality of ICOs is currently in question in certain jurisdictions. ICOs and other token sales are highly speculative, and because of the rapid proliferation of ICOs, many token sales may take place via systems that have not been as heavily scrutinized as those through which transactions in broadly traded digital currencies take place. As such, ICOs may be susceptible to hacking and other wrongdoing that could lead to a loss of funds invested in the ICO.

*ICOs May Be Unregistered Securities Offerings.* Many of the ICOs and token sales that have taken place as of the date of this brochure have not been registered under the U.S. or other national, state, or local securities laws. The SEC released a Report of Investigation on July 25, 2017 (the “DAO Report”) discussing the ICO of “DAO Tokens,” the offer and sale of which was not registered under U.S. securities laws. The SEC expressed the view that the DAO Tokens met the definition of a “security.” The DAO Report also stated that the trading system through which the DAO Tokens were being offered met the definition of an “exchange” under U.S. securities laws. While the SEC did not bring an enforcement action in that case, the SEC emphasized that the offer and sale of securities must comply with U.S. federal securities laws, including the requirement that securities be registered or exempt from registration. In summarizing its position with respect to the DAO Tokens, the SEC explained that the determination of whether or not a particular transaction involves the sale or offer of a security will ultimately depend on the facts and circumstances. Other jurisdictions have expressed views similar to those of the SEC in the DAO Report. Following the DAO Report, the SEC issued a number of public statements reiterating that the offer or sale of Digital Assets may be securities offerings that should be conducted in accordance with the United States federal securities law. The SEC has taken an active enforcement approach in connection with ICOs, including settlement orders with ICO issuers that failed to comply with the United States federal securities laws.

Whether any particular ICO in which the Venture Initiative Funds or another Client participates constitutes a security may be subject to considerable uncertainty, as it remains unclear how the SEC and other national, state and local regulatory agencies and courts will treat such offerings. The DAO Report raised a high likelihood that at least certain ICOs could be deemed to be securities under U.S. law, but it is impossible to predict how the SEC may respond with respect to future ICOs. It is uncertain how a determination that an ICO in which the Venture Initiative Funds or another Client has participated was in violation of the securities laws would affect such participant, but it is possible that such a determination may have a material adverse impact on the value of its digital token and thus have an adverse effect on the overall value of its assets, or could create litigation and other legal expenses for it.

*No Existing Market for New ICOs.* The Digital Assets offered pursuant to ICOs have no or limited established public markets. Although the Digital Assets may be listed on exchanges, there can be no assurance that such exchanges will maintain a listing or that they will allow access by the Venture Initiative Funds or another Client. Exchanges in the United States trading Digital Assets that are securities must register as a national securities exchange with the SEC or rely on an available exemption from registration. While a regulated trading market is expected to develop, it is uncertain which Digital Assets such a market will support, and there can be no guarantees that a regulated market will support a particular Digital Asset. Further, there can be no assurance that a secondary market in an ICO will develop or, if a secondary market does develop, that it will provide the Digital Asset holders with sufficient liquidity or that the market will continue for the life of the Digital Asset. The Venture Initiative Funds or another Client may not be able to liquidate a Digital Asset or may only be able to do so at a substantial loss. Further, there can be no assurance that the Venture Initiative Funds or another Client will be eligible to invest in certain ICOs, which could limit their investment opportunities. The uncertainty surrounding the markets for ICOs may lead to substantial losses for the Venture Initiative Funds or other Clients and may have an adverse impact on the value of a Client's investments.

### ICOs May Be Securities Offerings

Many of the ICOs that have taken place as of the date of this brochure have not been registered under the U.S. or other national, state or local securities laws or relied on an available exemption from registration.

As discussed above, the DAO Report concluded that digital assets or tokens issued for the purpose of raising funds may be securities within the meaning of the federal securities laws. The DAO Report emphasized that whether the offer and sale of a digital asset is a securities offering is based on the particular facts and circumstances, including the economic realities of the transaction. While the SEC did not bring an enforcement action in that case, the SEC emphasized that the offer and sale of securities must comply with U.S. federal securities laws, including the requirement that securities be registered or exempt from registration. Following the DAO Report, the SEC issued a number of public statements reiterating that the offer or sale of digital assets, coins or tokens may be securities offerings that should be conducted in accordance with the U.S. federal securities laws. The SEC has taken an active enforcement approach in connection with ICOs, including settlement orders with ICO issuers that failed to comply with the U.S. federal securities laws.

In December 2017, Munchee Inc. (“Munchee”), a company selling tokens in an ICO to raise capital for the development of its blockchain-based food review service, agreed to a cease-and-desist order. The SEC found Munchee’s ICO constituted unregistered offers and sales of securities. In November 2018, the SEC filed cease-and-desist orders against Paragon Coin, Inc. and CarrierEQ, Inc. (d/b/a Airfox) after finding that each company had conducted ICOs that were unregistered securities offerings that did not qualify for an exemption from registration under U.S. securities laws. Both companies were required to pay civil penalties, undertake to register the tokens under the U.S. Securities Exchange Act of 1934, as amended (“Exchange Act”), and return funds to purchasers of their Digital Assets who elected exercise rescission rights. In February 2019, the SEC filed a cease-and-desist order against Gladius Network LLC (“Gladius”) for conducting an unregistered and non-exempt securities offering. The SEC did not impose civil penalties against Gladius because the company had self-reported to the SEC its failure to comply with the federal securities laws with respect to its ICO. Gladius was also required to undertake registration under the Exchange Act and return funds to purchasers of its Digital Assets who elected to exercise rescission rights. On April 3, 2019, SEC’s FinHub released a framework for analyzing whether a digital asset is offered and sold as an investment contract, and therefore, is a “security” under U.S. federal securities laws. The same day, the SEC’s Division of Corporation Finance issued its first no-action letter indicating that it would not recommend enforcement action to the SEC if a digital asset is offered or sold without registration under the U.S. federal securities laws, *provided* certain conditions set forth in the no-action letter are met. The SEC continues to take action against persons or entities misusing bitcoin (BTC) in connection with fraudulent schemes (*i.e.*, Ponzi scheme), inaccurate and inadequate publicly disseminated information, and the offering and trading of unregistered securities in violation of U.S. federal securities laws.

The Venture Initiative Funds and other Clients may trade ICOs, including, equity-like ICOs that are not registered or exempt under U.S. or other securities laws. Whether any particular token offering in which the Venture Initiative Funds or another Client participates constitutes an offering of securities remains dependent on the specific facts and circumstances of each transaction, regardless of the terminology and technology used. As the law regarding Digital Assets and token offerings is still evolving, the Venture Initiative Funds or another Client may participate in a token offering that is an unlawful securities offering. If it is determined that a token offering in which the Venture Initiative Funds or another Client has participated was in violation of securities laws, it is uncertain how such determination would affect the Venture Initiative Funds or such other Client, but it is possible that such a determination may have a material adverse effect on the overall value of the Venture Initiative Funds’ or such Client’s assets or could create litigation and other legal expenses for the Venture Initiative Funds or such other Client. The Venture Initiative Funds’ or another Client’s ability to recover funds invested in an unlawful token offering is likely to be extremely limited, if it is able to recover any funds at all. To the extent that Digital Assets or tokens held by the Venture Initiative Funds or another Client are deemed to fall within the definition of a “security” for purposes of U.S. securities laws and regulations, the Venture Initiative Funds or such other Client will seek to comply with relevant U.S. laws and regulations, including the Advisers Act (such as registering as an investment adviser) and the Company Act, as applicable. Any associated registration and compliance costs may adversely affect an investment in the Venture Initiative Funds or another Client.

## Fraudulent ICOs

The SEC's Office of Investor Education and Advocacy has issued investor bulletins educating investors about ICOs and highlighting certain risks related to ICOs, including the risk that ICOs may be fraudulent. Media outlets such as the Wall Street Journal have reported that a number of ICOs have involved fraudulent activity. The nature of many ICOs may increase the risk that certain ICOs may turn out to be fraudulent. The Venture Initiative Funds' or another Client's ability to recover funds invested in an unlawful or fraudulent ICO is likely to be extremely limited, if it is able to recover any funds at all.

## DISCIPLINARY INFORMATION

We have no legal or disciplinary events to report that are material to an investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

*Management Persons Registration.* Several of our management persons are also registered with CMT Trading LLC, an SEC-registered broker-dealer that trades in the U.S. equity markets potentially in the same products in which we trade on behalf of the Venture Initiative Funds and potentially on behalf of other Clients.

*Relationship with Related Persons.* Our ultimate beneficial owners also maintain ownership in Capital Markets Trading UK LLP ("CMT UK"), a limited liability partnership incorporated in England and Wales that is licensed by the U.K. Financial Conduct Authority for authorization to act as an Investment Management Firm. CMT UK provides investment advice and management services to certain CMT Group proprietary trading entities. CMT UK does not manage any non-CMT Group assets. For the avoidance of doubt, we do not expect to use the services of CMT UK with respect to the Venture Initiative Funds or any other Client and in no event will any additional compensation be payable by investors in the Venture Initiative Funds or another Fund in connection with our use of CMT UK.

*Brokerage.* We do not intend to use our affiliate, CMT Trading LLC, when trading on behalf of the Venture Initiative Funds or any other Client. If we determine to use CMT Trading LLC, such use would result in additional fees to CMT Group. We will not accommodate directed brokerage requests from Fund investors or Clients. We maintain best execution policies and procedures to ensure that affiliated trading, if any, will not hinder our best execution obligation with respect to the Venture Initiative Funds or any other Client.

*Proprietary Trading/Conflicts of Interest.* In 1997, the principals founded CMT Group, a proprietary trading firm. CMT Group is comprised of various entities and is an active market participant in U.S. and non-U.S. markets. CMT Group trades primarily in exchange listed products in the United States, Europe, South America, and Asia. From time to time, certain traders or principals of CMT Group may take a proprietary position in the same assets as those traded or held by the Venture Initiative Funds or another Client, and may utilize the same investment strategy as that utilized by the Venture Initiative Funds or another Client. In order to address the conflicts of interest that arise when CMT Group principals and traders trade in the same or substantially similar investment products as the Venture Initiative Funds or another Client, we have developed and

implemented policies and procedures, including, but not limited to, monitoring procedures that we believe are reasonably designed to deal with such conflicts of interest. Such policies and procedures address, among other matters, the avoidance of traders taking positions on behalf of CMT Group that are opposite, or ahead of, the positions taken on behalf of the Venture Initiative Funds or another Client.

Because the principals also control CMT Group, the proprietary trading of CMT Group is not physically or functionally separate from our investing and trading on behalf of the Venture Initiative Funds and other Clients. Specifically, the principals will have access to information regarding our pending transactions, orders, order flow, and trading and investment activities prior to the public disclosure of such information. Although the principals will have access to information of the Venture Initiative Funds and our other Clients and CMT Group, we have implemented policies and procedures designed to ensure that all other CMT Group traders do not receive any unfair benefit or advantage when trading or investing in similar products and strategies to those of the Venture Initiative Funds or another Client.

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

*Code of Ethics:* We have adopted a Code of Ethics that is designed to meet the requirements of Rule 204A-1 promulgated by the SEC under the Advisers Act. The Code of Ethics is required to be signed annually by all access persons and supervised persons (“CMT Associates”) and covers topics such as personal trading, fiduciary responsibility, gifts and entertainment, political contributions, and conflicts of interest. A copy of our Code of Ethics is available to any Client or Fund investor or prospective Client or Fund investor on request by contacting our Chief Compliance Officer (the “COO”) at (312) 930-9050 or [compliance@cmtam.com](mailto:compliance@cmtam.com).

Generally, conflicts of interest are addressed on a case-by-case basis, typically through disclosure to Clients or Fund investors, or a decision to change, cease, or not move forward with the proposed activity or activity, as the case may be. All CMT Associates are required to report conflicts and potential conflicts of interest to the CCO.

*Personal Trading:* CMT Associates are permitted to maintain personal trading accounts and CMT Associates are permitted to invest in the same securities and other financial instruments in which the Venture Initiative Funds or another Client may invest.

To mitigate the conflicts associated with CMT Associates trading, for their personal accounts, in the same securities in which the Venture Initiative Funds or another Client trades, we regularly monitor and analyze the personal trading activity of CMT Associates. Any personal trading that appears abusive or in violation of the Code of Ethics will result in further inquiry by the CCO and/or sanctions, up to and including disgorgement of profits, a warning, or dismissal. We also periodically inform and/or provide compliance training to CMT Associates with respect to the Code of Ethics policies and procedures.

*Proprietary Trading.* As discussed above, as part of its proprietary trading operation, the CMT Group is also expected to trade in the same products as the Venture Initiative Funds and other

Clients. The conflicts of interest associated with the CMT Group's proprietary trading will be addressed as set forth above in "Other Financial Industry Activities and Affiliations."

## **BROKERAGE PRACTICES**

*Broker-Dealers:* We will have sole authority for selecting the broker-dealers used in each transaction for the Venture Initiative Funds and other Clients and for negotiating the fees to be paid to each broker-dealer in connection with such transactions. We do not intend to use our affiliate, CMT Trading LLC, when trading on behalf of the Venture Initiative Funds or any other Client. Any such use of an affiliated broker dealer would result in additional fees to CMT Group. The unlikely use of its affiliated broker dealer notwithstanding, we recognize our duty to obtain "best execution" of securities transactions for the Venture Initiative Funds and other Clients. Consistent with such duty, in determining best execution, we may take into account the full range and quality of a broker-dealer's services, including research and other services that may benefit some (or only one) Clients but not all other Clients. Therefore, we may not necessarily negotiate "execution only" commission rates. In effecting transactions, we will place orders in accordance with our best execution policies, which may take into account a number of factors, including but not limited to:

- The broker's financial responsibility and reputation;
- The broker's commission rates and other transactional charges;
- The broker's stability, reputation, reliability, and responsiveness to us;
- The broker's ability to execute trades, willingness to execute difficult transactions, special execution capabilities, and efficiency of execution;
- The range and quality of services made available to us;
- The broker's willingness to commit capital for trades;
- The broker's ability to source or provide liquidity;
- The broker's ability to provide access to multiple markets and venues (including foreign markets);
- The broker's risk-margin requirements; and
- Adequacy of the broker's trading infrastructure and technology.

We reserve the right in our sole discretion to change or add broker-dealers to the account of a Client without prior notice to the owners of such Client account or to the investors in any such Client that is a Fund. We will not accommodate directed brokerage requests from Fund investors or Clients.

*Soft Dollars.* We may receive from broker-dealers products and services in addition to brokerage services. "Soft dollars" will be used within the safe harbor created by Section 28(e) of the Exchange Act. Services that we may receive from such broker-dealers may include research, general market commentary, economic information, trading advice, industry and company commentary, technical data, recommendations, general reports, quotations, and other market data or information, and the arrangement of meetings with the management of issuers. If we engage in these arrangements, we will benefit from them because we will not have to produce or pay for the research, products, or services received. We would therefore have an incentive to select or recommend a broker-dealer based on our interest in receiving soft dollar benefits rather than based on a Client's interest in receiving favorable execution. The services received from broker-dealers

and paid for by a Client may be used by the CMT Group, and certain of such services may not be used to benefit a Client that effectively bears the costs of such services. We will follow procedures that we believe are reasonably designed to ensure that we use soft dollars in a manner that is consistent with our duty to seek best execution, and that we appropriately identify which services are within or outside the safe harbor.

*Aggregation of Trades.* Where appropriate, we may, but we are not required to, aggregate orders to achieve more efficient execution or to provide for equitable treatment among proprietary accounts and Clients. A Client participating in aggregated trades will be allocated securities based on the average price achieved for such trades. To the extent a particular investment is suitable for more than one Client or proprietary account, it generally will be allocated between such Client(s) and proprietary accounts *pro rata* based on assets under management or in some other manner that we determine is fair and equitable under the circumstances. By not aggregating orders, there may exist a higher cost to the Client (*i.e.*, different pricing on an order) than would otherwise exist if two Clients were to execute orders together. Should two separate Clients or proprietary accounts execute opposing orders at the same time (one buys, one sells), efficiencies may be lost. We expect these instances will be minimal.

*Technology and Trade Errors.* We believe that any trading system/computer code errors and/or human trading errors (*e.g.*, a trader enters an incorrect order into a terminal that is then executed) that are not caused by fraud, gross negligence, reckless or intentional misconduct, bad faith, or criminal wrongdoing (each a “Trading Error”) are a known cost of doing business. Therefore, any such Trading Error will be borne by any participating Client and/or proprietary accounts *pro rata*, and all affected Clients and/or proprietary accounts will enjoy the profits or suffer the losses from any such Trading Error.

## **REVIEW OF ACCOUNTS**

Our principals will ultimately oversee risk management for each Client. Our principals will also review information related to each Client’s investments and performance on a routine basis. Where applicable, CMT Group operations and accounting staff will independently examine each brokerage statement and calculate profit and loss for each Client on a daily basis. Investors in a Fund will receive routine reporting, including annual financial statements. Holders of non-Fund Client accounts will receive such reports as we and such holders may agree.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

We do not intend to receive any economic benefit for providing investment advice or advisory services other than from our Clients.

We do not currently maintain any agreements with third parties to act as solicitors for Clients, but we may do so in the future. We may pay a solicitor a monthly fee or a portion of the advisory fees or other revenues that we receive for managing Fund investors or non-Fund Client account holders that were referred to us by a solicitor. The costs of any such referral fees will be paid entirely by us and, therefore, will not result in any additional charges to such Fund investor or non-Fund Client account holder.

## CUSTODY

We will be deemed to have custody of funds and securities of the Venture Initiative Funds and may be deemed to have custody of the funds or securities or other Clients, as a result of our authority to obtain funds or securities of the Venture Initiative Funds or another Client (*e.g.*, by deducting advisory fees from the account of the Venture Initiative Funds or such other Client or otherwise withdrawing funds from the Venture Initiative Funds' or such other Client's accounts). Rule 206(4)-2 under the Advisers Act imposes certain requirements on SEC-registered investment advisers who have actual or deemed custody of client assets. However, in the case of Clients that are Funds, we anticipate being exempt from (or deemed to be in compliance with) many of the provisions of the custody rule because (i) each directly managed Fund will be audited in accordance with U.S. Generally Accepted Accounting Principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and audited financial statements will be distributed to each investor in such Fund within 120 (or, in some cases, 180) days of the end of the Fund's fiscal year, and (ii) each Fund's assets will be held at a qualified custodian to the extent required by Rule 206(4)-2. Such qualified custodians will include prime brokers, banks and other broker-dealers.

## INVESTMENT DISCRETION

Unless we expressly agree otherwise with a Client, we manage the assets of our Clients on a discretionary basis, which means that we have the authority to decide which securities and other financial instruments to purchase and sell for such Clients. We consider a Fund or other Client account to be managed by us on a discretionary basis if we have been granted legal authority in the Fund's Offering Documents, or the Client's investment management or similar agreement with us, to invest and reinvest the assets of such Fund or such Client account without receiving prior authorization from any investor in such Fund or holder of such Client account, as the case may be, or any other person to engage in particular investment activities for such Fund or Client account. In the case of a Client that is a Fund and is not a "single-investor" fund (sometimes referred to as a "fund of one"), we ordinarily would not honor a request from an investor in the Fund to refrain from purchasing particular investments on behalf of the Fund. In the case of a Client that is not a Fund, or is a "fund of one," if that Client requests that we refrain from purchasing particular investments on behalf of the Client, we ordinarily would consult with the Client regarding its reason(s) for the request and honor such request, unless we determine that honoring the Client's request would materially interfere with our ability to implement our contemplated investment strategy on behalf of the Client.

## VOTING CLIENT SECURITIES

We have adopted proxy voting policies and procedures in compliance with Rule 206(4)-6 under the Advisers Act. Our policy is to vote proxy proposals relating to securities held by the Venture Initiative Funds or another Client in a manner that serves its best interests, as determined by us in our discretion.

Our general policy is to vote in accordance with the recommendation of an issuer's management on routine and administrative matters, unless we determine that such recommendation is not in the

best interests of the relevant Client(s). With respect to non-routine matters, we will vote on a case-by-case basis, taking into account all relevant factors, including the anticipated impact of the proposals on the value of the securities, the costs and benefits associated with the proposal, customary industry and business practices, the recommendations of proxy advisory firms and any other factors we deem relevant. Under certain circumstances, we may abstain from voting specific proxies if doing so is in the best interests of the relevant Client(s). We may determine not to vote proxies issued by companies if a Client no longer has any economic exposure to the issuer of the proxy.

There may be occasions where the voting of proxies may present an actual or perceived conflict of interest between us and a Client. We will not vote proxies contrary to the best interests of a Client due to (for example) business or personal relationships with an issuer's management or where we or an employee of ours has a personal relationship with participants in proxy contests, corporate directors or candidates for corporate directorships, or where we or an employee of ours may have a personal interest in the outcome of a particular matter before shareholders. Each employee involved in a proxy voting decision is required to disclose any potential conflict of interest that such employee is aware of relating to a proxy vote by us. Our CCO will determine whether a conflict of interest is material based on an assessment of the particular facts and circumstances. When there exists an actual or potential material conflict of interest, our CCO will review the facts and circumstances of such conflict and determine the appropriate steps to ensure that we vote all proxies in the best interests of our Clients. We may engage a third party to recommend a vote with respect to the proxy or utilize any such method deemed appropriate under the circumstances given the nature of the conflict.

Investors in Funds and non-Fund Client account holders may not direct us to vote in a particular way for a particular solicitation. Investors in Funds and non-Fund Client account holders may obtain information about how we voted proxies for securities in their accounts and/or obtain a copy of our written Proxy Voting Policies and Procedures by contacting our CCO at the address or telephone number listed on the first page of this Brochure.

#### **FINANCIAL INFORMATION**

We are not aware of any financial condition that could impair our ability to meet our contractual commitment to any Client.

#### **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.