



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

### **Item 1 – Cover Page**

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This brochure (“Brochure”) provides information about the qualifications and business practices of Grayscale Advisors, LLC. If you have any questions regarding the contents of this brochure, please do not hesitate to contact our Chief Compliance Officer, Craig I. Salm, by telephone at (212) 668-6674 or by email at [craig@grayscale.com](mailto:craig@grayscale.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.

Grayscale Advisors, LLC is a registered investment advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Additional information about Grayscale Advisors, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 – Material Changes**

As Grayscale Advisors, LLC is a newly-registered investment advisor, this is its initial Brochure and therefore there are no material changes to disclose.

As a result, this “Brochure” should be considered “materially” new. In future filings, this section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 4 – Advisory Business****A. Description of the Advisory Firm**

Grayscale Advisors, LLC (“Grayscale Advisors”, the “Advisor” or the “Firm”) is a limited liability company organized in Delaware. Grayscale Advisors is an investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). Grayscale Advisors is wholly owned by Grayscale Investments, LLC (“Grayscale Investments”). The sole owner of Grayscale Investments as of November 22, 2021, is Digital Currency Group, Inc.

As explained in greater detail below, Grayscale Advisors intends to offer investment advice to exchange-traded funds and pooled investment vehicles created by its affiliate Grayscale Investments. Since these vehicles are currently still being formed, all statements in this Brochure, including those made in the present tense, describe the prospective business of Grayscale Advisors.

Grayscale Advisors is led by Michael Adam Sonnenshein, its Chief Executive Officer, who is also CEO of Grayscale Investments.

**B. Types of Advisory Services**

Grayscale Advisors plans to offer investment advisory services to exchange-traded funds and private funds relying on the Section 3(c)(7) exemption to the Investment Company Act of 1940 (the “1940 Act”), the securities of which are offered to accredited investors and qualified purchasers on a private placement basis (each a “Fund” and collectively, the “Funds”). Grayscale intends to serve as the advisor to one or more exchange-traded fund on the ETF Series Solutions (“ESS”) Trust Platform (“ESS Trust”, “ESS Trust Platform” or the “Trust”) provided by U.S. Bancorp LLC, pursuant to the Investment Advisory Agreement. Grayscale Advisors does not presently intend to provide investment advisory services to individuals or retail investors.

Our “clients” will consist of the Funds. Initially the Funds will include:

*Grayscale Future of Finance ETF*

Grayscale Advisors plans to provide advisory services to the *Grayscale Future of Finance ETF* on the ESS platform sponsored by U.S. Bancorp Fund Services, LLC, which will invest in U.S. and non-U.S. public equity securities that are involved in the advancement of the digital economy, which includes companies involved in the enabling of buying, selling, and transacting in digital assets, the development of the infrastructure to create applications utilizing blockchain technology, the supply of infrastructure around the digital asset ecosystem, and the mining of digital assets. The product will be listed on the NYSE ARCA and will be passively managed in accordance with its investment strategy, where it seeks to track the performance, before fees and expenses, of the Bloomberg Grayscale Future of Finance Index.

The investment adviser to the fund is Grayscale Advisors. Vident Investment Advisory, LLC (“Vident”) will serve as sub-advisor to Grayscale Advisors in its management of the *Grayscale Future of Finance ETF*.

The types of investment advice that Grayscale Advisors will provide to the *Grayscale Future of Finance ETF* will include, but is not limited to, the determination and selection of what assets will be purchased, sold, or retained and what portion of those assets will be invested or held uninvested in cash as permitted in accordance with the terms and conditions of the Investment Advisory Agreement and Investment Sub-Advisory Agreement with Vident.

Under the supervision and oversight of Grayscale Advisors, the sub-advisor shall manage all of the securities and other assets of the *Grayscale Future of Finance ETF*, including the purchase, retention, and disposition of the securities and

assets, in accordance with the *Grayscale Future of Finance ETF*'s respective investment objectives, guidelines, policies, and restrictions as stated in the Fund's Prospectus and Statement of Additional Information.

The sub-advisor shall determine from time-to-time what assets will be purchased, retained or sold by the *Grayscale Future of Finance ETF*, and what portion of the assets will be invested or held uninvested in cash as is permissible by the aforementioned parameters regarding the Fund's investment objectives, guidelines, policies, and restrictions.

In executing transactions on behalf of the *Grayscale Future of Finance ETF* and selecting brokers and or dealers, the sub-advisor will use its best efforts to seek the best execution and overall terms available. The sub-advisor shall provide the *Grayscale Future of Finance ETF*'s custodian on each business day with information relating to all transactions concerning the Fund's assets and shall provide Grayscale with such information upon request. Furthermore, the sub-advisor shall maintain all books and records with respect to transactions involving the assets of the *Grayscale Future of Finance ETF*.

The sub-advisor will conform to and comply with the *Grayscale Future of Finance ETF* and Trust's policies and procedures, and will conform to and comply with the requirements of the 1940 Act, the Investment Advisers Act of 1940 (the "Advisers Act"), the Commodity Exchange Act of 1936, the Internal Revenue Code of 1986 (the "Code"), and all other applicable federal and state laws and regulations, as each is amended from time to time.

Grayscale Advisors shall continue to have responsibility for all services to be provided to the *Grayscale Future of Finance ETF* pursuant to the Advisory Agreement and shall oversee and review the sub-advisor's performance of its duties under this Agreement; provided, however, that in connection with its management of the Assets, nothing herein shall be construed to relieve the Sub-advisor of responsibility for compliance with the Prospectus, the Statement of Additional Information, the written instructions and directions of the Board, the requirements of the 1940 Act, the Advisers Act, the Code, and all other applicable federal laws and regulations, as each is amended from time to time.

### **C. Client-Tailored Advisory Services**

The exact investment management services and advice provided by Grayscale Advisors with respect to each Fund will be subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents.

### **D. Assets Under Management**

Grayscale Advisors reasonably anticipates that it will be eligible for registration with the SEC by the end of the 120-day period following its approval as an SEC-registered investment advisor. As of the date of this filing, Grayscale Advisors manages approximately \$0 in assets on a discretionary basis and \$0 on a non-discretionary basis.

**Item 5 – Fees and Compensation****A. Fees for Advisory Services**

Grayscale Advisors charges an annual advisory fee that is agreed upon with each client and set forth in an advisory agreement executed by the Firm and the client. The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below. Please see "Additional Fees and Expenses" below for additional expenses that a Fund may bear.

*Grayscale Future of Finance ETF*

The *Grayscale Future of Finance ETF* will pay Grayscale Advisors an advisory fee, which is calculated, and accrues, daily and is paid monthly in arrears. The sub-advisory fee will be the net fee of the fund after all fund expenses have been paid, including Grayscale's advisory fee.

**B. Payment of Fees**

The Firm will initially obtain written authorization from each Fund permitting the Firm's advisory fees to be paid directly from the Fund's custodian account to the Firm.

Each quarter, the Firm will direct a Fund's custodian to debit from the Fund's account and to pay to the Firm the advisory fee due from the Fund based on the periodic assessment.

**C. Additional Fees and Expenses**

The expenses attributable to each specific Fund are detailed in each Fund's organizational documents. We have set forth below the expenses that each Fund can generally be expected to bear, however in some instances certain expenses listed below may be borne by, or solely applicable to, certain clients and not others.

For its advisory services to the *Grayscale Future of Finance ETF*, Grayscale Advisors will bear the fees and expenses to perform its duties as detailed in the Investment Advisory Agreement and the Investment Sub-Advisory Agreement.

**D. Prepayment of Fees**

The Firm will refund any pre-paid fees that have not been earned at the termination of a contract with a Fund. The refund will be calculated on a pro-rata basis based upon the number of days in the period and the termination date.

**E. Outside Compensation for the Sale of Securities or Other Investment Products to Clients**

Grayscale Advisors does not receive compensation for securities transactions in any Fund account, other than the investment advisory fees noted above.

**Item 6 – Performance-Based Fees and Side-by-Side Management**

Grayscale Advisors does not charge performance-based fees or participate in side-by-side management.



**Item 7 – Types of Clients**

Grayscale Advisors offers investment advisory services only to registered investment companies and may in the future offer investment advisory services to private pooled investment vehicles.

**Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss****A. Methods of Analysis and Investment Strategies**

Grayscale Advisors primarily employs fundamental analysis methods in developing investment strategies for its Funds. The research and analysis of Grayscale Advisors is based on numerous sources, including third-party research materials and publicly available materials, such as company annual reports, prospectuses, and press releases.

Grayscale Advisors selects assets and products from across many asset classes, including global and domestic equities, taxable and non-taxable fixed income, exchange-traded funds (“ETFs”) and assets with exposure to blockchain technology, meaning assets housed on, making use of, or connected to a blockchain through cryptographic ownership, including crypto currency coins and tokens (“Digital Assets”). If the Firm selects an external adviser to manage a portion of a Fund’s assets, this will not affect the fees or expenses charged the Fund. Overall investment strategies recommended to each Fund emphasize long-term ownership of a portfolio of marketable and non-marketable investments intended to provide superior after-tax, inflation-adjusted, economic returns.

**Grayscale Future of Finance ETF**

The *Grayscale Future of Finance ETF* employs a passive investment strategy where it seeks to track the performance, before fees and expenses, of the Bloomberg Grayscale Future of Finance Index (the “Index”). The Index is designed by Bloomberg Index Services Limited (the “Index Provider”) to consist of U.S. and non-U.S. equity securities that are involved in the advancement of the digital economy, which includes companies involved in the enabling of buying, selling, and transacting in digital assets, the development of the infrastructure to create applications utilizing blockchain technology, the supply of infrastructure around the digital asset ecosystem, and the mining of digital assets.

To define companies involved in the advancement of the digital economy, the Index is comprised of developed and emerging markets companies that have been classified as providing exposure to the “Future of Finance”, as identified by the intersection of finance, technology and digital assets (collectively, “Future of Finance Companies”). In constructing the Index, the Index Provider identifies three core categories as the universe of Future of Finance Companies:

- 1) Financial Foundations – includes asset managers, exchanges, brokerages, and wealth managers;
- 2) Technology Solutions – includes companies providing technology through data and transaction processing; and
- 3) Digital Asset Infrastructure – includes companies directly involved in mining, energy management and activities.

The Index Provider determines the Future of Finance Companies eligible for inclusion in the Index through a multi-step process which is constructed to utilize both analyst expertise as well as data analytics. Companies that are identified as part of the universe described above must be a U.S. and/or non-U.S. common stock, ordinary share, or depository receipt and must have a 90-day average value traded of at least US \$1 million. For inclusion in the Index, companies must have a market capitalization of at least US \$100 million.

To achieve its investment objective, the Fund will utilize a passive “replication” strategy meaning that the Fund will generally invest in all of the component securities of the Index in the same approximate proportions as in the Index.

Grayscale Advisors does not represent, imply, or guarantee that the services or methods of analysis used by Grayscale Advisors or the Index Provider to make investment decisions can or will produce successful results, successfully identify market movements, or insulate the *Grayscale Future of Finance ETF* from losses due to market corrections or crashes. Clients are advised that the recommendations offered by Grayscale Advisors are not legal or tax advice.

**B. Material Risks**

All investments in securities include a risk of loss of principal (invested amount) and any profits that have not been realized (securities that have not been sold to “lock in” the profit), which investors in the Funds should be prepared to bear. Grayscale will invest in Digital Assets. The Digital Asset market can fluctuate substantially over time, and performance of any investment or portfolio is not guaranteed. As a result, there is a risk of loss in the value of the assets we manage for our Funds. We cannot guarantee any level of performance or that Funds will not experience a loss in their account assets. *Past performance of a fund is not necessarily indicative of future performance or risk of loss.*

The following risks could cause the investments managed for Funds to decrease in value:

- **Market Risk:** The price of Digital Assets and securities may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s or fund’s particular underlying circumstances. For example, changes in political, economic, and social conditions may trigger adverse market events.
- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Event Risk:** An adverse event, such as a pandemic or government shutdowns, affecting a particular industry could depress the price of a Fund’s investments in that industry. The company, government or other entity that issued an asset held in a Fund’s portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer’s credit rating could be downgraded by a rating agency. Adverse events affecting a particular country, including political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.
- **Liquidity Risk:** Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.
- **Leverage Risk:** The use of leverage may lead to increased volatility of a fund’s NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the fund’s portfolio, which may lead to increased market price declines. There is no assurance that a leveraging strategy will be successful.
- **Domestic and/or Foreign Political Risk:** The events that occur in the U.S. relating to politics, government, and elections can affect the U.S. markets. Political events occurring in the home country of a foreign company such as revolutions, nationalization, and currency collapse can have an impact on the security.
- **Inflation Risk:** Countries around the globe may be more, or less, prone to inflation than the U.S. economy at any given time.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment’s originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This risk is that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Regulatory/Legislative Developments Risk:** Regulators and/or legislators may promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and/or alters the risks associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could affect the value associated with such investment transactions or underlying securities.

- **Price Volatility:** A principal risk in trading Digital Assets or transacting in Bitcoin is the rapid fluctuation of market price. The value of client portfolios will be impacted by the value of Digital Assets held or referenced through an underlying asset in the client portfolio and fluctuations in the price of Digital Assets could adversely affect the net asset value of a client's portfolio. There is no guarantee that a client will be able to achieve a better than average market price for Digital Assets or will purchase Digital Assets at the most favorable price available. The price of Digital Assets or Bitcoin achieved by a client may be affected generally by a wide variety of complex and difficult to predict factors such as Digital Asset supply and demand; rewards and transaction fees for the recording of transactions on the blockchain; availability and access to Digital Asset service providers (such as payment processors), exchanges, miners or other Digital Asset users and market participants; perceived or actual Digital Asset network or Digital Asset security vulnerability; inflation levels; fiscal policy; interest rates; and political, natural and economic events.
- **Illiquid Securities:** Investments in certain Digital Assets or funds investing in Digital Assets may underperform publicly offered and traded securities because such investments:
  - Typically require investors to lock-up their assets for a period and may be unable to meet redemption requests during adverse economic conditions;
  - Have limited or no liquidity because of restrictions on the transfer of, and the absence of a market for, interests in these securities;
  - Are more difficult to monitor and value due to a lack of transparency and publicly available information about these securities;
  - Involve different risks than investing in publicly offered and traded securities. These risks may include those associated with more concentrated, less diversified investment portfolios, investment leverage and investments in less liquid and non-traditional asset classes.

### **C. Risks of Specific Securities or Investments**

#### Use of External Managers

Grayscale Advisors may select certain External Managers to manage a portion of its Funds' assets. In these situations, Grayscale Advisors conducts due diligence of such managers, but the success of such recommendations relies to a great extent on the External Managers' ability to successfully implement their investment strategies. In addition, Grayscale Advisors generally does not have the ability to supervise the External Managers on a day-to-day basis.

#### Digital Assets and Cryptocurrencies

An investment in Digital Assets and cryptocurrency involves risk including the extreme volatility in recent periods that may continue and may create a future material adverse effect on the value of the shares. Digital assets were introduced within the past two decades, and the medium-to-long term value of the shares is subject to a number of factors relating to the capabilities and development of blockchain technologies and to the fundamental investment characteristics of Digital Assets.

The volatility of Digital Assets and cryptocurrencies are subject to a number of risk factors, including, but not limited to the following: the economic conditions in the Digital Asset industry and market (such as an increase in the global supply of such Digital Asset); manipulative activity on Digital Asset exchanges; forks in the applicable Digital Asset network; scaling challenges in the effort to increase the volume and speed of transactions; changes in laws or regulations, including those concerning taxes made by governmental authorities or regulatory bodies; litigation or regulatory investigations concerning the Digital Assets classification under the federal securities laws and the costs and effect of any litigation or regulatory investigations; general economic, market and business conditions; and other global or regional political, economic or

financial conditions, events and situations, such as the novel coronavirus outbreak; hackers or other malicious actors; destruction of Digital Assets; reliance on Digital Asset service providers; general governmental oversight of Digital Assets.

Digital Asset and cryptocurrency investors are necessarily subject to the risk that the Digital Assets represent a new and rapidly evolving industry, and the value of the Funds' assets depends on the acceptance of Digital Assets. The unregulated nature and lack of transparency surrounding the operations of Digital Asset exchanges create an opportunity for investors to experience fraud, security failures or operational problems, which may adversely affect the value of the Digital Assets. Shareholders are also subject to the risk of changes in the governance of Digital Assets and Digital Asset exchanges.

### ETFs

An investment in an ETF involves risk, including the loss of principal. ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

- **Authorized Participants Concentration Risk:** The Fund may have a limited number of financial institutions that may act as Authorized Participants. To the extent that those Authorized Participants exit the business or are unable to process creation and/or redemption orders, shares may trade at large bid-ask spreads and/or premiums or discounts to net asset value.
- **Market Price Variance Risk:** Fund shares are listed for trading on an exchange and can be bought and sold in the secondary market at market prices rather than at net asset value. The market prices of shares will fluctuate in response to changes in the value of the Fund's holdings, in addition to the supply and demand for those shares. Shareholders that purchase or sell Shares on the secondary market may trade shares at a price greater than net asset value (a premium) or less than net asset value (a discount).
- **Fund Shares Trading Risk/Bid-Ask Spread Risk:** Investments in Fund shares are subject to risks as a result of their trading on the secondary market. For example, investors transacting in the secondary market may incur costs as a result of there being a spread between the price that purchasers are willing to pay for shares (bid) and the price at which sellers are willing to sell shares (ask). This is known as the bid-ask spread, and can vary based on market demand for shares, the liquidity of the Fund portfolio and other factors.

### Cybersecurity

The computer systems, networks and devices used by Grayscale Advisors and service providers to Grayscale Advisors and Funds to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, human error, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A Fund or its investors could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a Fund; impediments to trading; the inability by the Firm and its service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage,

reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a Fund invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

#### Business Continuity Risks

Grayscale Advisors' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolong power outages. Although the Firm has implemented, or expects to implement, measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on the Firm and investments therein.

#### Global Events

An epidemic outbreak or pandemic, and reactions thereto could cause uncertainty in markets and businesses, including Grayscale Advisors' business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. Grayscale Advisors has policies and procedures to address known situations, but because a large epidemic or pandemic may create significant market and business uncertainties and disruptions, not all events that could affect Grayscale Advisors business and/or the markets can be determined and addressed in advance.

**Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Fund's evaluation of Grayscale Advisors and the integrity of Grayscale Advisors' management. Grayscale Advisors has no information to disclose applicable to this Item.

**Item 10 – Other Financial Industry Activities and Affiliations****A. Sub-Advisor Relationships**

Grayscale Advisors will enter into an Investment Sub-Advisory Agreement with Vident to serve as the sub-advisor to the *Grayscale Future of Finance ETF*. The Firm will furnish advisory services to determine the assets to be purchased, retained or sold by the fund and what portion of such assets will be invested or held uninvested in cash as detailed in the Investment Sub-Advisory Agreement. Under the sub-advisory agreement between Grayscale Advisors and Vident, Vident's advisory services will be subject to the supervision and oversight of Grayscale Advisors. Vident as the sub-advisor will adhere to the policies, procedures and investment objectives set out by the Fund and the ESS Trust. The sub-advisor will be responsible for exercising best execution and in performance of its duties and obligations, trade aggregation in accordance with the Fund's policies and procedures, maintain books and records as required under applicable rules and regulations, as well as annual performance and compliance reviews.

The Firm may from time to time engage other sub-advisory relationships in relation to its plans to offer investment advisory services to other exchange-traded funds and private funds.

**B. Affiliations with Industry Participants**Genesis Global Trading

Grayscale Advisors is under common control with Genesis Global Trading, Inc. ("Genesis"), a registered broker-dealer who serves as marketing and distribution agent to the private placements sponsored by Grayscale Investments, as set forth below. Genesis also serves as authorized participant for the Grayscale Investments products, sourcing the spot digital assets held within such products. We do not anticipate Genesis serving as the authorized participant for the *Grayscale Future of Finance ETF*.

Grayscale Investments

Grayscale Advisors is a subsidiary of Grayscale Investments, whose business involves facilitating private placements of digital currency trusts and funds. The products include: Grayscale Bitcoin Trust (BTC), Grayscale Bitcoin Cash Trust (BCH), Grayscale Ethereum Trust (ETH), Grayscale Ethereum Classic Trust (ETC), Grayscale Horizen Trust (ZEN), Grayscale Litecoin Trust (LTC), Grayscale Stellar Lumens Trust (XLM), Grayscale Zcash Trust (ZEC), Grayscale Digital Large Cap Fund LLC, Grayscale Basic Attention Token (BAT), Grayscale Filecoin Trust (FIL), Grayscale Chainlink Trust (LINK), Grayscale Livepeer Trust (LPT), Grayscale Decentraland Trust (MANA), and Grayscale Decentralized (DeFi) Finance Fund LLC.<sup>1</sup> The list of products sponsored and managed by Grayscale Investments will change over time. All purchases are limited to accredited investors and marketing efforts are focused primarily on general solicitation and advertising under Rule 506(c) under Regulation D of the Securities Act of 1933.

The activities of Grayscale Investments also includes the distribution of retail and institutional communications relating to both the specific products as well as general commentary regarding the digital asset marketplace in general as well as the digital assets that comprise the specific products.

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<sup>1</sup> The shares of each trust or fund are not registered under the Securities Act, the Securities Exchange Act of 1934 (except for products that are SEC reporting companies), the Investment Company Act of 1940, or any state securities laws, and are offered in private placements pursuant to the exemption from registration provided by Rule 506(c) under Regulation D of the Securities Act. As a result, the shares of each product are restricted and subject to significant limitations on resales and transfers. Shares of Bitcoin Investment Trust (BTC), Ethereum Classic Investment (ETC), Trust Grayscale Bitcoin Cash Trust (BCH), Grayscale Ethereum Trust (ETH), Grayscale Litecoin Trust (LTC), Grayscale Digital Large Cap Fund LLC, Grayscale Stellar Lumens Trust (XLM), Grayscale Zcash Trust (ZEC), and Grayscale Horizen Trust (ZEN) are quoted on the OTCQX® Tier under the OTC Market's Alternative Reporting Standards.



Grayscale Advisors and Grayscale Investments share a Chief Compliance Officer and Chief Executive Officer. The Firm does not believe this poses a conflict of interest, as proper controls have been reasonably designed to ensure compliance with applicable law, rule or regulation.

Grayscale Securities, LLC

In addition, Grayscale Advisors is under common control with Grayscale Securities, LLC (“Grayscale Securities”), a registered broker-dealer who serves as introducing broker to the private placements sponsored by Grayscale Investments as set forth above.

Grayscale Advisors and Grayscale Securities share a Chief Compliance Officer. The Firm does not believe this poses a conflict of interest, as proper controls have been reasonably designed to ensure compliance with applicable law, rule, or regulation.

**Item 11 – Code of Ethics, Participation or Interest in Client Transactions****A. Description of Code of Ethics**

Grayscale Advisors has adopted a Code of Ethics (the “Code”) pursuant to SEC rule 204A-1. The Code provides that each employee places the interests of Firm’s Funds ahead of his/her own. The Code covers the following areas: Prohibited and Restricted Activities, Reporting Requirements, Certification of Compliance, Confidentiality, Recordkeeping Requirements, Insider Trading, and Compliance with Laws and Regulations. Grayscale Advisors’ Chief Compliance Officer will provide a copy of the Code to any Fund or prospective Fund upon request.

**B. Recommendations Involving Material Financial Interests**

Grayscale Advisors allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Funds. Grayscale Advisors does not act as principal in any transactions.

**C. Personal Trading in Same Securities as Funds**

Grayscale Advisors allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Funds. Owning the same securities that are recommended (purchase or sell) to Funds presents a conflict of interest that, as fiduciaries, must be disclosed and mitigated through internal policies and procedures. As noted above, the Firm has adopted a Code of Ethics, which addresses insider trading (material non-public information controls) and personal securities reporting procedures. When trading for personal accounts, Supervised Persons of Grayscale Advisors have a conflict of interest if trading in the same securities. The fiduciary duty to act in the best interest of its Funds can be violated if personal trades are made with more advantageous terms than Fund trades, or by trading based on material non-public information. This risk is mitigated by Grayscale Advisors required reporting of personal securities trades by its employees for review by the Chief Compliance Officer. The Advisor has also adopted written policies and procedures to detect the misuse of material, non-public information. In addition, the Firm will maintain a Restricted List, which may, but is not obligated to, restrict employee trading in securities purchased by the Funds.

## **Item 12 – Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker-Dealers**

Grayscale Advisors has discretionary authority to select the broker-dealer/custodian (the “Custodian”) for custody and execution services.

In connection with its role as Advisor, Grayscale Advisors will periodically review the arrangements with Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its Funds. Grayscale Advisors, through the Advisor, maintains a list of broker-dealers that have been approved for trading Fund assets away from a Custodian. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including, but not limited to, the following:

- a broker-dealer’s trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer’s infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- a broker-dealer’s ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary, to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer’s ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- a broker-dealer’s ability to provide services to accommodate special transaction needs, such as the broker-dealer’s ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

### **B. Brokerage for Fund Referrals**

Grayscale Advisors does not recommend broker-dealers to the Advisor based solely on whether or not it may receive client referrals from a broker-dealer or third party. The Firm currently has no solicitation arrangements in place.

### **C. Fund-Directed Brokerage**

Grayscale Advisors does not permit Funds to direct brokerage.

### **D. Trade Errors**

Grayscale Advisors’ goal is to execute trades seamlessly and in the best interests of the Fund. In the event a trade error occurs, Grayscale Advisors endeavors to identify the error in a timely manner, correct the error so that the Fund’s account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Grayscale Future of Finance ETF

Vident as the sub-advisor will remediate and escalate trade errors to Grayscale Advisors. In addition, Vident will provide monthly and quarterly reports of any such trade errors for review as well as periodic reports upon request.

**E. Trade Aggregation**

To the extent that the Grayscale Advisors determines to aggregate Fund orders for the purchase or sale of securities, the Firm will do so in a fair and equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm.

Grayscale Future of Finance ETF

Under the supervision and oversight of Grayscale Advisors, Vident to the extent permitted by applicable law and regulations, will aggregate the order for securities to be sold or purchased in a manner that is equitable and consistent with its fiduciary obligations to the Fund.

**Item 13 – Review of Accounts**

Grayscale Advisors monitors the investment portfolios of each Fund on an ongoing basis. As part of the monitoring process, Grayscale Advisors reviews each Fund's performance against its stated benchmarks and investment objectives. Grayscale Advisors also monitors each Fund's underlying investment allocations and percentages to ensure compliance with applicable diversification requirements under the Investment Company Act of 1940 where applicable. Factors that might trigger a review, other than a periodic portfolio review, include extraordinary events (e.g., severe market turbulence), change in the tax laws, major investment, or regulatory developments, or any unusual or suspicious activity.

*Grayscale Future of Finance ETF*

Under the supervision and oversight of Grayscale Advisors, Vident will also perform a review of accounts of the *Grayscale Future of Finance ETF* on an ongoing basis as set forth in the Investment Sub-Advisory Agreement.

**Item 14 – Client Referrals and Other Compensation**

**A. Economic Benefits Provided by Third Parties for Advice Rendered to Funds**

Grayscale Advisors does not receive benefits from third parties for providing investment advice to Funds.

**B. Compensation to Non-Supervised Persons for Fund Referrals**

Grayscale Advisors may rely on referral arrangements with third-party solicitors.

**Item 15 – Custody**

Grayscale Advisors is deemed to have custody of client funds and securities because it has written authority from each Fund permitting the Firm's advisory fees to be paid directly from the Fund's custodian account to the Firm. Account statements related to clients are sent by qualified custodians to Grayscale Advisors.

While Grayscale Advisors is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule") which generally requires an adviser who has custody of client funds or securities to undergo an annual surprise audit examination, Grayscale Advisors will be deemed to have complied with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception". The Pooled Investment Vehicle exception to the Custody Rule requires that each Fund be subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by the Public Company Accounting Oversight Board ("PCAOB"), that each Fund distribute the audited financial statements to each investor in the pool within 120 days after the pool's fiscal year.

**Grayscale Future of Finance ETF**

Grayscale Advisors has appointed U.S. Bank National Association to serve as the qualified custodian to the *Grayscale Future of Finance ETF* in accordance with Section 17(f) of the Investment Company Act of 1940 and rules thereunder. Account statements related to the *Grayscale Future of Finance ETF* will be sent by the qualified custodian to Grayscale Advisors. Thus, under the sub-advisory relationship, Vident will not have custody of the *Grayscale Future of Finance ETF*'s funds or securities as these will be maintained at a qualified custodian as set forth in the offering documents.

**Item 16 – Investment Discretion**

As the investment adviser to each Fund, we generally have discretionary trading authority to each Fund. Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

Each Fund will have entered into an investment management agreement with the Firm, pursuant to which the Fund will grant the Firm investment discretion.

*Grayscale Future of Finance ETF*

Under the supervision and oversight of Grayscale Advisors, Vident will be delegated investment discretion as set out in the Investment Sub-Advisory Agreement.



**Item 17 – Voting Fund Securities**

Unless a Fund directs otherwise in writing, the Firm is responsible for voting client proxies. Each Fund shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets. The Firm understands its duty to vote client proxies and to do so in the best interest of its clients. Furthermore, it is understood that any material conflicts between the Firm's interests and those of each Fund with regard to proxy voting must be resolved before proxies are voted. Funds may request a copy of the Firm's written policies and procedures regarding proxy voting and/or information on how particular proxies were voted by contacting our Chief Compliance Officer.

**Item 18 – Financial Information**

**A. Balance Sheet**

The Firm does not require prepayment of more than \$1,200 in fees per Fund, six months or more in advance, and therefore does not need to include a balance sheet with this Brochure.

**B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither the Firm nor its management has any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to Funds.

**C. Bankruptcy Petitions in Previous Years**

The Firm has not been the subject of a bankruptcy petition.