

Firm Brochure

(Part 2A of Form ADV)

DIGITAL FUNDS, LLC CRD #317561

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This brochure provides information about the qualifications and business practices of DIGITAL FUNDS, LLC. If you have any questions about the contents of this brochure, please contact us at 808-600-5366, or by email at mike@digitalfunds.io. 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. DIGITAL FUNDS, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about DIGITAL FUNDS, LLC is available on the SEC's website at www.adviserinfo.sec.gov

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 808-600-5366 or by email at mike@digitalfunds.io. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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Advisory Business

Firm Description

DIGITAL FUNDS, LLC (“Digital Funds,” the “Adviser,” the “Firm,” or “we”), was founded in 2021.

DIGITAL FUNDS currently has no separately managed accounts.

DIGITAL FUNDS is strictly a fee-only investment management firm. The Firm does not receive commissions for purchasing or selling annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The Firm is not affiliated with entities that sell financial products or securities except as it relates to Digital Funds Trust. No commissions in any form are accepted.

Other professionals (e.g., lawyers, accountants, insurance agents, financial planners, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

As a newly formed investment adviser, the Firm currently has no assets under management.

Tailored Relationships

Investment decisions for the Fund are generally tailored to the investment objectives and investment strategies as set forth in the Fund’s prospectus.

Asset Management

Portfolio will primarily be invested in S&P 500 constituents or no-load S&P 500 index mutual funds, ETFs and bitcoin futures contracts. Initial public offerings (IPOs) are not available through the Firm.

Fees and Compensation

Description

As noted above, the Firm bases its fees on a percentage of assets under management.

Fee Billing

Investment management fees are billed monthly.

Other Fees

None

Expense Ratios

Mutual funds and ETFs generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 95 basis points means that the mutual fund company charges 0.95% for their services.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Past Due Accounts and Termination of Agreement

DIGITAL FUNDS reserves the right to stop work on any account that is more than 30 days overdue. Any unused portion of fees collected in advance will be refunded within 30 days.

Performance-Based Fees

DIGITAL FUNDS does not use a performance-based fee structure.

Types of Clients

Description

DIGITAL FUNDS currently expects to separately managed accounts.

DIGITAL FUNDS currently has no separately managed accounts.

Account Minimums

The initial investment minimum for the Fund is \$1, and the minimum amount for subsequent investments is \$1.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis consists of reviewing S&P 500® constituent data provided by Standard & Poor's. This data details which companies are held by the index and what the weightings are for each company. The Adviser uses this data to mirror the Fund's portfolio to the index.

Investment Strategies

DIGITAL FUNDS is expected to manage a portfolio of securities that track the S&P 500® Index and bitcoin futures contracts in order to track the S&P Bitcoin Index for the Fund.

Under normal circumstances, DIGITAL FUNDS primarily utilizes equities, mutual funds, ETFs and bitcoin futures contracts to achieve its objectives.

Investors in the Fund should consult the prospectus and statement of additional information for a more detailed description of their investment strategies and the associated risks. The firm reserves the right to utilize some or all of the strategies discussed herein, or to modify the manner in which they are used.

Risk of Loss

All investment programs have certain risks that are borne by the investor, and all investors should be prepared to bear losses. Investors in the Fund should consult the prospectus and statement of additional information for a more detailed description of the associated risks. Our investment approach constantly keeps the risk of loss in mind. Investors may generally face the following investment risks associated with the strategies that the firm may employ:

- **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.
- **Market Risk:** The price of a security, bond, or mutual fund 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 particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Blockchain Technology Risk:** Blockchain technology is a relatively new and untested technology which operates as a distributed ledger. The risks associated with blockchain technology may not emerge until the technology is widely used. Blockchain systems could be vulnerable to fraud, particularly if a significant minority of participants colluded to defraud the rest. Access to a given blockchain requires an individualized key, which, if compromised, could result in loss due to theft, destruction or inaccessibility. There is little regulation of blockchain technology other than the intrinsic public nature of the blockchain system. Any future regulatory developments could affect the viability and expansion of the use of blockchain technology. There are currently a number of competing blockchain platforms with competing intellectual property claims. The uncertainty inherent in these competing technologies could cause

companies to use alternatives to blockchain.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk 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.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Bitcoin Risk:** The Bitcoin network has a limited history relative to traditional commodities and currencies. There is no assurance that use or acceptance of bitcoin will continue to grow. A contraction in use or adoption of bitcoin may result in increased volatility or a reduction in the price of bitcoin, which would likely have an adverse impact on the value of the Shares. Sales of newly created or "mined" bitcoin may cause the price of bitcoin to decline, which could negatively affect an investment in the Shares. Bitcoin trading prices experience high levels of volatility, and in some cases such volatility has been sudden and extreme. Because of such volatility, Shareholders could lose all or substantially all of their investment in the Trust in a very short time, even in the course of one day. Shareholders who invest in the Trust should actively manage and monitor their investments. The Bitcoin network could cease to be a focal point for developer activity, and there is no assurance that the most active developers who participate in monitoring and upgrading the software protocols on which the Bitcoin network is based will continue to do so in the future, which could damage the network or reduce bitcoin's competitiveness with competing digital assets or blockchain protocols. Spot markets on which bitcoin trades are relatively new and largely unregulated, and, therefore, may be more exposed to fraud and security breaches than established, regulated exchanges for other financial assets or instruments, which could have a negative impact on the performance of the Trust. Disruptions at bitcoin spot markets, futures markets and in the over-the-counter ("OTC") markets could adversely affect the availability of bitcoin and the ability of Authorized Participants to purchase or

sell bitcoin or bitcoin derivatives and therefore their ability to create and redeem Shares of the Trust. The loss or destruction of certain “private keys,” including by the Custodian, could prevent the Trust from accessing its bitcoin. Loss of these private keys may be irreversible and could result in the loss of all or substantially all of an investment in the Trust. Loss of private keys may also impede the Trust’s ability to operate, including by limiting the Trust’s ability to transfer bitcoin in the face of a redemption request and forcing the Trust to consider liquidation.

- **Bitcoin Futures Contracts Risk:** The market for bitcoin futures contracts may be less developed, and potentially less liquid and more volatile, than more established futures markets. While the bitcoin futures contracts market has grown substantially since bitcoin futures contracts commenced trading, there can be no assurance that this growth will continue. The price for bitcoin futures contracts is based on a number of factors, including the supply of and the demand for bitcoin futures contracts. Market conditions and expectations, position limits, collateral requirements, and other factors each can impact the supply of and demand for bitcoin futures contracts. Recently increased demand paired with supply constraints and other factors have caused bitcoin futures contracts to trade at a significant premium to the “spot” price of bitcoin. Additional demand, including demand resulting from the purchase, or anticipated purchase, of bitcoin futures contracts by the Fund or other entities may increase that premium, perhaps significantly. It is not possible to predict whether or for how long such conditions will continue. To the extent the Fund purchases futures contracts at a premium and the premium declines, the value of an investment in the Fund also should be expected to decline.

Disciplinary Information

Legal and Disciplinary

The Firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Ownership

Michael G. Willis along with Ho'omau Capital Group, LLC, are the direct owners of DIGITAL FUNDS, LLC. Steven Todd Johnson is the direct owner of Ho'omau Capital Group, LLC, and as such is an indirect owner of DIGITAL FUNDS, LLC.

Affiliations

No Affiliations at this time

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

Code of Ethics

The employees of the Firm have committed to a Code of Ethics that is available for review by clients and prospective clients upon request.

DIGITAL FUNDS has adopted a Code of Ethics that it believes is reasonably designed to protect against conflicts between the personal securities transactions (if any) of the Firm and its principals, officers and employees (and members of their families) and transactions effected on behalf of clients. The Code of Ethics is based on the principle that the Firm and its employees owe a fiduciary duty to the clients. Thus, employees of the Firm must generally (i) place the interests of clients first, (ii) avoid taking inappropriate advantage of their positions within the Firm, and (iii) conduct their personal securities transactions (if any) in full compliance with the Code of Ethics.

The Firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

DIGITAL FUNDS and its employees may buy or sell securities that are also held by the Fund. If an employee wishes to buy or sell one of the securities held by the Fund, the employee may do so; however, the employee may not trade their own securities ahead of transactions for the Fund. Holdings of the Fund are immediately made available to employees upon request. Mutual funds and ETFs are exempt from this restriction, and therefore do not require prior approval for purchase.

Personal Trading

The Chief Compliance Officer of DIGITAL FUNDS is Michael Willis. The CCO typically reviews all employee trades each quarter, with the exception of his own, which are reviewed by Steven Todd Johnson, the Secretary of DIGITAL FUNDS. The personal trading reviews seek to ensure that the personal trading of employees does not affect the markets, and that clients of the Firm are not disadvantaged.

Brokerage Practices

Selecting Brokerage Firms

DIGITAL FUNDS typically has discretionary authority to determine the type, amount, price and timing of securities being bought and sold on behalf of its client, including the selection of and commissions paid to brokers, subject to each client's investment policies and goals.

DIGITAL FUNDS, in seeking to obtain the best execution of portfolio transactions, may consider the quality and reliability of brokerage services. Factors considered by the Firm in selecting brokers and dealers may include the following: price; the broker's or dealer's facilities, reliability and financial stability; the ability of the broker or dealer to effect securities transactions, particularly with regard to such aspects as complexity of the trade, timing, order size and execution of the orders; and the brokerage and research products and services provided by that broker or dealer to the Firm that are expected to enhance the Firm's general portfolio management capabilities, notwithstanding that a client may not be the direct or exclusive beneficiary of such services.

Best Execution, Soft Dollars and Directed Brokerage

Commission rates, being a component of price, are one factor considered together with other factors. DIGITAL FUNDS may cause a client's account to pay a broker or dealer a commission for effecting a transaction for the client's account that may be higher than a commission charged by another broker if DIGITAL FUNDS believes the service it receives is better.

To mitigate and address any conflicts of interest that may arise, the Firm has adopted policies and procedures to evaluate, on an ongoing basis, the value of a broker's services and the reasonableness of any commissions charged. DIGITAL FUNDS does not receive any portion of the trading fees or commissions.

As of the date of this brochure, DIGITAL FUNDS does not have any soft dollar arrangements in place with brokers, and does not use soft dollars.

As noted above, the Firm typically retains discretion over brokerage selection. Certain clients may sometimes wish to restrict brokerage to a particular broker. Because directed brokerage may, in the Firm's view, restrict the discretion the Firm would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions generally for the client's account, DIGITAL FUNDS typically does not permit directed brokerage arrangements.

Order Aggregation

When permitted under applicable law, and if managing multiplus funds of the DIGITAL FUNDS TRUST, the Portfolio Manager of DIGITAL FUNDS generally will aggregate orders of the funds for the same securities in a single order so that such orders are executed simultaneously in order to facilitate best execution and to reduce brokerage costs. DIGITAL FUNDS effects aggregated orders in a manner designed to ensure that no fund

is favored over any other fund.

In general, the funds participating in an aggregated order will participate on a pro rata or other objective basis. Pro rata allocation of securities and other instruments will generally consist of allocation based on the order size of a participating client account in proportion to the size of the orders placed for other accounts participating in the aggregated order. However, DIGITAL FUNDS, at times and where DIGITAL FUNDS deems appropriate, allocates such securities and other instruments using a method other than pro rata if their supply is limited, based on differing portfolio characteristics among the funds or to avoid odd lots or small allocations, among other reasons. These allocations are made in our good faith judgment with a goal of ensuring that fair and equitable allocation will occur over time. There are times that DIGITAL FUNDS is not able to aggregate orders because of applicable law or other considerations when doing so might otherwise be advantageous.

Review of Accounts

Periodic Reviews

Fund Account reviews are to be performed quarterly by Michael Willis, CEO of DIGITAL FUNDS, at the Quarterly Board Meetings for the Digital Funds Trust.

The Fund will make available its annual and semi-annual reports as required by the Investment Company Act of 1940.

Client Referrals and Other Compensation

Referrals

DIGITAL FUNDS does not currently engage or compensate third parties for referrals. However, it reserves the right to. If DIGITAL FUNDS does engage or compensate third parties for referrals, this compensation will be disclosed by the Adviser.

Custody

SEC “Custody”

DIGITAL FUNDS does not retain physical custody of clients’ funds or securities. Assets are held at a qualified custodian. Each qualified custodian typically provides account statements directly to clients at their address of record at least quarterly. Assets of the Funds are custodied pursuant to an agreement between a qualified custodian and the Digital Funds Trust, in accordance with the requirements of the Investment Company Act of 1940, and the firm does not retain custody of those assets.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by DIGITAL FUNDS.

Investment Discretion

Discretionary Authority for Trading

DIGITAL FUNDS accepts discretionary authority to manage securities accounts on behalf of clients. DIGITAL FUNDS typically has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Limitations on discretionary authority may be negotiated at the firm’s discretion. Discretionary authority is typically conferred via standard investment management agreements and/or powers of attorney, if applicable.

Voting Client Securities

Proxy Votes

Since the Adviser has no other clients other than a mutual fund client, the only proxy policy applicable is the proxy policy of the Fund, which will be able to be found in the prospectus at on file with the U.S. Securities and Exchange Commission at www.sec.gov.

Financial Information

Financial Condition

DIGITAL FUNDS does not have any financial impairment that will preclude the Firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because the Firm does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.

Privacy Notice

Privacy Policy

Please read the Privacy Policy carefully. It gives you important information about how DIGITAL FUNDS handles non-public personal information (“Personal Information”) that we may receive about you. It applies to all of our past, present and future clients and shareholders of the funds it advises, and will continue to apply when you are no longer a client or shareholder.

We consider your privacy to be a fundamental aspect of our relationship with you, and we strive to maintain the confidentiality, integrity and security of your Personal Information. To ensure your privacy, we have developed policies that are designed to protect your Personal Information while allowing your needs to be served.

In the course of providing you with products and services, we may obtain Personal Information about you, which may come from sources such as account application and other forms, from other written, electronic, or verbal communications, from account transactions, financial advisor or consultant, and/or from information you provide on our website. You are not required to supply any of the Personal Information that we may request. However, failure to do so may result in us being unable to open and maintain your account, or to provide services to you.

We do not disclose your Personal Information to anyone for marketing purposes. We disclose your Personal Information only to those service providers, affiliated and non-affiliated, who need the information for everyday business purposes, such as to respond to your inquiries, to perform services, and/or to service and maintain your account. This applies to all of the categories of Personal Information we collect about you. The affiliated and non-affiliated service providers who receive your Personal Information also may use it to process your transactions, provide you with materials (including preparing and mailing prospectuses and shareholder reports and gathering shareholder proxies), and provide you with account statements and other materials relating to your account. These service providers provide services at our direction, and under their agreements with us, are required to keep your Personal Information confidential and to use it only for providing the contractually required services. Our service providers may not use your Personal Information to market products and services to you except in conformance with applicable laws and regulations. We also may provide your Personal Information to your respective brokerage or financial advisory firm, custodian, and/or to your financial advisor or consultant. In addition, we reserve the right to disclose or report Personal Information to non-affiliated third parties, in limited circumstances, where we believe in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities or pursuant to other legal process, or to protect our rights or property, including to enforce our Privacy Policy or other agreements with you. Personal Information collected by us may also be transferred as part of a corporate sale, restructuring, bankruptcy, or other transfer of assets.

We maintain your Personal Information for as long as necessary for legitimate business purposes or otherwise as required by law. In maintaining this information, we have implemented appropriate procedures that are designed to restrict access to your Personal

Information only to those who need to know that information in order to provide products and/or services to you. In addition, we have implemented physical, electronic and procedural safeguards to help protect your Personal Information.

Cookies and Similar Technologies

Cookies are small text files stored in your computer's hard drive when you visit certain web pages. Clear GIFs (also known as Web Beacons) are typically transparent very small graphic images (usually 1 pixel x 1 pixel) that are placed on a website that may be included on our services provided via our website and typically work in conjunction with cookies to identify our users and user behavior. We may use cookies and automatically collected information to: (i) personalize our website and the services provided via our website, such as remembering your information so that you will not have to re-enter it during your use of, or the next time you use, our website and the services provided via our website; (ii) provide customized content, and information; (iii) monitor and analyze the effectiveness of our website and the services provided via our website and third-party marketing activities; (iv) monitor aggregate site usage metrics such as total number of visitors and pages viewed; and (v) track your entries, submissions, and status in any promotions or other activities offered through our website and the services provided via our website. Tracking technology also helps us manage and improve the usability of our website, (i) detecting whether there has been any contact between your computer and us in the past and (ii) to identify the most popular sections of our website. Because an industry-standard Do-Not-Track protocol is not yet established, our website will continue to operate as described in this Privacy Policy and will not be affected by any Do-Not-Track signals from any browser.