

RISK FACTORS

This section will examine some risks faced when investing in our funds. It is important to note, however, that this is not a complete list of all possible risks

NO ASSURANCE IN ACHIEVING INVESTMENT OBJECTIVES

There is no assurance that the Fund will be able to achieve its investment objectives.

LOSS OF INVESTMENT

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment.

FLUCTUATION IN VALUE OF ETH

The NAV of the fund varies according to the fund's token fluctuations relative to the fund's token value in Ether. Also, the value of Ether itself fluctuates in dollars. Both token to Ether and Ether to fiat fluctuations will be influenced by factors which are not within the control of the Fund nor the Manager!

CONCENTRATION RISK

The Fund was created to invest in cryptocurrency and is not expected to have exposure to any other investments or assets. Other than cash or cash equivalents, the Fund will invest substantially all of its assets in cryptocurrencies. The Net Asset Value per Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the Net Asset Value of the Units.

CHANGES IN LEGISLATION

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CYBERSECURITY RISK

Unlike equity, debt, and futures instruments, which are representatives of an underlying asset and typically cannot be "stolen," digital ownership of assets is based on encryption techniques that generate units independent of a centralized repository of ownership, represented by access codes, which can be misappropriated or lost in ways that can be unrecoverable. Exchanges, custodians, and various hardware and computer programs have made strides towards mitigating the risk of loss, but the fundamental cybersecurity risk of trading and holding digital assets remains a critical risk facing funds and their investors.

CRYPTOCURRENCY RISK

Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware which could have an adverse impact on the Net Asset Value of the funds. Nevertheless, the fund is based on an efficient and fully automated algorithm which is very difficult to hack.

LIMITED HISTORY OF ETHEREUM BLOCKCHAIN

ETH is a new technological innovation with a limited history. There is no assurance that the usage of ETH blockchain will continue to grow. A contraction in the use of Ether or its blockchain may result in increased volatility or a reduction in the price of Ethereum, which could adversely impact the Net Asset Value of the Units. Nevertheless, according to the blockchain, the compounded annual growth of blockchain users between 2016 and 2019 was 70% showing a growing number of users. Also, in 2018, 61% of French people used cryptos to invest, signifying a promising sector. Furthermore, in 2017, the number of crypto funds doubled resulting in a growing market.

LOSS OF "PRIVATE KEYS"

If we lose our private keys then we lose control over asset allocation. This means we can no longer trade on behalf of the investor. However the funds invested in the fund will still be there and diversified. The investor can always retrieve his money. However if the investor loses his private key, then there is nothing anyone can do to retrieve his/her investment

FUND'S HOLDINGS MAY BECOME ILLIQUID

The Fund may not always be able to liquidate its crypto assets at the desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace. Unexpected market illiquidity may cause major losses. However, note that capital is withdrawable at any time.

IMPROPER TRANSFERS

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INFLATION

Monetary value risk Inflation may decrease the value of the asset's investments. The purchasing power of the invested capital could decrease if the inflation rate is higher than the income yielded by the investments.

RISK RELATED TO THE STATE OF THE ECONOMY

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PSYCHOLOGICAL MARKET RISK

Moods, opinions and rumours can cause a significantly declining market, even though the profit situation and future outlook of the company invested in need not have sustainably changed. The psychological market risk has a particular impact on crypto assets. However, at Insula, we aim to reduce such risk by constructing market-neutral portfolios rebalanced autonomously by programs.

CURRENCY RISK

To provide a hedge against ETH/USD foreign exchange risk, we provide absolute returns in Ethereum independently from Ethereum's price in USD.

POSSIBLE INCREASE IN TRANSACTION FEES

Miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners confirm transactions by adding previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees because miners have a very low marginal cost of validating unconfirmed transactions. If miners collude in an anti-competitive manner to reject low transaction fees, then crypto users could be forced to pay higher fees. Mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely impact the Net Asset Value of the Units.

RISK OF CHANGES IN REGULATORY REQUIREMENTS

There is a risk of comprehensive regulation of the subject area of crypto-currencies and related services. This may mean that the business model, including the respective tokens, must be adapted accordingly. This may mean that the business model has to be adapted in a way that differs from the form presented in this prospectus, which may result in additional costs.

RISK OF LOSS OF KEY PERSONS

Due to the possible loss of key personnel, there is a risk that expertise will no longer be available. The issuer relies on key team members with in-depth knowledge of the crypto-industry and may incur substantial losses, if one or more key team members and/or directors decide to leave the issuer or if significant developments and trends in the crypto-industry are not identified in a timely manner.