

GENESIS BLOCK FUND LTD.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

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Independent Auditors' Report

To the Directors and Shareholders
Genesis Block Fund Ltd.

We have audited the accompanying financial statements of Genesis Block Fund Ltd., which comprise the statement of financial condition, including the condensed schedule of investments, as of December 31, 2019, and the related statements of operations, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Genesis Block Fund Ltd. as of December 31, 2019, and the results of its operations, changes in its shareholders' equity, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cohen & Company (Cayman)

Grand Cayman, Cayman Islands
June 18, 2020

Statement of Financial ConditionDecember 31, 2019

Assets

Investments in digital assets, at fair value (cost \$4,971,604)	\$	3,024,633
Cash		950
Due from exchange		<u>21,002</u>
Total Assets	\$	<u>3,046,585</u>

Liabilities

Management fee payable	\$	3,325
Accrued expenses		<u>35,500</u>
Total Liabilities		<u>38,825</u>

Shareholders' equity

Class A (shares outstanding 3,993)		1,991,458
Class B (shares outstanding 1,824)		<u>1,016,302</u>
		<u>3,007,760</u>

Total liabilities and shareholders' equity	\$	<u>3,046,585</u>
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Condensed Schedule of InvestmentsDecember 31, 2019

	Quantity	Percentage of Shareholders' Equity	Fair Value
Investments in digital assets , at fair value			
Bitcoin	254	60.7 %	\$ 1,826,697
Ethereum	5,993	25.8	776,810
EOS	66,803	5.7	172,398
Other ⁽¹⁾		8.4	248,728
		<hr/>	<hr/>
Total investments in digital assets ,		100.6 %	\$ 3,024,633
at fair value (cost \$4,971,604)			<hr/>

⁽¹⁾ \$60,000 of other digital assets represents an investment in a Simple Agreement for Future Tokens (SAFT) entitling the Fund the right to a predetermined amount of tokens at asset launch.

Statement of OperationsFor the year ended December 31, 2019

Investment income

Other investment income	\$ 1,311
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Total investment income	<u>1,311</u>
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Expenses

Performance fee	139,862
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Management fee	40,456
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Professional fees	36,963
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Administrative fee	60,750
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Other expenses	<u>12,024</u>
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Total expenses	<u>290,055</u>
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Net investment loss	<u>(288,744)</u>
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Trading gain (loss) on digital assets

Realized losses from trading	(239,593)
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Change in unrealized gains from trading	<u>630,766</u>
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Trading gain on digital assets	<u>391,173</u>
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Net income	<u>\$ 102,429</u>
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Genesis Block Fund Ltd.

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2019

	Investment Manager	Class A	Class B	Total
Operations				
Net investment loss	\$ (3,420)	(248,971)	(36,353)	(288,744)
Realized losses from trading	(5,150)	(149,667)	(84,776)	(239,593)
Change in unrealized gains from trading	9,297	419,025	202,444	630,766
Net income	727	20,387	81,315	102,429
Share transactions				
Issuance of shares	139,862	1,350,000	661,000	2,150,862
Redemption of shares	(140,589)	(55,000)	(177,000)	(372,589)
Net increase (decrease) in shareholders' equity resulting from share transactions	(727)	1,295,000	484,000	1,778,273
Net increase in shareholders' equity	\$ -	1,315,387	565,315	1,880,702
Shareholders' equity, beginning of year	-	676,071	450,987	1,127,058
Shareholders' equity, end of year	\$ -	1,991,458	1,016,302	3,007,760

See accompanying notes to financial statements.

Statement of Cash FlowsFor the year ended December 31, 2019

Cash flows from operating activities

Net income	\$	102,429
Adjustments to reconcile net income to net cash used in operating activities:		
Realized losses from trading		239,593
Change in unrealized gains from trading		(630,766)
Purchases of investments in digital assets ⁽¹⁾		(2,730,784)
Sales of investments in digital assets ⁽¹⁾		1,235,877
Issuance of shares in lieu of performance fee ⁽²⁾		139,862
Changes in operating assets and liabilities:		
Due from exchange		146,489
Management fee payable		1,425
Accrued expenses		20,963

Net cash used in operating activities		<u>(1,474,912)</u>
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Cash flow from financing activities

Issuance of shares, net of change in contributions received in advance ⁽²⁾		1,839,000
Redemption of shares		<u>(372,589)</u>

Net cash provided by financing activities		<u>1,466,411</u>
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Net change in cash		(8,501)
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Cash, beginning of year		<u>9,451</u>
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Cash, end of year	\$	<u>950</u>
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⁽¹⁾ Through the year, there were digital assets traded for other digital assets, and such amounts were translated to U.S dollars and included in the purchases or sales of investments in digital assets.

Supplemental disclosure of non-cash financing activity:

⁽²⁾ Contribution of \$139,862 to the Investment Manager was received in lieu of performance fee payment to the Investment Manager.

Note 1. Organization and Summary of Significant Accounting Policies

General Description of the Fund

Genesis Block Fund Ltd. (the "Fund") is a Cayman exempted shareholdership, which was formed on November 14, 2017 and commenced operations on January 1, 2018. The Fund is also a regulated mutual fund under the Mutual Funds Laws of the Cayman Islands. The Fund was organized for the purpose of trading and investing in blockchain assets. The Fund is managed by BLP Gestora de Recursos Ltda (the "Investment Manager"). The Fund is subject to the supervision of the Cayman Islands Monetary Authority, an agency of the Cayman Islands government, which regulates most aspects of Cayman Islands mutual funds.

Method of Reporting

The Fund's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "Codification") is the single source of U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

U.S. GAAP contains no authoritative guidance related to the accounting for digital assets. As a result, transactions of digital assets have been accounted for analogizing to existing accounting standards that management believes are appropriate to the circumstances. There can be no certainty as to when FASB or other standards setter will issue accounting standards for digital assets, if at all.

The Fund is an investment company that follows the accounting and reporting guidance of the *Financial Services – Investment Companies* Topic of the Codification.

Significant estimates made by the Investment Manager in the preparation of the financial statements include the valuation of certain digital assets and private securities. Because of the inherent uncertainty of valuation, the estimates of fair value may differ significantly from the fair value that would have been used had a ready market for such financial instruments existed, and the differences could be material.

Recently Issued Accounting Pronouncement

In August 2018, the FASB issued Accounting Standards Update No. 2018-13 (ASU 2018-13) *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements on fair value

Note 1. Organization and Summary of Significant Accounting Policies (continued)

measurements pursuant to the *Fair Value Measurement* Topic of the Codification. ASU 2018-13 is effective for fiscal years. Early adoption is permitted. The Fund adopted ASU 2018-13 in 2019 as the Fund determined that ASU 2018-13 provides a more meaningful presentation to the users of the financial statements. The adoption of ASU 2018-13 did not have a material impact of the Fund's financial statements.

Cash

Cash represents cash deposits held at a major financial institution and is subject to credit risk to the extent its balance exceeds the Federal Deposit Insurance Corporation ("FDIC") limit. As of December 31, 2019, the Fund did not hold cash in excess of the limit of \$250,000.

Investments and Valuation

The Fund's investments in digital assets are stated at fair value. Digital assets are generally valued using the price reported by coinmarketcap.com ("CoinMarketCap") as of 11:59 pm UTC on the valuation date, although the Investment Manager has substantial discretion in determining the value of the Fund's assets. CoinMarketCap is a well-known cryptocurrency market capitalization source in the industry and provides prices for cryptocurrencies using a volume weighted average of prices across the varying exchanges on which they are traded. While some digital assets are valued based on prices reported in the public markets, other digital assets may be more thinly-traded or subject to irregular trading activity. Determinations on the value of certain digital assets, and how to value such assets as to which limited prices or quotations are available, are based on the Investment Manager's recommendations or instructions.

Digital asset and private security transactions are recorded on the trade date. Realized gains and losses from digital asset transactions are determined using the specific identification cost method. Any change in net unrealized gain or loss is reported in the statement of operations. Commissions and other trading fees are reflected at the time of the transaction and reported in the statement of operations.

The Investment Manager has determined to value certain digital assets that are Simple Agreements for Future Tokens (SAFTs) at cost plus 20% bonus tokens received per such agreements. SAFTs are categorized in Level 3 of the fair value hierarchy, as set forth in the *Fair Value Measurement* Topic of Codification. Management has determined that there have been no material developments related to these digital assets and therefore cost plus bonus tokens are representative of fair value.

Note 1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

Under the laws of the Cayman Islands, the Fund is generally not subject to income taxes. However, certain U.S. dividend income and interest income may be subject to a maximum of 30% withholding tax. Generally, the Fund is subject to income tax examinations by major taxing authorities since inception.

The Fund has elected an accounting policy to classify interest and penalties, if any, as interest expense. The Investment Manager has concluded there is not tax expense or interest expense related to uncertainties in income tax provisions for the year ended December 31, 2019.

Note 2. Investment Manager

The Investment Manager will receive from the Fund a non-refundable management fee at a rate of two percent (2.00%) per annum of each Series of Class A Shares. The payment of each annual management fee shall be made in twelve (12) monthly instalments, calculated on a pro rata basis, in arrears, within twenty (20) business days after each month's Valuation Day as defined in the Agreement. Each of such monthly payments shall be calculated based on the shareholders' equity of each series of Class A Shares of each month.

In accordance with the Fund's Offering Memorandum (the "Agreement"), in relation to Class A Shares, profits and losses of the Fund are allocated to shareholders at the end of each monthly period in proportion to their shareholders' equity at the beginning of the month. Subject to certain limitations, generally 20% of the net profits allocated to the shareholders is paid to the Investment Manager (the "performance fee"). The performance fee is charged semiannually or upon withdrawal of all or part of a shareholder's equity. The performance fee is subject to a high water mark provision as defined in the Agreement. At the Investment Manager discretion, certain shareholders may not be charged a performance fee. No management fee and performance fee are applicable to with respect to Class B Shares.

Note 3. Share Transactions

Contributions

The minimum initial investment amount for each class of shares is US\$100,000. Additional subscriptions may be made in increments of at least US\$10,000. The Investment Manager, in its sole discretion, may accept investments of a lesser amount. The Fund may accept such amounts as of the first business day of any calendar month or at such other times permitted by the Investment Manager.

Note 3. Share Transactions (continued)

Class A Shares are issued in series at \$1,000 per share to accommodate an equitable calculation of the performance fee. After the close of business on the last day of each performance fee period, as defined in the agreement, all series of Class A Shares that were charged a performance fee will be converted into the oldest series of Class A Shares which have been charged a performance fee in respect to the immediately preceding performance fee period.

Redemptions

Generally, a shareholder may redeem all or any part of their shares as of the last day of any calendar month (each a "Withdrawal Date"), upon not less than fifteen (15) days' prior written notice to the Investment Manager.

Notwithstanding any other provision of the Agreement, the Investment Manager may suspend withdrawals and/or payments due to shareholders in connection with withdrawals for the whole or any part of any period during which the Investment Manager reasonably determines that: (i) effecting such withdrawals or making such payments would violate the Act or have a material adverse effect on the Shareholders generally; (ii) it is not practicable to accurately ascertain the value of a material portion of the assets of the Fund due to factors such as the closure of or the suspension of trading on any exchange or other market on which such assets are usually traded or the break-down in any of the means usually employed by the Investment Manager in ascertaining such value; (iii) circumstances exist as a result of which it is not reasonably practicable for the Fund to realize on the value of a material portion of its assets. If the Investment Manager in its discretion permits a shareholder to redeem shares other than as of the Redemption Date, the Investment Manager may impose an additional administrative fee to cover the legal, accounting, administrative, and any other costs and expenses associated with such withdrawal.

As of December 31, 2019, there are 4,990,000 participating redeemable shares of \$0.01 par value authorized. The participating shares have no voting rights, but participate in all profit and loss of the Fund. There are also 100 management shares having a par value of \$1.00 outstanding at December 31, 2019. The management shares are voting shares and have the entire voting power of the Fund, but do not participate in the profits and losses. The 100 management shares are held by the Management Shareholders, as defined in the Agreement.

Transactions in shares during the period, as well as the shares outstanding and the NAV per share as of December 31, 2019, for each class and series of shares are as follows:

Genesis Block Fund Ltd.

	Beginning Shares	Shares Issued	Shares Redeemed	Ending Shares	Beginning Shareholders' Equity	Amounts Issued	Amounts Redeemed	Net Income	Ending Shareholders' Equity	NAV Per Share 12/31/2019
Class A										
January Series	975.00	-	-	975.00	\$ 215,065	\$ -	\$ -	\$ 74,946	\$ 290,011	297.45
February Series	1,300.00	-	-	1,300.00	341,378	-	-	118,959	460,337	354.11
May Series	300.00	-	-	300.00	84,386	-	-	29,406	113,792	379.31
June Series	100.00	-	-	100.00	35,242	-	-	12,282	47,524	475.24
January 2019 Series	-	150.00	-	150.00	-	150,000	-	28,720	178,720	1191.47
March 2019 Series	-	100.00	-	100.00	-	100,000	-	14,980	114,980	1149.80
April 2019 Series	-	100.00	(31.82)	68.18	-	100,000	(55,000)	28,661	73,661	1080.39
May 2019 Series	-	300.00	-	300.00	-	300,000	-	(25,256)	274,744	915.81
June 2019 Series	-	150.00	-	150.00	-	150,000	-	(57,130)	92,870	619.13
July 2019 Series	-	250.00	-	250.00	-	250,000	-	(109,141)	140,859	563.44
August 2019 Series	-	200.00	-	200.00	-	200,000	-	(69,941)	130,059	650.29
September 2019 Series	-	100.00	-	100.00	-	100,000	-	(26,099)	73,901	739.01
Total										
Amounts					\$ 676,071	\$ 1,350,000	\$ (55,000)	\$ 20,387	\$ 1,991,458	
Shares	2,675.00	1,350.00	(31.82)	3,993.18						
Class B										
January Series	875.00	-	(168.21)	706.79	\$ 196,910	\$ -	\$ (70,000)	\$ 91,911	\$ 218,821	309.60
February Series	125.00	-	-	125.00	33,433	-	-	12,562	45,995	367.96
March Series	120.00	-	-	120.00	33,788	-	-	12,695	46,483	387.36
April Series	25.00	-	-	25.00	11,222	-	-	4,217	15,439	617.54
May Series	60.00	-	-	60.00	17,104	-	-	6,427	23,531	392.18
June Series	25.00	-	-	25.00	8,914	-	-	3,350	12,264	490.54
October Series	25.00	-	-	25.00	13,789	-	-	5,182	18,971	758.83
November Series	82.00	-	(82.00)	-	48,988	-	(78,487)	29,499	-	-
December Series	90.00	-	(13.76)	76.24	86,839	-	(28,513)	42,880	101,206	1,327.42
January 2019 Series	-	22.00	-	22.00	-	22,000	-	8,266	30,266	1,375.74
February 2019 Series	-	30.00	-	30.00	-	30,000	-	16,427	46,427	1,547.58
May 2019 Series	-	125.00	-	125.00	-	125,000	-	2,174	127,174	1,017.39
June 2019 Series	-	185.00	-	185.00	-	185,000	-	(66,509)	118,491	640.49
July 2019 Series	-	60.00	-	60.00	-	60,000	-	(25,854)	34,146	569.10
August 2019 Series	-	116.00	-	116.00	-	116,000	-	(39,934)	76,066	655.74
September 2019 Series	-	15.00	-	15.00	-	15,000	-	(3,841)	11,159	743.96
October 2019 Series	-	55.00	-	55.00	-	55,000	-	(9,860)	45,140	820.72
November 2019 Series	-	25.00	-	25.00	-	25,000	-	(5,883)	19,117	764.69
December 2019 Series	-	28.00	-	28.00	-	28,000	-	(2,394)	25,606	914.49
Total										
Amounts					\$ 450,987	\$ 661,000	\$ (177,000)	\$ 81,315	\$ 1,016,302	
Shares	1,427.00	661.00	(263.97)	1,824.03						

Note 4. Due from Exchange

Due from exchange represents cash held at digital asset exchanges. The Fund is subject to credit risk to the extent an exchange with which it conducts business is unable to fulfill contractual obligations on its behalf.

Note 5. Administrator

MG Stover & Co (the "Administrator") serves as the Fund's administrator and performs certain administrative and clerical services on behalf of the Fund. The Administrator receives a fee for its services, and such fee is included in administrative fee in the Statement of Operations.

Note 6. Fair Value

Fair value, as defined in the *Fair Value Measurement* Topic of the Codification, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy, as set forth in the *Fair Value Measurement* Topic of the Codification, prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Note 6. Fair Value (continued)

quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for an asset or liability (Level 3). If the inputs used to measure a financial instrument fall within different levels of the fair value hierarchy, the categorization is based on the lowest level input that is significant to the measurement of that financial instrument.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for investments categorized in Level 3.

The following summarizes the Fund's assets and liabilities accounted for at fair value at December 31, 2019. Fair value is presented on a gross basis.

Description	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Investments in digital assets ⁽¹⁾	\$ -	\$ 2,964,633	\$ 60,000	\$ 3,024,633
Total assets	<u>\$ -</u>	<u>\$ 2,964,633</u>	<u>\$ 60,000</u>	<u>\$ 3,024,633</u>

⁽¹⁾ See the Condensed Schedule of Investments for the fair values by digital asset within this category.

For the year ended December 31, 2019, the Fund did not purchase or participate in issuance of digital assets that were classified as Level 3. There were no transfers into or out of Level 3.

The Fund establishes valuation processes and procedures to ensure that the valuation techniques are fair and consistent, and valuation inputs are supportable.

The Fund designates certain members of management to oversee the entire valuation process of the Fund's investments. These members of management comprise of various members of the Investment Manager, including those who are separate from the Fund's portfolio management function, and reports to those charged with governance.

Note 6. Fair Value (continued)

These members of management are responsible for developing the Fund's written valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies.

Note 7. Market and Credit Risks

Digital assets are loosely regulated and there is no central marketplace for currency exchange. Digital assets are decentralized and do not rely on either governmental authorities or financial institutions to create, transmit, or determine the value of the cryptocurrency issued by them. Supply is determined by a computer code, not by a central bank, and prices can be extremely volatile. Digital asset exchanges have been closed due to fraud, failure or security breaches. Any of the Fund's assets that are custodied on an exchange may be lost.

Several factors may affect the price of digital assets, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of digital assets or the use of digital assets as a form of payment. Ultimately, digital assets can be purchased and exchanged for conventional currency on exchanges, can be used for consuming resources per their respective protocols, or used to purchase goods and services online or at physical locations. However, there is no assurance that digital assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of digital assets payments by mainstream retail merchants and commercial businesses will grow.

Digital Assets Trading is Volatile and Speculative

Digital assets represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, digital assets have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets.

Conversely, a significant portion of the demand for digital assets is generated by speculators and investors seeking to profit from the short or long-term holding of digital assets. The relative lack of acceptance of digital assets in the retail and commercial marketplace limits the ability of end-users to pay for goods and services with digital assets. A lack of expansion by digital assets into retail and commercial markets, or a contraction of such use, may result in increased volatility.

Note 7. Market and Credit Risks (continued)

Risk or Loss of Private Key

Digital assets are controllable only by the possessor of a unique private cryptographic key controlling the address in which the digital asset is held. The theft, loss or destruction of a private key required to access a digital asset is irreversible, and such private keys would not be capable of being restored by the Fund. The loss of private keys relating to digital wallets used to store the Fund's digital assets could result in the loss of the digital assets and a Shareholder could incur substantial, or even total, loss of equity.

Technology and Security

The Fund must adapt to technological change in order to secure and safeguard shareholder accounts. While the Investment Manager believes it has developed an appropriate proprietary security system reasonably designed to safeguard the Fund's digital assets from theft, loss, destruction or other issues relating to hackers and technological attack, such assessment is based upon known technology and threats. To the extent that the Fund is unable to identify and mitigate or stop new security threats, the Fund's digital assets may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of the Fund or result in loss of the Fund's digital assets.

Hard Forks and Airdrops

Many digital assets are open source projects with a core group of developers, however there is no developer or group of developers with formal control. Any individual with the open source network software can make software modifications, which users and miners may consent to by downloading the altered software or upgrade that implements the changes. If a modification is not accepted by a vast majority of users and miners, but is accepted by a substantial population of participants in the project, a "hard fork" in the blockchain can develop two separate networks, one running the pre-modification software and the other running the modified version. This kind of split could materially and adversely affect the value of the Fund's investments and in the worst case scenario, harm the sustainability of the affected digital assets.

The Fund generally records receipt of a new digital asset created due to a hard fork at the time the hard fork is effective. Some exchanges do not honor hard forks or may honor hard forks in the future. In such cases, the Fund will record receipt of the new digital asset at the time the exchange announces it will credit the Fund's account.

Note 7. Market and Credit Risks (continued)

The Fund does not allocate any of the original digital asset's cost to the new digital asset and recognizes unrealized gains equal to the fair value of the new digital asset received.

The Fund regularly receives “airdrops” of new digital assets. The use of airdrops is generally to promote the launch and use of new digital assets by providing a small amount of such new digital assets to the private wallets or exchange accounts that support the new digital asset and that hold existing related digital assets. Unlike hard forks, airdropped digital assets can have substantially different blockchain technology that has no relation to any existing digital asset. The Fund records receipt of airdropped digital assets when received. Digital assets received from airdrops have no cost basis and the Fund recognizes unrealized gains equal to the fair value of the new digital asset.

Custody of Fund Assets

The Investment Manager shall maintain custody of the Fund's digital assets, by generating the private keys that control movement of the digital asset. Digital asset exchanges may also require the Investment Manager to provide control of the private keys when an exchange is utilized by the Fund. The Investment Manager is responsible for taking such steps as it determines, in its sole judgment, to be required to maintain access to these keys, and prevent their exposure from hacking, malware and general security threats. The Investment Manager is not liable to the Fund or to Shareholders for the failure or penetration of the security system absent gross negligence, fraud or criminal behavior on the part of the Investment Manager. To the extent that the security system is penetrated, any loss of the Fund's digital assets may adversely affect a shareholder's investment and could result in total loss of equity.

A substantial portion of the Fund's assets are held on various digital asset exchanges, financial institutions, or in private wallets in connection with its trading of certain investments and its cash management activities. In the event of a party's insolvency, recovery of the Fund's assets on deposit may be lost. As the Fund custodies a substantial portion of its assets on various exchanges, with financial institutions, and in private wallets, the Fund has group concentrations of credit risk with these parties.

Additionally, it is possible that certain jurisdictions will apply existing regulations on, or introduce new regulations addressing blockchain technology-based applications and related digital assets. This may result in regulation of digital assets held, which may result in increased volatility and value suppression, and could adversely impact the Fund's performance and assets.

Note 7. Market and Credit Risks (continued)

The following details the fair value of the Fund's accounts held by these parties at December 31, 2019:

<u>Digital asset exchanges</u>	
Binance	\$ 15,904
Coinbase	38,648
Kraken	43
	<hr/>
Total at digital asset exchanges	54,595
<u>Other parties</u>	
Digital assets held in private wallets	2,910,038
Simple Agreement for Future Tokens	60,000
<u>Other financial institutions</u>	
Silvergate Bank	898
ED&F Man	52
Due from exchange	21,002
Total	<hr/> <u>\$ 3,046,585</u>

The Investment Manager has established procedures to actively monitor market risk and minimize credit risk, although there can be no assurance that it will, in fact, succeed in doing so. The shareholders bear the risk of loss only to the extent of the fair value of their respective investments and, in certain specific circumstances, distributions and redemptions received.

Note 8. Indemnifications

In the normal course of business, the Fund enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The Fund expects the risk of any future obligation under these indemnifications to be remote.

Note 9. Financial Highlights

The following information presents the financial highlights of the Fund for the year ended December 31, 2019. This information has been derived from information presented in the financial statements.

	Class A Shares January 2018 Series	Class A Shares January 2019 Series	Class B Shares January 2018 Series
Per-share operating performance: (for a share outstanding throughout the entire year)			
Net asset value, beginning of year	\$ 220.58	\$ 1,000.00	\$ 225.04
Loss from investment operations:			
Net investment loss ⁽²⁾	(20.25)	(365.37)	(13.98)
Net gain from investments in digital assets ⁽¹⁾	97.12	556.84	98.54
Total from investment operations	76.87	191.47	84.56
Net asset value, end of year	<u>\$ 297.45</u>	<u>\$ 1,191.47</u>	<u>\$ 309.60</u>
Total return:			
Total return before performance fee	34.8%	38.5%	37.6%
Performance fee	0.0%	-19.4%	0.0%
Total return after performance fee	<u>34.8%</u>	<u>19.1%</u>	<u>37.6%</u>
Ratios to average shareholders' equity:			
Expenses other than performance fee	-5.8%	-6.1%	-3.9%
Performance fee	0.0%	-19.4%	0.0%
Total expenses and performance fee	<u>-5.8%</u>	<u>-25.5%</u>	<u>-3.9%</u>
Net investment loss ⁽³⁾	<u>-5.8%</u>	<u>-6.0%</u>	<u>-3.9%</u>

⁽¹⁾ Net gain from investments in digital assets is a balancing amount.

⁽²⁾ Includes performance fee

⁽³⁾ Excludes performance fee

Financial highlights are calculated for each permanent, non-managing class or series of shares. An individual shareholder's total returns and ratios may vary from the above total returns and ratios based on different management fee and/or performance fee arrangement, and the timing of contributions and redemptions.

Note 10. Subsequent Events

During the period January 1, 2020 through June 18, 2020, contributions of \$947,485 were made to the Fund from Shareholders and redemptions of approximately \$196,000 were made from the Fund by the Shareholders.

The Investment Manager has evaluated subsequent events through June 18, 2020, the date the financial statements were available to be issued and has determined that there are no other subsequent events that require disclosure.

In December 2019, a strain of coronavirus (2019-nCoV or COVID-19) was identified and has spread around the world. The World Health Organization has described the coronavirus outbreak as a "public health emergency of international concern." Subsequent to December 31, 2019, there has been instability in the global financial markets. The Investment Manager is not currently able to measure or predict the overall impact that this pandemic and the related financial market volatility may have on its future financial results.