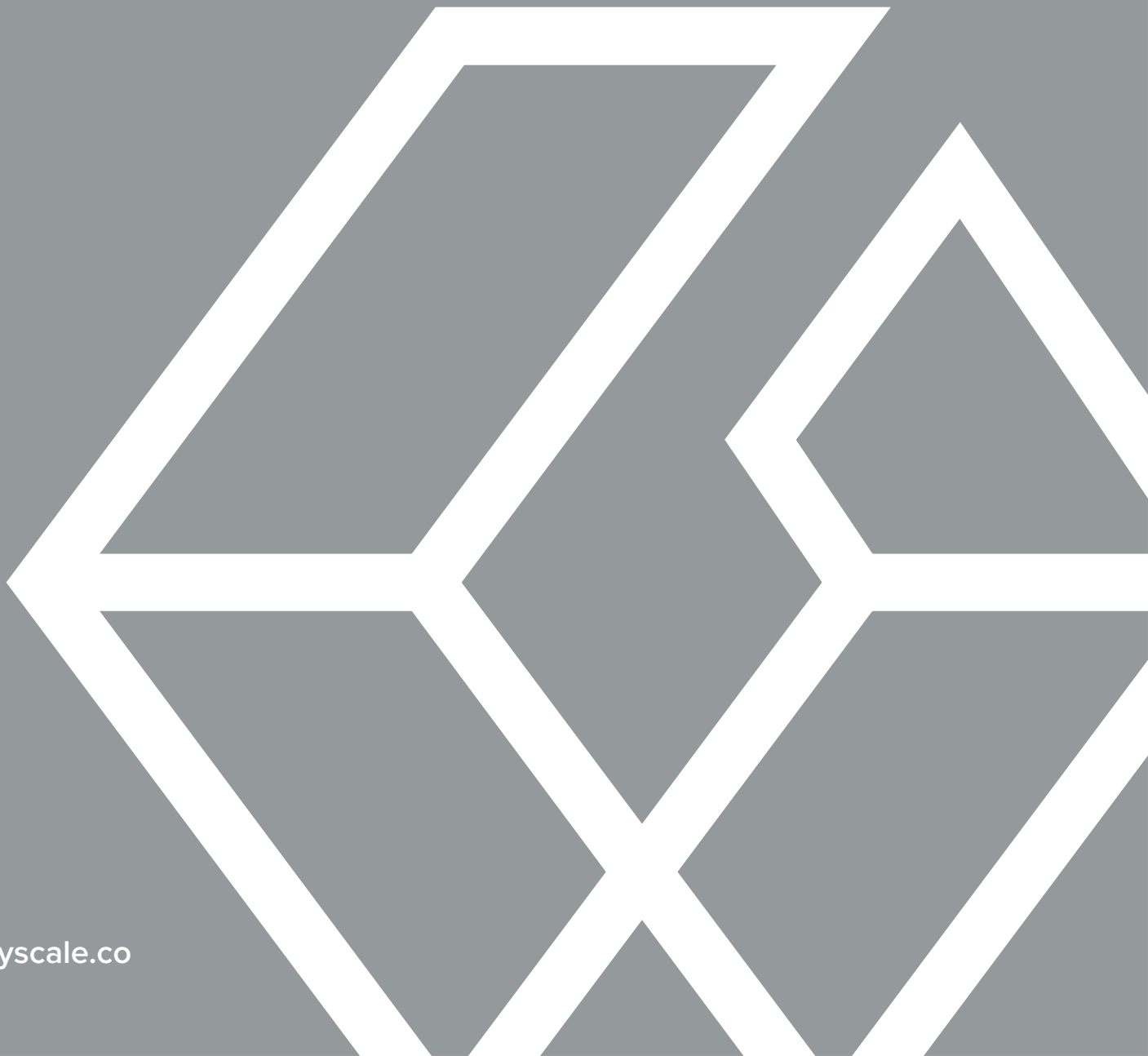


Biteoin

2019 Investor Study





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July 2019

Bitcoin

2019 Investor Study

HIGHLIGHTS

- 1 More Than a Third of U.S. Investors Are Interested in Bitcoin:**
Contrary to the belief that Bitcoin is a niche investment only attractive to a small portion of the investment community, the survey found that more than a third (**36%**) of U.S. investors would consider an investment in Bitcoin, representing a potential market of more than 21 million investors in the general population.
- 2 Bitcoin Extends Beyond the Crypto Community:**
The research study showed that those interested in investing in Bitcoin largely fit the profile of the average U.S. investor. While Bitcoin-interested investors are slightly more experienced and risk-tolerant than average investors, they otherwise have similar political views, income levels, and careers as the broader pool of surveyed investors.
- 3 Multiple Aspects of Bitcoin Are Driving Investor Interest:**
A large majority of investors (**83%**) were strongly motivated by the idea that they could invest small amounts in Bitcoin today, see how their investments performed, and add to their positions later. The idea that Bitcoin has significant potential for growth and that Bitcoin is scarce also resonated with investors interested in investing in Bitcoin.

This online survey of 1,100 U.S. investors was conducted by Q8 Research between March 28, 2019 and April 3, 2019. All respondents were between the age of 25 and 64, and had primary or shared financial decision-making capabilities. All respondents were involved with some form of personal investing, with at least \$10,000 in household investable assets (excluding workplace retirement plans or real estate), and at least \$50,000 in household income. There were 1,100 respondents in the survey.



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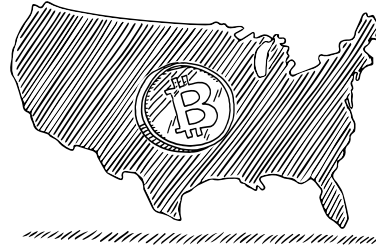
BITCOIN MOVES TO THE MAINSTREAM

Since its introduction in 2009, Bitcoin has steadily grown in popularity and today has expanded its reach to a broad mainstream audience. Investors are constantly looking for new ways to diversify their portfolios as traditional assets and markets have begun to move more closely in sync with one another. Increasingly, savvy investors recognize that Bitcoin and other digital currencies may have unique investment characteristics that provide diversification far beyond the basic 60% stock/40% bond portfolio allocation.

Now, a new joint survey from Grayscale Investments and Q8 Research of 1,100 U.S. investors reveals that more than one-third would consider an investment in Bitcoin, representing a potential market of more than 21 million investors, assuming the U.S. investing public is 63 million. The survey explored the demographics, attitudes, and beliefs of U.S. investors as they related to Bitcoin, creating insights into what aspects of the world's first digital currency they value most and which aspects may give them pause.

21 million

U.S. investors are interested in Bitcoin



As the digital currency asset class continues to mature, it is critical that analysts, investors, advisors, institutions, media, and the general public understand the prevailing sentiments surrounding Bitcoin as an investment. This survey represents some of the first publicly-shared data on retail investors' perceptions of Bitcoin and the opportunities it presents.



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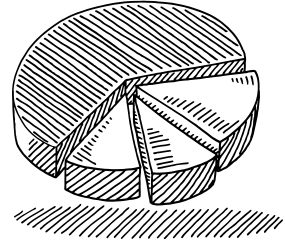
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UNDERSTANDING BITCOIN'S APPEAL

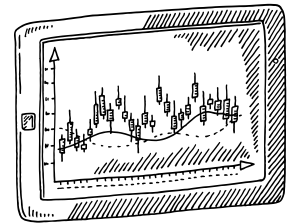
What about Bitcoin appeals to investors? Three powerful messages resonated with respondents who were interested in investing in Bitcoin.

What's Driving Investors to Bitcoin?

1 You can start small
83% are strongly motivated by the idea that they could invest small amounts in Bitcoin today, see how their investments performed, and add to their positions later.



2 Bitcoin has significant potential for growth
79% are swayed by Bitcoin's growth potential.



3 Scarcity creates value
75% of this group liked the idea that Bitcoin, often called "Digital Gold" because of its similarities to the precious metal, is a finite asset, meaning its value could increase as investors compete for a limited pool of Bitcoin.



Grayscale believes that, as with other alternative assets, a benefit of investing in Bitcoin is diversification. Our research shows that a modest allocation to digital currencies, including Bitcoin, can enhance overall portfolio performance, while only modestly increasing risk. For instance, according to Grayscale's hypothetical simulations, over the period from September 25, 2013 to June 30, 2019, adding just **5%** in Bitcoin to a simulated Global 60/40 portfolio more than doubled cumulative returns from **41.9%** to **90.9%.***

*Full portfolio simulation details are included in Grayscale's Bitcoin & the Rise of Digital Gold report, available at <https://www.grayscale.co/insights>. All simulations are subject to the disclaimers therein.



PROFILE OF POTENTIAL BITCOIN INVESTORS

Who are the investors that are interested in Bitcoin? They aren't that different from the "average" investors represented by the total pool of respondents.

Bitcoin-interested investors are slightly more experienced and risk-tolerant than average investors, but otherwise they have similar political views, income levels, and careers as the broader pool of surveyed investors. They're only slightly younger than the average investor, with an average age of **42 versus 45** for all investors. Interestingly, they are slightly more diverse than the total group of respondents, and demonstrated greater interest in a Bitcoin investment product.

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Bitcoin-Interested Investors: Just Like the Average Investor

		AVERAGE INVESTOR	BITCOIN-INTERESTED INVESTOR
POLITICAL AFFILIATION	DEMOCRAT	36%	37%
	REPUBLICAN	41%	42%
INCOME	\$50K-\$75K	22%	20%
	\$76K-100K	28%	29%
	\$101K-\$150K	30%	29%
	\$150K+	20%	22%
GENDER	MALE	49%	57%
	FEMALE	51%	43%



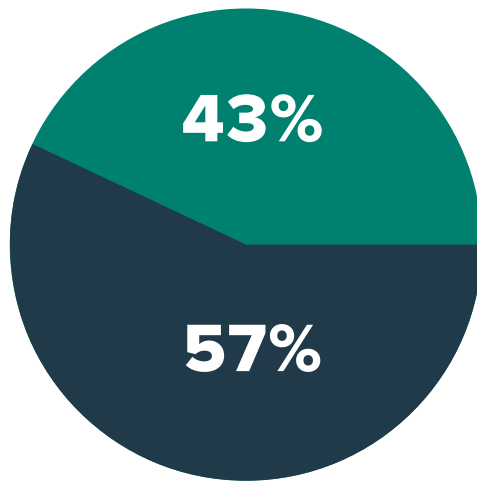
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BITCOIN INVESTOR SIMILARITIES ACROSS GENDER

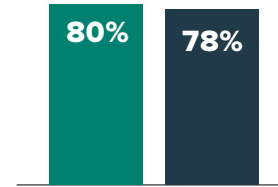
Contrary to popular sentiment in the media and elsewhere, Bitcoin isn't just for men. Far from it, in fact, our survey shows that there isn't all that much difference between men and women when it comes to considering Bitcoin as an investment. Many **(43%)** investors who state an interest are female. A majority of women **(80%)** and men **(78%)** interested in Bitcoin as an investment are attracted to its growth potential, while both women and men **(77% versus 76%)** appreciate the fact that investment returns can be accessed at any time.

Bitcoin-Interested Investors: Females vs. Males

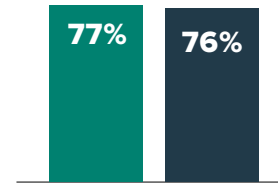
■ Male ■ Female



Male vs. Female interest in Bitcoin investments



I am interested in Bitcoin's growth potential

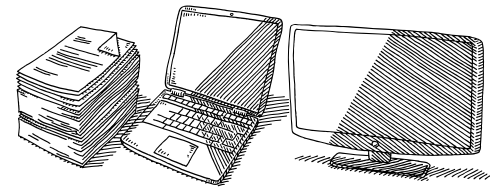


I like that I can access my investments in Bitcoin at any time

Significantly, women are more willing to make decisions based on additional education on the asset class, saying they'd be more likely to invest in Bitcoin if they knew more about it. The vast majority **(93%)** of them would be more open to the digital currency asset class if they had access to better educational resources **(versus 84% of men)** and **82%** thought they'd be more likely to make investments in Bitcoin if a financial advisor recommended it **(versus 74% of men)**.

93% vs. **84%**
women vs. men

Respondents who would be open to investing in Bitcoin if there was better education about it





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WHO IS THE AVERAGE BITCOIN-INTERESTED INVESTOR?

In short, there’s nothing particularly unique about the profile of investors who are interested in Bitcoin. They are most often middle-aged, middle-class, and suburban. Most (70%) are parents, and nearly half (49%) make less than \$100,000 per year. They read a lot and are generally optimistic about the future.

The Average Bitcoin-Interested Investor

70%

of Bitcoin-interested investors are parents

49%

make less than \$100,000 per year

42%

think of Bitcoin as both a short and long-term investment

To these investors, Bitcoin doesn’t look like an exceptionally risky investment. They see it as an investment with moderate risk and the potential for large upside. Most appreciate the ability to start with small investments in Bitcoin, possibly increasing their commitment if their investment performs well over time. Many of these investors (42%) think of Bitcoin as both a short- and long-term investment.

We did find that respondents who are interested in Bitcoin are also more likely to keep up with financial news. In fact, less than a quarter of uninterested investors we surveyed read Forbes, and that number rises to 49% when we consider investors open to Bitcoin. This trend held true across all financial media, showing that Bitcoin-interested investors are more likely to be financially engaged.

Bitcoin-Interested Investors Consume More Financial News

FINANCIAL/BUSINESS PUBLICATIONS	INTERESTED	NOT INTERESTED	ONLINE FINANCIAL RESOURCES	INTERESTED	NOT INTERESTED
Forbes	49%	23%	CNBC.com	32%	16%
WSJ	38%	25%	Google Finance	31%	14%
NYT (Business)	32%	15%	Yahoo! Finance	28%	21%
Fortune	31%	11%	Bloomberg.com	28%	17%
Money Magazine	26%	13%	Motley Fool	25%	13%
Bloomberg	25%	15%	Investment Firm’s Website	24%	23%
Economist	24%	10%	Financial Posts	24%	14%
Business section of local paper	16%	13%	Marketwatch	21%	13%
Barron’s	12%	6%	Youtube	20%	6%
Kiplinger’s	11%	7%	Financial Podcasts	14%	6%
Fast Company	8%	2%			
Investor’s Business Daily	8%	6%			
Inc.	7%	3%			
			TV OR VIDEO CHANNELS	INTERESTED	NOT INTERESTED
			CNBC	40%	21%
			CNN	38%	17%
			Fox Business	33%	20%
			Bloomberg TV	27%	15%
			Cheddar	6%	1%
WORK WITH FINANCIAL ADVISOR	INTERESTED	NOT INTERESTED			
YES	44%	47%			
NO	56%	53%			



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BITCOIN VERSUS GOLD

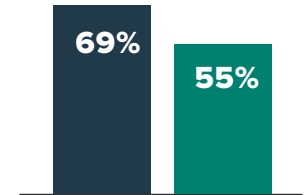
As Bitcoin is often considered “Digital Gold,” we wanted to explore the sentiments around Bitcoin compared to gold. On the surface, Bitcoin and gold are quite different. One is a digital currency with no physical presence; the other is a solid metal that you can hold in your hand. Yet our research shows that there’s significant overlap between investors who are interested in both.

For instance, **69%** of investors interested in Bitcoin see gold as a good investment (versus **55%** of all investors), with **65%** saying they “definitely” or “probably” would invest in gold (versus **51%** of the general pool). It’s clear that investors interested in Bitcoin are more comfortable investing in gold, compared to those not interested in Bitcoin.

Since Bitcoin and gold have similar monetary characteristics that may allow them to serve as alternative stores of value to fiat currencies, this isn’t all that surprising. For instance, investors focused on long-term wealth preservation may seek exposure to both for their respective inflation and systemic risk protection properties.

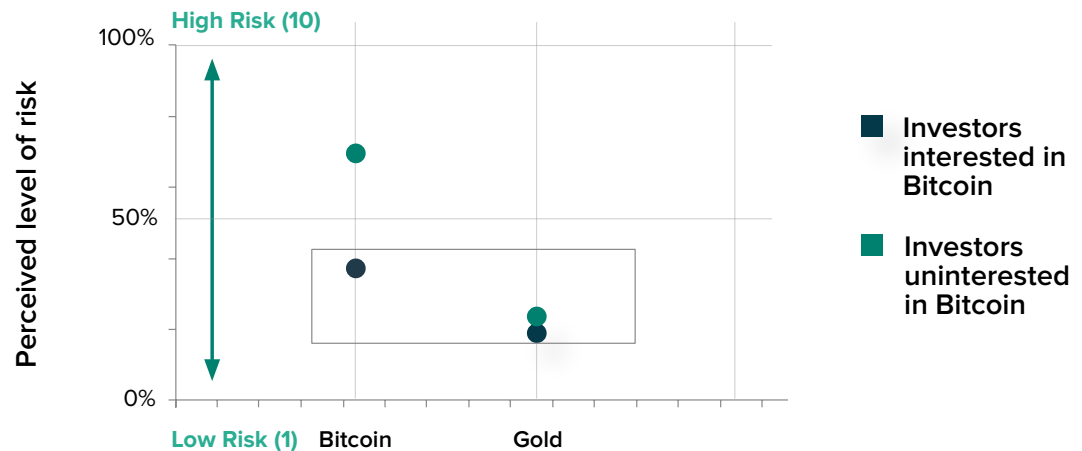
The idea that Bitcoin functions as “Digital Gold” is further explored in Grayscale Investments’ [#DropGold](#) initiative, which compares Bitcoin to gold as a store of value.

I see gold as a good investment



- Investors interested in Bitcoin
- All investors

Bitcoin vs. Gold: Investors Assess Risk





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REACHING A WIDER AUDIENCE

Despite a large pool of interest, investors are still split on Bitcoin. **36%** say they'd consider it as an investment, **30%** are neutral, and **34%** are not interested in investing in Bitcoin.

Reasons for Pause

To reach neutral investors, as well as those who are not interested in digital currencies, the industry will have to address some common objections, including:

- **Hacking and fraud:** Widely publicized exchange hacks and thefts have left investors unsure about Bitcoin.



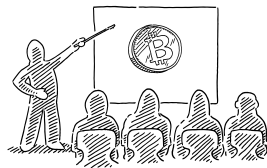
75% of all investors and **68%** of those interested in Bitcoin say that digital crime is their number one fear about Bitcoin

- **Lack of regulation:** Some Bitcoin enthusiasts balk at the idea of government oversight, but ordinary investors worry about an unregulated market. This is the second biggest concern about digital currency investments among both the broad pool of investors and those interested in Bitcoin.



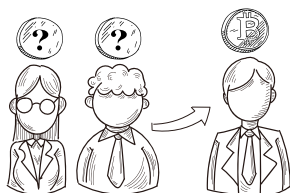
65% of all investors and **53%** of those interested in Bitcoin have concerns about an unregulated market

- **Lack of education:** Most investors feel like they don't know enough about Bitcoin to invest in it confidently.



89% of the people surveyed said that better educational resources would make them more likely to invest in the currency

- **Need for guidance:** Trusted third parties who understand Bitcoin can have a big impact on investors.



More than three quarters of surveyed investors say that working with an advisor (**78%**) or a familiar firm (**77%**) would make them more comfortable with investing in Bitcoin



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Our survey highlights the need for more education from financial advisors, other intermediaries, self-directed online educational materials, as well as the financial and general media. Investors who know more about Bitcoin are more likely to invest in it.

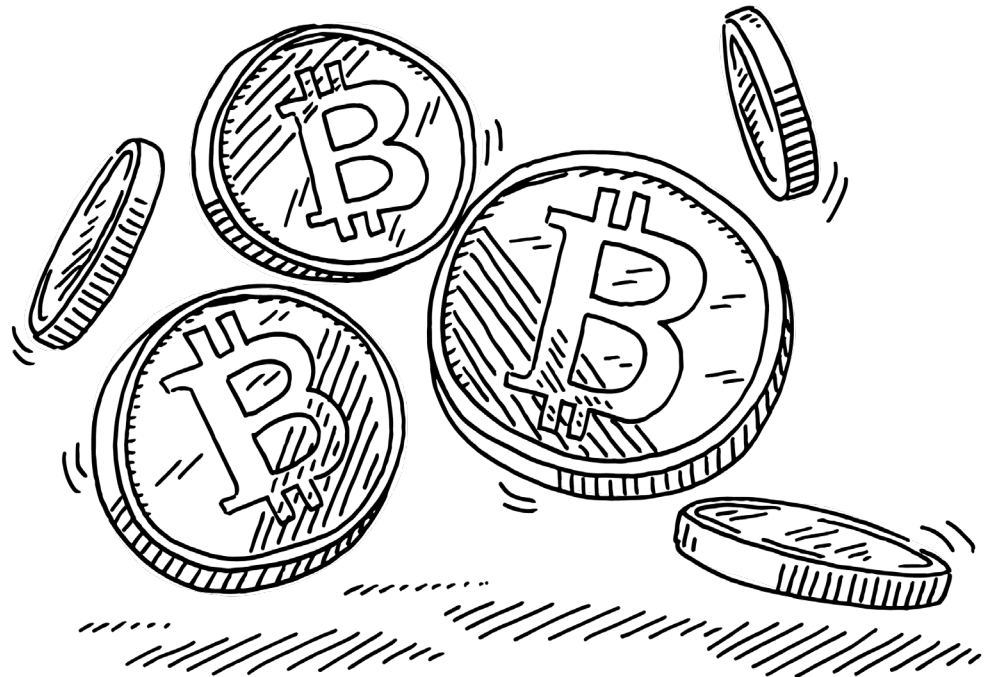
Sound investment advice can go a long way in meeting investors' concerns. For example, **65%** of investors in our survey are worried about volatility in Bitcoin, but financial advisors can reassure their clients by consulting on the appropriate allocation. Used in this way, investments in Bitcoin can lead to improving risk-adjusted returns, according to recent research from Grayscale on portfolio diversification with digital currencies.

THE FUTURE OF INVESTING IS DIGITAL

Over the last ten years, Bitcoin has emerged from a nascent protocol into an established, legitimate asset with a strong performance record and significant diversification benefits. Already, our survey shows that roughly one third of individual investors are interested in Bitcoin. A broad cross-section of investors — across ages, genders, and a variety of income levels — are intrigued by Bitcoin's strong return potential and they're eager to learn more.

Others remain on the sidelines for now, either because they don't know enough about Bitcoin or because they're afraid that it's too risky, lacks regulatory certainty, or is subject to digital crime. But we think even these investors can be swayed by strong, targeted education that goes beyond negative headlines to look at the real potential of this investment. Our survey respondents tell us that the future of investing is digital and they want to be part of it.

Bitcoin is here to stay.





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The Products are private investment vehicles. Shares of Grayscale Bitcoin Trust (BTC), which are only offered on a periodic basis, are publicly quoted under the symbol: GBTC. The Products are not subject to the same regulatory requirements as exchange traded funds or mutual funds, including the requirement to provide certain periodic and standardized pricing and valuation information to investors. The Products are not registered with the Securities and Exchange Commission (the “SEC”), any state securities laws, or the U.S. Investment Company Act of 1940, as amended. There are substantial risks in investing in one or more Products. Any interests in each Product described herein have not been recommended by any U.S. federal or state, or non-U.S., securities commission or regulatory authority, including the SEC. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

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Note On Hypothetical Simulated Performance Results

HYPOTHETICAL SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. There is no guarantee that the market conditions during the past period will be present in the future. Rather, it is most likely that the future market conditions will differ significantly from those of this past period, which could have a materially adverse impact on future returns. Unlike an actual performance record, simulated results do not represent actual trading or the costs of managing the portfolio. Also, since the trades have not actually been executed, the results may have under or over compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

The hypothetical simulated performance results are based on a model that used inputs that are based on assumptions about a variety of conditions and events and provides hypothetical not actual results. As with all mathematical models, results may vary significantly depending upon the value of the inputs given, so that a relatively minor modification of any assumption may have a significant impact on the result. Among other things, the hypothetical simulated performance calculations do not take into account all aspects of the applicable asset’s characteristics under certain conditions, including characteristics that can have a significant impact on the results. Further, in evaluating the hypothetical simulated performance results herein, each prospective investor should understand that not all of the hypothetical assumptions used in the model are described herein, and conditions and events that are not accounted for by the model may have a significant adverse effect on the performance of the assets described herein. Prospective investors should consider whether the behavior of these assets should be tested based on different and/or additional assumptions from those included in the information herein.

IN ADDITION TO OTHER DIFFERENCES, PROSPECTIVE INVESTORS IN A PRODUCT SHOULD NOTE THE FOLLOWING POTENTIALLY SIGNIFICANT DIFFERENCES BETWEEN THE ASSUMPTIONS MADE IN THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS INCLUDED HEREIN AND THE CONDITIONS UNDER WHICH A PRODUCT WILL PERFORM, WHICH COULD CAUSE THE ACTUAL RETURN OF SUCH PRODUCT TO DIFFER CONSIDERABLY FROM RETURNS SET FORTH BY THE HYPOTHETICAL SIMULATED PERFORMANCE, TO BE MATERIALLY LOWER THAN THE RETURNS AND TO RESULT IN LOSSES OF SOME OR ALL OF THE INVESTMENT BY PROSPECTIVE INVESTORS:

FOR EXAMPLE, EACH TRUST WILL HOLD ONLY ONE DIGITAL ASSET, WHEREAS THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS ARE INTENDED TO SHOW HYPOTHETICAL PERFORMANCE OF AN INVESTMENT MULTIPLE DIGITAL ASSETS. IN ADDITION, THE GENERAL MARKET DATA USED IN THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS DO NOT REFLECT ACTUAL TRADING ACTIVITY AND COULD NOT BE REPLICATED BY A PRODUCT IN ITS ACTUAL TRANSACTIONS. If actual trading activity was executed at levels that differed significantly from the general market data used in the hypothetical simulated performance, the actual returns achieved would have varied considerably from the results of the hypothetical simulated performances and could have been substantially lower and could result in significant losses.

IN ADDITION, THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS DO NOT ASSUME ANY GAINS OR LOSSES FROM TRADING AND THEREFORE DO NOT REFLECT THE POTENTIAL LOSSES, COSTS AND RISKS POSED BY TRADING AND HOLDING ACTUAL ASSETS.

The hypothetical simulated performance results do not reflect the impact the market conditions may have had upon a Product were it in existence during the historical period selected. The hypothetical simulated performance results do not reflect any fees incurred by a Product. If such amounts had been included in the hypothetical simulated performance, the results would have been lowered.

AS A RESULT OF THESE AND OTHER DIFFERENCES, THE ACTUAL RETURNS OF A PRODUCT MAY BE HIGHER OR LOWER THAN THE RETURNS SET FORTH IN THE HYPOTHETICAL SIMULATED PERFORMANCE RESULTS, WHICH ARE HYPOTHETICAL AND MAY NEVER BE ACHIEVED. Reasons for a deviation may also include, but are by no means limited to, changes in regulatory and/or tax law, generally unfavorable market conditions and the Risk Factors set forth below.

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Certain Risk Factors

Each Product is a private, unregistered investment vehicle and not subject to the same regulatory requirements as exchange traded funds or mutual funds, including the requirement to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in a Product or in digital assets directly, including but not limited to:

- **PRICE VOLATILITY**
Digital assets have historically experienced significant intraday and long-term price swings. In addition, none of the Products currently operates a redemption program and may halt creations from time to time or, in the case of Grayscale Bitcoin Trust (BTC), periodically. There can be no assurance that the value of the common units of fractional undivided beneficial interest ("Shares") of any Product will approximate the value of the digital assets held by such Product and such Shares may trade at a substantial premium over or discount to the value of the digital assets held by such Product. At this time, none of the Products is operating a redemption program and therefore Shares are not redeemable by any Product. Subject to receipt of regulatory approval from the SEC and approval by Grayscale, in its sole discretion, any Product may in the future operate a redemption program. Because none of the Products believes that the SEC would, at this time, entertain an application for the waiver of rules needed in order to operate an ongoing redemption program, none of the Products currently has any intention of seeking regulatory approval from the SEC to operate an ongoing redemption program.
- **MARKET ADOPTION**
It is possible that digital assets generally or any digital asset in particular will never be broadly adopted by either the retail or commercial market place, in which case, one or more digital assets may lose most, if not all, of its value.
- **GOVERNMENT REGULATION**
The regulatory framework of digital assets remains unclear and application of existing regulations and/or future restrictions by federal and state authorities may have a significant impact on the value of digital assets.
- **SECURITY**
While each Product has implemented security measures for the safe storage of its digital assets, there have been significant incidents of digital asset theft and digital assets remains a potential target for hackers. Digital assets that are lost or stolen cannot be replaced, as transactions are irrevocable.
- **TAX TREATMENT OF VIRTUAL CURRENCY**
For U.S. federal income tax purposes, Digital Large Cap Fund will be a passive foreign investment company (a "PFIC") and, in certain circumstances, may be a controlled foreign corporation (a "CFC"). Digital Large Cap Fund will make available a PFIC Annual Information Statement that will include information required to permit each eligible shareholder to make a "qualified electing fund" election (a "QEF Election") with respect to Digital Large Cap Fund. Each of the other Products intends to take the position that it is a grantor trust for U.S. federal income tax purposes. Assuming that a Product is properly treated as a grantor trust, Shareholders of that Product generally will be treated as if they directly owned their respective pro rata shares of the underlying assets held in the Product, directly received their respective pro rata shares of the Product's income and directly incurred their respective pro rata shares of the Product's expenses. Most state and local tax authorities follow U.S. income tax rules in this regard. Prospective investors should discuss the tax consequences of an investment in a Product with their tax advisors.
- **NO SHAREHOLDER CONTROL**
Grayscale, as sponsor of each Trust and the manager of the Fund, has total authority over the Trusts and the Fund and shareholders' rights are extremely limited.
- **LACK OF LIQUIDITY AND TRANSFER RESTRICTIONS**
An investment in a Product will be illiquid and there will be significant restrictions on transferring interests in such Product. The Products are not registered with the SEC, any state securities laws, or the U.S. Investment Company Act of 1940, as amended, and the Shares of each Product are being offered in a private placement pursuant to Rule 506(c) under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"). As a result, the Shares of each Product are restricted Shares and are subject to a one-year holding period in accordance with Rule 144 under the Securities Act. In addition, none of the Products currently operates a redemption program. Because of the one-year holding period and the lack of an ongoing redemption program, Shares should not be purchased by any investor who is not willing and able to bear the risk of investment and lack of liquidity for at least one year. No assurances are given that after the one year holding period, there will be any market for the resale of Shares of any Product, or, if there is such a market, as to the price at such Shares may be sold into such a market.
- **POTENTIAL RELIANCE ON THIRD-PARTY MANAGEMENT; CONFLICTS OF INTEREST**
The Products and their sponsors or managers and advisors may rely on the trading expertise and experience of third-party sponsors, managers or advisors, the identity of which may not be fully disclosed to investors. The Products and their sponsors or managers and advisors and agents may be subject to various conflicts of interest.
- **FEES AND EXPENSES**
Each Product's fees and expenses (which may be substantial regardless of any returns on investment) will offset each Product's trading profits.

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