

# GRAYSCALE DIGITAL LARGE CAP FUND LLC

A Cayman Islands Limited Liability Company

*Managed by*

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## QUARTERLY REPORT

**For the quarterly period ended December 31, 2020**

Shares Representing Common Units of Fractional Undivided Beneficial Interest

No Par Value Per Share

Unlimited Shares Authorized

15,392,800 Shares Issued and Outstanding as of December 31, 2020

**OTCQX: GDLC**

**Grayscale Investments, LLC (the “Manager”), on behalf of Grayscale Digital Large Cap Fund LLC (the “Fund”), is responsible for the content of this quarterly report for the quarter ended December 31, 2020 (the “Quarterly Report”), which has been prepared to fulfill the disclosure requirements of the OTCQX U.S. marketplace. The information contained in this Quarterly Report has not been filed with, or approved by, the U.S. Securities and Exchange Commission (the “SEC”) or any state securities commission. Any representation to the contrary is a criminal offense.**

All references to “the Fund,” “the Manager,” “the Issuer,” “Grayscale Digital Large Cap Fund,” “we,” “us” or “our” refers to the Fund or the Manager, as the context indicates. The Fund is a passive entity with no operations, and where the context requires, we provide disclosure with respect to the Manager, which administers the Fund.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934).

Yes  No

Indicate by check mark whether the company’s shell status has changed since the previous reporting period.

Yes  No

Indicate by check mark whether a change in control of the company has occurred over this reporting period.

Yes  No

Dated as of February 12, 2021

## TABLE OF CONTENTS

Item 1.	The exact name of the issuer and the address of its principal executive offices.....	10
Item 2.	Shares outstanding .....	10
Item 3.	Unaudited interim financial statements.....	11
Item 4.	Management’s discussion and analysis.....	11
Item 5.	Legal proceedings. ....	22
Item 6.	Defaults upon senior securities. ....	22
Item 7.	Other information.....	22
Item 8.	Exhibits. ....	23
Item 9.	Issuer’s certifications. ....	24
Exhibit 1	Unaudited Financial Statements for the Three and Six Months Ended December 31, 2020.	

## Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report contains “forward-looking statements” with respect to the Fund’s financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other similar expressions are intended to identify some of the forward-looking statements. All statements (other than statements of historical fact) included in this Quarterly Report that address activities, events or developments that will or may occur in the future, including such matters as changes in market prices and conditions, the Fund’s operations, the Manager’s plans and references to the Fund’s future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Manager made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. You should specifically consider the numerous risks outlined under “Risk Factors” in our Annual Report. Whether or not actual results and developments will conform to the Manager’s expectations and predictions, however, is subject to a number of risks and uncertainties, including:

- the risk factors discussed in this Quarterly Report, including the particular risks associated with new technologies such as digital assets, including Bitcoin, Ethereum, XRP, Litecoin and Bitcoin Cash and blockchain technology;
- the inability to redeem Shares;
- the inability of the Fund to meet its investment objective;
- the economic conditions in the digital asset industry and market;
- general economic, market and business conditions;
- global or regional political, economic or financial conditions, events and situations, such as the novel coronavirus outbreak;
- the use of technology by us and our vendors, including the Custodian, in conducting our business, including disruptions in our computer systems and data centers and our transition to, and quality of, new technology platforms;
- changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;
- the costs and effect of any litigation or regulatory investigations;
- our ability to maintain a positive reputation; and
- other world economic and political developments.

Consequently, all the forward-looking statements made in this Quarterly Report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the Manager anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, the Fund’s operations or the value of the Shares. Should one or more of the risks discussed under “Risk Factors” in our Annual Report or other uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those described in forward-looking statements. Forward-looking statements are made based on the Manager’s beliefs, estimates and opinions on the date the statements are made and neither the Fund nor the Manager is under a duty or undertakes an obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, other than as required by applicable laws. Moreover, neither the Fund, the Manager, nor any other person assumes

responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are therefore cautioned against relying on forward-looking statements.

The risk factors included in our Annual Report continue to apply to us, and describe risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the forward-looking statements contained in this Quarterly Report. There have not been any material changes from the risk factors previously described in our Annual Report, except for as provided in “Item 7 – Other Information.”

## Glossary

In this Quarterly Report, each of the following terms has the meaning assigned to it here:

“Actual Exchange Rate” — With respect to any particular asset, at any time, the price per single unit of such asset (determined net of any associated fees) at which the Fund is able to sell such asset for U.S. dollars (or other applicable fiat currency) at such time to enable the Fund to timely pay any Additional Fund Expenses, through use of the Manager’s commercially reasonable efforts to obtain the highest such price.

“Additional Fund Expenses” — Together, any expenses incurred by the Fund that are not Manager-paid Expenses, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Manager (or any other service provider) on behalf of the Fund to protect the Fund or the interests of shareholders (including in connection with any Forked Assets), any indemnification expenses of the Custodian or other agents, service providers or counterparties of the Fund, the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters.

“Administrator Fee” — The fee payable to any administrator for services it provides to the Fund, which the Manager will pay such administrator as a Manager-paid Expense.

“Agent” — A Person appointed by the Fund to act on behalf of the shareholders in connection with any distribution of Forked Assets.

“Annual Report” — The Fund’s Annual Report for the year ended June 30, 2020.

“Authorized Participant” — Certain eligible financial institutions that have entered into an agreement with the Fund and the Manager concerning the creation of Shares. Each Authorized Participant (i) is a registered broker-dealer, (ii) has entered into a Participant Agreement with the Manager and (iii) owns a digital wallet address that is known to the Custodian as belonging to the Authorized Participant.

“Basket” — A block of 100 Shares.

“Basket Amount” — The sum of (x) the Fund Component Basket Amounts for all Fund Components, (y) the Forked Asset Portion and (z) the Cash Portion, in each case, as of such trade date.

“Bitcoin” or “BTC” — A type of digital asset based on an open-source cryptographic protocol existing on the Bitcoin network.

“Bitcoin Cash” or “BCH” — A type of digital asset based on an open-source cryptographic protocol existing on the Bitcoin Cash network.

“Blockchain” or “blockchain” — The public transaction ledger of a Digital Asset Network on which miners or mining pools solve algorithmic equations allowing them to add records of recent transactions (called “blocks”) to the chain of transactions in exchange for an award of digital assets from the Digital Asset Network and the payment of transaction fees, if any, from users whose transactions are recorded in the block being added.

“Cash Account” — Any bank account of the Fund in which the Fund holds any portion of its U.S. dollars.

“Cash Portion” — For any trade date, the amount of U.S. dollars determined by dividing (x) the amount of U.S. dollars or other fiat currency (as converted into U.S. dollars at the applicable exchange rate as of 4:00 p.m., New York time) held by the Fund at 4:00 p.m., New York time, on such trade date by (y) the number of Shares

outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth), and multiplying such quotient by 100.

“Creation Basket” — Basket of Shares issued by the Fund in exchange for the transfer of the Total Basket Amount required for each such Creation Basket.

“Custodial Services” — The Custodian’s services that (i) allow digital assets to be deposited from a public blockchain address to the Fund’s Digital Asset Accounts and (ii) allow the Fund and the Manager to withdraw digital assets from the Fund’s Digital Asset Accounts to a public blockchain address the Fund or the Manager controls pursuant to instructions the Fund or Manager provides to the Custodian.

“Custodian” — Coinbase Custody Trust Company, LLC.

“Custodian Agreement” — The Custodial Services Agreement by and between the Fund, Manager and Custodian that governs the Fund’s and Manager’s use of the Custodial Services provided by the Custodian as a fiduciary with respect to the Fund’s assets.

“DCG” — Digital Currency Group, Inc.

“Digital Asset Account” — Each segregated custody account controlled and secured by the Custodian to store private keys of the Fund, which allow for the transfer of ownership or control of the Fund’s digital assets on the Fund’s behalf.

“Digital Asset Exchange” — An electronic marketplace where exchange participants may trade, buy and sell digital assets based on bid-ask trading. The largest Digital Asset Exchanges are online and typically trade on a 24-hour basis, publishing transaction price and volume data.

“Digital Asset Exchange Market” — The global exchange market for the trading of digital assets, which consists of transactions on electronic Digital Asset Exchanges.

“Digital Asset Holdings” — The aggregate value, expressed in U.S. dollars, of the Fund’s assets, calculated using the Digital Asset Reference Rate for each Fund Component, less the U.S. dollar value of its liabilities and expenses. See “Valuation of Digital Assets and Definition of Digital Asset Holdings” in our Annual Report for a description of how the Fund’s Digital Asset Holdings and Digital Asset Holdings per Share are calculated. See also “Management’s Discussion and Analysis — Critical Accounting Policies — Principal Market and Fair Value Determination” for a description of the Fund’s NAV, as calculated in accordance with GAAP.

“Digital Asset Holdings Fee Basis Amount” — The U.S. dollar value on which the Manager’s Fee accrues, as calculated in the manner set forth under “Valuation of Digital Assets and Determination of Digital Asset Holdings” in our Annual Report.

“Digital Asset Market” — A dealer market, brokered market, principal-to-principal market or exchange market on which digital assets are bought and sold.

“Digital Asset Network” — The online, end-user-to-end-user network hosting a public transaction ledger, known as a Blockchain, and the source code comprising the basis for the cryptographic and algorithmic protocols governing such Digital Asset Network. See “Overview of the Digital Asset Industry and Market” in our Annual Report.

“Digital Asset Reference Rate” — With respect to any Fund Component (and, if possible, each Forked Asset) as of any business day, the per-token value of such Fund Component (and, if possible, each Forked Asset), as determined by reference to the Index Price or a VWAP Price reported by TradeBlock, Inc. for such Fund Component (and, if possible, each Forked Asset) as of 4:00 p.m., New York time, on any business day.

“DTC” — The Depository Trust Company. DTC is a limited purpose trust company organized under New York law, a member of the U.S. Federal Reserve System and a clearing agency registered with the SEC. DTC will act as the securities depository for the Shares.

“ETH”, “Ether” or “Ethereum” — Ethereum tokens, which are a type of digital currency based on an open-source cryptographic protocol existing on the Ethereum network.

“Exchange Act” — The Securities Exchange Act of 1934, as amended.

“Forked Asset” — Any asset other than cash that is held by the Fund at any time other than a Fund Component, including (i) any right, arising from a fork, airdrop or similar occurrence, to acquire (or otherwise establish dominion and control over) any digital asset or other asset or right and (ii) any digital asset or other asset or right acquired by the Fund through the exercise of a right described in the preceding clause (i), in each case, until such time as the Manager designates such asset as a Fund Component.

“Forked Asset Portion” — For any Trade Date, the amount of U.S. dollars determined by dividing (x) the aggregate value in U.S. dollars of the Fund’s Forked Assets at 4:00 p.m., New York time, on such Trade Date (calculated, to the extent possible, by reference to Digital Asset Reference Rates) by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth), and multiplying such quotient by 100.

“Fund Accounts” — The Cash Account and the Digital Asset Accounts, collectively.

“Fund Component” — A digital asset designated as such by the Manager in accordance with the policies and procedures set forth in our Annual Report.

“Fund Component Aggregate Liability Amount” — For any Fund Component and any trade date, a number of tokens of such Fund Component equal to the sum of (x) all accrued but unpaid Fund Component Fee Amounts for such Fund Component as of 4:00 p.m., New York time, on such trade date and (y) the Fund Component Expense Amount as of 4:00 p.m., New York time, on such trade date.

“Fund Component Basket Amount” — As of any trade date, the number tokens of such Fund Component required to be delivered in connection with each Creation Basket, as determined by dividing the number of tokens of such Fund Component held by the Fund at 4:00 p.m., New York time, on such trade date, after deducting the applicable Fund Component Aggregate Liability Amount, by the number of Shares outstanding at such time (the quotient so obtained calculated to one one-hundred-millionth (*i.e.*, carried to the eighth decimal place)) and multiplying the quotient so obtained for the Fund Component by 100.

“Fund Component Expense Amount” — For any Fund Component on any trade date, (x) the product of (1) the aggregate unpaid Additional Fund Expenses as of 4:00 p.m., New York time, on such trade date and (2) the Weighting of such Fund Component for such trade date, divided by (y) the Digital Asset Reference Rate for such Fund Component as of 4:00 p.m., New York time, on such trade date.

“Fund Component Fee Amount” — For any day, the number of tokens of each Fund Component payable as the Manager’s Fee.

“Fund Construction Criteria” — The criteria that a digital asset must meet to be eligible for inclusion in the Fund’s portfolio, which, as of the date of this Quarterly Report, consist of both size and liquidity requirements.

“GAAP” — United States generally accepted accounting principles.

“Genesis” — Genesis Global Trading, Inc., a wholly owned subsidiary of Digital Currency Group, Inc., which as of the date of this Quarterly Report is the only acting Authorized Participant.

“Index License Agreement” — The license agreement entered into by the Reference Rate Provider and the Manager governing the Manager’s use of data collected from the Digital Asset Exchanges trading digital assets selected by the Reference Rate Provider for calculation of the Digital Asset Reference Rates.

“Investment Company Act” — Investment Company Act of 1940, as amended.

“Investor” — Any investor that has entered into a subscription agreement with an Authorized Participant, pursuant to which such Authorized Participant will act as agent for the investor.

“Litecoin” or “LTC” — Litecoin tokens, which are a type of digital currency based on an open-source cryptographic protocol existing on the Litecoin network.

“LLC Agreement” — The Second Amended and Restated Limited Liability Company Agreement establishing and governing the operations of the Fund, as the same may be amended from time to time.

“Manager” — Grayscale Investments, LLC, or any substitute therefor as provided herein, or any successor thereto by merger or operation of law.

“Manager-paid Expenses” — The fees and expenses incurred by the Fund in the ordinary course of its affairs, excluding taxes, that the Manager is obligated to assume and pay, including: (i) the Marketing Fee, (ii) the Administrator Fee, (iii) the fees for the Custodian or any other security vendors engaged by the Fund, (iv) the Transfer Agent Fee, (v) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given Fiscal Year, (vi) ordinary course legal fees and expenses, (vii) audit fees, (viii) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act and fees relating to registration and any other regulatory requirements in the Cayman Islands, (ix) printing and mailing costs, (x) costs of maintaining the Fund’s website and (xi) applicable license fees with respect to the Fund.

“Manager’s Fee” — A fee that accrues daily in U.S. dollars at an annual rate of 3.0% of the Fund’s Digital Asset Holdings Fee Basis Amount as of 4:00 p.m., New York time, and will generally be paid in the Fund Components then held by the Fund in proportion to such Fund Components’ respective Weightings. For any day that is not a business day or in a Rebalancing Period, the Manager’s Fee will accrue in U.S. dollars at a rate of 3.0% of the most recently calculated Digital Asset Holdings Fee Basis Amount of the Fund. The Manager’s Fee is payable to the Manager monthly in arrears.

“Marketing Fee” — Fee payable to the marketer for services it provides to the Fund, which the Manager will pay to the Marketer as a Manager-paid Expense.

“NAV” — The net asset value of the Fund determined on a GAAP basis.

“OTCQX” — The OTCQX tier of the OTC Markets Group Inc.

“Participant Agreement” — An agreement entered into by an Authorized Participant with the Manager that provides the procedures for the creation of Baskets and for the delivery of digital assets required for Creation Baskets.

“Quarterly Report” — This Quarterly Report for the three and six months ended December 31, 2020.

“Rebalancing Period” — Any period during which the Manager reviews for rebalancing the Fund’s portfolio in accordance with the policies and procedures set forth in our Annual Report.

“Reference Rate Provider” — TradeBlock, Inc., a Delaware corporation that publishes the Digital Asset Reference Rates.



“Rule 144” — Rule 144 under the Securities Act.

“SEC” — The U.S. Securities and Exchange Commission.

“Secondary Market” — Any marketplace or other alternative trading system, as determined by the Manager, on which the Shares may then be listed, quoted or traded, including but not limited to, the OTCQX tier of the OTC Markets Group Inc.

“Securities Act” — The Securities Act of 1933, as amended.

“Shares” — Equal, fractional, undivided interests in the profits, losses, distributions, capital and assets of, and ownership of, the Fund with such relative rights and terms as set out in the LLC Agreement.

“Total Basket Amount” — The Basket Amount multiplied by the number of Baskets being created or redeemed.

“Transfer Agent” — Continental Stock Transfer & Trust Company, a Delaware corporation.

“Transfer Agent Fee” — Fee payable to the Transfer Agent for services it provides to the Fund, which the Manager will pay to the Transfer Agent as a Manager-paid Expense.

“U.S.” — United States.

“U.S. dollar,” “USD” or “\$” — United States dollar or dollars.

“VWAP Price” — A volume-weighted average price in U.S. dollars of a digital asset provided by the Reference Rate Provider for the immediately preceding 24-hour period as of 4:00 p.m., New York time, on each business day.

“Weighting” — For any Fund Component, the percentage of the total U.S. dollar value of the aggregate Fund Components at any time that is represented by tokens of such Fund Component.

“XRP” — XRP tokens, which are a type of digital asset based on a cryptographic protocol existing on the Ripple network.

**Item 1. The exact name of the issuer and the address of its principal executive offices.**

The name of the Fund is Grayscale Digital Large Cap Fund LLC. The Fund’s previous trading symbol was “GDLCF” on OTCQX and was changed to “GDLC” on April 14, 2020.

The address of the Manager is: Grayscale Investments, LLC  
290 Harbor Drive, 4<sup>th</sup> Floor  
Stamford, Connecticut 06902

The Manager’s telephone number is: (212) 668-1427

The Manager’s facsimile number is: (212) 937-3645

The Manager’s website: The Manager maintains a corporate website, [www.grayscale.co](http://www.grayscale.co), which contains general information about the Fund and the Manager. The reference to our website is an interactive textual reference only, and the information contained on our website shall not be deemed incorporated by reference herein.

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**Item 2. Shares outstanding.**

The only class of securities outstanding is equal, fractional, undivided interests in the profits, losses, distributions, capital and assets of, and ownership of, the Fund with such relative rights and terms as set out in the LLC Agreement (“Shares”), which represent ownership in the Fund. The Fund’s trading symbol on the OTCQX U.S. Marketplace of the OTC Markets Group Inc. is “GDLC” and the CUSIP number for its Shares is G40705108.

The following table shows the number of the Shares outstanding:

	<b>As of December 31, 2020</b>	<b>As of June 30, 2020</b>	<b>As of June 30, 2019</b>
<b>(i) Number of Shares authorized</b>	Unlimited	Unlimited	Unlimited
<b>(ii) Number of Shares outstanding</b>	15,392,800	6,029,000	3,103,600
<b>(iii) Number of Shares freely tradable (public float)<sup>1</sup></b>	4,336,512	2,542,541	0
<b>(iv) Number of beneficial holders owning at least 100 Shares<sup>2</sup></b>	110	42	64
<b>(v) Number of holders of record<sup>2</sup></b>	110	42	64

<sup>1</sup> Includes the total number of unrestricted Shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10% of the total Shares outstanding, or anyone who controls, is controlled by or is under common control with such person, or any immediate family members of officers, directors and control persons. Freely tradable Shares inclusive of holders with more than 10% of total Shares outstanding was 4,336,512, 2,542,541 and 0 for the periods ending December 31, 2020, June 30, 2020 and June 30, 2019, respectively.

<sup>2</sup> Includes Cede & Co. nominee for DTC for the Shares traded on OTCQX. Therefore, this number does not include the individual holders who have bought/sold Shares on OTCQX or transferred their eligible Shares to their brokerage accounts.

From July 1, 2018 to December 31, 2020, the Fund offered the Shares pursuant to Rule 506 of the Regulation D under the Securities Act. The Shares offered by the Fund have not been registered under the Securities Act, or any state or other securities laws, and were offered and sold only to “accredited investors” within the meaning of Rule 501(a) of Regulation D under the Securities Act, and in compliance with any applicable state or other securities laws.

The table below describes the Shares offered, the Shares sold and the average and range of prices at which the Shares were offered and sold by the Fund. All Shares initially offered and sold by the Fund are restricted securities pursuant to Rule 144 under the Securities Act. Until any Shares sold by the Fund become unrestricted in accordance with Rule 144, the certificates or other documents evidencing such Shares will contain legends stating that such Shares have not been registered under the Securities Act and referring to the restrictions on transferability and sale of the Shares under the Securities Act. Such legends are removed upon such Shares becoming unrestricted in accordance with Rule 144 and after they have been presented to outside counsel, who may instruct the Transfer Agent to remove such legends. From July 1, 2018 to December 31, 2020, no Shares, other securities of the Fund, or options to acquire such other securities were issued in exchange for services provided by any person or entity.

<u>Period</u>	<u>Shares Offered</u>	<u>Shares Sold</u>	<u>No. of Purchasers</u>	<u>Avg.</u>	<u>High</u>	<u>Date</u>	<u>Low</u>	<u>Date</u>
Twelve months ended June 30, 2019	Unlimited	1,194,200	24	\$ 4.20	\$ 8.22	6/26/19	\$ 2.28	12/16/18
Twelve months ended June 30, 2020	Unlimited	2,925,400	29	\$ 5.33	\$ 7.92	7/10/19	\$ 3.06	3/16/20
July 1, 2020 to December 31, 2020	Unlimited	9,363,800	102	\$ 8.19	\$ 16.22	12/31/20	\$ 5.35	7/5/20

### **Item 3. Unaudited interim financial statements.**

The Fund’s unaudited interim financial statements as of and for the three and six months ended December 31, 2020 are attached as Exhibit 1 to this Quarterly Report. The historical results presented herein and therein are not necessarily indicative of financial results to be achieved in future periods. The Fund’s unaudited financial statements attached as Exhibit 1 to this Quarterly Report are incorporated herein by reference and are considered as part of this Quarterly Report.

### **Item 4. Management’s discussion and analysis.**

*The following discussion and analysis of our financial condition and results of operations should be read together with, and is qualified in its entirety by reference to, our unaudited financial statements and related notes attached as an exhibit to this Quarterly Report, which have been prepared in accordance with GAAP. The following discussion may contain forward-looking statements based on assumptions we believe to be reasonable. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those set forth under “Risk Factors” or in other sections of our Annual Report, and under “Cautionary Note Regarding Forward-Looking Statements.”*

### **Fund Overview**

The investment objective of the Fund is to hold the top digital assets by market capitalization that meet the Fund Construction Criteria (each such digital asset so designated by the Manager, a “Fund Component”) and for the Shares (based on Fund Components per Share) to reflect the value of the Fund Components held by the Fund, determined by reference to the Digital Asset Reference Rates, less the Fund’s expenses and other liabilities. Specifically, the Fund seeks to hold Fund Components that have market capitalizations that collectively constitute at least 70% of the market capitalization of the entire digital asset market (the “Target Coverage Ratio”). The Fund intends to hold a market capitalization-weighted portfolio that is reviewed for rebalancing on a quarterly basis to meet the Target Coverage Ratio (each such period, a “Rebalancing Period”). We refer to the percentage of the total U.S. dollar value of the aggregate Fund Components at any time that is represented by tokens of a particular Fund Component as such Fund Component’s “Weighting.” While an investment in the Shares is not a direct investment in the Fund Components, the Shares are designed to provide investors with a cost-effective and

convenient way to gain investment exposure to the Fund Components. To date, the Fund has not met its investment objective and the Shares quoted on OTCQX have not reflected the value of Fund Components, less the Fund's expenses and other liabilities, but have instead traded at a substantial premium over such value.

The activities of the Fund are limited to (i) issuing Baskets in exchange for Fund Components and cash transferred to the Fund as consideration in connection with the creations, (ii) transferring or selling Fund Components and Forked Assets as necessary to cover the Manager's Fee and/or any Additional Fund Expenses, (iii) transferring Fund Components and cash in exchange for Baskets surrendered for redemption (subject to obtaining regulatory approval from the SEC and approval from the Manager), (iv) causing the Manager to sell Fund Components and Forked Assets on the termination of the Fund, (v) making distributions of Forked Assets or cash from the sale thereof and (vi) engaging in all administrative and security procedures necessary to accomplish such activities in accordance with the provisions of the LLC Agreement, the Custodian Agreement, the Index License Agreement and the Participant Agreements.

In addition, the Fund may engage in any lawful activity necessary or desirable in order to facilitate shareholders' access to Forked Assets, provided that such activities do not conflict with the terms of the LLC Agreement. Other than through the quarterly rebalancing described below, the Manager does not intend to actively manage the Fund portfolio in response to price changes in the Fund Components held by the Fund at any given time.

### ***Forked Assets***

From time to time, the Fund may hold positions in digital assets as a result of a fork, airdrop or similar event through which the Fund becomes entitled to another digital asset or other property by virtue of its ownership of one or more of the digital assets it then holds (each such new asset, a "Forked Asset"). Pursuant to the terms of the LLC Agreement, the Fund may take any lawful action necessary or desirable in connection with its ownership of Forked Assets. These actions include (i) selling Forked Assets and distributing the cash proceeds to shareholders, (ii) distributing Forked Assets in-kind to the shareholders or to an agent acting on behalf of the shareholders for sale by such agent if an in-kind distribution would otherwise be infeasible, (iii) irrevocably abandoning Forked Assets and (iv) holding Forked Assets until the subsequent Rebalancing Period, at which point the Fund may take any of the foregoing actions. The Fund may also use Forked Assets to pay the Manager's Fee and Additional Fund Expenses, if any, as discussed below under "—Fund Expenses." However, the Fund does not expect to take any Forked Assets it may hold into account for purposes of determining the Fund's Digital Asset Holdings, Digital Asset Holdings per Share, the NAV or the NAV per Share.

### ***Fund Expenses***

The Fund's only ordinary recurring expense is expected to be the Manager's Fee. The Manager's Fee will accrue daily in U.S. dollars at an annual rate of 3.0% of the Fund's Digital Asset Holdings Fee Basis Amount as of 4:00 p.m., New York time, and will generally be paid in the tokens of the Fund Components then held by the Fund in proportion to each Fund Component's Weighting. For any day that is not a business day or in a Rebalancing Period, the Manager's Fee will accrue in U.S. dollars at a rate of 3.0% of the Digital Asset Holdings Fee Basis Amount of the Fund from the most recent business day, reduced by the accrued and unpaid Manager's Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date. The U.S. dollar amount of the Manager's Fee will be converted into Fund Components on a daily basis by multiplying such U.S. dollar amount by the Weighting for each Fund Component and dividing the resulting product for each Fund Component by the Digital Asset Reference Rate for such Fund Component on such day. We refer to the number of tokens of each Fund Component payable as the Manager's Fee for any day as a "Fund Component Fee Amount." For any day that is not a business day or during a Rebalancing Period for which the Digital Asset Holdings Fee Basis Amount is not calculated, the amount of each Fund Component payable in respect of such day's U.S. dollar accrual of the Manager's Fee will be determined by reference to the Fund Component Fee Amount from the most recent business day. Payments of the Manager's Fee will be made monthly in arrears. Effective January 1, 2021, the Manager's Fee was lowered from 3.0% to 2.5%.

To pay the Manager's Fee, the Manager will instruct the Custodian to (i) withdraw from the relevant Digital Asset Account the number of tokens for each Fund Component then held by the Fund equal to the Fund Component Fee Amount for such Fund Component and (ii) transfer such tokens of all Fund Components to accounts maintained by the Manager at such times as determined by the Manager in its absolute discretion. If the Fund holds any Forked Assets or cash, the Fund may also pay all or a portion of the Manager's Fee in Forked Assets and/or cash in lieu of paying the Manager's Fee in Fund Components, in which case, the Fund Component Fee Amounts in respect of such payment will be correspondingly and proportionally reduced.

After the payment of the Manager's Fee to the Manager, the Manager may elect to convert any digital assets and/or Forked Assets received as payment of the Manager's Fee into U.S. dollars. The rate at which the Manager converts such digital assets and/or Forked Assets into U.S. dollars may differ from the rate at which the Manager's Fee was determined. The Fund will not be responsible for any fees and expenses incurred by the Manager to convert digital assets and/or Forked Assets received in payment of the Manager's Fee into U.S. dollars. The Manager, from time to time, may temporarily waive all or a portion of the Manager's Fee at its discretion. Presently, the Manager does not intend to waive any of the Manager's Fee.

As partial consideration for its receipt of the Manager's Fee, the Manager has assumed the obligation to pay the Manager-paid Expenses. The Manager has not assumed the obligation to pay Additional Fund Expenses. If Additional Fund Expenses are incurred, the Manager will (i) withdraw Fund Components from the Digital Asset Accounts in proportion to their respective Weightings at such time and in such quantity as may be necessary to permit payment of such Additional Fund Expenses and (ii) may either (x) cause the Fund to convert such Fund Components and/or Forked Assets into U.S. dollars or other fiat currencies at the Actual Exchange Rate or (y) cause the Fund (or its delegate) to deliver such Fund Components and/or Forked Assets in kind in satisfaction of such Additional Fund Expenses. If the Fund holds cash and/or Forked Assets, the Fund may also pay all or a portion of the Additional Fund Expenses in cash or Forked Assets instead of Fund Components, in which case, the amount of Fund Components that would otherwise have been used to satisfy such Additional Fund Expenses will be correspondingly and proportionally reduced.

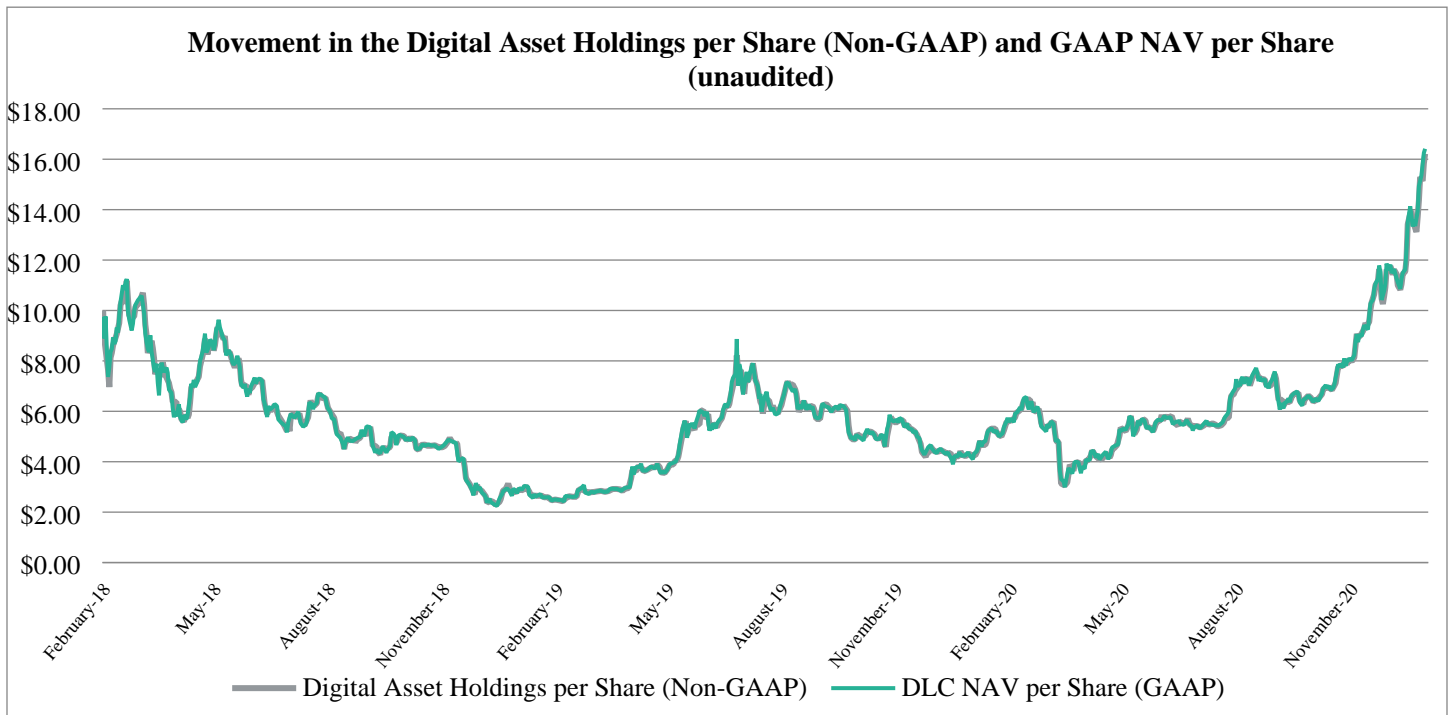
The fractional number of Fund Components, or the amount of Forked Assets and/or cash, represented by each Share will decline each time the Fund pays the Manager's Fee or any Additional Fund Expenses by transferring or selling Fund Components, Forked Assets and/or cash.

### ***Impact of Fund Expenses on the Fund's Digital Asset Holdings***

The Fund will pay the Manager's Fee to the Manager in Fund Components held by the Fund, in cash or in Forked Assets. In addition, the Fund will sell Fund Components or Forked Assets to raise the funds needed for the payment of any Additional Fund Expenses or will pay Additional Fund Expenses in Fund Components held by the Fund, cash or Forked Assets. Fund Components, as well as the value of any cash or Forked Assets held by the Fund, will be the Fund's sole source of funds to cover the Manager's Fee and any Additional Fund Expenses. The Fund will not engage in any activity designed to derive a profit from changes in the price of Fund Components or any Forked Assets. Because the number of Fund Components, or the amount of Forked Assets and/or cash, held by the Fund will decrease when Fund Components are used to pay the Manager's Fee or any Additional Fund Expenses, it is expected that the fractional number of Fund Components, or the amount of Forked Assets and/or cash, represented by each Share will gradually decrease over the life of the Fund. Accordingly, the shareholders will bear the cost of the Manager's Fee and Additional Fund Expenses. New digital assets that are transferred into the Digital Asset Accounts in exchange for new Baskets issued by the Fund will not reverse this trend.

## Fund Components

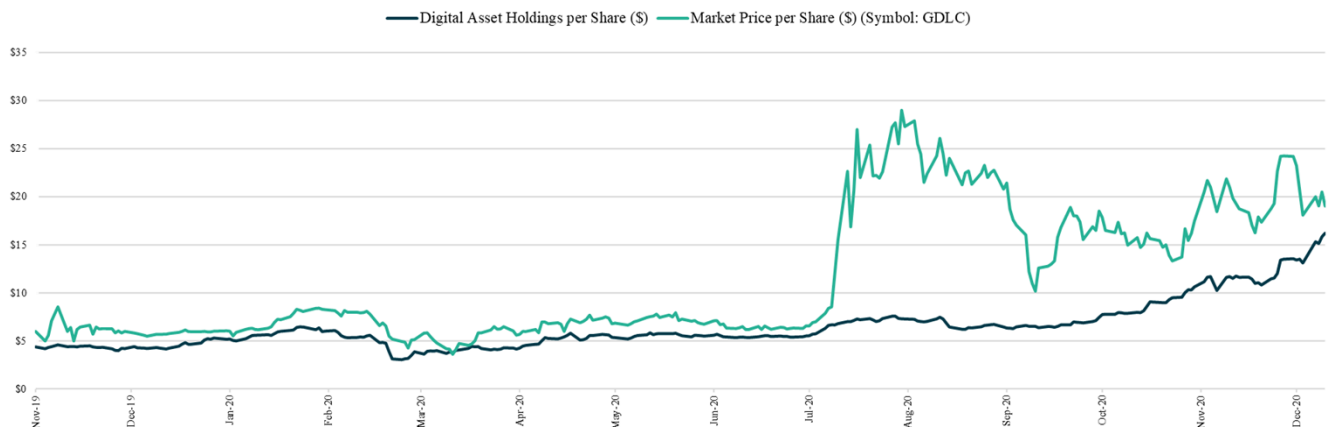
Investing in the Shares does not insulate the investor from certain risks, including price volatility. The following chart illustrates the movement in the Digital Asset Holdings per Share (non-GAAP) versus the Fund’s GAAP NAV per Share from February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020:



For more information on the determination of the Fund’s the Digital Asset Holdings, see “Grayscale Digital Large Cap Fund — Valuation of Digital Assets and Definition of the Fund’s Digital Asset Holdings” in our Annual Report.

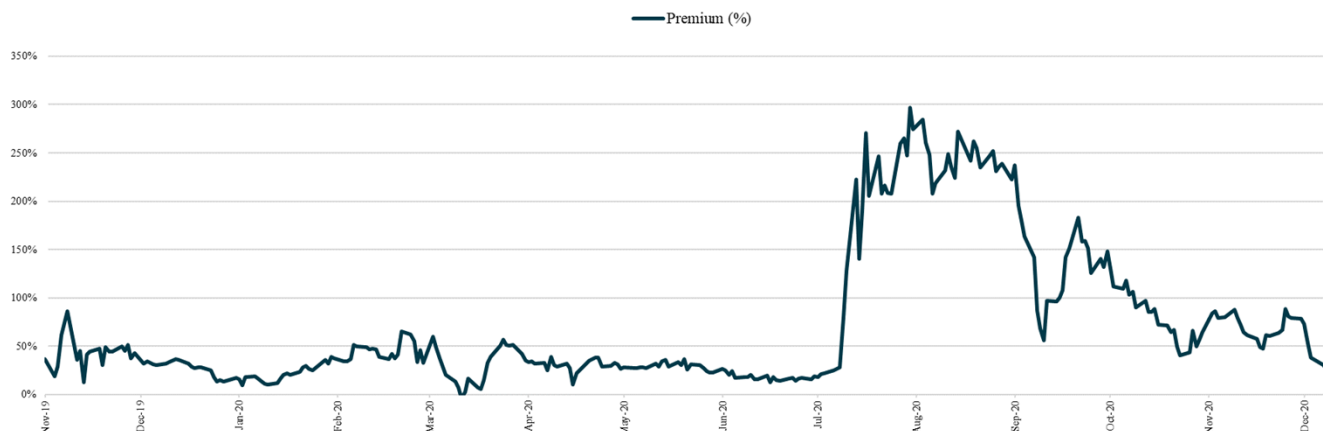
The following chart sets out the historical closing prices for the Shares as reported by OTCQX and the Fund’s Digital Asset Holdings per Share.

### GDLC Premium: GDLC Share Price vs. Digital Asset Holdings per Share (\$)



The following chart sets out the historical premium and discount for the Shares as reported by OTCQX and the Fund’s Digital Asset Holdings per Share.

### **GDLC Premium: GDLC Share Price vs. Digital Asset Holdings per Share (%)**



### **Critical Accounting Policies**

#### *Investment Transactions and Revenue Recognition*

The Fund considers investment transactions to be the receipt of Fund Components for Share creations and the delivery of Fund Components for Share redemptions or for payment of expenses in Fund Components. At this time, the Fund is not accepting redemption requests from shareholders. The Fund records its investment transactions on a trade date basis and changes in fair value are reflected as net change in unrealized appreciation or depreciation on investments. Realized gains and losses are calculated using the specific identification method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Manager’s Fee in the Fund Components.

#### *Principal Market and Fair Value Determination*

To determine which market is the Fund’s principal market (or in the absence of a principal market, the most advantageous market) for purposes of calculating the Fund’s NAV, the Fund follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820-10, which outlines the application of fair value accounting. ASC 820-10 determines fair value to be the price that would be received for each Fund Component in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Fund to assume that each Fund Component is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

The Fund only receives Fund Components from the Authorized Participant and does not itself transact on any Digital Asset Markets. Therefore, the Fund looks to the Authorized Participant when assessing entity-specific and market-based volume and level of activity for Digital Asset Markets. The Authorized Participant transacts in a Brokered Market, a Dealer Market, Principal-to-Principal Markets and Exchange Markets, each as defined in the FASB Master Glossary. The Authorized Participant, as a related party of the Manager, provides information about the Digital Asset Markets on which it transacts to the Fund. In determining which of the eligible Digital Asset Markets is the Fund’s principal market, the Fund reviews these criteria in the following order:

- First, the Fund reviews a list of each Digital Asset Markets and excludes any Digital Asset Markets that are non-accessible to the Fund and the Authorized Participant. The Fund or the Authorized Participant does not have access to Digital Asset Exchanges that do not have a BitLicense and has access only to non-Digital Asset Exchange Markets that the Authorized Participant reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each market.
- Second, the Fund sorts the remaining Digital Asset Markets from high to low by entity-specific and market-based volume and level of activity of each Fund Component traded on each Digital Asset Market in the trailing twelve months.
- Third, the Fund then reviews intra-day pricing fluctuations and the degree of variances in price on Digital Asset Markets to identify any material notable variances that may impact the volume or price information of a particular Digital Asset Market.
- Fourth, the Fund then selects a Digital Asset Market as its principal market based on the highest market-based volume, level of activity and price stability in comparison to the other Digital Asset Markets on the list. Based on information reasonably available to the Fund, Exchange Markets have the greatest volume and level of activity for the Fund Components. The Fund therefore looks to accessible Exchange Markets as opposed to the Brokered Market, Dealer Market and Principal-to-Principal Markets to determine its principal market for each Fund Component. As a result of the aforementioned analysis, an Exchange Market has been selected as the Fund's principal market for each Fund Component.

The Fund determines its principal market (or in the absence of a principal market the most advantageous market) annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Digital Asset Market's trading volume and level of activity in the trailing twelve months, (ii) if any Digital Asset Markets have developed that the Fund has access to, or (iii) if recent changes to each Digital Asset Market's price stability have occurred that would materially impact the selection of the principal market and necessitate a change in the Fund's determination of its principal market.

The cost basis of the investment in each Fund Component recorded by the Fund for financial reporting purposes is the fair value of each Fund Component at the time of transfer. The cost basis recorded by the Fund may differ from proceeds collected by the Authorized Participant from the sale of the corresponding Shares to investors.

#### *Investment Company Considerations*

The Fund is an investment company for GAAP purposes and follows accounting and reporting guidance in accordance with the FASB ASC Topic 946, *Financial Services – Investment Companies*. The Fund uses fair value as its method of accounting for digital assets in accordance with its classification as an investment company for accounting purposes. The Fund is not registered under the Investment Company Act of 1940. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and these differences could be material.



## Review of Financial Results (unaudited)

### *Financial Highlights for the Three and Six Months Ended December 31, 2020 and 2019*

(All amounts in the following table and the subsequent paragraphs, except per Share, each Fund Component and price per each Fund Component amounts, are in thousands)

	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net realized and unrealized gain (loss) on investments in digital assets	\$ 146,712	\$ (3,693)	\$ 154,619	\$ (10,593)
Net increase (decrease) in net assets resulting from operations	\$ 145,617	\$ (3,852)	\$ 153,149	\$ (10,904)
Net assets	\$ 252,657	\$ 19,921	\$ 252,657	\$ 19,921

Net realized and unrealized gain on investment in digital assets for the three months ended December 31, 2020 was \$146,712, which includes a realized gain of \$426 on the transfer of digital assets to pay the Manager's Fee and net change in unrealized appreciation on investment in digital assets of \$146,286. Net increase in net assets resulting from operations was \$145,617 for the three months ended December 31, 2020, which consisted of the net realized and unrealized gain on investment in digital assets, less the Manager's Fee of \$1,095. Net assets increased to \$252,657 at December 31, 2020, a 194% increase for the period. The increase in net assets resulted from the contribution of approximately 1,054 BTC, 6,094 ETH, 2,441,699 XRP, 1,061 BCH and 3,443 LTC with a total value of \$21,199 to the Fund in connection with Share creations, partially offset by the withdrawal of approximately 51 BTC, 298 ETH, 119,274 XRP, 52 BCH and 167 LTC to pay the foregoing Manager's Fee.

Net realized and unrealized loss on investment in digital assets for the three months ended December 31, 2019 was (\$3,693), which includes a realized loss of (\$41) on the transfer of digital assets to pay the Manager's Fee and net change in unrealized depreciation on investment in digital assets of (\$3,652). Net decrease in net assets resulting from operations was (\$3,852) for the three months ended December 31, 2019, which consisted of the net realized and unrealized loss on investment in digital assets, plus the Manager's Fee of \$159. Net assets increased to \$19,921 at December 31, 2019, a 23% increase for the period. The increase in net assets resulted from the contribution of approximately 749 BTC, 4,331 ETH, 1,735,457 XRP, 754 BCH and 2,448 LTC with a total value of \$7,608 to the Fund in connection with Share creations, partially offset by the withdrawal of 16 BTC, 93 ETH, 37,326 XRP, 16 BCH and 52 LTC to pay the foregoing Manager's Fee.

Net realized and unrealized gain on investment in digital assets for the six months ended December 31, 2020 was \$154,619, which includes a realized gain of \$473 on the transfer of digital assets to pay the Manager's Fee and net change in unrealized appreciation on investment in digital assets of \$154,146. Net increase in net assets resulting from operations was \$153,149 for the six months ended December 31, 2020, which consisted of the net realized and unrealized gain on investment in digital assets, less the Manager's Fee of \$1,470. Net assets increased to \$252,657 at December 31, 2020, a 680% increase for the period. The increase in net assets resulted from the contribution of approximately 4,458 BTC, 25,774 ETH, 10,327,654 XRP, 4,486 BCH and 14,566 LTC with a total value of \$67,133 to the Fund in connection with Share creations, partially offset by the withdrawal of approximately 79 BTC, 457 ETH, 183,002 XRP, 80 BCH and 257 LTC to pay the foregoing Manager's Fee.

Net realized and unrealized loss on investment in digital assets for the six months ended December 31, 2019 was (\$10,593), which includes a realized loss of (\$94) on the transfer of digital assets to pay the Manager's Fee, net change in unrealized depreciation on the Manager's Fee payable of \$57, and net change in unrealized depreciation on investment in digital assets of (\$10,556). Net decrease in net assets resulting from operations was (\$10,904) for the six months ended December 31, 2019, which consisted of the net realized and unrealized loss on investment in digital assets, plus the Manager's Fee of \$311. Net assets decreased to \$19,921 at December 31, 2019, a 12% decrease for the period. The decrease in net assets resulted from the withdrawal of 39 BTC, 227 ETH, 91,052 XRP, 61 BCH and 128 LTC to pay the foregoing Manager's Fee, partially offset by the contribution of approximately 794 BTC, 4,591 ETH, 1,839,834 XRP, 799 BCH and 2,595 LTC with a total value of \$8,203 to the Fund in connection with Share creations.

#### *Off-Balance Sheet Arrangements*

The Fund is not a party to any off-balance sheet arrangements.

#### *Cash Resources and Liquidity*

The Fund has not had a cash balance at any time since inception. When selling Fund Components and/or Forked Assets to pay Additional Fund Expenses, the Manager endeavors to sell the exact number of Fund Components and/or Forked Assets needed to pay expenses in order to minimize the Fund's holdings of assets other than the Fund Components. As a consequence, the Manager expects that the Fund will not record any cash flow from its operations and that its cash balance will be zero at the end of each reporting period.

In exchange for the Manager's Fee, the Manager has agreed to assume most of the expenses incurred by the Fund. As a result, the only ordinary expense of the Fund during the periods covered by this Quarterly Report was the Manager's Fee. The Fund is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to its liquidity needs.

#### **Quantitative and Qualitative Disclosures about Market Risk**

The LLC Agreement does not authorize the Fund to borrow for payment of the Fund's ordinary expenses. The Fund does not engage in transactions in foreign currencies which could expose the Fund or holders of Shares to any foreign currency related market risk. The Fund does not invest in any derivative financial instruments and has no foreign operations or long-term debt instruments.

#### **Selected Operating Data (unaudited)**

(All Fund Component balances are rounded to the nearest whole number)

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>BTC:</b>				
Opening balance	6,267	1,567	2,891	1,545
Creations	1,054	749	4,458	794
Manager's Fee, related party	(51)	(16)	(79)	(39)
Closing balance	7,270	2,300	7,270	2,300
Accrued but unpaid				
Manager's Fee, related party	-	-	-	-
Net closing balance	7,270	2,300	7,270	2,300

**ETH:**

Opening balance	36,234	9,058	16,713	8,932
Creations	6,094	4,331	25,774	4,591
Manager's Fee, related party	(298)	(93)	(457)	(227)
Closing balance	42,030	13,296	42,030	13,296
Accrued but unpaid				
Manager's Fee, related party	-	-	-	-
Net closing balance	<u>42,030</u>	<u>13,296</u>	<u>42,030</u>	<u>13,296</u>

**XRP:**

Opening balance	14,519,233	3,629,725	6,697,006	3,579,074
Creations	2,441,699	1,735,457	10,327,654	1,839,834
Manager's Fee, related party	(119,274)	(37,326)	(183,002)	(91,052)
Closing balance	16,841,658	5,327,856	16,841,658	5,327,856
Accrued but unpaid				
Manager's Fee, related party	-	-	-	-
Net closing balance	<u>16,841,658</u>	<u>5,327,856</u>	<u>16,841,658</u>	<u>5,327,856</u>

**BCH:**

Opening balance	6,307	1,576	2,910	1,576
Creations	1,061	754	4,486	799
Manager's Fee, related party	(52)	(16)	(80)	(61)
Closing balance	7,316	2,314	7,316	2,314
Accrued but unpaid				
Manager's Fee, related party	-	-	-	-
Net closing balance	<u>7,316</u>	<u>2,314</u>	<u>7,316</u>	<u>2,314</u>

**LTC:**

Opening balance	20,480	5,119	9,447	5,048
Creations	3,443	2,448	14,566	2,595
Manager's Fee, related party	(167)	(52)	(257)	(128)
Closing balance	23,756	7,515	23,756	7,515
Accrued but unpaid				
Manager's Fee, related party	-	-	-	-
Net closing balance	<u>23,756</u>	<u>7,515</u>	<u>23,756</u>	<u>7,515</u>

**Number of Shares:**

Opening balance	13,170,200	3,194,900	6,029,000	3,103,600
Creations	2,222,600	1,530,300	9,363,800	1,621,600
Closing balance	<u>15,392,800</u>	<u>4,725,200</u>	<u>15,392,800</u>	<u>4,725,200</u>

	<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>
Prices of digital assets on principal market		
BTC	\$ 29,185.05	\$ 7,145.00
ETH	\$ 744.99	\$ 127.86
XRP	\$ 0.22	\$ 0.19
BCH	\$ 341.98	\$ 202.00
LTC	\$ 124.49	\$ 41.01
NAV per Share	\$ 16.41	\$ 4.22
Digital Asset Index Prices		
BTC	\$ 28,788.57	\$ 7,200.71
ETH	\$ 740.77	\$ 130.35
XRP	\$ 0.22	\$ 0.19
BCH	\$ 349.11	\$ 207.45
LTC	\$ 126.00	\$ 41.77
Digital Asset Holdings per Share	\$ 16.22	\$ 4.26

For accounting purposes, the Fund reflects creations and the Fund Components receivable with respect to such creations on the date of receipt of a notification of a creation but does not issue Shares until the requisite number of Fund Components is received. At this time, the Fund is not accepting redemption requests from shareholders. Subject to receipt of regulatory approval from the SEC and approval by the Manager in its sole discretion, the Fund may in the future operate a redemption program. The Fund currently has no intention of seeking regulatory approval to operate an ongoing redemption program.

As of December 31, 2020, the Fund had a net closing balance with a value of \$249,618,828, based on the Digital Asset Reference Rates (non-GAAP methodology). As of December 31, 2020, the Fund had a total market value of \$252,656,850, based on the principal market prices.

As of December 31, 2019, the Fund had a net closing balance with a value of \$20,110,283, based on the Digital Asset Reference Rates (non-GAAP methodology). As of December 31, 2019, the Fund had a total market value of \$19,920,900, based on the principal market prices.

### **Historical Fund Components Prices**

As movements in the price of each Fund Component will directly affect the price of the Shares, investors should understand recent movements in the price of each Fund Component. Investors, however, should also be aware that past movements in each of the Fund Components prices are not indicators of future movements. Movements may be influenced by various factors, including, but not limited to, government regulation, security breaches experienced by service providers, as well as political and economic uncertainties around the world.

#### *Bitcoin*

During the period from February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020, the Bitcoin price, based on the price reported by the Fund's principal market for Bitcoin as of 4:00 p.m., New York time, traded between \$3,164.61 (December 14, 2018) and \$29,185.05 (December 31, 2020), the average was \$8,538.96, and the median was \$8,211.31. The average, high, low and end-of-period Bitcoin prices for the two years ended

December 31, 2020 and 2019, and for the period from the first Creation Basket of the Fund until December 31, 2020, are based on the price reported by the Fund’s principal market for Bitcoin as of 4:00 p.m., New York time, on the applicable dates were:

<b>Period</b>	<b>Average</b>	<b>High</b>	<b>Date</b>	<b>Low</b>	<b>Date</b>	<b>End of period</b>	<b>Last business day</b>
Twelve months ended December 31, 2019	\$ 7,356.06	\$ 13,849.81	6/26/19	\$ 3,358.79	2/7/19	\$ 7,145.00	\$ 7,145.00
Twelve months ended December 31, 2020	\$ 11,103.80	\$ 29,185.05	12/31/20	\$ 4,950.39	3/16/20	\$ 29,185.05	\$ 29,185.05
February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020	\$ 8,538.96	\$ 29,185.05	12/31/20	\$ 3,164.61	12/14/18	\$ 29,185.05	\$ 29,185.05

### *Ethereum*

During the period from February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020, the Ethereum price, based on the price reported by the Fund’s principal market for Ethereum as of 4:00 p.m., New York time, traded between \$82.34 (December 14, 2018) and \$1,013.98 (February 1, 2018), the average was \$300.25, and the median was \$224.00. The average, high, low and end-of-period Ethereum prices for the two years ended December 31, 2020 and 2019, and for the period from the first Creation Basket of the Fund until December 31, 2020, are based on the price reported by the Fund’s principal market for Ethereum as of 4:00 p.m., New York time, on the applicable dates were:

<b>Period</b>	<b>Average</b>	<b>High</b>	<b>Date</b>	<b>Low</b>	<b>Date</b>	<b>End of period</b>	<b>Last business day</b>
Twelve months ended December 31, 2019	\$ 180.54	\$ 350.76	6/26/19	\$ 102.88	2/6/19	\$ 127.86	\$ 127.86
Twelve months ended December 31, 2020	\$ 307.02	\$ 751.88	12/30/20	\$ 110.29	3/16/20	\$ 744.99	\$ 744.99
February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020	\$ 300.25	\$ 1,013.98	2/1/18	\$ 82.34	12/14/18	\$ 744.99	\$ 744.99

### *XRP*

During the period from February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020, the XRP price, based on the price reported by the Fund’s principal market for XRP as of 4:00 p.m., New York time, traded between \$0.14 (March 16, 2020) and \$1.17 (February 17, 2018), the average was \$0.37, and the median was \$0.30. The average, high, low and end-of-period XRP prices for the two years ended December 31, 2020 and 2019, and for the period from the first Creation Basket of the Fund until December 31, 2020, are based on the price reported by the Fund’s principal market for XRP as of 4:00 p.m., New York time, on the applicable dates were:

<b>Period</b>	<b>Average</b>	<b>High</b>	<b>Date</b>	<b>Low</b>	<b>Date</b>	<b>End of period</b>	<b>Last business day</b>
Twelve months ended December 31, 2019	\$ 0.31	\$ 0.48	6/26/19	\$ 0.18	12/17/19	\$ 0.19	\$ 0.19
Twelve months ended December 31, 2020	\$ 0.26	\$ 0.71	11/24/20	\$ 0.14	3/16/20	\$ 0.22	\$ 0.22
February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020	\$ 0.37	\$ 1.17	2/17/18	\$ 0.14	3/16/20	\$ 0.22	\$ 0.22

Effective January 4, 2021, the Fund removed XRP from the Fund's portfolio and sold the XRP holdings to purchase additional tokens of the remaining Fund Components in proportion to their respective weightings. See “Exhibit 1 – Note 11. Subsequent Events” for a description of the portfolio rebalancing.

## Bitcoin Cash

During the period from February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020, the Bitcoin Cash price, based on the price reported by the Fund's principal market for Bitcoin Cash as of 4:00 p.m., New York time, traded between \$76.78 (December 15, 2018) and \$1,719.00 (May 6, 2018), the average was \$415.96, and the median was \$292.49. The average, high, low and end-of-period Bitcoin Cash prices for the two years ended December 31, 2020 and 2019, and for the period from the first Creation Basket of the Fund until December 31, 2020, are based on the price reported by the Fund's principal market for Bitcoin Cash as of 4:00 p.m., New York time, on the applicable dates were:

Period	Average	High	Date	Low	Date	End of period	Last business day
Twelve months ended December 31, 2019	\$ 259.88	\$ 505.37	6/26/19	\$ 109.31	1/28/19	\$ 202.00	\$ 202.00
Twelve months ended December 31, 2020	\$ 269.71	\$ 493.09	2/14/20	\$ 168.00	3/16/20	\$ 341.98	\$ 341.98
February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020	\$ 415.96	\$ 1,719.00	5/6/18	\$ 76.78	12/15/18	\$ 341.98	\$ 341.98

## Litecoin

During the period from February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020, the Litecoin price, based on the price reported by the Fund's principal market for Litecoin as of 4:00 p.m., New York time, traded between \$22.47 (December 14, 2018) and \$242.51 (February 20, 2018), the average was \$72.88, and the median was \$58.69. The average, high, low and end-of-period Litecoin prices for the two years ended December 31, 2020 and 2019, and for the period from the first Creation Basket of the Fund until December 31, 2020, are based on the price reported by the Fund's principal market for Litecoin as of 4:00 p.m., New York time, on the applicable dates were:

Period	Average	High	Date	Low	Date	End of period	Last business day
Twelve months ended December 31, 2019	\$ 69.24	\$ 141.89	6/22/19	\$ 29.93	1/13/19	\$ 41.01	\$ 41.01
Twelve months ended December 31, 2020	\$ 56.14	\$ 133.64	12/26/20	\$ 32.27	3/16/20	\$ 124.49	\$ 124.49
February 1, 2018 (the first Creation Basket of the Fund) to December 31, 2020	\$ 72.88	\$ 242.51	2/20/18	\$ 22.47	12/14/18	\$ 124.49	\$ 124.49

### Item 5. Legal proceedings.

There are no current, past, pending or, to the Fund's knowledge, threatened legal proceedings or administrative actions either by or against the Fund or the Manager that could have a material effect on the Fund's or the Manager's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

### Item 6. Defaults upon senior securities.

None.

### Item 7. Other information.

*The risk factors included in our Annual Report continue to apply to us and describe risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the forward-looking statements contained in this Quarterly Report. In addition to such risk factors, investors should consider carefully the risks described below before making an investment decision.*

### Update to "Risk Factors" Disclosure

The section entitled "Risk Factors" in our Annual Report for the year ended June 30, 2020 is supplemented by adding at the end thereof:

***A determination that a digital asset is a “security” would adversely affect its value and the value of the Shares of the Fund holding such digital asset.***

Depending on its characteristics, a digital asset may be considered a “security” under the federal securities laws. The test for determining whether a particular digital asset is a “security” is complex and difficult to apply, and the outcome is difficult to predict. Public, though non-binding, statements by senior officials at the SEC indicate that the SEC does not consider Bitcoin or Ethereum to be securities, at least currently, and the SEC staff has provided informal assurances to a handful of promoters that their digital assets are not securities. On the other hand, the SEC has brought enforcement actions against the promoters of several other digital assets on the basis that the digital assets in question are securities.

Such an enforcement action by the SEC or a state securities regulator, or a similar court decision, would be expected to have an immediate material adverse impact on the trading value of the digital asset, as well as the Shares of the Fund. This is because the business models behind most digital assets are incompatible with regulations applying to transactions in securities. If a digital asset is determined or asserted to be a security, it is likely to become difficult or impossible for the digital asset to be traded, cleared or custodied in the United States through the same channels used by non-security digital assets, which in addition to materially and adversely affecting the trading value of the digital asset is likely to significantly impact its liquidity and market participants’ ability to convert the digital asset into U.S. dollars.

For example, in 2020 the SEC filed a complaint against the promoters of XRP alleging that they raised more than \$1.3 billion through XRP sales that should have been registered under the federal securities laws, but were not. In the years prior to the SEC’s action, XRP’s market capitalization at times reached over \$140 billion. However, in the weeks following the SEC’s complaint, XRP’s market capitalization fell to less than \$10 billion, which was less than half of its market capitalization in the days prior to the complaint. In addition, major digital asset trading platforms announced that they would delist XRP from their platforms. The SEC’s action against XRP’s promoters underscores the continuing uncertainty around which digital assets are securities, and demonstrates that such factors as how long a digital asset has been in existence, how widely held it is, how large its market capitalization is and that it has actual usefulness in commercial transactions, ultimately may have no bearing on whether the SEC or a court will find it to be a security.

In addition, if a significant portion of the Fund Components are determined to be securities, the Fund could be considered an unregistered “investment company” under SEC rules, which could necessitate the Fund’s liquidation. In this case, the Fund and the Manager may be deemed to have participated in an illegal offering of securities and there is no guarantee that the Manager will be able to register the Fund under the Investment Company Act at such time or take such other actions as may be necessary to ensure the Fund’s activities comply with applicable law, which could force the Manager to liquidate the Fund.

Moreover, whether or not the Manager or the Fund were subject to additional regulatory requirements as a result of any SEC or federal court determination that its assets include securities, the Manager may nevertheless decide to terminate the Fund, in order, if possible, to liquidate the Fund’s assets while a liquid market still exists. As a result, if the SEC or a federal court were to determine that a significant portion of Fund Components are securities, it is likely that the value of the Shares of the Fund would decline significantly, and that the Fund itself would be terminated and, if practical, its assets liquidated. Moreover, if it is determined that any Fund Component is a security, it is likely that the value of the Shares of the Fund would decline in proportion to the share of the Fund assets represented by such Fund Component.

**Item 8. Exhibits.**

Exhibit 1 Unaudited Financial Statements for the Three and Six Months Ended December 31, 2020.

**Item 9. Issuer’s certifications.**

**Certification**

I, Michael Sonnenshein, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Grayscale Digital Large Cap Fund LLC;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

Dated: February 12, 2021

/s/ Michael Sonnenshein

By: Michael Sonnenshein

Title: Chief Executive Officer of  
Grayscale Investments, LLC



## Certification

I, Edward McGee, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Grayscale Digital Large Cap Fund LLC;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

Dated: February 12, 2021

/s/ Edward McGee

By: Edward McGee

Title: Vice President, Finance (Principal Financial Officer) of  
Grayscale Investments, LLC

Exhibit 1

Unaudited Financial Statements for the Three and Six Months Ended December 31, 2020

**FINANCIAL STATEMENTS**

**Grayscale Digital Large Cap Fund LLC**  
**For the Three and Six Months Ended December 31, 2020**  
**(Unaudited)**



**Grayscale Digital Large Cap Fund**

**Grayscale Digital Large Cap Fund LLC**  
**Index to Unaudited Financial Statements**

Statements of Assets and Liabilities at December 31, 2020 and June 30, 2020 .....	3
Schedules of Investments at December 31, 2020 and June 30, 2020 .....	4
Statements of Operations for the Three and Six Months Ended December 31, 2020 and 2019 .....	5
Statements of Changes in Net Assets for the Three and Six Months Ended December 31, 2020 and 2019.....	6
Notes to Unaudited Financial Statements.....	7

**Grayscale Digital Large Cap Fund LLC**  
**Statements of Assets and Liabilities**  
**(Unaudited)**

	<u>December 31, 2020</u>	<u>June 30, 2020</u>
(Amounts in U.S. dollars, except Share amounts)		
<b>Assets:</b>		
Investments in digital assets, at fair value (cost \$99,631,769 and \$33,495,770 as of December 31, 2020 and June 30, 2020, respectively)	\$ 252,656,850	\$ 32,374,401
<b>Total assets</b>	<u>\$ 252,656,850</u>	<u>\$ 32,374,401</u>
<b>Liabilities:</b>		
Manager's Fee payable, related party	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>\$ 252,656,850</u>	<u>\$ 32,374,401</u>
<b>Net Assets consists of:</b>		
Paid-in-capital	\$ 102,162,616	\$ 35,029,298
Accumulated net investment loss	(2,654,536)	(1,184,441)
Accumulated net realized gain (loss) on investments in digital assets	123,689	(349,089)
Accumulated net change in unrealized appreciation (depreciation) on investments in digital assets	153,025,081	(1,121,367)
	<u>\$ 252,656,850</u>	<u>\$ 32,374,401</u>
Shares issued and outstanding, no par value (unlimited Shares authorized)	<u>15,392,800</u>	<u>6,029,000</u>
Net asset value per Share	<u>\$ 16.41</u>	<u>\$ 5.37</u>

*See accompanying notes to unaudited financial statements*

**Grayscale Digital Large Cap Fund LLC**  
**Schedules of Investments**  
**(Unaudited)**

**December 31, 2020**

	Quantity	Cost	Fair Value	% of Net Assets
Investment in Bitcoin	7,270.18054467	\$ 74,169,594	\$ 212,180,583	83.98%
Investment in Ethereum	42,030.07884163	15,795,632	31,311,989	12.39%
Investment in XRP	16,841,658.024325	5,520,979	3,705,164	1.47%
Investment in Bitcoin Cash	7,315.42095924	2,606,551	2,501,728	0.99%
Investment in Litecoin	23,756.01539239	1,539,013	2,957,386	1.17%
Net assets		\$ 99,631,769	\$ 252,656,850	100.00%

**June 30, 2020**

	Quantity	Cost	Fair Value	% of Net Assets
Investment in Bitcoin	2,890.95335771	\$ 22,059,705	\$ 26,406,229	81.57%
Investment in Ethereum	16,713.06457809	6,153,196	3,759,772	11.61%
Investment in XRP	6,697,006.684596	2,916,527	1,176,395	3.63%
Investment in Bitcoin Cash	2,908.94301800	1,576,599	643,283	1.99%
Investment in Litecoin	9,446.46857963	789,743	388,722	1.20%
Net assets		\$ 33,495,770	\$ 32,374,401	100.00%

*See accompanying notes to unaudited financial statements*

**Grayscale Digital Large Cap Fund LLC**  
**Statements of Operations**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
(Amounts in U.S. dollars)				
<b>Investment income:</b>				
Investment income	\$ -	\$ -	\$ -	\$ -
<b>Expenses:</b>				
Manager's Fee, related party	1,095,105	159,025	1,470,095	310,889
<b>Net investment loss</b>	<b>(1,095,105)</b>	<b>(159,025)</b>	<b>(1,470,095)</b>	<b>(310,889)</b>
<b>Net realized and unrealized gain (loss) on investments in digital assets:</b>				
Net realized gain (loss) on investments in digital assets	425,533	(40,412)	472,778	(94,268)
Net change in unrealized depreciation on Manager's Fee payable	-	-	-	57,198
Net change in unrealized appreciation (depreciation) on investments in digital assets	146,286,661	(3,652,299)	154,146,448	(10,556,070)
<b>Net realized and unrealized gain (loss) on investments in digital assets</b>	<b>146,712,194</b>	<b>(3,692,711)</b>	<b>154,619,226</b>	<b>(10,593,140)</b>
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 145,617,089</b>	<b>\$ (3,851,736)</b>	<b>\$ 153,149,131</b>	<b>\$ (10,904,029)</b>

*See accompanying notes to unaudited financial statements*

**Grayscale Digital Large Cap Fund LLC**  
**Statements of Changes in Net Assets**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
(Amounts in U.S. dollars, except change in Shares outstanding)				
<b>Increase (decrease) in net assets from operations:</b>				
Net investment loss	\$ (1,095,105)	\$ (159,025)	\$ (1,470,095)	\$ (310,889)
Net realized gain (loss) on investments in digital assets	425,533	(40,412)	472,778	(94,268)
Net change in unrealized depreciation on Manager's Fee payable	-	-	-	57,198
Net change in unrealized appreciation (depreciation) on investments in digital assets	146,286,661	(3,652,299)	154,146,448	(10,556,070)
Net increase (decrease) in net assets resulting from operations	<u>145,617,089</u>	<u>(3,851,736)</u>	<u>153,149,131</u>	<u>(10,904,029)</u>
<b>Increase in net assets from capital share transactions:</b>				
Shares issued	<u>21,199,803</u>	<u>7,607,710</u>	<u>67,133,318</u>	<u>8,202,872</u>
Net increase in net assets resulting from capital share transactions	<u>21,199,803</u>	<u>7,607,710</u>	<u>67,133,318</u>	<u>8,202,872</u>
Total increase (decrease) in net assets from operations and capital share transactions	<u>166,816,892</u>	<u>3,755,974</u>	<u>220,282,449</u>	<u>(2,701,157)</u>
<b>Net assets:</b>				
Beginning of period	<u>85,839,958</u>	<u>16,164,926</u>	<u>32,374,401</u>	<u>22,622,057</u>
End of period	<u>\$ 252,656,850</u>	<u>\$ 19,920,900</u>	<u>\$ 252,656,850</u>	<u>\$ 19,920,900</u>
<b>Change in Shares outstanding:</b>				
Shares outstanding at beginning of period	<u>13,170,200</u>	<u>3,194,900</u>	<u>6,029,000</u>	<u>3,103,600</u>
Shares issued	<u>2,222,600</u>	<u>1,530,300</u>	<u>9,363,800</u>	<u>1,621,600</u>
Net increase in Shares	<u>2,222,600</u>	<u>1,530,300</u>	<u>9,363,800</u>	<u>1,621,600</u>
Shares outstanding at end of period	<u>15,392,800</u>	<u>4,725,200</u>	<u>15,392,800</u>	<u>4,725,200</u>

*See accompanying notes to unaudited financial statements*



# Grayscale Digital Large Cap Fund LLC

## Notes to Unaudited Financial Statements

### 1. Organization

The Grayscale Digital Large Cap Fund LLC (the “Fund”) was constituted as a Cayman Islands limited liability company on January 25, 2018 (the inception of the Fund) and commenced operations on February 1, 2018. In general, the Fund will hold digital assets. A digital asset will be eligible for inclusion in the Fund’s portfolio if it satisfies market capitalization, liquidity and coverage criteria as determined by the Manager (as defined below). Digital assets will be held in the Fund’s portfolio on a market capitalization-weighted basis. At the inception of the Fund, the digital assets included in the Fund’s portfolio were: Bitcoin (“BTC”), Ethereum (“ETH”), XRP, Bitcoin Cash (“BCH”) and Litecoin (“LTC”) (collectively, the “Fund Components”). On a quarterly basis beginning on the first business day of January, April, July and October of each year, the Manager performs an analysis and may rebalance the Fund’s portfolio based on these results in accordance with policies and procedures as set forth in the Fund’s Limited Liability Company Agreement (the “LLC Agreement”). The Fund is authorized under the LLC Agreement to create and issue an unlimited number of equal, fractional, undivided interests in the profits, losses, distributions, capital and assets of, and ownership of, the Fund (“Shares”) (in minimum baskets of 100 Shares, referred to as “Baskets”) in connection with creations. The redemption of Shares is not currently contemplated and the Fund does not currently operate a redemption program. Subject to receipt of regulatory approval and approval by the Manager in its sole discretion, the Fund may in the future operate a redemption program. The Fund currently has no intention of seeking regulatory approval to operate an ongoing redemption program. The investment objective of the Fund is to hold the top digital assets by market capitalization and for the Shares to reflect the value of such Fund Components at any given time, less the Fund’s expenses and other liabilities.

From time to time, the Fund may hold cash in U.S. dollars and positions in digital assets as a result of a fork, airdrop or similar event through which the Fund becomes entitled to another digital asset or other property by virtue of its ownership of one or more of the digital assets it then holds (each such new asset, a “Forked Asset”).

Grayscale Investments LLC (“Grayscale” or the “Manager”) acts as the Manager of the Fund and is a wholly owned subsidiary of Digital Currency Group, Inc. (“DCG”). The Manager is responsible for the day-to-day administration of the Fund pursuant to the provisions of the LLC Agreement. Grayscale is responsible for preparing and providing annual and quarterly reports on behalf of the Fund to investors and is also responsible for selecting and monitoring the Fund’s service providers. As partial consideration for the Manager’s services, the Fund pays Grayscale a Manager’s Fee as discussed in Note 7. The Manager also acts as the sponsor and manager of other investment products including Grayscale Bitcoin Trust (BTC) (OTCQX: GBTC), Grayscale Bitcoin Cash Trust (BCH) (OTCQX: BCHG), Grayscale Ethereum Trust (ETH) (OTCQX: ETHE), Grayscale Ethereum Classic Trust (ETC) (OTCQX: ETCG), Grayscale Horizen Trust (ZEN), Grayscale Litecoin Trust (LTC) (OTCQX: LTCN), Grayscale Stellar Lumens Trust (XLM), and Grayscale Zcash Trust (ZEC), each of which is an affiliate of the Fund. The following investment products sponsored or managed by the Manager are also SEC reporting companies with their shares registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): Grayscale Bitcoin Trust (BTC) and Grayscale Ethereum Trust (ETH).

Authorized Participants of the Fund are the only entities who may place orders to create or, if permitted, redeem Baskets. Genesis Global Trading, Inc. (“Genesis” or the “Authorized Participant”), a registered broker dealer and wholly owned subsidiary of DCG, is the only Authorized Participant and is party to a participant agreement with the Manager and the Fund. Additional Authorized Participants may be added at any time, subject to the discretion of the Manager.

The custodian of the Fund is Coinbase Custody Trust Company, LLC (the “Custodian”), a third-party service provider. The Custodian is responsible for safeguarding the Fund Components and Forked Assets held by the Fund, and holding the private key(s) that provide access to the Fund’s digital wallets and vaults. The Custodian Agreement is for an initial term of three years.

## **Grayscale Digital Large Cap Fund LLC**

### **Notes to Unaudited Financial Statements**

#### **1. Organization (continued)**

The transfer agent for the Fund (the “Transfer Agent”) is Continental Stock Transfer & Trust Company. The responsibilities of the Transfer Agent are to maintain creations, redemptions, transfers, and distributions of the Fund’s Shares which are primarily held in book-entry form.

On October 14, 2019, the Fund received notice that its Shares were qualified for public trading on the OTCQX U.S. Marketplace of the OTC Markets Group, Inc. (“OTCQX”). The Fund’s trading symbol on OTCQX is “GDLC” and the CUSIP number for its Shares is G40705108. The Fund’s previous trading symbol was “GDLCF” on OTCQX and was changed to “GDLC” on April 14, 2020.

On July 21, 2020, the Fund registered with the Cayman Islands Monetary Authority (reference number: 1688783).

#### **2. Summary of Significant Accounting Policies**

In the opinion of management of the Manager of the Fund, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position as of December 31, 2020 and June 30, 2020 and results of operations for the three and six months ended December 31, 2020 and 2019 have been made. The results of operations for the periods presented are not necessarily indicative of the results of operations expected for the full year. These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2020 included in the Fund’s Annual Report.

The following is a summary of significant accounting policies followed by the Fund:

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The Fund qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, *Financial Services – Investment Companies*. The Fund uses fair value as its method of accounting for digital assets in accordance with its classification as an investment company for accounting purposes. The Fund is not registered under the Investment Company Act of 1940. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and these differences could be material.

The Fund conducts its transactions in Fund Components, including receiving Fund Components for the creation of Shares and delivering Fund Components for the redemption of Shares and for the payment of the Manager’s Fee. At this time, the Fund is not accepting redemption requests from shareholders. Since its inception, the Fund has not held cash or cash equivalents.

#### **Principal Market and Fair Value Determination**

To determine which market is the Fund’s principal market (or in the absence of a principal market, the most advantageous market) for purposes of calculating the Fund’s net asset value (“NAV”), the Fund follows ASC 820-10, which outlines the application of fair value accounting. ASC 820-10 determines fair value to be the price that would be received for each Fund Component in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Fund to assume that each Fund Component is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

**Grayscale Digital Large Cap Fund LLC**  
**Notes to Unaudited Financial Statements**

**2. Summary of Significant Accounting Policies (continued)**

The Fund only receives Fund Components from the Authorized Participant and does not itself transact on any Digital Asset Markets. Therefore, the Fund looks to the Authorized Participant when assessing entity-specific and market-based volume and level of activity for Digital Asset Markets. The Authorized Participant transacts in a Brokered Market, a Dealer Market, Principal-to-Principal Markets and Exchange Markets, each as defined in the FASB Master Glossary (collectively, “Digital Asset Markets”). The Authorized Participant, as a related party of the Manager, provides information about the Digital Asset Markets on which it transacts to the Fund.

In determining which of the eligible Digital Asset Markets is the Fund’s principal market, the Fund reviews these criteria in the following order:

First, the Fund reviews a list of each Digital Asset Markets and excludes any Digital Asset Markets that are non-accessible to the Fund and the Authorized Participant. The Fund or the Authorized Participant does not have access to Digital Asset Exchange Markets that do not have a BitLicense and has access only to non-Digital Asset Exchange Markets that the Authorized Participant reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each market.

Second, the Fund sorts the remaining Digital Asset Markets from high to low by entity-specific and market-based volume and level of activity of each Fund Component traded on each Digital Asset Market in the trailing twelve months.

Third, the Fund then reviews intra-day pricing fluctuations and the degree of variances in price on Digital Asset Markets to identify any material notable variances that may impact the volume or price information of a particular Digital Asset Market.

Fourth, the Fund then selects a Digital Asset Market as its principal market based on the highest market-based volume, level of activity and price stability in comparison to the other Digital Asset Markets on the list. Based on information reasonably available to the Fund, Exchange Markets have the greatest volume and level of activity for the Fund Components. The Fund therefore looks to accessible Exchange Markets as opposed to the Brokered Market, Dealer Market and Principal-to-Principal Markets to determine its principal market for each Fund Component. As a result of the analysis, an Exchange Market has been selected as the Fund’s principal market for each Fund Component.

The Fund determines its principal market (or in the absence of a principal market the most advantageous market) annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Digital Asset Market’s trading volume and level of activity in the trailing twelve months, (ii) if any Digital Asset Markets have developed that the Fund has access to, or (iii) if recent changes to each Digital Asset Market’s price stability have occurred that would materially impact the selection of the principal market and necessitate a change in the Fund’s determination of its principal market.

The cost basis of the investment in each Fund Component recorded by the Fund for financial reporting purposes is the fair value of the Fund Component at the time of transfer. The cost basis recorded by the Fund may differ from proceeds collected by the Authorized Participant from the sale of the corresponding Shares to investors.

**Grayscale Digital Large Cap Fund LLC**  
**Notes to Unaudited Financial Statements**

**2. Summary of Significant Accounting Policies (continued)**

**Investment Transactions and Revenue Recognition**

The Fund considers investment transactions to be the receipt of Fund Components for Share creations and the delivery of Fund Components for Share redemptions, the payment of expenses in Fund Components or the sale of Fund Components when the Manager rebalances the Fund’s portfolio. At this time, the Fund is not accepting redemption requests from shareholders. The Fund records its investment transactions on a trade date basis and changes in fair value are reflected as net change in unrealized appreciation or depreciation on investments. Realized gains and losses are calculated using the specific identification method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Manager’s Fee and selling Fund Component(s) when the Manager rebalances the Fund’s portfolio.

**Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the ‘exit price’) in an orderly transaction between market participants at the measurement date.

GAAP utilizes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, these valuations do not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary by investment. To the extent that valuations are based on sources that are less observable or unobservable in the market, the determination of fair value requires more judgment. Fair value estimates do not necessarily represent the amounts that may be ultimately realized by the Fund.

	<u>Amount at Fair Value</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>December 31, 2020</b>				
<b>Assets</b>				
Investments in digital assets	\$ 252,656,850	\$ -	\$ 252,656,850	\$ -
<b>June 30, 2020</b>				
<b>Assets</b>				
Investments in digital assets	\$ 32,374,401	\$ -	\$ 32,374,401	\$ -

**Grayscale Digital Large Cap Fund LLC**  
**Notes to Unaudited Financial Statements**

**3. Fair Value of Investments in Digital Assets**

The Fund Components are held by the Custodian on behalf of the Fund and are carried at fair value. The following table represents the fair value of each Fund Component using the price provided at 4:00 p.m., New York time, by the relevant Digital Asset Exchange Market considered to be its principal market, as determined by the Fund:

<b>Fund Component</b>	<b>Principal Market</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
BTC	Coinbase Pro	\$ 29,185.05	\$ 9,134.09
ETH	Coinbase Pro	\$ 744.99	\$ 224.96
XRP	Coinbase Pro	\$ 0.22	\$ 0.18
BCH	Coinbase Pro	\$ 341.98	\$ 221.14
LTC	Coinbase Pro	\$ 124.49	\$ 41.15

The following represents the changes in quantity of each Fund Component and their respective fair values:

	<b>Quantity</b>	<b>Fair Value</b>
<b>BTC balance at July 1, 2019</b>	1,545.00887000	\$ 17,362,316
BTC contributed	1,423.77956922	11,195,250
BTC distributed for Manager's Fee, related party	(77.83508151)	(660,834)
Net change in unrealized depreciation on investment in BTC	-	(1,559,295)
Net realized gain on investment in BTC	-	68,792
<b>BTC balance at June 30, 2020</b>	2,890.95335771	26,406,229
BTC contributed	4,458.22511971	52,827,796
BTC distributed for Manager's Fee, related party	(78.99793275)	(1,168,973)
Net change in unrealized appreciation on investment in BTC	-	133,664,464
Net realized gain on investment in BTC	-	451,067
<b>BTC balance at December 31, 2020</b>	7,270.18054467	\$ 212,180,583
	<b>Quantity</b>	<b>Fair Value</b>
<b>ETH balance at July 1, 2019</b>	8,931.94399617	\$ 2,692,268
ETH contributed	8,231.09766296	1,486,074
ETH distributed for Manager's Fee, related party	(449.97708104)	(87,508)
Net change in unrealized depreciation on investment in ETH	-	(216,300)
Net realized loss on investment in ETH	-	(114,762)
<b>ETH balance at June 30, 2020</b>	16,713.06457809	3,759,772
ETH contributed	25,773.71397200	9,808,632
ETH distributed for Manager's Fee, related party	(456.69970846)	(203,712)
Net change in unrealized appreciation on investment in ETH	-	17,909,780
Net realized gain on investment in ETH	-	37,517
<b>ETH balance at December 31, 2020</b>	42,030.07884163	\$ 31,311,989

**Grayscale Digital Large Cap Fund LLC**  
**Notes to Unaudited Financial Statements**

	<u>Quantity</u>	<u>Fair Value</u>
<b>XRP balance at July 1, 2019</b>	3,579,073.61054800	\$ 1,439,431
XRP contributed	3,298,241.09008900	830,441
XRP distributed for Manager's Fee, related party	(180,308.01604100)	(45,792)
Net change in unrealized depreciation on investment in XRP	-	(999,791)
Net realized loss on investment in XRP	-	(47,894)
<b>XRP balance at June 30, 2020</b>	<u>6,697,006.68459600</u>	<u>1,176,395</u>
XRP contributed	10,327,653.14534000	2,668,206
XRP distributed for Manager's Fee, related party	(183,001.80561100)	(59,308)
Net change in unrealized depreciation on investment in XRP	-	(75,683)
Net realized loss on investment in XRP	-	(4,446)
<b>XRP balance at December 31, 2020</b>	<u><u>16,841,658.02432500</u></u>	<u><u>\$ 3,705,164</u></u>
	<u>Quantity</u>	<u>Fair Value</u>
<b>BCH balance at July 1, 2019</b>	1,576.36869934	\$ 652,617
BCH contributed	1,432.63933393	345,848
BCH distributed for Manager's Fee, related party	(100.06501527)	(27,100)
Net change in unrealized depreciation on investment in BCH	-	(283,597)
Net realized loss on investment in BCH	-	(44,485)
<b>BCH balance at June 30, 2020</b>	<u>2,908.94301800</u>	<u>643,283</u>
BCH contributed	4,485.96745750	1,061,896
BCH distributed for Manager's Fee, related party	(79.48951626)	(21,119)
Net change in unrealized appreciation on investment in BCH	-	828,493
Net realized loss on investment in BCH	-	(10,825)
<b>BCH balance at December 31, 2020</b>	<u><u>7,315.42095924</u></u>	<u><u>\$ 2,501,728</u></u>
	<u>Quantity</u>	<u>Fair Value</u>
<b>LTC balance at July 1, 2019</b>	5,048.46535792	\$ 651,959
LTC contributed	4,652.33684958	241,342
LTC distributed for Manager's Fee, related party	(254.33362787)	(15,793)
Net change in unrealized depreciation on investment in LTC	-	(479,669)
Net realized loss on investment in Litecoin	-	(9,117)
<b>LTC balance at June 30, 2020</b>	<u>9,446.46857963</u>	<u>388,722</u>
LTC contributed	14,567.68016882	766,788
LTC distributed for Manager's Fee, related party	(258.13335606)	(16,983)
Net change in unrealized appreciation on investment in LTC	-	1,819,394
Net realized loss on investment in Litecoin	-	(535)
<b>LTC balance at December 31, 2020</b>	<u><u>23,756.01539239</u></u>	<u><u>\$ 2,957,386</u></u>

**Grayscale Digital Large Cap Fund LLC**  
**Notes to Unaudited Financial Statements**

**4. Portfolio Rebalancing**

A digital asset will generally be eligible for inclusion in the Fund's portfolio if it satisfies market capitalization, liquidity and coverage criteria as determined by the Manager. Fund Components will be held in the Fund's portfolio on a market capitalization-weighted basis. Specifically, the Fund seeks to hold Fund Components that have market capitalizations that collectively comprise at least 70% of the market capitalization of the entire digital asset market (the "Target Coverage Ratio"). Market capitalization refers to a digital asset's market value, as determined by multiplying the number of tokens of such digital asset in circulation by the market price of a token of such digital asset. Because the Fund will create Shares in exchange for Fund Components on a daily basis, the market capitalization of each Fund Component will be calculated, and the percentage of the total U.S. dollar value of the aggregate Fund Components at any time that is represented by tokens of such Fund Components (its "Weighting") will therefore fluctuate, daily in accordance with changes in the market price of such Fund Components.

On a quarterly basis beginning on the first business day of January, April, July and October of each year, the Manager performs an analysis and may rebalance the Fund's portfolio based on these results. In order to rebalance the Fund's portfolio, the Manager will (i) determine whether any Fund Components meet certain removal criteria and should therefore be removed from as Fund Components, (ii) determine whether any new digital assets meet certain inclusion criteria and should therefore be included as Fund Components, (iii) determine whether the Target Coverage Ratio is met and (iv) determine how much cash and Forked Assets the Fund holds. If a Fund Component is no longer eligible for inclusion in the Fund's portfolio because it meets the Removal Criteria, the Manager will adjust the Fund's portfolio by selling such Fund Component and using the cash proceeds to purchase additional tokens of the remaining Fund Components and, if applicable, any new Fund Component in proportion to their respective Weightings.

If a digital asset not then included in the Fund's portfolio is newly eligible for inclusion in the Fund's portfolio because it meets the Inclusion Criteria or because its inclusion is necessary in order for the Fund's portfolio to meet the Target Coverage Ratio, the Manager will adjust the Fund's portfolio by selling tokens of the then-current Fund Components in proportion to their respective Weightings and using the cash proceeds to purchase tokens of the newly eligible digital assets.

Each period during which the Manager is purchasing and selling digital assets in connection with a rebalancing is referred to as a "Rebalancing Period." The Manager expects each Rebalancing Period to last between one and five business days. As of and during the periods ended December 31, 2020 and June 30, 2020, there have been no changes in the Fund Components' market capitalization that would have required the Manager to rebalance the Fund's portfolio.

## **Grayscale Digital Large Cap Fund LLC**

### **Notes to Unaudited Financial Statements**

#### **5. Creations and Redemptions of Shares**

At December 31, 2020 and June 30, 2020, there were an unlimited number of Shares authorized by the Fund. The Fund creates (and, should the Fund commence a redemption program, redeems) Shares from time to time, but only in one or more Baskets. The creation and redemption of Baskets on behalf of investors are made by the Authorized Participant in exchange for the delivery of tokens of each Fund Component to the Fund, or the distribution of tokens of each Fund Component by the Fund, plus cash representing the Forked Asset portion, if any, and the U.S. Dollar portion, if any. The number of tokens of each Fund Component required for each creation Basket or redemption Basket is determined by dividing (x) the total number of tokens of such Fund Component held by the Fund at 4:00 p.m., New York time, on such trade date of a creation or redemption order, after deducting the number of tokens of each Fund Component payable as the Manager's Fee and the number of tokens of such Fund Component payable as a portion of Additional Fund Expenses (as defined in Note 7), by (y) the number of Shares outstanding at such time and multiplying the quotient obtained by 100. Each Share represented approximately 0.0005 of one BTC, 0.0027 of one ETH, 1.0941 of one XRP, 0.0005 of one BCH and 0.0015 of one LTC at December 31, 2020. Each Share represented approximately 0.0005 of one BTC, 0.0028 of one ETH, 1.1108 of one XRP, 0.0005 of one BCH and 0.0016 of one LTC at June 30, 2020.

The cost basis of investments in each Fund Component recorded by the Fund is the fair value of each Fund Component, as determined by the Fund, at 4:00 p.m., New York time, on the date of transfer to the Fund by the Authorized Participant based on the creation Baskets. The cost basis recorded by the Fund may differ from proceeds collected by the Authorized Participant from the sale of each Share to investors. The Authorized Participant may realize significant profits buying, selling, creating, and, if permitted, redeeming Shares as a result of changes in the value of Shares or each Fund Component. In addition, the Authorized Participant may realize significant profits through the sale of digital assets during a Rebalancing Period.

At this time, the Fund is not operating a redemption program and is not accepting redemption requests. Subject to receipt of regulatory approval and approval by the Manager in its sole discretion, the Fund may in the future operate a redemption program. The Fund currently has no intention of seeking regulatory approval to operate an ongoing redemption program. Further, before the Fund is able to effect redemptions, it will be required to meet the requirements of, and register with, the Cayman Islands Monetary Authority and be regulated as a mutual fund under the Mutual Funds Law, 2020 of the Cayman Islands.

#### **6. Income Taxes**

The Government of the Cayman Islands does not, and will not, under existing Cayman law, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Fund or the shareholders. Interest, dividends and gains payable to the Fund and all distributions by the Fund to shareholders will be received free of any Cayman Islands income or withholding taxes.

The Fund has elected to be treated as a corporation for U.S. federal income tax purposes. The Manager believes that the Fund will not be treated as engaged in a trade or business in the United States and thus will not derive income that is treated as "effectively connected" with the conduct of a trade or business in the United States ("effectively connected income") under the U.S. Internal Revenue Code and corresponding tax regulations (e.g., including under Sections 861 through 865). There can, however, be no complete assurance in this regard. If the Fund were treated as engaged in a trade or business in the United States, it would be subject to U.S. federal income tax, at the rates applicable to U.S. corporations (currently, at the rate of 21%), on its net effectively connected income. Any such income might also be subject to U.S. state and local income taxes. In addition, the Fund would be subject to a 30% U.S. branch profits tax in respect of its "dividend equivalent amount," as defined in Section 884 of the Code, attributable to its effectively connected income (generally, the after-tax amount of certain effectively connected income that is not treated as reinvested in the trade or business).



## **Grayscale Digital Large Cap Fund LLC**

### **Notes to Unaudited Financial Statements**

#### **6. Income Taxes (continued)**

If the Fund were treated as engaged in a trade or business in the United States during any taxable year, it would be required to file a U.S. federal income tax return for that year, regardless of whether it recognized any effectively connected income. If the Fund did not file U.S. federal income tax returns and were later determined to have engaged in a U.S. trade or business, it would generally not be entitled to offset its effectively connected income and gains against its effectively connected losses and deductions (and, therefore, would be taxable on its gross, rather than net, effectively connected income). If the Fund recognizes any effectively connected income, the imposition of U.S. taxes on such income may have a substantial adverse effect on the return to shareholders.

Due to the new and evolving nature of digital assets and a general absence of clearly controlling authority with respect to digital assets, many significant aspects of the U.S. federal income tax treatment of digital assets (including with respect to the amount, timing, and character of income recognition) are uncertain. The Manager believes that, in general, gains and losses recognized by the Fund from the sale or other disposition of digital assets will be treated as capital gains or losses. However, it is possible that the IRS will not agree with the Fund's US federal tax treatment of digital assets.

In accordance with GAAP, the Fund has defined the threshold for recognizing the benefits of tax positions in the financial statements as “more-likely than-not” to be sustained by the applicable taxing authority and requires measurement of a tax position meeting the “more-likely than-not” threshold, based on the largest benefit that is more than 50% likely to be realized. Tax positions not deemed to meet the “more-likely than-not” threshold are recorded as a tax benefit or expense in the current period. As of and during the periods ended December 31, 2020 and June 30, 2020, the Fund did not have a liability for any unrecognized tax amounts. However, the Manager's conclusions concerning its determination of “more likely than not” tax positions may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance, and on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Manager of the Fund has evaluated whether or not there are uncertain tax positions that require financial statement recognition and has determined that no reserves for uncertain tax positions related to federal, state and local income taxes existed as of December 31, 2020 or June 30, 2020.

#### **7. Related Parties**

The Fund considers the following entities, their directors and employees to be related parties of the Fund: DCG, Genesis, Grayscale, and TradeBlock, Inc. As of December 31, 2020 and June 30, 2020, 1,793,259 and 723,805 Shares of the Fund were held by related parties of the Fund, respectively.

The Manager's parent, an affiliate of the Fund, holds a minority interest in Coinbase, Inc., the parent company of the Custodian, that represents less than 1.0% of Coinbase, Inc.'s ownership.

In accordance with the LLC Agreement governing the Fund, the Fund pays a fee to the Manager, calculated as 3.0% of the aggregate value of the Fund's digital asset holdings, less its liabilities (which include any accrued but unpaid expenses up to, but excluding, the date of calculation), as calculated and published by the Manager or its delegates (the “Manager's Fee”). The Manager's Fee accrues daily in U.S. dollars and is payable in Fund Components then held by the Fund in proportion to each Fund Component's Weighting. The U.S. dollar amount of the Manager's Fee will be converted into Fund Components on a daily basis by multiplying such U.S. dollar amount by the Weighting for each Fund Component and dividing the resulting product for each Fund Component by the U.S. dollar value for such Fund Component on such day. For purposes of these financial statements, the U.S. dollar value of Fund Components is determined by reference to the Digital Asset Exchange Market that the Fund considers its principal market as of 4:00 p.m., New York time, on each valuation date.

## **Grayscale Digital Large Cap Fund LLC**

### **Notes to Unaudited Financial Statements**

#### **7. Related Parties (continued)**

As partial consideration for receipt of the Manager's Fee, the Manager shall assume and pay all fees and other expenses incurred by the Fund in the ordinary course of its affairs, excluding taxes, but including marketing fee, the administrator fee, if any; custodian fees; transfer agent fees; trustee fees; the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year; ordinary course legal fees and expenses; audit fees; regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act and fees relating to registration and any other regulatory requirements in the Cayman Islands; printing and mailing costs; costs of maintaining the Fund's website and applicable license fees (together, the "Manager-paid Expenses"), provided that any expense that qualifies as an Additional Fund Expense will be deemed to be an Additional Fund Expense and not a Manager-paid Expense.

The Fund may incur certain extraordinary, non-recurring expenses that are not Manager-paid Expenses, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Manager (or any other service provider) on behalf of the Fund to protect the Fund or the interests of shareholders (including in connection with any Forked Assets), any indemnification of the Custodian or other agents, service providers or counterparties of the Fund, the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively, "Additional Fund Expenses"). In such circumstances, the Manager or its delegate (i) will instruct the Custodian to withdraw from the digital asset accounts Fund Components in proportion to their respective Weightings at such time and in such quantity as may be necessary to permit payment of such Additional Fund Expenses and (ii) may either (x) cause the Fund (or its delegate) to convert such Fund Components into U.S. dollars or other fiat currencies at the price per single unit of such asset (determined net of any associated fees) at which the Fund is able to sell such asset or (y) cause the Fund (or its delegate) to deliver such Fund Components, and/or Forked Assets in kind in satisfaction of such Additional Fund Expenses.

For the three months ended December 31, 2020 and 2019 the Fund incurred Manager's Fees of \$1,095,105 and \$159,025, respectively. For the six months ended December 31, 2020 and 2019, the Fund incurred Manager's Fees of \$1,470,095 and \$310,889, respectively. As of December 31, 2020 and June 30, 2020, there were no accrued and unpaid Manager Fees. In addition, the Manager may pay Additional Fund Expenses on behalf of the Fund, which are reimbursable by the Fund to the Manager. For the three and six months ended December 31, 2020 and 2019, the Manager did not pay any Additional Fund Expenses on behalf of the Fund.

#### **8. Risks and Uncertainties**

The Fund is subject to various risks including market risk, liquidity risk, and other risks related to its concentration in digital assets. Investing in digital assets is currently highly speculative and volatile.

The net asset value of the Fund relates primarily to the value of the Fund Components, and fluctuations in the price of such Fund Components could materially and adversely affect an investment in the Shares of the Fund. The price of the Fund Components have a very limited history. During such history, the market price of such Fund Components have been volatile, and subject to influence by many factors including the levels of liquidity. If the Digital Asset Markets continue to experience significant price fluctuations, the Fund may experience losses. Several factors may affect the market price of the Fund Components, including, but not limited to, global supply and demand of such Fund Components, theft of such Fund Components from global exchanges or vaults, competition from other forms of digital assets or payments services, global or regional political, economic or financial conditions, and events and situations such as the novel coronavirus outbreak.

## **Grayscale Digital Large Cap Fund LLC**

### **Notes to Unaudited Financial Statements**

#### **8. Risks and Uncertainties (continued)**

All digital asset networks are decentralized to an extent, meaning no single entity owns or operates them. Some digital asset networks, such as the BTC, BCH, ETH and LTC networks, are collectively maintained by a decentralized user base. However, unlike other digital assets, XRP is not fully decentralized. Instead, the Ripple network's protocol is largely managed by a group of creators, Ripple Labs, Inc. ("Ripple Labs") and Ripple Labs will generally have control over amendments to, and the development of, the protocol's source code. To the extent that Ripple Labs makes any amendments to the Ripple network's protocol, the Ripple network will be subject to new protocols that may adversely affect the value of XRP. As a result of the foregoing, large sales by Ripple Labs could potentially have an adverse effect on the market price of XRP.

The Fund Components are commingled, and the Fund's shareholders have no specific rights to any specific Fund Component. In the event of the insolvency of the Fund, its assets may be inadequate to satisfy a claim by its shareholders.

There is currently no clearing house for the Fund Components, nor is there a central or major depository for the custody of such Fund Components. There is a risk that some or all of the Fund Components could be lost or stolen. There can be no assurance that the Custodian will maintain adequate insurance or that such coverage will cover losses with respect to the Fund Components. Further, transactions in the Fund Components are irrevocable. Stolen or incorrectly transferred Fund Components may be irretrievable. As a result, any incorrectly executed Fund Component transactions could adversely affect an investment in the Shares.

The Securities and Exchange Commission (the "SEC") has stated that certain digital assets may be considered "securities" under the federal securities laws. The test for determining whether a particular digital asset is a "security" is complex and the outcome is difficult to predict. Public statements by senior officials at the SEC, including a June 2018 speech by the director of the SEC's division of Corporation Finance, indicate that the SEC does not intend to take the position that Bitcoin or Ether are currently securities. Such statements are not official policy statements by the SEC and reflect only the speaker's views, which are not binding on the SEC or any other agency or court and cannot be generalized to any other digital asset. Further, Ripple Labs, Inc. ("Ripple"), the company that retains a key role in stewarding the development of XRP, is currently a defendant in a federal class-action lawsuit filed by certain XRP holders that alleges that XRP is a security issued by Ripple. In addition, in 2020 the SEC filed a complaint against the promoters of XRP alleging that they raised more than \$1.3 billion through XRP sales that should have been registered under the federal securities laws, but were not. If a Fund Component is determined to be a "security" under federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law or otherwise, it may have material adverse consequences for such Fund Component.

For example, it may become more difficult for such Fund Component to be traded, cleared and custodied as compared to other digital assets that are not considered to be securities, which could in turn negatively affect the liquidity and general acceptance of such Fund Component and cause users to migrate to other digital assets. As such, any determination that a Fund Component is a security under federal or state securities laws may adversely affect the value of such Fund Component and, as a result, an investment in the Shares.

To the extent that a Fund Component is determined to be a security, the Fund and the Manager may also be subject to additional regulatory requirements, including under the Investment Company Act of 1940, and the Manager may be required to register as an investment adviser under the Investment Advisers Act of 1940. If the Manager determines not to comply with such additional regulatory and registration requirements, the Manager will terminate the Fund. Any such termination could result in the liquidation of the Fund's digital assets at a time that is disadvantageous to shareholders.

**Grayscale Digital Large Cap Fund LLC**  
**Notes to Unaudited Financial Statements**

**8. Risks and Uncertainties (continued)**

Unlike other digital assets, Ripple retains a central role in stewarding the development of the XRP ledger by managing the supply and distribution of XRP due to the large quantity of XRP it retains. As a result of Ripple's concentration of control, large distributions by Ripple in the future, the perception that these distributions may occur, or any failure to distribute XRP in the best interest of the Ripple network, could have an adverse effect on the market price of XRP and an investment in the Shares.

As with any computer network, digital asset networks are vulnerable to various kinds of attacks. For example, each digital asset network of the Fund Components is vulnerable to a "51% attack" where, if a malicious actor were to gain control of more than 50% of a network's hash rate, it would be able to gain full control of the network and the ability to manipulate such network's blockchain. In May 2019, the Bitcoin Cash network experienced a 51% attack when two mining pools combined their hash rates to reverse a block of transactions that rewarded tokens to an unknown actor who had taken advantage of an unrelated vulnerability in the Bitcoin Cash network. The Fund did not suffer any direct losses as a result of the attack. Although this particular attack could be interpreted as reversing a separate attack on the Bitcoin Cash network, the Bitcoin Cash network may be vulnerable to future 51% attacks that could result in a loss of confidence in the Bitcoin Cash network.

To the extent a private key required to access a Fund Component address is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Fund may be unable to access the relevant Fund Component controlled by the private key and the private key will not be capable of being restored by the network of such Fund Component. The processes by which the Fund Component transactions are settled are dependent on the peer-to-peer network of such Fund Component, and as such, the Fund is subject to operational risk. A risk also exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of the Fund Component.

The Fund relies on third party service providers to perform certain functions essential to its operations. Any disruptions to the Fund's or the Fund's service providers' business operations resulting from business restrictions, quarantines or restrictions on the ability of personnel to perform their jobs could have an adverse impact on the Fund's ability to access critical services and would be disruptive to the operation of the Fund.

**Grayscale Digital Large Cap Fund LLC**  
**Notes to Unaudited Financial Statements**

**9. Financial Highlights Per Share Performance**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019 <sup>1</sup>	2020	2019
<b>Per Share Data:</b>				
Net asset value, beginning of period	\$ 6.52	\$ 5.06	\$ 5.37	\$ 7.29
Net increase in net assets from investment operations:				
Net investment loss	(0.08)	(0.04)	(0.13)	(0.08)
Net realized and unrealized gain (loss)	9.97	(0.80)	11.17	(2.99)
Net increase (decrease) in net assets resulting from operations	9.89	(0.84)	11.04	(3.07)
Net asset value, end of period	<u>\$ 16.41</u>	<u>\$ 4.22</u>	<u>\$ 16.41</u>	<u>\$ 4.22</u>
Total return	<u>3921.75%</u>	<u>-50.03%</u>	<u>845.43%</u>	<u>-65.22%</u>
<i>Ratios to average net assets:</i>				
Net investment loss	<u>-3.00%</u>	<u>-3.00%</u>	<u>-3.00%</u>	<u>-3.00%</u>
Expenses	<u>-3.00%</u>	<u>-3.00%</u>	<u>-3.00%</u>	<u>-3.00%</u>

Ratios of net investment loss and expenses to average net assets have been annualized.

An individual shareholder's return, ratios, and per Share performance may vary from those presented above based on the timing of Share transactions.

Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period and assuming redemption on the last day of the period and has been annualized.

<sup>1</sup> Total return for the three months ended December 31, 2019 has been corrected as compared to the previously reported amount.

**10. Indemnifications**

In the normal course of business, the Fund enters into certain contracts that provide a variety of indemnities, including contracts with the Manager and affiliates of the Manager, DCG and its officers, directors, employees, subsidiaries and affiliates, and the Custodian as well as others relating to services provided to the Fund. The Fund's maximum exposure under these and its other indemnities is unknown. However, no liabilities have arisen under these indemnities in the past and, while there can be no assurances in this regard, there is no expectation that any will occur in the future. Therefore, the Manager does not consider it necessary to record a liability in this regard.

**11. Subsequent Events**

On December 21, 2020, the Manager announced that the Fund will reduce its management fee. Effective January 1, 2021, the Manager's Fee was lowered from 3.0% to 2.5%.

**Grayscale Digital Large Cap Fund LLC**  
**Notes to Unaudited Financial Statements**

**11. Subsequent Events (continued)**

On December 30, 2020, the Authorized Participant of the Fund, announced that effective January 15, 2021, at 5:00 p.m. ET, it would temporarily suspend trading for XRP. According to the Fund's documentation, during the Fund's quarterly review, the Manager may determine to exclude a digital asset from the Fund's portfolio even if it meets the Fund's Inclusion Criteria, including, but not limited to, if the Authorized Participant does not have the ability to trade or otherwise support such digital asset. As a result, the Fund has removed XRP from the Fund's portfolio and sold the XRP holdings to purchase additional tokens of the remaining Fund Components in proportion to their respective weightings.

Prior to the sale of XRP on January 4, 2021, XRP was approximately 1.46% of the Fund. As of the end of the day on January 4, 2021, the Fund Components were a basket of 81.63% Bitcoin (BTC), 15.86% Ethereum (ETH), 1.08% Bitcoin Cash (BCH), and 1.43% Litecoin (LTC) and each Share represented 0.00047489 Bitcoin (BTC), 0.00287011 Ethereum (ETH), 0.00047537 Bitcoin Cash (BCH), and 0.00167314 Litecoin (LTC). The Fund does not generate any income and regularly distributes Fund Components to pay for its ongoing expenses. Therefore, the amount of Fund Components represented by each Share gradually decreases over time.

On January 5, 2021, CoinDesk, Inc., a leading news publication and data provider and a wholly owned subsidiary of DCG, announced that CoinDesk, Inc. acquired TradeBlock, Inc., the Index Provider for the Fund and the other investment products sponsored or managed by the Manager, on December 31, 2020.

As of the close of business on February 8, 2021 the fair value of each Fund Component, determined in accordance with the Fund's accounting policy, was \$44,220.37 per BTC, \$1,722.40 per ETH, \$477.19 per BCH and \$163.79 per LTC.

There are no known events that have occurred that require disclosure other than that which has already been disclosed in these notes to the financial statements.