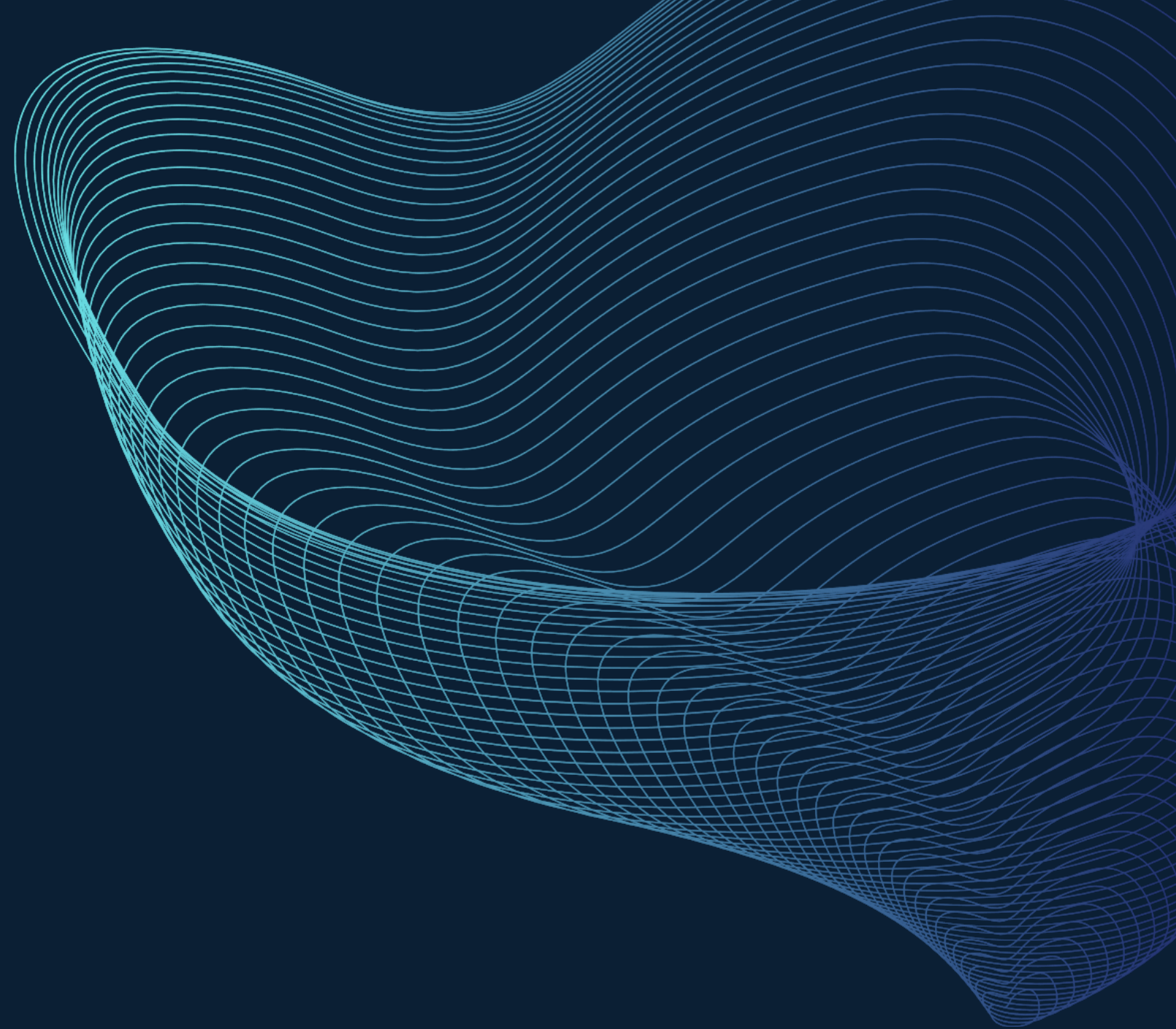




Deep Research



# Off The Chain Capital

October 4, 2022

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Please see [Page 25](#) for Important Disclosures

# Executive Summary

- Since late 2021, crypto markets have struggled primarily due to a poor macroeconomic background, highlighted by rampant inflation and geopolitical conflict. Crypto-specific headwinds such as stablecoin collapses and unhealthy systemic leverage have exacerbated these broad economic headwinds. The drawdown in asset prices has caused many funds, lenders, and blockchain companies to close their doors or implement cost-cutting measures.
  - Despite depressed asset prices, the crypto industry looks radically different from prior bear markets, as the pool of industry stakeholders has grown in size and maturity. We continue to witness robust private market activity.
  - Off The Chain Capital (OTC) is a “value-oriented” hedge fund well suited to capitalize on the current bear market due to its investment strategy. OTC utilizes deep industry connections to invest in profitable late-stage companies at pre-seed round prices and acquire digital assets at a discount.
  - Intending to outperform Bitcoin, OTC’s investment strategies are designed to capture the majority of investment upside while mitigating downside risk. Historically, OTC has outperformed BTC in 8 of the last 12 quarters, capturing 97% of Bitcoin’s upward moves and only 48% of downside moves, as of August 31, 2022. OTC has outperformed the Crypto Fund Research Index, which measures the performance of 124 crypto funds since inception, in three of the last five years, all while having a minimal correlation to the S&P 500, with an R-Squared value of 0.03.
  - Risks<sup>1</sup> – Crypto is still a nascent industry with regulatory and technological risks. It is subject to “risk-off” behavior from investors when the macroeconomic background is poor.
- Bottom Line – In a market that has eliminated much of the froth from 2021, Off The Chain Capital’s value-oriented investment style is ideally suited to take advantage of current market conditions. The emphasis on cushioning the downside has shielded OTC from catastrophic losses seen by other crypto funds, and OTC could continue to outperform going forward.

<sup>1</sup>Please refer to OTC’s Form ADV Part 2A which lists the risks associated with this type of investment.

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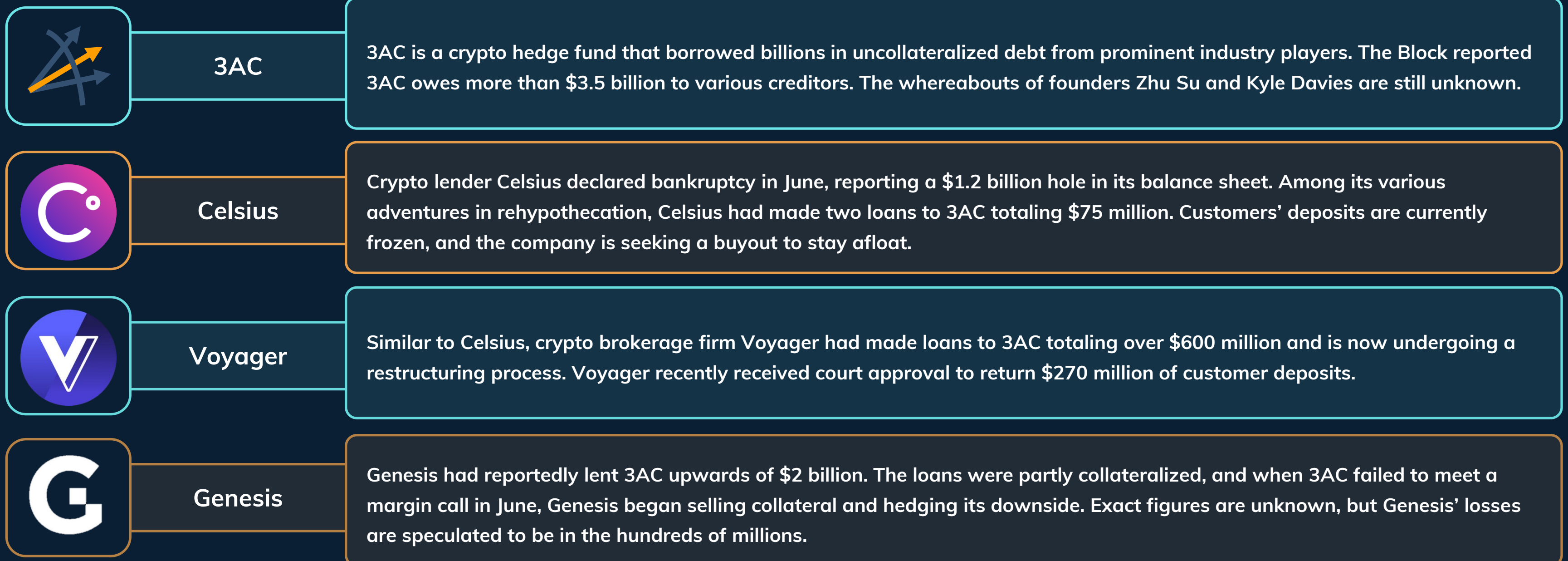
# Market Landscape

- Cryptoassets have been subject to significant price declines in 2022 following a broad selloff of risk assets. Liquidity conditions have tightened rapidly, catalyzed by record inflation, supply chain bottlenecks, and geopolitical conflict. Crypto-specific events such as UST's collapse and the industry-wide credit crunch following Three Arrows Capital (3AC) unwind have exacerbated the restrictive effects of rising interest rates and quantitative tightening.
- As a result of the market tumult, the total crypto market cap has fallen to around \$1 trillion, and Total Value Locked (TVL) across all crypto ecosystems has been cut in half.



# Bear Market Contagion

- The decline in crypto prices led to an industry-wide credit crunch in Q2 2022. Contagion stemming from the collapse of UST and the 3AC unwind resulted in a series of liquidity issues for both companies and funds.
- In addition to bankruptcies and insolvencies, many companies have had to fire staff and/or reduce hiring to offset market conditions.



# This Bear Market Looks Different

- Despite depressed asset prices, the crypto industry looks radically different from prior bear markets, as the pool of industry stakeholders has grown in size and maturity.
- Adoption continues to grow; addresses of non-zero BTC balances are steadily increasing.
- From a dealmaking perspective, private markets remained hot.
- 20% more money was raised in private deals in the first half of 2022 compared to the entirety of 2021.

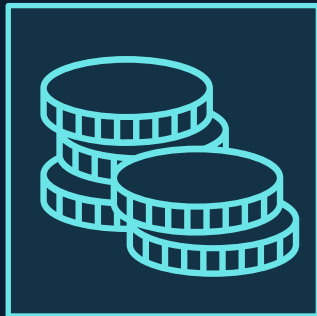
| Bitcoin Treasuries |                  |                         |              |
|--------------------|------------------|-------------------------|--------------|
| Category           | # of BTC         | Value Today             | % of 21m     |
| ETFs               | 827,105          | \$19,846,591,582        | 3.94%        |
| Countries          | 50,779           | \$1,218,454,820         | 0.24%        |
| Public Companies   | 230,916          | \$5,540,887,241         | 1.10%        |
| Private Companies  | 316,067          | \$7,584,106,808         | 1.51%        |
| <b>Total</b>       | <b>1,435,304</b> | <b>\$34,440,478,880</b> | <b>6.84%</b> |

| Category       | 2021             |                             | 1H 2022          |                             |
|----------------|------------------|-----------------------------|------------------|-----------------------------|
|                | Number of Rounds | Amount Raised (\$ Billions) | Number of Rounds | Amount Raised (\$ Billions) |
| Defi           | 240              | 3.4                         | 195              | 1.8                         |
| Web3 & NFTs    | 259              | 4.8                         | 530              | 8.6                         |
| Infrastructure | 77               | 6.3                         | 252              | 9.7                         |
| CeFi           | 108              | 6.4                         | 222              | 10.2                        |
| <b>Total</b>   | <b>684</b>       | <b>20.9</b>                 | <b>1199</b>      | <b>30.3</b>                 |

Addresses with Non-Zero Balances (Millions)



# Crypto Asset Management

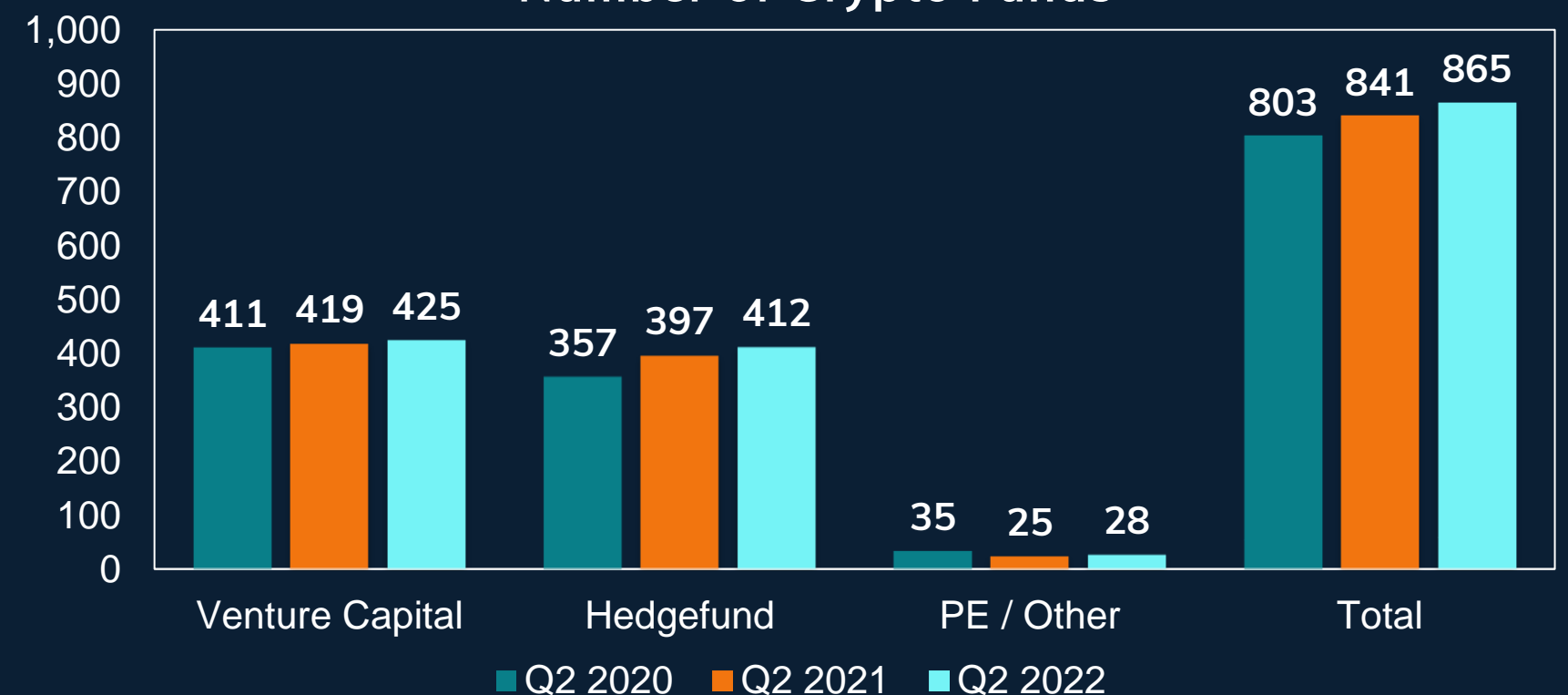


- As of Q2 2022, assets under management (USD) has sustained close to its peak level achieved in Q4 2021.
- The total number of crypto funds continues to grow year over year.
- Roughly 1/3 of traditional hedge funds are investing in digital assets compared to 1/5 in 2021.
- 2/3 of funds already investing in digital assets plan to deploy more capital by the end of the year.
- 29% of funds that have not invested in digital assets stated they are in the late stages of planning digital investments.

Crypto Funds AUM (\$ Millions)

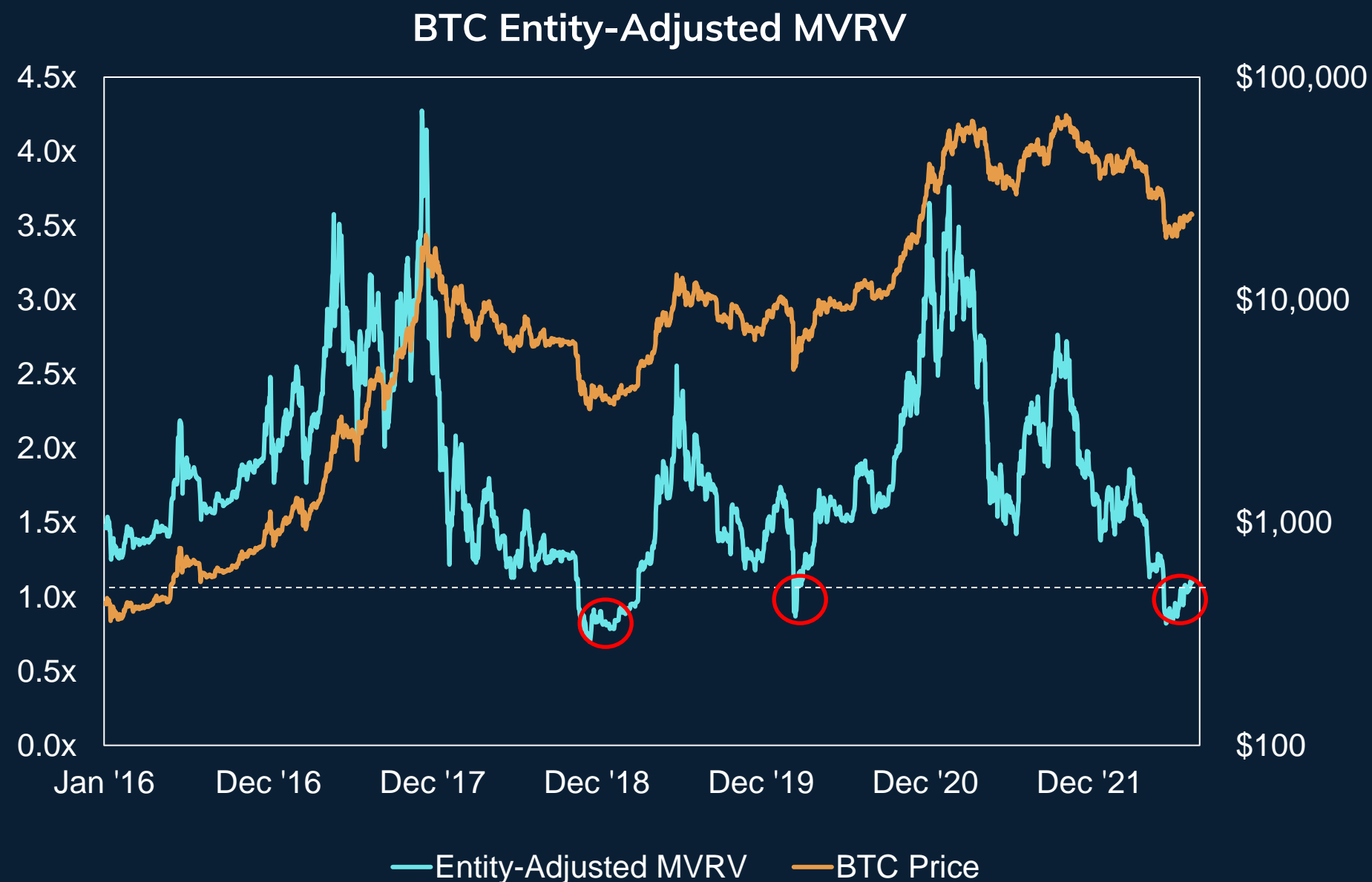


Number of Crypto Funds



# Deep Value Opportunities Abound

- Market-value-to-realized-value (MVRV) measures the profitability of coins presently held across the entire network. Naturally, the higher that this metric rises, the “frothier” the market price for Bitcoin is, and the more potential selling pressure there will be from holders.
- Since 2016, Bitcoin’s entity-adjusted MVRV has been less than or equal to 1.0x just 8% of the time. As one might expect, forward returns from this level have proven favorable.



| Current Bitcoin Metrics |               |
|-------------------------|---------------|
| Price                   | \$20,044      |
| Market Cap              | \$385 Billion |
| Entity-Adjusted MVRV    | 0.9x          |

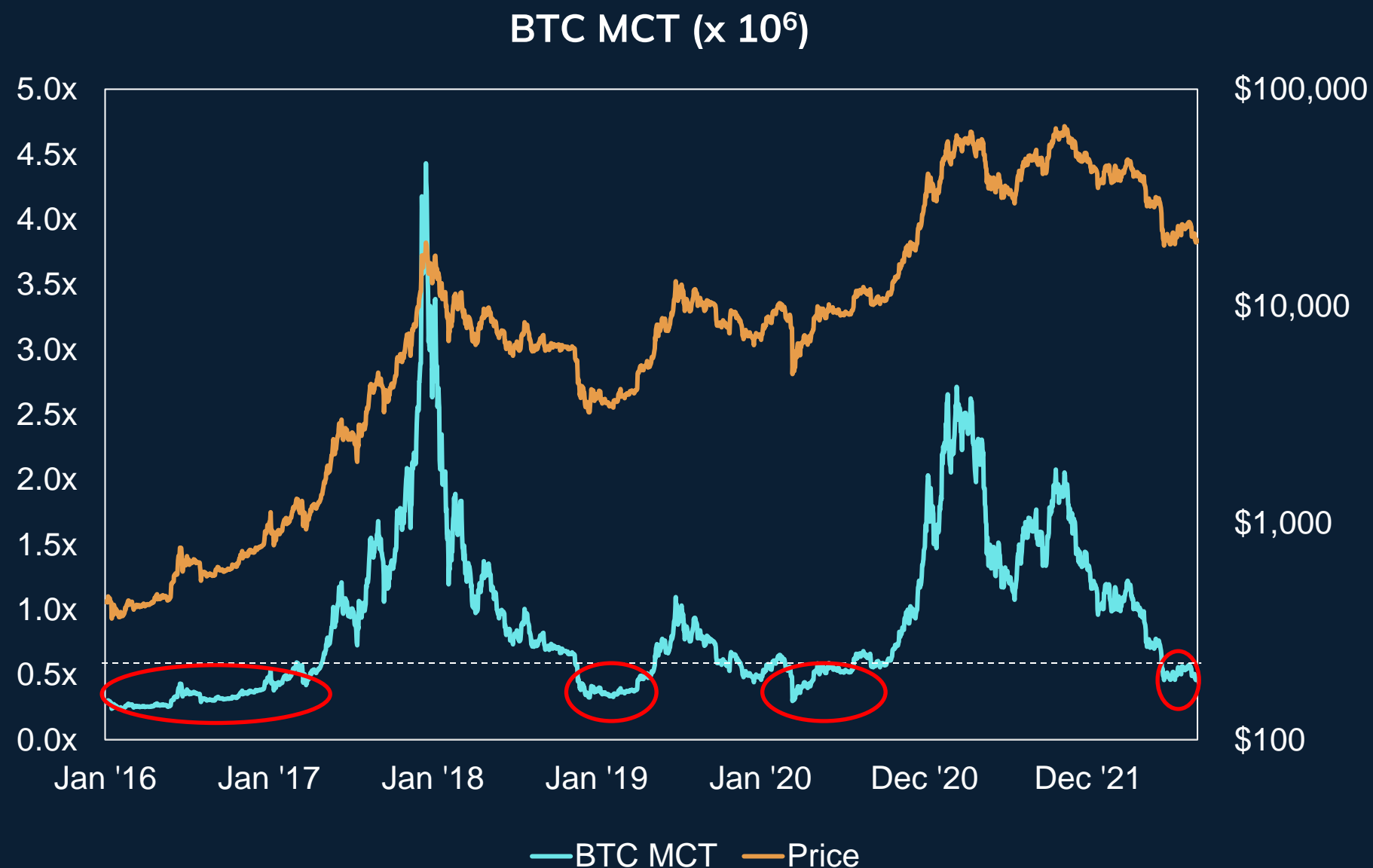
| Median Forward Returns* |          |           |           |           |
|-------------------------|----------|-----------|-----------|-----------|
| Entity-Adjusted MVRV    | 6 Months | 12 Months | 18 Months | 24 Months |
| 0x - 1x                 | 165%     | 116%      | 165%      | 881%      |
| 1x - 2x                 | 31%      | 157%      | 387%      | 368%      |
| 2x - 3x                 | 54%      | 97%       | 58%       | 248%      |
| 3x - 4x                 | -8%      | -16%      | -33%      | 37%       |

\*Data from 2016 to August 31, 2022



# Deep Value Opportunities Abound

- Market-Cap-to-Thermocap (MCT) represents the valuation of Bitcoin with respect to total security spend by miners. The ratio is adjusted to account for the increase in circulating supply over time and offers investors an indication of when Bitcoin is trading at a discount compared to the total revenue generated by the network.
- Since 2016, Bitcoin's MCT ratio has been less than or equal to 0.0000005 only 29% of the time. Forward returns from this level have been impressive across most timeframes.



| Current Bitcoin Metrics |               |
|-------------------------|---------------|
| Price                   | \$20,044      |
| Market Cap              | \$385 Billion |
| MCT ( $\times 10^6$ )   | 0.5x          |

| Median Forward Returns* |          |           |           |           |
|-------------------------|----------|-----------|-----------|-----------|
| MC / Thermocap $\leq$   | 6 Months | 12 Months | 18 Months | 24 Months |
| 0x - 0.5x               | 78%      | 279%      | 736%      | 929%      |
| 0.5x - 1x               | 19%      | 155%      | 259%      | 247%      |
| 1x - 1.5x               | 7%       | -19%      | 6%        | 81%       |
| 2x - 2.5x               | -14%     | -3%       | -12%      | 34%       |
| $\geq 2.5x$             | -16%     | -34%      | -23%      | -37%      |

\*Data from 2016 to August 31, 2022

# Value Opportunities Extend to Traditional Markets

- In addition to cryptoassets seeing heavy drawdowns this year, crypto-adjacent equities have witnessed significant compression of valuation metrics. Discounted multiples may present favorable entry points in high-growth companies across private and public equity markets.
- Below we present a sample<sup>1</sup> of leading crypto-adjacent equities whose median TEV / Sales ratio<sup>2</sup> has declined 74% from Q4 2021 to Q2 2022.

| Company                      | TEV / Sales <sup>3</sup> |         |                |
|------------------------------|--------------------------|---------|----------------|
|                              | Q4 2021                  | Q2 2022 | % Change (YTD) |
| Microstrategy                | 15.9x                    | 8.4x    | -47%           |
| Cleanspark                   | 8.5x                     | 4.3x    | -49%           |
| Canaan                       | 0.5x                     | 0.2x    | -57%           |
| BAKKT Holdings               | 65.9x                    | 28.3x   | -57%           |
| Sysorex                      | 6.3x                     | 2.5x    | -60%           |
| Dmg Blockchain Solutions     | 13.3x                    | 3.4x    | -74%           |
| Marathon Digital Holdings    | 25.5x                    | 6.6x    | -74%           |
| Coinbase Global              | 6.5x                     | 1.4x    | -78%           |
| Taal Distributed Information | 3.5x                     | 0.8x    | -78%           |
| Bit Digital                  | 4.1x                     | 0.8x    | -81%           |
| Riot Blockchain              | 10.8x                    | 1.0x    | -90%           |
| Bit Mining                   | 0.3x                     | 0.03x   | -91%           |
| Median                       | 7.5x                     | 2.0x    | -74%           |

<sup>1</sup>The sample represents 12 companies identified as “crypto-adjacent” by FSInsight.

<sup>2</sup>Total Enterprise Value / Sales represents a valuation metric used to compare companies with varying levels of debt.

<sup>3</sup>Although TEV / Sales may not be the most relevant metric for each respective company listed above, it serves as a proxy for the general valuation decline across the crypto industry.

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# Company Overview

OFF THE CHAIN  
CAPITAL

Founded in 2016, Off the Chain Capital (OTC) is a “value-oriented” investment manager in the digital asset space currently leveraging industry relationships to invest in late-stage private blockchain companies at seed prices and discounted digital assets.

## The Problem & Landscape

- Over the past several years, the crypto investment landscape has grown exponentially in scope and complexity.
- As competition increases, investors will look to gain an edge via unique strategies.
- Many investors are looking to get involved in digital assets but do not want to embrace the high risk that is associated with certain digital asset investments.
- The current macroeconomic outlook has challenged pure growth strategies in both crypto and traditional equity markets, but has presented opportunity for the focused, value-oriented investor.

## The OTC Solution

- OTC provides a unique, value-centric investment solution for those looking for differentiated exposure to digital assets.
- It applies unique approaches to purchasing digital assets at advantageous prices and creatively sources investments in private blockchain companies to create positions in cash-generating companies at early-stage prices.



# Off The Chain Capital Team

- Off The Chain Capital’s team brings value to their clients through their decades of experience, starting with Brian Estes, who is both the CEO and CIO of the company.



| Brian Estes   | Brian Dixon   | Bill Purcell   | Tom Siegel  |
|---|---|--|---|
| CEO & CIO   | President   | COO  | CFO   |
| <ul style="list-style-type: none"> <li>• Over 30 years experience as professional investor, successful venture capitalist, entrepreneur and patent holder</li> <li>• MBA, Washington University in St. Louis with high honors</li> <li>• BA in Economics from University of Illinois</li> </ul> | <ul style="list-style-type: none"> <li>• 13 years of experience in venture capital, blockchain consulting, and published author of four books around digital assets and advanced technology</li> <li>• J.D. Washington University in St. Louis</li> <li>• BA English and Sociology, University of Missouri</li> </ul> | <ul style="list-style-type: none"> <li>• 14 years of experience leading new product development and technology adoption</li> <li>• MBA, Washington University in St. Louis</li> <li>• BS and MS in Mechanical Engineering, Southern Illinois University</li> </ul> | <ul style="list-style-type: none"> <li>• Over 30 years experience as an institutional investor and entrepreneur</li> <li>• Former Managing Director, University of Illinois Ventures</li> <li>• CPA, CFA</li> <li>• BA Economics and MBA from University of Illinois</li> </ul> |

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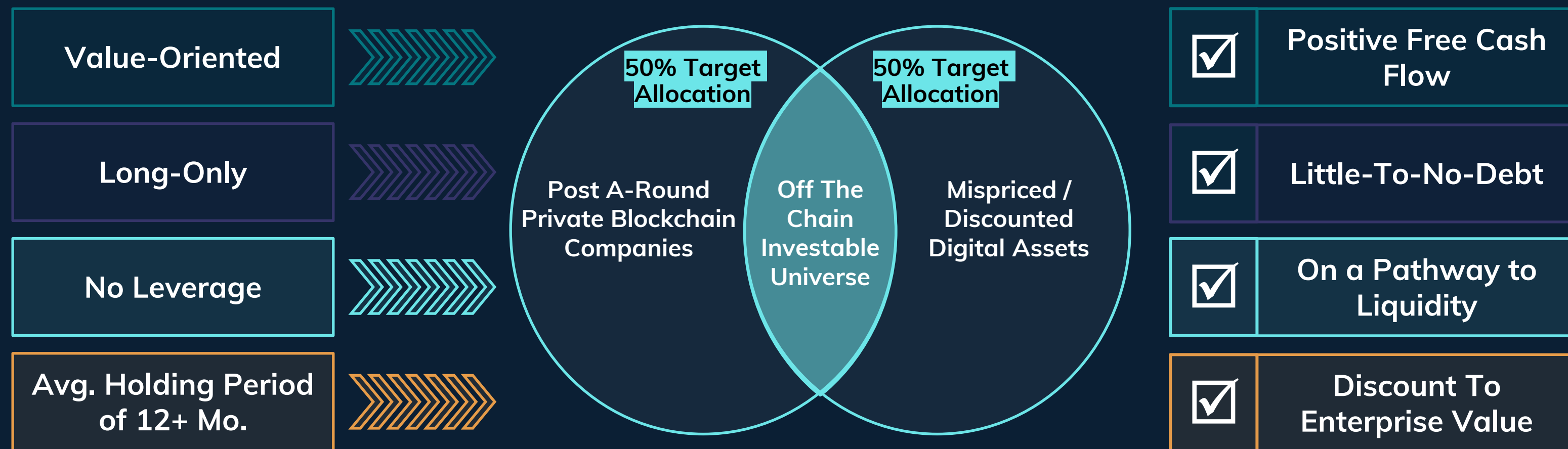
**3** Investment Strategy & Performance

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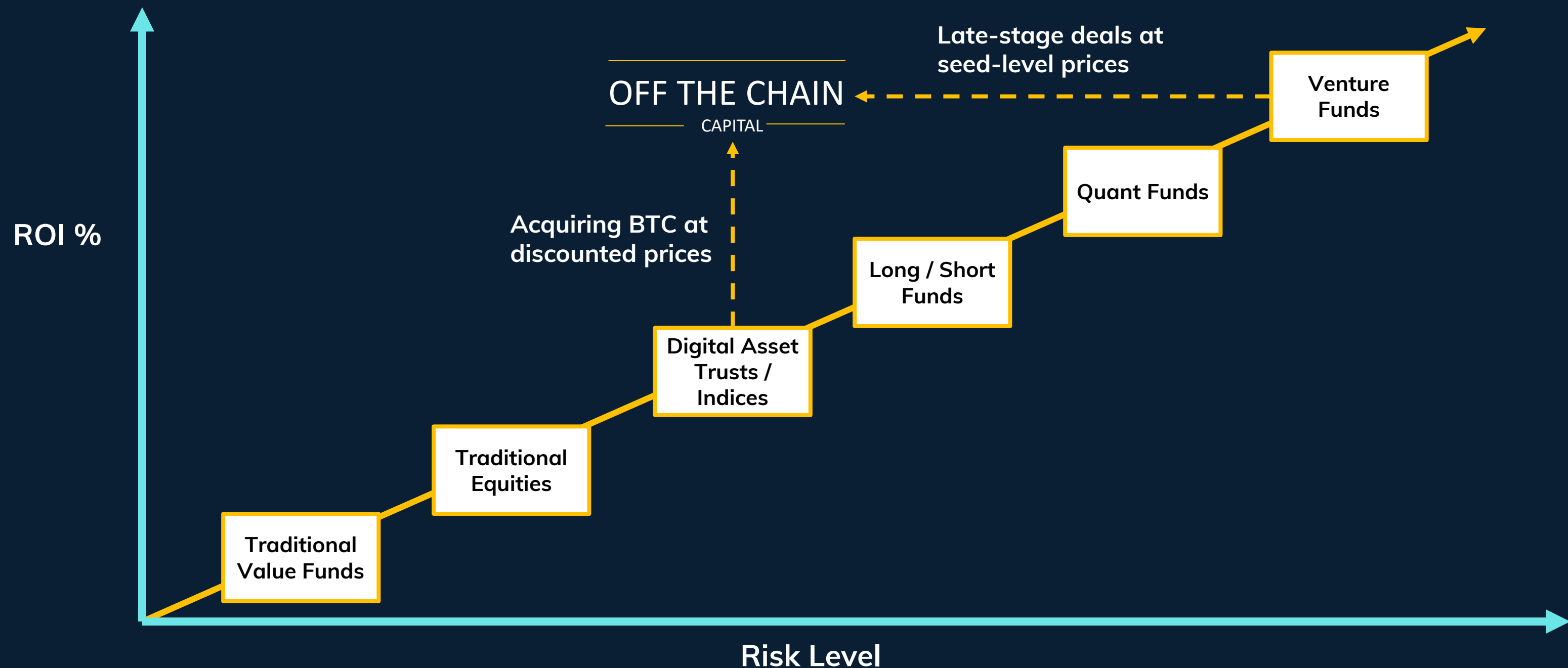
# OTC's Value Investing Approach

- OTC leverages a network of industry connections enabling sourcing of deals not generally accessible to other fund managers.
- With deep knowledge of s-curve investment analysis, OTC targets profitable, little-to-no-debt, late-stage companies, to mitigate failure risks and shorten the path to liquidity.
- OTC applies an innovative approach to acquiring assets at discounted prices. OTC aims to acquire assets at prices 20-50% below their latest fundraising round price.
- OTC takes a long-term investment approach with average holding periods greater than 12 months, a target position size of 15% and a maximum position size of 30%.



# OTC Changes the Risk-to-Reward Equation

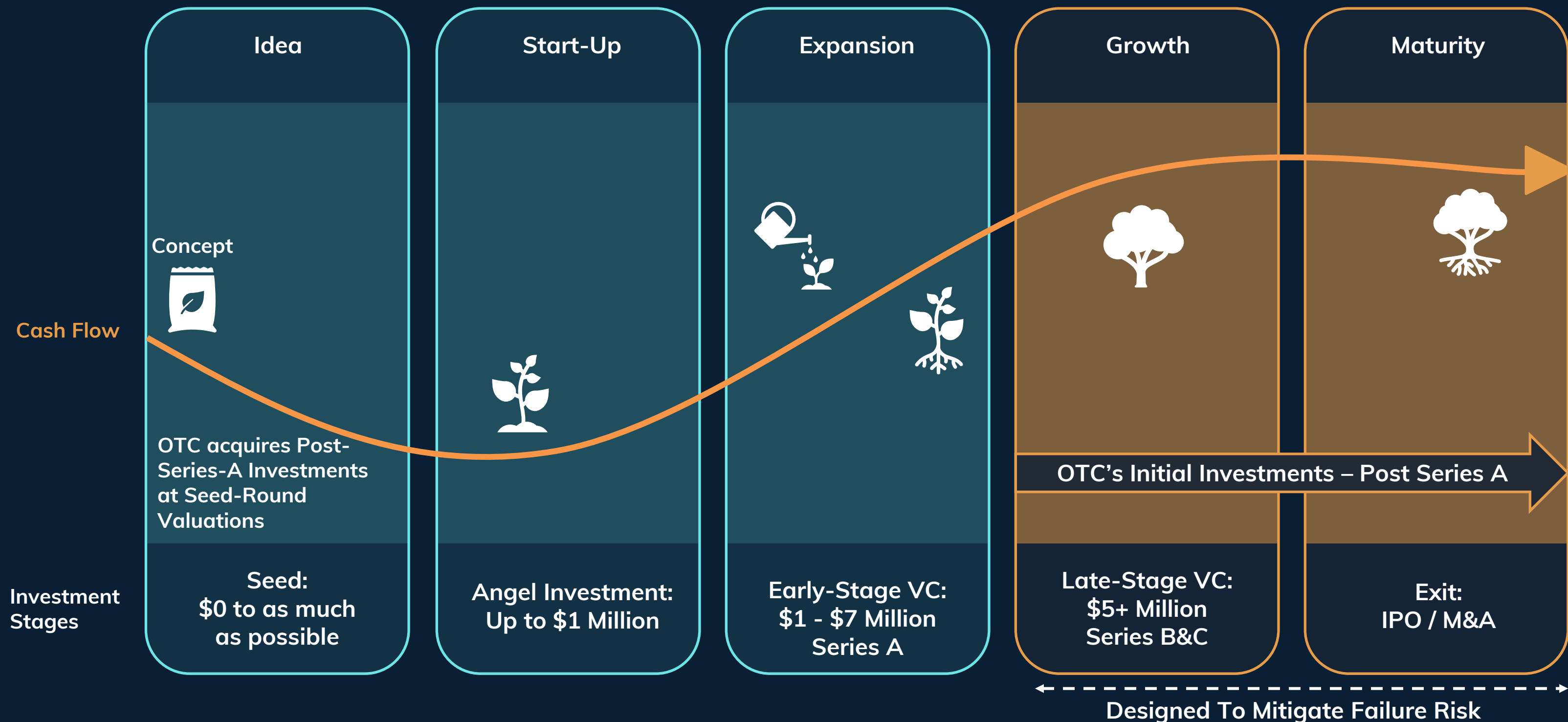
- Off the Chain's investment approach changes the traditional risk-to-reward equation. OTC's investment approach allows the firm to shift their fund's return expectations above spot BTC prices and mitigate investment risk through lower entry prices.
- Below is a conceptual illustration of how OTC's investment style is designed to mitigate risk and boost fund returns.





# Investing in Late-Stage Blockchain Companies

- OTC leverages its industry connections in order to find profitable late-stage companies and invest at early-stage prices. Acting as a liquidity provider to early investors and employees, OTC purchases assets from distressed sellers and invests in growth companies.



# OTC Well-Positioned for Market Conditions

- The bear market has sent shockwaves across the entire crypto industry. Numerous funds and lenders have blown up, and most companies are now trading at fractions of their 2021 valuations. OTC is well-positioned to take advantage of current market conditions and utilize its historically successful investment strategies.

## Investing in Quality Companies at Discounted Prices

- OTC seeks out high-quality blockchain companies and uses its network to receive a 20%-50% discount on their investments.
- Further leveraging its industry connections, OTC provides a liquidity pool for discounted buyouts of employees' company stock.
- Successful investments include\*:



## Acquiring BTC from Motivated or Forced Sellers

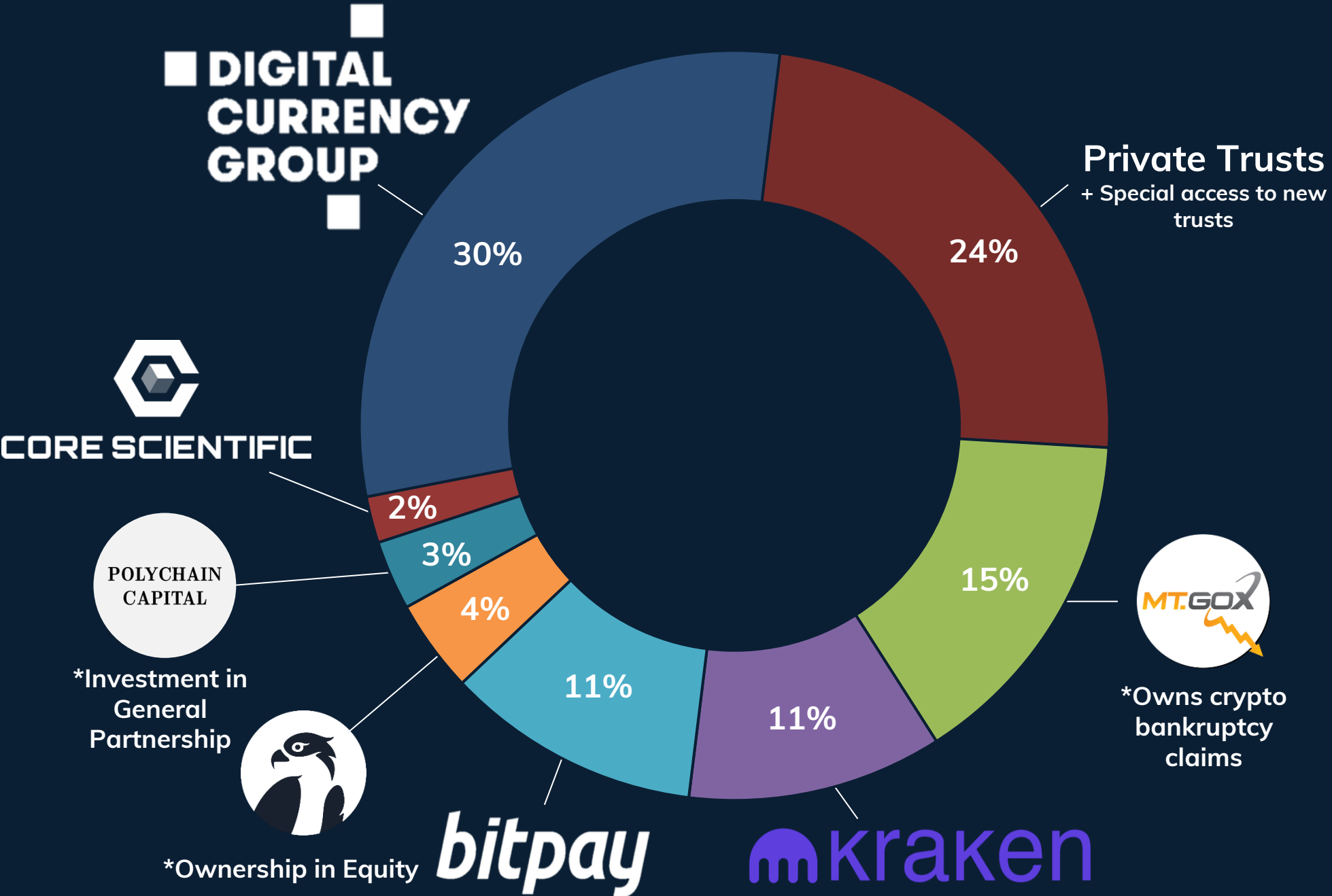


- Mt. Gox was a crypto exchange based in Japan that was exploited and cryptoassets were stolen.
- Off the Chain saw the opportunity to buy discounted Mt. Gox crypto bankruptcy claims.
- Customers who lost their BTC during the hack are entitled to a claim consisting of 0.18 BTC, \$700 dollars of cash and 0.18 BCH.
- The OTC team leveraged their industry knowledge and relationships to identify claimants seeking immediate liquidity through the Japanese trustee.
- Average bankruptcy claims cost to OTC is \$2,970 representing a 25% discount, as of August 31, 2022.
- In 2023, 90% of the assets will be distributed.

\* The investments identified are respective holdings in the portfolio as of August 31, 2022 and were chosen to illustrate the diverse nature of the portfolio holdings. They do not represent all the investments purchased or sold on behalf of Off the Chain LP ("Fund") and it should not be assumed that each of the investments was or will be profitable. A complete list of the Fund's investments is available upon request from [lp@offthechain.capital](mailto:lp@offthechain.capital).

# A Blended Approach to Value Investments

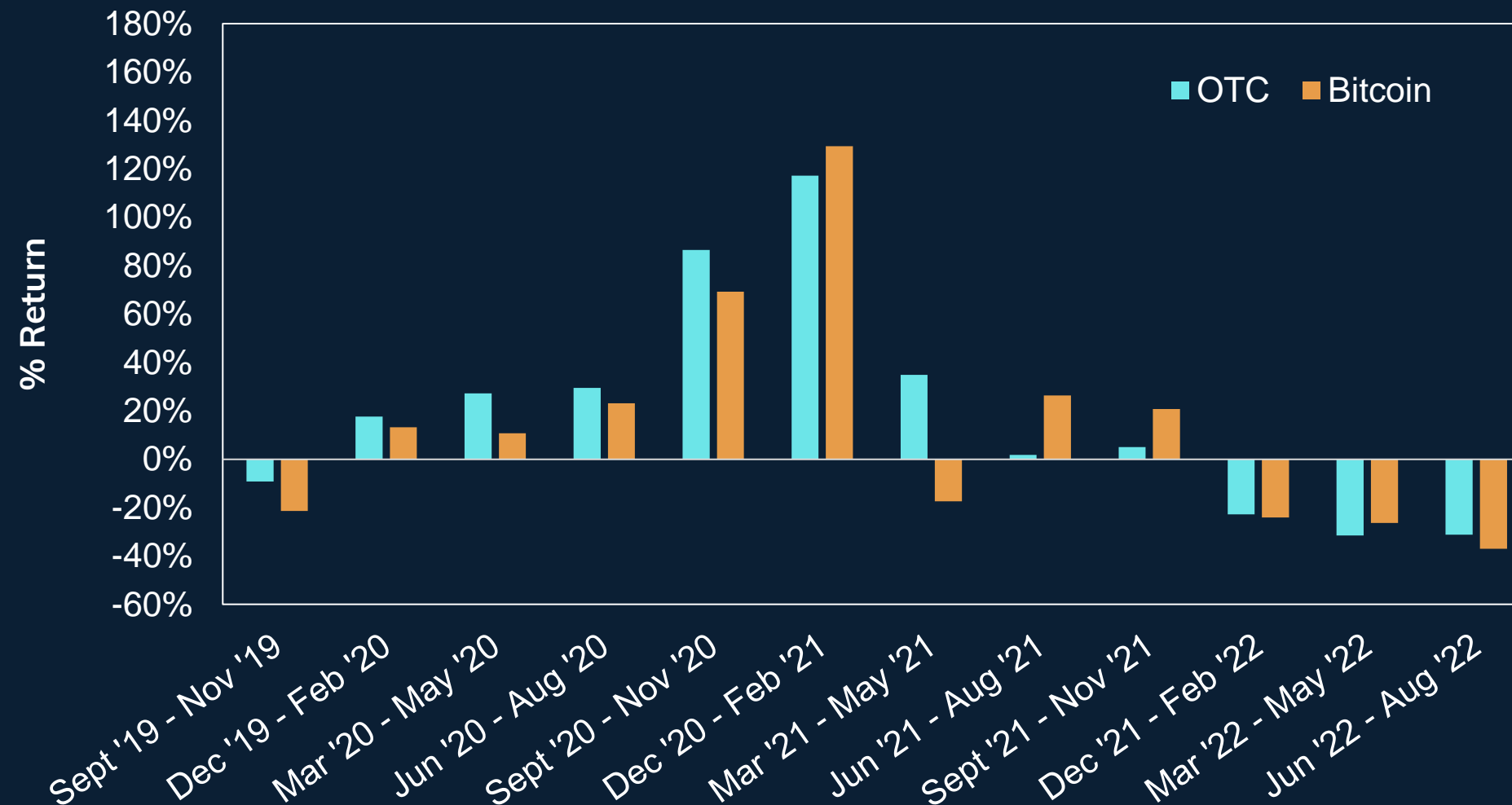
- A diversified portfolio of investments grants investors access to competitive private companies in different areas of the crypto industry.



# Cushion The Downside and Capture The Upside

- OTC seeks to outperform Bitcoin while simultaneously being less volatile to the downside. The fund has outperformed BTC in 8 out of the last 12 quarters while capturing 97% of Bitcoin's upward moves and only 48% of downside moves, as of August 31, 2022.
- OTC came out of the Terra Luna situation unscathed with no direct exposure to Luna or UST.
- Portfolio has minimal correlation to the S&P 500 with an R-Squared value of 0.03.

OTC vs. BTC Performance



|                      | Off The Chain <sup>1</sup> | Bitcoin <sup>1</sup> |
|----------------------|----------------------------|----------------------|
| Average Up Quarter   | 40.8%                      | 42.2%                |
| Average Down Quarter | -12.0%                     | -25.2%               |

| Description                                  | Annual Return | Standard Deviation | Alpha | Beta | R-Squared |
|--|---------------|--------------------|-------|------|-----------|
| Off The Chain (Since Inception) <sup>2</sup> | 89.15         | 121.09             | 67.25 | 1.04 | 0.03      |
| Bitcoin                                      | 70.71         | 87.99              | 39.92 | 1.74 | 0.12      |
| S&P 500                                      | 12.59         | 16.35              | 0.00  | 1.00 | 1.00      |
| FTSE T-Bill 1-Mo                             | 1.01          | 0.25               | 0.00  | 0.00 | N/A       |

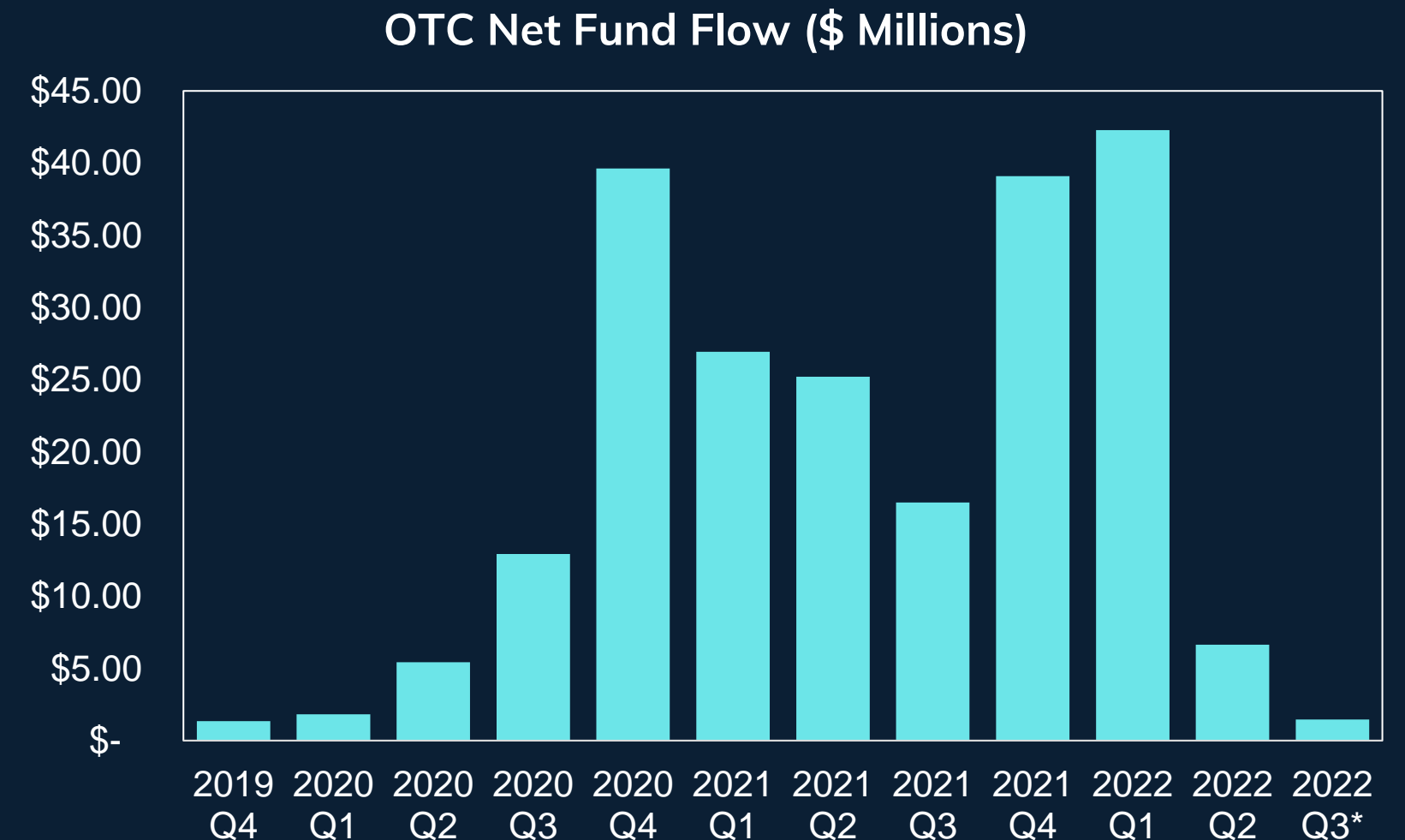
(1) Quarterly returns are considered an up quarter for both Off the Chain and Bitcoin if Bitcoin had a higher value at the end of the quarter. The average up/down quarter is calculated by averaging the quarterly time-weighted returns together. The average returns displayed are from OTC's inception through Q2 2022.

(2) Fund performance is net of fees, such as advisory fees, and also expenses, such as any commissions or other expenses that the fund would have paid. Performance from December 31, 2016 through January 2017 represents proprietary account activity. Performance from February 2017 through June 2018 and August 2019 to August 31, 2022 represents actual Fund performance. The performance included in the above chart for the period July 2018 through July 2019 represents hypothetical performance for the Fund. The Standard and Poor's 500 (S&P 500) is a free-float weighted measurement stock market index of 500 of the largest companies listed on stock exchanges in the United States

# OTC vs. Crypto Fund Research Index

- The Crypto Fund Research (CFR) Index measures the performance of 124 crypto funds globally across 19 different countries.
- OTC has outperformed the CFR Index since inception, as well as in three of the last five years.
- Since August 2019, when the fund resumed opening the fund to new investors, OTC has consistently had positive quarterly net fund inflows, reflecting sustained trust from LPs despite significant downturns in crypto.

| % Return         |        |      |      |      |      |      |                            |
|------------------|--------|------|------|------|------|------|----------------------------|
|                  | 2017   | 2018 | 2019 | 2020 | 2021 | YTD* | Since Inception (12.31.16) |
| OTC <sup>2</sup> | 1,374% | -73% | 114% | 412% | 97%  | -57% | 3,676%                     |
| CFR Index        | 1,111% | -29% | 38%  | 163% | 146% | -36% | 1,925%                     |
| Bitcoin          | 1,318% | -73% | 92%  | 308% | 60%  | -57% | 1,976%                     |
| S&P 500          | 19%    | -6%  | 29%  | 16%  | 27%  | -16% | 76%                        |



\*As of 8/31/2022

(2) Fund performance is net of fees, such as advisory fees, and also expenses, such as any commissions or other expenses that the fund would have paid. Performance from December 31, 2016 through January 2017 represents proprietary account activity. Performance from February 2017 through June 2018 and August 2019 to August 31, 2022 represents actual Fund performance. The performance included in the above chart for the period July 2018 through July 2019 represents hypothetical performance for the Fund. The Standard and Poor's 500 (S&P 500) is a free-float weighted measurement stock market index of 500 of the largest companies listed on stock exchanges in the United States

# Fund Terms

|                           |  |
|---------------------------|--|
| Use of Capital            | Utilizing a value approach to invest in digital assets and equity in blockchain companies at a discount to their intrinsic value |
| Minimum Investment        | \$1 Million  |
| AUM                       | \$190 Million  |
| Liquidity                 | 1 Year Lockup Period, Monthly Redemptions with 180 Days Notice   |
| General Partner Capital % | 13% as of August 31, 2022  |
| Management Fee            | 2.5%   |
| Annual Incentive Fee      | 25%  |
| Reporting                 | Monthly Performance, Monthly Virtual LP Meetings, Year-End Audit   |

## Service Providers



Counsel



Auditor



STOVER

Administrator

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# Risks

## Execution Risk

- Past performance is not indicative of future returns. OTC will need to continue leveraging its deep industry connections in order to source early-stage investments or receive discounts on assets. Negative market conditions can increase the difficulty of deal sourcing.

## Macroeconomic Risk

- Cryptoassets are still considered high-risk, and investment performance is strongly correlated to the macroeconomic backdrop. Global inflation, geopolitical conflict, and supply chain bottlenecks continue to weigh on the macro economy. If issues do not improve or even get worse, risk assets will continue to be adversely affected.

## Liquidity Risk

- At any one time, a significant percentage of portfolio fund investments can be held in illiquid assets such as venture equity or tokens subject to vesting periods. Regardless of changes in the broader crypto market, these investments may not be sellable.

## Regulatory Risk

- Shifts in government policy or regulatory agency stance could negatively impact cryptoassets, particularly smaller market cap assets. For example, new regulatory guidance from the Securities and Exchange Commission (SEC) around the securities classification of cryptoassets could force some assets to be registered as securities, which could further impact how and where cryptoassets are traded.

## Technological Risk

- There still exists sizeable technological risks in many early-stage crypto projects. While diversification limits the impact of any isolated exploit, this remains a risk incurred by investors.



# Disclosures

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## Analyst Industry/Sector Views

Positive (+): The analyst expects the performance of his industry/sector coverage universe over the next 6-18 months to be attractive vs. the relevant broad market benchmark, being the S&P 500 for North America.

Neutral (N): The analyst expects the performance of his or her industry/sector coverage universe over the next 6-18 months to be in line with the relevant broad market benchmark, being the S&P 500 for North America.

Negative (-): The analyst expects his or her industry coverage universe over the next 6-18 months to underperform vs. the relevant broad market benchmark, being the S&P 500 for North America.

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# Disclosures

The investment performance for Off the Chain, LP (the “Fund”) shown in the previous pages is a combination of fund and hypothetical performance. Performance information from December 2016 through January 2017 represents performance in a proprietary account. Performance from February 2017 through June 2018 represents the Fund’s actual performance and reflects the fees and expenses of the Fund. Performance from July 2018 through July 2019 represents the hypothetical performance of the Fund assets as of July 2018 adjusted for monthly changes in valuations and does not reflect any active trading or risk management without fees or expenses. The hypothetical performance was derived from the retroactive application of Off the Chain’s investment strategy with the benefit of hindsight. There can be no assurance that had the Fund been offered during the full period; an investor’s investment returns would have been as shown due to the possibility that the investment activity during the period may not have matched the actual investment decisions made.

Quarterly returns are considered an up quarter for both Off the Chain and Bitcoin if Bitcoin had a higher value at the end of the quarter. The average up/down quarter is calculated by averaging the quarterly time-weighted returns together. The average returns displayed are from OTC’s inception through Q2 2022.

Fund performance is net of fees, such as advisory fees, and also expenses, such as any commissions or other expenses that the fund would have paid. Performance from December 31, 2016 through January 2017 represents proprietary account activity. Performance from February 2017 through June 2018 and August 2019 to August 31, 2022 represents actual Fund performance. The performance included in the above chart for the period July 2018 through July 2019 represents hypothetical performance for the Fund. The Standard and Poor’s 500 (S&P 500) is a free-float weighted measurement stock market index of 500 of the largest companies listed on stock exchanges in the United States

The indices herein are not intended as direct comparisons to the performance of the Fund. Instead, they are intended to represent the performance of certain sectors of the overall securities markets. The S&P 500 Index is a proxy for the broader U.S. stock market. The indices reflect the reinvestment of dividends and income. Indices are generally unmanaged and are not available for direct investments.

## PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

A prospective investor’s decision to invest must be based solely on the information set forth in the Fund’s Confidential Private Placement Memorandum (the “Memorandum”). No one should consider investing in the Fund who is not, either alone or together with such investor’s financial advisers, financially sophisticated and capable of evaluating the merits and risks of an investment in a private investment vehicle like the Fund. All prospective investors must meet the investor suitability requirements described in the Memorandum in order to invest in the Fund.

This presentation is confidential and is intended only for the person to whom it has been delivered. It may be used only in connection with a financial adviser’s face-to-face presentation and recommendation of an investment in the Fund to its client. In addition, the financial advisor must have a pre-existing relationship with any client to whom it recommends the Fund and provides this material.

The information in this presentation does not constitute an offer to sell, or the solicitation of an offer to buy, an interest in the Fund. Such an offer may only be made by delivery of the Memorandum which contains a more detailed description of all the material terms of such an investment, including a discussion of certain specific risk factors and other matters relevant to any prospective investor. Before making such an investment, all prospective investors are referred to the Memorandum, which will be sent to them upon request.

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