



GALAXY
DIGITAL

Galaxy Digital Holdings LP
Management's Discussion and Analysis
August 13, 2020

Introduction

This Management's Discussion and Analysis ("MD&A"), dated August 13, 2020, relates to the financial condition and results of operations of Galaxy Digital Holdings LP ("GDH LP" or the "Partnership") together with its subsidiaries as of August 13, 2020, and is intended to supplement and complement the Partnership's condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and should be read in conjunction therewith. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The condensed consolidated interim financial statements and MD&A are presented in U.S. dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three and six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for any future period.

The Partnership's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that the financial statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and the financial report together with the other financial information included in these filings fairly present in all material respects the financial condition, financial performance and cash flows of the Partnership, as of the date of and for the periods presented in these filings.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to the future of the industry or the Partnership's future results, business or opportunities. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", "seeks" or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Partnership's ability to predict or control. Forward-looking statements are subject to the risk that the industry or the Partnership's businesses do not perform as anticipated, that revenue or expenses estimates may not be met or may be materially less or more than those anticipated, that expected advisory transactions may be modified or not completed at all and those other risks described in this MD&A, the Management's Discussion and Analysis, dated August 13, 2020 of Galaxy Digital Holdings Ltd. ("GDH Ltd." or "Company") and those referenced under Risks and Uncertainties in this MD&A and contained in the Risk Factors section of the Annual Information Form ("AIF") dated April 8, 2020 of GDH Ltd. Factors that could cause actual results of the Partnership to differ materially from those described in such forward-looking statements include, but are not limited to, a decline in the digital asset market or general economic conditions; the failure or delay in the adoption of digital assets and the blockchain ecosystem by institutions; a delay or failure in developing infrastructure for the trading business or businesses achieving mandates; and for advisory transactions, a decline in the securities markets, an adverse development with respect to an issuer or party to a transaction or failure to obtain a required regulatory approval. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. The forward-looking statements in this MD&A are applicable only as of the date of this MD&A or as of the date specified in the relevant forward-looking statement and the Partnership does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

Overview

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. Galaxy Digital Holdings GP LLC (“GDH GP” or the “General Partner”), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of the Partnership. Galaxy Group Investments LLC (“GGI”), a Delaware limited liability company which is owned by Michael Novogratz, is the sole member of GDH GP and continues to be majority owner of the Partnership as of June 30, 2020.

The Partnership’s principal address is 107 Grand Street, 8th Floor, New York, New York, 10013. The Partnership also has offices in Tokyo, Japan, London, England, Hong Kong, Jersey City, U.S., San Francisco, U.S., and the Cayman Islands (registered office).

As of the date of this filing, the Partnership has 75 full-time employees.

The US dollar is the presentation currency for all periods presented. There have been no changes to the accounting principles applied for all periods presented, except as disclosed in Change in Accounting Policies including Initial Adoption, if applicable.

Transaction

Background

In early 2018, Galaxy LP, the personal investing business of Michael Novogratz, set out to build an institutional-quality merchant banking business in the blockchain, digital asset and cryptocurrency space. As a result, in January 2018, Michael Novogratz contributed his portfolio of digital assets and related investments to Galaxy LP, which had a fair value of approximately \$302 million (“Asset Contribution”)

In addition, through a series of transactions and, by way of a plan of arrangement (the “Transaction” or “Arrangement”), Galaxy LP and First Coin Capital Corp. (“First Coin”) formed Galaxy Digital Holdings LP (“GDH LP”) and Bradmer Pharmaceuticals Inc. (“Bradmer”) changed its name to Galaxy Digital Holdings Ltd. In connection with the Transaction, Bradmer raised approximately C\$305 million in a private placement offering of 61.0 million subscription receipts (the “Offering”). The net proceeds of the Offering were used by Bradmer to acquire a minority equity interest in GDH LP, providing growth capital to build the business.

On July 31, 2018, the Transaction closed and:

- Bradmer changed its name to Galaxy Digital Holdings Ltd. and appointed new members to its board of directors to manage its minority investment in the operating partnership on an ongoing basis.
 - The net proceeds of the Offering plus accrued interest were released from escrow in exchange for the issuance of Class A Units in GDH LP to Bradmer.
 - Bradmer completed a consolidation of its common shares on a basis of 126.38 pre-consolidated common share for one post consolidated common share in advance of the closing and then continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands.
 - Pursuant to policies of the TSX Venture Exchange (“TSX-V”), Bradmer’s listing was reactivated under the new ticker GLXY.
- Galaxy LP and First Coin became wholly owned subsidiaries of GDH LP.
 - Following the closing, the principals and owners of Galaxy LP and First Coin held direct controlling equity interests in GDH LP through the ownership of Class B Units, which are generally economically equivalent to Class A Units held by GDH Ltd. but are exchangeable, from time to time, into ordinary shares of GDH Ltd.
 - The sole limited partner of Galaxy LP, Galaxy Group Investments, transferred its interest in Galaxy LP and its ownership interest in Galaxy Digital GP LLC (“Galaxy GP”), the general partner of Galaxy LP, to GDH LP in exchange for 213,696,000 Class B Units.
- GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax-efficient blocker corporation or similar entity for US tax purposes) entered into a second amended and restated limited partnership agreement (as amended from time to time, the “LPA”). Certain key terms of the LPA include the following:

- *Units* – As described, there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or GDH Ltd. board of directors approves such issuance.
- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and Redemptions of Common Stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if either (i) the General Partner has consented to such issuance or (ii) the issuance receives approval by the limited partners holding the majority of Units, cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquisition, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.
- *Exchanges of Class B Units* - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the General Partner will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.
- *Removal of General Partner* - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- *Reimbursable Expenses* - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP.
- *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units, GDH Ltd. will have the right to appoint one person to the board of the general partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units, GDH Ltd. will have the right to appoint another person to the board of the general partner.

Amendment to LPA and Distributions

In June 2020, the boards of the General Partner and Company and the limited partners of the Partnership approved an amendment to the limited partnership agreement (the "Fourth Amended and Restated LPA"), permitting the General Partner, in its sole discretion, to make Tax Distributions (as defined in the Fourth Amended and Restated LPA). This amendment was made to bring the Partnership in line with the ordinary course for tax distribution provisions included in limited partnership agreements. Prior to the amendment, the Partnership would have been required to make any distributions pro rata to all limited partners including those without taxable income and gain allocated from the Partnership. The amendment permits distributions that are necessary while retaining as much capital as possible for the Partnership in support of building its business. Amounts distributed pursuant to the tax distribution provision will be treated as an advance against, and shall reduce (on a dollar for dollar basis), future amounts that would otherwise be distributable to such limited partners. The Fourth Amended and Restated LPA provides that the value of any tax distribution made shall not exceed 25% of the Partnership's market capitalization determined at the time the General Partner determines to make such distribution.

In June 2020, the board of the General Partner approved a tax distribution of up to \$2.5 million in respect of taxable income related to tax year 2019 and estimated taxable income related to tax year 2020. In July 2020, the Partnership distributed \$1,514,203 of the approved amount. Certain of the recipients of the tax distributions are officers of the General Partner and Company. The Partnership does not anticipate making any further tax distributions, beyond the approved amount, to the limited partners in the current year.

The foregoing summary is qualified in its entirety by the full text of the LPA which is available on GDH Ltd.'s SEDAR profile at www.sedar.com.

Accounting for the Arrangement

While the Arrangement constituted a reverse takeover under securities law, a separate determination was required from an accounting perspective. The current accounting guidance requires a series of events to occur before the acquisition of an interest in an entity is deemed to be a reverse acquisition.

Under both securities law and IFRS accounting guidance, in an acquisition effected primarily by exchanging equity interests, the acquirer is typically the entity that issues its equity interests. However, in a reverse acquisition, the entity that issues securities to acquire another entity (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. Reverse acquisitions sometimes occur when a private operating entity arranges for a public entity to acquire its equity interests in exchange for the equity interests of the public entity. In such a case, the public entity is the legal acquirer and the private entity is the legal acquiree. However, in applying the relevant accounting guidance, the public entity is identified as the acquiree for accounting purposes (accounting acquiree) and the private entity is identified as the acquirer for accounting purposes (the accounting acquirer).

In addition, in order to account for the transaction as a reverse acquisition or an acquisition, it was important to determine whether one entity controlled the other. Under accounting guidance, an investor controls an investee if and only if the investor has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

On the date of the closing of the Arrangement and as of June 30, 2020 (the "reporting date"), GDH Ltd. is not deemed to control GDH LP as it does not have power or control. The general partner of GDH LP and the majority owner of the Partnership's Units have power over GDH LP due to the ability to impact the Partnership's governance and decision making. The majority of the Partnership's Units in GDH LP is held by GGI, which is controlled by the CEO of the general partner. In addition, GGI has the right to appoint the majority of the members on the board of the general partner.

To determine whether GDH LP or the former owners of GDH LP controlled GDH Ltd. required significant judgment as there were factors that pointed both to evidence of control, and non control. The factors that pointed to evidence of non control included:

- As of the date of the closing of the Arrangement and as of the reporting date, GGI owned the majority of the Units in GDH LP; once it exchanges its Class B Units into ordinary shares of GDH Ltd., GGI will own the majority of the shares. As of the reporting date, GGI had not exchanged any of its Class B Units.
 - Upon an exchange by GGI of its Class B units, GGI will not have a controlling voting stake in GDH Ltd. because all U.S. residents' voting power, including GGI, is collectively capped at 49%.
- The board of GDH Ltd. was appointed by the shareholders of GDH Ltd. and as of reporting date, the majority of the board was made up of independent directors.
- Neither GDH LP nor GGI can direct GDH Ltd. to raise equity financing on behalf of GDH LP, rather that is a decision to be approved by the independent directors of GDH Ltd.
- Any equity compensation plan (including any amendment or increase thereto) will need to be approved by the shareholders and GDH Ltd. board. If the equity compensation plan involved equity awards (such as options), the GDH Ltd. board will have the ultimate authority to award such grants.

On the other hand, the factors that pointed to evidence of control included:

- The relevant activities of GDH Ltd. (i.e. the activities that significantly affect its returns) and the ability to direct those activities are controlled by GDH LP through the LPA. In addition, GDH Ltd. will not, directly or indirectly, undertake any acquisition or investing activity or operate any business, except in or through GDH LP or subsidiaries of GDH LP.

The general partner of GDH LP can only be replaced by a vote of at least 66 2/3% of the Unitholders. As of the reporting date, GGI owned approximately 79% of the outstanding Units.

- Through the LPA, GDH Ltd. has limited ability to grow, other than through its investment in GDH LP, as all financing proceeds must be transferred to GDH LP. In addition, GDH Ltd. relies on GDH LP to pay its recurring expenses such as board member fees.
- The purpose of the Arrangement was for Galaxy Digital LP to gain a public listing through a public shell company (GDH Ltd.) and for the former owners of GDH LP to have control over the relevant activities of GDH Ltd. through the LPA pending acquisition of outright control following the conversion of Class B Units into shares of GDH Ltd.

Based on the above, it was assessed that neither GDH LP nor its former owners controlled GDH Ltd. In addition, it was determined that the Arrangement did not constitute a reverse acquisition from an accounting standpoint.

As of the reporting date, there have been no changes that would impact the accounting treatment.

Accounting for the Investment by GDH Ltd.

GDH Ltd. is deemed to have significant influence over GDH LP as it owns more than 20% of GDH LP and it has representation on the board of the general partner of the Partnership. As a result, the Company has accounted for its investment in the Partnership under the equity method.

If and when Class B units of the Partnership are exchanged into ordinary shares of GDH Ltd., GDH Ltd. receives Class A Units of the Partnership. As GDH Ltd.'s interest in GDH LP increases through the ownership of the Class A Units, it will be performing an ongoing assessment to determine when it obtains control of GDH LP. Under IFRS accounting guidance, an investor controls an investee if and only if the investor has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

While there are many factors that need to be considered for the evaluation of control, an important factor would be when GDH Ltd. obtains the ability to impact the Partnership's governance and decision making, including its ability to replace the general partner.

Description of Business

The Partnership today is pursuing four primary business lines.

Trading

The trading business, Galaxy Digital Trading (“GDT”), engages in a number of activities, on a principal basis, involved in and around the buying, selling, lending and borrowing of cryptocurrencies and other digital assets, including: over-the-counter block trading (“OTC”), on-exchange market-making, OTC derivative trading, borrowing and lending, and proprietary quantitative, arbitrage, and macro trading strategies. The in-house engineering team has built and continues to develop a proprietary trading platform that hosts and facilitates these activities, which we believe differentiates the Partnership from the rest of the market, including traditional financial institutions that operate in significantly larger scale with expensive, legacy technology stacks. GDT maintains strong relationships with a large number of spot and futures exchanges, digital asset exchanges and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GDT has consistently added to its onboarded and active counterparties list; these new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset exchange operators, the largest crypto and venture capital investment funds, digital asset mining companies, family offices, and high and ultra-high net worth individuals.

GDT is firmly committed to compliance with all laws and regulations currently in existence and strives to be a thought leader in providing information and assistance to global regulators. GDT has adopted policies and procedures that are designed to prevent and detect money laundering and any activity that facilitates money laundering, the funding of terrorist activities, or violations of regulations promulgated by applicable government agencies.

Asset Management

The asset management business, Galaxy Digital Capital Management LP ("GDCM"), manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GDCM's differentiating factors are its long-tenured institutional experience professionals managing third party capital across a variety of traditional asset classes (including macro hedge funds, long/short equity hedge funds, venture capital, and various structured credit and direct lending funds), its brand name, an acute and highly critical focus on risk management and compliance, strong relationships with key counterparties and a deep connectivity throughout the blockchain and cryptocurrency ecosystem. At this time, management fees generally earned by GDCM range from 0.5% to 2% of assets under management, and performance-based compensation or "carry" has been structured to be up to 20%.

The investment team within GDCM focused on the Galaxy EOS VC Fund LP (the "EOS Fund") have continued to opportunistically deploy committed capital under its mandate to invest in entrepreneurs and companies actively working to improve the EOS blockchain protocol ecosystem, with a more recent focus on emerging use cases in gaming and interactive media. In November of 2019, GDCM officially launched the Galaxy Institutional Bitcoin Fund LP and the Galaxy Bitcoin Fund LP (collectively, the "Galaxy Bitcoin Funds") as a product meant to give institutional and accredited investors alike simple, low-cost access to owning bitcoin in a fund structure, secured via third-party custodians.

As of the reporting date, GDCM had assets under management ("AUM") of \$375.3 million (consisting of approximately \$10.5 million in the Galaxy Crypto Index Fund LP (the "Index Fund") (as calculated per the terms of the fund's partnership agreement), approximately \$39.8 million in the Galaxy Bitcoin Funds and the \$325.0 million of committed capital from the EOS Fund).

Investment Banking

The investment banking business, Galaxy Digital Partners LLC ("GDP", formerly known as Galaxy Digital Advisors LLC), maintains and continues to build on its systematic coverage of the highest quality businesses operating in and around the blockchain ecosystem, with the ultimate goal of cementing long-lasting and trusted relationships. GDP offers a full spectrum of investment banking, including, but not limited to, general corporate, M&A, transaction, and restructuring investment banking, as well as equity, debt and project finance capital markets services.

Principal Investments

The principal investments team, Galaxy Digital Principal Investments ("GDPI") manages a diverse portfolio of private and public principal investments across the digital asset, cryptocurrency, and blockchain technology sector, including early- and later-stage equity, secured lending, pre-initial coin offering contributions, and other structured alternative investments, which were both contributed to Galaxy LP in the Asset Contribution as well as subsequently originated and acquired by GDPI. GDPI's mandate is to originate and execute upon investment opportunities that we believe are strategically important to the future business roadmap of GDH LP, including (without limitation): new investment strategy seeds, third-party manager seed investments, equity investments into customers, counterparties and vendors of GDH LP, and early-stage equity investments into emerging technologies and platforms that we believe could be strategically relevant to the Partnership in the future. GDPI executes on this mandate by utilizing a robust, institutional-quality investment process that relies on organization, prioritization and deep-dive due diligence. Galaxy LP continues to make selective principal investments across the ecosystem using capital raised from the Offering, as well as recycling capital from existing investments upon realization. Galaxy Digital Lending LLC, and its affiliate, Galaxy Digital Lending Services LLC (collectively, "GD Lending" and both subsidiaries of Galaxy LP) lends through the use of both balance sheet and third-party capital. GD Lending may also service loans, the majority of which will be loans that GD Lending will originate either directly or through one of its asset management funds; in addition, GD Lending intends to provide loan servicing to syndicates of co-investors that purchase loans and/ or bonds originated by the GD Lending team.

In addition to its existing focus on blockchain and digital assets, GDH LP intends to strategically expand its mandate to advise, trade, manage client assets and invest in businesses (and securities of those businesses) that are involved in the broader emerging technology sectors (including, blockchain and digital assets, payments, financial technology, data centers, cyber

security, artificial intelligence and machine learnings, amongst others). GDH LP believes the linkage and correlation between these sectors will continue to grow stronger over time, and as a result the scope of GDH LP's activities and expertise (as well as the market opportunity) will need to grow accordingly.

Risks and Uncertainties

Future distributions may not be sufficient to catch up to tax distributions. Under the Fourth Amended and Restated LPA, the General Partner has the authority to make tax distributions to those limited partners who have been allocated taxable income and/or gain that would result in them owing tax even though no cash distribution has been made. A tax distribution is an advance on future distributions to allow such limited partners to pay taxes owing and will reduce (on a dollar for dollar basis) future distributions to allow all other partners to "catch up" on their distributions so that all limited partners will receive their pro rata share of all distributions over the life of the Partnership. If the Partnership earns taxable income and gains early in its life, and suffers losses later, it is possible that those limited partners that received a tax distribution will receive greater than their pro rata share of all distributions and future distributions may be insufficient to catch up all other limited partners.

In addition to the risks contained herein, the disclosure in this MD&A is subject to, and should be read in conjunction with, the risk factors outlined in the AIF, filed on GDH Ltd.'s SEDAR profile at www.sedar.com

Quarterly Highlights & Results

<i>\$'s in millions</i>	June 30, 2020	December 31, 2019
Digital assets	\$ 162.5	\$ 86.0
Digital assets posted as collateral	8.3	8.2
Total	170.8	94.2
Investments	177.8	158.2
Total assets	435.7	402.8
Total liabilities	60.8	47.7
Total equity	374.9	355.1

<i>\$'s in millions</i>	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Net realized gain on digital assets	\$ 48.5	\$ 98.1	\$ 10.4	\$ 115.6
Net realized gain (loss) on investments	(4.6)	38.1	(4.4)	38.1
Net derivative gain	2.4	5.1	6.9	5.7
Total Income	49.1	143.5	18.6	163.8
Operating expenses	(14.8)	(18.8)	(29.8)	(42.3)
Net unrealized gain (loss) on digital assets	(2.2)	11.6	10.7	10.9
Net unrealized gain (loss) on investments	7.0	(22.7)	11.6	(5.8)
Net income and comprehensive income for the period	38.5	113.8	10.8	126.6

- As of June 30, 2020, digital assets, including digital assets posted as collateral, stood at \$170.8 million, an increase of \$76.6 million from December 31, 2019. This increase was primarily due to the increase in the fair value of the digital assets during the period, as the prices of digital assets held by the Partnership increased, as well as an increase in the holdings of certain digital assets.
- Investments increased \$19.6 million during the period to \$177.8 million as of June 30, 2020. The change was primarily due to \$19.9 million of new capital deployed by the Principal Investments team during the period.
- Total liabilities increased by \$13.1 million during the period to \$60.8 million as of June 30, 2020 primarily due to the increase in digital assets loans payable partially offset by the decrease in digital assets sold short and accounts payable and accrued liabilities.

- Total equity increased by \$19.8 million during the six month period to \$374.9 million as of June 30, 2020 primarily due to \$10.8 million of net comprehensive income.
- Operating expenses were lower for the three and six months ended June 30, 2020 as compared to the three and six months ended June 30, 2019 due primarily to lower equity based compensation and lower compensation expense in 2020.
- For the three months ended June 30, 2020, net comprehensive income was \$38.5 million, as compared to net comprehensive income of \$113.8 million for the three months ended June 30, 2019. The current quarter income was largely a result of net gains on digital assets, partially offset by operating expenses. The net comprehensive income for the three months ended June 30, 2019 was primarily a result of realized and unrealized gains on digital assets, partially offset by the quarter's operating expenses. For the six months ended June 30, 2020, net comprehensive income was \$10.8 million, as compared to net comprehensive income of \$126.6 million for the six months ended June 30, 2019. The current year to date income was largely a result of realized and unrealized gains on digital assets, partially offset by the year to date operating expenses. The net comprehensive income for the six months ended June 30, 2019 was largely a result of realized and unrealized gains on digital assets, partially offset by the year to date operating expenses.
- The U.S. dollar is the presentation currency and functional currency of the major operating subsidiaries for all periods presented above. There have been no changes to the accounting principles applied for all periods presented, except as disclosed in Change in Accounting Policies including Initial Adoption, if applicable.

Quarterly Highlights and Results

Information for the prior quarters has been presented in accordance with IFRS. The results of the Partnership, since its formation, have been impacted by the realized and unrealized gain (loss) on its holdings of digital assets and investments. In addition, starting in the three months ended September 30, 2018, operating expenses include equity based compensation.

<i>\$'s in millions</i>	Three months ended June 30, 2020	Three months ended March 31, 2020	Three months ended December 31, 2019	Three months ended September 30, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended December 31, 2018	Three months ended September 30, 2018
Net realized gain (loss) on digital assets	\$ 48.5	\$ (38.2)	\$ (35.1)	\$ (8.5)	\$ 98.1	\$ 17.5	\$ (48.7)	\$ (38.1)
Net realized gain (loss) on investments	(4.6)	0.2	(0.2)	—	38.1	—	—	—
Income (loss)	49.1	(30.5)	(30.7)	(0.8)	143.5	20.3	(45.7)	(36.1)
Operating expenses	(14.8)	(15.0)	(17.2)	(22.6)	(18.8)	(23.6)	(33.8)	(30.0)
Net unrealized gain (loss) on digital assets	(2.2)	12.9	17.1	(40.0)	11.6	(0.7)	7.8	0.4
Net unrealized gain (loss) on investments	7.0	4.7	(1.9)	(4.8)	(22.7)	16.9	(25.1)	(4.2)
Net comprehensive income (loss)	38.5	(27.7)	(32.7)	(68.2)	113.8	12.9	(97.0)	(76.7)

Discussion of Operations & Operational Highlights

- **Corporate Overview**

- o **GDH Ltd. listing on Toronto Stock Exchange ("TSX") via TSX Sandbox:**

GDH Ltd. started trading on the TSX on July 6, 2020 via the TSX Sandbox. The TSX Sandbox is an initiative intended to facilitate listing applications that may not satisfy the original listing requirements of TSX, but due to facts or situations unique to a particular issuer otherwise warrant a listing on TSX. The TSX has exercised its discretion to waive the requirements of subsection 309(c)(i) of its manual (C\$10 million in treasury resulting from public raise) which the Company did not meet. GDH Ltd.'s approval pursuant to the TSX Sandbox was conditioned upon public filing of an AIF and prominent quarterly disclosure of digital assets and investments, which the Company has completed and agreed to continue to provide. The Company will remain listed pursuant to the TSX Sandbox until such time as it has completed a twelve-month period without significant compliance issues after graduation. In addition, GDH Ltd. and the Partnership are required to disclose the following two risk factors that were also included in the most recent AIF for the year-ended 2019: (1) The Company has limited operating history and its business lines are nascent and subject to material legal, regulatory, operational and other risks in every jurisdiction; and (2) the market price and trading volume of the Company's ordinary shares has been volatile and will likely continue to be so in response to, among other factors, market fluctuations in digital assets generally or the digital assets that Partnership holds or trades. Please refer to the risks and uncertainties section for more information regarding the risks applicable to the Company.

- o **GDH Ltd.'s Ordinary Share Repurchase:**

During September 2019, GDH Ltd. received approval from its Board of Directors and the TSX-V to purchase up to approximately 7.3% of its issued and outstanding ordinary shares and 10% of its public float (the "Share Repurchase Program"). GDH Ltd. believes that purchasing its own ordinary shares is consistent with GDH Ltd.'s objective of creating long term shareholder value. GDH Ltd. completed the Share Repurchase Program in April 2020, through which it had purchased approximately 4.9 million shares for a total cost of C\$5.5 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled.

- **Trading**

- o The Partnership's trading business, Galaxy Digital Trading ("GDT"), generated over \$1 billion of volume through its OTC trading desk in the second quarter. GDT experienced an increase in actively trading counterparties and trading volumes in the second quarter of 2020 relative to the first quarter of 2020 despite seeing some near-historical low volatility in the space. The increase in trading volumes can be attributed to GDT's management of its counterparty base which has evolved in both size and sophistication, the recovery in prices from March 2020 lows, and the continued roll out of our electronic trading platform. The momentum witnessed in the trading business has continued into the third quarter of 2020 as Bitcoin and Ether have moved substantially higher and GDT's counterparty base has remained engaged.

GDT's continued enhancements to its product suite have generated ongoing demand across its lending, derivatives, and trading solutions. These solutions facilitate counterparty retention and are advantageously positioned in the market to remain a competitive business in our market.

- **Products & Liquidity Solutions:** Developments across its product offerings continue to differentiate GDT. GDT has been one of the first active participants, for example, in the listed structured product market, and improvements to its technology infrastructure have allowed for GDT to deliver streaming liquidity to counterparties via API and trading portal.
 - **Onboarding & Operations:** The Trading business continues to benefit from GDT's 2019 investment in onboarding resources across Compliance and Operations. Our onboarding process is now down to under one week for new prospects.
 - **Market Insights:** The increase in frequency of trading commentary has yielded positive feedback from counterparties who rely on GDT to help navigate the volatility of the crypto market. We have also integrated our market insights into our counterparty trading portal for more efficient dissemination.

- **Principal Investments**

- o During the second quarter of 2020, the Principal Investments team closed two new and four follow-on investments, representing \$5.7 million of invested capital. These investments included primarily:
 - New investment in Capital Integration Systems LLC ("CAIS") of \$1.0 million.
 - New investment in AVA Labs of \$0.3 million.
 - Capital calls relating to existing commitments in a Galaxy managed fund (\$3.0 million).
 - Follow on investment in Clause of \$1.0 million.
 - Follow on investments in Flipside Crypto and CipherTrace of \$0.4 million
- o Investments made during the second quarter bring capital deployed for the six months ended June 30, 2020 to \$19.9 million represented by 2 new investments and 9 follow-on investments.
- o Investments made (including loans purchased) from January 9, 2018 through June 30, 2020 total \$201.5 million and are represented by 37 new and 39 follow-on investments.

- **Asset Management**

- o During the second quarter of 2020 GDCM continued to build the Galaxy Bitcoin Fund and Galaxy Institutional Bitcoin Fund (collectively, the "Bitcoin Funds"). The second quarter was focused on product enhancement which resulted in the Bitcoin Funds beginning to accept subscriptions on a daily basis, developing digital subscription books, and working to formalize the recently announced partnership with CAIS. The Bitcoin Funds are passively managed funds that track the Bloomberg CFIX pricing of bitcoin ("XBT"). XBT is managed by Bloomberg and uses a sophisticated pricing algorithm to produce accurate indications of bid and ask quotes derived from Bloomberg approved cryptocurrency pricing sources. The Bitcoin Funds are a complementary product offered alongside the existing Index Fund. The XBT returned 40.81% in the second quarter of 2020 and has returned 61.89% on a year to date basis through August 12, 2020.
- o The Index Fund is a passively managed index fund which tracks the Bloomberg Galaxy Crypto Index (the "BGCI"), an index co-branded with and administered by Bloomberg which is designed to track the performance of the largest, most liquid portion of the digital asset market. The BGCI has returned 31.07% in the second quarter of 2020 and has returned 90.23% on a year to date basis through August 12, 2020.
- o As of the reporting date, GDCM had AUM of \$375.3 million (consisting of approximately \$10.5 million in the Index Fund (as calculated per the terms of the fund's partnership agreement), approximately \$39.8 million in the Galaxy Bitcoin Funds and the \$325.0 million of committed capital from the EOS Fund).
- o GDCM also manages the EOS Fund which focuses on investment at the intersection of blockchain, interactive content, and digital objects while focusing on portfolio companies that intend to build on or utilize the EOS.IO blockchain protocol.
 - During the second quarter of 2020, the EOS Fund made investments in StockX, OS Gaming, Playable Worlds, AviaGames, Hour One, and add-on investments in Cipher Trace, Tempo Storm, and Clause.

- **Investment Banking**

- o In the second quarter of 2020, the firm acted as strategic adviser to a confidential client in the mining sector. In addition, the firm commenced a financing assignment in the mining space that includes both a monthly retainer and a success fee upon closing.
- o During the first half of 2020, Investment Banking made progress in generating new mandates for clients across financing, mergers and acquisitions, and other strategic matters, with several active mandates in various stages of execution.
- o The Investment Banking business continues to make meaningful progress towards its strategic goal of becoming the leading corporate finance and strategic advisory firm in the blockchain technology and digital assets sectors.
- o Galaxy Digital Advisors LLC changed its name to Galaxy Digital Partners LLC.

In addition to its existing focus on blockchain and digital assets, the Partnership intends to strategically expand its mandate to advise, trade, manage client assets and invest in businesses (and securities of those businesses) that are involved in the broader emerging technology sectors (including, blockchain and digital assets, payments, financial technology, data centers, cyber security, artificial intelligence and machine learnings, amongst others). The Partnership believes the linkage and correlation between these sectors will continue to grow stronger over time, and as a result the scope of the Partnership's activities and expertise (as well as the market opportunity) will need to grow accordingly.

Industry Performance and Outlook

The following table reflects the performance of the cryptocurrency market capitalization, Bitcoin and Ether for the period from January 9, 2018 to June 30, 2020 (amounts expressed in US\$):

	As of January 9, 2018	As of December 31, 2018	As of December 31, 2019	As of March 31, 2020	As of June 30, 2020	% Change Q2 2020	% Change from January 9, 2018 to June 30, 2020
Cryptocurrency Market Capitalization (billions) ⁽¹⁾	\$739,209	\$126,142	\$190,906	\$180,965	\$260,321	43.9%	(64.8)%
Bitcoin Price ⁽²⁾	\$14,595	\$3,743	\$7,194	\$6,439	\$9,138	41.9%	(37.4)%
Ether Price ⁽²⁾	\$1,300	\$133	\$130	\$134	\$226	68.7%	(82.6)%

(1) Represents coinmarketcap.com quoted price as of 12:00 UTC for total market capitalization; January 9, 2018 is presented as that is the date of the Asset Contribution. Capitalization numbers are presented in millions of U.S. dollars.

(2) Represents coinmarketcap.com quoted price as of 12:00 UTC for Bitcoin and Ether; January 9, 2018 pricing is presented as that is the date of the Asset Contribution.

Market Overview

Digital asset markets rose quarter over quarter after markets rebounded in March after the COVID-19 Crash. The Partnership believes that some of the widely cited reasons for the strength in both traditional and digital asset markets may be drivers of price action, including a broad risk-on attitude in markets, better than expected economic data in light of COVID-19, positive sentiment around reopening the economy, and significant fiscal and monetary actions supporting asset prices. During market crises, the Partnership believes that all liquid assets (including digital assets) become sources of liquidity to meet liabilities and margin requirements, and the double-digit declines in risky assets during February and March of 2020 had ripple effects throughout all markets. The Partnership believes that the broader positive sentiment in markets and recovery of traditional asset prices in the second quarter of 2020 benefited digital asset markets particularly with the positive correlation dynamic across risky assets that emerged at the end of first quarter of 2020.

Industry Outlook

As cryptocurrency asset protocols, networks, and applications continue to launch and develop, the innovation may spur wider user adoption through numerous potential use cases and provide a tailwind to the industry. Many of the larger incumbent cryptocurrency asset protocols introduced additional scalability and features amidst rising competitive pressures from new protocols. These protocols and networks are expected to continue to develop infrastructure and tools, which may enable developer adoption, technological improvements, and end user adoption.

Continued regulatory clarity from domestic and global regulatory bodies would provide guidelines and procedures for individuals and institutions involved in the digital asset space. Further clarity on the classification and treatment of assets, know-your-customer and anti-money laundering procedures, and rules on auditing, taxation, custody, and transacting would provide a framework for current and prospective participants in the broader digital asset industry.

Cryptocurrency began in 2009 as a retail product without the typical infrastructure associated with modern finance - namely institutional custody, clearing and lending. Fidelity Digital Asset Services, LLC, a subsidiary of Fidelity Investments, one of the world's largest and most diversified financial services providers, and Bakkt Holdings, LLC, a financial services company backed by ICE, Microsoft, BCG, and Starbucks, were the only large custodians offering custody services in select states. The Partnership expects additional larger institutional firms to offer custody services in the future which will by their nature facilitate the availability of clearing and lending services.

In 2019, Facebook announced that it plans to launch its cryptocurrency, Libra, with Uber, Spotify, Coinbase, Lyft and other firms planning on investing approximately \$10 million each in a consortium that will govern Facebook's cryptocurrency, backed by a basket of fiat currencies. The companies joining will be part of the Libra Association. Facebook sought to raise \$1 billion from the Libra Association members in their effort to create a payment coin across their messenger and payment

platforms on the web. Libra appeared to be a compelling stable cryptocurrency backed by a basket of fiat currencies developed by a Swiss association led by Facebook. Almost a year after the project was launched, Facebook unveiled “Libra 2.0.” Instead of creating a single new currency, Libra plans to launch a series of different digital coins, each backed by a different government currency one for one. It will also build a Libra coin that is a “digital composite” of some of those coins, which will be available for cross-border transactions and in countries with no digital currency. Libra is scrapping its ambitions to move to a “permissionless” system, whereby anybody could help run the network and no single authority would have control, as was the original vision of bitcoin. The association that runs the coin will now vet any wallet that is launched on the network, and augment its own surveillance, rather than leaving it to local regulators. Libra Network’s launch can enable the broader adoption of digital currencies, open the potential for a free market for money, and disrupt legacy financial institutions. Libra is likely to face challenges, including privacy concerns and scalability. In addition, it is also likely to get pushback from legacy financial institutions, big tech and regulators, and government officials have already started expressing significant concerns.

All of the above advances are expected to lead to wider adoption of blockchain and cryptocurrencies. This adoption may lead to increased volumes and prices, which should benefit all of our businesses. On a daily basis, the trading business and the Partnership’s short- and long-term positioning of its portfolio strategy may benefit the most from these advances as one of the key factors to their success is the volume and value of cryptocurrencies traded.

To date, the Partnership has not been uniquely impacted by COVID-19. For the safety and well-being of its employees, the Partnership has implemented its business continuity plans, including remote work arrangements. Nonetheless, the COVID-19 pandemic has caused global economic uncertainty and is likely to impact the Partnership’s investments and business activities in the coming months. For example, fundraising for asset management products and advisory transactions may be delayed. Offsetting the potential negative impact of the business delays, the trading business may benefit from increased volatility and transactions.

Nonetheless, while our businesses and the digital asset markets have been impacted by recent events, it has been interesting to observe the performance of bitcoin and digital asset markets in reaction to the COVID-19 crisis. While the COVID-19 contagion had been spreading around the world since December 2019, it did not impact global markets until late February. Global equity markets experienced their quickest drawdown in history and drawing down the most since the global financial crisis of 2008, tumbling over 30% in less than a month. While initially investors flocked to traditional stores of value such as US Treasuries and gold, eventually the need for liquidity saw all correlations go to one as even gold and US government bonds became sources of liquidity. Global de-risking and volatility accelerated en masse (particularly as institutional investors breached risk limits and were forced to de-risk portfolios, while many were required to raise cash to meet margin requirements) and pushed many asset prices lower. Bitcoin, while spared from the initial asset price slide, eventually fell as investors de-risked liquid portfolios broadly and digital assets became a source of liquidity.

Since the trough in March, bitcoin and digital assets have broadly outperformed all other major macro assets on a year-to-date basis after prices normalized in Q2. Furthermore, it has outperformed all major asset classes on a three-year basis.

The Partnership believes that in the long run bitcoin has the potential to become a safe-haven, hard money asset (and that in its current state has all the requisite elements to do so), but still remains subject to global risk appetites as positioning decisions are considered in conjunction with investors’ broader portfolio. Economic growth, both domestically and internationally, appears likely to contract in the second quarter of 2020 as a result of COVID-19, which the Partnership believes will lead to challenged and volatile asset price performance (though the Partnership believes that economic activity and asset prices will recover in Q3 and Q4 after COVID-19). To the extent that the COVID-19 pandemic continues and worsens, the impacts on the global economy are unpredictable and could adversely affect the Partnership’s investments, businesses and GDH Ltd.’s stock price. See Financial Instruments, Digital Assets and Risk section for the potential impact of the decline in digital asset markets.

Performance by Reportable Segment

Income and expenses by each of the reportable segments for the six months ended June 30, 2020 and 2019 respectively are as follows:

	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	\$ —	\$ —	\$ 2,482,842	\$ 575,000	\$ —	\$ 3,057,842
Net realized gain (loss) on digital assets	11,695,245	(1,330,102)	—	—	—	10,365,143
Net realized loss on investments	—	(4,417,858)	—	—	—	(4,417,858)
Interest income	2,232,630	459,896	9,559	6,643	204	2,708,932
Net derivative gain	6,873,313	—	—	—	—	6,873,313
	20,801,188	(5,288,064)	2,492,401	581,643	204	18,587,372
Operating expenses						
	8,784,120	1,835,682	6,320,538	2,011,191	10,814,062	29,765,593
Net unrealized gain on digital assets	1,370	10,719,917	—	—	—	10,721,287
Net unrealized gain on investments	—	11,631,898	—	—	—	11,631,898
Unrealized foreign currency loss	(565,682)	—	—	—	—	(565,682)
Realized foreign currency gain	141,540	—	—	—	—	141,540
	(422,772)	22,351,815	—	—	—	21,929,043
Net income (loss)	\$ 11,594,296	\$ 15,228,069	\$ (3,828,137)	\$ (1,429,548)	\$ (10,813,858)	\$ 10,750,822

	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	\$ —	\$ —	\$ 2,647,086	\$ 203,125	\$ —	\$ 2,850,211
Net realized gain (loss) on digital assets	118,476,205	(2,905,705)	—	—	—	115,570,500
Net realized gain on investments	—	38,100,635	—	—	—	38,100,635
Interest income	322,911	1,266,465	—	32,781	3,765	1,625,922
Net derivative gain	5,699,083	30,000	(33,750)	3,976	—	5,699,309
	124,498,199	36,491,395	2,613,336	239,882	3,765	163,846,577
Operating expenses	10,753,605	3,765,970	10,074,446	5,773,598	11,965,678	42,333,297
Net unrealized gain (loss) on digital assets	(1,657,374)	12,606,048	—	—	—	10,948,674
Net unrealized loss on investments	—	(5,822,225)	—	—	—	(5,822,225)
Unrealized foreign currency gain (loss)	301,354	—	—	(20,713)	(43)	280,598
Realized foreign currency loss	(199,738)	—	—	—	—	(199,738)
	(1,555,758)	6,783,823	—	(20,713)	(43)	5,207,309
Net income (loss)	\$ 112,188,836	\$ 39,509,248	\$ (7,461,110)	\$ (5,554,429)	\$ (11,961,956)	\$ 126,720,589

The results of the Partnership's operations are directly affected by changes in the prices of cryptocurrencies and other digital assets that the Partnership holds or may hold. A significant decrease in the price or value of digital assets held by the Partnership may adversely affect the Partnership's results of operations. Conversely, a significant increase in the price or value of digital assets sold short by the Partnership may adversely affect the Partnership's results of operations. This is evidenced by the \$10.4 million of net realized gain on digital assets for the six months ended June 30, 2020, and \$115.6 million of net realized gain on digital assets for the six months June 30, 2019, as compared to the performance of the cryptocurrency market capitalization, Bitcoin and Ether for the same periods (*See Industry Performance and Outlook*). The trading segment includes the performance of the over the counter (OTC) trading and of the short term and long term positioning of the Partnership's digital assets.

Net Realized Gain (Loss) on Digital Assets

For the three months ended June 30, 2020, the largest contributor to the net realized gains on digital assets of \$48.5 million were gains on sales of bitcoin. For the three months ended June 30, 2019, the largest contributors to the net realized gain on digital assets of \$98.1 million were gains on sales of Bitcoin, Ripple and Ethereum.

For the six months ended June 30, 2020, the largest contributor to the net realized gains on digital assets of \$10.4 million were gains on sales of bitcoin. For the six months ended June 30, 2019, the largest contributors to the net realized gain on digital assets of \$115.6 million were gains on sales of Bitcoin, Ripple and Ethereum.

Net Unrealized Gain (Loss) on Digital Assets

For the three months ended June 30, 2020, the largest contributor to the net unrealized loss on digital assets of \$2.2 million were unrealized losses on Bitcoin, partly offset by unrealized gains on Wax. For the three months ended June 30, 2019, the largest contributors to the net unrealized gain on digital assets of \$11.6 million were unrealized gains on holdings of Bitcoin, Ethereum and Wax, partially offset by multiple digital assets with unrealized losses, the largest of which was Cosmos.

For the six months ended June 30, 2020, the largest contributor to the net unrealized gain on digital assets of \$10.7 million were unrealized gains primarily on holdings of Wax, Ethereum and Ripple. For the six months ended June 30, 2019, the largest

contributors to the net unrealized gain on digital assets of \$10.9 million were unrealized gains on holdings of Bitcoin, EOS and Wax, partially offset by multiple digital assets with unrealized losses, the largest of which was Ripple.

Net Realized Gain (Loss) on Investments

For the three months ended June 30, 2020, the contributor to the realized loss of \$4.6 million was the realized loss on the sale of Hut 8 Mining Corp. shares. For the three months ended June 30, 2019, the largest contributor to the net realized gains on investments of \$38.1 million was a realized gain from the partial sale of Block.one shares (\$39.3 million), partially offset by a realized loss from the sale of a portion of the Hut 8 Mining Corp. shares (\$1.2 million).

For the six months ended June 30, 2020, the largest contributor to the realized loss of \$4.4 million was the realized loss on the sale of Hut8 Mining Corp. shares (\$8.7 million), partially offset by the realized gain on the partial sale of BlockFi, Inc. shares (\$4.3 million). For the six months ended June 30, 2019, the largest contributor to the net realized gains on investments of \$38.1 million was a realized gain from the partial sale of Block.one shares (\$39.3 million), partially offset by a realized loss from the sale of a portion of the Hut 8 Mining Corp. shares (\$1.2 million).

Net Unrealized Gain (Loss) on Investments

For the three months ended June 30, 2020, the unrealized gain on investments of \$7.0 million was due primarily to the reversal of the previously recognized loss resulting from the sale of the Hut 8 Mining Corp. shares (\$4.8 million). For the three months ended June 30, 2019, the largest contributors to the net unrealized loss on investments of \$22.7 million was the reversal of the previously recognized unrealized gains resulting from the partial sale of Block.one shares (\$39.3 million), partially offset by unrealized gains on investments in Hut 8 Mining Corp. (\$11.3 million) and Xapo Holdings (\$3.7 million). The partial sale of Block.one shares resulted in the reversal of previously recognized unrealized gains of \$39.3 million to its then fair value of \$71.2 million, resulting in \$39.3 million of realized gains upon its sale and a net income statement impact of zero during the current quarter. The partial sale resulted in a 123% realization to the Partnership on the tendered shares.

For the six months ended June 30, 2020, the unrealized gain on investments of \$11.6 million was due primarily to the reversal of the previously recognized loss resulting from the sale of the Hut 8 Mining Corp. shares (\$9.1 million). For the six months ended June 30, 2019, the largest contributors to the unrealized loss on investments of \$5.8 million was the reversal of the previously recognized unrealized gains resulting from the partial sale of Block.one shares (\$20.5 million) partially offset by unrealized gains on investments in Hut 8 Mining Corp. (\$8.4 million) and Xapo Holdings (\$4.0 million).

A breakdown of each asset class by reporting segment as of June 30, 2020 is as follows:

	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 112,538,220	\$ 49,976,045	\$ —	\$ —	\$ —	\$ 162,514,265
Digital assets posted as collateral	8,298,708	—	—	—	—	8,298,708
Investments:						
Pre-ICO	—	5,757,329	—	—	—	5,757,329
Convertible Notes	—	7,262,076	—	—	—	7,262,076
Preferred Stock	—	81,531,470	—	—	—	81,531,470
Common Stock	—	28,631,022	—	—	—	28,631,022
LP/LLC Interests	—	52,517,740	—	—	—	52,517,740
Warrants/Trust Units/Trust Shares	1,488,441	637,237	—	—	—	2,125,678
	\$ 122,325,369	\$ 226,312,919	\$ —	\$ —	\$ —	\$ 348,638,288

A breakdown of each asset class by reporting segment as of December 31, 2019 is as follows:

	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 53,882,704	\$ 32,098,027	\$ —	\$ —	\$ —	\$ 85,980,731
Digital assets posted as collateral	8,208,653	—	—	—	—	8,208,653
Investments:						
Pre-ICO	—	6,005,114	—	—	—	6,005,114
Convertible Notes	—	5,255,579	—	—	—	5,255,579
Preferred Stock	—	75,703,153	—	—	—	75,703,153
Common Stock	—	32,476,631	—	—	—	32,476,631
LP/LLC Interests	—	38,120,805	—	—	—	38,120,805
Warrants/Trust Units	—	602,138	—	—	—	602,138
	\$ 62,091,357	\$ 190,261,447	\$ —	\$ —	\$ —	\$ 252,352,804

Financial Instruments, Digital Assets and Risk

The fair values of all investments and digital assets were measured using the cost, market or income approaches. The investments and digital assets measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values, with the designation based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3 Inputs: One or more inputs to the valuation are unobservable and significant to the fair value measurement of the asset or liability. (Unobservable inputs reflect management's assumptions on how market participants would price the asset or liability based on the information available.)

	As of June 30, 2020				As of December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cryptocurrency	\$ —	\$162,349,822	\$ 164,443	\$162,514,265	\$ —	\$ 85,791,558	\$ 189,173	\$ 85,980,731
Digital Assets Posted as Collateral	—	8,298,708	—	8,298,708	—	8,208,653	—	8,208,653
Common Stock	8,627,664	20,003,358	—	28,631,022	13,497,273	18,979,358	—	32,476,631
Convertible Notes	—	2,361,324	4,900,752	7,262,076	—	703,500	4,552,079	5,255,579
LP/LLC Interests	—	30,455,522	22,062,218	52,517,740	—	21,348,796	16,772,009	38,120,805
Pre-ICO	—	5,757,329	—	5,757,329	—	6,005,114	—	6,005,114
Preferred Stock	—	63,924,088	17,607,382	81,531,470	—	58,286,806	17,416,347	75,703,153
Warrants/Trust Units/ Trust Shares	76,606	1,488,441	560,631	2,125,678	68,052	—	534,086	602,138
Digital Assets Sold Short	—	(7,878,037)	—	(7,878,037)	—	(18,616,860)	—	(18,616,860)
	\$8,704,270	\$286,760,555	\$ 45,295,426	\$340,760,251	\$13,565,325	\$180,706,925	\$39,463,694	\$233,735,944

Valuation of Assets that use Level 1 Inputs (“Level 1 Assets”). Consists of common stock and warrants/trust units, where quoted prices in active markets are available.

Valuation of Assets that use Level 2 Inputs (“Level 2 Assets”). Level 2 assets consist of the majority of the Partnership’s investments and digital assets, including its digital assets sold short, where quoted prices in active markets are available. The fair value utilized is primarily either:

- (i) the volume-weighted average of prices across principal exchanges as of 12:00 UTC, per coinmarketcap.com*, with no adjustments; or
- (ii) the quoted prices across principal exchanges as of 12:00 UTC, per coinmarketcap.com*, with no adjustments.

* Coinmarketcap.com is a pricing aggregator, as the principal market or most advantageous market is not always known. The Partnership believes any price difference amongst the principal market and an aggregated price to be immaterial.

Level 2 Assets also includes all of the Partnership’s pre-ICO investments, the majority of common stock, preferred stock, and limited partnership/limited liability company interest investments, convertible note investments and investment in trust shares. The Partnership’s pre-ICO investments are generally carried at the total contributions made to date as there are no conditions indicating a change in value and therefore cost approximates fair value. For the Partnership’s other investments classified as Level 2, the market approach is used. These investments are classified as Level 2 as they are based on other observable inputs other than quoted prices, such as transactions in the equity of the investments.

Valuation of Assets that use Level 3 Inputs (“Level 3 Assets”). Consists of certain of the Partnership’s cryptocurrency, preferred stock, warrants, limited partnership/limited liability company interest investments and the majority of the Partnership’s convertible notes.

- For investments in cryptocurrency, fair value was determined utilizing a volume-weighted average of prices across principal exchanges as of 12:00 UTC, with a marketability adjustment. If the investment was either contractually or legally restricted for trading or lacked access to an active market, a discount for lack of marketability was applied to the closing prices. The discount was calculated using the Black-Scholes model to determine the cost to insure the subject asset against the risk of encountering lower prices.
- For the Partnership’s preferred stock investments:
 - The prior transaction approach was used with adjustments, as the transaction in the subject entity’s equity may have different characteristics than the Partnership’s preferred stock investment. The allocation of the subject entity’s equity value (based on the market approach) to its various classes of shares was determined using the Black-Scholes model.
 - One of the Partnership’s preferred stock investments used the adjusted book value method to estimate fair value. This is an approach that relies on adjusting the most recently reported book values of the subject enterprise’s assets to their market values and subtracting the corresponding liabilities.
 - For some of the Partnership’s preferred stock investments, the Partnership has taken further discounts for lack of marketability and control.
- For the Partnership’s investment in warrants, the Black-Scholes model was used to determine the fair value.
- For the Partnership’s limited partnership/limited liability company interest investments in funds, fair value was based on the net asset value provided by the fund.
- For the Partnership’s convertible notes, the market approach is used, with further fair value adjustments (e.g. the application of unobservable probabilities).

The fair value of Level 3 Assets is inherently subjective. Because of the uncertainty of fair valuation of investments that do not have readily ascertainable market values, the VC’s conclusion of fair value for an investment on a date may differ significantly from (1) the fair value conclusions of other knowledgeable market participants and/or (2) prior or subsequently observed transaction prices, including the price paid to acquire, or received to sell, the investment itself.

Other

Adjustments to observable prices obtained for assets that are deemed to lack access to an active market are based on empirical studies designed to estimate liquidity discounts. To estimate the appropriate discount to apply, the Partnership considered the relevant facts and circumstances, including features of the subject assets, expectations related to an active market existing in the future, costs associated with accessing (or trading outside of) existing exchanges as applicable, price volatility of comparable assets, and other identified risks associated with the subject assets.

A verified prior transaction is initially given 100% weighting in a fair value conclusion (if completed at arm’s length), but subsequently such weighting is adjusted based on the merits of newly observed data. As a result, in the absence of disconfirming data, an unadjusted prior transaction price may not be considered “stale” for months or, in some cases, years.

Level 3 Continuity

The following is a reconciliation of Level 3 Assets for the three months ended June 30, 2020:

	Fair value at March 31, 2020	Contributions	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at June 30, 2020
Cryptocurrency	\$ 143,541	\$ —	\$ —	\$ —	\$ —	\$ 41,650	\$ (20,748)	\$ 164,443
Convertible Notes	4,858,365	—	—	—	—	42,387	—	4,900,752
LP/LLC Interests	18,650,071	—	3,021,185	—	—	390,962	—	22,062,218
Preferred Stock	13,384,525	—	—	—	—	(1,781,236)	6,004,093	17,607,382
Warrants/Trust Units/ Trust Shares	216,435	—	—	—	—	344,196	—	560,631
Total Digital Assets and Investments	\$ 37,252,937	\$ —	\$ 3,021,185	\$ —	\$ —	\$ (962,041)	\$ 5,983,345	\$ 45,295,426

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers into Level 3 were \$6,004,093 and transfers out of Level 3 were \$20,748. The transfers into Level 3 for preferred stock was due to fair value determined by a market approach that utilized an option pricing based methodology. The transfers out of Level 3 were due to the removal of trading restrictions for a cryptocurrency.

The following is a reconciliation of Level 3 Assets for the three months ended June 30, 2019:

	Fair value at March 31, 2019	Contributions	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at June 30, 2019
Cryptocurrency	\$ 4,181,075	\$ —	\$ 100,000	\$ (5,037,262)	\$ 4,937,262	\$ (3,802,533)	\$ (2,943)	\$ 375,599
Common Stock	3,600,000	—	—	(2,289,839)	(1,153,663)	9,162,357	—	9,318,855
LP/LLC Interests	22,976,184	—	—	—	—	(56,908)	—	22,919,276
Preferred Stock	2,981,580	—	—	—	—	3,748,420	—	6,730,000
Warrants/Trust Units	408,022	—	—	—	—	2,133,405	—	2,541,427
Total Digital Assets and Investments	\$ 34,146,861	\$ —	\$ 100,000	\$ (7,327,101)	\$ 3,783,599	\$ 11,184,741	\$ (2,943)	\$ 41,885,157

Transfers out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers out of Level 3 were \$2,943. The transfers out of Level 3 were due to the removal of trading restrictions for a cryptocurrency.

The following is a reconciliation of Level 3 Assets for the six months ended June 30, 2020:

	Fair value at December 31, 2019	Contributions	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at June 30, 2020
Cryptocurrency	\$ 189,173	\$ —	\$ —	\$ —	\$ —	\$ 15,089	\$ (39,819)	\$ 164,443
Convertible Notes	4,552,079	—	733,000	—	—	(384,327)	—	4,900,752
LP/LLC Interests	16,772,009	—	5,528,129	—	—	(237,920)	—	22,062,218
Preferred Stock	17,416,347	—	—	—	—	(2,395,209)	2,586,244	17,607,382
Warrants/Trust Units/ Trust Shares	534,086	—	—	—	—	26,545	—	560,631
Total Digital Assets and Investments	\$ 39,463,694	\$ —	\$ 6,261,129	\$ —	\$ —	\$ (2,975,822)	\$ 2,546,425	\$ 45,295,426

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers into Level 3 were \$8,404,092 and total transfers out of Level 3 were \$5,857,667. The transfers into Level 3 for preferred stock was due to fair value determined by a market approach that utilized an option pricing based methodology. The transfers out of Level 3 for preferred stock were due to the availability of an observable input (transaction in the investment entity) and the transfers out of Level 3 for cryptocurrency were due to the removal of restrictions.

The following is a reconciliation of Level 3 Assets for the six months ended June 30, 2019:

	Fair value at December 31, 2018	Contributions	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at June 30, 2019
Cryptocurrency	\$ 545,308	\$ —	\$ 100,000	\$ (5,037,262)	\$ 4,937,262	\$ (495,752)	\$ 326,043	\$ 375,599
Common Stock	5,580,000	—	—	(2,289,839)	(1,153,663)	7,182,357	—	9,318,855
LP/LLC Interests	21,659,859	—	—	(78,577)	—	1,337,994	—	22,919,276
Preferred Stock	2,734,262	—	—	—	—	3,995,738	—	6,730,000
Warrants/Trust Units	1,329,427	—	—	—	—	1,212,000	—	2,541,427
Total Digital Assets and Investments	\$ 31,848,856	\$ —	\$ 100,000	\$ (7,405,678)	\$ 3,783,599	\$ 13,232,337	\$ 326,043	\$ 41,885,157

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers into Level 3 were \$600,000 and total transfers out of Level 3 were \$273,957. The transfers into Level 3 for cryptocurrency assets were due to the restrictions on trading for certain cryptocurrencies after their ICO events, and the transfers out of Level 3 were due to the removal of trading restrictions for certain cryptocurrencies.

The carrying values of the Partnership's cash, receivable for digital asset trades, digital asset loans receivable, assets posted as collateral, receivables, loans receivable, accounts payable and accrued liabilities, payable for digital asset trades, digital asset loans payable and collateral payable approximate fair value due to their short maturities. The carrying value of the Partnership's lease liability is measured as the present value of the discounted future cash flows.

Quantitative Information for certain Level 3 Assets

Financial Instrument	Fair Value at June 30, 2020	Significant Unobservable Inputs	Range
Cryptocurrency	\$164,443	Marketability discount	25.0% - 57.7%
Convertible Notes	\$4,900,752	Recovery rate	65% - 100%
		Scenario probability (1):	
		No deal closure and dissolution	25%
		Deal closure and partial default	67.5%
		Deal closure and full recovery	7.5%
Preferred Stock	\$17,607,382	Control discount	5%
		Marketability discount	15%
		Time to liquidity event (years)	3.75 - 5
		Annualized equity volatility	90%
		Risk free rate	0.22% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	7
Warrants	\$560,631	Volatility	97%
		Exercise price	C\$4.50
		Underlying share price	C\$1.05

¹ Relates to the probability of a deal closure with a potential buyer of the underlying company, with either partial default or full recovery of the amount outstanding of the convertible notes, or no deal closure with a potential buyer and dissolution of the underlying company.

Financial Instrument	Fair Value at December 31, 2019	Significant Unobservable Inputs	Range
Cryptocurrency	\$189,173	Marketability discount	25% - 54.8%
Convertible Notes	\$4,552,079	Recovery rate	65% - 100%
		Scenario probability (1):	
		No deal closure and dissolution	25%
		Deal closure and partial default	67.5%
		Deal closure and full recovery	7.5%
Preferred Stock	\$17,416,347	Control discount	5%
		Marketability discount	15%
		Time to liquidity event (years)	4.25 - 5
		Annualized equity volatility	90%
		Risk free rate	1.66% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	8
Warrants	\$534,086	Volatility	84%
		Exercise price	C\$4.50
		Underlying share price	C\$1.07

¹ Relates to the probability of a deal closure with a potential buyer of the underlying company, with either partial default or full recovery of the amount outstanding of the convertible notes, or no deal closure with a potential buyer and dissolution of the underlying company.

For the six months ended June 30, 2020 and the year ended December 31, 2019, the latest available reported net asset value of the underlying funds were used to fair value the Level 3 limited partnership/ limited liability company interests.

As indicated above, certain of the Level 3 Assets had adjustments applied to the prices used to determine fair value. The Partnership does not believe a change in unobservable inputs will have a significant impact on partners' capital.

Valuation Techniques

The following tables summarize the valuation techniques and significant inputs used in the fair value measurement of the Partnership's digital assets and investments as of June 30, 2020 and December 31, 2019, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> • Volume-weighted average of trading prices • Black-Scholes model • Marketability adjustments • Liquidity adjustments 	<ul style="list-style-type: none"> • Current trading prices of subject • Selected volatilities of subject cryptocurrencies • Selected discounts for lack of marketability/liquidity
Pre-ICO	<ul style="list-style-type: none"> • Prior transactions method 	<ul style="list-style-type: none"> • Prior prices of subject pre-ICO cryptocurrencies
Convertible Notes	<ul style="list-style-type: none"> • Prior transactions method • Probability-weighted expected return model 	<ul style="list-style-type: none"> • Prior prices of subject convertible note • Scenario probabilities • Recovery rates
Preferred Stock	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Backsolve method in an option pricing model framework • Equity allocation using option pricing model framework • Volume-weighted average of trading prices • Control adjustments • Marketability adjustments • Guideline public company method • Adjusted book value 	<ul style="list-style-type: none"> • Prior prices of subject preferred stock • Expected time to exit • Volatility of the company's total equity • Risk free rate • Expected dividend payout ratio • Current trading prices of certain • Selected discounts for lack of control • Selected discounts for lack of marketability • Enterprise value-to-revenue multiple • Net assets of subject company
Common Stock	<ul style="list-style-type: none"> • Prior transactions method • Public closing price • Guideline public company method 	<ul style="list-style-type: none"> • Prior prices of subject common stock • Public closing prices of subject securities • Price-to-earnings multiples • Price-to-book value multiples
LP/LLC Interests	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Net asset value provided by fund 	<ul style="list-style-type: none"> • Prior prices of subject LP/LLC interests • Net asset value provided by fund
Warrants/Trust Units/ Trust Shares	<ul style="list-style-type: none"> • Public closing price • Black-Scholes model • Prior transactions method 	<ul style="list-style-type: none"> • Public closing prices of subject securities • Selected volatility of underlying trust units • Prior prices of subject trust shares

Industry

During the second quarter of 2020, the Principal Investments team closed two new and four follow-on investments, representing \$5.7 million of invested capital.

The team monitors the portfolio's concentration on an ongoing basis. As of June 30, 2020 and December 31, 2019, details of the industry composition of the Partnership's investments, other than cryptocurrency and pre-ICO investments, are as follow:

Industry	June 30, 2020		December 31, 2019	
	Percentage	# of Investments	Percentage	# of Investments
Other (Cryptocurrency and Pre-ICO)	49 %	63	36 %	72
Finance	30	17	35	16
Services: Business	9	11	11	10
High Tech Industries	9	10	14	10
Banking	2	1	4	1
Media: Diversified and Production	<1	2	<1	2
Utilities: Electric	<1	1	<1	1
Total	100 %	105	100 %	112

In the table above, multiple portfolio Partnership investments across the capital structure are considered one investment.

While the above table provides information regarding the portfolio's industry concentration, at this time, the industry is not a significant factor that the Principal Investments team considers when determining whether to make an investment. Rather, the Partnership considers all investments in the blockchain/cryptocurrency ecosystem, and those in the broader emerging technology sectors, with an appropriate risk and return profile.

Material Investment Positions

The Partnership considers a variety of quantitative and qualitative factors in determining if any one investment is considered a material investment position as of each report date. Factors considered include, but are not limited to, the proportion of each investment to total assets; whether any one investment is materially larger than other portfolio investments; the concentration of the portfolio and any associated risks; the liquidity of each investment, or lack thereof; the impact of such an investment on the Partnership's assets or operations; and the existence or absence of other factors that could cause one to conclude that the investment was significant to the Partnership notwithstanding its absolute size.

Investments

As of June 30, 2020 and December 31, 2019, the Partnership had no material investment positions to disclose.

Digital Assets

As of June 30, 2020, the Partnership had a material holding in bitcoin of \$133.9 million (December 31, 2019 - \$81.3 million). The increase was due to the increase in price and holdings.

Select Holdings¹

As of June 30, 2020, the largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Ripple Labs, Inc. ²	LP/LLC Interests	\$ 23,804,960	\$ 29,132,766
BlockFi, Inc.	Preferred Stock	3,732,970	14,302,087
Galaxy EOS VC Fund LP	LP/LLC Interests	14,774,326	13,370,235
Block.one	Common Stock	9,988,593	10,001,358
Mt. Gox Investment Fund LP	LP/LLC Interests	9,360,000	9,360,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	9,002,000
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Silvergate Capital Corporation	Common Stock	7,344,000	8,568,000
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
Xapo Holdings Limited	Preferred Stock	13,800,000	5,559,000
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,550,000
AlphaPoint Corporation	Preferred Stock	7,499,999	5,420,167
NuCypher	Pre-ICO	499,532	4,757,329
Parsley Health, Inc.	Warrants/Trust Units	3,999,999	4,315,425
Pantera Venture Fund, L.P.	LP/LLC Interests	4,259,796	3,759,491
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
Mercantile Global Holdings, Inc.	Convertible Note	5,467,959	2,776,077
Clause, Inc.	Preferred Stock/Convertible Note	2,503,284	2,503,284
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	2,495,577
Blockchain Capital IV, LP	LP/LLC Interests	2,250,000	2,481,756
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,320,175	2,436,915
Ciphertrace, Inc.	Preferred Stock/Convertible Note	2,416,202	2,416,202
Flipside Crypto, Inc.	Preferred Stock	2,169,999	2,169,999
		<u>\$ 159,476,286</u>	<u>\$ 160,377,668</u>

¹The cost and fair value of the investments disclosed may combine the positions in multiple investment types. If the Partnership has written down an investment's fair value to \$nil, the investment has been excluded from the disclosure.

²Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc.

As of March 31, 2020, the largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Ripple Labs, Inc. ²	Preferred Stock	\$ 23,804,960	\$ 29,132,766
BlockFi, Inc.	Preferred Stock	3,732,970	14,302,087
Galaxy EOS VC Fund LP	LP/LLC Interests	11,753,141	10,285,415
Block.one	Common Stock	9,988,593	10,001,358
Mt. Gox Investment Fund LP	LP/LLC Interests	9,450,000	9,450,000
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	8,792,000
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
Templum, Inc.	Preferred Stock	6,000,000	6,004,093
Silergate Capital Corporation	Common Stock	7,344,000	5,838,480
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,550,000
NuCypher	Pre-ICO	499,532	4,757,329
Parsley Health, Inc.	Preferred Stock	3,999,999	4,319,321
Xapo Holdings Limited	Preferred Stock	13,800,000	4,184,000
AlphaPoint Corporation	Preferred Stock	7,499,999	4,006,602
Pantera Venture Fund, L.P.	LP/LLC Interests	4,259,796	3,759,491
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
Mercantile Global Holdings, Inc.	Convertible Note	5,467,959	2,776,081
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,320,175	2,436,915
Blockchain Capital IV, LP	LP/LLC Interests	2,250,000	2,322,855
Ciphertrace, Inc.	Preferred Stock	2,174,999	2,174,999
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	2,168,250
Drawbridge Lending LLC	Convertible Note	2,082,284	2,082,284
		<u>\$ 159,712,899</u>	<u>\$ 154,344,326</u>

²Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc.

As of December 31, 2019, the largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Ripple Labs, Inc. ²	Preferred Stock	\$ 23,804,960	\$ 29,136,109
Block.one	Common Stock	9,988,593	10,001,358
Silvergate Capital Corporation	Common Stock	7,344,000	9,736,920
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	8,978,000
Galaxy EOS VC Fund LP	LP/LLC Interests	9,246,197	7,970,959
BlockFi, Inc.	Preferred Stock	4,421,051	7,919,099
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
Templum, Inc.	Preferred Stock	6,000,000	6,004,093
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
NuCypher	Pre-ICO	499,532	4,757,329
AlphaPoint Corporation	Preferred Stock	7,499,999	4,744,897
Xapo Holdings Limited	Preferred Stock	13,800,000	4,379,000
Pantera Venture Fund, L.P.	LP/LLC Interests	4,259,796	3,759,491
Hut 8 Mining Corp.	Common Stock	12,790,674	3,736,104
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
Blockchain Capital IV, LP	LP/LLC Interests	2,250,000	2,831,687
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,320,175	2,729,937
Mercantile Global Holdings, Inc.	Convertible Note	4,734,959	2,511,459
Parsley Health, Inc.	Preferred Stock	2,399,999	2,399,999
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	2,311,625
Ciphertrace, Inc.	Preferred Stock	2,174,999	2,174,999
Drawbridge Lending LLC	Convertible Note	2,040,620	2,040,620
		<u>\$ 158,860,046</u>	<u>\$ 143,123,685</u>

²Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc.

As of June 30, 2019, the largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Ripple Labs, Inc. ²	Preferred Stock	\$ 23,804,960	\$ 27,564,909
Block.one	Common Stock	9,988,593	10,001,358
Hut 8 Mining Corp.	Common Stock	13,476,498	9,318,855
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
AlphaPoint Corporation	Preferred Stock	7,549,999	7,549,999
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
Silvergate Capital Corporation	Common Stock	7,344,000	7,239,000
Xapo Holdings Limited	Preferred Stock	13,800,000	6,730,000
Pantera Venture Fund, L.P.	LP/LLC Interests	5,379,902	6,063,727
Templum, Inc.	Preferred Stock	6,000,000	6,004,093
Cryptology Asset Group P.L.C.	Common Stock	877,817	5,575,785
Galaxy EOS VC Fund LP	LP/LLC Interests	5,687,802	5,183,349
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
Mercantile Global Holdings, Inc.	Preferred Stock	4,000,000	4,000,000
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	3,648,821
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
Blockchain Capital IV, LP	LP/LLC Interests	2,250,000	2,856,610
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,205,417	2,641,819
Hut 8 Mining Corp.	Warrants	—	2,541,427
Ciphertrace, Inc.	Preferred Stock	2,174,999	2,174,999
Mercantile Global Holdings, Inc.	Convertible Note	2,165,000	2,165,000
		<u>\$ 149,111,662</u>	<u>\$ 136,259,751</u>

²Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc.

As of March 31, 2019, the largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Block.one	Common Stock	\$ 41,955,897	\$ 81,222,960
Ripple Labs, Inc. ²	Preferred Stock	23,804,960	27,564,909
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
AlphaPoint Corporation	Preferred Stock	7,499,999	7,499,999
Silvergate Capital Corporation	Common Stock	7,344,000	6,839,000
Pantera Venture Fund, L.P.	LP/LLC Interests	5,379,902	6,090,228
Templum, Inc.	Preferred Stock	6,000,000	6,000,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	5,499,439
Galaxy EOS VC Fund LP	LP/LLC Interests	5,519,902	5,129,425
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
Mercantile Global Holdings, Inc.	Preferred Stock	4,000,000	4,000,000
Hut 8 Mining Corp.	Common Stock	16,920,000	3,600,000
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	3,516,258
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
		<u>\$ 161,709,152</u>	<u>\$ 181,962,218</u>

²Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc.

As of December 31, 2018, the largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Block.one	Common Stock	\$ 41,955,897	\$ 62,479,519
Ripple Labs, Inc. ²	Preferred Stock	23,804,960	27,564,909
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
AlphaPoint Corporation	Preferred Stock	7,499,999	7,499,999
Silvergate Capital Corporation	Common Stock	7,344,000	6,748,000
Templum, Inc.	Preferred Stock	6,000,000	6,000,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	5,610,259
Hut 8 Mining Corp.	Common Stock	16,920,000	5,580,000
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
Pantera Venture Fund, L.P.	LP/LLC Interests	5,379,902	4,801,653
Galaxy EOS VC Fund LP	LP/LLC Interests	4,950,627	4,677,213
Mercantile Global Holdings, Inc.	Preferred Stock	4,000,000	4,000,000
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	3,267,214
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,283,994	3,026,083
		<u>\$ 159,923,871</u>	<u>\$ 162,754,849</u>

²Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc.

AlphaPoint Corporation – a financial technology company that provides institutions with enterprise-grade, blockchain-based asset digitization and exchange platforms.

Bakkt Holdings, LLC – a subsidiary of Intercontinental Exchange (ICE) which is building an open, seamless global network to enable consumers and institutions to buy, sell, store and spend digital assets in a safe, efficient manner.

Bitfury Group Limited – a bitcoin mining technology developer and mining asset owner and operator.

Bitgo Holdings, Inc. – a company that specializes in providing institutional cryptocurrency services, including security compliance and custodial solutions.

Block.one – the developer of the EOS.IO blockchain protocol focused on enabling secure data transfer and high-performance decentralized applications.

Blockchain Capital IV L.P. – an investment firm whose strategy is to investment in privately held, early stage companies, particularly those involved in the development of blockchain based technologies and in related industries.

BlockFi, Inc. – a lending company that offers loans collateralized by the borrower's select digital assets.

Ciphertrace, Inc. – a company developing cryptocurrency and blockchain tracing and security capabilities.

Clause, Inc. – a blockchain company focused on developing an SaaS platform that allows customers to write and manage smart legal contracts, including automated execution and monitoring via blockchains.

Cryptology Asset Group P.L.C. – an investment company investing in crypto assets and crypto companies around the globe and advising blockchain based businesses.

Drawbridge Lending LLC - a lending company that initiates USD loans secured by crypto assets.

FDCI LLC – a special purpose vehicle organized for making and holding an investment in Ripple Labs, Inc.

Flipside Crypto, Inc. – a business intelligence platform providing data analytics on crypto projects.

Galaxy EOS VC Fund LP – a partnership focused on developing the EOS.IO ecosystem with an investment strategy focused on investments that utilize the EOS.IO blockchain software.

Hut 8 Mining Corp. – a digital asset mining services company.

Mercantile Global Holdings, Inc. - a company that has developed a trading and banking platform to enable customers to trade, bank and administer digital assets.

Mt. Gox Investment Fund LP – a partnership focused on buying creditor's claims against Mt Gox, the former Bitcoin exchange currently in bankruptcy proceedings.

NuCypher – is an encryption company that builds privacy-preserving cryptography infrastructure.

Pantera ICO Fund LP – an investment firm exclusively focused on blockchain technology and digital assets. Pantera's ICO Fund makes investments in Initial Coin Offerings.

Pantera Venture Fund II, L.P. – an investment firm exclusively focused on blockchain technology and digital assets. Pantera's Venture Fund II makes investments related to digital currency infrastructure.

Pantera Venture Fund, L.P. – an investment firm exclusively focused on blockchain technology and digital assets. Pantera's Venture Fund makes early-stage investments in the blockchain and digital assets ecosystem.

Parsley Health, Inc. – a membership based wellness practice company which provides a digital-first user experiences.

Ripple Labs, Inc. – the developer of the Ripple exchange network, a blockchain-based technology protocol focused on payment systems.

Silvergate Capital Corporation – a community bank providing traditional banking and new technology services to blockchain and digital assets ecosystem participants.

Symbiont.io, Inc. – a financial technology company delivering enterprise blockchain solutions.

Templum, Inc. – a financial technology company focusing on creating a regulatory compliant marketplace for the primary issuance and secondary trading of digital assets through security tokens.

Xapo Holdings Limited – a digital assets custody provider offering digital assets wallets, cold storage solutions, and bitcoin based debit cards.

Three months ended June 30, 2020

The \$1.4 million increase in the fair value of AlphaPoint Corporation during the second quarter of 2020 was due to better performance of the underlying operations of the portfolio company.

The \$2.7 million increase in the fair value of Silvergate Capital Corporation during the second quarter of 2020 was due primarily to the increase in its publicly quoted share price.

The \$1.4 million increase in the fair value of Xapo Holdings Limited during the second quarter of 2020 was largely due to the increase in the price of Bitcoin during the recent quarter.

The \$4.6 million decrease in the fair value of Templum, Inc. during the second quarter of 2020 was primarily due to underlying performance.

Three months ended June 30, 2019

The \$71.2 million decrease in the fair value of Block.one during the second quarter of 2019 was due to the sale of a majority of the Partnership's investment under a tender offer.

The \$5.7 million increase in the fair value of the common stock of Hut 8 Mining Corp. during the second quarter of 2019 was due primarily to the increase in its publicly quoted share price and was partially offset by the sale by the Partnership of a portion of their shares.

The \$2.1 million increase in the fair value of the warrants of Hut 8 Mining Corp. during the second quarter of 2019 was similarly due primarily to the increase in its publicly quoted share price.

In addition, the \$3.7 million increase in the fair value of Xapo Holdings Limited during the second quarter of 2019 was due largely to the increase in the price of bitcoin during the quarter.

Six months ended June 30, 2020

The \$6.4 million increase in the fair value of BlockFi, Inc. during the six months ended June 30, 2020 was primarily due to the higher valuation obtained by the company in its latest funding round.

The \$1.2 million increase in the fair value of Xapo Holdings Limited during the six months ended June 30, 2020 was due largely to the increase in the price of Bitcoin during the recent quarter.

The \$1.2 million decrease in the fair value of Silvergate Capital Corporation during the six months ended June 30, 2020 was due primarily to the decrease in its publicly quoted share price.

The \$4.6 million decrease in the fair value of Templum, Inc. during the second quarter of 2020 was primarily due to underlying performance

Six months ended June 30, 2019

The \$52.5 million decrease in the fair value of Block.one during the six months ended June 30, 2019 was due to the sale of a majority of the Partnership's investment under a tender offer.

The \$3.7 million increase in the fair value of the common stock of Hut 8 Mining Corp. during the six months ended June 30, 2019 was due primarily to the increase in its publicly quoted share price and was partially offset by the sale by the Partnership of a portion of their shares.

The \$1.2 million increase in the fair value of warrants of Hut 8 Mining Corp. during the six months ended June 30, 2019 was due primarily to the increase in its publicly quoted share price.

In addition, the \$4.0 million increase in the fair value of Xapo Holdings Limited during the six months ended June 30, 2019 was due largely to the increase in the price of bitcoin during the recent quarter.

A breakdown of the fair value of digital assets, including digital assets posted as collateral, and net of digital assets sold short, by market cap is as follows:

As of June 30, 2020:	Fair Value
> \$1 billion market cap	\$ 148,641,713
<= \$1 billion market cap	14,293,223
Net	<u>\$ 162,934,936</u>

As of December 31, 2019:	Fair Value
> \$1 billion market cap	\$ 67,483,582
<= \$1 billion market cap	8,088,942
Net	<u>\$ 75,572,524</u>

Above table reflects the fair value of the Partnership's cryptocurrencies by the aforementioned respective capitalizations. Above capitalizations are obtained from coinmarketcap.com.

The Partnership has been able to actively manage its digital asset portfolio by actively trading, both long and short, assets with greater than a \$1 billion market capitalization. (See table in *Industry Performance & Outlook for a comparison of the Partnership's digital assets above against the overall cryptocurrency market*)

As of June 30, 2020, the largest holdings of digital assets by fair value were as follows:

	Quantity	Fair Value
Bitcoin ¹	14,651	\$ 133,882,895
USD Coin	8,456,819	8,454,308
Ethereum	29,975	6,783,640
Tether	4,944,600	4,944,125
Total		<u>\$ 154,064,968</u>

¹ Includes \$4.9 million of Bitcoin posted as collateral.

As of December 31, 2019, the largest holdings of digital assets by fair value were as follows:

	Quantity	Fair Value
Bitcoin ¹	11,318	\$ 81,288,804
Tether	3,706,921	3,705,731
USD Coin	2,279,172	2,279,172
FTX Token	1,020,000	2,182,800
Total		<u>\$ 89,456,507</u>

¹ Includes \$8.2 million of Bitcoin posted as collateral.

In the above tables, as of June 30, 2020, Bitcoin, Ethereum and Tether are >\$1 billion market cap; USD Coin and FTX Token are <= \$1 billion market cap.

Above tables should be read in conjunction with discussion on [pg. 15] (Net Realized Gain (Loss) on Digital Assets & Net Unrealized Gain (Loss) on Digital Assets)

Risk

The Partnership's activities may expose it to variety of financial and other risks: credit risk, interest rate risk, liquidity risk, foreign currency risk, market risk, digital asset risk, loss of access risk, irrevocability of transactions, hard fork and airdrop risks and regulatory oversight risk, among others. The Partnership seeks to minimize potential adverse effects of these risks on performance by employing experienced personnel, daily monitoring of the Partnership's investments and digital assets, and any market events and diversifying the Partnership's business strategy as well as its investment portfolio within the constraints of the Partnership's investment objectives.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables, receivable for digital asset trades, and loans (including digital asset loans) receivable are exposed to credit risk. The Partnership limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Partnership has performed internal due diligence procedures. The Partnership deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at June 30, 2020, the Partnership held approximately \$8.3 million (December 31, 2019 - \$4.5 million) in cash and \$106.8 million (December 31, 2019 - \$68.5 million) in digital assets at exchanges or custodians that do not have system or organization control reporting available. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its receivables, receivables for digital asset trades and digital assets loans receivable by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures. As of June 30, 2020 and subsequently, the Partnership does not expect a material loss on any of its loans. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of June 30, 2020, the Partnership is exposed to credit risk. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.

Derivative-related credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Partnership. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount.

The Partnership manages credit risk by transacting with counterparties that have gone through an internal due diligence approval process and requiring the posting of collateral if deemed necessary. The Partnership has also established mark-to-market provisions in its agreements with some counterparties which provide it with the right to request that the counterparties pay down or collateralize the current market value of its derivatives when the value exceeds a specified amount.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership's investment opportunities, primarily within its principal investments segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity generally is more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect its ability to earn interest income on cash balances at variable rates. The Partnership did not have a leverage facility in place, and its digital assets loan receivable and payable are at fixed rates of interest. The Partnership's remaining loans all have fixed rates however in some cases can also be settled in digital assets at the option of the borrower. As of June 30, 2020, the Partnership's exposure to interest rate risk is limited.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days notice or at the end of the set term unless renewed. The Partnership intends to manage its short-term liquidity needs through its available cash balance and cash inflows from its ongoing business activities. In addition, as of June 30, 2020, 49.2% (December 31, 2019 - 37.4%) of the Partnership's net portfolio was in liquid, actively traded cryptocurrency which can be monetized at reasonable prices in short order.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. For the period ended June 30, 2020, the Partnership minimized exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps, which are not significant.

Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. The Partnership's investments are susceptible to other market risk arising from uncertainties about future prices of the instruments. The Partnership moderates this risk through the various investment strategies within the parameters of the Partnership's investment guidelines.

As of June 30, 2020, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's investments, with all other variables held constant, is +/- \$17.8 million (December 31, 2019 - \$15.8 million).

Digital Asset Risk

Digital assets are measured at fair value less cost to sell. Digital currency or cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Further, cryptocurrencies have no underlying backing or contracts to enforce recovery of invested amounts.

The profitability of the Partnership is related to the current and future market price of cryptocurrencies; in addition, the Partnership may not be able to liquidate its inventory of cryptocurrencies at its desired price if necessary. Investing in cryptocurrencies is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends. Cryptocurrencies have a limited history, their fair values have historically been volatile and the value of cryptocurrencies held

by the Partnership could decline rapidly. A decline in the market prices of cryptocurrencies could negatively impact the Partnership's future operations. Historical performance of cryptocurrencies is not indicative of their future performance.

Many cryptocurrency networks are online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many cryptocurrency transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital wallet, to the seller. In the data packets distributed from cryptocurrency software programs to confirm transaction activity, each party to the transaction user must sign transactions with a data code derived from entering the private key into a hashing algorithm, which signature serves as validation that the transaction has been authorized by the owner of the cryptocurrency. This process is vulnerable to hacking and malware, and could lead to theft of the Partnership's digital wallets and the loss of the Partnership's cryptocurrency.

Cryptocurrencies are loosely regulated and there is no central marketplace for exchange. Supply is determined by a computer code, not a central bank. Additionally, exchanges may suffer from operational issues, such as delayed execution, that could have an adverse effect on the Partnership.

The cryptocurrency exchanges on which the Partnership may trade on are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets.

Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Partnership to recover money or digital assets being held on the exchange. Further, the Partnership may be unable to recover digital assets awaiting transmission into or out of the Partnership, all of which could adversely affect an investment of the Partnership. Additionally, to the extent that the digital asset exchanges representing a substantial portion of the volume in digital asset trading are involved in fraud or experience security failures or other operational issues, such digital asset exchanges' failures may result in loss or less favorable prices of digital assets, or may adversely affect the Partnership, its operations and its investments.

As of June 30, 2020, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's net digital assets, including digital assets posted as collateral, with all other variables held constant, is +/- \$16.3 million (December 31, 2019 - \$7.8 million).

Loss of access risk

The loss of access to the private keys associated with the Partnership's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Partnership may be unable to access the cryptocurrency.

Irrevocability of transactions

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Partnership may not be capable of seeking compensation.

Hard fork and air drop risks

Hard forks may occur for a variety of reasons including, but not limited to, disputes over proposed changes to the protocol, significant security breach, or an unanticipated software flaw in the multiple versions of otherwise compatible software. In the event of a hard fork in a cryptocurrency held by the Partnership, it is expected that the Partnership would hold an equivalent amount of the old and new cryptocurrency following the hard fork.

Air drops occur when the promoters of a new cryptocurrency send amounts of the new cryptocurrency to holders of another cryptocurrency that they will be able to claim a certain amount of the new cryptocurrency for free.

The Partnership may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Partnership may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Partnership may not receive any new cryptocurrencies created as a result of a hard fork or airdrop, thus losing any potential value from such cryptocurrencies.

Regulatory oversight risk

Regulatory changes or actions may restrict the use of cryptocurrencies or the operation of cryptocurrency networks or exchanges in a manner that adversely affects investments held by the Partnership.

Expenses

The Partnership's operating expenses were as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Equity based compensation	\$ 3,290,561	\$ 6,822,269	\$ 4,911,971	\$ 17,143,772
Compensation and compensation related	5,809,771	7,725,305	12,994,165	14,679,470
General and administrative	2,721,765	1,887,780	6,320,354	4,409,070
Professional fees	1,269,676	1,011,301	2,503,201	3,616,627
Interest	1,260,154	938,928	2,271,641	1,627,254
Insurance	382,131	330,254	664,261	757,104
Director fees	50,000	50,000	100,000	100,000
Totals	<u>\$ (14,784,058)</u>	<u>\$ (18,765,837)</u>	<u>\$ (29,765,593)</u>	<u>\$ (42,333,297)</u>

Three months ended June 30, 2020 compared to June 30, 2019

Equity based compensation was \$3.3 million in 2020 compared to \$6.8 million in 2019. Certain officers and employees of the Partnership are awarded equity based awards (Partnership compensatory Class B Units awards and stock options). Each quarter, the fair value of such awards are accrued and charged to operations on a staged (or graded) vesting basis, based on the respective vesting schedules.

Compensation and compensation related expense for the three months ended June 30, 2020 decreased compared to June 30, 2019 due primarily to lower headcount in 2020. This total is inclusive of base compensation and accrued bonuses, placement fees, payroll taxes, benefits, consultants and temporary staff.

General and administrative costs for the three months ended June 30, 2020 increased compared to June 30, 2019 due primarily to an increase in technology expense as the trading business continues to build out its proprietary trading infrastructure, marketing expense, and business tax expense.

Professional fees for the three months ended June 30, 2020 increased compared to June 30, 2019 due primarily to an increase professional fees related to tax services.

Interest expense for the three months ended June 30, 2020 increased compared to June 30, 2019 due to increased borrowing for either (i) lending to counterparties at a higher rate to earn a spread or (ii) for trade positioning.

Six months ended June 30, 2020 compared to June 30, 2019

Equity based compensation was \$4.9 million in 2020 compared to \$17.1 million in 2019. Certain officers and employees of the Partnership are awarded equity based awards (Partnership compensatory Class B Units awards and stock options). Each quarter, the fair value of such awards are accrued and charged to operations on a staged (or graded) vesting basis, based on the respective vesting schedules.

Compensation and compensation related expense for the six months ended June 30, 2020 decreased compared to June 30, 2019 due lower headcount in 2020. This total is inclusive of base compensation and accrued bonuses, placement fees, payroll taxes, benefits, consultants and temporary staff.

General and administrative costs for the six months ended June 30, 2020 increased compared to June 30, 2019 due primarily to an increase in marketing expenses and business tax expense.

Professional fees for the six months ended June 30, 2020 decreased compared to June 30, 2019 due primarily to a decrease in legal fees.

Interest expense for the six months ended June 30, 2020 increased compared to June 30, 2019 due to increased borrowing for either (i) lending to counterparties at a higher rate to earn a spread or (ii) for trade positioning.

Insurance expense for the six months ended June 30, 2020 decreased compared to June 30, 2019 due to the reduction in premiums which took effect in May 2019.

Liquidity and Capital Resources

On February 7, 2018, the Partnership entered into a revolving loan agreement ("RLA") with GGI to provide a source of additional capital to fund its operations and prospective investments until such time that private placement proceeds were released from escrow (*See Transactions with Related Parties*). The RLA provided liquidity which was utilized by the Partnership to increase its portfolio of digital assets, investments or otherwise expand the overall business.

On February 14, 2018, Bradmer announced the closing of a private placement offering of approximately 61.0 million subscription receipts at a price of CAD\$5.00 per subscription receipt for gross proceeds of approximately CAD\$305 million. On July 31, 2018, upon closing of the Arrangement, a net amount of approximately \$229.2 million was released from escrow (this represents net proceeds of approximately \$228.4 million and approximately \$0.8 million of interest earned on private placement proceeds in escrow). In GDH Ltd.'s management information circular dated May 14, 2018, GDH Ltd. provided a listing of the expected use of proceeds by the Partnership in connection with the Offering. The variances in the actual use of proceeds are set out below as of September 30, 2018. The available funds and the principal purposes and business objectives of the Partnership for subsequent periods are set out below.

	As of June 30, 2020	As of December 31, 2019	As of December 31, 2018	As of September 30, 2018*
Estimated working capital	\$ 25.9	\$ 116.9	\$ 52.7	\$ 77.3
General overhead expenses – next 12 months	(42.0)	(42.0)	(45.0)	(40.0)
Capital to Trading business	0.0	0.0	0.0	(4.8)
Capital to Principal Investments business	(11.0)	(16.5)	(28.1)	(32.5)
	\$ (27.1)	\$ 58.4	\$ (20.4)	\$ 0.0
Digital Assets, net	162.9	75.6	51.1	90.6
	<u>\$ 135.8</u>	<u>\$ 134.0</u>	<u>\$ 30.7</u>	<u>\$ 90.6</u>

Working capital above is calculated as the sum of cash, receivable for digital asset trades, digital asset loans receivable, cash posted as collateral, receivables, prepaid expenses and other assets and short-term loans receivable; less accounts payable and accrued liabilities, payable for digital asset trades, digital asset loans payable, collateral payable, short term lease liability, due to broker and due to related party.

As of June 30, 2020, the Partnership had total equity of \$374.9 million. As of December 31, 2019, the Partnership had total equity of \$355.1 million. The increase in equity during the six months ended June 30, 2020 was primarily due to the net comprehensive income for the period.

	June 30, 2020	December 31, 2019
Total assets	\$ 435,717,661	\$ 402,779,121
Total liabilities	(60,821,075)	(47,674,556)
Non-controlling interests	(18,253,967)	(7,319,484)
Partners' Capital	<u>\$ 356,642,619</u>	<u>\$ 347,785,081</u>

Additionally, as of June 30, 2020, the Partnership had cash of \$40.4 million and \$162.9 million of net digital assets, including digital assets posted as collateral. As of December 31, 2019, the Partnership had cash of \$106.3 million and \$75.6 million of net digital assets, including digital assets posted as collateral. The decline in the cash balance reflects primarily investments made, loans extended to counterparties, payment of operating expenses and net digital assets activity, during the period. Management believes that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

In April 2019, the Partnership tendered a portion of its investment in the ordinary shares of Block.one for consideration of \$71.2 million, at a price that is 30% above the December 31, 2018 valuation. On May 20, 2019, the transaction closed and the Partnership received \$71.2 million for the tendered shares, representing a majority of the Partnership's investment.

The Partnership expects to generate incremental cash in the ordinary course through revenues earned in each of its businesses. The Trading business anticipates generating cash through strategically liquidating, shorting, trading and reinvesting in liquid cryptocurrencies, lending and borrowing of cryptocurrencies, as well as through OTC trading. The Asset Management business continues to earn fees for managing third party capital. The Principal Investments business has captured and may capture additional unrealized appreciation in the future by monetizing certain investments in its illiquid book, generating cash to facilitate operating the overall business. Additionally, the Principal Investments business earns current income from interest bearing debt investments. The Investment Banking business has earned fees from serving its clients and is expected henceforth to earn fees by serving larger, more institutional clients in the digital assets and blockchain technology industry.

The Partnership is a startup business with no proven track record or operating history, and its revenues, including the performance of its digital assets and investments, at times has been less than its operating expenses and may be less for an extended period of time. This may result in a decrease in the Partnership's working capital and could potentially lead to a deficit in the Partnership's working capital in the future. The Partnership expects to use the proceeds received from the opportunistic sale of some investments, and income generated from its business activities, to provide liquidity to operate its businesses. A significant decrease in the Partnership's working capital as a result of poor operating results could nonetheless adversely affect the Partnership's ability to grow and expand its businesses and meet its unfunded commitments.

In the event there is insufficient working capital to support the growth of the business, the Partnership may sell digital assets to generate sufficient cash to meet obligations as they come due, or may exit all or a portion of an investment if an exit price is advantageous to the Partnership. The Partnership may also seek additional sources of financing in the future, including but not limited to, issuing equity or convertible notes or seeking other financing in the form of a debt facility.

Off-balance sheet arrangements

Investment and Loan Commitments

The Partnership may provide for commitments to portfolio companies for investments in existing or new assets. As of June 30, 2020, the Partnership had obligations to three existing portfolio companies for \$11.0 million, of which \$2.7 million was funded as of the date of this MD&A. The Partnership maintains sufficient cash on hand to fund such commitments as they come due.

In the ordinary course of business, the Partnership enters into facilities to borrow cryptocurrencies to facilitate trading. For certain of those cryptocurrencies, the Partnership has taken a strategy to short the borrowed cryptocurrency. In those instances, these borrowings have been reflected as digital assets sold short on the statement of financial position. In addition, from time to time, the Partnership sells cryptocurrencies that it does not hold in its inventory or that it has not borrowed. The Partnership will then, at a later date, buy the respective cryptocurrencies to close out the transaction. Such sales have also been reflected as digital assets sold short.

Master Loan Agreements

During the period ended June 30, 2020, the Partnership entered into master loan agreements with lenders to borrow select cryptocurrencies at annual rates of interest ranging from 2% to 12%. For most of the loans, there is no set term for the loans and the Partnership can prepay the loans without penalty. In addition, the lenders can generally demand the repayment of the loans at any time by providing between five to twenty business days notice. The Partnership is generally required to post collateral between 0% to 100% of the loan value in either US dollars or in select cryptocurrencies. In addition, one loan has a term of three months and the Partnership is not required to post collateral.

Master Loan Agreements	June 30, 2020	December 31, 2019
Digital assets borrowed	\$ 57,071,357	\$ 46,894,236
Digital assets sold short ¹	(7,878,037)	(18,616,860)
Digital assets borrowed but not used ²	(15,019,746)	(17,143,047)
	\$ 34,173,574	\$ 11,134,329

¹ The digital assets sold short balance above reflects the net traded balance of the cryptocurrency borrow.

² For cryptocurrencies borrowed but not used as of the end of a period, the Partnership has no net exposure.

As of June 30, 2020, the digital assets sold short balance under the Master Loan Agreements was \$7,878,037. As of December 31, 2019, the total digital assets sold short balance under the November 2018 Facility was \$18,616,860.

During the three and six months ended June 30, 2020, the Partnership paid interest expense of \$1.0 million and \$1.8 million (2019 - \$0.5 million and \$0.6 million) and received interest income of \$0.6 million and \$1.1 million (2019 - \$0.2 million and \$0.2 million) in connection with the aforementioned lending and borrowing activity.

Other

As of June 30, 2020, the Partnership did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Partnership including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Transactions with Related Parties

Due to Related Party

For the year ended December 31, 2018, for administrative convenience, GGI paid \$1.2 million of expenses incurred in the ordinary course of business by the Partnership. The amount paid by GGI was reimbursed by the Partnership in March 2019.

Compensation of Key Management Personnel

Key management personnel include ten individuals (2019 - eleven individuals), consisting of officers, former officers and certain employees, who are considered to have decision making authority. Compensation provided to key management personnel for the three and six months ended June 30, 2020 and 2019 are as follows:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Base compensation and accrued bonuses*	\$ 996,879	\$ 1,911,084	\$ 2,102,159	\$ 3,478,976
Benefits	76,287	69,734	139,280	134,670
Equity based compensation	2,685,690	5,488,754	5,602,001	13,226,809
Total	\$ 3,758,856	\$ 7,469,572	\$ 7,843,440	\$ 16,840,455

*For the three and six months ended June 30, 2020, amounts include approximately \$0.2 million and \$0.5 million, respectively, (2019 - \$0.9 million and \$1.4 million) of accrued bonuses within accounts payable and accrued liabilities.

The Partnership has an agreement with an entity owned by a member of key management to provide software development consulting services. The Partnership incurred \$153,000 and \$283,000 in software development technology expenses during the three and six months ended June 30, 2020 (2019 - \$79,500 and \$154,500), of which \$48,000 is included in accounts payable at June 30, 2020 (2019 - \$33,000).

Galaxy Investment Partners LLC ("GIP"), which has leased the office space located on the 7th and 8th floors of 107 Grand Street, New York, New York 10013, has subleased to Galaxy Digital Services LLC ("GDS"), a wholly-owned subsidiary of the Partnership, to occupy the 8th floor on the same terms as the master lease. The sublease has a 10.5-year term commencing on February 1, 2018 and expiring on June 30, 2028. The sublease contains a standard rent escalation clause, and rent was waived until June 30, 2018. The rent begins at \$756,800 per annum and is to be paid monthly in advance in equal installments.

In addition, the Partnership entered into another sublease agreement with GDS, effective August 1, 2019, to sublease a portion of the 7th floor, including use of common areas. The sublease starts on August 1, 2019 and ends on June 30, 2028. The sublease contains a standard rent escalation clause and rent will start at \$11,532 per month and will be paid monthly in advance.

For the three and six months ended June 30, 2020, the Partnership recognized \$0.15 million and \$0.30 million (2019 - \$0.1 million and \$0.3 million) of depreciation on the Right of Use asset and \$0.16 million and \$0.33 million respectively (2019: \$0.14 million and \$0.29 million) of interest expense related to the lease liability.

The Partnership has operating lease commitments for the next five years as follows:

	Rent Due
2020	\$ 484,382
2021	983,295
2022	1,012,793
2023	1,043,177
2024	1,074,473
Total	\$ 4,598,120

Additionally, the Partnership has \$4.0 million in total commitments under the subleases for the period from 2025 to the expiration of the sublease terms on June 30, 2028.

Other

Certain key management personnel have invested in funds that the Partnership manages. In addition, some members of key management serve as board members for companies in which the Partnership or a fund it manages holds investments.

The CEO of the general partner of the Partnership served as a director of a cryptocurrency mining and blockchain infrastructure company. During May 2019, the CEO of the general partner of the Partnership did not stand for re-election and, effective May 13, 2019, the company is no longer a related party. The Partnership also completes OTC trades with the company.

In addition, the Partnership's CEO was a member of the advisory board for another company, resulting in the Partnership and that company being related parties. As at June 30, 2020, the Partnership had an investment valued at \$9.0 million (December 31, 2019 - \$9.0 million).

In accordance with the LPA, the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the three and six months ended June 30, 2020, the Partnership paid or accrued \$346,415 and \$531,930 respectively (2019 - \$258,811 and \$448,018 respectively), on behalf of GDH Ltd., which has been included in general and administrative expenses.

Change in Accounting Policies including Initial Adoption

There were no changes to the accounting policies for the three and six months ended June 30, 2020.

Digital Assets

A significant portion of the Partnership's assets are digital assets inventory held at fair value.

Digital assets are utilized primarily by the Partnership in its Trading business and are affected by various economic and technological forces including but not limited to global supply and demand, interest rates, foreign exchange rates, inflation or deflation and ongoing political, regulatory, and economic conditions.

A significant portion of the Partnership's profitability and future cash flows are impacted by the current and future prices and price fluctuations of digital assets. The Partnership may not be able to liquidate its inventory of digital assets at its desired price, if needed. In addition, the ability of the Partnership to transfer or liquidate its inventory of digital assets in a timely manner may be impacted by technical and procedural limitations of digital asset exchanges, custodians, and relevant local regulatory restrictions. A broad decline in the market prices of digital assets could negatively impact the Partnership's future operations and profitability.

Digital assets have a limited history and their fair value historically has been volatile. Historical performance and fair value of digital assets are not indicative of their future value and price performance.

Partnership Interests

The Partnership is a limited partnership between GDH GP, GDH Ltd., GGI and other Class B Unit holders.

The information contained in this MD&A and the information in the condensed consolidated interim financial statements for the three and six months ended June 30, 2020, represents the financial position of the Partnership and do not include all of the assets, liabilities, income and expenses of the partners. Income taxes are the responsibility of the partners and not GDH LP.

As of June 30, 2020 and August 12, 2020, the Partnership has two classes of ownership interests, namely Class A Units and Class B Units. As of June 30, 2020, there were 64,679,696 Class A Units and 217,982,803 Class B Units outstanding. As of August 12, 2020, there were 64,679,696 Class A Units and 217,982,803 Class B Units outstanding.

Equity Based Compensation Awards and Other

As of June 30, 2020, 17,211,182 Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 3,963,909 Class B Units were exercisable. As of August 12, 2020, 17,211,182 Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 3,963,909 Class B Units were exercisable.

As of June 30, 2020, 22,118,600 options granted under the GDH Ltd. stock option plan were outstanding, of which 6,539,300 were exercisable. As of August 12, 2020, 22,118,600 options granted under the GDH Ltd. stock option plan were outstanding, of which 6,539,300 were exercisable.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles. For the six month period ended June 30, 2020, GDH Ltd. was a venture issuer. Pursuant to National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”), venture issuers are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR. GDH Ltd. lost its venture issuer status upon graduation to the Toronto Stock Exchange as announced on July 2, 2020 with trading commenced on July 6, 2020.

In particular, for the six month period ended June 30, 2020, the CEO and CFO do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer’s GAAP.

Additional information relating to the Partnership, including the AIF, is available on GDH Ltd.’s SEDAR profile at www.sedar.com.

Management’s Responsibility for Financial Statements

The information provided in this MD&A, including the condensed consolidated interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of (i) future values for certain assets or liabilities and (ii) valuation of equity based compensation. Management believes such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements.