Galaxy Digital Holdings LP

Management's Discussion and Analysis

March 29, 2021

Introduction

This Management's Discussion and Analysis ("MD&A"), dated March 29, 2021, 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 March 29, 2021, and is intended to supplement and complement the Partnership's consolidated financial statements for the year ended December 31, 2020 and December 31, 2019 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 consolidated 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 year ended December 31, 2020 and December 31, 2019 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 investment banking transactions may be modified or not completed at all and those other risks described in this MD&A, the Management's Discussion and Analysis of Galaxy Digital Holdings Ltd. ("GDH Ltd." or "Company"), dated March 29, 2021, 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 March 29, 2021 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 investment banking 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 December 31, 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, Amsterdam, Netherlands, Jersey City, U.S., San Francisco, U.S., Chicago, U.S. and the Cayman Islands (registered office).

As of the date of this filing, the Partnership has 134 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. As of December 31, 2020, the Partnership distributed $1,932,121 of the approved amount, of which $219,017 is included in other accrued liabilities at year end. Certain of the recipients of the tax distributions are related parties.

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 December 31, 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 are 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 68% 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 five primary business lines.

Trading

The trading business, Galaxy Digital Trading ("GDT"), provides liquidity to clients and counterparties with regards to buying and selling cryptocurrencies and other digital assets. GDT accomplishes this by acting as an institutional-grade market maker and providing market expertise on a global basis and for over 60 different cryptocurrencies, with over 150 unique counterparties. GTD engages in a number of activities, on a principal and agency basis, involved in and around the buying, selling, lending and borrowing of cryptocurrencies and other digital assets on a global basis, including over-the-counter ("OTC") liquidity provision, on-exchange market-making, OTC derivative trading, options, futures, borrowing and lending, proprietary quantitative, arbitrage, and macro trading strategies. GDT is a diversified revenue stream that can have an inverse correlation with cryptocurrency and digital asset market prices.

In our role as a market maker, GDT provides pricing information globally across all major cryptocurrency and digital asset markets, for over 60 different cryptocurrencies. Our willingness to make markets, commit capital and take risk across numerous cryptocurrencies and digital assets is crucial to our relationships. We provide liquidity on a principal basis and play a critical role in price discovery, improving the efficiency of cryptocurrency markets for all our clients, counterparties and industry participants. Our clients and counterparties are professional market participants, primarily institutional investment entities.

GDT's trading strategies include principal trading and market making across the full spectrum of exchange and OTC products. GDT makes markets in coins/tokens, options/volatility, and structured products including bitcoin and other digital asset futures and derivatives. In this capacity GDT provides liquidity on a principal basis on a variety of centralized exchanges and OTC markets. GDT maintains a list of centralized exchanges that are approved as trading counterparties and platforms and with whom our team spends extensive time, in advance, working to electronically integrate access and information flow. The approval of such exchanges is based on due diligence of such exchanges that takes into account whether the exchange conducts anti-money laundering and know-your-client due diligence, its regulatory jurisdiction and its cybersecurity measures. Additionally, GDT engages a service that continuously monitors the public website of the exchanges for observable data on compromised systems, security diligence, user behavior, and data breaches and computes a security rating on each exchange.

GDT's in-house engineering team has built and continues to enhance a sophisticated and proprietary trading platform that hosts and facilitates these activities, which we believe differentiates Galaxy from the rest of the market, including traditional financial institutions that operate in significantly larger scale with expensive, legacy technology stacks. GDT's trading platform includes proprietary pricing data, market research, portfolio management tools, reporting, and settlement services, and connects with client's cryptocurrency and digital asset wallets, custodial relationships, and fiat banking accounts.

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 over 150 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.

In November 2020, the Company acquired two leading cryptocurrency trading firms: DrawBridge Lending, LLC ("DrawBridge"), an innovator in digital asset lending, borrowing, and structured products, and BF Holdings I, LLC ("Blue Fire"), a proprietary trading firm specializing in market-making and two-sided liquidity for digital assets. The acquisitions expanded GDT's suite of product offerings and added veteran trading and lending market participants to GDT's leadership team.

GDT is firmly committed to compliance with all laws and regulations currently in existence. GDT also strives to be a thought leader in providing information and assistance to global regulators, and to establish industry-wide best practices as the industry matures. GDT has adopted policies, procedures and controls 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.

As it pertains to GDT's trading counterparties, we require that any counterparty undergo screening under GDT's anti-money laundering program, which includes:

- conducting due diligence to verify each potential counterparty identity to the extent reasonable and practicable;
- obtaining representations and warranties from such counterparty relating to the source of funds being transacted, compliance with all applicable legal requirements, and any other representations and warranties as GDT's anti-money laundering Compliance Officer may deem appropriate;
- conducting due diligence efforts to screen the names and addresses of counterparties and, where relevant, the beneficial owners of such counterparties against the List of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control ("OFAC") by the U.S. Department of the Treasury and refusing to transact with such counterparty or accept investments from any such listed persons;
- screening payments and transactions for those prohibited by U.S. law because they involve a person or entity that (i) is a citizen or resident of, (ii) has a place of business in, or is organized under the laws of, or (iii) is the government of, a country or territory subject to a U.S. trade embargo administered by OFAC;
- obtaining representations to confirm that a counterparty or an investor in a fund is not a "foreign shell bank," which is generally defined as a foreign bank without a physical presence in any country; and
- carrying out such other procedures as may be necessary to assure GDT's compliance with all applicable laws and regulations.

GDT has internal policies and procedures to address buying and selling of assets that might be deemed securities in order to ensure such trading complies with applicable laws. GDT continues to monitor the global regulatory environment and will amend its internal policies and procedures as regulatory guidance evolves.

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. GDPI's mandate is to originate and execute upon investment opportunities with the best founders, at an attractive cost basis for GDPI. GDPI invests in founders and companies 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 Company 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, as well as recycling capital from existing investments upon realization.

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.

Asset Management

Galaxy Digital Asset Management ("GDAM") manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GDAM'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. GDAM operates in two business lines, Galaxy Fund Management and Galaxy Interactive. At this time, management fees generally earned by GDAM in both Galaxy Fund Management and Galaxy Interactive range from 0.5% to 2.0% of assets under management, and performance-based compensation or "carry" has been structured to be up to 20%.

Galaxy Fund Management is a multi-asset manager offering cryptocurrency-agnostic fund access to multiple different cryptocurrencies and digital assets. Galaxy Fund Management has capitalized on the improvement in and continued increase in awareness of the digital asset markets, generating inflows into the Galaxy Crypto Index Fund LP ("GCIF" or the "Index Fund") and making meaningful progress towards future commitments. In November of 2019, GDAM 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.

In June 2020, Galaxy Fund Management announced a strategic partnership with CAIS, the industry-leading alternative investment platform, to provide financial advisors with streamlined access to Galaxy Digital's investment products, plus educational resources spanning blockchain and digital assets. The CAIS platform offers financial advisors access to a complete end-to-end solution, including a broad selection of alternative investment funds and products, independent due diligence from Mercer, tools and analytics, a streamlined investment process, and integration with custodians for greater reporting accuracy.

In December 2020, Galaxy Fund Management launched the CI Galaxy Bitcoin Fund (Ticker: BTCG), a TSX-listed closed end mutual fund, in partnership with CI Financial.

Additionally, in December 2020, Galaxy Fund Management launched the Bloomberg Galaxy Bitcoin Index (Ticker: BTC).

Galaxy Interactive is focused on venture investing in the future of interactive content and technologies. Galaxy Interactive is currently investing in our first fund, the Galaxy EOS VC Fund LP (the "EOS Fund") and has 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.

As of December 31, 2020, GDAM had assets under management ("AUM") of $807.3 million (consisting of approximately $24.1 million in the Index Fund (as calculated per the terms of the fund's partnership agreement to reflect the current market value of underlying cryptocurrencies and fund inflows and outflows), approximately $362.2 million in the Galaxy Bitcoin Funds, approximately $96.0 million in the CI Galaxy Bitcoin Fund, and the $325 million of committed capital from the EOS Fund.

Investment Banking

The Investment Banking business, Galaxy Digital Partners LLC ("GDIB"), 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. GDIB is a leader in financial and strategic advisory services with respect to the digital asset, cryptocurrency, and blockchain technology industry. GDIB serves public and private clients around the world with a full spectrum of financial advisory services, including, but not limited to, general corporate, strategic, M&A, divestitures, and restructuring advisory services, as well as equity, debt and project finance capital markets services. On July 24, 2019, GDIB was approved by FINRA to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States, and is a member of SPIC.

GDIB is a diversified revenue stream that can be uncorrelated with cryptocurrency and digital asset market prices.

In November 2019 GDIB completed its first two initial public offering ("IPO") mandates, acting as a Co-Manager for Silvergate Capital Corporation's NYSE-listing and as a Joint-Bookrunner for Canaan Inc.'s NASDAQ debut.

During 2020, GDIB added key hires including Michael Ashe as Head of Investment Banking, and has made significant progress, with several active mandates for clients across financing, mergers and acquisitions, and other strategic matters.

In June 2020, GDIB served as sell-side advisor to Blockfolio on its sale to FTX Trading Limited for $150.0 million.

Mining

The Company launched Galaxy Digital Mining ("GDM") in October 2020 with the hiring of Amanda Fabiano as Head of Mining. Fabiano joined from Fidelity Investments, where she was previously the Director of Bitcoin Mining. GDM has a strategic focus to provide novel and sophisticated financial tools to North American miners.

GDM manages a full suite of products and services related to bitcoin mining by sourcing clients, creating miner focused products, and identifying new solutions. By integrating with existing business lines, GDM offer trade and risk management solutions, principal lending & equity investments, as well as advisory services for bitcoin miners. Making meaningful progress since its recent inception, GDM has procured Bitcoin mining machines to be utilized for proprietary operations, miner finance, and resale for the following primary business activities:

- Proprietary Operations: Mine on a proprietary basis at a colocation facility
- Miner Finance: Offer state of the art credit underwriting for selected miners to finance machines
- Resale: Resell purchased machines to other North American miners that require machines, but not financing

GDM will continue to utilize our in-house expertise to provide novel and sophisticated tools for North American miners and will take advantage of opportunities as they arise in the mining ecosystem.

Risks and Uncertainties

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

Annual Highlights & Results

$'s in millions	December 31, 2020	December 31, 2019	December 31, 2018
Digital assets	$ 850.4	$ 86.0	$ 69.8
Digital assets posted as collateral	15.6	8.2	—
Total	866.0	94.2	69.8
Investments	260.4	158.2	179.4
Loans receivable - long term	—	—	15.9
Total assets	1,456.2	402.8	349.9
Total liabilities	372.1	47.7	44.2
Total equity excluding non-controlling interests	798.2	347.8	301.5

$'s in millions	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Net realized gain (loss) on digital assets	$ 271.1	$ 72.0	$ (101.4)
Net realized gain on investments	10.8	37.9	—
Net derivative gain	5.7	12.4	—
Total income (loss)	304.2	132.3	(94.8)
Operating expenses	(79.9)	(82.2)	(88.4)
Net unrealized gain (loss) on digital assets	239.7	(12.0)	(75.5)
Net unrealized gain (loss) on investments	90.6	(12.5)	(8.5)
Comprehensive income (loss) for the year excluding non-controlling interests	385.5	26.0	(268.0)

- As of December 31, 2020, digital assets, including digital assets posted as collateral, stood at $866.0 million, an increase of $771.8 million from December 31, 2019. This increase was primarily due to the increase in the fair value of the digital assets during the year, as the prices of digital assets held by the Partnership increased, as well as an increase in the holdings of certain digital assets due to contribution of non-controlling interests. The digital assets balance as of December 31, 2020 include $287.7 million held by non-controlling interests. As of December 31, 2019, digital assets, including digital assets posted as collateral, stood at $94.2 million, an increase of $24.4 million from December 31, 2018. 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.
- Investments increased $102.2 million during the year to $260.4 million as of December 31, 2020. The change was primarily due to the increase in unrealized gains and $39.3 million of new capital deployed by the Principal Investments team during the year, which were partially offset by the sale of some investments. Investments decreased $21.2 million to $158.2 million as of December 31, 2019. The decrease was primarily a result of the partial sale of Block.one shares, partially offset by unrealized gains on certain other investments during the period as well as $29.7 million of new capital deployed by the Principal Investments team during the year.
- Total liabilities increased by $324.4 million during the year to $372.1 million as of December 31, 2020 primarily due to the increase in digital assets loans payable, accounts payable and accrued liabilities (due to redemptions payable to controlling interests) and warrant liability, partially offset by the decrease in digital assets sold short. Total liabilities increased by $3.5 million during the year ended December 31, 2019 primarily due to the increase in the digital asset loans payable and collateral payable balance as well as the lease liability recognized following the adoption of the new lease standard on January 1, 2019 partially offset by lower accrued compensation balance due to year end bonus payments and lower payable for digital asset trades balance.
- Total equity excluding non-controlling interests increased by $450.4 million during the year to $798.2 million as of December 31, 2020 primarily due to $385.5 million of net comprehensive income excluding non-controlling interests. Total equity excluding non-controlling interests increased by $46.3 million to $347.8 million as of December 31, 2019 primarily due to $26.0 million of net comprehensive income excluding non-controlling interests and further increased by $28.1 million of equity based compensation which did not have a net effect on equity due to the accounting treatment for equity based compensation.
- Operating expenses were lower for the year ended December 31, 2020 as compared to December 31, 2019 due primarily to lower equity based compensation, partially offset by higher interest expense as a result of the increase in loans payable during the year. Operating expenses were lower for the year ended December 31, 2019 as compared to 2018 due primarily to lower professional fees and equity based compensation in 2019 partially offset by higher compensation and compensation related expenses due to an increase in headcount. Beginning in the third quarter of 2018, certain officers and employees of the Partnership were awarded equity based awards (Partnership compensatory Class B Units awards and stock options).
- For the year ended December 31, 2020, net comprehensive income excluding non-controlling interests was $385.5 million, as compared to net comprehensive income excluding non-controlling interests of $26.0 million for the year ended December 31, 2019. The current year to date income was largely a result of realized and unrealized gains on digital assets and on investments, partially offset by the year to date operating expenses. The net comprehensive income excluding non-controlling interests for the year ended December 31, 2019 was largely a result of realized gains on digital assets, partially offset by the year to date operating expenses. For the year ended December 31, 2019, net comprehensive income excluding non-controlling interests was $26.0 million, as compared to net comprehensive loss excluding non-controlling interests of $268.0 million for 2018. The 2019 year to date income was largely a result of realized gains on digital assets, partially offset by the year to date operating expenses. The net comprehensive loss excluding non-controlling interests for 2018 was primarily a result of unrealized and realized loss on digital assets.
- Net book value (excluding non-controlling interests) per unit was $2.54 as of December 31, 2020 compared to $1.22 as of December 31, 2019.
- 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.

$'s in millions	Three months ended December 31, 2020	Three months ended September 30, 2020	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
Net realized gain (loss) on digital assets	$ 250.3	$ 10.5	$ 48.5	$ (38.2)	$ (35.1)	$ (8.5)	$ 98.1	$ 17.5
Net realized gain (loss) on investments	(0.6)	15.8	(4.6)	0.2	(0.2)	—	38.1	—
Income (loss)	256.8	28.7	49.1	(30.5)	(30.7)	(0.8)	143.5	20.3
Operating expenses	(33.1)	(17.0)	(14.8)	(15.0)	(17.2)	(22.6)	(18.8)	(23.6)
Net unrealized gain (loss) on digital assets	212.8	16.2	(2.2)	12.9	17.1	(40.0)	11.6	(0.7)
Net unrealized gain (loss) on investments	61.9	17.0	7.0	4.7	(1.9)	(4.8)	(22.7)	16.9
Net comprehensive income (loss) excluding non-controlling interests	335.6	41.5	35.3	(26.9)	(30.9)	(63.5)	108.0	12.5

For the three months ended December 31, 2020, net comprehensive income excluding non-controlling interests was $335.6 million, as compared to net comprehensive loss excluding non-controlling interests of $30.9 million for the three months ended December 31, 2019. The current quarter income was largely a result of realized and unrealized gains on digital assets and on investments, partially offset by operating expenses. The net comprehensive loss excluding non-controlling interests for the three months ended December 31, 2019 was largely a result of realized loss on digital assets and operating expenses.

Discussion of Operations & Operational Highlights

- **Corporate Overview**
  - **GDH Ltd. announcement of a private investment in public equity financing:**

    On October 30, 2020, GDH Ltd. announced a private investment in public equity financing ("PIPE") of $50 million of aggregate gross proceeds. Investors, led by Slate Path Capital LP, and including CI Investments, NZ Funds, and Corriente Advisors, among others, invested $50 million at a price per share of C$3.50 for up to 19,070,000 ordinary shares of the Company with each share accompanied by a warrant to purchase 0.25 of an ordinary share. Each warrant is exercisable into an ordinary share of the Company for a term of two years from the date of issuance at an exercise price of C$8.25. The PIPE closed on November 12, 2020 (the "Closing"). All securities issued pursuant to the PIPE will be subject to certain selling restrictions set forth the investment agreements. The investment agreements provide that: (i) no sales are permitted during the first six months from the Closing; (ii) sales of up to 33.3% of total shares issued are permitted seven to nine months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; (iii) sales of up to 66.6% of the total shares issued are permitted ten to twelve months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume and (iv) until eighteen months after the Closing, all shares remain subject to a daily selling restriction of no more than 10% of daily traded volume. The selling restrictions terminate upon certain corporate actions by GDH Ltd. The Partnership intends to use the proceeds from the PIPE for general corporate and working capital purposes across its business lines, with a particular focus on growing its client financing business and seeding new asset management-related product offerings.

  - **Corporate updates:**

    As previously announced, the Partnership announced the appointment of Damien Vanderwilt as its Co-President and Head of Global Markets. In addition, Rhonda Medina has been appointed to the board of managers of the general partner of the Partnership. Mr. Vanderwilt joins the Partnership from Goldman Sachs where he worked for 20 years, most recently as a Partner and Global Head of FICC Execution Services, a business he relocated and established in New York for Goldman Sachs in 2016. Mr. Vanderwilt joined Galaxy Digital in January 2021, working alongside fellow Co-President Christopher Ferraro.

Rhonda Adams Medina is a Director of Business and Legal Affairs at Netflix. Prior to Netflix, Ms. Medina was the VP, Business and Legal Affairs at NBC Universal Kids and spent over 17 years at Nickelodeon, most recently as Senior Vice President and Deputy General Counsel. Rhonda serves on the boards of the Princeton Medical Center Foundation; McCarter Theatre Center; and the advisory council of Princeton University's Department of African American Studies. Rhonda formerly served on the advisory council of Harvard Law School's Charles Hamilton Houston Institute for Race and Justice and is an emeritus advisory board member of the United Nations Foundation's Girl Up campaign.

In addition, Michael Ashe joined the Partnership as it Head of Investment Banking in October 2020. Mr. Ashe joined from Oppenheimer & Co. where he was a Director in the Technology Investment Banking Group and a senior member of the Industrial & Emerging Technology sub-sector team since 2015. Furthermore, Amanda Fabiano joined Galaxy Digital as its first Head of Mining. Ms. Fabiano joined from Fidelity where she had focused on crypto for the past six years.

In December 2020, Gregory Wasserman and Peter Wisniewski departed the Partnership. Jason Urban was named Global Head of Trading.

- **GDH Ltd. acquisitions:**

  On November 12, 2020, GDH Ltd. acquired Drawbridge Lending, LLC (“Drawbridge”) and BF Holdings I, LLC (“Blue Fire”). Drawbridge is a CFTC-regulated Commodity Trading Advisor and Commodity Pool Operator that originates structured loans with related derivatives to provide hedged financial products to institutional investors in crypto. Blue Fire Capital is a proprietary trading firm that specializes in crypto and providing two-sided liquidity for digital assets. Consideration for the acquisitions primarily included approximately 3.8 million GDH Ltd. ordinary shares, subject to customary purchase price adjustments. The acquisitions further expand Galaxy Digital Trading’s activities into expanded derivatives and futures trading; on-exchange market making; and lending, borrowing and structured products.

- **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.

- **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 (the "Share Repurchase Program"). 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**

  - The Partnership’s trading business, Galaxy Digital Trading (“GDT”), generated its highest trading volumes on record in the fourth quarter of 2020 with volumes up 80%+ quarter over quarter and 230%+ year over year. This was the second quarter in a row of record trading volumes. The increase in trading volumes can be attributed to GDT's management of its counterparty base, which has evolved in both size and sophistication, significant growth in GDT lending, the acquisitions of DrawBridge Lending and Blue Fire Capital, as well as the continued roll out of our electronic trading platform. GDT lending products in particular were a strong contributor in the fourth quarter of 2020, as the Partnership's counterparty loan book grew in excess of 300% to more than $110 million, and gross counterparty loan originations in excess of 90% to $110 million. In the period between January 1, 2021 and March 22, 2021, GDT counterparty trading volumes continued significant growth, up 40%+ from the quarter ended December 31, 2020, and over 270%+ year over year. GDT continued to experience strong growth in the Company's counterparty loan book for the period from January 1, 2021 to March 22, 2021, increasing in excess of 240% to approximately $380 million and grew gross counterparty loan originations in excess of 400% to approximately $560 million since December 31, 2020.

GDT continued to enhance to its product suite both organically and inorganically, which has generated ongoing demand across its spot, lending, expanded derivatives and futures, on-exchange market making and structured products businesses. These solutions enable GDT to continue to add new counterparties, and offer clients a full-suite of OTC and bespoke products across numerous cryptocurrencies.

- **Principal Investments**
  - During the first quarter of 2020, the Principal Investments team closed five follow-on investments, representing $14.2 million of invested capital. These investments included primarily:
    - Follow on investments in Mt Gox Investment Fund LP of $9.0 million.
    - Capital calls relating to existing commitments in a Galaxy managed fund ($2.5 million).
    - Follow on investment in Parsley Health, Inc. of $1.6 million.
    - Follow on investments in Mercantile Global Holdings, Inc. of $0.7 million.
    - Follow on investment in Nammu21, Inc. of $0.4 million.
  - 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.
    - 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.
  - During the third quarter of 2020, the Principal Investments team closed six new and four follow-on investments, representing $7.5 million of invested capital. These investments included primarily:
    - New investment in ParaFi Capital LLC of $0.2 million.
    - New investment in 1inch Limited.
    - New investment in Robot Ventures II of $2.0 million.
    - New investment in Gelato Digital OÜ, including a warrant.
    - New investment in DODO Family Ltd.
    - Capital calls relating to existing commitments in a Galaxy managed fund ($2.3 million).
    - Capital calls relating to existing commitments in a fund ($0.4 million).
    - Follow on investment in CipherTrace, Inc. of $0.2 million.
    - Follow on investments in Fireblocks, Ltd. of $1.5 million.
  - During the fourth quarter of 2020, the Principal Investments team closed six new and one follow-on investments, representing $2.9 million of invested capital. These investments included primarily:
    - New investment in $OPIUM.

        - New investment in Hash Flow, including a warrant.
        - New investment in Capital Integration Systems LLC of $1.0 million.
        - New investment in Superfuture Systems Ltd.
        - New investment in Centrifuge Foundation.
        - Capital calls relating to existing commitments in a Galaxy managed fund ($1.1 million).
    - Investments made during the fourth quarter bring capital deployed for the year ended December 31, 2020 to $30.3 million represented by 14 new investments and 14 follow-on investments.
    - Investments made (including loans purchased) from January 9, 2018 through December 31, 2020 total $211.9 million and are represented by 49 new and 44 follow-on investments.

- **Asset Management ("GDAM")**
    - During the fourth quarter of 2020 GDAM continued to build the Galaxy Bitcoin Fund and Galaxy Institutional Bitcoin Fund (collectively, the "Bitcoin Funds"). The fourth quarter showed continued growth with the Bitcoin Funds raising capital across a variety of investors including retail, high net worth individuals, family offices, and wealth platforms, which includes the previously announced relationship 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 170.8% in the fourth quarter of 2020, 305.9% for the year ended December 31, 2020 and has returned 86.0% on a year to date basis through March 26, 2021.
    - 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 returned 120.5% in the fourth quarter of 2020, 276.7% for the year ended December 31, 2020 and has returned 97.8% on a year to date basis through March 26, 2021.
    - GDAM also manages Galaxy Interactive 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 first quarter of 2020, Galaxy Interactive made investments in Big Run Studios, Inc., Unrd, Ltd., Dazzle Rock Oy, Superplastic, Inc., Go Meta, Inc., Gamefam Inc., and Lightheart Entertainment Oy, and an add-on investment in Finco Services, Inc.
        - During the second quarter of 2020, Galaxy Interactive made investments in StockX, OS Gaming, Playable Worlds, AviaGames, Hour One, and add-on investments in Cipher Trace, Tempo Storm, and Clause.
        - During the third quarter of 2020, Galaxy Interactive made investments in Build a Rocket Boy, CoreLoop, ForeVR, GreenPark, Polyarc, Rings, Skystone, Stream Captain, Tilt Five and add-on investments in Big Run, CipherTrace, Bitski, Audigent, and vAtom.
        - During the fourth quarter of 2020, Galaxy Interactive made investments in Cavrnus Inc., End Game Interactive Inc., EST Media Holdings, Inc., Lightforge Games, Inc., LILA Games Inc., Turing Holdings, Inc. and an add-on investment in Tempo Storm.

- **Investment Banking**
    - The Galaxy Digital Investment Banking group ("GDIB") continued to progress mandates for clients across financing, mergers and acquisitions, and other strategic matters, with several active mandates in various stages of execution.
        - Key activities include consulting on a recent cryptocurrency company's fundraising round, and acting as a Strategic Advisor in connection with a public offering in the FinTech space.

- o GDIB increased client coverage to 90%+ of its target universe and doubled its team size.

- **Mining**
  - o During the fourth quarter of 2020 and continuing into 2021, GDM has built a strong pipeline, speaking with over 70+ companies in the space. In the first quarter of 2021, GDM received its first order of Bitcoin mining machines and plugged them into a co-location facility in North America and signed two miner financing clients. GDM has also established its own proprietary bitcoin mining operation, hosting its machines at a third-party data center in the United States and has already begun proprietary mining.

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 December 31, 2020 (amounts expressed in US$):

	As of January 9, 2018	**As of December 31, 2019**	**As of March 31, 2020**	**As of June 30, 2020**	**As of September 30, 2020**	**As of December 31, 2020**	**% Change 2020**	**% Change from January 9, 2018 to December 31, 2020**
Cryptocurrency Market Capitalization (billions)(1)	$739,209	$190,906	$180,965	$260,321	$344,524	$765,313	300.9%	3.5%
Bitcoin Price(2)	$14,595	$7,194	$6,439	$9,138	$10,784	$29,002	303.1%	98.7%
Ether Price(2)	$1,300	$130	$134	$226	$360	$738	467.7%	(43.2)%

(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 dramatically in the fourth quarter of 2020, with Bitcoin reaching new all-time highs and the total market capitalization of the broader cryptocurrency market more than doubling from $346 billion to $760 billion between October 2020 and year-end. Bitcoin correlation to S&P declined from a peak in early November as traditional markets experienced challenged price performance and Bitcoin reached new all-time highs. Significant inflows into Bitcoin from institutional investors who view the asset as a digital alternative to gold powered the growth, with prominent investors and traditional asset managers announcing new focus on the asset class. The broader digital asset market continued to rise in the first half of the first quarter of 2021 as the cryptocurrency market surpassed $1 trillion following corporate balance sheet allocations to Bitcoin and strong growth in other digital asset sectors. The Partnership believes digital assets will continue to perform well in 2021 on the back of institutional inflows, improving digital asset fundamentals, maturing market infrastructure, and the growing availability of access vehicles. Bitcoin's digital gold narrative may find additional support in an environment with increased fiscal and monetary action, while digital assets more broadly benefit in a risk-on environment.

Industry Outlook

As digital asset protocols, networks, and applications continue to launch and develop, new innovations may spur wider user adoption through numerous potential use cases and provide a tailwind to the industry. Many of the larger incumbent digital asset protocols have introduced upgrades to scalability and usability amidst rising competitive pressures from new protocols. Even Bitcoin, the oldest and most valuable digital asset network, has a significant upgrade forthcoming over the next six to twelve months, a rarity for the conservatively developed network. New tools, infrastructure, and protocol upgrades may drive additional developer interest and application design, resulting in growing user adoption of digital assets.

Increasing regulatory clarity from domestic and global regulatory bodies has made it easier for individuals and institutional investors to participate in the digital assets ecosystem. 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.

The digital assets industry began in 2009 when Satoshi Nakamoto launched the Bitcoin network. Over the years, an entire ecosystem of digital assets and associated infrastructure has blossomed around Bitcoin. Until recently, the industry lacked the market infrastructure typically associated with modern finance–particularly institutional custody, clearing and lending—rendering it primarily a retail phenomenon. In recent years, the industry has matured significantly, enabling the entrance of major institutional and corporate investors. The launch of Fidelity Digital Asset Services, LLC, a subsidiary of Fidelity Investments, and Bakkt Holdings, LLC, a digital assets financial services company backed by ICE, Microsoft, BCG, and Starbucks, brought the first institutional custody offerings from traditional financial incumbents. The Partnership expects that additional incumbent financial services firms will offer institutional services in the sector in the future. The entrance of additional financial incumbents into the space, along with the maturation of digital asset startups will continue to facilitate the wide availability of institutional-grade custody, clearing, and lending services.

In the fourth quarter of 2020 and the beginning of the first quarter of 2021, we continued to see institutional inflows into Bitcoin. The most notable entrant was Tesla Inc., which purchased 48,000 BTC at a cost bases of $1.5 billion with its corporate treasury and announced it expects to "begin accepting bitcoin as a form of payment for [its] products in the near future." Tesla's investment followed similar public company treasury allocations from MicroStrategy and Square. Decentralized finance applications built on Ethereum grew in both active users and value transacted, with new cross-chain and second layer implementations beginning to see developer interest. Payments companies PayPal, Visa, and Mastercard each announced new initiatives to support cryptocurrencies on their platforms. Goldman Sachs announced it will restart its digital assets trading desk, while other traditional financial services companies also stepped-up involvement in the sector. Coinbase, one of the largest US-based digital assets exchanges announced a forthcoming direct listing on Nasdaq, and private companies in the sector continue to grow in both users and valuation.

The above advances are expected to lead to wider adoption of digital assets. Growing interest and 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 digital assets 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 the current and expected impacts on global commerce has been and are anticipated to continue to be far-reaching. To date, globally, there has been significant volatility in markets and foreign exchange rates, restriction on conduct of business in many jurisdictions, including travel restrictions and supply change disruptions. Nonetheless, while 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. 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 the second quarter. 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, contracted in the second quarter of 2020 as a result of COVID-19, which led to a recovery in the third quarter that continued into the fourth quarter before waning. Bitcoin's price correlation to equity markets declined from a peak in early November as traditional markets experienced challenged price performance and Bitcoin reached record highs. The Partnership believes that an uncertain economic outlook may lead to volatile asset price performance. To the extent that the COVID-19 pandemic continues or worsens, the impacts on the global economy are unpredictable and could adversely affect the Partnership's investments and businesses. 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 years ended December 31, 2020 and 2019, respectively, are as follows:

	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	$ 25,527	$ —	$ 5,279,133	$ 4,310,580	$ —	$ —	$ 9,615,240
Net realized gain on digital assets	258,765,780	724,379	11,617,885	—	—	—	271,108,044
Net realized gain on investments	—	10,795,869	—	—	—	—	10,795,869
Interest income	5,542,022	541,687	9,559	38,274	—	446	6,131,988
Net derivative gain	5,699,318	—	—	—	—	—	5,699,318
Other income (loss)	864,083	21,788	(44,993)	(31,376)	—	—	809,502
	270,896,730	**12,083,723**	**16,861,584**	**4,317,478**	**—**	**446**	**304,159,961**
Operating expenses	**29,052,876**	**3,155,367**	**15,542,049**	**4,340,417**	**603,438**	**27,179,024**	**79,873,171**
Net unrealized gain on digital assets	75,695,936	22,270,885	141,752,985	—	—	—	239,719,806
Net unrealized gain on investments	—	90,587,112	—	—	—	—	90,587,112
Net unrealized loss on warrant liability	—	(14,318,125)	—	—	—	—	(14,318,125)
Unrealized foreign currency loss	(517,442)	—	—	—	—	—	(517,442)
Realized foreign currency loss	(870,755)	—	—	—	—	—	(870,755)
	74,307,739	**98,539,872**	**141,752,985**	**—**	**—**	**—**	**314,600,596**
Net income (loss) for the year, including non-controlling interests	**$316,151,593**	**$107,468,228**	**$143,072,520**	**$ (22,939)**	**$ (603,438)**	**$(27,178,578)**	**$538,887,386**

	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	$ —	$ —	$ 5,126,694	$ 203,125	$ —	$ 5,329,819
Net realized gain (loss) on digital assets	76,212,748	(4,241,268)	—	—	—	71,971,480
Net realized gain on investments	—	37,922,360	—	—	—	37,922,360
Interest income	988,715	3,171,168	—	65,613	4,188	4,229,684
Net derivative gain	12,425,065	—	—	—	—	12,425,065
Other income (loss)	(37,131)	430,000	(56,266)	127,951	—	464,554
	89,589,397	**37,282,260**	**5,070,428**	**396,689**	**4,188**	**132,342,962**
Operating expenses	**24,435,663**	**7,147,840**	**17,420,511**	**8,082,934**	**25,117,229**	**82,204,177**
Net unrealized gain (loss) on digital assets	(13,312,748)	1,339,658	—	—	—	(11,973,090)
Net unrealized loss on investments	—	(12,521,148)	—	—	—	(12,521,148)
Unrealized foreign currency gain (loss)	168,742	—	—	(20,713)	(43)	147,986
Realized foreign currency loss	(197,065)	—	—	—	—	(197,065)
	(13,341,071)	**(11,181,490)**	**—**	**(20,713)**	**(43)**	**(24,543,317)**
Net income (loss) for the year, including non-controlling interests	**$ 51,812,663**	**$ 18,952,930**	**$ (12,350,083)**	**$ (7,706,958)**	**$ (25,113,084)**	**$ 25,595,468**

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 $271.1 million of net realized gain and $239.7 million of unrealized gains on digital assets for the year ended December 31, 2020, and $72.0 million of net realized gain on digital assets for the year ended December 31, 2019. The trading segment primarily 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 on Digital Assets

For the year ended December 31, 2020, the largest contributor to the net realized gains on digital assets of $271.1 million were gains on sales of Bitcoin and Ethereum. For the year ended December 31, 2019, the largest contributors to the net realized gain on digital assets of $72.0 million were gains on sales of Bitcoin, Ethereum and Ripple, partially offset by realized losses on sales of multiple digital assets.

Net Unrealized Gain (Loss) on Digital Assets

For the year ended December 31, 2020, the largest contributor to the net unrealized gain on digital assets of $239.7 million were unrealized gains primarily on holdings of Bitcoin. For the year ended December 31, 2019, the largest contributors to the net unrealized loss on digital assets of $12.0 million were unrealized losses on holdings of Bitcoin, Ripple and Ethereum, partially offset by multiple digital assets with unrealized gains, the largest of which was EOS.

Net Realized Gain on Investments

For the year ended December 31, 2020, the largest contributors to the realized gains on investments of $10.8 million were the realized gains on the partial sale of BlockFi, Inc. and sale of Silvergate shares partially offset by the realized loss on the sale of Hut 8 Mining Corp. shares and BIGG Digital Assets Inc shares. For the year ended December 31, 2019, the largest contributor to the net realized gain on investments of $37.9 million was a realized gain from the partial sale of Block.one shares, partially offset by a realized loss from the sale of a portion of the Hut 8 Mining Corp. shares.

Net Unrealized Gain (Loss) on Investments

For the year ended December 31, 2020, the unrealized gain on investments of $90.6 million was due primarily to the unrealized gain on the BlockFi, Inc., Cryptology Asset Group P.L.C., Mt Gox, Pantera ICO Fund, investments in Trust Shares and Xapo Holdings Limited investments and to the reversal of the previously recognized unrealized loss resulting from the sale of the Hut 8 Mining Corp. shares. For the year ended December 31, 2019, the largest contributors to the unrealized loss on investments of $12.5 million was the reversal of the previously recognized unrealized gains resulting from the partial sale of Block.one shares and an unrealized loss on investments in Mercantile Global Holdings, Inc., partially offset by unrealized gains on investments in NuCypher, BlockFi, Inc. and Cryptology Asset Group P.L.C..

A breakdown of each asset class by reporting segment as of December 31, 2020 is as follows:

	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Digital assets	$444,215,956	$118,555,236	$287,609,072	$ —	$ —	$ —	$ 850,380,264
Digital assets receivable	—	19,724,181	—	—	—	—	19,724,181
Digital assets posted as collateral	15,624,879	—	—	—	—	—	15,624,879
Investments:							
Pre-ICO	—	500,000	—	—	—	—	500,000
Convertible Notes	—	4,501,295	—	—	—	—	4,501,295
Preferred Stock	—	86,258,050	—	—	—	—	86,258,050
Common Stock	—	29,970,097	—	—	—	—	29,970,097
LP/LLC Interests	—	84,311,034	—	—	—	—	84,311,034
Warrants/Trust Units/ Trust Shares	51,181,618	3,661,203	—	—	—	—	54,842,821
	$511,022,453	**$347,481,096**	**$287,609,072**	**$ —**	**$ —**	**$ —**	**$1,146,112,621**

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	$ 53,882,704	$ 25,318,291	$ 6,779,736	$ —	$ —	$ 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	**$ 183,481,711**	**$ 6,779,736**	**$ —**	**$ —**	**$ 252,352,804**

Financial Instruments, Digital Assets and Risk

The fair values of all financial instruments, digital assets and digital assets sold short were measured using the cost, market or income approaches. The financial instruments, digital assets and digital assets sold short 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.)

The following table presents the fair value hierarchy for the Partnership's digital assets and investments measured at fair value as of December 31, 2020 and 2019:

	As of December 31, 2020				As of December 31, 2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Digital Assets	$ —	$844,066,726	$ 6,313,538	$ 850,380,264	$ —	$ 85,791,558	$ 189,173	$ 85,980,731
Digital Assets Receivable	—	—	19,724,181	19,724,181	—	—	—	—
Digital Assets Posted as Collateral	—	15,624,879	—	15,624,879	—	8,208,653	—	8,208,653
Common Stock	19,572,000	10,398,097	—	29,970,097	13,497,273	18,979,358	—	32,476,631
Convertible Notes	—	2,650,577	1,850,718	4,501,295	—	703,500	4,552,079	5,255,579
LP/LLC Interests	—	10,450,000	73,861,034	84,311,034	—	21,348,796	16,772,009	38,120,805
Pre-ICO	—	500,000	—	500,000	—	6,005,114	—	6,005,114
Preferred Stock	—	52,873,151	33,384,899	86,258,050	—	58,286,806	17,416,347	75,703,153
Warrants/Trust Units/ Trust Shares	61,297	8,027	54,773,497	54,842,821	68,052	—	534,086	602,138
	$19,633,297	$936,571,457	$189,907,867	$1,146,112,621	$13,565,325	$199,323,785	$39,463,694	$252,352,804
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Digital Assets Sold Short	—	5,277,878	—	5,277,878	—	18,616,860	—	18,616,860
Investments Sold Short	4,384,290	—	—	4,384,290	—	—	—	—
	$4,384,290	$ 5,277,878	$ —	$ 9,662,168	$ —	$ 18,616,860	$ —	$ 18,616,860

Valuation of Assets / Liabilities that use Level 1 Inputs ("Level 1 Assets / Liabilities"). Consists of the Partnership's investments in common stock and warrants/trust units/trust shares and investments sold short, where quoted prices in active markets are available.

Valuation of Assets / Liabilities that use Level 2 Inputs ("Level 2 Assets / Liabilities"). Consists of the Partnership's investments in common stock, limited partnership/limited liability company interest investments, pre-ICOs and warrants/trust units/trust shares and the majority of the Partnership's convertible notes, preferred stock and digital assets, including its digital assets posted as collateral and digital assets sold short, where quoted prices in active markets are available. For the digital assets, the fair value is determined by the volume-weighted average of prices across principal exchanges as of 12:00 UTC, per coinmarketcap.com*.

* 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.

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 / Liabilities that use Level 3 Inputs (“Level 3 Assets / Liabilities”). Consists of certain of the Partnership’s digital assets, preferred stock, convertible notes, and the majority of the Partnership's digital assets receivables, limited partnership/limited liability company interest investments and warrants/trust units/trust shares.

- For digital assets and digital assets receivables, fair value was determined utilizing a volume-weighted average of prices across principal exchanges as of 12:00 UTC, with an adjustment for time of receipt of tokens and/or potential volatility. If the digital asset was contractually or legally to be received over a specific vesting period of potentially multiple years, restricted for trading or lacked access to an active market, a discount 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 convertible notes, the market approach is used, with further fair value adjustments (e.g. the application of unobservable probabilities).
- For a majority of 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 one limited partnership interest investment in a fund, fair value was based on a probability weighted estimated future payout under the income approach.
- For the Partnership's investment in warrants/trust units/trust shares, the Black-Scholes model was used to determine the fair value.

The Partnership's warrant liability is also classified as a Level 3 financial liability. The Black-Scholes model was used to determine the fair value.

The fair value of Level 3 assets and liabilities is inherently subjective. Specifically, 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 and liabilities for the year ended December 31, 2020:

Assets	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 December 31, 2020
Digital Assets	$ 189,173	$ —	$ 250,000	$ (618,475)	$ 537,225	$ 4,924,483	$ 1,031,132	$ 6,313,538
Digital Assets Receivable	—	—	4,700,000	(808,103)	468,341	14,863,943	500,000	19,724,181
Convertible Notes	4,552,079	—	733,000	—	—	(1,265,950)	(2,168,411)	1,850,718
LP/LLC Interests	16,772,009	—	18,528,260	(590,723)	—	24,702,692	14,448,796	73,861,034
Preferred Stock	17,416,347	—	—	—	—	(5,786,699)	21,755,251	33,384,899
Warrants/Trust Units/ Trust Shares	534,086	—	8,980,984	—	—	45,302,387	(43,960)	54,773,497
Total Digital Assets, Digital Assets Receivables and Investments	**$ 39,463,694**	**$ —**	**$33,192,244**	**$ (2,017,301)**	**$ 1,005,566**	**$ 82,740,856**	**$ 35,522,808**	**$ 189,907,867**

Liabilities	Fair value at December 31, 2019	Issued	Purchases	Conversions	Net Realized Gain (Loss) on Warrant Liability	Net Unrealized Gain/(Loss) on Warrant Liability	Transfers in /(out) of Level 3	Fair Value at December 31, 2020
Warrant Liability	$ —	$ 6,463,082	$ —	$ —	$ —	$ 14,318,125	$ —	$ 20,781,207

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 $43,688,385 and total transfers out of Level 3 were $8,165,577. 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 into Level 3 for LP/LLC interest was due to a fair value determined by an income approach that utilized discounted cash flows, fair value determined by a market approach that utilized an option pricing based methodology and an investment, which utilizes net asset values provided by funds. The transfers into Level 3 for digital assets and digital assets receivable were due to restrictions of digital assets committed for a proof of stake program and due to digital assets that are expected to be distributed over time according to a release schedule. The transfers out of Level 3 for preferred stock were due to the availability of an observable input (transaction in the investment entity), the transfer out of Level 3 for convertible note was due to the acquisition completed in the fourth quarter of 2020, the transfer out of Level 3 for warrants/trust units/trust shares was due to the expiry of warrants during the year and the transfers out of Level 3 for digital assets were due to the removal of restrictions.

The following is a reconciliation of Level 3 Assets for the year ended December 31, 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 December 31, 2019
Digital Assets	$ 545,308	$ —	$ 100,000	$ —	$ —	$ (965,850)	$ 509,715	$ 189,173
Convertible Notes	—	—	6,775,578	—	—	(2,223,499)	—	4,552,079
Common Stock	5,580,000	—	—	—	—	—	(5,580,000)	—
LP/LLC Interests	21,659,859	—	4,475,570	(1,263,925)	—	(2,211,799)	(5,887,696)	16,772,009
Preferred Stock	2,734,262	—	1,169,800	—	—	3,368,562	10,143,723	17,416,347
Warrants/Trust Units	1,329,427	—	—	—	—	(795,341)	—	534,086
Total Digital Assets and Investments	**$ 31,848,856**	**$ —**	**$ 12,520,948**	**$ (1,263,925)**	**$ —**	**$ (2,827,927)**	**$ (814,258)**	**$ 39,463,694**

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 $15,604,269 and total transfers out of Level 3 were $16,418,527. The transfers into/(out) of Level 3 for digital assets were due to contractual restrictions (or removal of restrictions) for trading of certain digital assets after their ICO events and discounts for lack of access to an active market for certain cryptocurrencies. The transfers into Level 3 for investments were due to fair value determined by market approaches that utilized an option-pricing based methodology or other unobservable inputs. The transfers out of Level 3 for investments were due to the removal of trading restrictions for a publicly traded common stock and due to the the availability of an observable input (transaction in the investment entity) for a certain limited partnership/ limited liability company interest.

The carrying values of the Partnership’s cash, receivable for digital asset trades, digital asset loans receivable, assets posted as collateral, receivables, due from broker, due from exchange, 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 and Liabilities

Financial Instrument	Fair Value at December 31, 2020	Significant Unobservable Inputs	Range
Cryptocurrency	$6,313,538	Marketability discount	17.0% - 53.8%
Digital Assets Receivables	$19,724,181	Marketability discount	20.1% - 73.4%
Convertible Notes	$1,850,718	Recovery rate	0% - 100%
		Scenario probability [(1)]:	
		No deal closure and dissolution	50%
		Deal closure and partial default	45%
		Deal closure and full recovery	5%
LP/LLC Interests [(3)]	$22,832,392	Risk-free rate	0.13%
		Marketability discount	25%
		Time to assumed payoff (years)	2
		Scenario probability [(2)]:	
		Downside	25%
		Upside	25%
		Best	50%
Preferred Stock [(4)]	$32,984,748	Control discount	5%
		Marketability discount	15%
		Time to liquidity event (years)	3.25 - 5
		Annualized equity volatility	90%
		Risk free rate	0.19% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	8
Warrants/Trust Units	$54,773,497	Volatility	110% - 150%
		Exercise price	C$4.50 - C$24.68
		Underlying share price	C$3.49 - C$24.68
		Time to liquidity event (years)	0.01 - 0.58
		Risk free rate	0.08% - 0.09%
		Expected dividend payout ratio	—
		Marketability discount	5.7% - 43.2%
Warrant Liability	$20,781,207	Volatility	85%
		Time to liquidity event (years)	1.87 - 2.0
		Risk free rate	0.17% - 0.25%
		Expected dividend payout ratio	—
		Dilution factor	1.5%

[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.
[2]Relates to the probability of the outcomes relating to an investment.

[3]The remaining fair value relates to additional investments which utilize net asset values provided by funds.

[4]The remaining fair value relates to an investments which utilizes a pre-money valuation of the 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 year ended December 31, 2020 and 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 December 31, 2020 and December 31, 2019, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	• Volume-weighted average of trading prices • Black-Scholes model • Marketability adjustments • Liquidity adjustments	• Current trading prices of subject cryptocurrencies • Selected volatilities of subject cryptocurrencies • Selected discounts for lack of marketability/ liquidity
Pre-ICO	• Prior transactions method	• Prior prices of subject pre-ICO cryptocurrencies
Convertible Notes	• Prior transactions method • Probability-weighted expected return model	• Prior prices of subject convertible note • Scenario probabilities • Recovery rates
Preferred Stock	• 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	• 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 cryptocurrencies • Selected discounts for lack of control • Selected discounts for lack of marketability • Enterprise value-to-revenue multiple • Net assets of subject company
Common Stock	• Prior transactions method • Public closing price	• Prior prices of subject common stock • Public closing prices of subject securities
LP/LLC Interests	• Prior transactions method • Comparable transactions method • Net asset value provided by fund • Discounted cash flow analysis	• Prior prices of subject LP/LLC interests • Net asset value provided by fund • Current trading price of Bitcoin • Scenario probabilities • Selected discount for lack of marketability
Warrants/Trust Units/ Trust Shares	• Public closing price • Black-Scholes model • Prior transactions method	• Public closing prices of subject securities • Selected volatility of underlying trust units • Prior prices of subject trust shares

Industry

During the fourth quarter of 2020, the Principal Investments team closed six new and one follow-on investments, representing $2.9 million of invested capital. Investments made during the fourth quarter bring capital deployed for the year ended December 31, 2020 to $30.3 million represented by 14 new investments and 14 follow-on investments.

The team monitors the portfolio's concentration on an ongoing basis. As of December 31, 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	December 31, 2020		December 31, 2019	
	Percentage	# of Investments	Percentage	# of Investments
Other (Cryptocurrency and Pre-ICO)	76 %	115	36 %	72
Finance	17	19	35	16
Services: Business	3	11	11	10
High Tech Industries	3	10	14	10
Finance Technology	<1	4	0	0
Media: Diversified and Production	<1	1	<1	2
Utilities: Electric	<1	1	<1	1
Banking	0	0	4	1
Total	100 %	161	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 December 31, 2020 and December 31, 2019, the Partnership had no material investment positions to disclose.

Digital Assets

As of December 31, 2020, the Partnership had a material holding in Bitcoin of approximately $433.0 million (December 31, 2019 - $81.3 million), excluding non-controlling interests. The increase in the value of holdings was primarily driven by the increase in price.

Select Holdings[1, 2]

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

Investment Name	Investment Type	Cost	Fair Value
Mt. Gox Investment Fund LP	LP/LLC Interests	$ 9,360,000	$ 22,832,392
BlockFi, Inc.	Preferred Stock	2,883,336	20,406,188
Cryptology Asset Group P.L.C.	Common Stock	877,817	19,572,000
Galaxy EOS VC Fund LP	LP/LLC Interests	18,199,457	18,778,834
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	15,296,486
Ripple Labs, Inc.[3]	LP/LLC Interests	23,804,960	13,960,903
Xapo Holdings Limited	Preferred Stock	13,800,000	12,788,000
Block.one	Common Stock	9,988,593	10,001,358
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,550,000
Pantera Venture Fund, L.P.	LP/LLC Interests	4,259,796	4,504,337
Parsley Health, Inc.	Preferred Stock	3,999,999	4,315,425
AlphaPoint Corporation	Preferred Stock	7,499,999	4,150,660
Blockchain Capital IV, LP	LP/LLC Interests	2,625,000	4,049,886
Fireblocks, Ltd.	Preferred Stock	2,649,992	3,695,546
Hut 8 Mining Corp.	Warrants	—	3,591,879
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
		$ 142,355,624	$ 183,493,894

[1]*The 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.*

[2] *The table above excludes two investments in digital asset funds of $51,181,618 (cost: $8,980,984) as of December 31, 2020. The investments are part of an arbitrage strategy and are deemed economically hedged. The Partnership generally expects to hold the investments for less than a year. The increase in the value of the two investments is due to price appreciation in the fourth quarter 2020.*

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

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

Investment Name[1,2]	Investment Type		Cost		Fair Value
Ripple Labs, Inc.[3]	LP/LLC Interests	$	23,804,960	$	29,132,766
BlockFi, Inc.	Preferred Stock		2,910,743		20,906,186
Galaxy EOS VC Fund LP	LP/LLC Interests		17,147,683		15,457,554
Mt. Gox Investment Fund LP	LP/LLC Interests		9,360,000		11,560,406
Block.One	Common Stock		9,988,593		10,001,358
Cryptology Asset Group P.L.C.	Common Stock		877,817		9,394,000
Bitfury Group Limited	Preferred Stock		9,000,000		9,000,000
Bitgo Holdings, Inc.	Preferred Stock		7,500,000		7,500,000
Pantera ICO Fund LP	LP/LLC Interests		17,406,675		6,945,672
Xapo Holdings Limited	Preferred Stock		13,800,000		6,399,000
Bakkt Holdings, LLC	LP/LLC Interests		5,000,000		5,550,000
NuCypher	Pre-ICO		499,532		4,757,329
Pantera Venture Fund, L.P.	LP/LLC Interests		4,259,796		4,506,576
Parsley Health, Inc.	Preferred Stock		3,999,999		4,315,425
AlphaPoint Corporation	Preferred Stock		7,499,999		4,042,616
Fireblocks, Ltd.	Preferred Stock		2,649,992		3,695,546
Symbiont.io, Inc.	Preferred Stock		3,500,000		3,500,000
Blockchain Capital IV, LP	LP/LLC Interests		2,625,000		3,107,298
Mercantile Global Holdings, Inc.	Convertible Note		5,467,959		2,776,077
Ciphertrace, Inc.	Preferred Stock/Convertible Note		2,657,786		2,657,786
Clause, Inc.	Preferred Stock/Convertible Note		2,518,407		2,518,407
Flipside Crypto, Inc.	Preferred Stock		2,169,999		2,169,999
		$	154,644,940	$	169,894,001

[1] *The 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.*

[2] *The table above excludes two investments in digital asset funds of $11,455,702 (cost: $8,980,984) as of September 30, 2020. The investments are part of an arbitrage strategy and are deemed economically hedged. The Partnership generally expects to hold the investments for less than a year.*

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

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

Investment Name	Investment Type		Cost		Fair Value
Ripple Labs, Inc.[1]	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.	Preferred Stock		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
		$	159,476,286	$	160,377,668

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

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

Investment Name	Investment Type		Cost		Fair Value
Ripple Labs, Inc.[1]	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
Silvergate 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
		$	159,712,899	$	154,344,326

[1]*Also 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.[1]	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
		$ 158,860,046	$ 143,123,685

[1] *Also 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 (acquired by Partnership in November 2020).*

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

***Fireblocks, Inc. –** an enterprise SaaS company that has developed a unique security model that is associated with transacting in digital assets.*

***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, 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.*

***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.*

***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.*

Year ended December 31, 2020

The $14.0 million increase in the fair value of BlockFi, Inc. during the year ended December 31, 2020 was due primarily to the higher valuation obtained by the company in its latest funding round in 2020.

The $10.6 million increase in the fair value of Cryptology Asset Group P.L.C. during the year ended December 31, 2020 was due primarily to the listing of its common stock on the Frankfurt Stock Exchange on October 21, 2020 and the appreciation in its stock price as of December 31, 2020.

The $3.1 million increase in the fair value of the Hut 8 Mining Corp. warrants during the year ended December 31, 2020 was due primarily to the appreciation in its underlying stock price during the fourth quarter.

The $13.5 million increase in the fair value of Mt. Gox Investment Fund LP during the year ended December 31, 2020 was due primarily to the increase in the price of Bitcoin during the fourth quarter.

The $13.0 million increase in the fair value of Pantera ICO Fund LP during the year ended December 31, 2020 was largely due to the underlying performance of the fund.

The $15.2 million decrease in the fair value of Ripple Labs, Inc. during the year ended December 31, 2020 was largely due to the potential impact of an action filed by a regulatory body during the fourth quarter.

The $8.4 million increase in the fair value of Xapo Holdings Limited during the year ended December 31, 2020 was due primarily to the increase in the price of Bitcoin during the recent quarter.

Year ended December 31, 2019

The $52.5 million decrease in the fair value of Block.one during the year ended December 31, 2019 was due to the sale of a majority of the Partnership's investment under a tender offer.

The $4.3 million increase in the fair value of NuCypher during the year ended December 31, 2019 was due primarily to the higher valuation obtained by the company in its latest funding round.

The $4.0 million decrease in the fair value of the preferred stock of Mercantile Global Holdings, Inc. during the year ended December 31, 2019 was due primarily to the company's performance being significantly below forecast and the company experiencing financial difficulties.

The $5.6 million increase in the fair value of BlockFi, Inc. during the year ended December 31, 2019 was due primarily to the higher valuation obtained by the company in its latest funding round.

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 December 31, 2020:		**Fair Value**
> $1 billion market cap	$	844,592,310
<= $1 billion market cap		16,134,955
Net	$	860,727,265

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

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 December 31, 2020, the largest holdings of digital assets by fair value on a gross basis were as follows:

	Quantity		Fair Value
Bitcoin[1]	14,932	$	433,039,185
Bitcoin held by non-controlling interests[2]	9,636		279,790,090
Ethereum	98,892		72,962,584
Litecoin	73,980		9,224,521
Tether[3]	(52,954,332)		(52,954,332)

[1] Includes approximately $14.9 million of Bitcoin posted as collateral by the Partnership and approximately $39.0 million posted as collateral to the Partnership.

[2] Closing price calculated using Bloomberg Crypto Price Fixings (CFIX).

[3] Utilized in a margin and on-exchange lending capacity as part of a trading strategy in other digital assets. Tether is presented net within digital assets.

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

[1] Includes $8.2 million of Bitcoin posted as collateral.

In the above tables, as of December 31, 2020, Bitcoin, Ethereum, Litecoin, Tether, USD Coin are >$1 billion market cap.

Above tables should be read in conjunction with discussion on pg. 19 (Net Realized Gain on Digital Assets & Net Unrealized Gain (Loss) on Digital Assets)

Safeguarding of Digital Assets

The Partnership utilizes the Fireblocks platform to maintain custody, transfer, and secure a material portion of its digital assets associated with its trading businesses. Fireblocks, with locations in New York and Tel Aviv, utilizes a secure hot vault and secure transfer environment to help establish connections between the Partnership's wallets, exchanges, counterparties, and networks. Fireblocks utilizes multi-party computation ("MPC") protection layers to distribute private key secrets across multiple locations to ensure there is no single point of failure associated with the private keys. The use of MPC ensures private keys are never concentrated to a single device at any point in time. The Partnership utilizes the Fireblocks Policy Engine to designate transaction approval policies for digital assets held within the Fireblocks portal. As such, administrators configure automated rules to ensure all transactions are disbursed based on the asset sent, total value of the transaction, source and destination of funds and signor requirements. All transactions that fail to meet the Partnership's pre-defined criteria per the engine policy are automatically rejected. The Partnership also utilizes the Fireblocks network as a settlement layer to transact and settle with pre-approved counterparties or entities. The Fireblocks Network utilizes secure enclave technology and data-in-motion encryption to prevent traditional vulnerabilities associated with authenticating wallet addresses. As such, the Partnership settles with counterparties or entities without the risk of losing funds due to deposit address attacks or errors.

Fireblocks is SOC 2 Type II certified for 2020 and undergoes a SOC 2 review on an annual basis. The Partnership reviews the Fireblocks SOC 2 report to ensure they maintain a secure technology infrastructure and that their systems are designed and operating effectively. Additionally, the Partnership reviews its own complementary user entity controls in conjunction with the Fireblocks controls to ensure that applicable trust services criteria can be met. Fireblocks maintains an insurance policy which has coverage for technology, cyber, and professional liability and is rated "A" by A.M. Best based on the strength of the policy and has had no known security breaches or incidents reported to date. The Partnership currently has an investment interest in Fireblocks in the form of preferred stock.

The Partnership also utilizes cold storage solutions to self-custody a portion of its digital assets offline. Private keys are generated, backed-up and stored in hardware wallets which are maintained in secured locations. Access to private keys and back-ups are segregated amongst authorized personnel throughout the Partnership to ensure appropriate segregation of duties are maintained between departments. Specific details relating to the Partnership's private key management protocols remain highly sensitive in nature and are only discussed internally with the appropriate personnel to minimize security threats.

The Partnership also utilizes institutional grade custodians to secure digital assets for its fund products. A material percentage of the digital assets in the Partnership's funds are custodied with Bakkt Trust Company, LLC ("Bakkt Warehouse"). Bakkt is a New York State Department of Financial Services (NYDFS) regulated qualified custodian and is also majority owned by the Intercontinental Exchange ("ICE"). Bakkt's headquarters are in Atlanta, Georgia and business continuity operations can also be performed at ICE locations based in Chicago, New York and London. Terms and conditions for account services and offerings are pre-defined and agreed upon by both the Partnership and Bakkt per the Bakkt Trust Warehouse Agreement. The Partnership maintains internal controls to ensure accounts are appropriately created, restricted to designated individuals, and secured per account credentials. All Bakkt wallets require multi-signature authorization of 2 of 3 keys to approve each withdrawal transaction. The Bakkt Warehouse provides both online ("Warm Wallets") and offline ("Cold Wallets") custody solutions and its systems algorithmically balance between both storage mechanisms to minimize risks associated with online custody. Private keys are stored on hardened systems in cold storage and on FIPS 140-2 level 3 HSMs and are never transferred across any open or unencrypted communication channels. Bakkt's warm and cold wallets are covered by a $125 million insurance policy from a global syndicate.

On an on-going basis, a designated individual from the Partnership reviews and monitors balances maintained at Bakkt against internal fund records to ensure holdings are complete and accurate. The Partnership performs monitoring and due-diligence procedures on Bakkt on an ongoing basis; review procedures include the assessment of Bakkt's Warehouse wallet polices to ensure they are in line with institutional grade standards. Additionally, the Partnership had reviewed an attestation report on Bakkt's internal controls over custody of digital assets as of December 31, 2020, which has indicated that controls were implemented and operated as described by Bakkt management. The Partnership also reviews penetration test results to ensure Bakkt's critical systems are evaluated for potential vulnerabilities and exploits. The Partnership currently has an investment interest in Bakkt Holdings, LLC in the form of Class B Voting Units.

Crypto Asset Trading Platforms

The Partnership utilizes multiple cryptocurrency exchanges to assist in conducting digital trading activity. As such, the Partnership maintains digital asset balances on their exchange accounts to facilitate operations. Active exchanges are domiciled across multiple geographies including the United States, Malta, Luxembourg, Singapore, Seychelles, and Hong Kong. The Partnership has a robust due diligence program for all exchanges, regardless of domicile or jurisdiction. Each exchange is required to provide all information and documentation that is necessary to do business with the Partnership. Information security reviews are conducted on each exchange to assess data retention protocols, infrastructure, and applicable IT policies and procedures. Designated departments review all documentation to ensure each exchange meets pre-defined criteria before providing approval for onboarding. Additionally, the Partnership assesses security, reputation, and operational risks in its determination of utilizing any exchange. Once onboarded, each exchange is monitored on an ongoing basis to ensure they maintain compliance with required legal and regulatory standings.

As part of the Partnership's control procedures, certain individuals are designated to administrator and authenticate users with exchange access and secure accounts per IT security protocols. Upon opening a new account, passwords, application programming interface ("API") keys, and multi-factor authentication mechanisms are created to secure credentials under the Partnerships Password and Multi-Factor Authentication Policy. Credentials are managed in secured locations and are only made accessible to authorized personnel with privileged access. Address management features are utilized in accordance with each exchange and require withdrawal addresses to be whitelisted and approved by authorized individuals. This prevents the withdrawal of digital assets held on the exchanges to any address that has not been internally verified.

Exchange balances are aggregated via live API feeds to ensure risk exposures are monitored across the Partnership's positions. Exchange accounts with material balances are integrated within the Fireblocks platform; the integration allows for authorized users to initiate exchange withdrawals directly from Fireblocks to dedicated vault accounts within the platform. The Partnership maintains contingency plans to securely transfer digital assets of exchanges to pre-defined wallets and vault accounts. On an ongoing basis, the Partnership assesses its risk exposure based on current market conditions and its digital asset positions. To date, no known security breaches have occurred with any of the Partnership's exchange accounts which have resulted in a loss or theft of digital assets. The Partnership performs reconciliation procedures to review exchange balances, trades, and fees against internal and third-party records to ensure digital asset holdings are complete and accurate.

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 December 31, 2020, the Partnership held approximately $12.4 million (December 31, 2019 - $4.5 million) in cash and $265.7 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, digital assets loans receivable and digital assets receivables 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 December 31, 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 December 31, 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 loans 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 December 31, 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 December 31, 2020, 74.3% (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 year ended December 31, 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 December 31, 2020, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, is +/- $25.6 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 December 31, 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 +/- $86.1 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:

	Year ended December 31, 2020	Year ended December 31, 2019
Equity based compensation	$ 11,851,120	$ 28,131,160
Compensation and compensation related	34,163,813	28,579,918
General and administrative	15,126,938	12,660,376
Professional fees	7,663,579	8,177,491
Interest	9,729,199	3,133,143
Insurance	1,090,000	1,322,089
Director fees	248,522	200,000
Totals	$ 79,873,171	$ 82,204,177

Year ended December 31, 2020 compared to December 31, 2019

Equity based compensation was $11.9 million in 2020 compared to $28.1 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 and year, 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 year ended December 31, 2020 increased compared to December 31, 2019 due to higher headcount and bonus accrual 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 year ended December 31, 2020 were higher compared to the year ended December 31, 2019 due primarily to higher technology costs and marketing expenses.

Professional fees for the year ended December 31, 2020 decreased compared to December 31, 2019 due primarily to a decrease in legal fees.

Interest expense for the year ended December 31, 2020 increased compared to December 31, 2019 due to increased borrowing primarily for either (i) lending to counterparties at a higher rate to earn a spread or (ii) for trade positioning.

Insurance expense for the year ended December 31, 2020 decreased compared to December 31, 2019 due to the reduction in premiums.

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 December 31, 2020	As of December 31, 2019	As of December 31, 2018	As of September 30, 2018
Estimated working capital	$ 96.8	$ 116.9	$ 52.7	$ 77.3
Estimated General overhead expenses – next 12 months	(74.0)	(42.0)	(45.0)	(40.0)
Capital to Trading business	—	—	—	(4.8)
Capital to Principal Investments business	(7.2)	(16.5)	(28.1)	(32.5)
	$ 15.6	$ 58.4	$ (20.4)	$ 0.0
Digital Assets, net	530.0	75.6	51.1	90.6
	$ 545.6	$ 134.0	$ 30.7	$ 90.6

Working capital as of December 31, 2020 is calculated as the sum of cash, receivable for digital asset trades, cash posted as collateral, receivables, due from broker, due from exchange, prepaid expenses and other assets; less accounts payable and accrued liabilities, payable for digital asset trades and short-term lease liability. Digital Assets, net as of December 31, 2020 includes digital assets posted as collateral and is net of digital assets sold short, digital assets collateral payable and non-controlling interests. Working capital as of December 31, 2019 and prior was calculated as the sum of cash, receivable for digital asset trades, digital asset loans receivable, cash posted as collateral, receivables, due from broker, due from exchange, 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, short term lease liability, due to broker and due to related party. Digital Assets, net as of December 31, 2019 includes digital assets posted as collateral and is net of digital assets sold short.

As of December 31, 2020, the Partnership had total equity of $798.2 million, excluding non-controlling interests. As of December 31, 2019, the Partnership had total equity of $347.8 million, excluding non-controlling interests. The increase in equity during the year ended December 31, 2020 was primarily due to the net comprehensive income for the year.

	December 31, 2020	December 31, 2019
Total assets	$ 1,456,225,360	$ 402,779,121
Total liabilities	(372,058,391)	(47,674,556)
Non-controlling interests	(285,955,518)	(7,319,484)
Partners' Capital	**$ 798,211,451**	**$ 347,785,081**

Additionally, as of December 31, 2020, the Partnership had cash of $135.8 million and $530.0 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. 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.

In November 2020, the Partnership closed a PIPE of $50 million. All securities issued pursuant to the PIPE are subject to certain selling restrictions set forth in each investor's definitive investment agreement. The Partnership intends to use the proceeds from the PIPE for general corporate and working capital purposes across its business lines, with a particular focus on growing its client financing business and seeding new asset management-related product offerings.

In March 2021, the Partnership recognized a significant liquidity event from one of its portfolio companies. The Partnership expects to recognize an incremental realized gain of approximately $105 million as a result of the sale in the first quarter of 2021.

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 Mining business earns current income from its proprietary bitcoin mining and from financing clients.

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, income generated from its business activities and the PIPE 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.

The following table presents the summary of the Partnership's contractual obligations as of December 31, 2020:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Digital asset loans payable and digital assets sold short	$231,676,826	$231,676,826	$ —	$ —	$ —
Operating leases	8,130,186	983,295	2,055,970	2,181,180	2,909,741
Purchase obligations[1]	6,350,171	6,350,171	—	—	—
Other obligations[2]	11,559,833	8,159,562	3,400,271	—	—
Total Contractual Obligations	**$257,717,016**	**$247,169,854**	**$ 5,456,241**	**$ 2,181,180**	**$ 2,909,741**

[1]“Purchase obligations” includes the outstanding amount of an agreement for the purchase of blockchain servers.

[2]“Other obligations” includes the obligations to two portfolio companies to fund the Partnership's remaining capital commitment and an investment sold short balance as of December 31, 2020.

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 December 31, 2020, the Partnership was obligated to two portfolio companies to fund up to $7.2 million, of which $0.4 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 year ended December 31, 2020, the Partnership entered into master loan agreements with lenders and counterparties to borrow select cryptocurrencies at annual rates of interest ranging from 2% to 14%. For most of the loans, there is no set term of repayment 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.

Master Loan Agreements		December 31, 2020		December 31, 2019
Digital assets borrowed	$	213,176,826	$	46,894,236
Digital assets sold short[1]		(5,277,878)		(18,616,860)
Digital assets borrowed but not used[2]		—		(17,143,047)
	$	**207,898,948**	**$**	**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 December 31, 2020, the digital assets sold short balance under the Master Loan Agreements was $5,277,878. As of December 31, 2019, the total digital assets sold short balance under the November 2018 Facility was $18,616,860.

During the year ended December 31, 2020, the Partnership paid interest expense of $7.8 million (2019 - $2.3 million) and received interest income of $5.5 million (2019 - $0.7 million) in connection with the aforementioned lending and borrowing activity.

Other

As of December 31, 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

Compensation of Key Management Personnel

Key management personnel include thirteen individuals (2019 - twelve 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 year ended December 31, 2020 and 2019 are as follows:

		Year ended December 31, 2020		Year ended December 31, 2019
Base compensation and accrued bonuses*	$	6,900,702	$	5,907,901
Benefits		294,918		272,124
Equity based compensation		10,523,604		21,211,583
Total	**$**	**17,719,224**	**$**	**27,391,608**

*For the years ended December 31, 2020 and 2019, amounts include approximately $3.6 million and $1.6 million, respectively, 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 $529,250 in software development technology expenses during the year ended December 31, 2020 (December 31, 2019 - $404,000), of which $43,000 is included in accounts payable at December 31, 2020 (December 31, 2019 - $36,500).

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 year ended December 31, 2020, the Partnership recognized $0.61 million (2019 - $0.5 million) of depreciation on the Right of Use asset and $0.65 million (2019 - $0.61 million) of interest expense related to the lease liability.

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

		Rent Due
2021	$	983,295
2022		1,012,793
2023		1,043,177
2024		1,074,473
2025		1,106,707
Total	$	5,220,445

Additionally, the Partnership has $2.9 million in total commitments under the subleases for the period from 2026 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 December 31, 2020, the Partnership had an investment in the company valued at $19.6 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 years ended December 31, 2020 and 2019, the Partnership paid or accrued $1,903,046 and $1,291,184, 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 year ended December 31, 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 consolidated financial statements for the year ended December 31, 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 December 31, 2020 and March 29, 2021, the Partnership has two classes of ownership interests, namely Class A Units and Class B Units. As of December 31, 2020, there were 91,248,507 Class A Units and 222,905,934 Class B Units outstanding. As of March 29, 2021, there were 92,705,177 Class A Units and 222,577,818 Class B Units outstanding.

Equity Based Compensation Awards and Other

As of December 31, 2020, 15,454,112 Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 8,966,429 Class B Units were exercisable. As of March 29, 2021, 15,312,007 Class B Units awards were outstanding, net of exchanges and forfeitures, of which 8,824,324 Class B Units were exercisable.

As of December 31, 2020, 31,565,634 options granted under the GDH Ltd. stock option plan were outstanding, of which 5,207,000 were exercisable. Out of the 31,565,634 options granted, 5,310,468 were an inducement grant that were not considered a use of the stock option plan pool, but are granted in accordance with the terms of the plan. As of March 29, 2021, 31,565,634 options granted under the GDH Ltd. stock option plan were outstanding, of which 9,685,317 were exercisable.

As of December 31, 2020, 4,767,500 warrants issued by GDH Ltd. in connection with the PIPE were outstanding. As of March 29, 2021, 3,638,946 were outstanding.

Disclosure Controls and Procedures

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.

Management, with the participation of the CEO and the CFO, assessed the effectiveness of the Partnership's disclosure controls and procedures as of December 31, 2020. Based upon the results of that evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Partnership is accumulated and communicated to management (particularly during the period in which the Partnership's annual filings are being prepared) to allow timely decisions regarding required disclosure, and that the information disclosed by the Partnership in the reports that it files is appropriately recorded, processed, summarized and reported within the time period specified in applicable securities legislation.

Internal Control over Financial Reporting

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.

Management with the participation of the CEO and the CFO, assessed the effectiveness of the Partnership's internal control over financial reporting as at December 31, 2020. Based upon the results of that assessment as at December 31, 2020, management concluded that the internal control over financial reporting is effective.

There have not been any significant changes in the Company's internal control over financial reporting during the year ended December 31, 2020 that have materially affected or are reasonably likely to materially affect the Partnership's internal controls over financial reporting

Any control system, no matter how well designed, has inherent limitations. Therefore, disclosure controls and procedures can only provide reasonable assurance with respect to timely disclosure of material information.

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 consolidated 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.