

# **BITWISE 10 CRYPTO INDEX FUND**

A Delaware Statutory Trust

Managed by

Bitwise Investment Advisers, LLC  
300 Brannan Street, Suite 201 San Francisco, CA 94107  
Telephone: (415) 968-1843  
Corporate Website: <https://www.bitwiseinvestments.com/>  
Primary Standard Industrial Code: 6221

## **QUARTERLY REPORT**

**For the quarterly period ended September 30, 2020**

Shares Representing Units of Fractional Undivided Beneficial Interest  
No Par Value Per Share  
Unlimited Shares Authorized

6,126,953 Shares Issued and Outstanding as of September 30, 2020

**OTCQX: BITW**

**Bitwise Investment Advisers, LLC (the “Sponsor”), on behalf of Bitwise 10 Crypto Index Fund (the “Trust”), is responsible for the content of this quarterly report for the quarter ended September 30, 2020 (the “Quarterly Report”), which has been prepared to fulfill the disclosure requirements of the OTCQX Best Market (the “OTCQX”). The information contained in this Quarterly Report has not been filed with, or approved by, the U.S. Securities and Exchange Commission (the “SEC”) or any state securities commission. Any representation to the contrary is a criminal offense.**

All references to “the Trust,” “the Sponsor,” “the Issuer,” “Bitwise 10 Crypto Index Fund,” “we,” “us” or “our” refers to the Trust or the Sponsor, as the context indicates. The Trust is a passive entity with no operations, and where the context requires, we provide disclosure with respect to the Sponsor, which administers the Trust.

Dated as of November 13, 2020

## **TABLE OF CONTENTS**

	<b>Page</b>
Item 1. The exact name of the issuer and the address of its principal executive offices. ....	4
Item 2. Shares outstanding.....	5
Item 3. Unaudited interim financial statements. ....	5
Item 4. Management’s Discussion and Analysis.....	6
Item 5. Legal proceedings. ....	17
Item 6. Defaults upon senior securities. ....	17
Item 7. Other information.....	17
Item 8. Exhibits. ....	17
Item 9. Issuer’s Certifications.....	18

## Forward-Looking Statements

This Quarterly Report includes forward-looking statements. All statements other than statements of historical information provided herein are forward-looking and may contain information about financial results, economic conditions, trends and known uncertainties. Some of these forward-looking statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipates” or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans, intentions or unrealized investment results.

These statements involve risks, uncertainties, assumptions and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. Forward-looking statements in this Quarterly Report include, but are not limited to, statements relating to the continued quotation of the Shares on the OTCQX; our expectations regarding regulatory developments affecting the Trust; our future financial performance; and the performance of the Bitwise 10 Large Cap Crypto Index (the “**Index**”).

Such forward-looking statements are subject to numerous risks and are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and may not be realized. The Sponsor cautions the reader that actual results could differ materially from those expected by the Sponsor depending on the outcome of certain factors, including without limitation, changes in the U.S. economy, changes in the regulation of cryptocurrencies, and other important factors described in this Quarterly Report under the caption “*Risk Factors*.” Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Industry experts may disagree with such analyses, forecasts and targets, the estimations and assumptions used in preparing the analyses, forecasts and targets or the Trust’s, or Sponsor’s view or understanding of current or future events. No assurance, representation or warranty is made by any person that any of such analyses, forecasts and targets will be achieved and no investor should rely on such analyses, forecasts and targets. None of the Trust, the Sponsor or any of their affiliates or any of their respective directors, managers, officers, employees, partners, shareholders, advisors or agents makes any assurance, representation or warranty as to the accuracy of any of such analyses, forecasts and targets. Nothing contained in this document may be relied upon as a guarantee, promise, assurance or a representation as to the future. The Sponsor undertakes no obligation to release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including without limitation, changes in the Trust’s business strategy or planned expenditures, or to reflect the occurrence of unanticipated events.

## **PART A. GENERAL COMPANY INFORMATION**

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

The name of the Trust is Bitwise 10 Crypto Index Fund.

The address of the Sponsor is: Bitwise Investment Advisers, LLC  
300 Brannan Street, Suite 201  
San Francisco, CA 94107

The Sponsor's telephone number is: (415) 968-1843

The Sponsor's facsimile number is: (415) 651-3895

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

Investor relations contact: James Farrell  
Bitwise Asset Management  
300 Brannan Street, Suite 201  
San Francisco, CA 94107  
Telephone: (415) 968-1843  
Email: [james@bitwiseinvestments.com](mailto:james@bitwiseinvestments.com)

**Item 2. Shares outstanding**

The only class of securities outstanding are shares representing units of fractional undivided beneficial interest in and ownership of the Trust with such relative rights and terms as set out in the Trust Agreement (the “**Shares**”). The Trust’s trading symbol on the OTCQX U.S. Marketplace of the OTC Markets Group Inc. is BITW and the CUSIP number for its Shares is 091749101.

The following table shows the number of Shares authorized and outstanding as of September 30, 2020:

	September 30, 2020
(i) Number of Shares authorized	Unlimited
(ii) Number of Shares outstanding	6,126,953
(iii) Number of Shares freely tradable (public float)	2,973,868
(iv) Number of beneficial owners owning at least 100 Shares	620
(v) Number of holders of record	620

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

The Trust’s unaudited interim financial statements as of and for the quarterly period ended September 30, 2020 are attached as Exhibit 1 to this Quarterly Report. The historical results presented herein are not necessarily indicative of financial results to be achieved in future periods. The Trust’s unaudited financial statements attached as an exhibit to this Quarterly Report are incorporated herein by reference and are considered as part of this Quarterly Report.

#### Item 4. Management's Discussion and Analysis.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following discussion and analysis of our financial condition and results of operations should be read together with, and is qualified in its entirety by reference to, our unaudited financial statements and related notes included elsewhere in this Quarterly Report, which have been prepared in accordance with GAAP. The following discussion may contain forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other sections of our Annual Report.*

#### Trust Overview

The Trust's principal investment objective is to invest in a portfolio of cryptocurrencies that tracks the Bitwise 10 Large Cap Crypto Index (the "**Index**") as closely as possible with certain exceptions determined by the Sponsor in its sole discretion. The Trust and the Sponsor have entered into a limited, non-exclusive, revocable license agreement with Bitwise Index Services, LLC (the "**Index Provider**"), an affiliate of the Trust that is controlled by the same parent entity as the Sponsor, at no cost to the Trust or the Sponsor allowing the Trust to use the Index for the purpose of using as the benchmark index for the Trust (the "**License Agreement**").

The Bitwise 10 Large Cap Crypto Index tracks a basket of cryptocurrencies that represents the majority of cryptocurrencies by market capitalization. At its inception on October 1, 2017, the cryptocurrencies in the Bitwise 10 Large Cap Crypto Index represented about 83% of all cryptocurrencies by market capitalization, and represented approximately 79% as of September 30, 2020. The Bitwise 10 Large Cap Crypto Index is comprised of the top 10 coins selected and weighted by inflation adjusted market capitalization (the "**Index Components**"). The Bitwise 10 Large Cap Crypto Index is rebalanced monthly. Additional eligibility criteria are applied to screen coins for investment feasibility, to ensure the integrity of the coins selected to comprise the Bitwise 10 Large Cap Crypto Index, and to appropriately account for one-off events. As a result, the 10 coins in the Index may not always completely match the top 10 coins on popular websites like CoinMarketCap.com that do not include such screening. The Index Provider may make changes to the Index as well as the criteria used to develop the Index at any time in its sole discretion. The Index is calculated daily and rebalanced monthly.

In furtherance of this objective, the activities of the Trust include issuing Shares in exchange for subscriptions. Pursuant to the Trust Agreement, the Sponsor, on behalf of the Trust, has the authority to conduct all activities necessary to support the Trust's activities including (i) selling or buying Portfolio Crypto Assets in connection with monthly rebalancing, (ii) selling Portfolio Crypto Assets as necessary to cover the Management Fee (defined below) and any other expenses, (iii) subject to the Sponsor deeming that redemption is advisable and obtaining regulatory approval from the SEC, selling Portfolio Crypto Assets in exchange for Shares surrendered for redemption, (iv) causing the Sponsor to sell Portfolio Crypto Assets upon any potential future termination of the Trust, and (v) engaging in all administrative and security procedures necessary to accomplish such activities in accordance with the provisions of the Trust Agreement and the Custodian Agreement. In addition,

the Trust may engage in any lawful activity necessary or desirable in order to facilitate these activities, provided that such activities do not conflict with the terms of the Trust Agreement.

When possible, the Sponsor also strives to generate additional return by capitalizing on airdrops and proof of stake opportunities for Shareholders of the Trust. Airdrops are a practice wherein an entity associated with a public blockchain offers free coins of that blockchain to owners of a different cryptocurrency, often in proportion to their holdings, as a means of motivating them to try the blockchain. Proof of Stake (different from the common Proof of Work algorithm) is a consensus protocol whereby individuals can lock up their coins to process transactions and in return earn rewards, often additional coins—a mechanism referred to as “staking.”

### **Management Fee**

The Sponsor charges the Trust a fee payable monthly, in arrears, in an amount equal to 2.5% per annum (1/12th of 2.5% per month) of the net asset value of the Trust’s assets at the end of each month (the “**Management Fee**”).

The Sponsor is responsible for paying for almost all ordinary administrative and overhead expenses of managing the Trust, including payment of rent, custody charges or flat rate fees for holding the Trust’s assets charged by the Custodian and customary fees and expenses of the Trustee, Administrator and Auditor (including costs incurred for appraisal or valuation expenses associated with the preparation of the Trust’s financial statements, tax returns and other similar reports and excluding indemnification and extraordinary costs). The Sponsor also pays for all expenses associated with the operation of the Trust, including for example, fees associated with the continued quotation of the Shares on the OTCQX and fees associated with maintaining the Transfer Agent.

### **Shareholder Subscriptions**

The minimum initial subscription amount is \$25,000 and an existing Shareholder may make additional subscriptions in a minimum amount of \$10,000, subject in all cases to increase, decrease and waiver of such requirements by the Sponsor in its sole discretion.

The Trust generally accepts initial and additional subscriptions (a) weekly on Wednesdays, (b) the first business day after any Wednesday on which banking institutions in the State of California are closed for business or (c) on such other dates as the Sponsor may determine in its sole discretion. Subscriptions may be paid for in-kind subject to acceptance by the Sponsor in its sole discretion. Each investor who seeks to subscribe for Shares is required to execute a subscription agreement pursuant to which the investor will agree to be bound by the Trust Agreement and other Trust documentation. The Trust may, however, halt the acceptance of additional Subscriptions for extended periods of time in its sole discretion.

No fractional Shares will be issued, and any fractional Share that a Shareholder would otherwise be entitled to receive that is less than 0.5 Share shall be rounded down to the nearest whole Share and any such fractional Share equal to or greater than 0.5 Share shall be rounded up to the nearest whole Share; provided, however, that any such rounding up or down will not change the price per Share or contribution payable with respect to such Shares as determined in accordance with the Trust Agreement.

## **Trust Conversion**

On April 30, 2020, the Trust converted from a limited liability company to a Delaware statutory trust. In connection with the corporate action, units in the limited liability company were converted into Shares of the Trust. All shareholders of “investor class” units received 10 Shares for each unit owned prior to the corporate action date, and all shareholders of “institutional class” units received 10.12602229 Shares for each unit owned prior to the corporate action date.

## **Critical Accounting Policies**

### *Investments and Valuation*

The Trust’s investments in digital assets are stated at fair value. Digital assets are generally valued using prices as reported on reputable and liquid exchanges and may involve utilizing an average of bid and ask quotes using closing prices provided by such exchanges as of the date and time of determination. The time used is 16:00 ET which corresponds to 20:00 UTC during Daylight Savings Time and 21:00 UTC during non-Daylight Savings Time. Factors such as the recent stability of the exchange, current liquidity of the exchange, and recent price activity of an exchange will be considered as to the determination of which exchanges to utilize. The Sponsor's Valuation Policy provides a listing of preferred exchanges. While some digital assets are valued based on prices reported in the public markets, other digital assets may be more thinly-traded or subject to irregular trading activity. Determinations on the value of certain digital assets, and how to value such assets as to which limited prices or quotations are available, are based on the Sponsor's recommendations or instructions. Digital asset transactions are recorded on the trade date. Realized gains and losses from digital asset transactions are determined using the identified cost method. Any change in net unrealized gain or loss is reported in the statement of operations. Commissions and other trading fees are reflected as an adjustment to cost or proceeds at the time of the transaction.

The Trust generally records receipt of a new digital asset created due to a hard fork at the time the hard fork is effective. The Trust's methodology for determining effectiveness of the fork is when two or more recognized exchanges quote prices for the forked coin. Some exchanges and custodians do not honor hard forks or may honor hard forks in the future. In such cases, the Trust will record receipt of the new digital asset at the time two or more recognized exchanges begin quoting prices for the asset. Although the Trust records the asset into its books and records at the time the fork is effective, as described above, the Trust's custodian may take an extended period of time to make the forked asset available for transfer, and it may never make the forked asset available for transfer, which could lead to either the Trust holding the asset longer than it would otherwise hold the asset (if it was freely transferable), or a complete write-down in the value of the forked asset. The Trust does not allocate any of the original digital asset's cost to the new digital asset and recognizes unrealized gains equal to the fair value of the new digital asset received.

The Trust may receive "airdrops" of new digital assets. The use of airdrops is generally to promote the launch and use of new digital assets by providing a small amount of such new digital assets to the private wallets or exchange accounts that support the new digital asset and that hold existing related digital assets. Unlike hard forks, airdropped digital assets can have substantially different blockchain technology that has no relation to any existing digital asset, and many airdrops may be without value. The Trust records receipt of airdropped digital assets when received if there is value to the Trust in



doing so. Digital assets received from airdrops have no cost basis and the Trust recognizes unrealized gains equal to the fair value of the new digital asset received.

### *Income Taxes*

The Trust does not record a provision for U.S. federal, U.S. state or local income taxes because the Shareholders report their share of the Trust's income or loss on their income tax returns. The Trust files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states and foreign jurisdictions. Generally, the Trust is subject to income tax examinations by taxing authorities for all years since inception.

The Trust is required to determine whether its tax positions are more likely than not to be sustained on examination by the applicable taxing authority, based on the technical merits of the position. Tax positions not deemed to meet a more likely than not threshold would be recorded as a tax expense in the current year. As of December 31, 2019, the Trust has determined that no provision for income taxes is required and no liability for unrecognized tax benefits has been recorded. The Trust does not expect that its assessment related to unrecognized tax benefits will materially change over the next 12 months. However, the Trust's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, the nexus of income among various tax jurisdictions; compliance with U.S. federal, U.S. state, and tax laws of jurisdictions in which the Trust operates in; and changes in the administrative practices and precedents of the relevant authorities.

### **Fair Value Measurements**

The Trust carries its investments at fair value in accordance with FASB ASC Topic 820, Fair Value Measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Fair value investments are not adjusted for transaction costs.

In determining fair value, the Trust uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. These inputs may include (a) quoted prices for similar assets in active markets, (b) quoted prices for identical or similar assets in markets that are not active, (c) inputs other than quoted prices that are observable for the asset, or (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

## **Financial Instruments with Off-Balance-Sheet Risk**

### *Digital Assets*

Digital assets are loosely regulated and there is no central marketplace for currency exchange. Supply is determined by a computer code, not by a central bank, and prices have been extremely volatile. Digital asset exchanges have been closed due to fraud, failure or security breaches. While the Trust does not store assets on digital currency exchanges, it occasionally uses them for rebalancing activity, or to purchase or sell cryptocurrencies. Any of the Trust's assets that reside on an exchange that shuts down may be lost. At September 30, 2020, no digital assets reside on exchanges.

Several factors may affect the price of digital assets, including, but not limited to: supply and demand, Shareholders' expectations with respect to the rate of new supply, inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of digital assets or the use of digital assets as a form of payment or in transactions. There is no assurance that digital assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of digital asset payments by mainstream retail merchants and commercial businesses will continue to grow.

### *Digital Asset Regulation*

As digital assets have grown in popularity and market size, various countries and jurisdictions have begun to develop regulations governing the digital assets industry. To the extent that future regulatory actions or policies limit the ability to exchange digital assets or utilize them for payments, the demand for digital assets may be reduced. Furthermore, regulatory actions may limit the ability of end-users to convert digital assets into fiat currency (e.g., U.S. dollars) or use digital assets to pay for goods and services. Such regulatory actions or policies would result in a reduction of demand, and in turn, a decline in the underlying digital asset unit prices.

The effect of any future regulatory change on the Trust or digital assets in general is impossible to predict, but such change could be substantial and adverse to the Trust and the value of the Trust's investments in digital assets.

### *Custody of Digital Assets*

Coinbase Custody Trust Company, LLC (the "**Custodian**") serves as the Trust's custodian for digital assets for which qualified custody is available. Custody of digital assets for which qualified custody is not available will be performed by the Sponsor using widely acceptable, highly regarded and secure custody protocols including, without limitation, cold storage in bank vaults, offline transactions and the Glacier protocol. The Custodian is subject to change in the sole discretion of the Sponsor. Other than for digital assets that reside briefly on digital currency exchanges for rebalancing activity, or to purchase or sell cryptocurrencies, all of the Trust's Portfolio Crypto Assets are held by the Custodian. At September 30, 2020, digital assets of approximately \$60,007,000 are held by the Custodian. See "*The Sponsor may experience loss or theft of its Portfolio Crypto Assets during the transfer of Portfolio Crypto Assets from the Custodian to the Sponsor or to crypto asset trading venues*" in the Risk Factor section of our Annual Report.

### *Digital Asset Trading is Volatile and Speculative*

Digital assets represent a speculative investment and involve a high degree of risk. Prices of digital assets have fluctuated widely for a variety of reasons including uncertainties in government regulation and may continue to experience significant price fluctuations. If digital asset markets continue to be subject to sharp fluctuations, Shareholders may experience losses as the value of the Trust's investments decline. Even if Shareholders are able to hold their Shares in the Trust for the long-term, their Shares may never generate a profit, since digital asset markets have historically experienced extended periods of flat or declining prices, in addition to sharp fluctuations.

### *Control of Private Keys*

Digital assets are controllable only by the possessor of a unique private cryptographic key controlling the address in which the digital asset is held. The theft, loss or destruction of a private key required to access a digital asset is irreversible, and such private keys would not be capable of being restored by the Trust. The loss of private keys relating to digital wallets used to store the Trust's digital assets could result in the loss of the digital assets and an investor could incur substantial, or even total, loss of capital. At September 30, 2020, no digital assets are held in private wallets.

### *Over-the-Counter Transactions*

Some of the markets in which the Sponsor may execute transactions on behalf of the Trust are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as members of "exchange-based" markets may be. This exposes the Trust to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Trust to suffer a loss. Such "counterparty risk" is accentuated for digital assets where the Trust has concentrated its transactions with a single or small group of counterparties. The Trust is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Trust has no internal credit function that evaluates the creditworthiness of its counterparties. The ability of the Trust to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparty's financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Trust.

### *Transactions in Cryptocurrencies May Be Irreversible*

Transactions in digital assets are most often irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable. If there is an error and a transaction occurs with the wrong account, to the extent that the Trust is unable to seek a corrective transaction with such third-party or is incapable of identifying the third-party which has received the digital assets through error or theft, the Trust will be unable to revert or otherwise recover incorrectly transferred digital assets. To the extent that the Trust is unable to seek redress for such error or theft, such loss could result in the total loss of a Shareholder's investment in the Trust.

### *No FDIC or SIPC Protection*

The Trust is not a banking institution or otherwise a member of the Federal Deposit Insurance Corporation (“**FDIC**”) or the Securities Investor Protection Corporation (“**SIPC**”). Accordingly, deposits or assets held by the Trust are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. The Trust's cryptocurrency custodians do however carry bespoke insurance policies related to the cryptocurrencies over which they provide custody.

## Review of Financial Results

### *Selected Financial Information for the Nine Months ended September 30, 2020*

#### Statement of Operations

	<u>30-Sep-20</u>
<b>Expenses</b>	
Management fees	683,684
Transaction and other fees	<u>2,202</u>
<i>Total Expenses</i>	<u><b>685,886</b></u>
<b>Net investment loss</b>	<u><b>(685,886)</b></u>
<b>Net realized and change in unrealized gain (loss) on investments</b>	
Net realized loss from digital assets	(2,951,448)
Net change in unrealized appreciation or depreciation from digital assets	<u>17,880,074</u>
<i>Net realized and change in unrealized gain on investments</i>	<u><b>14,928,626</b></u>
<b>Net Income</b>	<u><b>\$ 14,242,740</b></u>

The Trust's net income for the nine-month period ended September 30, 2020 was \$14,242,626. The primary factors impacting net income for the nine-month period ended September 30 2020, were the payment of the \$683,684 Management Fee, a net realized loss from digital assets of \$2,951,448 and a net change in unrealized appreciation or depreciation from digital assets of \$17,880,074.

The primary factor for the change in net realized and change in unrealized gain on investments were decreases and increases in the value of the various Portfolio Crypto Assets held by the Trust as a result of the fair market value of the Assets (see, "*Schedule of Investments*" below). The primary reason for the net change in unrealized appreciation or depreciation from digital assets was a significant increase in the value of Portfolio Crypto Assets during the period from January 1, 2020 to September 30, 2020.

#### *Value of Portfolio Crypto Assets*

As described above, the prices of the various Portfolio Crypto Assets held by the Trust are subject to extreme volatility. This volatility had a positive impact on the value of the Portfolio Crypto Assets during the nine-month period ended September 30, 2020. As noted below in the "*Schedules of Investments*," the Trust's total investments in digital assets at fair value increased significantly from \$21,691,233 as of December 31, 2019 to \$60,006,852 as of September 30, 2020. The Trust's total assets increased from \$21,651,587 to \$60,090,196 over the same period.

As shown below in the “*Schedules of Investments*,” total investments in digital assets reflects an increase of approximately 1,823 units of Bitcoin and an increase of approximately 10,419 units of Ethereum, in addition to the number of units invested in the additional cryptocurrencies that comprise the Portfolio Crypto Assets, reflecting Portfolio Crypto Assets purchased in connection with Shareholder subscriptions for Shares, partially offset by the sale of various Portfolio Crypto Assets to pay the Management Fee and to fund redemptions during the period from January 1, 2020 to September 30, 2020.

### *Shareholder Subscriptions and Redemptions*

During the period from January 1, 2020 through September 30, 2020, the Trust took in \$26,405,342 of subscriptions (representing 2,533,710.91 Shares with an average net asset value per Share of \$9.81<sup>1</sup>) and processed \$2,209,464 of redemptions. The Trust’s redemption program was suspended as of October 7, 2020, in connection with the Trust seeking approval for the quotation of the Shares on OTCQX.

### **Schedules of Investments**

The following provides details on the Portfolio Crypto Assets that comprise the Trust’s assets.

#### **As of September 30, 2020**

	<b><u>Units</u></b>		<b><u>Fair Value</u></b>		<b><u>Percentage of Shareholders’ Equity</u></b>	
<b>Investments in digital assets, at fair value</b>						
Bitcoin	4,233.8080		\$ 45,370,629		75.5	%
Ethereum	23,702.1465		8,428,937		14.03	
Other			6,207,286		10.33	
<b>Total investments in digital assets, at fair value</b>						
(cost \$59,228,635 )			\$ 60,006,852		99.86	%

As of September 30, 2020, Bitcoin represented approximately 75% of the total Portfolio Crypto Assets held by the Trust. Ethereum represented 14%, while the remaining 99.86% of the Portfolio Crypto Assets were comprised of Ripple, Bitcoin Cash, Litecoin, Tezos, Stellar Lumens, EOS, and Chain Link.

<sup>1</sup> The Share and average net asset value numbers presented have been adjusted to reflect an approximately 10:1 stock split that occurred on May 1, 2020 in connection with the conversion of the Trust from a Delaware limited liability company to a Delaware statutory trust.

**As of December 31, 2019**

	<u>Units</u>		<u>Fair Value</u>		<u>Percentage of Shareholders' Equity</u>	
<b>Investments in digital assets, at fair value</b>						
Bitcoin	2,411.0565		\$ 17,233,399		79.59	%
Ethereum	13,283.4476		1,698,840		7.85	
Ripple	5,863,859.8123		1,113,258		5.14	
Other			1,645,736		7.6	
<b>Total investments in digital assets, at fair value</b>						
(cost \$38,793,090)			\$ 21,691,233		100.18	%

As of December 31, 2019, Bitcoin represented approximately 80% of the total Portfolio Crypto Assets held by the Trust, and Ethereum and Ripple represented 7.85% and 5.14%, respectively, while the remaining 7.6% of the Portfolio Crypto Assets were comprised of Bitcoin Cash, Litecoin, EOS, Stellar Lumens, Tezos, Monero, Dash, and Cardano.

**Historical Portfolio Crypto Asset Prices**

The following provides an overview of the prices of the Portfolio Crypto Assets that comprise the majority of the Trust's assets during the period from November 22, 2017 (the issuance of the first unit in the Trust) to September 30, 2020. Bitwise calculates reference prices daily by averaging the prices from select trading venues. Prices were collected at midnight UTC before July 31, 2018 and at 4pm ET thereafter:

**Bitcoin**

Period	Average	High	Date	Low	Date	End of Period	Date
November 22, 2017 to December 31, 2018	\$8,140.03	\$19,396.53	12/16/2017	\$3,177.43	12/14/2018	\$3,685.22	12/31/2018
January 1, 2019 to December 31, 2019	\$7,358.62	\$13,827.07	6/26/2019	\$3,361.18	2/7/2019	\$7,147.66	12/31/2019
January 1, 2020 to September 30, 2020	\$9,187.84	\$12,345.88	8/17/2020	4,962.38	3/16/2020	\$10,716.27	9/30/2020

## **Ethereum**

<b>Period</b>	<b>Average</b>	<b>High</b>	<b>Date</b>	<b>Low</b>	<b>Date</b>	<b>End of Period</b>	<b>Date</b>
November 22, 2017 to December 31, 2018	\$491.29	\$1,400.01	1/13/2018	\$82.75	12/14/2018	\$130.91	12/31/2018
January 1, 2019 to December 31, 2019	\$180.64	\$350.55	6/26/2019	\$103.42	2/7/2019	\$127.89	12/31/2019
January 1, 2020 to September 30, 2020	\$ 243.98	\$476.08	9/1/2020	\$110.31	3/16/2020	\$355.62	9/30/2020

## **Ripple (“XRP”)**

<b>Period</b>	<b>Average</b>	<b>High</b>	<b>Date</b>	<b>Low</b>	<b>Date</b>	<b>End of Period</b>	<b>Date</b>
November 22, 2017 to December 31, 2018	\$0.65	\$2.76	1/4/2018	\$0.21	12/7/2017	\$0.35	12/31/2018
January 1, 2019 to December 31, 2019	\$0.31	\$0.48	6/26/2019	\$0.18	12/17/2019	\$0.19	12/31/2019
January 1, 2020 to September 30, 2020	\$0.22	\$0.33	2/14/2020	\$0.14	3/16/2020	\$0.24	9/30/2020

## **Off-Balance Sheet Arrangements**

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

## **Cash Resources and Liquidity**

The Trust generally holds only a very small cash balance, and is otherwise fully invested in order to maintain its investment objective of tracking the Bitwise 10 Large Cap Crypto Index. When selling Portfolio Crypto Assets to pay the Management Fee, the Sponsor endeavors to sell an exact amount of Portfolio Crypto Assets needed in order to pay such expenses in order to minimize the Trust’s holdings of assets other than Portfolio Crypto Assets. As a consequence, the Sponsor expects the Trust will typically have a very small cash balance at each reporting period. Cash may also be held in the Trust after a Subscription from Shareholder is funded (or sent to the Trust’s bank account) but not yet invested in Portfolio Crypto Assets, or after a redemption from a redeeming Shareholder had been processed (e.g., by raising cash through the sale of Portfolio Crypto Assets) but not yet paid to the redeeming Shareholder.

As described above, in exchange for the Management Fee, the Sponsor is responsible for payment of almost all of the expenses incurred by the Trust. As a result, the only material ordinary expense of



the Trust during the periods covered by this Quarterly Report was the Management Fee. The Trust is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to its liquidity needs.

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

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

### **Item 5. Legal proceedings.**

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against the Trust or the Sponsor that could have a material effect on our business, financial condition or operations. Our securities are not a party to any past or pending trading suspensions by a securities regulator.

### **Item 6. Defaults upon senior securities.**

None.

### **Item 7. Other information.**

The risk factors included in our Annual Report continue to apply to us, and describe risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the forward-looking statements contained in this Quarterly Report.

### **Item 8. Exhibits.**

Exhibit 1 Unaudited Financial Statements for the Nine Months ended September 30, 2020.

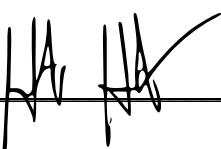
**Item 9. Issuer's Certifications.**

## Certification

I, Hunter Horsley, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Bitwise 10 Crypto Index Fund;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

Dated: November 13, 2020

/s/ 

By: Hunter Horsley  
President and Treasurer  
Bitwise Investment Advisers, LLC  
Sponsor to the Trust

### Certification

I, Paul E. Fusaro, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Bitwise 10 Crypto Index Fund;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

Dated: November 13, 2020

A handwritten signature in black ink, appearing to read 'P. E. Fusaro', with a stylized flourish at the end.

By: Paul E. Fusaro  
Chief Operating Officer and Secretary  
Bitwise Investment Advisers, LLC  
Sponsor to the Trust

## **Exhibit 1**

Unaudited Financial Statements for the Nine Months Ended September 30, 2020.

# Bitwise 10 Crypto Index Fund

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2020 TO SEPTEMBER 30, 2020

# **Bitwise 10 Crypto Index Fund**

## **Table of Contents**

<b>Accountants' Compilation Report</b>	<b>1</b>
<b>Unaudited Financial Statements</b>	
Statement of Financial Condition	2
Condensed Schedule of Investments	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Notes to Financial Statements	6-14

## **ACCOUNTANTS' COMPILATION REPORT**

To Bitwise 10 Crypto Index Fund:

### **Report on the Financial Statements**

We have compiled the accompanying statement of financial condition of Bitwise 10 Crypto Index Fund, as of September 30, 2020, and the related statement of operations and changes in net assets, for the period then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

### **Accountants' Responsibility**

The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. We are not independent with respect to Bitwise 10 Crypto Index Fund as of and for the period ended September 30, 2020, because we performed certain accounting and administrative services for Bitwise Asset Management, Inc.

***Theorem Fund Services, LLC***

Boca Raton, Florida

October 31, 2020



**Bitwise 10 Crypto Index Fund**  
**Statement of Financial Condition**

September 30, 2020

---

**Assets**

Investments in digital assets, at fair value (cost \$59,228,635)	\$	60,006,852
Cash		461,265
Other assets		1,236
<b>Total Assets</b>	<b>\$</b>	<b>60,469,353</b>

**Liabilities and Shareholders' Equity**

**Liabilities**

Capital withdrawals payable	\$	253,952
Management fees payable		125,205
<b>Total Liabilities</b>		<b>379,157</b>

**Shareholders' Equity (Net Assets)**

<b>Total Liabilities and Shareholders' Equity (Net Assets)</b>	<b>\$</b>	<b>60,469,353</b>
----------------------------------------------------------------	-----------	-------------------

See accompanying notes to unaudited financial statements.

**Bitwise 10 Crypto Index Fund**  
**Condensed Schedule of Investments**

September 30, 2020

	<u>Units</u>	<u>Fair Value</u>	<u>Percentage of Net Assets</u>
<b>Investments in digital assets</b> , at fair value			
Bitcoin	4,233.8080	\$ 45,370,629	75.50 %
Ethereum	23,702.1465	8,428,937	14.03
Other		6,207,286	10.33
<b>Total investments in digital assets</b> , at fair value			
(cost \$59,228,635)		<u>\$ 60,006,852</u>	<u>99.86 %</u>

See accompanying notes to unaudited financial statements.

**Bitwise 10 Crypto Index Fund****Statement of Operations**For the period January 1, 2020 to September 30, 2020

---

**Expenses**

Management fees 683,684

Transaction and other fees 2,202

*Total Expenses* 685,886**Net investment loss** (685,886)**Net realized and change in unrealized gain (loss) on investments**

Net realized loss from digital assets (2,951,448)

Net change in unrealized appreciation or depreciation from digital assets 17,880,074

*Net realized and change in unrealized gain on investments* 14,928,626**Net income** \$ 14,242,740

See accompanying notes to unaudited financial statements.

**Bitwise 10 Crypto Index Fund**  
**Statement of Changes in Net Assets**

For the period January 1, 2020 to September 30, 2020

	<b>Investor Class</b>		<b>Institutional Class</b>		<b>Total Fund</b>	
	<b>Shares</b>	<b>Net Assets</b>	<b>Shares</b>	<b>Net Assets</b>	<b>Shares</b>	<b>Net Assets</b>
<b>Net Assets,</b> January 1, 2020	274,134.01	\$ 17,379,774	66,652.64	\$ 4,271,813	340,786.65	\$ 21,651,587
<b>Transfers</b>	(23,454.60)	(1,880,156)	23,180.81	1,880,156	(273.79)	-
<b>Conversion</b>	3,440,958.19	7,692,382	(95,346.28)	(7,692,391)	3,345,611.91	(9)
<b>Subscriptions *</b>	2,527,716.06	26,005,342	5,994.85	400,000	2,533,710.91	26,405,342
<b>Net income</b>	-	13,063,468	-	1,179,272	-	14,242,740
<b>Withdrawals *</b>	(92,400.66)	(2,170,614)	(482.02)	(38,850)	(92,882.68)	(2,209,464)
<b>Net Assets,</b> September 30, 2020	<u>6,126,953.00</u>	<u>\$ 60,090,196</u>	<u>-</u>	<u>\$ -</u>	<u>6,126,953.00</u>	<u>\$ 60,090,196</u>
Net Asset Value per Share, September 30, 2020		<u>\$ 9.81</u>		<u>\$ -</u>		

\* The Statement of Changes in Net Assets includes shares issued prior to the Fund's conversion on May 1, 2020 (when all Institutional Class members were issued new shares in the Fund at a conversion rate of 10.126022288931 for each share, all Investor Class members were issued new shares in the Fund at a conversion rate of 10 for each share) at the when-issued (and unconverted) quantities, while shares issued subsequent to the May 1, 2020 conversion each represent a significantly lower Net Asset Value per share.

On an adjusted basis (e.g., adjusting the shares issued prior to May 1, 2020 by their future conversion rates), the Investor Class issued 2,912,700.60 shares and redeemed 258,024.60 shares for the period from January 1, 2020 to September 30, 2020. The Institutional Class issued 60,703.95 shares and redeemed 4,880.95 shares for the period from January 1, 2020 to September 30, 2020.

See accompanying notes to unaudited financial statements.

# Bitwise 10 Crypto Index Fund

## Notes to Unaudited Financial Statements

September 30, 2020

---

### 1. Organization

#### *Nature of Operations*

Bitwise 10 Crypto Index Fund (the “Trust”) is a Delaware statutory trust that commenced operations on November 22, 2017. The Trust's name was changed from Bitwise Hold 10 Private Index Fund, LLC on September 24, 2018, and changed again from “Bitwise 10 Private Index Fund, LLC” on May 1, 2020 when it was also simultaneously converted from a Delaware Limited Liability Company to a Delaware Statutory Trust. Bitwise Investment Advisers, LLC, an affiliate of Bitwise Asset Management, Inc, is the sponsor (“Sponsor”) and investment adviser of the Trust.

The Trust’s principal investment objective is to invest in a portfolio of broad-based cryptocurrencies that tracks the Bitwise 10 Large Cap Crypto Index (the “Index”) (defined below) as close as possible with certain exceptions determined by the Sponsor in its sole discretion. The Index is to be comprised of the top ten largest cryptocurrencies in the world based on weighted and inflation adjusted market capitalizations selected in the sole discretion of the Sponsor based on criteria developed by the Sponsor. The Sponsor may make changes to the Index as well as the criteria used to develop the Index at any time in its sole discretion. The Index is calculated daily and rebalanced monthly.

Shareholders subject to a 2.5% per annum Management Fee are referred to as the Investor Class and Shareholders subject to a 2.0% per annum Management Fee are referred to as the Institutional Class. Pursuant to the Agreement and Plan of Conversion executed as of May 1, 2020, the Trust converted from a Delaware limited liability company to a Delaware statutory trust. In connection with the conversion, limited partnership units were converted to shares. All members holding Investor Class units received 10 shares for each unit held, and all members holding Institutional Class units received 10.126022288931 shares for each unit held. Additionally, effective May 1, 2020 all shareholders are charged a Management Fee of 2.5% per annum, and the dual class structure was eliminated.

Capitalized terms are as defined in the Disclosure Document to which these financial statements are an exhibit unless defined herein. Additionally, any references to Shares or Shareholders refer to units and members, respectively, with respect to the period prior to the conversion.

### 2. Significant Accounting Policies

#### *Basis of Presentation*

The financial statements are expressed in U.S. dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Trust is an investment company and follows the specialized accounting and reporting guidance in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC” or “Codification”) Topic 946, Financial Services - Investment Companies.

U.S. GAAP contains no authoritative guidance related to the accounting for digital assets. As a result, transactions of digital assets have been accounted for analogizing to existing accounting standards that management believes are appropriate to the circumstances. There can be no certainty as to when the FASB or other standards setter will issue accounting standards for digital assets, if at all.

## **Bitwise 10 Crypto Index Fund**

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

September 30, 2020

---

Pursuant to the Statement of Cash Flows Topic of the Codification, the Trust qualifies for an exemption from the requirement to provide a statement of cash flows and has elected not to provide a statement of cash flows.

#### *Use of Estimates*

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

#### *Cash*

Cash represents cash deposits held at financial institutions. Cash in a bank deposit account, at times, may exceed U.S. federally insured limits. The Trust has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on such bank deposits.

#### *Investments and Valuation*

The Trust's investments in digital assets are stated at fair value. Digital assets are generally valued using prices as reported on reputable and liquid exchanges and may involve utilizing an average of bid and ask quotes using closing prices provided by such exchanges as of the date and time of determination (described below). Factors such as the recent stability of the exchange, current liquidity of the exchange, and recent price activity of an exchange will be considered as to the determination of which exchanges to utilize. The time used is 16:00 ET which corresponds to 20:00 UTC during Daylight Savings Time and 21:00 UTC during non-Daylight Savings Time. The Sponsor's Valuation Policy provides a listing of preferred exchanges. While some digital assets are valued based on prices reported in the public markets, other digital assets may be more thinly-traded or subject to irregular trading activity. Determinations on the value of certain digital assets, and how to value such assets as to which limited prices or quotations are available, are based on the Sponsor's recommendations or instructions.

Digital asset transactions are recorded on the trade date. Realized gains and losses from digital asset transactions are determined using the identified cost method. Any change in net unrealized gain or loss is reported in the statement of operations. Commissions and other trading fees are reflected as an adjustment to cost or proceeds at the time of the transaction.

The Trust generally records receipt of a new digital asset created due to a hard fork at the time the hard fork is effective. The Trust's methodology for determining effectiveness of the fork is when two or more recognized exchanges quote prices for the forked coin. Some exchanges and custodians do not honor hard forks or may honor hard forks in the future. In such cases, the Trust will record receipt of the new digital asset at the time two or more recognized exchanges begin quoting prices for the asset. Although the Trust records the asset into its books and records at the time the fork is effective, as described above, the Trust's Custodian (defined below) may take an extended period of time to make the forked asset available for transfer, and it may never make the forked asset available for transfer, which could lead to either the Trust holding the asset longer than it would otherwise hold the asset (if it was freely transferrable), or a complete write-down in the value of the forked asset. The Trust does not allocate any of the original digital asset's cost to the new digital asset and recognizes unrealized gains equal to the fair value of the new digital asset received.

## Bitwise 10 Crypto Index Fund

### Notes to Unaudited Financial Statements

September 30, 2020

---

The Trust regularly receives "airdrops" of new digital assets. The use of airdrops is generally to promote the launch and use of new digital assets by providing a small amount of such new digital assets to the private wallets or exchange accounts that support the new digital asset and that hold existing related digital assets. Unlike hard forks, airdropped digital assets can have substantially different blockchain technology that has no relation to any existing digital asset, and many airdrops may be without value. The Trust records receipt of airdropped digital assets when received if there is value to the Trust in doing so. Digital assets received from airdrops have no cost basis and the Trust recognizes unrealized gains equal to the fair value of the new digital asset received.

#### *Income Taxes*

The Trust does not record a provision for U.S. federal, U.S. state or local income taxes because the Shareholders report their share of the Trust's income or loss on their income tax returns. The Trust files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states and foreign jurisdictions. Generally, the Trust is subject to income tax examinations by taxing authorities for all years since inception.

The Trust is required to determine whether its tax positions are more likely than not to be sustained on examination by the applicable taxing authority, based on the technical merits of the position. Tax positions not deemed to meet a more likely than not threshold would be recorded as a tax expense in the current year. As of September 30, 2020, the Trust has determined that no provision for income taxes is required and no liability for unrecognized tax benefits has been recorded. The Trust does not expect that its assessment related to unrecognized tax benefits will materially change over the next 12 months. However, the Trust's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, the nexus of income among various tax jurisdictions; compliance with U.S. federal, U.S. state, and tax laws of jurisdictions in which the Trust operates in; and changes in the administrative practices and precedents of the relevant authorities.

### **3. Fair Value Measurements**

The Trust carries its investments at fair value in accordance with FASB ASC Topic 820, Fair Value Measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Fair value investments are not adjusted for transaction costs.

In determining fair value, the Trust uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access.

*Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. These inputs may include (a) quoted prices for similar assets in active markets, (b) quoted prices for identical or similar assets in markets that are not active, (c) inputs other than quoted prices that are observable for the asset, or (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

## Bitwise 10 Crypto Index Fund

### Notes to Unaudited Financial Statements

September 30, 2020

---

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement. The following summarizes the Trust's assets accounted for at fair value at September 30, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<b>Investments in digital assets</b> , at fair value	<u>\$ -</u>	<u>\$ 60,006,852</u>	<u>\$ -</u>	<u>\$ 60,006,852</u>

#### 4. Financial Instruments with Off-Balance-Sheet Risk

##### Digital Assets

Digital assets are loosely regulated and there is no central marketplace for currency exchange. Supply is determined by a computer code, not by a central bank, and prices have been extremely volatile. Digital asset exchanges have been closed due to fraud, failure or security breaches. Any of the Trust's assets that reside on an exchange that shuts down may be lost. At September 30, 2020, no digital assets reside on exchanges.

Several factors may affect the price of digital assets, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of digital assets or the use of digital assets as a form of payment. There is no assurance that digital assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of digital asset payments by mainstream retail merchants and commercial businesses will continue to grow.

##### *Digital Asset Regulation*

As digital assets have grown in popularity and market size, various countries and jurisdictions have begun to develop regulations governing the digital assets industry. To the extent that future regulatory actions or policies limit the ability to exchange digital assets or utilize them for payments, the demand for digital assets will be reduced. Furthermore, regulatory actions may limit the ability of end-users to convert digital assets into fiat currency (e.g., U.S. dollars) or use digital assets to pay for goods and services. Such regulatory actions or policies would result in a reduction of demand, and in turn, a decline in the underlying digital asset unit prices.

The effect of any future regulatory change on the Trust or digital assets in general is impossible to predict, but such change could be substantial and adverse to the Trust and the value of the Trust's investments in digital assets.



## Bitwise 10 Crypto Index Fund

### Notes to Unaudited Financial Statements

September 30, 2020

---

#### *Custody of Digital Assets*

Coinbase Custody Trust Company, LLC (the "Custodian") serves as the Trust's Custodian for digital assets for which qualified custody is available. Custody of digital assets for which qualified custody is not available will be performed by the Sponsor using widely acceptable, highly regarded and secure custody protocols including, without limitation, cold storage in bank vaults, offline transactions and the Glacier protocol. The Custodian is subject to change in the sole discretion of the Sponsor. At September 30, 2020, digital assets of approximately \$60,007,000 are held by the Custodian.

#### *Digital Asset Trading is Volatile and Speculative*

Digital assets represent a speculative investment and involve a high degree of risk. Prices of digital assets have fluctuated widely for a variety of reasons including uncertainties in government regulation and may continue to experience significant price fluctuations. If digital asset markets continue to be subject to sharp fluctuations, Shareholders may experience losses as the value of the Trust's investments decline. Even if Shareholders are able to hold their Shares in the Trust for the long-term, their Shares may never generate a profit, since digital asset markets have historically experienced extended periods of flat or declining prices, in addition to sharp fluctuations.

#### *Control of Private Keys*

Digital assets are controllable only by the possessor of a unique private cryptographic key controlling the address in which the digital asset is held. The theft, loss or destruction of a private key required to access a digital asset is irreversible, and such private keys would not be capable of being restored by the Trust. The loss of private keys relating to digital wallets used to store the Trust's digital assets could result in the loss of the digital assets and an investor could incur substantial, or even total, loss of capital. At September 30, 2020, no digital assets are held in private wallets.

#### *Over-the-Counter Transactions*

Some of the markets in which the Trust may execute its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Trust to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Trust to suffer a loss. Such "counterparty risk" is accentuated for digital assets where the Trust has concentrated its transactions with a single or small group of counterparties. The Trust is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Trust has no internal credit function that evaluates the creditworthiness of its counterparties. The ability of the Trust to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparty's financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Trust.

**Bitwise 10 Crypto Index Fund**  
**Notes to Unaudited Financial Statements**

September 30, 2020

---

*Transactions in Cryptocurrencies May Be Irreversible*

Transactions in digital assets may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable. If there is an error and a transaction occurs with the wrong account, to the extent that the Trust is unable to seek a corrective transaction with such third-party or is incapable of identifying the third-party which has received the digital assets through error or theft, the Trust will be unable to revert or otherwise recover incorrectly transferred digital assets. To the extent that the Trust is unable to seek redress for such error or theft, such loss could result in the total loss of a Shareholder's investment in the Trust.

*No FDIC or SIPC Protection*

The Trust is not a banking institution or otherwise a member of the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). Accordingly, deposits or assets held by the Trust are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. The Trust's cryptocurrency custodians do however carry bespoke insurance policies related to the cryptocurrencies over which they provide custody.

**5. Administrator**

Theorem Fund Services, LLC (the "Administrator") serves as the Trust's administrator and performs certain administrative and accounting services on behalf of the Trust.

**6. Shareholders' Equity**

*Subscriptions*

The minimum initial subscription amount is \$25,000, and an existing Shareholder may make additional subscriptions in a minimum amount of \$10,000. Minimum subscription amounts may be increased, decreased and/or waived by the Sponsor in its sole discretion.

A Shareholder may, with the consent of the Sponsor, make additional subscriptions to the capital of the Trust (a) weekly on Wednesdays, (b) the first Business Day after any Wednesday on which banks in the U.S. are closed for business and (c) at such other times as the Sponsor may determine in its sole discretion.

*Withdrawals*

Prior to date, each Shareholder may request a withdrawal (a "Withdrawal Request") of any Shares attributable to any Subscription as of the first Weekly Withdrawal Time, which is Wednesday at 5 p.m. PT that banking institutions are open for business in the State of California. Withdrawals are permitted on the 12 month anniversary of the date on which the attributable Subscription was made (such initial 12 month period, the "Lock-Up Period"); provided that, a Shareholder may, in its discretion, resign all or a portion of Shares during a Lock-Up Period on a Withdrawal Date upon the payment of a 3% early withdrawal fee to the Trust and subject to all other resignation restrictions. Withdrawal Requests once made are irrevocable and must be communicated in writing to the Administrator by 2 p.m. PT on the Monday prior to the desired Weekly Withdrawal Time. Previously, the Trust offered redemptions but the redemption program has been halted as of October 7, 2020 in connection with the Trust seeking approval for the quotation of its Shares on OTCQX.

## **Bitwise 10 Crypto Index Fund**

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

September 30, 2020

---

Subject to the Trust-level Suspensions and Shareholder-level Suspensions and any other restrictions provided in the Offering Memorandum and in the Trust Agreement, the Sponsor will, within 30 business days following the applicable Withdrawal Date, distribute not less than 90% of the Shareholder's Capital Account (net of any accrual of the Management Fee then due and expenses for legal, accounting or administrative costs associated with such Withdrawal, and any reserves) and distribute the balance of the proceeds, if any, upon the completion of the Trust's annual audit for the fiscal year in which the withdrawal is effected. A Shareholder may not make a partial withdrawal that would reduce his or her Capital Account balance below \$10,000, subject to the discretion of the Sponsor to waive such limitation. However, the Trust may take longer than 30 business days to settle Withdrawal Requests if the Trust is unable to liquidate its investments, if the value of the assets and liabilities of the Trust cannot be determined with reasonable accuracy, or for any other reason. Transaction costs involved in funding a withdrawal may be charged to the withdrawing Shareholder.

#### *Allocation of Profits and Losses*

Prior to the conversion, income or loss (prior to the calculation of the Management Fee) attributable to the Trust was allocated to each Class in proportion to each Class' capital account balance.

#### **7. Related Party Transactions**

In consideration for the management services to be provided to the Trust, the Sponsor will receive from the Trust a management fee (the "Management Fee") payable monthly, in advance for the period January 1, 2020 to May 31, 2020, and in arrears for the period June 1, 2020 ongoing.

Prior to May 1, 2020, the monthly Management Fee was equal to (a)  $1/12^{\text{th}}$  of 2.0% (2.0% per annum) of the net asset value of each Member's capital account balance, for subscriptions greater than or equal to \$1 million, and (b)  $1/12^{\text{th}}$  of 2.5% (2.5% per annum) of the net asset value of each Member's capital account balance, for subscriptions less than \$1 million. Effective May 1, 2020, all Shareholders in the Trust are charged a Management Fee of 2.5% per annum.

The Sponsor may, in its discretion, waive, reduce or rebate the Management Fee with respect to any Shareholder or group of Shareholders (which group may, but need not, include all Shareholders), including affiliates of the Sponsor; provided that such waiver, reduction or rebate shall not increase the Management Fee payable in respect of any other Shareholder.

For the period ended September 30, 2020, the Investor Class and the Institutional Class were charged Management Fees of approximately \$637,000 and \$46,000, respectively, of which \$125,205 remains payable as of September 30, 2020.

The Sponsor paid all expenses related to the initial offering, organization and start-up of the Trust and will not seek reimbursement for such amounts. The Sponsor is responsible for all ordinary operating expenses of the Trust, including administrative, custody, legal, audit, insurance, and other operating expenses.

#### **8. Indemnifications**

In the normal course of business, the Trust enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Trust's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the

## Bitwise 10 Crypto Index Fund

### Notes to Unaudited Financial Statements

September 30, 2020

Trust that have not yet occurred. The Trust expects the risk of any future obligation under these indemnifications to be remote.

## 9. Financial Highlights

The following presents the financial highlights for the period ended September 30, 2020. Investor Class shares were outstanding during the period January 1, 2020 to September 30, 2020, and Institutional Class shares were outstanding during the period January 1, 2020 to April 30, 2020.

<b>Per Share Performance</b> (for a share outstanding throughout the period)	<b>Investor Class</b>	<b>Institutional Class</b>
Net asset value per share at beginning of period	\$ 63.40	\$ 64.09
<i>Net income:</i>		
Net realized and change in unrealized gain on investments <sup>(1)</sup>	18.84	17.10
Net investment loss <sup>(1)</sup>	(0.72)	(0.52)
Net income	18.12	16.58
Conversion	(71.71)	-
Net asset value per share at end of period	\$ 9.81	\$ 80.67 <sup>(2)</sup>
Total return	54.70 %	25.88 %
<b>Supplemental Data</b>		
Ratios to average net asset value		
Expenses	2.31 %	2.07 %
Net investment loss	(2.31) %	(2.07) %

The total return and the ratios to average net asset value are calculated for each class as a whole. An individual Shareholder's return and ratios may vary based on the timing of capital transactions. Ratios have been annualized for the Investor Class for the period January 1, 2020 to September 30, 2020, and for the Institutional Class for the period January 1, 2020 to April 30, 2020, the date of conversion; total returns have not been annualized.

<sup>(1)</sup> Net investment loss per share is calculated by dividing the net investment loss by the average number of shares outstanding during the period. Net realized and change in unrealized gain on investments is a balancing amount necessary to reconcile the change in net asset value per share with the other per share information.

<sup>(2)</sup> Represents the net asset value per share at April 30, 2020, prior to conversion.

## 10. Subsequent Events

Previously, the Trust offered redemptions but the redemption program has been halted as of October 7, 2020 in connection with the Trust seeking approval for the quotation of its Shares on OTCQX.

**Bitwise 10 Crypto Index Fund****Notes to Unaudited Financial Statements**

September 30, 2020

---

The Sponsor has evaluated subsequent events through October 31, 2020, the date the financial statements were available to be issued, and has determined that there are no other subsequent events that require disclosure.