

# Hashdex Crypto Metaverse ETF

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

# Hashdex Crypto Metaverse ETF

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## **Independent Auditors' Report to the Board of Directors**

### ***Opinion***

We have audited the financial statements of Hashdex Crypto Metaverse ETF (the "Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments as of September 30, 2023, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2023, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

We draw attention to Note 4 to the financial statements. The Fund invests in Digital Assets that are subject to risks that are unique to the asset class and differ from traditional financial assets. Our opinion is not modified in respect of this matter.

### ***Restriction on use and distribution***

Our procedures were designed to enable us to express an opinion on the Fund's financial statements as a whole. Accordingly, other than set out in our audit report in accordance with our statutory duties, we have not expressed any opinions or other form of assurance on individual account balances, financial amounts, financial information or the adequacy of financial, accounting or management systems.

We do not, in giving our statutory audit opinion, accept or assume responsibility for any other purpose. Our audit report does not constitute investment advice and our report should not be relied upon for the purpose of investment or business decisions in respect of the Fund. Specific investment advice should be sought and, if necessary, due diligence undertaken, before any such decisions are made.

Our report is intended solely for the information and use of the Fund's Board of Directors, as a body, and its shareholders and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP, a Cayman Islands limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

As of 1 October 2023, KPMG, which was constituted as a general partnership under the laws of the Cayman Islands, converted to a limited liability partnership registered in the Cayman Islands as KPMG LLP.

Document classification: KPMG Confidential



## **Independent Auditors' Report to the Board of Directors (continued)**

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

January 29, 2024

## Hashdex Crypto Metaverse ETF

### Statement of Assets and Liabilities

September 30, 2023

*(Expressed in United States Dollars)*

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#### ASSETS

Investments in digital assets, at fair value (cost \$689,598)	\$	380,470
Cash		1,924
Other assets		223
Total assets	\$	<u>382,617</u>

#### LIABILITIES

Payable to Investment Manager	\$	19,177
Management fees payable		307
Accrued expenses		123
Due to shareholder		295
Total liabilities		<u>19,902</u>

Net assets	\$	<u>362,715</u>
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See accompanying notes to the financial statements.

## Hashdex Crypto Metaverse ETF

### Condensed Schedule of Investments

September 30, 2023

(Expressed in United States Dollars)

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	Units	Fair Value	Percentage of Net Assets
<b>Investments in digital assets, at fair value</b>			
Global			
Shiba Inu	18,049,979,717.93160000	\$ 132,974	36.66 %
Ethereum	36.00276402	60,404	16.65
Polygon	61,212.17616430	32,571	8.98
Decentraland	103,658.88206435	32,164	8.87
ApeCoin	23,801.46994193	29,723	8.19
ChainLink	3,425.68028613	27,940	7.70
Gala	1,718,187.59719576	24,695	6.81
Chiliz	370,627.44986643	22,814	6.29
Other <sup>1</sup>		<u>17,185</u>	<u>4.74</u>
<b>Total Investments in digital assets, at fair value</b> (cost \$689,598)		<u>\$ 380,470</u>	<u>104.89 %</u>

<sup>1</sup> No investment in digital assets exceeds 5% of Net Assets disclosed as part of Other in the Condensed Schedule of Investments.

See accompanying notes to the financial statements.

## Hashdex Crypto Metaverse ETF

### Statement of Operations

For the year ended September 30, 2023

*(Expressed in United States Dollars)*

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<b>Income</b>	
Staking income	\$ 243
Other income	294
Total investment income	<u>537</u>
<b>Expenses</b>	
Management fees	6,052
Administrative fee	3,439
Professional fees and other expenses	20,744
Total expenses	<u>30,235</u>
Reimbursement from Investment Manager	<u>(22,252)</u>
<b>Net expenses</b>	<u>7,983</u>
<b>Net investment loss</b>	<u>(7,446)</u>
<b>Realized and unrealized loss from investments in digital assets</b>	
Net realized loss from digital assets	(243,015)
Net unrealized loss on digital assets	<u>(117,100)</u>
<b>Net realized and unrealized loss from investments in digital assets</b>	<u>(360,115)</u>
<b>Net decrease in net assets resulting from operations</b>	<u><u>\$ (367,561)</u></u>

See accompanying notes to the financial statements.

## Hashdex Crypto Metaverse ETF

### Statement of Changes in Net Assets

For the year ended September 30, 2023

*(Expressed in United States Dollars)*

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<b>Changes in net assets resulting from operations</b>	
Net investment loss	\$ (7,446)
Net realized loss from digital assets	(243,015)
Net unrealized loss on digital assets	(117,100)
<b>Net decrease in net assets resulting from operations</b>	<u>(367,561)</u>
<b>Capital share transactions</b>	
Issuance of shares	26,361
Redemption of shares	(162,477)
<b>Net decrease in net assets resulting from capital share transactions</b>	<u>(136,116)</u>
<b>Net decrease in net assets</b>	<u>(503,677)</u>
<b>Net assets, beginning of year</b>	866,392
<b>Net assets, end of year</b>	<u>\$ 362,715</u>

See accompanying notes to the financial statements.



## Hashdex Crypto Metaverse ETF

### Statement of Cash Flows

For the year ended September 30, 2023

*(Expressed in United States Dollars)*

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<b>Cash flows from operating activities</b>	
Net decrease in net assets resulting from operations	\$ (367,561)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:	
Net realized loss from digital assets	243,015
Net unrealized loss on digital assets	117,100
Purchases of investments in digital assets	(343,633)
Proceeds from sales of investments in digital assets	496,524
Changes in operating assets and liabilities:	
Other assets	(223)
Payable to Investment Manager	(5,364)
Accrued expenses	(5,507)
Management fees payable	(447)
Due to shareholder	(283)
<b>Net cash provided by operating activities</b>	<u>133,621</u>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of shares	26,361
Payments from redemption of shares	(162,477)
<b>Net cash used in financing activities</b>	<u>(136,116)</u>
<b>Net change in cash</b>	(2,495)
<b>Cash, beginning of year</b>	<u>4,419</u>
<b>Cash, end of year</b>	<u>\$ 1,924</u>

See accompanying notes to the financial statements.

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 1. Organization

#### *Nature of Operations*

Hashdex Crypto Metaverse ETF (the "Fund"), a Cayman Islands exempted company and governed by the Mutual Funds Act of the Cayman Islands, was registered on February 3, 2022, with the Cayman Islands Monetary Authority and commenced operations on April 7, 2022. Hashdex Asset Management Ltd (the "Investment Manager"), a Cayman Islands exempted limited company, serves as the Investment Manager of the Fund. The Investment Manager provides investment advice, risk management, research and other investment support services and investment analysis services to the Fund. The Investment Manager will also provide support services to the Fund, including certain administrative, accounting, investor relations and other services.

The Fund's investment objective is to provide investment results, to the extent reasonably possible, that tracks the performance of the CF Digital Culture Composite Index – Modified Market Cap Weight (the "Index"). The Index is developed by CF Benchmarks Ltd. ("CF Benchmarks" / the "Index Administrator") and will be maintained on an ongoing basis by CF Benchmarks and/or its subordinates. The Index is designed to track the performance of crypto assets linked to digital culture, such as non-fungible token (NFT) platforms, on-chain services and settlement networks that comprise the ecosystem commonly known as "the metaverse" (the "Digital Culture Sector") through a portfolio of Digital Assets that are native to the protocols, layers, information networks and blockchain networks that constitute the infrastructure necessary to deliver Digital Culture products and services to end-users ("Digital Culture Tokens"). The Index will utilize a rules-based methodology to periodically adjust constituents and weightings to reflect changes in the Digital Culture Sector.

The Fund will pursue its investment objective through investments in a portfolio of cryptocurrencies (collectively, "Digital Assets") that are tracked by the Index. The Investment Manager intends to pursue the Fund's investment objectives primarily by investing directly in Digital Assets that comprise of the Index and, additionally, may also invest indirectly in Digital Assets through derivatives to either optimize cash balances or to improve tracking accuracy, for the sake of example, by minimizing the adverse effect of fees and expenses. When possible and at the Investment Manager's discretion, the Fund may also strive to generate additional return by capitalizing on opportunities such as airdrops, staking, and lending, in order to improve tracking accuracy.

Capitalized terms are as defined in the offering memorandum unless defined herein.

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 2. Significant Accounting Policies

The significant accounting policies followed by the Fund are:

#### *Basis of Presentation*

The financial statements are expressed in U.S. dollars and have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The Fund 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*.

#### *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 including the fair value of investments, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

#### *Cash and Restricted Cash*

Cash, including cash denominated in foreign currencies, represents cash on hand and demand deposits held at financial institutions. Cash is held at financial institutions and is subject to credit risk to the extent those balances exceed applicable Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) limitations. Cash in a bank deposit account, at times, may exceed U.S. federally insured limits. The Fund has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on such bank deposits.

Restricted cash is subject to a legal or contractual restriction by third parties as well as a restriction as to withdrawal or use, including restrictions that require the funds to be used for a specified purpose and restrictions that limit the purpose for which the funds can be used. As of September 30, 2023, the Fund does not have any restricted cash.

#### *Investments in Digital Assets*

Digital Assets are classified as other investments in accordance with ASC 946. Digital Assets are initially recognized at their transaction price including commissions, which are part of the initial transaction. Digital Assets are subsequently valued at fair value in accordance with the Fund’s valuation policy. Investment transactions are accounted for on a trade date basis. Realized gains and losses on investment transactions are recognized upon the sale of Digital Assets and are determined on a specific identification basis.

The Fund generally custodies with Coinbase Custody Trust Company, LLC, a custodian regulated by Financial Conduct Authority (FCA).

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 2. Significant Accounting Policies (Continued)

#### *Fair Value Measurements*

The Fund determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

*Level 1* - Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund is able to access.

*Level 2* - Inputs, other than quoted prices included in Level 1, that 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* - Inputs that are unobservable and significant to the entire 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 some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety within the fair value hierarchy based on the lowest-level input that is significant to the fair value measurement.

#### *Fair value- Valuation techniques and inputs*

When determining fair value, the Fund uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Fund to determine fair value are consistent with the market or income approaches.

The Fund generally uses the market approach to value Digital Assets. The market approach includes valuation techniques that use prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or group of assets and liabilities.

The Fund values its investments in Digital Assets at a value which reflects the last traded price on a principal or most advantageous market as of the close of business on the measurement date.

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 2. Significant Accounting Policies (Continued)

#### *Airdrops*

Digital Assets held by the Fund as the result of an airdrop are recorded on the date the new Digital Assets are made available to the Fund by its custodian or other service providers.

Airdrops are recorded with a cost based on the fair value at the time of the transaction and subsequently valued in accordance with the Fund's valuation policy.

#### *Income Taxes*

Under the laws of the Cayman Islands, the Fund is generally not subject to income taxes. The Fund received additional concessions that no law enacted during the period from January 13, 2022 to January 13, 2042 imposing any tax on profits, income, or gains shall apply to the Fund. The Fund is subject to income tax examinations by major taxing authorities from inception.

The Fund 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 period. As of September 30, 2023, the Fund has determined that no provision for income taxes is required and no liability for unrecognized tax benefits has been recorded. The Fund does not expect that its assessment related to unrecognized tax benefits will materially change over the next 12 months. However, the Fund'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 Cayman Islands and U.S. federal, U.S. state and foreign tax laws of jurisdictions in which the Fund operates in; and changes in the administrative practices and precedents of the relevant taxing authorities.

The Fund recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. As of September 30, 2023, the Fund has not recognized any related interest and penalties.

#### *Allocation of Profits and Losses*

Net profits and net losses (including unrealized and realized) for each year attributable to the Fund are allocated to each class of Shares in proportion to its net assets relative to the Fund as a whole as of the beginning of the day.

#### *Staking Income*

Some of the Digital Assets owned by the Fund utilize a Proof of Stake consensus algorithm to verify transactions. In a Proof of Stake algorithm, users may temporarily delegate or "Stake" Digital Assets in a protocol to that network in order to validate blocks of transactions on the network. In addition to supporting the network's integrity, those selected as validators of transactions are rewarded with newly created network tokens.

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 2. Significant Accounting Policies (Continued)

During the year ended September 30, 2023, the Fund staked certain Digital Assets and earned Digital Asset rewards which it recognizes as “Staking income” on the Statement of Operations. Staking income is recorded on an accrual basis at the fair value of the Digital Assets received using the day end price and the total number of Digital Asset rewards received. The fair value of the Digital Assets received is deemed to be the cost basis for these Digital Assets and the amount recognized as Staking Income on the Statement of Operations. Any subsequent change in fair value is reflected in the net unrealized loss from Digital Assets in the Statement of Operations.

#### *Licensing Fee*

The Investment Manager entered into a Financial Product License Agreement (the “Agreement”) on October 11<sup>th</sup>, 2021, with the Index Administrator. The Index Administrator administrates, maintains and licenses pricing indices and pricing rates for use relating to the value of Digital Assets. The Fund utilizes the information to track the index provided by the Index Administrator. By entering into the Agreement, the Fund will pay the Index Administrator a licensing fee of \$5,000 per quarter, or 0.0375% of the Average Assets Under Management per quarter, whichever is higher. On April 1, 2023, there was an amendment to the Agreement in which the Fund will only pay the Index Administrator a licensing fee of 0.0375% of the Average Assets Under Management per quarter.

During the year ended September 30, 2023, the Fund incurred \$906 in licensing fee of which all has been paid as of September 30, 2023.

### 3. Fair Value Measurements

#### *Fair value - Hierarchy of fair value*

The Fund's assets recorded at fair value have been categorized based on a fair value hierarchy as described in Note 2.

As of September 30, 2023, the investments held by the Fund were all level 1 assets. There were no level 2 or 3 investments held during the year ended September 30, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Investments in digital assets, at fair value	\$ 380,470	\$ -	\$ -	\$ 380,470

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 4. Risk Factors

The Fund's activities may expose it to a wide variety of risks:

#### *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. Certain asset exchanges have been closed due to fraud, failure or security breaches. Any of the Fund's assets that reside on an exchange that shuts down may be lost.

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.

As of September 30, 2023, digital assets of approximately \$21,913 reside on Kraken exchange.

#### *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. Regulators are concerned such a large unregulated person-to-person global economy could potentially enable criminals to evade taxes and launder money. 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 Fund or Digital Assets in general is impossible to predict, but such change could be substantial and adverse to the Fund and the value of the Fund's investments in Digital Assets.

#### *Custody of Digital Assets*

Coinbase Custody Trust Company, LLC (the "Custodian") serves as the Fund's custodian for Digital Assets. The Custodian are subject to change in the sole discretion of the Board of Directors. The Fund has concentrations of credit risk with the Custodian that holds its assets in custody. In the event of a custodian's insolvency, the Fund may be unable to recover some or all of its assets on deposit with that party, resulting in a partial or even total loss of capital.

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 4. Risk Factors (Continued)

The Fund's Digital Assets may also be at risk of loss due to computer hacking, loss of passwords, compromised access credentials, malware or other forms of cyber-attack perpetrated against the party holding the private keys that control access to the Fund's Digital Assets. The Fund typically does not have access to the private keys held by third-parties. Digital Asset trading platforms are also largely unregulated, provide limited transparency with respect to their operations and have come under increasing scrutiny due to cases of fraud, business failure and security breaches. Any such events could lead to a loss of the Fund's Digital Assets resulting in a partial or even total loss of capital.

The Investment Manager is responsible for taking such steps as it determines, in its sole judgment, to maintain access to these keys, and prevent their exposure from hacking, malware and general security threats. The Investment Manager is not liable to the Fund or to the shareholders for the failure or penetration of the security system absent gross negligence, fraud or criminal behavior on the part of the Investment Manager. To the extent that the security system is penetrated, any loss of the Fund's Digital Assets may adversely affect a shareholder's investment, and could result in a partial or even total loss of capital.

<b>Third-party custodian</b>	<b>Fair Value</b>	<b>% of Partners' Capital</b>
Coinbase	<u>\$ 358,557</u>	98.85%

#### *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 Fund's investments decline.

Even if shareholders are able to hold their Shares in the Fund 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 Fund. The loss of private keys relating to digital wallets used to store the Fund's Digital Assets could result in the loss of the Digital Assets and an investor could incur substantial, or even total, loss of capital.



# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 4. Risk Factors (Continued)

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

Some of the markets in which the Fund 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 Fund 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 Fund to suffer a loss. Such "counterparty risk" is accentuated for Digital Assets where the Fund has concentrated its transactions with a single or small group of counterparties.

The Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Fund has no internal credit function that evaluates the creditworthiness of its counterparties. The ability of the Fund 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 Fund.

#### *Transactions in Digital Assets 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 Fund 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 Fund will be unable to revert or otherwise recover incorrectly transferred Digital Assets. To the extent that the Fund 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 Fund.

#### *Hard fork & Airdrop*

Digital Asset prices tends to go down before a hard fork as individuals try to transfer their assets to a safe place and avoid risks associated with forks. Speculation of upcoming hard forks with airdrop may boost the price as traders will hoard the asset to qualify for the airdrop. Once the fork is over, the hyped price usually retraces to initial levels, though, if the majority of traders are against the fork, they will sell their free coins to buy old ones, which will push the price even higher. When two different chains exist, one will eventually be proved invalid, which means that coins found on the wrong chain will be lost. Businesses may stop accepting the Digital Asset until the situation clears out. Forks are often associated with high volatility and prices may diminish rapidly.

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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### 4. Risk Factors (Continued)

Hard forks and airdrops are prone to malware and identity theft. Personal data may be compromised when receiving coins through either method and may make the recipient a potential future target to cyber-attacks. Sometimes false airdrops are promoted to gain a user base for a different project.

The Fund may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, which could adversely affect the Fund. The Fund may not be able, or it may not be practical, to secure or realize the economic benefit of the new asset for various reasons. For instance, a custodian or service provider may not agree to provide the Fund access to the new asset. In addition, the Fund may determine that there is no safe or practical way to custody the new asset, or that trying to do so may pose an unacceptable risk to the Fund's holdings in the old asset, or that the costs of taking possession and/or maintaining ownership of the new Digital Asset exceed the benefits of owning the new Digital Asset. Additionally, the Investment Manager may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Fund may not receive any new Digital Asset created as a result of a hard fork or airdrop, thus losing any potential value from such Digital Assets.

#### *Index Tracking*

The Index is designed to track the performance of the Digital Culture Sector through a portfolio of Digital Assets that are native to the protocols, information networks and blockchain networks that constitute the infrastructure necessary to deliver Digital Culture products and services to end-users. The Index allows investors to track developments occurring on multiple Digital Asset exchanges and provides exposure to a variety of Digital Assets, without requiring the technical capacities associated with holding Digital Assets directly. The Index will be subject to the same general risks as the Digital Assets in the index it tracks. The Index may also be subject to certain other risks, such as:

*Lack of Flexibility* – The Index may have less flexibility than a non-index to react to price declines in the Digital Assets in the index.

*Tracking Error* – The Fund may not perfectly track its Index. The Index may only invest in a sampling of the cryptocurrencies in the market index, in which case the Index's performance may be less likely to match the index.

*Underperformance* – The Fund may underperform the Index because of fees and expenses, trading costs, and tracking error.

# Hashdex Crypto Metaverse ETF

## Notes to Financial Statements

September 30, 2023

(Expressed in United States Dollars)

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### 4. Risk Factors (Continued)

#### *Risk of Staking*

The Fund may stake or delegate tokens to a network in order to validate blocks of transactions on the network. Staking provides validators a chance to earn rewards by validating transactions as well as the ability to participate in the governance of projects through voting. Staking tokens often includes a specified lock-up period where the delegated tokens are unable to be moved on the blockchain or traded. These restrictions inhibit the Partnership's ability to quickly get liquidity and trade at the prevailing market prices. Some networks also incorporate "Slashing" or a mechanism to penalize bad behavior by validator nodes of the protocol. If violations occur, a validator will forfeit an amount of staked tokens which are redistributed to other stakeholders.

	<u>Unbonding period</u>	<u>Fair Value</u>	<u>% of Fund's Net Asset as of September 30, 2023</u>
<b>Staked Token</b>			
Polygon	3 - 4 days	\$ 15,081	4.16%

### 5. Administrator

Theorem Fund Services, LLC (the "Administrator") serves as the Fund's administrator and performs certain administrative and accounting services on behalf of the Fund. For the year ended September 30, 2023, the Fund incurred expenses of \$3,439 for administrative services, of which the full amount has been paid as of September 30, 2023.

### 6. Capital Share Transactions

The Fund is offering participating Class A Shares, Class B Shares, Class C Shares ("Class A Shares", "Class B Shares", and "Class C Shares", respectively, and the "Shares", collectively) of the Fund to eligible investors. The Fund is offering 100 Management Shares and 4,990,000 Participating Shares of \$1.00 and \$0.01 par value, respectively, in the aggregate amount of \$2,000,000,000, unless the Board of Directors, in consultation with the Investment Manager, determines to offer a greater or lesser amount of Shares. The Management Shares holds voting rights with respect to the Fund and all other Shares shall have no voting rights. The Fund may without notice to, or consent of, any shareholder establish and issue from time to time one or more separate classes or series of Shares with terms and conditions that may vary from those of other classes.

Class A shares have not been authorized to any shareholder as of September 30, 2023. Class B shares are only available for authorized participants and are listed on the Bermuda Stock Exchange ("BSX"). Class B Shares shall have additional subscription and redemption processes compared to the Class A and Class C Shares, as described in the Offering Memorandum and wrapper presented to the BSX (the "Bermuda Wrapper"). Class A Shares and Class C Shares are not tradable on any stock exchange.

## Hashdex Crypto Metaverse ETF

### Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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#### 6. Capital Share Transactions (Continued)

##### *Subscriptions*

Subscriptions generally will be permitted daily, on each Fund Business Day, or any other times as determined by the Board of Directors (each such date, a “Subscription Date”). A “Fund Business Day” means any day except a Saturday, Sunday, or other day on which commercial banks in New York are authorized by law to close and ends at 2:59:59 PM of the actual business day in New York (e.g., the Fund’s Business Day for 6/23/2023 starts at 3:00:00 PM eastern time of 6/22/2023 and ends at 2:59:59 PM of 6/23/2023).

An application for a subscription will not be deemed received until: (i) completed subscription materials with respect to an initial or additional subscription have been received by the Registered Transfer Agent (RTA); and (ii) the RTA has completed all KYC procedures and confirmed in writing that all required documentation has been provided.

If an application for a subscription for Class A Shares is approved by the RTA, the subscription will be converted into shares using the closing share price of the Fund’s first Business Day following the Wire Transfer Date.

Class B and Class C Shares allow a subscription to be converted into shares on a given date even if the wire transfer and the conclusion of the Anti-Money Laundering (AML) check happen after the Fund closing time or on the next Fund’s Business Day. If a subscription is converted into shares on a given date but the wire transfer and the conclusion of the Anti-Money Laundering (AML) check do not happen by the end of the next Fund’s Business Day, the subscription request is cancelled.

The minimum initial investment for Shares is \$100,000. The Board of Directors may adjust the minimum investment requirement in any particular case, but not below such other minimum as may be prescribed by Mutual Funds Law. The minimum additional investment by any shareholder is \$5,000, subject to waiver of this requirement at the discretion of the Board of Directors (each such subscription amount, a “Subscription”).

In general, subscriptions for Shares must be made in cash. The Board of Directors has the right, in its sole and absolute discretion, to accept, or to decline to accept, any subscription for Shares, in whole or in part, for any or no reason. The Net Asset Value per Share for initial subscriptions was \$1,000 per share. For subsequent subscriptions, shares will be issued at the Net Asset Value per share applicable to the relevant class on the relevant Subscription Date.

## Hashdex Crypto Metaverse ETF

### Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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#### 6. Capital Share Transactions (Continued)

The Board of Directors, in its sole discretion, may determine to accept capital contributions in the form of certain cryptocurrencies. The basket of Digital Assets required for in-kind subscriptions will be determined by the Investment Manager. Capital contributions made in cryptocurrencies will be valued on the subscription date in accordance with the Fund's valuation policies and procedures, and any costs and expenses associated with converting such cryptocurrencies, hedging currency exposure, or performing "know your customer / anti-money laundering" ("KYC / AML") blockchain activity analysis will be allocated to the relevant shareholder's capital account. During the year ended September 30, 2023, the Fund did not receive any In-Kind Investments from shareholders.

##### *Redemptions*

Subject to the right of the Board of Directors to suspend redemptions and the other restrictions and obligations discussed in the Offering Memorandum, a shareholder may redeem all or any portion of its Shares on any Fund Business Day by providing at least three Fund Business Days' prior written notice to the Administrator for Class A Shares. A written notice must be provided to the Administrator within the same Fund Business Day for Class B and Class C Shares. The Board of Directors has the right to permit redemptions at other times and upon such notice as determined in its discretion.

If a shareholder seeks to fully redeem the aggregated net asset value of its Shares, the Board of Directors will, within 30 business days following the applicable Redemption Date, distribute not less than 95% of the shareholder's redemption proceeds (net of any accrual of the Management Fee then due and expenses for legal, accounting or administrative costs associated with such redemption, and any reserves) and distribute the balance of the proceeds, if any, upon the completion of the Fund's annual audit for the fiscal year in which the redemption is affected. Partial redemptions will be permitted only in amounts greater than \$5,000, subject to the sole discretion of the Board of Directors to permit a redemption of lesser amount. A shareholder may not make a partial redemption that would reduce the net asset value of its Shares below \$5,000, subject to the discretion of the Board of Directors to increase, decrease or waive such limitation. However, the Fund may take longer than 30 business days to settle Redemption Requests if the Fund is unable to liquidate its investments, if the value of the assets and liabilities of the Fund cannot be determined with reasonable accuracy, or for any other reason.

## Hashdex Crypto Metaverse ETF

### Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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#### 6. Capital Share Transactions (Continued)

The Board of Directors, in its sole discretion, may allow for capital redemptions in the form of certain cryptocurrencies. Capital redemptions made in cryptocurrencies will be valued on the redemption date in accordance with the Fund's valuation policies and procedures, and any costs and expenses associated with converting such cryptocurrencies or hedging currency exposure will be allocated to the relevant shareholder's capital account. The basket of Digital Assets for an in-kind redemption will be calculated and provided by the Investment Manager. During the year ended September 30, 2023, the Fund did not process any in-kind redemptions to shareholders.

Certain expenses (whether actually paid, payable or that are reasonably capable of being accurately estimated by the Investment Manager) incurred by the Fund as a result of redemptions may, in the discretion of the Board of Directors be debited from the redemption proceeds otherwise distributable to the redeeming shareholders.

Transactions in capital shares during the year ended September 30, 2023 as well as the shares outstanding and the NAV per share as of September 30, 2023, for each class of shares are as follows:

	<u>Beginning shares</u>	<u>Shares issued</u>	<u>Shares redeemed</u>	<u>Ending shares</u>	
Class B	2,230.00	102.00	(500.00)	1,832.00	
Class C	3.95	2.81	(1.30)	5.46	

  

	<u>Beginning net assets</u>	<u>Amounts issued</u>	<u>Amounts redeemed</u>	<u>Ending net assets</u>	<u>Ending NAV per share</u>
Class B	864,860	25,628	(162,089)	361,637	197.40
Class C	1,532	733	(388)	1,078	197.40

## Hashdex Crypto Metaverse ETF

### Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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#### 7. Related Party Transactions

The Fund will pay the Investment Manager, monthly in arrears, a fixed fee for management services (the “Management Fee”). The Management Fee may be paid to the Investment Manager in cash or in-kind, with assets held by the Fund. The Management Fee will be accrued daily on every calendar day and will be equivalent to 1% per year of the aggregate net asset values of all Class A, Class B, and Class C Shares as of the last business day.

The Investment Manager, in its sole discretion, may waive or reduce the portion of the Management Fee otherwise due with respect to any Shares or shareholder.

For the year ended September 30, 2023, the Fund incurred \$6,052 for Management Fees, of which \$307 remains unpaid as of September 30, 2023.

The Fund does not charge a performance fee.

Certain shareholders are affiliated with the Investment Manager. The aggregate value of the affiliated shareholders’ capital as of September 30, 2023 is \$362,715.

Payable to Investment Manager represents assets owed from the Fund to the Investment Manager for financing the Fund’s operational expenses. This includes organizational costs that the Investment Manager paid for the Fund and is seeking reimbursement. As of September 30, 2023, the Fund owes the Investment Manager \$19,177. During the year ended September 30, 2023, the Investment Manager has elected to pay certain expenses out of its assets on behalf of the Fund, totaling \$41,345. As of September 30, 2023, there were no balances payable to the Investment Manager for these expenses.

The Board of Directors provides oversight and supervision of the Fund. For services provided by the Board of Directors, the Fund will pay a director fee to all board members. During the year ended September 30, 2023, the Fund incurred \$2,742 in director fees.

## Hashdex Crypto Metaverse ETF

### Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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#### 8. Financial Highlights

Financial highlights for the year ended September 30, 2023:

	<b>Class B</b>	<b>Class C</b>
<b>Per-share operating performance</b>		
<b>Net asset value - at beginning of year</b>	\$ 387.84	\$ 387.84
Net gain (loss) from investment operations:		
Net investment loss	(24.66)	(24.66)
Reimbursement from Investment Manager	20.55	20.55
Net loss from investments	(186.33)	(186.33)
Total from investment operations	<u>(190.44)</u>	<u>(190.44)</u>
<b>Net asset value - at end of year</b>	<u>\$ 197.40</u>	<u>\$ 197.40</u>
<b>Total return:</b>	(49.10%)	(49.10%)
<b>Ratio to average net assets:</b>		
Expenses	8.19%	8.19%
Reimbursement from Investment Manager	(6.89%)	(6.89%)
Total expenses	<u>1.30%</u>	<u>1.30%</u>
Net investment loss	<u>(8.10%)</u>	<u>(8.10%)</u>

Financial highlights are calculated for each non-managing class of common shares. An individual shareholder's financial highlights may vary based on participation in new issues, different management fee arrangements, and the timing of capital share transactions. Ratios to average net assets are calculated for each class taken as a whole, with per share operating performance and total return disclosed for the shares issued to an individual shareholder that has not fully redeemed. Total return has not been annualized.



## Hashdex Crypto Metaverse ETF

### Notes to Financial Statements

September 30, 2023

*(Expressed in United States Dollars)*

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#### 9. Organization Expense

At September 30, 2023, net assets in accordance with the Fund's Offering Memorandum differs from net assets as reported on the Statement of Assets and Liabilities as the Fund amortizes organizational expenses over a 60-month period, whereas U.S. GAAP requires organizational expenses to be expensed as incurred. The Investment Manager believes that such treatment is more equitable than requiring initial investors to bear all the Fund's organizational expenses.

The below table provides a reconciliation of the net assets in accordance with the Offering Memorandum and net assets as reported on the Statement of Assets and Liabilities in accordance with U.S. GAAP:

Net assets in accordance with the Offering Memorandum	\$ 381,482
Adjustments to net assets as a result of the treatment of organization expenses	<u>(18,767)</u>
Net assets as reported on the Statement of Assets and Liabilities	<u>\$ 362,715</u>

#### 10. Subsequent Events

These financial statements were approved by management and the Board of Directors and available for issuance on January 29, 2024. Subsequent events have been evaluated through this date.

From October 1, 2023 through to the latest date when Net Asset Values were available, the Fund accepted additional contributions of \$7,480.

As of the latest date when Net Asset Values were available, the Fund is up 49.53% since October 1, 2023. Subsequent to year end, the Fund continues to adhere to its investment strategy.