

GRAYSCALE® DECENTRALIZED FINANCE (DEFI) FUND LLC

A Cayman Islands Limited Liability Company

Managed by

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Primary Standard Industrial Code: 6221

QUARTERLY REPORT

For the quarterly period ended December 31, 2022

Shares Representing Common Units of Fractional Undivided Beneficial Interest

No Par Value Per Share

Unlimited Shares Authorized

233,960 Shares Issued and Outstanding as of December 31, 2022

OTCQB: DEFG

Grayscale Investments, LLC (the “Manager”), on behalf of Grayscale Decentralized Finance (DeFi) Fund LLC (the “Fund”), is responsible for the content of this quarterly report for the quarter ended December 31, 2022 (the “Quarterly Report”), which has been prepared to fulfill the disclosure requirements of the OTCQX U.S. marketplace. 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 Fund,” “the Manager,” “the Issuer,” “Grayscale Decentralized Finance (DeFi) Fund,” “we,” “us” or “our” refers to the Fund or the Manager, as the context indicates. The Fund is a passive entity with no operations, and where the context requires, we provide disclosure with respect to the Manager, which administers the Fund.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934).

Yes ☐ No ☒

Indicate by check mark whether the company’s shell status has changed since the previous reporting period.

Yes ☐ No ☒

Indicate by check mark whether a change in control of the company has occurred over this reporting period.

Yes ☐ No ☒

Dated as of February 8, 2023

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report contains “forward-looking statements” with respect to the Fund’s financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other similar expressions are intended to identify some of the forward-looking statements. All statements (other than statements of historical fact) included in this Quarterly Report that address activities, events or developments that will or may occur in the future, including such matters as changes in market prices and conditions, the Fund’s operations, the Manager’s plans and references to the Fund’s future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Manager made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. You should specifically consider the numerous risks outlined under “Risk Factors” in our Disclosure Statement. Whether or not actual results and developments will conform to the Manager’s expectations and predictions, however, is subject to a number of risks and uncertainties, including:

- the risk factors discussed in this Quarterly Report, including the particular risks associated with new technologies such as digital assets, including Uniswap, Aave, Compound, Curve and Maker, and blockchain technology;
- the Fund’s inability to redeem Shares;
- the inability of the Fund to meet its investment objective;
- economic conditions in the digital asset industry and market;
- general economic, market and business conditions;
- global or regional political, economic or financial conditions, events and situations;
- the use of technology by us and our vendors, including the Custodian, in conducting our business, including disruptions in our computer systems and data centers and our transition to, and quality of, new technology platforms;
- changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;
- the costs and effect of any litigation or regulatory investigations;
- our ability to maintain a positive reputation; and
- other world economic and political developments.

Consequently, all the forward-looking statements made in this Quarterly Report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the Manager anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, the Fund’s operations or the value of the Shares. Should one or more of the risks discussed under “Risk Factors” in our Disclosure Statement or other uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those described in forward-looking statements. Forward-looking statements are made based on the Manager’s beliefs, estimates and opinions on the date the statements are made and neither the Fund nor the Manager is under a duty or undertakes an obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, other than as required by applicable laws. Moreover, neither the Fund, the Manager, nor any other person assumes

responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are therefore cautioned against relying on forward-looking statements.

The risk factors included in our Disclosure Statement 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. There have not been any material changes from the risk factors previously described in our Disclosure Statement, except for as provided in “Item 7 – Other Information.”

Glossary

In this Quarterly Report, each of the following terms has the meaning assigned to it here:

“Aave” or “AAVE”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network and used on the Aave platform.

“Actual Exchange Rate”—With respect to any particular asset, at any time, the price per single unit of such asset (determined net of any associated fees) at which the Fund is able to sell such asset for U.S. dollars (or other applicable fiat currency) at such time to enable the Fund to timely pay any Additional Fund Expenses, through use of the Manager’s commercially reasonable efforts to obtain the highest such price.

“Additional Fund Expenses”—Together, any expenses incurred by the Fund that are not Manager-paid Expenses, including, but not limited to, (i) taxes and governmental charges, (ii) expenses and costs of any extraordinary services performed by the Manager (or any other service provider) on behalf of the Fund to protect the Fund or the interests of shareholders (including in connection with any Forked Assets), (iii) any indemnification expenses of the Custodian or other agents, service providers or counterparties of the Fund, (iv) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and (v) extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters.

“Administrator Fee”—The fee payable to any administrator for services it provides to the Fund, which the Manager will pay such administrator as a Manager-paid Expense.

“Amp” or “AMP”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network and used on the Flexa payment network.

“Authorized Participant”—Certain eligible financial institutions that have entered into an agreement with the Fund and the Manager concerning the creation of Shares. Each Authorized Participant (i) is a registered broker-dealer, (ii) has entered into a Participant Agreement with the Manager and (iii) owns a digital wallet address that is known to the Custodian as belonging to the Authorized Participant or such Authorized Participant’s Liquidity Provider.

“Bancor” or “BNT”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“Basket”—A block of 100 Shares.

“Basket Amount”—The sum of (x) the Fund Component Basket Amounts for all Fund Components, (y) the Forked Asset Portion and (z) the Cash Portion, in each case, as of such trade date.

“Blockchain” or “blockchain”—The public transaction ledger of a Digital Asset Network on which validators compete to add records of recent transactions (called “blocks”) to the chain of transactions in exchange for an award of digital assets from a Digital Asset Network and the payment of transaction fees, if any, from users whose transactions are recorded in the block being added.

“Cash Account”—Any bank account of the Fund in which the Fund holds any portion of its U.S. dollars.

“Cash Portion”—For any trade date, the amount of U.S. dollars determined by dividing (x) the amount of U.S. dollars or other fiat currency (as converted into U.S. dollars at the applicable exchange rate as of 4:00 p.m., New York time) held by the Fund at 4:00 p.m., New York time, on such trade date by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth), and multiplying such quotient by 100.

“Compound” or “COMP”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“Creation Basket”—Basket of Shares issued by the Fund in exchange the transfer of the Total Basket Amount required for each such Creation Basket.

“Curve” or “CRV”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network and used on the Curve platform.

“Custodial Services”—The Custodian’s services that (i) allow digital assets to be deposited from a public blockchain address to the Fund’s Digital Asset Accounts and (ii) allow the Fund and the Manager to withdraw digital assets from the Fund’s Digital Asset Accounts to a public blockchain address the Fund or the Manager controls pursuant to instructions the Fund or Manager provides to the Custodian.

“Custodian”—Coinbase Custody Trust Company, LLC.

“Custodian Agreement”—The Amended and Restated Custodial Services Agreement, dated as of June 29, 2022, by and between the Fund, Manager and Custodian that governs the Fund’s and Manager’s use of the Custodial Services provided by the Custodian as a fiduciary with respect to the Fund’s assets.

“Custodian Fee”—Fee payable to the Custodian for services it provides to the Fund, which the Manager shall pay to the Custodian as a Manager-paid Expense.

“DFX”—The CoinDesk DeFi Select Index.

“DFX Methodology”—The criteria that a digital asset must meet to be eligible for inclusion in the DFX, as determined from time to time by the Index Provider.

“Digital Asset Account”—Each segregated custody account controlled and secured by the Custodian to store private keys of the Fund, which allow for the transfer of ownership or control of the Fund’s digital assets on the Fund’s behalf.

“Digital Asset Exchange”—An electronic marketplace where exchange participants may trade, buy and sell digital assets based on bid-ask trading. The largest Digital Asset Exchanges are online and typically trade on a 24-hour basis, publishing transaction price and volume data.

“Digital Asset Exchange Market”—The global exchange market for the trading of digital assets, which consists of transactions on electronic Digital Asset Exchanges.

“Digital Asset Holdings”—The aggregate value, expressed in U.S. dollars, of the Fund’s assets, calculated using the Digital Asset Reference Rate for each Fund Component, less the U.S. dollar value of its liabilities and expenses. See “Overview of the Digital Asset Industry and Market—Description of the Fund—Valuation of Digital Assets and Determination of Digital Asset Holdings” in our Disclosure Statement for a description of how the Fund’s Digital Asset Holdings and Digital Asset Holdings per Share are calculated. See also Management’s Discussion and Analysis—Critical Accounting Policies—Principal Market and Fair Value Determination” for a description of the Fund’s NAV, as calculated in accordance with GAAP.

“Digital Asset Holdings Fee Basis Amount”—The U.S. dollar value on which the Manager’s Fee accrues, as calculated in the manner set forth under “Overview of the Digital Asset Industry and Market—Description of the Fund—Valuation of Digital Assets and Determination of Digital Asset Holdings” in our Disclosure Statement.

“Digital Asset Market”—A “Brokered Market,” “Dealer Market,” “Principal-to-Principal Market” or “Exchange Market,” as each such term is defined in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Master Glossary.

“Digital Asset Network”—The online, end-user-to-end-user network hosting a public transaction ledger, known as a Blockchain, and the source code comprising the basis for the cryptographic and algorithmic protocols governing such Digital Asset Network. See “Overview of the Digital Asset Industry and Market” in our Disclosure Statement.

“Digital Asset Reference Rate”—With respect to any Fund Component (and, if possible, each Forked Asset) as of any business day, the price in U.S. dollars of such Fund Component (and, if possible, each Forked Asset), as determined by reference to an Indicative Price reported by CoinDesk Indices, Inc. for such Fund Component (and, if possible, each Forked Asset) as of 4:00 p.m., New York time, on any business day.

“Disclosure Statement”—The Fund’s Disclosure Statement for the Period from July 14, 2021 (the commencement of the Fund’s operations) to June 30, 2022.

“DTC”—The Depository Trust Company. DTC is a limited purpose trust company organized under New York law, a member of the U.S. Federal Reserve System and a clearing agency registered with the SEC. DTC will act as the securities depository for the Shares.

“Exchange Act”—The Securities Exchange Act of 1934, as amended.

“ERC-20”—A technical standard used to create new fungible, digital assets on the Ethereum network, created as a result of Ethereum Request for Comment-20.

“Ethereum” or “ETH”—Ethereum tokens, which are a type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“FINRA”—The Financial Industry Regulatory Authority, Inc., which is the primary regulator in the United States for broker-dealers, including Authorized Participants.

“Forked Asset”—Any asset other than cash that is held by the Fund at any time other than a Fund Component, including (i) any right, arising from a fork, airdrop or similar occurrence, to acquire (or otherwise establish dominion and control over) any digital asset or other asset or right and (ii) any digital asset or other asset or right acquired by the Fund through the exercise of a right described in the preceding clause (i), in each case, until such time as the Manager designates such asset as a Fund Component.

“Forked Asset Portion”—For any Trade Date, the amount of U.S. dollars determined by dividing (x) the aggregate value in U.S. dollars of the Fund’s Forked Assets at 4:00 p.m., New York time, on such Trade Date (calculated, to the extent possible, by reference to Digital Asset Reference Rates) by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth), and multiplying such quotient by 100.

“Fund Accounts”—The Cash Account and the Digital Asset Accounts, collectively.

“Fund Component”—A digital asset designated as such by the Manager in accordance with the policies and procedures set forth in our Disclosure Statement.

“Fund Component Aggregate Liability Amount”—For any Fund Component and any trade date, a number of tokens of such Fund Component equal to the sum of (x) all accrued but unpaid Fund Component Fee Amounts for such Fund Component as of 4:00 p.m., New York time, on such trade date and (y) the Fund Component Expense Amount as of 4:00 p.m., New York time, on such trade date.

“Fund Component Basket Amount”—As of any trade date, the number tokens of such Fund Component required to be delivered in connection with each Creation Basket, as determined by dividing the number of tokens of such Fund Component held by the Fund at 4:00 p.m., New York time, on such trade date, after deducting the applicable Fund Component Aggregate Liability Amount, by the number of Shares outstanding at such time (the quotient so obtained calculated to one one-hundred-millionth (*i.e.*, carried to the eighth decimal place)) and multiplying the quotient so obtained for the Fund Component by 100.

“Fund Component Expense Amount”—For any Fund Component on any trade date, (x) the product of (1) the aggregate unpaid Additional Fund Expenses as of 4:00 p.m., New York time, on such trade date and (2) the Weighting of such Fund Component for such trade date, divided by (y) the Digital Asset Reference Rate for such Fund Component as of 4:00 p.m., New York time, on such trade date.

“Fund Component Fee Amount”—For any day, the number of tokens of each Fund Component payable as the Manager’s Fee.

“Fund Construction Criteria”—The criteria that a digital asset must meet to be eligible for inclusion in the Fund’s portfolio, which, as of the date of this Quarterly Report, consist of both size and liquidity requirements.

“Fund”—Grayscale Decentralized Finance (DeFi) Fund LLC, a Cayman Islands LLC, formed on June 10, 2021 under the LLC Act and pursuant to the LLC Agreement.

“Fund Documents”—The LLC Agreement and Custodian Agreement, collectively.

“Fund Rebalancing Period”—Any period during which the Manager reviews for rebalancing the Fund’s portfolio in accordance with the policies and procedures set forth in our Disclosure Statement. For purposes of the Limited Liability Company Agreement, the term Fund Rebalancing Period shall mean the Fund Rebalancing Period as defined herein.

“GAAP”—United States generally accepted accounting principles.

“Genesis”—Genesis Global Trading, Inc., a wholly owned subsidiary of Digital Currency Group, Inc., which as of the date of this Quarterly Report is the only Liquidity Provider of the Authorized Participant.

“Grayscale Securities”—Grayscale Securities, LLC, a wholly owned subsidiary of the Manager, which as of the date of this Quarterly Report, is the only acting Authorized Participant.

“Index License Agreement”—The license agreement, dated as of February 1, 2022, between the Reference Rate Provider and the Manager governing the Manager’s use of data collected from the Digital Asset Exchanges trading digital assets selected by the Reference Rate Provider for calculation of the Digital Asset Reference Rates.

“Index Price”—A price for a Fund Component determined by the Reference Rate Provider by further cleansing and compiling the trade data used to determine the Indicative Price in such a manner as to algorithmically reduce the impact of anomalous or manipulative trading.

“Index Provider”—CoinDesk Indices, Inc., a Delaware corporation that designed and manages the DFX.

“Index Rebalancing Period”—Any period during which the Index Provider reviews for rebalancing the DFX in accordance with the policies and procedures set forth in our Disclosure Statement.

“Indicative Price”—A volume-weighted average price in U.S. dollars for a Fund Component as of 4:00 p.m., New York time, for the immediately preceding 60-minute period derived from data collected from Digital Asset Exchanges trading such Fund Component selected by the Reference Rate Provider.

“Investment Advisers Act”—U.S. Investment Advisers Act of 1940, as amended.

“Investment Company Act”—U.S. Investment Company Act of 1940, as amended.

“Investor”—Any investor that has entered into a subscription agreement with an Authorized Participant, pursuant to which such Authorized Participant will act as agent for the investor.

“IRS”—The U.S. Internal Revenue Service, a bureau of the U.S. Department of the Treasury.

“Liquidity Provider”—A service provider engaged by an Authorized Participant to source digital assets on behalf of the Authorized Participant.

“LLC Agreement”—The Second Amended and Restated Limited Liability Company Agreement establishing and governing the operations of the Fund, as the same may be amended from time to time.

“LLC Act”—Limited Liability Companies Law (As Revised) of the Cayman Islands (as amended or any successor statute thereto).

“Maker” or “MKR”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“Manager”—Grayscale Investments, LLC, or any substitute therefor as provided herein, or any successor thereto by merger or operation of law.

“Manager-paid Expenses”—The fees and expenses incurred by the Fund in the ordinary course of its affairs, excluding taxes, that the Manager is obligated to assume and pay, including: (i) the Marketing Fee, (ii) the Administrator Fee, (iii) fees for the Custodian and any other security vendor engaged by the Fund (iv) the Transfer Agent Fee, (v) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given Fiscal Year, (vi) ordinary course legal fees and expenses, (vii) audit fees, (viii) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act and fees relating to registration and any other regulatory requirements in the Cayman Islands, (ix) printing and mailing costs, (x) costs of maintaining the Fund’s website and (xi) applicable license fees with respect to the Fund.

“Manager’s Fee”—A fee that accrues daily in U.S. dollars at an annual rate of 2.5% of the Fund’s Digital Asset Holdings Fee Basis Amount as of 4:00 p.m., New York time, and will generally be paid in the Fund Components then held by the Fund in proportion to such Fund Components’ respective Weightings. For any day that is not a business day or in a Rebalancing Period, the Manager’s Fee will accrue in U.S. dollars at a rate of 2.5% of the most recently calculated Digital Asset Holdings Fee Basis Amount of the Fund. The Manager’s Fee is payable to the Manager monthly in arrears.

“Marketing Fee”—Fee payable to the marketer for services it provides to the Fund, which the Manager will pay to the marketer as a Manager-paid Expense.

“NAV”—The net asset value of the Fund determined on a GAAP basis.

“OTCQB”—The OTCQB tier of the OTC Markets Group Inc.

“Participant Agreement”—An agreement entered into by an Authorized Participant with the Manager that provides the procedures for the creation of Baskets and for the delivery of digital assets required for Creation Baskets.

“Quarterly Report”—This Quarterly Report for the three and six months ended December 31, 2022.

“Reference Rate Provider”—CoinDesk Indices, Inc., a Delaware corporation that publishes the Digital Asset Reference Rates. DCG is the indirect parent company of CoinDesk Indices, Inc. As a result, CoinDesk Indices, Inc. is an affiliate of the Manager and the Fund and is considered a related party of the Fund.

“Reverse Share Split”—A 1-for-10 reverse Share split of the Fund’s issued and outstanding Shares, which was effective on June 23, 2022, to shareholders of record as of the close of business on June 22, 2022.

“Rule 144”—Rule 144 under the Securities Act.

“SEC”—The U.S. Securities and Exchange Commission.

“Secondary Market”—Any marketplace or other alternative trading system, as determined by the Manager, on which the Shares may then be listed, quoted or traded, including but not limited to, the OTCQB tier of the OTC Markets Group Inc.

“Securities Act”—The Securities Act of 1933, as amended.

“Securities Exchange Act” or “Exchange Act”—The Securities Exchange Act of 1934, as amended.

“Shares”—Equal, fractional, undivided interests in the profits, losses, distributions, capital and assets of, and ownership of, the Fund with such relative rights and terms as set out in the LLC Agreement.

“SIPC”—The Securities Investor Protection Corporation.

“Staking”—Means (i) using, or permitting to be used, in any manner, directly or indirectly, through an agent or otherwise (including, for the avoidance of doubt, through a delegation of rights to any third party with respect to any portion of the Fund Property, by making any portion of the Fund Property available to any third party or by entering into any similar arrangement with a third party), any portion of the Fund Property in a proof-of-stake validation protocol and (ii) accepting any Staking Considerations. For the avoidance of doubt, “Staking” does not include the mere act of transferring units of virtual currency on a peer-to-peer virtual currency network that utilizes a proof-of-stake validation protocol.

“Staking Consideration”—Any consideration of any kind whatsoever, including, but not limited to, any staking reward paid in fiat currency or paid in kind, in exchange for using, or permitting to be used, any portion of the Fund Property as described in clause (i) of the definition of “Staking.”

“Sushiswap” or “SUSHI”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“Synthetix” or “SNX”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“Total Basket Amount”—The Basket Amount multiplied by the number of Baskets being created or redeemed.

“Transfer Agency and Service Agreement”—The agreement between the Manager and the Transfer Agent which sets forth the obligations and responsibilities of the Transfer Agent with respect to transfer agency services and related matters.

“Transfer Agent”—Continental Stock Transfer & Trust Company, a Delaware corporation.

“Transfer Agent Fee”—Fee payable to the Transfer Agent for services it provides to the Fund, which the Manager will pay to the Transfer Agent as a Manager-paid Expense.

“Treasury Regulations”—The regulations, including proposed or temporary regulations, promulgated under the Code.

“Universal Market Access” or “UMA”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“Uniswap” or “UNI”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“U.S.”—United States.

“U.S. dollar,” “USD” or “\$”—United States dollar or dollars.

“Weighting”—For any Fund Component, the percentage of the total U.S. dollar value of the aggregate Fund Components at any time that is represented by tokens of such Fund Component.

“Yearn.finance” or “YFI”—A type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

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

The name of the Fund is Grayscale Decentralized Finance (DeFi) Fund LLC.

The address of the Manager is: Grayscale Investments, LLC
290 Harbor Drive, 4th Floor
Stamford, Connecticut 06902

The Manager's telephone number is: (212) 668-1427

The Manager's facsimile number is: (212) 937-3645

The Manager's website: The Manager maintains a corporate website, www.grayscale.com, which contains general information about the Fund and the Manager. 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: Michael Sonnenshein
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Item 2. Shares outstanding.

The only class of securities outstanding is equal, fractional, undivided interests in the profits, losses, distributions, capital and assets of, and ownership of, the Fund with such relative rights and terms as set out in the LLC Agreement ("Shares"), which represent ownership in the Fund. The Fund's trading symbol on the OTCQB U.S. Marketplace of the OTC Markets Group Inc. is "DEFG" and the CUSIP number for the Fund's Shares is G4070G104.

The following table shows the number of the Shares outstanding:

	As of December 31, 2022	As of June 30, 2022
(i) Number of Shares authorized	Unlimited	Unlimited
(ii) Number of Shares outstanding⁽¹⁾	233,960	233,960
(iii) Number of Shares freely tradable (public float)⁽²⁾	159,614	0
(iv) Number of beneficial holders owning at least 100 Shares⁽³⁾	40	65
(v) Number of holders of record⁽³⁾	40	65

(1) Share amounts have been retroactively adjusted to reflect the 1-for-10 Reverse Share Split of the Fund's issued and outstanding Shares completed on June 23, 2022.

(2) Public float means the total number of unrestricted Shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total Shares outstanding, or anyone who controls, is controlled by or is under common control with such person, or any immediate family members of officers, directors and control persons.

(3) Includes Cede & Co. nominee for DTC for the Shares traded on OTCQB, but not its direct participants. Therefore, this number does not include the individual holders who have bought/sold Shares on OTCQB or transferred their eligible Shares to their brokerage accounts.

From July 14, 2021 (the first Creation Basket of the Fund) to December 31, 2022, the Fund offered the Shares pursuant to Rule 506 of Regulation D under the Securities Act. The Shares offered by the Fund have not been registered under the Securities Act, or any state or other securities laws, and were offered and sold only to “accredited investors” within the meaning of Rule 501(a) of Regulation D under the Securities Act, and in compliance with any applicable state or other securities laws.

The table below describes the Shares offered, the Shares sold and the average and range of prices at which the Shares were offered and sold by the Fund. All Shares initially offered and sold by the Fund are restricted securities pursuant to Rule 144 under the Securities Act. Until any Shares sold by the Fund become unrestricted in accordance with Rule 144, the certificates or other documents evidencing such Shares will contain legends stating that such Shares have not been registered under the Securities Act and referring to the restrictions on transferability and sale of the Shares under the Securities Act. Such legends are removed upon Shares becoming unrestricted in accordance with Rule 144 and after they have been presented to outside counsel, who may instruct the Transfer Agent to remove such legends. From the first Creation Basket of the Fund to December 31, 2022, no Shares, other securities of the Fund, or options to acquire such other securities were issued in exchange for services provided by any person or entity.

Period	Shares Offered	Shares Sold	No. of Purchasers	Avg. ⁽¹⁾	High ⁽¹⁾	Date	Low ⁽¹⁾	Date
July 14, 2021 (the commencement of the Fund's operations) to June 30, 2022	Unlimited	233,960	65	\$ 44.40	\$ 79.55	9/6/21	\$ 9.76	6/18/22
July 1, 2022 to December 31, 2022	Unlimited	-	-	\$ 15.60	\$ 22.11	7/28/22	\$ 11.32	12/30/22

(1) The prices reflected represent the Digital Asset Reference Rate (non-GAAP methodology)

Item 3. Unaudited interim financial statements.

The Fund’s unaudited interim financial statements as of and for the three and six months ended December 31, 2022 are attached as Exhibit 1 to this Quarterly Report. The historical results presented herein and therein are not necessarily indicative of financial results to be achieved in future periods. The Fund’s unaudited financial statements attached as Exhibit 1 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.

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 attached as an exhibit to this Quarterly Report, which have been prepared in accordance with GAAP. The following discussion may contain forward-looking statements based on assumptions we believe to be reasonable. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those set forth under “Risk Factors” or in other sections of our Disclosure Statement, and under “Cautionary Note Regarding Forward-Looking Statements.”

Fund Overview

The Fund’s investment objective is for the value of the Shares (based on Digital Asset Holdings per Share) to reflect the value of the Fund Components as determined by reference to their respective Digital Asset Reference Rates and Fund Weightings, less the Fund’s expenses and other liabilities. The Fund Components consist of the digital assets that make up the DFX as constituted from time to time, subject to the Manager’s discretion to exclude individual digital assets in certain cases. The DFX is designed and managed by the Index Provider. While an investment in the Shares is not a direct investment in the Fund Components, the Shares are designed to provide investors with a cost-effective and convenient way to gain investment exposure to the top DeFi digital assets by

market capitalization. A substantial direct investment in Fund Components may require expensive and sometimes complicated arrangements in connection with the acquisition, security and safekeeping of the digital assets and may involve the payment of substantial fees to acquire such the digital assets from third-party facilitators through cash payments of U.S. dollars. Because the value of the Shares is correlated with the value of the Fund Components, it is important to understand the investment attributes of, and the market for, the digital assets.

The activities of the Fund are limited to (i) issuing Baskets in exchange for Fund Components and cash transferred to the Fund as consideration in connection with the creations, (ii) transferring or selling Fund Components and Forked Assets as necessary to cover the Manager's Fee and/or any Additional Fund Expenses, (iii) transferring Fund Components and cash in exchange for Baskets surrendered for redemption (subject to obtaining regulatory approval from the SEC and approval from the Manager), (iv) causing the Manager to sell Fund Components and Forked Assets on the termination of the Fund, (v) making distributions of Forked Assets or cash from the sale thereof and (vi) engaging in all administrative and security procedures necessary to accomplish such activities in accordance with the provisions of the LLC Agreement, the Custodian Agreement, the Index License Agreement and the Participant Agreements.

In addition, the Fund may engage in any lawful activity necessary or desirable, including in order to facilitate shareholders' access to Forked Assets or for Staking or lending the Fund Property, provided that such activities do not conflict with the terms of the LLC Agreement. At this time, however, the Fund does not currently engage in, nor does it intend to engage in, any Staking or lending activities related to the Fund Property. In the future, any value created from such activities will be included in the net asset value ("NAV") or Digital Asset Holdings Calculation, or will be used to pay the Fund's expenses.

Forked Assets

The Fund may from time to time hold positions in digital assets as a result of a fork, airdrop or similar event through which the Fund becomes entitled to another digital asset or other property by virtue of its ownership of one or more of the digital assets it then holds (each such new asset, a "Forked Asset"). Pursuant to the terms of the LLC Agreement, the Fund may take any lawful action necessary or desirable in connection with its ownership of Forked Assets. These actions include (i) selling Forked Assets in the Digital Asset Markets and distributing the cash proceeds to shareholders, (ii) distributing Forked Assets in-kind to the shareholders or to an agent acting on behalf of the shareholders for sale by such agent if an in-kind distribution would otherwise be infeasible, (iii) irrevocably abandoning Forked Assets and (iv) holding Forked Assets until the subsequent Rebalancing Period, at which point the Fund may take any of the foregoing actions. The Fund may also use Forked Assets to pay the Manager's Fee and Additional Fund Expenses, if any, as discussed below under "—Fund Expenses." However, the Fund does not expect to take any Forked Assets it may hold into account for purposes of determining the Fund's Digital Asset Holdings, Digital Asset Holdings per Share, the NAV or the NAV per Share.

Fund Expenses

The Fund's only ordinary recurring expense is expected to be the Manager's Fee. The Manager's Fee will accrue daily in U.S. dollars at an annual rate of 2.5% of the Fund's Digital Asset Holdings Fee Basis Amount as of 4:00 p.m., New York time, and will generally be paid in the tokens of the Fund Components then held by the Fund in proportion to their respective Fund Weightings. For any day that is not a business day or in a Rebalancing Period, the Manager's Fee will accrue in U.S. dollars at a rate of 2.5% of the Digital Asset Holdings Fee Basis Amount of the Fund from the most recent business day, reduced by the accrued and unpaid Manager's Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date. The U.S. dollar amount of the Manager's Fee will be converted into Fund Components on a daily basis by multiplying such U.S. dollar amount by the Weighting for each Fund Component and dividing the resulting product for each Fund Component by the Digital Asset Reference Rate for such Fund Component on such day. We refer to the number of tokens of each Fund Component payable as the Manager's Fee for any day as a "Fund Component Fee Amount." For any day that is not a business day or during a Fund Rebalancing Period for which

the Digital Asset Holdings Fee Basis Amount is not calculated, the amount of each Fund Component payable in respect of such day's U.S. dollar accrual of the Manager's Fee will be determined by reference to the Fund Component Fee Amount from the most recent business day. Payments of the Manager's Fee will be made monthly in arrears.

The Fund pays the Manager's Fee to the Manager. As consideration for its receipt of the Manager's Fee, the Manager shall assume and pay the following fees and other expenses incurred by the Fund in the ordinary course of its affairs, excluding taxes but including: (i) the Marketing Fee, (ii) the Administrator Fee, (iii) the Custodian Fee and fees for any other security vendor engaged by the Fund, (iv) the Transfer Agent fee, (v) the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year, (vi) ordinary course legal fees and expenses, (vii) audit fees, (viii) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act and fees relating to registration and any other regulatory requirements in the Cayman Islands, (ix) printing and mailing costs, (x) costs of maintaining the Fund's website and (xi) applicable license fees (the "Manager-paid Expenses").

The Manager's Fee will generally be paid in Fund Components. If the Fund holds any Forked Assets or cash, the Fund may also pay all or a portion of the Manager's Fee in Forked Assets and/or cash in lieu of paying the Manager's Fee in Fund Components, in which case, the Fund Component Fee Amounts in respect of such payment will be correspondingly and proportionally reduced.

After the payment of the Manager's Fee to the Manager, the Manager may elect to convert any digital assets it receives into U.S. dollars. The rate at which the Manager converts such digital assets into U.S. dollars may differ from the rate at which the Manager's Fee was initially determined. The Fund will not be responsible for any fees and expenses incurred by the Manager to convert digital assets received in payment of the Manager's Fee into U.S. dollars. The Manager, from time to time, may temporarily waive all or a portion of the Manager's Fee at its sole discretion. Presently, the Manager does not intend to waive any of the Manager's Fee and there are no circumstances under which the Manager has determined it will definitely waive the fee.

The Manager has not assumed the obligation to pay Additional Fund Expenses.

The Fund may incur certain extraordinary, non-recurring expenses that are not Manager-paid Expenses, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Manager (or any other service provider) on behalf of the Fund to protect the Fund or the interests of shareholders (including in connection with any Forked Assets), any indemnification of the Custodian or other agents, service providers or counterparties of the Fund, the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively, "Additional Fund Expenses").

If Additional Fund Expenses are incurred, the Manager will (i) withdraw Fund Components from the Digital Asset Accounts in proportion to their respective Weightings at such time and in such quantity as may be necessary to permit payment of such Additional Fund Expenses and (ii) may either (x) cause the Fund to convert such Fund Components into U.S. dollars or other fiat currencies at the Actual Exchange Rate or (y) cause the Fund (or its delegate) to deliver such Fund Components in kind in satisfaction of such Additional Fund Expenses. If the Fund holds cash and/or Forked Assets, the Fund may also pay all or a portion of the Additional Fund Expenses in cash or Forked Assets instead of Fund Components, in which case, the amount of Fund Components that would otherwise have been used to satisfy such Additional Fund Expenses will be correspondingly and proportionally reduced.

The fractional number of Fund Components, or the amount of Forked Assets and/or cash, represented by each Share will decline each time the Fund pays the Manager's Fee or any Additional Fund Expenses by transferring or selling Fund Components, Forked Assets and/or cash.

Impact of Fund Expenses on the Fund's Digital Asset Holdings

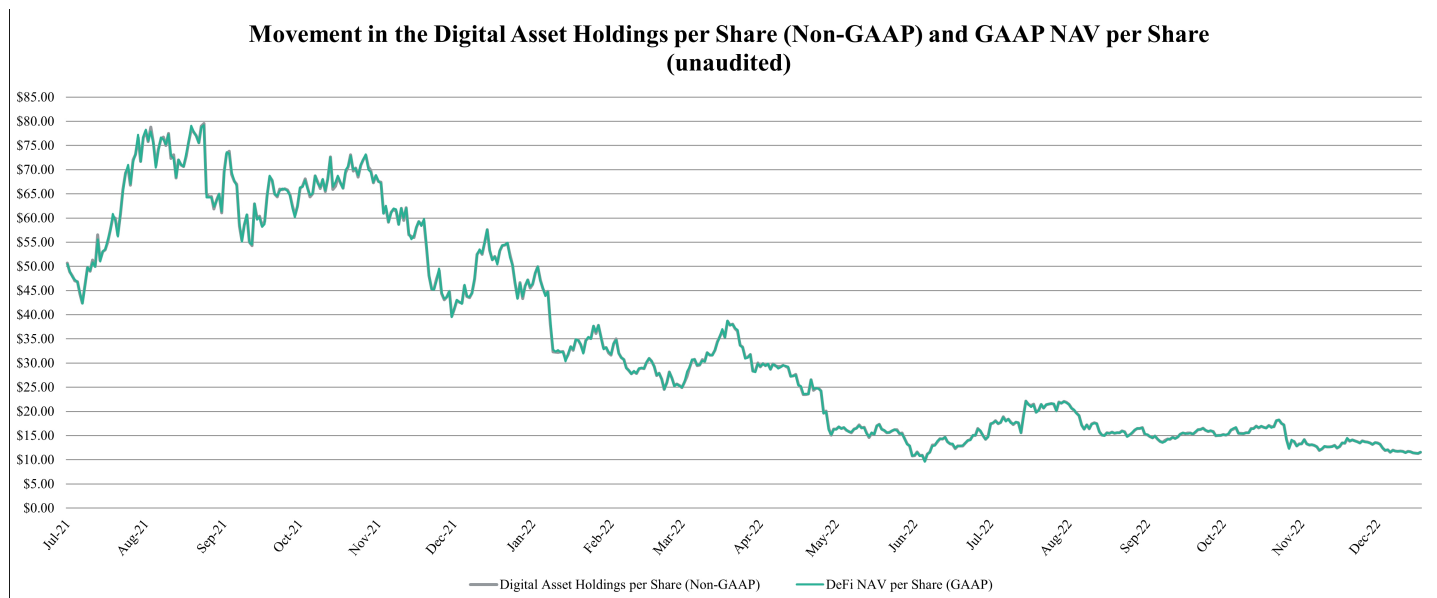
The Fund will pay the Manager's Fee to the Manager in Fund Components held by the Fund, in cash or in Forked Assets. In addition, the Fund will sell Fund Components to raise the funds needed for the payment of any Additional Fund Expenses or will pay Additional Fund Expenses in Fund Components held by the Fund, cash or Forked Assets. Fund Components, as well as the value of any cash or Forked Assets held by the Fund, will be the Fund's sole source of funds to cover the Manager's Fee and any Additional Fund Expenses. The Fund will not engage in any activity designed to derive a profit from changes in the price of Fund Components or any Forked Assets. Because the number of Fund Components, or the amount of Forked Assets and/or cash, held by the Fund will decrease when Fund Components are used to pay the Manager's Fee or any Additional Fund Expenses, it is expected that the fractional number of Fund Components, or the amount of Forked Assets and/or cash, represented by each Share will gradually decrease over the life of the Fund. Accordingly, the shareholders will bear the cost of the Manager's Fee and Additional Fund Expenses. New digital assets that are transferred into the Digital Asset Accounts in exchange for new Baskets issued by the Fund will not reverse this trend.

Discretion of the Manager, Index Provider and Reference Rate Provider

The Manager has sole discretion to replace the DFX with a different DeFi index and sole discretion to replace the Index Provider with a different DeFi index provider, and may replace either the DFX or the Index Provider from time to time. The Index Provider has sole discretion over the DFX Methodology and may change it from time to time. The current DFX Methodology and current Index Components are available at the Index Provider's public website, at <https://tradeblock.com/markets/dfx/>. The Reference Rate Provider has sole discretion over the determination of Digital Asset Reference Rates and may change the methodologies for determining the Digital Asset Reference Rates from time to time.

Fund Components

Investing in the Shares does not insulate the investor from certain risks, including price volatility. The following chart illustrates the movement in the Digital Asset Holdings per Share (non-GAAP) (as adjusted for the Reverse Share Split effective June 23, 2022) versus the Fund's GAAP NAV per Share (as adjusted for the Reverse Share Split effective June 23, 2022) from July 14, 2021 (the commencement of the Fund's operations) to December 31, 2022:



For more information about the determination of the Fund's Digital Asset Holdings per Share, see "Overview of Digital Asset Industry and Markets—Description of the Fund—Valuation of Digital Assets and Determination of the Fund's Digital Asset Holdings" in our Disclosure Statement.

Critical Accounting Policies

Investment Transactions and Revenue Recognition

The Fund considers investment transactions to be the receipt of Fund Components for Share creations and the delivery of Fund Components for Share redemptions or for payment of expenses in Fund Components. At this time, the Fund is not accepting redemption requests from shareholders. The Fund records its investment transactions on a trade date basis and changes in fair value are reflected as net change in unrealized appreciation or depreciation on investments. Realized gains and losses are calculated using the specific identification method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Manager's Fee in the Fund Components.

Principal Market and Fair Value Determination

To determine which market is the Fund's principal market (or in the absence of a principal market, the most advantageous market) for purposes of calculating the Fund's NAV, the Fund follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820-10, which outlines the application of fair value accounting. ASC 820-10 determines fair value to be the price that would be received for each Fund Component in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Fund to assume that each Fund Component is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

Effective October 3, 2022, the Manager entered into a Participant Agreement with Grayscale Securities, pursuant to which Grayscale Securities has agreed to act as an Authorized Participant of the Fund. The Participant Agreement provides the procedures for the creation of Shares of the Fund through the Authorized Participant, which are substantially similar to the procedures for the creation of Shares set forth in the Fund's prior participant agreement with Genesis, except that the Authorized Participant may engage a Liquidity Provider to source digital assets on behalf of the Authorized Participant in connection with the creation of Shares. Since October 3, 2022, Grayscale Securities is the only acting Authorized Participant of the Fund. Grayscale Securities has engaged Genesis as a Liquidity Provider. Additional Authorized Participants may be added at any time, subject to the discretion of the Manager.

The Fund only receives Fund Components in connection with a creation order from the Authorized Participant (or its Liquidity Provider) and does not itself transact on any Digital Asset Markets. Therefore, the Fund looks market-based volume and level of activity for Digital Asset Markets. The Fund, through its Authorized Participant(s), or a Liquidity Provider on behalf of the Authorized Participant(s), may transact in a Brokered Market, a Dealer Market, Principal-to-Principal Markets and Exchange Markets, each as defined in the FASB ASC Master Glossary. In determining which of the eligible Digital Asset Markets is the Fund's principal market, the Fund reviews these criteria in the following order:

- First, the Fund reviews a list of Digital Asset Markets that follow anti-money laundering ("AML") and know-your-customer ("KYC") procedures, and non-Digital Asset Exchange Markets that the Fund reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each market.
- Second, the Fund sorts these Digital Asset Markets from high to low by market-based volume and level of activity of each Fund Component traded on each Digital Asset Market in the trailing twelve months.
- Third, the Fund then reviews pricing fluctuations and the degree of variances in price on Digital Asset Markets to identify any material notable variances that may impact the volume or price information of a particular Digital Asset Market.
- Fourth, the Fund then selects a Digital Asset Market as its principal market based on the highest market-based volume, level of activity and price stability in comparison to the other Digital Asset Markets on the list. Based on information reasonably available to the Fund, Exchange Markets have the greatest volume and level of activity for the Fund Components. The Fund therefore looks to accessible Exchange Markets as opposed to the Brokered Market, Dealer Market and Principal-to-Principal Markets to determine its principal market for each Fund Component. As a result of the aforementioned analysis, an Exchange Market has been selected as the Fund's principal market for each Fund Component.

The Fund determines its principal market (or in the absence of a principal market the most advantageous market) annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Digital Asset Market's trading volume and level of activity in the trailing twelve months, (ii) if any Digital Asset Markets have developed that the Fund has access to, or (iii) if recent changes to each Digital Asset Market's price stability have occurred that would materially impact the selection of the principal market and necessitate a change in the Fund's determination of its principal market.

The cost basis of each Fund Component received in connection with a creation order is recorded by the Fund at 4:00 p.m., New York time, on the creation date for financial reporting purposes. The cost basis recorded by the Fund may differ from proceeds collected by the Authorized Participant from the sale of the corresponding Shares to investors.

Investment Company Considerations

The Fund is an investment company for GAAP purposes and follows accounting and reporting guidance in accordance with the FASB ASC Topic 946, *Financial Services – Investment Companies*. The Fund uses fair value as its method of accounting for digital assets in accordance with its classification as an investment company for accounting purposes. The Fund is not a registered investment company under the Investment Company Act. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and these differences could be material.

Review of Financial Results (unaudited)

Financial Highlights for the Three and Six Months Ended December 31, 2022, the Three Months Ended December 31, 2021, and the Period from July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021.

(All amounts in the following table and the subsequent paragraphs, except Share, per Share, each Fund Component and price of each Fund Component amounts, are in thousands)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021
Net realized and unrealized loss on investments in digital assets	<u>\$ (878)</u>	<u>\$ (1,729)</u>	<u>\$ (158)</u>	<u>\$ (1,034)</u>
Net decrease in net assets resulting from operations	<u>\$ (900)</u>	<u>\$ (1,800)</u>	<u>\$ (204)</u>	<u>\$ (1,155)</u>
Net assets	<u>\$ 2,701</u>	<u>\$ 10,504</u>	<u>\$ 2,701</u>	<u>\$ 10,504</u>

Net realized and unrealized loss on investment in digital assets for the three months ended December 31, 2022 was (\$878), which includes a realized loss of (\$42) on the transfer of digital assets to pay the Manager's Fee, a realized loss of (\$48) as a result of the quarterly rebalance of digital assets and net change in unrealized depreciation on investment in digital assets of (\$788). Net decrease in net assets resulting from operations was (\$900) for the three months ended December 31, 2022, which consisted of the net realized and unrealized loss on investment in digital assets, plus the Manager's Fee of \$22. Net assets decreased to \$2,701 at December 31, 2022, a 25% decrease for the three-month period. The decrease in net assets resulted primarily from the price depreciation on the Fund Components during the period and the withdrawal of 2,278 UNI, 42 AAVE, 3 MKR, 22 COMP, and 1,592 CRV to pay the foregoing Manager's Fee.

Net realized and unrealized loss on investment in digital assets for the three months ended December 31, 2021 was (\$1,729), which includes a realized gain of \$3 on the transfer of digital assets to pay the Manager's Fee, a realized gain of \$331 as a result of the quarterly rebalance of digital assets and net change in unrealized depreciation on investment in digital assets of (\$2,063). Net decrease in net assets resulting from operations was (\$1,800) for the three months ended December 31, 2021, which consisted of the net realized and unrealized loss on investment in digital assets, plus the Manager's Fee of \$71. Net assets increased to \$10,504 at December 31, 2021, a 7% increase for the three-month period. The increase in net assets resulted primarily from the contribution of approximately 47,438 UNI, 37,728 CRV, 1,264 AAVE, 86 MKR, 547 COMP, 3 YFI, 16,325 SNX, 5,953 UMA, 17,720 SUSHI and 22,218 BNT with a total value of \$2,491 to the Fund in connection with Share creations,

partially offset by the price depreciation on the Fund Components during the period and the withdrawal of 1,358 UNI, 1,080 CRV, 36 AAVE, 3 MKR, 16 COMP, 467 SNX, 170 UMA, 507 SUSHI and 636 BNT to pay the foregoing Manager's Fee.

Net realized and unrealized loss on investment in digital assets for the six months ended December 31, 2022 was (\$158), which includes a realized loss of (\$82) on the transfer of digital assets to pay the Manager's Fee, a realized loss of (\$1,704) as a result of the quarterly rebalance of digital assets and net change in unrealized appreciation on investment in digital assets of \$1,628. Net decrease in net assets resulting from operations was (\$204) for the six months ended December 31, 2022, which consisted of the net realized and unrealized loss on investment in digital assets, plus the Manager's Fee of \$46. Net assets decreased to \$2,701 at December 31, 2022, a 7% decrease for the six-month period. The decrease in net assets resulted primarily from the withdrawal of 4,513 UNI, 84 AAVE, 6 MKR, 43 COMP, 3,335 CRV, and 36,094 AMP to pay the foregoing Manager's Fee, partially offset by the price appreciation on UNI during the period.

Net realized and unrealized loss on investment in digital assets for the period from July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021 was (\$1,034), which includes a realized gain of \$13 on the transfer of digital assets to pay the Manager's Fee, a realized gain of \$331 as a result of the quarterly rebalance of digital assets and net change in unrealized depreciation on investment in digital assets of (\$1,378). Net decrease in net assets resulting from operations was (\$1,155) for the period from July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021, which consisted of the net realized and unrealized loss on investment in digital assets, plus the Manager's Fee of \$121. Net assets increased to \$10,504 at December 31, 2021. The increase in net assets resulted primarily from the contribution of approximately 283,711 UNI, 435,675 CRV, 4,438 AAVE, 302 MKR, 2,338 COMP, 12 YFI, 51,283 SNX, 35,163 UMA, 75,212 SUSHI and 78,218 BNT with a total value of \$11,659 to the Fund in connection with Share creations, partially offset by the price depreciation on the Fund Components during the period and the withdrawal of 2,421 UNI, 2,871 CRV, 51 AAVE, 3 MKR, 24 COMP, 624 SNX, 302 UMA, 766 SUSHI and 888 BNT to pay the foregoing Manager's Fee.

Cash Resources and Liquidity

The Fund has not had a cash balance at any time since inception. When selling Fund Components and/or Forked Assets to pay Additional Fund Expenses on behalf of the Fund, the Manager endeavors to sell the exact number of Fund Components and/or Forked Assets needed to pay expenses in order to minimize the Fund's holdings of assets other than the Fund Components. As a consequence, the Manager expects that the Fund will not record any cash flow from its operations and that its cash balance will be zero at the end of each reporting period. Furthermore, the Fund is not a party to any off-balance sheet arrangements.

In exchange for the Manager's Fee, the Manager has agreed to assume most of the expenses incurred by the Fund. As a result, the only ordinary expense of the Fund during the periods covered by this Quarterly Report was the Manager's Fee. The Fund 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 LLC Agreement does not authorize the Fund to borrow for payment of the Fund's ordinary expenses. The Fund does not engage in transactions in foreign currencies which could expose the Fund or holders of Shares to any foreign currency related market risk. The Fund does not invest in any derivative financial instruments and has no foreign operations or long-term debt instruments.

Selected Operating Data (unaudited)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021
(All Fund Component balances are rounded to the nearest whole number)				
UNI:				
Opening balance	359,083	235,210	316,859	-
Creations	-	47,438	-	283,711
Portfolio rebalancing	3,661	(43,714)	48,120	(43,714)
Manager's Fee, related party	(2,278)	(1,358)	(4,513)	(2,421)
Closing balance	360,466	237,576	360,466	237,576
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	360,466	237,576	360,466	237,576
AAVE:				
Opening balance	6,777	3,159	4,948	-
Creations	-	1,264	-	4,438
Portfolio rebalancing	(70)	1,943	1,801	1,943
Manager's Fee, related party	(42)	(36)	(84)	(51)
Closing balance	6,665	6,330	6,665	6,330
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	6,665	6,330	6,665	6,330
MKR:				
Opening balance	472	216	300	-
Creations	-	86	-	302
Portfolio rebalancing	(7)	130	168	130
Manager's Fee, related party	(3)	(3)	(6)	(3)
Closing balance	462	429	462	429
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	462	429	462	429
CRV:				
Opening balance	263,812	396,156	526,865	-
Creations	-	37,728	-	435,675
Portfolio rebalancing	(10,816)	(243,860)	(272,126)	(243,860)
Manager's Fee, related party	(1,592)	(1,080)	(3,335)	(2,871)
Closing balance	251,404	188,944	251,404	188,944
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	251,404	188,944	251,404	188,944

COMP:

Opening balance	3,515	1,783	3,186	-
Creations	-	547	-	2,338
Portfolio rebalancing	(56)	424	294	424
Manager's Fee, related party	(22)	(16)	(43)	(24)
Closing balance	3,437	2,738	3,437	2,738
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	3,437	2,738	3,437	2,738

YFI:

Opening balance	-	9	11	-
Creations	-	3	-	12
Portfolio rebalancing	-	5	(11)	5
Manager's Fee, related party	-	-	-	-
Closing balance	-	17	-	17
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	-	17	-	17

SNX:

Opening balance	-	34,801	-	-
Creations	-	16,325	-	51,283
Portfolio rebalancing	-	31,097	-	31,097
Manager's Fee, related party	-	(467)	-	(624)
Closing balance	-	81,756	-	81,756
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	-	81,756	-	81,756

UMA:

Opening balance	-	29,078	-	-
Creations	-	5,953	-	35,163
Portfolio rebalancing	-	(5,046)	-	(5,046)
Manager's Fee, related party	-	(170)	-	(302)
Closing balance	-	29,815	-	29,815
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	-	29,815	-	29,815

SUSHI:

Opening balance	-	57,233	-	-
Creations	-	17,720	-	75,212
Portfolio rebalancing	-	14,299	-	14,299
Manager's Fee, related party	-	(507)	-	(766)
Closing balance	-	88,745	-	88,745
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	-	88,745	-	88,745

BNT:

Opening balance	-	55,748	-	-
Creations	-	22,218	-	78,218
Portfolio rebalancing	-	33,940	-	33,940
Manager's Fee, related party	-	(636)	-	(888)
Closing balance	-	111,270	-	111,270
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	-	111,270	-	111,270

AMP:

Opening balance	-		29,584,178	-
Creations	-	-	-	-
Portfolio rebalancing	-	-	(29,548,084)	-
Manager's Fee, related party	-	-	(36,094)	-
Closing balance	-	-	-	-
Accrued but unpaid Manager's Fee, related party	-	-	-	-
Net closing balance	-	-	-	-

Number of Shares⁽¹⁾:

Opening balance	233,960	167,020	233,960	-
Creations	-	41,500	-	208,520
Closing balance	233,960	208,520	233,960	208,520

	As of December 31,	
	2022	2021
Prices of digital assets on principal market:		
UNI	\$ 5.19	\$ 16.83
AAVE	\$ 52.60	\$ 250.38
MKR	\$ 515.05	\$ 2,303.65
CRV	\$ 0.53	\$ 5.19
COMP	\$ 31.61	\$ 194.08
YFI	N/A	\$ 31,249.89
SNX	N/A	\$ 5.35
UMA	N/A	\$ 9.07
SUSHI	N/A	\$ 9.38
BNT	N/A	\$ 3.21
NAV per Share	\$ 11.54	\$ 50.38
Digital Asset Reference Rates ⁽²⁾ :		
UNI	\$ 5.19	\$ 17.11
AAVE	\$ 52.64	\$ 250.61
MKR	\$ 513.43	\$ 2,303.01
CRV	\$ 0.53	\$ 5.24
COMP	\$ 31.63	\$ 194.78
YFI	N/A	\$ 31,543.19
SNX	N/A	\$ 5.37
UMA	N/A	\$ 9.04
SUSHI	N/A	\$ 9.49
BNT	N/A	\$ 3.19
Digital Asset Holdings per Share	\$ 11.54	\$ 50.82

(1) Share and per Share amounts for periods presented prior to the Reverse Share Split have been retroactively adjusted for the 1-for-10 Reverse Share Split of the Fund's issued and outstanding Shares completed on June 23, 2022.

(2) Each Indicative Price was calculated using non-GAAP methodology and was not used in the Fund's financial statements. The Digital Asset Reference Rate for each Fund Component is an Indicative Price. See "—Historical Fund Component Prices" for further information on the Fund's Digital Asset Holdings and Digital Asset Holdings per Share. See the section entitled "Overview of the Digital Asset Industry and Market—Description of the Fund—Valuation of Digital Assets and Determination of the Fund's Digital Asset Holdings" in our Disclosure Statement for a description of Digital Asset Holdings per Share.

For accounting purposes, the Fund reflects creations and the Fund Components receivable with respect to such creations on the date of receipt of a notification of a creation but does not issue Shares until the requisite number of Fund Components is received. At this time, the Fund is not accepting redemption requests from shareholders. Subject to receipt of regulatory approval from the SEC and approval by the Manager in its sole discretion, the Fund may in the future operate a redemption program. The Fund currently has no intention of seeking regulatory approval to operate an ongoing redemption program.

As of December 31, 2022, the Fund had a net closing balance with a value of \$2,700,424, based on the Digital Asset Reference Rates (non-GAAP methodology). As of December 31, 2022, the Fund had a total market value of \$2,700,645, based on the principal market prices.

As of December 31, 2021, the Fund had a net closing balance with a value of \$10,597,467, based on the Digital Asset Reference Rates (non-GAAP methodology). As of December 31, 2021, the Fund had a total market value of \$10,505,204, based on the principal market prices.

Historical Fund Component Prices

As movements in the price of each Fund Component will directly affect the price of the Shares, investors should understand recent movements in the price of each Fund Component. Investors, however, should also be aware that past movements in each of the Fund Components prices are not indicators of future movements. Movements may be influenced by various factors, including, but not limited to, government regulation, security breaches experienced by service providers, as well as political and economic uncertainties around the world.

Uniswap

During the period from July 14, 2021 (the first Creation Basket of the Fund) to December 31, 2022, the Digital Asset Market price of UNI, based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, traded between \$3.44 (June 18, 2022) and \$30.63 (September 1, 2021), the straight average was \$12.59, and the median was \$9.08. The annual average, high, low and end-of-period UNI prices for the period from the first Creation Basket of the Fund until December 31, 2022 based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, on the applicable dates were:

Period	Average	High		Low		End of period	Last business day
		Digital Asset Market Price	Date	Digital Asset Market Price	Date		
July 14, 2021 to December 31, 2021	\$ 22.86	\$ 30.63	9/1/2021	\$ 14.05	12/13/2021	\$ 16.83	\$ 16.83
Twelve months ended December 31, 2022	\$ 7.78	\$ 18.53	1/4/2022	\$ 3.44	6/18/2022	\$ 5.19	\$ 5.06
July 14, 2021 to December 31, 2022	\$ 12.59	\$ 30.63	9/1/2021	\$ 3.44	6/18/2022	\$ 5.19	\$ 5.06

Aave

During the period from July 14, 2021 (the first Creation Basket of the Fund) to December 31, 2022, the Digital Asset Market price of AAVE, based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, traded between \$47.34 (June 18, 2022) and \$424.21 (August 16, 2021), the straight average was \$172.06, and the median was \$142.80. The annual average, high, low and end-of-period AAVE prices for the period from the first Creation Basket of the Fund until December 31, 2022 based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, on the applicable dates were:

Period	Average	High		Low		End of period	Last business day
		Digital Asset Market Price	Date	Digital Asset Market Price	Date		
July 14, 2021 to December 31, 2021	\$ 302.47	\$ 424.21	8/16/2021	\$ 160.09	12/13/2021	\$ 250.38	\$ 250.38
Twelve months ended December 31, 2022	\$ 110.96	\$ 268.27	1/3/2022	\$ 47.34	6/18/2022	\$ 52.60	\$ 52.36
July 14, 2021 to December 31, 2022	\$ 172.06	\$ 424.21	8/16/2021	\$ 47.34	6/18/2022	\$ 52.60	\$ 52.36

Maker

During the period from July 14, 2021 (the first Creation Basket of the Fund) to December 31, 2022, the Digital Asset Market price of MKR, based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, traded between \$513.81 (December 29, 2022) and \$3,891.49 (August 21, 2021), the straight average was \$1,760.22, and the median was \$1,792.59. The annual average, high, low and end-of-period MKR prices for the period from the first Creation Basket of the Fund until December 31, 2022 based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, on the applicable dates were:

Period	Average	High		Low		End of period	Last business day
		Digital Asset Market Price	Date	Digital Asset Market Price	Date		
July 14, 2021 to December 31, 2021	\$ 2,834.83	\$ 3,891.49	8/21/2021	\$ 2,196.63	9/29/2021	\$ 2,303.65	\$ 2,303.65
Twelve months ended December 31, 2022	\$ 1,256.77	\$ 2,475.84	1/2/2022	\$ 513.81	12/29/2022	\$ 515.05	\$ 519.45
July 14, 2021 to December 31, 2022	\$ 1,760.22	\$ 3,891.49	8/21/2021	\$ 513.81	12/29/2022	\$ 515.05	\$ 519.45

Curve Token

During the period from July 14, 2021 (the first Creation Basket of the Fund) to December 31, 2022, the Digital Asset Market price of CRV, based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, traded between \$0.48 (November 21, 2022) and \$6.24 (January 3, 2022), the straight average was \$2.13, and the median was \$1.96. The annual average, high, low and end-of-period CRV prices for the period from the first Creation Basket of the Fund until December 31, 2022 based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, on the applicable dates were:

Period	Average	High		Low		End of period	Last business day
		Digital Asset Market Price	Date	Digital Asset Market Price	Date		
July 14, 2021 to December 31, 2021	\$ 3.12	\$ 5.93	11/25/2021	\$ 1.30	7/20/2021	\$ 5.19	\$ 5.19
Twelve months ended December 31, 2022	\$ 1.67	\$ 6.24	1/3/2022	\$ 0.48	11/21/2022	\$ 0.53	\$ 0.53
July 14, 2021 to December 31, 2022	\$ 2.13	\$ 6.24	1/3/2022	\$ 0.48	11/21/2022	\$ 0.53	\$ 0.53

Compound

During the period from July 14, 2021 (the first Creation Basket of the Fund) to December 31, 2022, the Digital Asset Market price of COMP, based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, traded between \$27.42 (June 18, 2022) and \$511.36 (September 6, 2021), the straight average was \$164.76, and the median was \$114.26. The annual average, high, low and end-of-period COMP prices for the period from the first Creation Basket of the Fund until December 31, 2022 based on the price reported by the Fund's principal market as of 4:00 p.m., New York time, on the applicable dates were:

Period	Average	High		Low		End of period	Last business day
		Digital Asset Market Price	Date	Digital Asset Market Price	Date		
July 14, 2021 to December 31, 2021	\$ 345.19	\$ 511.36	9/6/2021	\$ 177.72	12/13/2021	\$ 194.08	\$ 194.08
Twelve months ended December 31, 2022	\$ 80.23	\$ 226.61	1/4/2022	\$ 27.42	6/18/2022	\$ 31.61	\$ 30.55
July 14, 2021 to December 31, 2022	\$ 164.76	\$ 511.36	9/6/2021	\$ 27.42	6/18/2022	\$ 31.61	\$ 30.55

Item 5. Legal proceedings.

There are no current, past, pending or, to the Manager's knowledge, threatened legal proceedings or administrative actions either by or against the Fund or the Manager that could have a material effect on the Fund's or the Manager's business, financial condition, or operations and any current, 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 Disclosure Statement 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. In addition to such risk factors, investors should consider carefully the risks described below before making an investment decision.

Update to "Risk Factors" Disclosure

The section entitled "Risk Factors" in our Disclosure Statement is supplemented by adding at the end thereof:

Recent developments in the digital asset economy have led to extreme volatility and disruption in digital asset markets, a loss of confidence in participants of the digital asset ecosystem, significant negative publicity surrounding digital assets broadly and market-wide declines in liquidity.

Beginning in the fourth quarter of 2021 and continuing throughout 2022, digital asset prices began falling precipitously. This has led to volatility and disruption in the digital asset markets and financial difficulties for several prominent industry participants, including digital asset exchanges, hedge funds and lending platforms. For example, in the first half of 2022, digital asset lenders Celsius Network LLC and Voyager Digital Ltd. and digital asset hedge fund Three Arrows Capital each declared bankruptcy. This resulted in a loss of confidence in

participants in the digital asset ecosystem, negative publicity surrounding digital assets more broadly and market-wide declines in digital asset trading prices and liquidity.

Thereafter, in November 2022, FTX, the third largest Digital Asset Exchange by volume at the time, halted customer withdrawals amid rumors of the company's liquidity issues and likely insolvency. Shortly thereafter, FTX's CEO resigned and FTX and several affiliates of FTX filed for bankruptcy. The U.S. Department of Justice subsequently brought criminal charges, including charges of fraud, violations of federal securities laws, money laundering, and campaign finance offenses, against FTX's former CEO and others. FTX is also under investigation by the SEC, the Justice Department, and the Commodity Futures Trading Commission, as well as by various regulatory authorities in the Bahamas, Europe and other jurisdictions. In response to these events, the digital asset markets have experienced extreme price volatility and declines in liquidity, and regulatory and enforcement scrutiny has increased, including from the DOJ, the SEC, the CFTC, the White House and Congress. In addition, several other entities in the digital asset industry filed for bankruptcy following FTX's bankruptcy filing, such as BlockFi Inc. and Genesis Global Holdco, LLC ("Genesis Holdco"), both of which are digital asset lenders. The SEC also brought charges against Genesis Global Capital, LLC, a subsidiary of Genesis Holdco, and Gemini Trust Company, LLC on January 12, 2023 for their alleged unregistered offer and sale of securities to retail investors.

Genesis Holdco, together with certain of its subsidiaries, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in January 2023. While Genesis Holdco is not a service provider to the Fund, it is an affiliate of Genesis Global Trading, Inc., which acts as a Liquidity Provider to the Authorized Participant of the Fund, is a wholly owned subsidiary of DCG, and is an affiliate of the Fund and the Manager. The Liquidity Provider sources digital assets on behalf of the Authorized Participant in connection with the creation of Shares. As such, if Genesis Holdco's bankruptcy, including the potential sale or transfer of the Liquidity Provider's equity and/or assets as part of the bankruptcy negotiations, has a negative impact on the Liquidity Provider's ability to act in such capacity, the Authorized Participant may be required to replace the Liquidity Provider, which could negatively impact the Fund's ability to create new Shares.

These events have led to significant negative publicity around digital asset market participants including DCG, Genesis and DCG's other affiliated entities. This publicity could negatively impact the reputation of the Manager and have an adverse effect on the trading price and/or the value of the Shares. Moreover, sales of a significant number of Shares of the Fund as a result of these events could have a negative impact on the trading price of the Shares.

These events are continuing to develop at a rapid pace and it is not possible to predict at this time all of the risks that they may pose to the Manager, the Fund, their affiliates and/or the Fund's third party service providers, or on the digital asset industry as a whole. Continued disruption and instability in the digital asset markets as these events develop, including further declines in the trading prices and liquidity of the Fund Components, could have a material adverse effect on the value of the Shares and the Shares could lose all or substantially all of their value.

The Fund relies on third party service providers to perform certain functions essential to the affairs of the Fund and the replacement of such service providers could pose a challenge to the safekeeping of the Fund's digital assets and to the operations of the Fund.

The Fund relies on the Custodian, the Authorized Participant and other third party service providers to perform certain functions essential to managing the affairs of the Fund. In addition, the Authorized Participant relies on the Liquidity Provider to source the Fund Components in connection with the creation of Shares. Any disruptions to such service providers' business operations, resulting from business failures, financial instability, security failures, government mandated regulation or operational problems could have an adverse impact on the Fund's ability to access critical services and be disruptive to the operations of the Fund and require the Manager to replace such service provider. Moreover, the Manager could decide to replace a service provider to the Fund, or the Authorized Participant may decide to replace the Liquidity Provider for other reasons.

If the Manager decides, or is required, to replace Coinbase Custody Trust Company, LLC as the custodian of the Fund's digital assets, transferring maintenance responsibilities of the Digital Asset Account to another party will likely be complex and could subject the Fund's digital assets to the risk of loss during the transfer, which could have a negative impact on the performance of the Shares or result in loss of the Fund's assets.

Moreover, the legal rights of customers with respect to digital assets held on their behalf by a third-party custodian, such as the Custodian, in insolvency proceedings are currently uncertain. The Custody Agreement contains an agreement by the parties to treat the digital assets credited to the Fund's Digital Asset Account as financial assets under Article 8 of the Uniform Commercial Code ("Article 8"), in addition to stating that the Custodian will serve as fiduciary and custodian on the Fund's behalf. The Custodian's parent, Coinbase Global Inc., has stated in its most recent public securities filings that in light of the inclusion in its custody agreements of provisions relating to Article 8 it believes that a court would not treat custodied digital assets as part of its general estate in the event the Custodian were to experience insolvency. However, due to the novelty of digital asset custodial arrangements courts have not yet considered this type of treatment for custodied digital assets and it is not possible to predict with certainty how they would rule in such a scenario. If the Custodian became subject to insolvency proceedings and a court were to rule that the custodied digital assets were part of the Custodian's general estate and not the property of the Fund, then the Fund would be treated as a general unsecured creditor in the Custodian's insolvency proceedings and the Fund would be subject to the loss of all or a significant portion of its assets.

To the extent that Manager is not able to find a suitable party willing to serve as the custodian, the Manager may be required to terminate the Fund and liquidate the Fund's digital assets. In addition, to the extent that the Manager finds a suitable party and must enter into a modified Custodian Agreement that is less favorable for the Fund or Manager and/or transfer the Fund's assets in a relatively short time period, the safekeeping of the Fund's digital assets may be adversely affected, which may in turn adversely affect value of the Shares. Likewise, if the Manager and/or the Authorized Participant is required to replace any other service provider, they may not be able to find a party willing to serve in such capacity in a timely manner or at all. If the Manager decides, or is required, to replace the Authorized Participant and/or if the Authorized Participant decides, or is required, to replace the Liquidity Provider, this could negatively impact the Fund's ability to create new Shares, which would impact the Shares' liquidity and could have a negative impact on the value of the Shares.

Item 8. Exhibits.

Exhibit 1 Unaudited Financial Statements for the Three and Six Months Ended December 31, 2022

Item 9. Issuer's Certifications.

Certification

I, Michael Sonnenshein, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Grayscale Decentralized Finance (DeFi) Fund LLC;
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: February 8, 2023

/s/ Michael Sonnenshein

By: Michael Sonnenshein

Title: Chief Executive Officer of
Grayscale Investments, LLC

Certification

I, Edward McGee, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Grayscale Decentralized Finance (DeFi) Fund LLC;
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: February 8, 2023

/s/ Edward McGee

By: Edward McGee

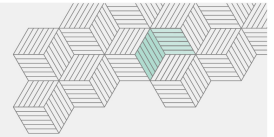
Title: Chief Financial Officer (Principal Financial Officer) of
Grayscale Investments, LLC

Exhibit 1

Unaudited Financial Statements for the Three and Six Months Ended December 31, 2022

FINANCIAL STATEMENTS

Grayscale Decentralized Finance (DeFi) Fund LLC
For the Three and Six Months Ended December 31, 2022
(Unaudited)



Grayscale[®] DeFi Fund

Grayscale Decentralized Finance (DeFi) Fund LLC
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Grayscale Decentralized Finance (DeFi) Fund LLC
Statements of Assets and Liabilities
(Unaudited)

	<u>December 31, 2022</u>	<u>June 30, 2022</u>
(Amounts in U.S. dollars, except Share and per Share amounts)		
Assets:		
Investments in digital assets, at fair value (cost \$10,039,177 and \$11,872,619 as of December 31, 2022 and June 30, 2022)	\$ 2,700,645	\$ 2,905,205
Total assets	<u>\$ 2,700,645</u>	<u>\$ 2,905,205</u>
Liabilities:		
Manager's Fee payable, related party	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>\$ 2,700,645</u>	<u>\$ 2,905,205</u>
Net Assets consists of:		
Paid-in-capital	\$ 12,370,159	\$ 12,370,159
Accumulated net investment loss	(242,420)	(196,425)
Accumulated net realized loss on investments in digital assets	(2,088,562)	(301,115)
Accumulated net change in unrealized depreciation on investments in digital assets	(7,338,532)	(8,967,414)
	<u>\$ 2,700,645</u>	<u>\$ 2,905,205</u>
Shares issued and outstanding, no par value (unlimited Shares authorized)	<u>233,960</u>	<u>233,960</u>
Net asset value per Share	<u>\$ 11.54</u>	<u>\$ 12.42</u>

See accompanying notes to unaudited financial statements.

Grayscale Decentralized Finance (DeFi) Fund LLC
Schedules of Investments
(Unaudited)

December 31, 2022

	Quantity	Cost	Fair Value	% of Net Assets
Investment in UNI	360,465.93910903	\$ 6,050,886	\$ 1,870,819	69.27%
Investment in AAVE	6,665.14899480	\$ 1,435,005	\$ 350,587	12.98%
Investment in MKR	462.35483197	\$ 877,138	\$ 238,135	8.82%
Investment in CRV	251,403.79157906	\$ 638,827	\$ 132,464	4.91%
Investment in COMP	3,436.88278345	\$ 1,037,321	\$ 108,640	4.02%
Net assets		<u>\$ 10,039,177</u>	<u>\$ 2,700,645</u>	<u>100.00%</u>

June 30, 2022

	Quantity	Cost	Fair Value	% of Net Assets
Investment in UNI	316,859.16287708	\$ 5,841,527	\$ 1,527,261	52.57%
Investment in CRV	526,864.57867745	\$ 1,366,078	\$ 347,730	11.97%
Investment in AMP	29,584,178.06712007	\$ 1,200,124	\$ 295,841	10.18%
Investment in AAVE	4,948.26787443	\$ 1,344,840	\$ 271,462	9.34%
Investment in MKR	299.99746486	\$ 734,786	\$ 260,814	8.98%
Investment in COMP	3,186.04010448	\$ 1,050,094	\$ 143,212	4.93%
Investment in YFI	11.28488637	\$ 335,170	\$ 58,885	2.03%
Net assets		<u>\$ 11,872,619</u>	<u>\$ 2,905,205</u>	<u>100.00%</u>

See accompanying notes to unaudited financial statements.

Grayscale Decentralized Finance (DeFi) Fund LLC
Statements of Operations
(Unaudited)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021
(Amounts in U.S. dollars)				
Investment income:				
Investment income	\$ -	\$ -	\$ -	\$ -
Expenses:				
Manager's Fee, related party	20,939	70,680	45,995	120,611
Net investment loss	<u>(20,939)</u>	<u>(70,680)</u>	<u>(45,995)</u>	<u>(120,611)</u>
Net realized and unrealized loss on investments in digital assets:				
Net realized (loss) gain on investments in digital assets	(91,456)	333,682	(1,787,447)	343,783
Net change in unrealized (depreciation) appreciation on investments in digital assets	<u>(787,364)</u>	<u>(2,062,905)</u>	<u>1,628,882</u>	<u>(1,378,297)</u>
Net realized and unrealized loss on investments	<u>(878,820)</u>	<u>(1,729,223)</u>	<u>(158,565)</u>	<u>(1,034,514)</u>
Net decrease in net assets resulting from operations	<u><u>\$ (899,759)</u></u>	<u><u>\$ (1,799,903)</u></u>	<u><u>\$ (204,560)</u></u>	<u><u>\$ (1,155,125)</u></u>

See accompanying notes to unaudited financial statements.

Grayscale Decentralized Finance (DeFi) Fund LLC
Statements of Changes in Net Assets
(Unaudited)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021
(Amounts in U.S. dollars, except change in Shares outstanding)				
Decrease in net assets from operations:				
Net investment loss	\$ (20,939)	\$ (70,680)	\$ (45,995)	\$ (120,611)
Net realized (loss) gain on investments in digital assets	(91,456)	333,682	(1,787,447)	343,783
Net change in unrealized (depreciation) appreciation on investments in digital assets	(787,364)	(2,062,905)	1,628,882	(1,378,297)
Net decrease in net assets resulting from operations	(899,759)	(1,799,903)	(204,560)	(1,155,125)
Increase in net assets from capital share transactions:				
Shares issued	-	2,491,945	-	11,660,330
Net increase in net assets resulting from capital share transactions	-	2,491,945	-	11,660,330
Total (decrease) increase in net assets from operations and capital share transactions	(899,759)	692,042	(204,560)	10,505,205
Net assets:				
Beginning of period	3,600,404	9,813,163	2,905,205	-
End of period	<u>\$ 2,700,645</u>	<u>\$ 10,505,205</u>	<u>\$ 2,700,645</u>	<u>\$ 10,505,205</u>
Change in Shares outstanding:				
Shares outstanding at beginning of period	233,960	167,020	233,960	-
Shares issued	-	41,500	-	208,520
Net increase in Shares	-	41,500	-	208,520
Shares outstanding at end of period	<u>233,960</u>	<u>208,520</u>	<u>233,960</u>	<u>208,520</u>

See accompanying notes to unaudited financial statements.

Grayscale Decentralized Finance (DeFi) Fund LLC

Notes to Unaudited Financial Statements

1. Organization

Grayscale Decentralized Finance (DeFi) Fund LLC (the “Fund”) was constituted as a Cayman Islands limited liability company on June 10, 2021 (the inception of the Fund) and commenced operations on July 14, 2021. In general, the Fund holds digital assets. Digital assets eligible for inclusion in the Fund’s portfolio consist of the digital assets that make up the CoinDesk DeFi Select Index (the “DFX”) as rebalanced from time to time, subject to the Manager’s discretion to exclude individual digital assets in certain cases. The DFX is designed and managed by CoinDesk Indices, Inc (the “Index Provider”). At the inception of the Fund, the digital assets included in the Fund’s portfolio were: Uniswap (“UNI”), Aave (“AAVE”), Compound (“COMP”), Curve (“CRV”), Maker (“MKR”), Sushiswap (“SUSHI”), Synthetix (“SNX”), Yearn.finance (“YFI”), Universal Market Access (“UMA”) and Bancor (“BNT”). As of December 31, 2022, the digital assets included in the Fund’s portfolio were: Uniswap (“UNI”), Aave (“AAVE”), Compound (“COMP”), Curve (“CRV”), and Maker (“MKR”), (collectively, the “Fund Components”). On a quarterly basis beginning on the second business day of January, April, July and October of each year, the Manager performs an analysis and may rebalance the Fund’s portfolio based on these results in accordance with policies and procedures as set forth in the Fund’s Limited Liability Company Agreement (the “LLC Agreement”). The Fund is authorized under the LLC Agreement to create and issue an unlimited number of equal, fractional, undivided interests in the profits, losses, distributions, capital and assets of, and ownership of, the Fund (“Shares”) (in minimum baskets of 100 Shares, referred to as “Baskets”) in connection with creations. The redemption of Shares is not currently contemplated and the Fund does not currently operate a redemption program. Subject to receipt of regulatory approval and approval by the Manager in its sole discretion, the Fund may in the future operate a redemption program. The Fund currently has no intention of seeking regulatory approval to operate an ongoing redemption program. The Fund’s investment objective is to hold the digital assets that make up the DFX and for the Shares to reflect the value of such Fund Components at any given time, less the Fund’s expenses and other liabilities.

From time to time, the Fund may hold cash in U.S. dollars and positions in digital assets as a result of a fork, airdrop or similar event through which the Fund becomes entitled to another digital asset or other property by virtue of its ownership of one or more of the digital assets it then holds (each such new asset, a “Forked Asset”).

Grayscale Investments, LLC (“Grayscale” or the “Manager”) acts as the Manager of the Fund and is a wholly owned subsidiary of Digital Currency Group, Inc. (“DCG”). The Manager is responsible for the day-to-day administration of the Fund pursuant to the provisions of the LLC Agreement. Grayscale is responsible for preparing and providing annual and quarterly reports on behalf of the Fund to investors and is also responsible for selecting and monitoring the Fund’s service providers. As partial consideration for the Manager’s services, the Fund pays Grayscale a Manager’s Fee as discussed in Note 7. The Manager also acts as the sponsor and manager of other investment products including Grayscale Basic Attention Token Trust (BAT) (OTCQB: GBAT), Grayscale Bitcoin Trust (BTC) (OTCQX: GBTC), Grayscale Bitcoin Cash Trust (BCH) (OTCQX: BCHG), Grayscale Chainlink Trust (LINK) (OTCQB: GLNK), Grayscale Decentraland Trust (MANA) (OTCQX: MANA), Grayscale Ethereum Trust (ETH) (OTCQX: ETHE), Grayscale Ethereum Classic Trust (ETC) (OTCQX: ETCG), Grayscale Filecoin Trust (FIL) (OTCQB: FILG), Grayscale Horizen Trust (ZEN) (OTCQX: HZEN), Grayscale Litecoin Trust (LTC) (OTCQX: LTCN), Grayscale Livepeer Trust (LPT) (OTCQB: GLIV), Grayscale Solana Trust (SOL), Grayscale Stellar Lumens Trust (XLM) (OTCQX: GXLM), Grayscale Zcash Trust (ZEC) (OTCQX: ZCSH), Grayscale Digital Large Cap Fund LLC (OTCQX: GDLC), and Grayscale Smart Contract Platform Ex Ethereum (ETH) Fund LLC, each of which is an affiliate of the Fund. The following investment products sponsored or managed by the Manager are also SEC reporting companies with their shares registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): Grayscale Bitcoin Trust (BTC), Grayscale Bitcoin Cash Trust (BCH), Grayscale Ethereum Trust (ETH), Grayscale Ethereum Classic Trust (ETC), Grayscale Horizen Trust (ZEN), Grayscale Litecoin Trust (LTC), Grayscale Stellar Lumens Trust (XLM), Grayscale Zcash Trust (ZEC), and Grayscale Digital Large Cap Fund

Grayscale Decentralized Finance (DeFi) Fund LLC

Notes to Unaudited Financial Statements

1. Organization (continued)

LLC. Grayscale Advisors, LLC, a Registered Investment Advisor and an affiliate of the Manager, is the advisor to the Grayscale Future of Finance (NYSE: GFOF) product.

Authorized Participants of the Fund are the only entities who may place orders to create or, if permitted, redeem Baskets. Genesis Global Trading, Inc. (“Genesis” or, in such capacity, an “Authorized Participant”), a registered broker dealer and wholly owned subsidiary of DCG, was the only Authorized Participant prior to October 3, 2022, and was party to a participant agreement with the Manager and the Fund. Effective October 3, 2022, Grayscale Securities, LLC (“Grayscale Securities” or, in such capacity, an “Authorized Participant”), a registered broker-dealer and wholly owned subsidiary of the Manager, is the only Authorized Participant, and is party to a participant agreement with the Manager of the Fund. As a result, since October 3, 2022, Genesis has no longer acted as an Authorized Participant of the Fund, but serves as a Liquidity Provider to Grayscale Securities. Additional Authorized Participants may be added at any time, subject to the discretion of the Manager. The Authorized Participant(s) may engage additional Liquidity Providers at any time.

The custodian of the Fund is Coinbase Custody Trust Company, LLC (the “Custodian”), a third-party service provider. The Custodian is responsible for safeguarding the Fund Components and Forked Assets held by the Fund, and holding the private key(s) that provide access to the Fund’s digital wallets and vaults.

The transfer agent for the Fund (the “Transfer Agent”) is Continental Stock Transfer & Trust Company. The responsibilities of the Transfer Agent are to maintain creations, redemptions, transfers, and distributions of the Fund’s Shares which are primarily held in book-entry form.

On July 14, 2021, the Fund registered with the Cayman Islands Monetary Authority (reference number: 1894701). The Fund is registered and regulated as a private fund under the Private Funds Act (As Revised) of the Cayman Islands (the “Private Funds Act”).

On June 23, 2022, the Fund completed a 1-for-10 Reverse Share Split of the Fund’s issued and outstanding shares. Each beneficial owner of a Share (a “shareholder”) of record as of the close of business on June 22, 2022 received one Share for every ten Shares of the Fund held. The number of outstanding Shares and per-Share amounts disclosed for all periods presented have been retroactively adjusted to reflect the effects of the Reverse Share Split.

On December 9, 2022, the Fund received notice that its Shares were qualified for public trading on the OTCQB tier of the OTC Markets Group Inc. (“OTCQB”). The Fund’s trading symbol on OTCQB is “DEFG” and the CUSIP number for its Shares is G4070G104. The Fund’s Shares have been quoted on OTCQB under the symbol DEFG since December 22, 2022.

2. Summary of Significant Accounting Policies

In the opinion of management of the Manager of the Fund, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position as of December 31, 2022 and June 30, 2022 and results of operations for the three and six months ended December 31, 2022, the three months ended December 31, 2021 and the period from July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021 have been made. The results of operations for the periods presented are not necessarily indicative of the results of operations expected for the full year. These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2022 included in the Fund’s Disclosure Statement.

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

2. Summary of Significant Accounting Policies (continued)

The following is a summary of significant accounting policies followed by the Fund:

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The Fund qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, *Financial Services – Investment Companies*. The Fund uses fair value as its method of accounting for digital assets in accordance with its classification as an investment company for accounting purposes. The Fund is not a registered investment company under the Investment Company Act of 1940. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and these differences could be material.

The Fund conducts its transactions in Fund Components, including receiving Fund Components for the creation of Shares and delivering Fund Components for the redemption of Shares and for the payment of the Manager’s Fee. At this time, the Fund is not accepting redemption requests from shareholders. Since its inception, the Fund has not held cash or cash equivalents.

Principal Market and Fair Value Determination

To determine which market is the Fund’s principal market for each Fund Component (or in the absence of a principal market, the most advantageous market) for purposes of calculating the Fund’s net asset value (“NAV”), the Fund follows ASC 820-10, which outlines the application of fair value accounting. ASC 820-10 determines fair value to be the price that would be received for each Fund Component in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Fund to assume that each Fund Component is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact.

The Fund only receives Fund Components in connection with a creation order from the Authorized Participant (or its Liquidity Provider) and does not itself transact on any Digital Asset Markets. Therefore, the Fund looks market-based volume and level of activity for Digital Asset Markets. The Fund, through its Authorized Participant(s), or a Liquidity Provider on behalf of the Authorized Participant(s), may transact in a Brokered Market, a Dealer Market, Principal-to-Principal Markets and Exchange Markets, each as defined in the FASB ASC Master Glossary (collectively, “Digital Asset Markets”).

In determining which of the eligible Digital Asset Markets is the Fund’s principal market, the Fund reviews these criteria in the following order:

First, the Fund reviews a list of Digital Asset Markets that follow anti-money laundering (“AML”) and know-your-customer (“KYC”) procedures, and non-Digital Asset Exchange Markets that the Fund reasonably believes are operating in compliance with applicable law, including federal and state licensing requirements, based upon information and assurances provided to it by each market.

Second, the Fund sorts these Digital Asset Markets from high to low by market-based volume and level of activity of each Fund Component traded on each Digital Asset Market in the trailing twelve months.

Third, the Fund then reviews pricing fluctuations and the degree of variances in price on Digital Asset Markets to identify any material notable variances that may impact the volume or price information of a particular Digital Asset Market.

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fourth, the Fund then selects a Digital Asset Market as its principal market based on the highest market-based volume, level of activity and price stability in comparison to the other Digital Asset Markets on the list. Based on information reasonably available to the Fund, Exchange Markets have the greatest volume and level of activity for the Fund Components. The Fund therefore looks to accessible Exchange Markets as opposed to the Brokered Market, Dealer Market and Principal-to-Principal Markets to determine its principal market for each Fund Component. As a result of the aforementioned analysis, an Exchange Market has been selected as the Fund's principal market for each Fund Component.

The Fund determines its principal market (or in the absence of a principal market the most advantageous market) annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Digital Asset Market's trading volume and level of activity in the trailing twelve months, (ii) if any Digital Asset Markets have developed that the Fund has access to, or (iii) if recent changes to each Digital Asset Market's price stability have occurred that would materially impact the selection of the principal market and necessitate a change in the Fund's determination of its principal market.

The cost basis of each Fund Component received in connection with a creation order is recorded by the Fund at the fair value of such Fund Component at 4:00 p.m., New York time, on the creation date for financial reporting purposes. The cost basis recorded by the Fund may differ from proceeds collected by the Authorized Participant from the sale of the corresponding Shares to investors.

Investment Transactions and Revenue Recognition

The Fund considers investment transactions to be the receipt of Fund Components for Share creations and the delivery of Fund Components for Share redemptions, the payment of expenses in Fund Components or the sale of Fund Components when the Manager rebalances the Fund's portfolio. At this time, the Fund is not accepting redemption requests from shareholders. The Fund records its investment transactions on a trade date basis and changes in fair value are reflected as net change in unrealized appreciation or depreciation on investments. Realized gains and losses are calculated using the specific identification method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Manager's Fee and selling Fund Component(s) when the Manager rebalances the Fund's portfolio.

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.

GAAP utilizes a fair value hierarchy for inputs 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 be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

2. Summary of Significant Accounting Policies (continued)

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 Fund has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, these valuations do not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which significant inputs are observable, either directly or indirectly.
- 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 by investment. To the extent that valuations are based on sources that are less observable or unobservable in the market, the determination of fair value requires more judgment. Fair value estimates do not necessarily represent the amounts that may be ultimately realized by the Fund.

		Fair Value Measurement Using			
		Amount at			
		Fair Value	Level 1	Level 2	Level 3
December 31, 2022					
Assets					
Investment in UNI	\$	1,870,819	\$ 1,870,819	\$ -	\$ -
Investment in AAVE		350,587	350,587	-	-
Investment in MKR		238,135	238,135	-	-
Investment in CRV		132,464	132,464	-	-
Investment in COMP		108,640	108,640	-	-
	\$	2,700,645	\$ 2,700,645	\$ -	\$ -

		Fair Value Measurement Using			
		Amount at Fair Value	Level 1	Level 2	Level 3
June 30, 2022					
Assets					
Investment in UNI	\$	1,527,261	\$ 1,527,261	\$ -	\$ -
Investment in CRV		347,730	347,730	-	-
Investment in AMP		295,841	295,841	-	-
Investment in AAVE		271,462	271,462	-	-
Investment in MKR		260,814	260,814	-	-
Investment in COMP		143,212	143,212	-	-
Investment in YFI		58,885	58,885	-	-
	\$	2,905,205	\$ 2,905,205	\$ -	\$ -

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

3. Fair Value of Investments in Digital Assets

The Fund Components are held by the Custodian on behalf of the Fund and are carried at fair value. The following table represents the fair value of each Fund Component using the price provided at 4:00 p.m., New York time, by the relevant Digital Asset Exchange Market considered to be its principal market, as determined by the Fund:

Fund Component	Principal Market	December 31, 2022	June 30, 2022
UNI	Coinbase Pro	\$ 5.19	\$ 4.82
AAVE	Coinbase Pro	\$ 52.60	\$ 54.86
MKR	Coinbase Pro	\$ 515.05	\$ 869.39
CRV	Coinbase Pro	\$ 0.53	\$ 0.66
COMP	Coinbase Pro	\$ 31.61	\$ 44.95
YFI	Coinbase Pro	N/A	\$ 5,218.00
AMP	Coinbase Pro	N/A	\$ 0.01

The following represents the changes in quantity of each Fund Component and their respective fair values:

	Quantity	Fair Value
UNI balance at July 14, 2021 (the commencement of the Fund's operations)	-	\$ -
UNI contributed	317,282.79513306	6,089,764
Net UNI contributed from portfolio rebalancing	5,588.80023542	(299,336)
UNI distributed for Manager's Fee, related party	(6,012.43249140)	(88,089)
Net change in unrealized depreciation on investment in UNI	-	(4,314,266)
Net realized gain on investment in UNI	-	139,188
UNI balance at June 30, 2022	316,859.16287708	\$ 1,527,261
UNI contributed	-	-
Net UNI contributed from portfolio rebalancing	48,119.73985139	293,943
UNI distributed for Manager's Fee, related party	(4,512.96361944)	(29,155)
Net change in unrealized appreciation on investment in UNI	-	134,199
Net realized loss on investment in UNI	-	(55,429)
UNI balance at December 31, 2022	360,465.93910903	\$ 1,870,819
	Quantity	Fair Value
AAVE balance at July 14, 2021 (the commencement of the Fund's operations)	-	\$ -
AAVE contributed	5,036.13417024	1,389,080
Net AAVE contributed from portfolio rebalancing	28.20680543	54,171
AAVE distributed for Manager's Fee, related party	(116.07310124)	(24,386)
Net change in unrealized depreciation on investment in AAVE	-	(1,073,378)
Net realized loss on investment in AAVE	-	(74,025)
AAVE balance at June 30, 2022	4,948.26787443	\$ 271,462
AAVE contributed	-	-
Net AAVE contributed from portfolio rebalancing	1,800.85901806	118,968
AAVE distributed for Manager's Fee, related party	(83.97789769)	(6,512)
Net change in unrealized depreciation on investment in AAVE	-	(11,040)
Net realized loss on investment in AAVE	-	(22,291)
AAVE balance at December 31, 2022	6,665.14899480	\$ 350,587

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

3. Fair Value of Investments in Digital Assets (continued)

	Quantity	Fair Value
MKR balance at July 14, 2021 (the commencement of the Fund's operations)	-	\$ -
MKR contributed	343.22360029	877,517
Net MKR distributed from portfolio rebalancing	(35.25988821)	(98,489)
MKR distributed for Manager's Fee, related party	(7.96624722)	(17,605)
Net change in unrealized depreciation on investment in MKR	-	(473,972)
Net realized loss on investment in MKR	-	(26,637)
MKR balance at June 30, 2022	299.99746486	\$ 260,814
MKR contributed	-	-
Net MKR contributed from portfolio rebalancing	168.18126460	166,342
MKR distributed for Manager's Fee, related party	(5.82389749)	(4,715)
Net change in unrealized depreciation on investment in MKR	-	(165,031)
Net realized loss on investment in MKR	-	(19,275)
MKR balance at December 31, 2022	462.35483197	\$ 238,135
	Quantity	Fair Value
CRV balance at July 14, 2021 (the commencement of the Fund's operations)	-	\$ -
CRV contributed	478,555.37402640	892,101
Net CRV contributed from portfolio rebalancing	55,522.10957558	346,378
CRV distributed for Manager's Fee, related party	(7,212.90492453)	(17,156)
Net change in unrealized depreciation on investment in CRV	-	(1,018,348)
Net realized gain on investment in CRV	-	144,755
CRV balance at June 30, 2022	526,864.57867745	\$ 347,730
CRV contributed	-	-
Net CRV distributed from portfolio rebalancing	(272,126.13233230)	(262,114)
CRV distributed for Manager's Fee, related party	(3,334.65476609)	(3,109)
Net change in unrealized appreciation on investment in CRV	-	511,985
Net realized loss on investment in CRV	-	(462,028)
CRV balance at December 31, 2022	251,403.79157906	\$ 132,464
	Quantity	Fair Value
COMP balance at July 14, 2021 (the commencement of the Fund's operations)	-	\$ -
COMP contributed	2,676.77770045	928,608
Net COMP contributed from portfolio rebalancing	569.26457803	153,627
COMP distributed for Manager's Fee, related party	(60.00217400)	(11,791)
Net change in unrealized depreciation on investment in COMP	-	(906,882)
Net realized loss on investment in COMP	-	(20,350)
COMP balance at June 30, 2022	3,186.04010448	\$ 143,212
COMP contributed	-	-
Net COMP contributed from portfolio rebalancing	294.48950167	13,795
COMP distributed for Manager's Fee, related party	(43.64682270)	(2,149)
Net change in unrealized depreciation on investment in COMP	-	(21,799)
Net realized loss on investment in COMP	-	(24,419)
COMP balance at December 31, 2022	3,436.88278345	\$ 108,640

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

3. Fair Value of Investments in Digital Assets (continued)

YFI balance at July 14, 2021 (the commencement of the Fund's operations)

	<u>Quantity</u>	<u>Fair Value</u>
	-	\$ -
YFI contributed	13.81953470	412,184
Net YFI distributed from portfolio rebalancing	(2.21170209)	(2,292)
YFI distributed for Manager's Fee, related party	(0.32294624)	(8,141)
Net change in unrealized depreciation on investment in YFI	-	(276,285)
Net realized loss on investment in YFI	-	(66,581)
YFI balance at June 30, 2022	<u>11.28488637</u>	<u>\$ 58,885</u>
YFI contributed	-	-
Net YFI distributed from portfolio rebalancing	(11.28102221)	(69,397)
YFI distributed for Manager's Fee, related party	(0.00386416)	(23)
Net change in unrealized appreciation on investment in YFI	-	276,285
Net realized loss on investment in YFI	-	(265,750)
YFI balance at December 31, 2022	<u>-</u>	<u>\$ -</u>

SNX balance at July 14, 2021 (the commencement of the Fund's operations)

	<u>Quantity</u>	<u>Fair Value</u>
	-	\$ -
SNX contributed	54,251.47678547	486,932
Net SNX distributed from portfolio rebalancing	(53,248.45247294)	(270,379)
SNX distributed for Manager's Fee, related party	(1,003.02431253)	(7,501)
Net realized loss on investment in SNX	-	(209,052)
SNX balance at June 30, 2022	<u>-</u>	<u>\$ -</u>

UMA balance at July 14, 2021 (the commencement of the Fund's operations)

	<u>Quantity</u>	<u>Fair Value</u>
	-	\$ -
UMA contributed	35,162.50981056	325,403
UMA distributed from portfolio rebalancing	(34,856.62472937)	(318,330)
UMA distributed for Manager's Fee, related party	(305.88508119)	(3,511)
Net realized loss on investment in UMA	-	(3,562)
UMA balance at June 30, 2022	<u>-</u>	<u>\$ -</u>

SUSHI balance at July 14, 2021 (the commencement of the Fund's operations)

	<u>Quantity</u>	<u>Fair Value</u>
	-	\$ -
SUSHI contributed	77,313.29631247	647,800
Net SUSHI distributed from portfolio rebalancing	(76,275.32621025)	(468,345)
SUSHI distributed for Manager's Fee, related party	(1,037.97010222)	(8,770)
Net realized loss on investment in SUSHI	-	(170,685)
SUSHI balance at June 30, 2022	<u>-</u>	<u>\$ -</u>

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

3. Fair Value of Investments in Digital Assets (continued)

	<u>Quantity</u>	<u>Fair Value</u>
BNT balance at July 14, 2021 (the commencement of the Fund's operations)	-	\$ -
BNT contributed	78,218.41550279	264,943
Net BNT distributed from portfolio rebalancing	(77,315.37558091)	(247,867)
BNT distributed for Manager's Fee, related party	(903.03992188)	(3,515)
Net realized loss on investment in BNT	-	(13,561)
BNT balance at June 30, 2022	-	\$ -
	<u>Quantity</u>	<u>Fair Value</u>
AMP balance at July 14, 2021 (the commencement of the Fund's operations)	-	\$ -
AMP contributed	2,729,685.05671576	55,827
AMP contributed from portfolio rebalancing	27,136,710.64045470	1,150,862
AMP distributed for Manager's Fee, related party	(282,217.63005039)	(5,960)
Net change in unrealized depreciation on investment in AMP	-	(904,283)
Net realized loss on investment in AMP	-	(605)
AMP balance at June 30, 2022	29,584,178.06712007	\$ 295,841
AMP contributed	-	-
AMP distributed from portfolio rebalancing	(29,548,083.57339033)	(261,537)
AMP distributed for Manager's Fee, related party	(36,094.49372974)	(332)
Net change in unrealized appreciation on investment in AMP	-	904,283
Net realized loss on investment in AMP	-	(938,255)
AMP balance at December 31, 2022	-	\$ -

4. Portfolio Rebalancing

The Fund Components consist of the digital assets that make up the DFX, as rebalanced from time to time, subject to the Manager's discretion to exclude individual digital assets in certain cases. The DFX is designed and managed by the Index Provider, a subsidiary of DCG and an affiliate of the Manager, which is also a subsidiary of DCG. The process followed by the Index Provider to determine the digital assets included in the DFX and their respective weightings in the DFX is referred to as the "DFX Methodology."

The Index Provider reviews the DFX for rebalancing according to the DFX Methodology quarterly during a period beginning 14 days before the end of each March, June, September and December (each such period, an "Index Rebalancing Period"). At the start of each Index Rebalancing Period, the Index Provider applies the DFX Methodology to determine any changes to the Index Components and the Index Weightings, after which the Manager rebalances the Fund's portfolio accordingly, subject to application of the Exclusion Criteria. In order to rebalance the Fund's portfolio, the Manager will (i) determine whether any Fund Components have been removed from the DFX and should therefore be removed as Fund Components, (ii) determine whether any new digital assets have been added to the DFX and should therefore be included as Fund Components, (iii) determine how much cash and Forked Assets the Fund holds. If a Fund Component is no longer included in the DFX, the Manager will adjust the Fund's portfolio by selling such Fund Component in the Digital Asset Markets in proportion to their respective weightings in the Fund ("Weightings") and using the cash proceeds to purchase additional tokens of the remaining Fund Components and, if applicable, any new Fund Component in proportion to their respective Weightings. The Weightings of each Fund Component are generally expected to be the same as the weighting of each digital asset in the DFX except when the Manager determines to exclude one or more digital assets included

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

4. Portfolio Rebalancing (continued)

in the DFX from the Fund Components. If a digital asset not then included in the Fund's portfolio is newly eligible for inclusion in the Fund's portfolio because it was added to the DFX and not excluded through the Exclusion Criteria, the Manager will adjust the Fund's portfolio by selling tokens of the then-current Fund Components in the Digital Asset Markets in proportion to their respective Weightings and using the cash proceeds to purchase tokens of the newly eligible digital assets.

The Manager will rebalance the Fund's portfolio quarterly during a period beginning on the second business day of each January, April, July and October (each such period, a "Fund Rebalancing Period"). The Manager expects each Fund Rebalancing Period to last between one and five business days. The DFX, and therefore the Fund, may also be rebalanced mid-quarter, prior to the Index Rebalancing Period under extraordinary circumstances, if, for example, a digital asset is removed from the Index.

On October 1, 2021, the Index Provider completed the quarterly rebalancing of the DFX and determined that UNI, UMA, CRV, AAVE, MKR, COMP, SNX, YFI, SUSHI and BNT met the inclusion criteria of the DFX Index. On October 1, 2021 following the rebalancing of the Index, the Manager completed its quarterly review of the Fund's portfolio and initiated the process of rebalancing the Fund. The Manager adjusted the Fund's portfolio by selling the existing Fund Components in proportion to their respective Weightings and using the cash proceeds to purchase existing Fund Components. No new tokens were added or removed from the DFX or the Fund. Effective October 1, 2021, the Fund recognized a realized gain of \$331,104 in connection with the sale of 43,714.77000000 UNI, 5,045.70000000 UMA, and 243,860.37000000 CRV to purchase 1,942.85392904 AAVE, 130.00754931 MKR, 423.51483101 COMP, 31,097.69997459 SNX, 4.75452203 YFI, 14,298.49407449 SUSHI and 33,939.85848412 BNT.

On January 2, 2022, the Index Provider completed the quarterly rebalancing of the DFX and determined that UNI, CRV, AAVE, MKR, COMP, SNX, YFI, and SUSHI met the inclusion criteria of the DFX Index. On January 2, 2022 following the rebalancing of the Index, the Manager completed its quarterly review of the Fund's portfolio and initiated the process of rebalancing the Fund. The Manager adjusted the Fund's portfolio by selling the existing Fund Components in proportion to their respective Weightings and using the cash proceeds to purchase certain amounts of the existing Fund Components. As a result of the rebalancing, BNT and UMA were removed from the DFX and the Fund. Effective January 3, 2022, the Fund recognized a realized loss of (\$122,252) in connection with the sale of 790.39102961 AAVE, 8.77341702 MKR, 49.76744273 COMP, 49,155.42409573 SUSHI, 25,828.85928099 SNX, 29,810.92472937 UMA and 111,255.23406503 BNT to purchase 27,745.12941816 UNI, 8,445.42884072 CRV, 1.57649047 YFI, and 17,144.637.89682540 AMP.

On April 4, 2022, the Index Provider completed the quarterly rebalancing of the DFX and determined that UNI, CRV, AAVE, MKR, COMP and YFI met the inclusion criteria of the DFX Index. On April 4, 2022 following the rebalancing of the Index, the Manager completed its quarterly review of the Fund's portfolio and initiated the process of rebalancing the Fund. The Manager adjusted the Fund's portfolio by selling the existing Fund Components in proportion to their respective Weightings and using the cash proceeds to purchase certain amounts of the existing Fund Components. As a result of the rebalancing, SNX and SUSHI were removed from the DFX and the Fund. No new tokens were added to the DFX or the Fund. Effective April 5, 2022, the Fund recognized a realized loss of (\$450,253) in connection with the sale of 8.54271459 YFI, 156.49402050 MKR, 1,124.25609400 AAVE, 58,517.29316654 SNX and 41,418.39618901 SUSHI to purchase 21,558.44081726 UNI, 9,992,072.74362929 AMP, 195.51718975 COMP and 290,937.05073486 CRV.

Grayscale Decentralized Finance (DeFi) Fund LLC
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4. Portfolio Rebalancing (continued)

On July 5, 2022, the Index Provider completed the quarterly rebalancing of the DFX and determined that UNI, CRV, AAVE, MKR, and COMP met the inclusion criteria of the DFX Index. On July 5, 2022 following the rebalancing of the Index, the Manager completed its quarterly review of the Fund's portfolio and initiated the process of rebalancing the Fund. The Manager adjusted the Fund's portfolio by selling the existing Fund Components in proportion to their respective Weightings and using the cash proceeds to purchase certain amounts of the existing Fund Components. As a result of the rebalancing, YFI was removed from the DFX and the Fund. No new tokens were added to the DFX or the Fund. Effective July 6, 2022, the Fund recognized a realized loss of (\$1,020,685) in connection with the sale of 11.28102221 YFI, 272,630.49329089 CRV, and 9,610,220.93745762 AMP to purchase 29,552.77315277 UNI, 1,583.77915066 AAVE, 155.17315335 MKR, and 201.95296528 COMP.

On July 21, 2022, the SEC filed insider trading charges against a former employee of Coinbase Global, Inc. and two other individuals. In the complaint, the SEC alleged that a digital asset known as AMP is a security under the U.S. federal securities laws. On July 22, 2022, the Index Provider announced that effective July 25, 2022, as a result of these developments, AMP would be removed from the DFX and the weight of AMP in the DFX would be redistributed proportionally to the remaining Index Components, pursuant to the DFX Methodology. In connection with the removal of AMP from the DFX, the Fund removed AMP from the Fund's portfolio and sold the AMP holdings to purchase additional tokens of the remaining Fund Components in proportion to their respective weightings. Effective July 25, 2022, the Fund recognized a realized loss of (\$635,549) in connection with the sale of 19,937,862.63593271 AMP to purchase 14,905.98703963 UNI, 286.53819934 AAVE, 19.96273848 MKR, 148.77936963 COMP, and 11,320.83600770 CRV.

On October 4, 2022, the Index Provider completed the quarterly rebalancing of the DFX and determined that UNI, CRV, AAVE, MKR and COMP met the inclusion criteria of the DFX Index. On October 4, 2022 following the rebalancing of the Index, the Manager completed its quarterly review of the Fund's portfolio and initiated the process of rebalancing the Fund. The Manager adjusted the Fund's portfolio by selling the existing Fund Components in proportion to their respective Weightings and using the cash proceeds to purchase existing Fund Components. No new tokens were added or removed from the DFX or the Fund. Effective October 5, 2022, the Fund recognized a realized loss of \$48,011 in connection with the sale of 69.45833194 AAVE, 6.95462723 MKR, 56.24283324 COMP, and 10,816.47504911 CRV to purchase 3,660.97965899 UNI.

5. Creations and Redemptions of Shares

At December 31, 2022, there were an unlimited number of Shares authorized by the Fund. The Fund creates (and, should the Fund commence a redemption program, redeems) Shares from time to time, but only in one or more Baskets. The creation and redemption of Baskets on behalf of investors are made by the Authorized Participant in exchange for the delivery of tokens of each Fund Component to the Fund, or the distribution of tokens of each Fund Component by the Fund, plus cash representing the Forked Asset portion, if any, and the U.S. Dollar portion, if any. The number of tokens of each Fund Component required for each creation Basket or redemption Basket is determined by dividing (x) the total number of tokens of such Fund Component held by the Fund at 4:00 p.m., New York time, on such trade date of a creation or redemption order, after deducting the number of tokens of each Fund Component payable as the Manager's Fee and the number of tokens of such Fund Component payable as a portion of Additional Fund Expenses (as defined in Note 7), by (y) the number of Shares outstanding at such time and multiplying the quotient obtained by 100. Each Share represented approximately 1.5407 of one UNI, 0.0285 of one AAVE, 0.0020 of one MKR, 1.0746 of one CRV, 0.0147 of one COMP at December 31, 2022.

Grayscale Decentralized Finance (DeFi) Fund LLC
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5. Creations and Redemptions of Shares (continued)

The cost basis of investments in each Fund Component recorded by the Fund is the fair value of each Fund Component, as determined by the Fund, at 4:00 p.m., New York time, on the date of transfer to the Fund by the Authorized Participant based on the creation Baskets. The cost basis recorded by the Fund may differ from proceeds collected by the Authorized Participant from the sale of each Share to investors. The Authorized Participant may realize significant profits buying, selling, creating, and, if permitted, redeeming Shares as a result of changes in the value of Shares or each Fund Component. In addition, the Authorized Participant may realize significant profits through the sale of digital assets during a Rebalancing Period.

At this time, the Fund is not operating a redemption program and is not accepting redemption requests. Subject to receipt of regulatory approval and approval by the Manager in its sole discretion, the Fund may in the future operate a redemption program. The Fund currently has no intention of seeking regulatory approval to operate an ongoing redemption program. Further, the Fund is registered and regulated as a private fund under the Private Funds Act. The Cayman Islands Monetary Authority has supervisory and enforcement powers to ensure the Fund's compliance with the Private Funds Act. Before the Fund is able to effect open redemptions as an open-ended Fund, it will be required to meet the requirements of, and register with, the Cayman Islands Monetary Authority and be regulated as a mutual fund under the Mutual Funds Law (As Revised) of the Cayman Islands.

6. Income Taxes

The Government of the Cayman Islands does not, and will not, under existing Cayman law, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Fund or the shareholders. Interest, dividends and gains payable to the Fund and all distributions by the Fund to shareholders will be received free of any Cayman Islands income or withholding taxes.

The Fund has elected to be treated as a corporation for U.S. federal income tax purposes. The Manager believes that the Fund will not be treated as engaged in a trade or business in the United States and thus will not derive income that is treated as "effectively connected" with the conduct of a trade or business in the United States ("effectively connected income") under the U.S. Internal Revenue Code of 1986, as amended (the "Code") and corresponding tax regulations (e.g., including under Sections 861 through 865). There can, however, be no complete assurance in this regard. If the Fund were treated as engaged in a trade or business in the United States, it would be subject to U.S. federal income tax, at the rates applicable to U.S. corporations (currently, at the rate of 21%), on its net effectively connected income. Any such income might also be subject to U.S. state and local income taxes. In addition, the Fund would be subject to a 30% U.S. branch profits tax in respect of its "dividend equivalent amount," as defined in Section 884 of the Code, attributable to its effectively connected income (generally, the after-tax amount of certain effectively connected income that is not treated as reinvested in the trade or business).

If the Fund were treated as engaged in a trade or business in the United States during any taxable year, it would be required to file a U.S. federal income tax return for that year, regardless of whether it recognized any effectively connected income. If the Fund did not file U.S. federal income tax returns and were later determined to have engaged in a U.S. trade or business, it would generally not be entitled to offset its effectively connected income and gains against its effectively connected losses and deductions (and, therefore, would be taxable on its gross, rather than net, effectively connected income). If the Fund recognizes any effectively connected income, the imposition of U.S. taxes on such income may have a substantial adverse effect on the return to shareholders.

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

6. Income Taxes (continued)

Due to the new and evolving nature of digital assets and a general absence of clearly controlling authority with respect to digital assets, many significant aspects of the U.S. federal income tax treatment of digital assets (including with respect to the amount, timing, and character of income recognition) are uncertain. The Manager believes that, in general, gains and losses recognized by the Fund from the sale or other disposition of digital assets will be treated as capital gains or losses. However, it is possible that the IRS will not agree with the Fund's U.S. federal tax treatment of digital assets.

In accordance with GAAP, the Fund has defined the threshold for recognizing the benefits of tax positions in the financial statements as "more-likely than-not" to be sustained by the applicable taxing authority and requires measurement of a tax position meeting the "more-likely than-not" threshold, based on the largest benefit that is more than 50% likely to be realized. Tax positions not deemed to meet the "more-likely than-not" threshold are recorded as a tax benefit or expense in the current period. As of and during December 31, 2022 and June 30, 2022, the Fund did not have a liability for any unrecognized tax amounts. However, the Manager's conclusions concerning its determination of "more likely than not" tax positions may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance, and ongoing analyses of and changes to tax laws, regulations and interpretations thereof.

The Manager of the Fund has evaluated whether or not there are uncertain tax positions that require financial statement recognition and has determined that no reserves for uncertain tax positions related to federal, state and local income taxes existed as of December 31, 2022 or June 30, 2022.

7. Related Parties

The Fund considers the following entities, their directors and certain employees to be related parties of the Fund: DCG, Genesis, Grayscale, Grayscale Securities, and CoinDesk Indices, Inc. As of both December 31, 2022 and June 30, 2022, 49,880 Shares of the Fund were held by related parties of the Fund, respectively.

The Manager's parent, an affiliate of the Fund, holds a minority interest in Coinbase, Inc., the parent company of the Custodian, that represents less than 1.0% of Coinbase, Inc.'s ownership.

In accordance with the LLC Agreement governing the Fund, the Fund pays a fee to the Manager, calculated as 2.5% of the aggregate value of the Fund's digital asset holdings, less its liabilities (which include any accrued but unpaid expenses up to, but excluding, the date of calculation), as calculated and published by the Manager or its delegates (the "Manager's Fee"). The Manager's Fee accrues daily in U.S. dollars and is payable in Fund Components then held by the Fund in proportion to their respective Fund Component's Weighting. The U.S. dollar amount of the Manager's Fee will be converted into Fund Components on a daily basis by multiplying such U.S. dollar amount by the Weighting for each Fund Component and dividing the resulting product for each Fund Component by the U.S. dollar value for such Fund Component on such day. For purposes of these financial statements, the U.S. dollar value of Fund Components is determined by reference to the Digital Asset Exchange Market that the Fund considers its principal market as of 4:00 p.m., New York time, on each valuation date. No Forked Assets have been distributed in payment of the Manager's Fee during the December 31, 2022.

As partial consideration for receipt of the Manager's Fee, the Manager shall assume and pay all fees and other expenses incurred by the Fund in the ordinary course of its affairs, excluding taxes, but including marketing fee, the administrator fee, if any; custodian fees; transfer agent fees; trustee fees; the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year; ordinary course legal fees and expenses; audit fees; regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act and fees relating to registration and any other regulatory

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

7. Related Parties (continued)

requirements in the Cayman Islands; printing and mailing costs; costs of maintaining the Fund's website and applicable license fees (together, the "Manager-paid Expenses").

The Fund may incur certain extraordinary, non-recurring expenses that are not Manager-paid Expenses, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Manager (or any other service provider) on behalf of the Fund to protect the Fund or the interests of shareholders (including in connection with any Forked Assets), any indemnification of the Custodian or other agents, service providers or counterparties of the Fund, the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively, "Additional Fund Expenses").

In such circumstances, the Manager or its delegate (i) will instruct the Custodian to withdraw from the digital asset accounts Fund Components in proportion to their respective Weightings at such time and in such quantity as may be necessary to permit payment of such Additional Fund Expenses and (ii) may either (x) cause the Fund (or its delegate) to convert such Fund Components into U.S. dollars or other fiat currencies at the price per single unit of such asset (determined net of any associated fees) at which the Fund is able to sell such asset or (y) when the Manager incurs such expenses on behalf of the Fund, cause the Fund (or its delegate) to deliver such Fund Components, and/or Forked Assets in kind to the Manager in satisfaction of such Additional Fund Expenses.

For the three months ended December 31, 2022 and 2021, the Fund incurred Manager's Fees of \$20,939 and \$70,680, respectively. For the six months ended December 31, 2022 and the period from July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021, the Fund incurred Manager's Fees of \$45,995 and \$120,611, respectively. As of December 31, 2022 and June 30, 2022, there was no accrued and unpaid Manager's Fee. In addition, the Manager may pay Additional Fund Expenses on behalf of the Fund, which are reimbursable by the Fund to the Manager. For the three months ended December 31, 2022, the three months ended December 31, 2021 and the period from July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021, the Manager did not pay any Additional Fund Expenses on behalf of the Fund.

8. Risks and Uncertainties

The Fund is subject to various risks including market risk, liquidity risk, and other risks related to its concentration in digital assets. Investing in digital assets is currently highly speculative, and volatile.

The net asset value of the Fund relates primarily to the value of the Fund Components, and fluctuations in the prices of such Fund Components could materially and adversely affect an investment in the Shares of the Fund.

The prices of the Fund Components have a very limited history. During such history, the market prices of such Fund Components have been volatile, and subject to influence by many factors including the levels of liquidity. If the Digital Asset Markets continue to experience significant price fluctuations, the Fund may experience losses. Several factors may affect the market price of the Fund Components, including, but not limited to, global supply and demand of such Fund Components, theft of such Fund Components from global exchanges or vaults, competition from other forms of digital assets or payments services, global or regional political, economic or financial conditions, and other unforeseen market events and situations.

The digital asset networks relevant to the Fund Components are decentralized to an extent, meaning no single entity owns or operates them. Some digital asset networks, such as the UNI, AAVE, MKR, COMP, and CRV networks, are collectively maintained by a decentralized user base.

Grayscale Decentralized Finance (DeFi) Fund LLC
Notes to Unaudited Financial Statements

8. Risks and Uncertainties (continued)

The Fund Components are commingled, and the Fund's shareholders have no specific rights to any specific Fund Component. In the event of the insolvency of the Fund, its assets may be inadequate to satisfy a claim by its shareholders.

There is currently no clearing house for the Fund Components, nor is there a central or major depository for the custody of such Fund Components. There is a risk that some or all of the Fund Components could be lost or stolen. There can be no assurance that the Custodian will maintain adequate insurance or that such coverage will cover losses with respect to the Fund Components. Further, transactions in the Fund Components are irrevocable. Stolen or incorrectly transferred Fund Components may be irretrievable. As a result, any incorrectly executed Fund Component transactions could adversely affect an investment in the Shares.

The Securities and Exchange Commission (the "SEC") has stated that certain digital assets may be considered "securities" under the federal securities laws. The test for determining whether a particular digital asset is a "security" is complex and the outcome is difficult to predict. Public, though non-binding, statements by senior officials at the SEC have indicated that the SEC did not consider Bitcoin or Ethereum to be securities, and does not currently consider Bitcoin to be a security. The SEC staff has also provided informal assurances to a handful of promoters that their digital assets are not securities. On the other hand, the SEC has brought enforcement actions against the issuers and promoters of several other digital assets on the basis that the digital assets in question are securities. Such statements are not official policy statements by the SEC and reflect only the speaker's views, which are not binding on the SEC or any other agency or court and cannot be generalized to any other digital asset.

If a Fund Component is determined to be a "security" under federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law or otherwise, it may have material adverse consequences for such Fund Component.

For example, it may become more difficult for such Fund Component to be traded, cleared and custodied as compared to other digital assets that are not considered to be securities, which could in turn negatively affect the liquidity and general acceptance of such Fund Component and cause users to migrate to other digital assets. As such, any determination that a Fund Component is a security under federal or state securities laws may adversely affect the value of such Fund Component and, as a result, an investment in the Shares.

To the extent that a Fund Component is determined to be a security, the Fund and the Manager may also be subject to additional regulatory requirements, including under the Investment Company Act of 1940, and the Manager may be required to register as an investment adviser under the Investment Advisers Act of 1940. If the Manager determines not to comply with such additional regulatory and registration requirements, the Manager may terminate the Fund. Any such termination could result in the liquidation of the Fund's digital assets at a time that is disadvantageous to shareholders.

As with any computer network, digital asset networks are vulnerable to various kinds of attacks. For example, certain digital asset networks are vulnerable to a "51% attack" where, if a malicious actor were to gain control of more than 50% of a network's validation power, it would be able to gain full control of the network and the ability to manipulate the relevant blockchains on which the respective digital assets settle.

To the extent a private key required to access a Fund Component address is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Fund may be unable to access the relevant Fund Component controlled by the private key and the private key will not be capable of being restored by the network of such Fund Component. The processes by which the Fund Component transactions are settled are dependent on the peer-to-peer network of such Fund Component, and as such, the Fund is subject to operational risk. A risk

Grayscale Decentralized Finance (DeFi) Fund LLC
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8. Risks and Uncertainties (continued)

also exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of the Fund Component.

The Fund relies on third party service providers to perform certain functions essential to its operations. Any disruptions to the Fund's service providers' business operations, resulting from business failures, financial instability, security failures, government mandated regulation or operational problems could have an adverse impact on the Fund's ability to access critical services and be disruptive to the operations of the Fund.

9. Financial Highlights Per Share Performance

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	July 14, 2021 (the commencement of the Fund's operations) to December 31, 2021
Per Share Data:				
Net asset value, initial creation	\$ 15.39	\$ 58.75	\$ 12.42	\$ 50.46
Net decrease in net assets from investment operations				
Net investment loss	(0.09)	(0.37)	(0.20)	(0.73)
Net realized and unrealized (loss) gain	(3.76)	(8.00)	(0.68)	0.65
Net decrease in net assets resulting from operations	(3.85)	(8.37)	(0.88)	(0.08)
Net asset value, end of period	<u>\$ 11.54</u>	<u>\$ 50.38</u>	<u>\$ 11.54</u>	<u>\$ 50.38</u>
Total return	<u>-25.02%</u>	<u>-14.25%</u>	<u>-7.09%</u>	<u>-0.16%</u>
<i>Ratios to average net assets:</i>				
Net investment loss	<u>-2.50%</u>	<u>-2.50%</u>	<u>-2.50%</u>	<u>-2.50%</u>
Expenses	<u>-2.50%</u>	<u>-2.50%</u>	<u>-2.50%</u>	<u>-2.50%</u>

Ratios of net investment loss and expenses to average net assets have been annualized.

An individual shareholder's return, ratios, and per Share performance may vary from those presented above based on the timing of Share transactions.

Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period and assuming redemption on the last day of the period and has not been annualized. The amount shown for a Share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the number of Shares issued in Creations occurring at an operational value derived from an operating metric as defined in the LLC Agreement.

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10. Indemnifications

In the normal course of business, the Fund enters into certain contracts that provide a variety of indemnities, including contracts with the Manager and affiliates of the Manager, DCG and its officers, directors, employees, subsidiaries and affiliates, and the Custodian as well as others relating to services provided to the Fund. The Fund's maximum exposure under these and its other indemnities is unknown. However, no liabilities have arisen under these indemnities in the past and, while there can be no assurances in this regard, there is no expectation that any will occur in the future. Therefore, the Manager does not consider it necessary to record a liability in this regard.

11. Subsequent Events

As of the close of business on February 2, 2023 the fair value of each Fund Component, determined in accordance with the Fund's accounting policy, was \$7.31 per UNI, \$92.07 per AAVE, \$694.47 per MKR, \$53.24 per COMP, \$2.63 per SNX and \$1.10 per CRV.

Subsequent events have been evaluated through February 8, 2023, the date of the financial statements were available to be issue.