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**GALAXY LIQUID CRYPTO FUND LP (the "Fund")**
LP Investor Update
December 2025

2025 was not the year many crypto investors expected, but it was the year the asset class grew up. More than any other theme, the year made clear that crypto is no longer driven primarily by hype cycles, retail speculation, or simplistic narratives. Instead, prices and positioning are increasingly shaped by liquidity, institutional behavior, regulation, and market structure. Understanding those forces, and adapting to them, proved far more important than trying to time rallies or rely on familiar playbooks from prior cycles.

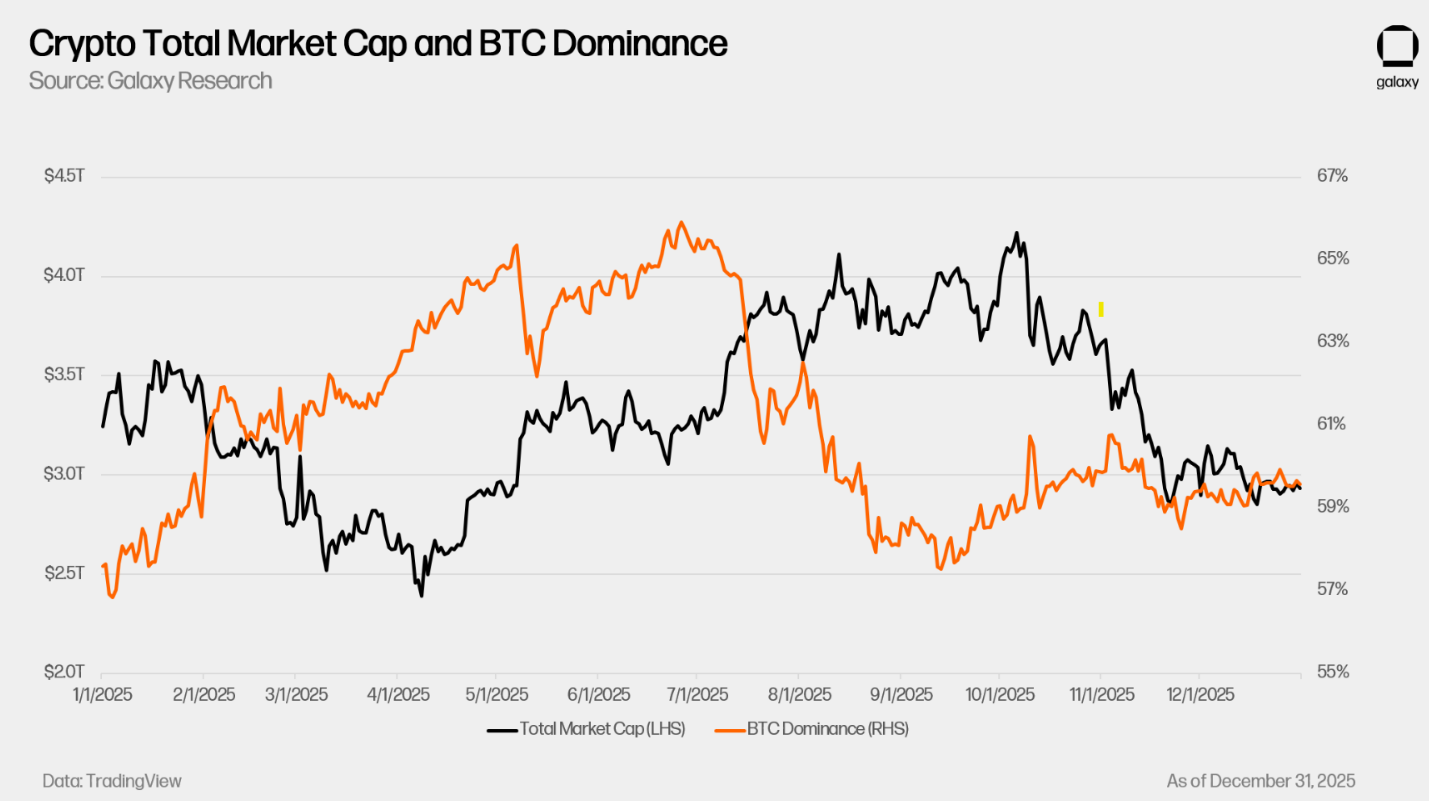
Looking ahead, the dominant macro force shaping 2026 is fiscal dominance. The U.S. is running historically large deficits at full employment, federal debt has climbed to nearly $39 trillion, and political incentives have shifted decisively toward "running the economy hot," particularly heading into midterm elections. In this environment, monetary policy increasingly bends to fiscal realities. Even in a non-recessionary cutting cycle, where growth remains resilient and inflation is only partially tamed, pressure builds on the Federal Reserve to keep front-end rates contained and liquidity flowing, regardless of lingering price pressures.

Layered on top of this are geopolitical and legal wildcards that reinforce uncertainty around fiat credibility including shifting tariff authority, ongoing conflicts that influence energy markets, and oil-driven disinflation that may prove temporary as AI-driven power demand and infrastructure spending accelerate. The result is a macro backdrop that increasingly resembles a reflationary regime with dollar weakness, rising commodity prices, and a growing bid for non-sovereign stores of value. Precious metals have already responded, and Bitcoin is increasingly occupying the same conceptual space. Not as a short-term risk trade, but as a hedge against long-term monetary debasement in a world where debt burdens matter politically, even if they appear to matter less in markets, until they suddenly do.

Bitcoin's sensitivity to fiscal conditions has become more apparent as it has institutionalized. Short-term price action will continue to be driven by liquidity and positioning, but the longer-term demand case increasingly rests on confidence in fiat systems. As fiscal expansion persists and monetary policy accommodates it, the appeal of a fixed-supply, globally liquid asset grows stronger.

Our posture into 2026 reflects the lessons of 2025 to remain unlevered, stay selective, and focus on infrastructure that matters if digital finance continues integrating into the real economy. Volatility will persist, but it is increasingly driven by identifiable forces rather than chaos.

We entered 2025 cautiously optimistic. Bitcoin had recovered strongly from the prior cycle's lows, ETF inflows were steady, and the regulatory tone in the United States was shifting in a more constructive direction. Early enthusiasm, however, quickly collided with macro reality. The first quarter reminded investors that crypto can still trade like a risk asset when uncertainty rises. Policy headlines, tariffs, and growth concerns repeatedly overwhelmed positive developments, making it clear that "good news" alone would not lift prices if liquidity and risk appetite were tightening at the same time.




The second quarter delivered the opposite lesson. April's sharp drawdown and rapid rebound showed how quickly crypto can recover when financial conditions ease even modestly or the dollar weakens. As the year progressed, a consistent pattern emerged that liquidity is the true tempo-setter. When funding conditions loosened, crypto didn't need a new story to rally, it simply needed breathing room. When liquidity tightened, even strong adoption and infrastructure narratives struggled to show up in price.

The summer months reinforced another important shift. This was not a year where capital indiscriminately flowed across the market. Bitcoin dominance remained elevated, and the long-anticipated broad altcoin rally never truly arrived. Instead, capital became far more selective than in past cycles. Ethereum's strong mid-year performance, alongside renewed focus on stablecoins, tokenization, and on-chain financial infrastructure, made it clear that investors were rewarding assets with real utility, durable demand, and institutional relevance. This "stock-picking" environment carried through the rest of the year and shaped our own positioning, including expanding exposure to on-chain credit and high-throughput ecosystems where activity and fee generation increasingly concentrated.

By the final quarter, market structure took center stage. The October 10th liquidation event was a defining moment of 2025. It was not a failure of blockchains, but a stress test of leverage and liquidity. Highly levered positioning, thin order books, and automated risk controls on centralized venues combined to overwhelm markets when a shock hit outside U.S. trading hours. At the same time, decentralized infrastructure functioned as designed, settling trades and liquidating collateral transparently without intervention. That contrast reinforced a core belief we emphasized throughout the year that resilience comes from over-collateralization, transparency, and rule-based execution, not from leverage or opacity.

Derivatives markets underscored how much crypto has matured. Despite large spot moves in both directions, implied volatility remained relatively subdued and trending down for much of the year, only repricing meaningfully after the October deleveraging. This stability reflects deeper hedging markets, more institutional participants, and a broader use of structured strategies. The trade-off is that when positioning becomes crowded, unwinds can be abrupt. This dynamic was especially visible in basis markets. The popular basis trade, long spot bitcoin via ETFs and short futures, compressed repeatedly toward levels where it no longer cleared cost of capital. When the economics broke down, traders mechanically unwound by selling ETF exposure and buying back futures. That process produced record ETF outflows in November that appeared like capitulation but were largely position resets rather than a loss of long-term conviction.

Another underappreciated source of late-year selling pressure was tax-loss harvesting. Bitcoin's pullback from October highs left many recent buyers sitting on unrealized losses, particularly against a backdrop of strong equity market performance. With stocks up materially in 2025, investors had an incentive to realize crypto losses to offset gains elsewhere before year-end.

As the market matured, the way institutions chose to gain exposure also evolved. Public companies increasingly adopted digital asset treasury (DAT) strategies, holding Bitcoin, Ether, and other major assets on their balance sheets and offering crypto exposure through equity markets. Early in the year, these vehicles became an important source of price-insensitive demand, helping support markets. The second half of the year clarified the limits of this model. As equity valuations compressed and net-asset-value ratios approached parity, new issuance slowed and treasury accumulation decelerated. DAT companies shifted from a tailwind to a more neutral force, reminding investors that these strategies are sensitive to broader equity sentiment and liquidity conditions. Even so, their rise marked a meaningful step in crypto's institutionalization, reinforcing crypto's role as strategic assets while highlighting that durable growth ultimately requires a broad base of demand across ETFs, on-chain usage, and long-term holders.

These developments also explain why the traditional "four-year cycle" framework lost much of its explanatory power. Bitcoin today bears little resemblance to its 2013 or 2017 predecessors. Market capitalization is orders of magnitude larger, derivatives markets are deep and liquid, and regulated ETFs hold a meaningful share of supply. With most Bitcoin already in circulation and new issuance under one percent annually, halvings no longer function as dramatic supply shocks. Bitcoin increasingly behaves like a global macro asset, responding to liquidity, real yields, and risk sentiment. Calendar-based narratives still influence psychology, but they are no longer sufficient to explain price action.

Despite volatility, slow moving positive forces continued to build throughout 2025. Institutional access widened as major wealth platforms normalized crypto exposure. Bank of America, Vanguard, Morgan Stanley, Wells Fargo, and Schwab all took steps toward integrating crypto into mainstream investment workflows. These changes did not immediately offset drawdowns, but they materially expanded the long-term addressable market. Access is becoming normal, and that normalization matters far more over years than months.

Regulatory progress was one of the most consequential developments of the year. The passage of the GENIUS Act established a federal framework for dollar-backed stablecoins, providing clarity around reserves, issuance, and permissible use cases. Attention now turns to market structure. The Digital Asset Market Clarity (CLARITY) Act is advancing through Congress and would define when digital assets are commodities versus securities while clarifying the roles of the SEC and CFTC. Passage would codify the current pro-innovation posture into law, reducing policy-reversal risk and allowing institutions to engage with confidence rather than caution.

Inside the portfolio, 2025 reinforced our focus on foundational infrastructure rather than chasing what was loudest. LINK (Chainlink), UNI (Uniswap), and AAVE (Aave) remained core positions because they sit on the critical pathways through which crypto is increasingly used, regulated, and institutionalized. Chainlink underpins on-chain finance by providing verified data, interoperability, and automation across networks . Uniswap, the oldest and largest decentralized exchange, resolved a long-standing value-capture debate by activating protocol fees and burning UNI, directly linking token economics to usage. Aave remained the anchor of on-chain credit while highlighting a broader governance challenge of aligning DAO governance with off-protocol commercial activity as protocols scale.

2025 was not the year crypto went parabolic. It was the year crypto became durable.

Adapting to evolving market conditions, optimizing risk-adjusted returns, and maintaining a vigilant awareness of the cryptocurrency and macroeconomic landscapes will continue to be a focus of our strategy.

## Galaxy Liquid Crypto Fund LP - Onshore Net Performance Summary[1]

| | | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | FY/YTD | ITD[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2022 | Fund | – | – | – | – | -0.07%[1] | -33.49% | 29.85% | -10.28% | -5.02% | 7.61% | -12.71% | -7.61% | -36.17% | |
| | BGCI | – | – | – | – | -0.94% | -39.43% | 43.80% | -12.96% | -7.20% | 8.07% | -17.95% | -9.46% | -44.06% | |
| 2023 | Fund | 33.62% | 0.54% | 14.36% | 1.05% | -4.78% | 5.10% | -3.89% | -11.75% | 3.47% | 23.25% | 11.13% | 16.87% | 118.24% | |
| | BGCI | 42.12% | 0.34% | 11.96% | 1.81% | -6.15% | 2.49% | -0.63% | -13.72% | 1.77% | 20.10% | 18.25% | 23.63% | 139.56% | |
| 2024 | Fund | -2.52% | 36.17% | 21.25% | -22.86% | 15.95% | -10.49% | 2.49% | -13.69% | 8.13% | 6.68% | 43.04% | -6.10% | 76.65% | |
| | BGCI | -3.04% | 42.83% | 13.61% | -22.20% | 22.81% | -12.77% | 4.88% | -17.83% | 7.99% | 3.27% | 44.63% | -8.96% | 65.95% | |
| 2025 | Fund | 6.79% | -28.91% | -10.28% | 7.71% | 20.96% | 2.89% | 16.96% | 9.33% | -3.49% | -7.91% | -22.29% | -3.54% | -22.21% | 19.37% |
| | BGCI | 6.39% | -27.86% | -10.96% | 8.42% | 21.60% | -2.03% | 26.07% | 3.53% | 1.05% | -7.60% | -19.41% | -6.48% | -18.93% | 17.44% |

[1] **Past performance is no guarantee of future results. Actual returns may vary**. From fund inception, May 16, 2022, through January 31, 2024, performance shown is net of a 3.00% management fee. From February 1, 2024 through current month end, performance is net of a 2.00% management fee. As of March 31, 2024, the tables above reflect the Bloomberg Galaxy Crypto Index.

[2] ITD is annualized.

If you have any questions, please feel free to reach out. Thank you for your continued support.

Chris Rhine and Ian Kolman
Portfolio Managers

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