

THE ETHER FUND

Interim Management Report of Fund Performance

For the six month period ended June 30, 2025

Forward-Looking Statements (“FLS”)

The interim Management Report of Fund Performance may contain forward-looking statements (“FLS”). FLS means disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action and includes any future-oriented financial information (“FOFI”) with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. FOFI is FLS about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action.

FLS can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue” or “believe”, or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking information and statements. Material risk factors that could affect actual results are identified under the heading “Risk Factors” in the Fund’s Prospectus. Investors are also cautioned that FLS is based on several factors and assumptions, including a Fund’s current plans, estimates, opinions and analysis made in light of its experience, current conditions and expectations of future developments, as well as other relevant factors. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

Disclosure

This interim Management Report of Fund Performance contains financial highlights but does not contain the complete interim financial statements of the Fund. You can get a copy of the interim financial statements at your request, at no cost, by calling 1-416-639-2130, by writing to us at Suite 2700 – 161 Bay St, Toronto, Ontario, M5J 2S1 or by visiting our website www.3iq.ca or SEDAR+ at www.sedarplus.ca.

Securityholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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MANAGEMENT REPORT OF FUND PERFORMANCE

(Expressed in United States dollars)

Management Discussion of Fund Performance for the six month period ended June 30, 2025

This Management Report of Fund Performance represents the portfolio management team's view of the significant factors and developments affecting the Fund's performance and outlook for the six month period ended June 30, 2025. Every effort has been made to ensure the information contained in this Management Report Fund Performance is accurate and complete, however, the Fund cannot guarantee the accuracy or the completeness of this material. For more information, please refer to the Fund's prospectus ("Prospectus"). In this report, "Manager", refers to 3iQ Corp., the manager of the Fund. The "Fund" refers to The Ether Fund. In addition, "net asset value" or "NAV" refers to the value of the Fund as calculated for transaction purposes, on which the discussion of Fund performance is based.

Investment Objective and Strategies

The investment objectives of the Fund are to seek to provide unitholders of the Fund with exposure to the digital asset ether ("ether") and the daily price movements of the United States dollar price of ether, and the opportunity for long-term capital appreciation. To achieve its investment objectives, the Fund invests in long-term holdings of ether, purchased from reputable ether trading platforms and OTC counterparties, in order to provide investors with a convenient, safer alternative to a direct investment in ether. The Fund does not speculate with regard to short-term changes in ether prices.

Risk

The risks associated with investing in the Fund remain as discussed in the Prospectus. The Fund is suitable for investors looking for long-term capital appreciation of ether and those who have the capacity to absorb a loss on their investment. The NAV of the units will vary according to the value of ether included in the Fund's portfolio. The value of the ether will be influenced by factors which are not within the control of the Fund or the Manager. The Fund was created to invest in ether and is not expected to have exposure to any other investments or assets. Other than cash or cash equivalents, the Fund will invest substantially all of its assets in ether. The NAV per unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the NAV of the units.

For the six month period ended June 30, 2025, there were no changes affecting the overall level of risk associated with an investment in the Fund. Therefore, the overall level of Fund risk and investor risk tolerance remains as stated in the Prospectus.

Results of Operations

During the six month period ended June 30, 2025, Class A units of the Fund returned (25.3)% (2024 – 46.2%).

The net asset value of the Fund was \$120.5 million as at June 30, 2025 (December 31, 2024 – \$199.0 million). Changes since January 1, 2025 were composed primarily of net redemption of units of \$29.8 million (2024 – \$38.5 million) and net loss from operations of \$(48.6) million (2024 – net income of \$76.9 million) for the six month period ended June 30, 2025. The investment performance of the Fund includes income and expenses which vary year over year.

Market and Fund Performance Review

MarketVector Ethereum Benchmark Rate index maintained by MV Index Solutions GmbH ("MVIS") is used to source the data, with returns calculated net of fees by the Manager.

During the six month period ended June 30, 2025, ether moved from \$3,346 to \$2,505 a return of (25.1)%. The Fund's NAV performance over the same period was (25.3)%. The Fund's market price return performance was (26.3)%.

Activity on the Ethereum network increased greatly throughout the first half of 2025, with major Layer 2 (L2) networks setting new all-time highs in terms of user counts and transactions volume. As of June 30, 2025, the count of active

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addresses from all L2 networks on Ethereum was regularly surpassing 3-4 million addresses per day, which represented approximately 6x the activity seen on the Ethereum mainnet. In addition, the total number of transactions from these L2 networks regularly pushed over 20 million transactions per day, dwarfing the mainnet at just 1.5 million transactions per day. Stablecoins continued to be the dominant applications on both the Ethereum mainnet and its Layer 2 networks, accounting for much of the above transaction activity, with EVM-compatible chains now representing roughly 60% of all stablecoins issued on the market. The persistent dominance of stablecoin issuance on Ethereum and its L2 networks led it to capture nearly 73% of all stablecoin transactions, representing value of approximately \$1.5 trillion USD in just the last 3 months alone. The lack of meaningful competition against Ethereum in the stablecoin market put a significant tailwind on ether prices in Q2, with prices surging nearly 40% in this time period. The upcoming GENIUS and CLARITY acts in the U.S. are expected to be passed sometime in July, which will finally establish long-awaited regulations pertaining to stablecoins and smart-contract compatible blockchains for corporate issuers.

While the issuance of ether has continued to increase alongside fee changes enacted back in the Dencun upgrade in Q1 2024, ether's inflation rate was nearly on-par with the issuance rate of bitcoin, with ether at roughly 0.72% per year against bitcoin's 0.8%. The total supply of 120.7 million ether finally surpassed September 2021's highs of 120.5 million after roughly 2 years of deflation where total transaction activity was regularly burning more ether than what was being issued to stakers. Meanwhile, the number of ether staked on the network continued to grow over the first half of the year, with roughly 30% of the circulating supply being staked through over 1 million active validators on the network, which marked a new high in confidence for the asset. Staking rates continued to be stable at roughly 3.1% APY, with rates declining as base fees remained low and active validator counts increased.

Average transaction costs for users through fees were regularly under \$0.90 per transaction throughout the first half of 2025, while most L2 networks were under 1 cent per transaction. The sheer magnitude of user activity and transactions happening on Ethereum L2 networks relative to the Ethereum mainnet does prove that users are fee-conscious and may prefer to engage with their favourite dApps through these networks. Despite being in the shadow of bitcoin in terms of market valuation and ETF flows over the past year, there was meaningful activity on the ETF-front as flows picked up near the end of the first half of 2025. To date, flows into Ethereum ETFs in the U.S. were roughly \$4.2 billion against bitcoin's \$49 billion. Investors may still be awaiting the approval of spot ether ETF staking, with analysts estimating this feature to be enabled sometime in Q3 2025. In May, Sharplink Gaming (NASDAQ:SBET) was the first U.S.-listed equity to announce an ether treasury strategy, and was notably backed by the famed Ethereum co-founder, Joseph Lubin. The announcement of this strategy sent shares higher by over 400% upon the announcement, confirming that ether could be seen as a worthy corporate-treasury asset.

For the six month ended June 30, 2025, the Fund earned revenue from staking activities of 957.8 ether valued at \$2,358,822.

From time to time, both a discount and premium to NAV have been observed for the Fund in the six month period ended June 30, 2025. The largest discount observed was (12.6)% and the largest premium was 3.1%. This is a function of investors buying and selling a limited number of units on the Toronto Stock Exchange.

Related Party Transactions

Management fees:

The Manager is responsible for managing and directing the undertaking, operations and affairs of the Fund, including managing and directing the investments. The Fund pays an annual management fee to the Manager amounting to 1.95% of the Fund's net asset value calculated daily and payable monthly, plus applicable taxes, in respect of each of the Class A units and the Class F units of the Fund. However, there are no Class F units outstanding since they have been reclassified as Class A units.

During the six month period ended June 30, 2025, \$1,528,882 (2024 – \$2,336,165) in management fees was charged by the Manager. These transactions occurred in the normal course of operations and the fees are measured at exchange value, which is the amount established and agreed to by the related parties.

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Staking service fees:

The Manager of the Fund is entitled to receive 25% (net of the validator fees) of the revenue earned from the staking activities as a staking service fee. The staking service fees are calculated and paid monthly, in arrears, plus applicable taxes, and are intended to compensate the Manager for the additional work required to administer the staking of ether held in the Fund. The staking service fees are payable in ether.

The Manager's portion of the staking service fees for the period ended June 30, 2025, was 227.4 (2024 – 312.9) ether valued at \$569,686 (2024 – \$1,032,844).

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Financial Highlights

The following table shows selected key financial information about the Class A units of the Fund and is intended to help you understand the Fund's financial performance for the six month period ended June 30, 2025, and prior reporting years.

	June 30, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020*
The Fund's Net Asset Value (NAV) per Class A Unit ⁽¹⁾⁽²⁾						
Net assets per Unit, beginning of period	\$ 54.96	\$ 37.97	\$ 20.15	\$ 63.20	\$ 13.25	\$ 10.08
Increase (decrease) from operations						
Total revenue	0.66	1.76	0.11	—	—	—
Total expenses	(0.72)	(1.86)	(0.82)	(1.00)	(1.24)	(0.03)
Realized gains	5.69	8.44	4.95	9.91	1.24	3.20
Unrealized gains (loss)	(19.27)	10.76	14.58	(62.43)	47.20	—
Total increase (decrease) from operations ⁽²⁾	(13.64)	19.10	18.82	(53.52)	47.20	3.17
Total distributions	—	—	—	0.06	—	—
Net asset value, end of period ⁽³⁾	\$ 41.05	\$ 54.96	\$ 37.97	\$ 20.15	\$ 63.20	\$ 13.25
Ratios and Supplemental Data						
Total net asset value ⁽³⁾	\$120,524,442	\$198,977,523	\$162,461,669	\$114,010,133	\$684,548,651	\$95,896,870
Number of shares outstanding ⁽³⁾	2,935,792	3,620,350	4,278,182	5,657,805	10,830,629	7,240,000
Management expense ratio ⁽⁴⁾	3.62%	3.69%	2.75%	2.63%	2.52%	4.10%
Management expense ratio without staking fees ⁽⁴⁾	2.57%	2.48%	2.36%	N/A	N/A	N/A
Trading expense ratio ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fund expense ratio ⁽⁶⁾	3.62%	3.69%	2.75%	2.63%	2.52%	4.10%
Portfolio turnover rate ⁽⁷⁾	0.00%	0.00%	0.00%	0.00%	3.65%	0.00%
Net asset value per unit	\$ 41.05	\$ 54.96	\$ 37.97	\$ 20.15	\$ 63.20	\$ 13.25
Closing market price ⁽³⁾	\$ 38.04	\$ 51.63	\$ 36.56	\$ 17.41	\$ 59.95	\$ 15.95

Notes:

- (1) This information is derived from the Fund's interim financial statements for June 30, 2025 and audited annual financial statements for each year ended December 31 and is not a reconciliation of beginning and ending net assets per unit.
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. Total revenue pertains to revenue from staking rewards, which are measured based on the fair value of the digital assets received when staking rewards are received into the Fund's custody.
- (3) This information is provided as at June 30, 2025 and December 31 of each year.
- (4) Management expense ratio is based on total expenses (excluding distributions, commissions, and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average daily NAV during the period. An increase in the management expense ratio was noted in the six month period ended June 30, 2025 due to the inclusion of staking service fees when ether staking activities commenced on November 1, 2023. Per its Statement of Comprehensive Income (Loss), the Fund earned revenue from staking activities of \$2,358,822 and incurred staking service fees of \$757,920, amounting to a net increase of \$1,600,902 (1.3% of the Fund's net asset value as at June 30, 2025) to the Fund's total net asset value for the period.
- (5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily NAV during the period.
- (6) The fund expense ratio represents total fund expenses expressed as an annualized percentage of daily average NAV during the period. It is the sum of the management expense ratio and the trading expense ratio, inclusive of performance fees and net of any fee waivers, rebates or absorptions.
- (7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in the period, the greater the trading costs payable by a fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The Fund's portfolio turnover rate was affected by the annual redemption.

* For the period December 10, 2020 to December 31, 2020.

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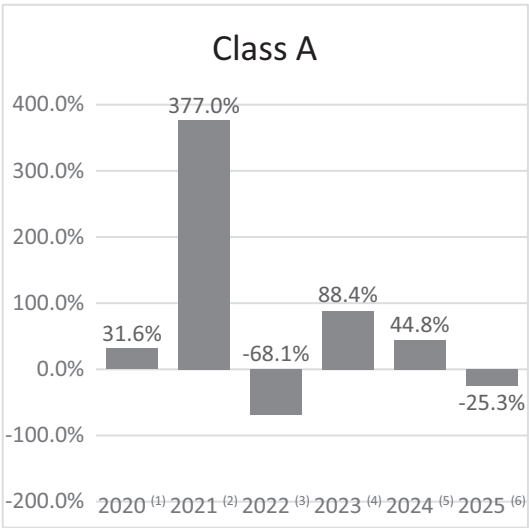
Financial Highlights

Past performance of the Fund

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart represents the performance of Class A units of the Fund. The bar chart shows, in percentage terms, how much an investment made on the first day of each period would have increased or decreased by the last day of each such period.



⁽¹⁾ Total return for the period from commencement of operations December 10, 2020 to December 31, 2020.
⁽²⁾ Total return for the year January 1, 2021 to December 31, 2021.
⁽³⁾ Total return for the year January 1, 2022 to December 31, 2022.
⁽⁴⁾ Total return for the year January 1, 2023 to December 31, 2023.
⁽⁵⁾ Total return for the year January 1, 2024 to December 31, 2024.
⁽⁶⁾ Total return for the period from January 1, 2025 to June 30, 2025.

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Summary of Investment Portfolio as at June 30, 2025

The following table shows selected key financial information about the Fund.

Portfolio Composition		All Holdings	
Sector Allocation	% of Net Assets Value	Issuer	% of Net Assets Value
Digital assets	100.30	Ether	100.30
		Cash	0.03
		Other assets and liabilities, net	(0.33)
Total Portfolio Allocations	100.30		
Total Net Assets Value (in millions)	\$ 120.52		100.00

The Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates of the Investment Portfolio are available within 60 days of each quarter end.