

# **Arca U.S. Treasury Fund**

Annual Report  
December 31, 2020

January 2021

The Arca US Treasury Fund (the “Fund”) was declared effective by the Securities and Exchange Commission (“SEC”) on July 6, 2020 and immediately began accepting subscriptions to the Fund. This report covers the period from inception through December 31, 2020. The Fund concluded the year with net assets of \$123,631 across 18 different wallet addresses.

### The Arca US Treasury Fund

The Fund’s investment objective is to seek maximum total return consistent with preservation of capital. Over the course of the reporting period, the Fund purchased and maintained a portfolio of US Treasury Securities in accordance with its investment strategy. In an effort to maximize yield generated by US Treasury Securities in this low rate environment, the Fund’s board of trustees approved a proposal at its November meeting to increase the Fund’s maximum average portfolio duration and maturity. Accordingly, under normal circumstances, the Fund will now maintain a maximum average portfolio duration of zero to eight years and a maximum dollar-weighted average portfolio maturity of between zero and five years. These changes are designed to provide the Adviser with additional flexibility in managing the Fund’s portfolio.

In addition, in October 2020, the Fund and the Adviser received SEC exemptive relief enabling the Fund to make share repurchase offers on a monthly basis, rather than a quarterly basis. Subsequently, the Fund’s board of trustees and a majority of the Fund’s shareholders approved related changes to the Fund’s fundamental policy regarding repurchase offers. As a result, monthly repurchase offers will be implemented during Q1 2021, offering shareholders greater ability to attain liquidity through share repurchases.

### Bond Market Overview

The yield on the 10-year US Treasury note rose 22 basis points (“bps”) in the 4th quarter of 2019, and the majority of investors and macro strategists entered 2020 with a view that rates would continue to rise throughout the year as the macroeconomic picture improved and GDP growth accelerated. But COVID-19 changed the expected course beginning in the 1st quarter of 2020, causing both a flight-to-quality bid to the Treasury market and an unprecedented amount of government stimulus. To bolster the economy and markets, global policymakers took swift and aggressive actions—cutting interest rates, expanding asset purchase programs, and enacting substantial fiscal stimulus packages. Through August 2020, the yield on the 10-year U.S. Treasury note fell 138 bps to all-time lows just north of 0.50%. Throughout the second half of the year, bolstered by improved prospects for a COVID-19 vaccine and hope for a revival of economic activity in 2021, U.S. Treasuries sold off, with the yield on the 10-year U.S. Treasury note ultimately rebounding to end 2020 at 0.916%.

While U.S. Treasuries were volatile in 2020, the shape of the yield curve consistently steepened throughout the year, as yields on short-dated government notes barely budged. The 2s/10s curve (difference between the 10-year Treasury Note yield and the 2-year Treasury Note yield) ended 2020 at 80 bps, a significant move from 30 bps at the start of the year. Since cutting the policy rate to effectively zero in March and expanding its asset purchase program (including corporate bond purchases), the U.S. Federal Reserve (Fed) has signaled that it does not plan to increase the policy rate until at least 2024. Amidst this backdrop, there is very little yield in the front-end of the curve. In order to achieve yield, investors must take on considerable duration risk, or actively trade tight ranges.

Looking ahead, the tepid outlook for economic growth and inflation, coupled with extremely accommodative monetary policies, leaves global interest rates quite low. At year end, 10-year yields of all G-10 countries were under 1%, and there was nearly \$18 trillion of negative-yielding debt outstanding globally. We don't expect to see significant changes to short-term yields in the near-future.

#### Inside the Portfolio

The Fund has a mandate of principal protection over growth of principal. In this rate environment, we are erring on the side of caution and waiting until opportunities for yield present themselves. The Fund has returned 0.00% since inception in 2020, compared to 0.07% for the Bloomberg Barclays Short Treasury Total Return Value Index Unhedged. We minimized duration risk by continuously rolling 3- and 6-month U.S. Treasury bills, rather than extending further out the curve to pick up meaningless incremental returns compared to the level of risk.

#### Factors that Materially Affected the Fund's Performance

Low interest rates are the major contributor to the performance of the Fund. Interest rates are at historical lows, and in many cases are zero or close to it. Foreign holdings of U.S. Treasuries decreased between August and November, resulting in five months of net outflows in 2020 (not counting December). The Treasury has announced issuance expectations for 2021, with over \$770 billion in new cash planned to be raised. Additionally, the January Fed meeting yielded no change in rates and signaled no expected change. The Adviser, consequently, believes there will be no immediate increase in the current yield of short duration Treasuries.

#### Short Duration US Treasury Yield Recap

	1 Month	12 Month
July 29th, 2020 Yield	0.08%	0.12%
January 29th, 2021 Yield	0.05%	0.08%

#### Looking Ahead

In accordance with the Fund's mandate, and in constructing the portfolio for the Fund, the Adviser attempts to capture as much yield as possible for the benefit of subscribers.

Jerald David,  
President, Arca Capital Management

**Arca U.S. Treasury Fund**  
**PORTFOLIO REVIEW (Unaudited)**  
**December 31, 2020**

The Fund's performance figures\* for the period ended December 31, 2020, compared to its benchmark:

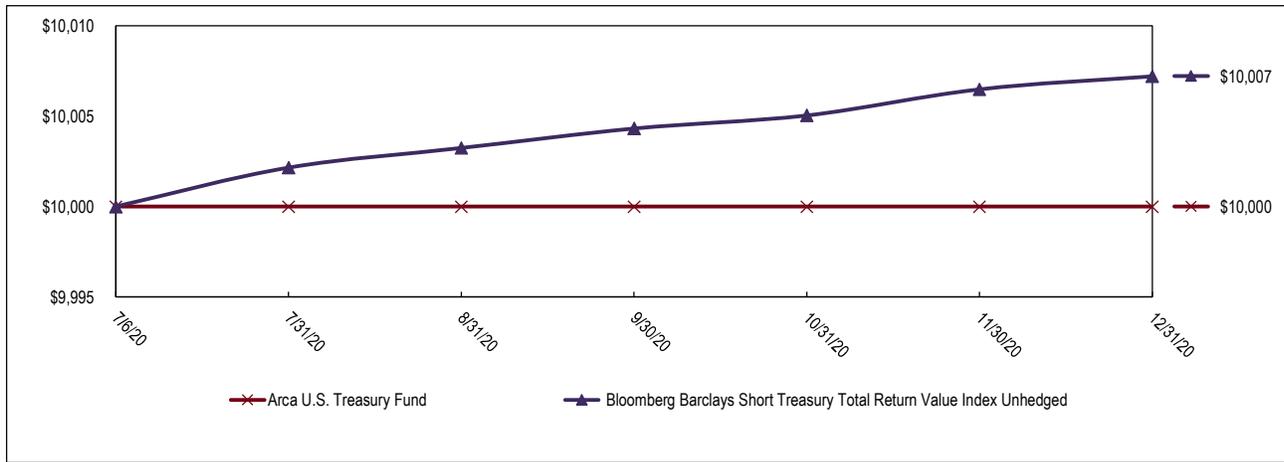
	Annualized Since Inception (a)
Arca U.S. Treasury Fund	0.00%
Bloomberg Barclays Short Treasury Total Return Value Index Unhedged **	0.07%

(a) Inception date is July 6, 2020.

\* The performance data quoted is historical. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Total Returns for periods of less than one year are not annualized. Had the Advisor not waived fees and reimbursed expenses, the Fund's total return would have been lower. The returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or on the redemptions of Fund shares. The Fund's estimated total annual fund operating expense ratio is 0.75% per the Fund's Prospectus dated July 6, 2020. For performance information current to the most recent month-end, please call 1-877-445-3148.

\*\* Bloomberg Barclays Short Treasury Total Return Value Index Unhedged is a measure of the performance of the U.S. Treasury bills, notes, and bonds under one year to maturity. Investors cannot invest directly into an index. Index returns are gross of any fees, brokerage commissions or other expenses of investing.

**Comparison of Change in Value of a \$10,000 Investment**  
 Since Inception July 6, 2020 through December 31, 2020



**Holdings by type of investment**

Short Term Investments:  
 U.S. Treasury Security  
 Money Market Fund  
 Other Assets Less Liabilities - Net

**% of Net Assets**

U.S. Treasury Security	99.7%
Money Market Fund	51.0%
Other Assets Less Liabilities - Net	(50.7)%
	100.0%

Please refer to the Portfolio of Investments that follows in this annual report for a detail of the Fund's holdings.

**Arca U.S. Treasury Fund**  
**PORTFOLIO OF INVESTMENTS**  
**December 31, 2020**

<u>Principal Amount</u>	<b>SHORT-TERM INVESTMENTS - 150.7 %</b>	<u>Yield Rate (%)</u>	<u>Maturity</u>	<u>Fair Value</u>
\$ 123,000	<b>U.S. TREASURY SECURITY - 99.7 %</b> U.S. Treasury Bill	0.07	4/1/2021	\$ 122,979
	<b>TOTAL U.S. TREASURY SECURITY (Cost - \$122,973)</b>			
<u>Shares</u>	<b>MONEY MARKET FUND - 51.0 %</b>			
62,834	Fidelity Treasury Portfolio - Institutional Shares, 0.01% <sup>+</sup> (Cost - \$62,834)			62,834
	<b>TOTAL INVESTMENTS - 150.7 % (Cost - \$185,807)</b>			\$ 185,813
	<b>OTHER ASSETS LESS LIABILITIES - NET - (50.7) %</b>			(62,551)
	<b>NET ASSETS - 100.0 %</b>			<b>\$ 123,262</b>

<sup>+</sup> Money market fund; interest rate reflects seven-day effective yield on December 31, 2020.

*Arca U.S. Treasury Fund*  
**STATEMENT OF ASSETS AND LIABILITIES**  
**December 31, 2020**

**ASSETS**

Investment securities:		
At cost	\$	185,807
At fair value	\$	185,813
Deferred offering costs		247,397
Interest receivable		1
Prepaid expenses & other assets		2,647
<b>TOTAL ASSETS</b>		<b>435,858</b>

**LIABILITIES**

Due to Advisor		233,829
Accrued legal fees		12,500
Accrued audit and tax fees		31,000
Accrued transfer agency fees		11,050
Accrued administration fees		16,227
Accrued expenses and other liabilities		7,990
<b>TOTAL LIABILITIES</b>		<b>312,596</b>

<b>NET ASSETS</b>	<b>\$</b>	<b>123,262</b>
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**Net Assets Consist Of:**

Paid in capital (\$0 par value, 100,000,000 shares authorized)	\$	123,256
Accumulated earnings		6

<b>NET ASSETS</b>	<b>\$</b>	<b>123,262</b>
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**Net Asset Value Per Share:**

Net Assets	\$	123,262
Shares of beneficial interest outstanding (\$0 par value, 100,000,000 shares authorized)		123,631
<b>Net asset value (Net Assets ÷ Shares Outstanding)</b>	<b>\$</b>	<b>1.00</b>

***Arca U.S. Treasury Fund***  
**STATEMENT OF OPERATIONS**  
**For the Period\* Ended December 31, 2020**

**INVESTMENT INCOME**

Interest	\$	68
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**EXPENSES**

Investment advisory fees		30
Blockchain administration fee		118
Legal fees		537,380
Transfer agent fees		83,581
Audit and tax fees		46,750
Insurance fees		43,821
Administrative services fees		38,518
Compliance officer fees		32,147
Trustees fees and expenses		16,404
Printing and postage expenses		9,432
Custodian fees		9,217
Registration fees		4,013
Other expenses		6,340
<b>TOTAL EXPENSES</b>		<b>827,751</b>

Less: Fees waived/reimbursed by the Adviser		(827,308)
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<b>NET EXPENSES</b>		<b>443</b>
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<b>NET INVESTMENT LOSS</b>		<b>(375)</b>
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**NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS**

Net change in unrealized appreciation on:		
Investments		6

<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS</b>		<b>6</b>
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<b>NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$</b>	<b>(369)</b>
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\* Arca U.S. Treasury Fund commenced operations on July 6, 2020.

**Arca U.S. Treasury Fund**  
**STATEMENT OF CHANGES IN NET ASSETS**

	<b>Period* Ended</b> <b>December 31,</b> <b>2020</b>
<b>FROM OPERATIONS</b>	
Net investment loss	\$ (375)
Net change in unrealized appreciation on investments	6
Net decrease in net assets resulting from operations	(369)
<b>FROM SHARES OF BENEFICIAL INTEREST</b>	
Proceeds from shares sold:	123,631
Net increase in net assets from shares of beneficial interest	123,631
<b>TOTAL INCREASE IN NET ASSETS</b>	123,262
<b>NET ASSETS</b>	
Beginning of period	-
End of period	<b>\$ 123,262</b>
<b>SHARE ACTIVITY</b>	
Shares sold	123,631
Net increase in shares of beneficial interest outstanding	123,631

\* Arca U.S. Treasury Fund commenced operations on July 6, 2020.

# *Arca U.S. Treasury Fund*

## FINANCIAL HIGHLIGHTS

Per Share Data and Ratios for a Share of Beneficial Interest Outstanding Throughout the Period

	<b>Period* Ended December 31, 2020</b>
Net asset value, beginning of period	\$ 1.00
Activity from investment operations:	
Net investment loss (1,2)	(0.00)
Net realized and unrealized gain/(loss) on investments (2)	0.00
Total from investment operations	0.00
Net asset value, end of period	\$ 1.00
Total return (3,9)	0.00%
Net assets, end of period (000's)	\$ 123
Ratio of gross expenses to average net assets (4,5,7)	1404.93%
Ratio of net expenses to average net assets (4,5,8)	0.75%
Ratio of net investment loss to average net assets (4,5)	(0.64)%
Portfolio Turnover Rate (6)	0%

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\* The Arca U.S.Treasury Fund commenced operations on July 6, 2020.

- (1) Per share amounts calculated using the average shares method, which more appropriately presents the per share data for the period.
- (2) Less than \$0.005.
- (3) Total returns are historical and assume changes in share price and reinvestment of dividends and distributions. Total returns for periods of less than one year are not annualized. Total returns would be lower absent fee waivers.
- (4) Does not include the expenses of other investment companies in which the Fund invests, if any.
- (5) Annualized.
- (6) Not Annualized.
- (7) Represents the ratio of expenses to average net assets absent of fee waivers and/or expense reimbursements by the Advisor.
- (8) Represents the ratio of expenses to average net assets inclusive of fee waivers and/or expense reimbursements by the Advisor.
- (9) Represents total return based on net asset values per share from commencement of investment operations on July 6, 2020 through December 31, 2020.

# **Arca U.S. Treasury Fund**

## **NOTES TO FINANCIAL STATEMENTS**

### **December 31, 2020**

#### **1. ORGANIZATION**

Arca U.S. Treasury Fund (the “Fund”) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a diversified, closed-end management investment company. The Fund engages in a continuous offering of shares. The Fund operates as an interval fund pursuant to Rule 23c-3 under the 1940 Act and, pursuant to an Exemptive Order issued by the Securities and Exchange Commission on October 20, 2020, offers monthly repurchases of shares at net asset value. The Fund’s investment adviser is Arca Capital Management, LLC. (the “Adviser”). The Fund commenced operations on July 6, 2020.

The investment objective of the Fund is to seek maximum total return consistent with preservation of capital.

The Fund’s shares (“ArCoins” or “shares”) are available for purchase and can be transferred in peer-to-peer transactions on Ethereum, an open, public, distributed ledger that is secured using cryptography (referred to as a “blockchain”). Ethereum records transactions between two parties in a verifiable and permanent way, referred to as “immutability.” There are no share certificates and, because the shares can be transferred in peer-to-peer transactions using Ethereum’s blockchain technology, the shares are characterized herein as “digital securities.” Please refer to the Fund’s registration statement for additional information, including the costs and risks of effecting transactions on Ethereum and other risks associated with investing in the Fund (see “Peer-to-Peer Transactions,” “About the Digital Securities” and “Risks of Digital Securities”).

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies followed by the Fund in preparation of its financial statements. The policies are in conformity with U.S. generally accepted accounting principles in the United States of America (“U.S. GAAP”). The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Actual results could differ from those estimates. The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 “Financial Services – Investment Companies”.

**Securities Valuation** – Securities listed on an exchange are valued at the last reported sale price at the close of the regular trading session of the exchange on the business day the value is being determined, or in the case of securities listed on NASDAQ at the NASDAQ Official Closing Price. In the absence of a sale, such securities shall be valued at the mean between the current bid and ask prices on the primary exchange on the day of valuation. Debt securities, including U.S. government obligation (other than short-term obligations) are valued each day by an independent pricing service based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type, indications as to values from dealers, and general market conditions or market quotations from a major market maker in the securities. The independent pricing service does not distinguish between smaller-sized bond positions known as “odd lots” and larger institutional-sized bond positions known as “round lots”. The Fund may fair value a particular bond if the adviser does not believe that the round lot value provided by the independent pricing service reflects fair value of the Fund’s holding. Short-term debt obligations having 60 days or less remaining until maturity, at the time of purchase, may be valued at amortized cost which approximates fair value.

**Valuation of Underlying Funds** - The Fund may invest in portfolios of open-end or closed-end investment companies (the “Underlying Funds”). The Underlying Funds value securities in their portfolios for which market quotations are readily available at their market values (generally the last reported sale price) and all other securities and assets at their fair value according to the methods established by the board of directors of the Underlying Funds.

Open-end investment companies are valued at their respective net asset values as reported by such investment companies. The shares of many closed-end investment companies, after their initial public offering, frequently trade at a price per share, which is different than the net asset value per share. The difference represents a market premium or market discount of such shares. There can be no assurances that the market discount or market premium on shares of any closed-end investment company purchased by the Fund will not change.

When determining the fair value of an asset, the Adviser will seek to determine the price that it might reasonably expect to receive from the current sale of that asset in an arm’s length transaction. Fair value is defined as the amount for which assets

**Arca U.S. Treasury Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2020**

could be sold in an orderly disposition over a reasonable period of time, taking into account the nature of the asset. Fair value determinations are based upon all available factors that the Adviser and the Board deem relevant. Fair value pricing, however, involves judgments that are inherently subjective and inexact, since fair valuation procedures are used only when it is not possible to be sure what value should be attributed to a particular asset or when an event will affect the market price of an asset and to what extent. As a result, fair value pricing may not reflect actual market value, and it is possible that the fair value determined for a security will be materially different from the value that actually could be or is realized upon the sale of that asset.

The Fund utilizes various methods to measure the fair value of all of their investments on a recurring basis. U.S. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of input are:

**Level 1** – Unadjusted quoted prices in active markets for identical assets and liabilities that the Fund has the ability to access.

**Level 2** – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

**Level 3** – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Fund’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables summarize the inputs used as of December 31, 2020 for the Fund’s assets and liabilities measured at fair value:

<b>Assets *</b>	Level 1	Level 2	Level 3	Total
U.S. Government Securities	\$ -	\$ 122,979	\$ -	\$ 122,979
Money Market Fund	62,834	-	-	62,834
Total	\$ 62,834	\$ 122,979	\$ -	\$ 185,813

\* Refer to the Portfolio of Investments for classification.

The Fund did not hold any Level 3 securities during the period ended December 31, 2020.

**Security Transactions and Investment Income** – Security transactions are accounted for on trade date basis. Interest income is recognized on an accrual basis. Discounts are accreted and premiums are amortized on securities purchased over the lives of the respective securities. Dividend income is recorded on the ex-dividend date. Realized gains or losses from sales of securities are determined by comparing the identified cost of the security lot sold with the net sales proceeds.

**Dividends and Distributions to Shareholders** – Dividends from net investment income are declared and distributed quarterly. Distributions from net realized capital gains are declared and distributed annually. Dividends from net investment income and distributions from net realized gains are recorded on ex-dividend date and determined in accordance with federal income tax regulations, which may differ from U.S. GAAP. These “book/tax” differences are considered either temporary (i.e., deferred losses, capital loss carry forwards) or permanent in nature. To the extent these differences are permanent in

**Arca U.S. Treasury Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2020**

nature, such amounts are reclassified within the composition of net assets based on their federal tax-basis treatment. Temporary differences do not require reclassification.

**Federal Income Taxes** – It is the Fund’s policy to qualify as a regulated investment company by complying with the provisions of the Internal Revenue Code that are applicable to regulated investment companies and to distribute substantially all of its taxable income and net realized gains to shareholders. Therefore, no federal income tax provision has been recorded.

The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Fund’s tax positions and has concluded that no liability for unrecognized tax benefits related to uncertain tax positions is expected to be taken in the Fund’s December 31, 2020 year-end tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal and foreign jurisdictions where the Fund makes significant investments. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**Indemnification** – The Trust indemnifies its officers and Trustees for certain liabilities that may arise from the performance of their duties to the Trust. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund expects risk of loss due to these warranties and indemnities to be remote.

### **3. INVESTMENT TRANSACTIONS AND ASSOCIATED RISKS**

For the period ended December 31, 2020, the aggregate purchases and sales of investments (excluding U.S. Government securities and short-term investments) were \$0 and \$0, respectively.

### **4. INVESTMENT ADVISORY AGREEMENT AND TRANSACTION WITH RELATED PARTIES**

As compensation for its services, the Fund pays to the Adviser a monthly advisory fee at an annual rate of 0.05% of its average daily net assets. For the period ended December 31, 2020, the Fund incurred \$30 of advisory fees.

The Adviser also serves as the Fund’s blockchain administrator and developer pursuant to a Blockchain Administration and Development Agreement (the “Blockchain Administration Agreement”). Under the terms of the Blockchain Administration Agreement, the Adviser is responsible for providing, or arranging for the provision of, development and administrative services necessary for the issuance of the Fund’s shares as digital securities and the on-going maintenance and administration of such digital securities. This includes, for example, coding ArCoins’ “smart contracts,” which are self-executing computer programs written to the blockchain, and maintaining and updating such code as necessary. For its services, the Adviser is paid a fee calculated at the annual rate of 0.20% of the Fund’s average daily net assets. For the period ended December 31, 2020, the Fund incurred \$118 of blockchain administration fees.

The Adviser, pursuant to an Expense Limitation Agreement (the “Agreement”) has contractually agreed to reduce its fees and/or absorb expenses of the Fund for an initial one year period from the effective date of the agreement to ensure that Net Annual Operating Expenses (including offering expenses, but excluding any transaction fees payable by the Fund to Ethereum, taxes, interest, brokerage commissions, acquired fund fees and expenses and extraordinary expenses) will not exceed 0.75% of the Fund’s average daily net assets. The Agreement will allow the Adviser to recover amounts previously reimbursed for operating expenses to the Fund to the extent that the Fund’s expense ratios fall below the above indicated expense limitation. The amounts that can be recovered will be limited to the difference between the actual expense ratio and the amount of the expense limitation. Under such agreement, the Adviser can only recover such amounts for a period of up to three years. The Adviser may recoup \$827,863 of waived fees and expenses through December 31, 2023.

The distributor of the Fund is Ceros Financial Services, Inc. (the “Distributor”).

**Arca U.S. Treasury Fund**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2020**

**5. AGGREGATE UNREALIZED APPRECIATION AND DEPRECIATION – TAX BASIS**

The identified cost of investments in securities owned by the Fund for federal income tax purposes, and its respective gross unrealized appreciation at December 31, 2020, were as follows:

Cost for Federal Tax purposes	\$	185,807
Unrealized Appreciation	\$	6
Unrealized Depreciation		-
Tax Net Unrealized Appreciation	\$	6

**6. DISTRIBUTIONS TO SHAREHOLDERS AND TAX COMPONENTS OF CAPITAL**

There were no distributions paid during the fiscal year ended December 31, 2020.

As of December 31, 2020, the components of accumulated earnings/(deficit) on a tax basis were as follows:

Undistributed Ordinary Income	Undistributed Long-Term Gains	Post October Loss and Late Year Loss	Capital Loss Carry Forwards	Other Book/Tax Differences	Unrealized Appreciation/ (Depreciation)	Total Accumulated Earnings/(Deficit)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6

Permanent book and tax differences, primarily attributable to net operating losses resulted in reclassifications for the Fund for the period ended December 31, 2020 as follows:

Paid In Capital		Accumulated Earnings/(Deficit)
\$ (375)		\$ 375

**7. CONTROL OWNERSHIP**

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of the Fund creates presumption of control of the Fund, under Section 2(a) 9 of the 1940 Act. As of December 31, 2020, the Adviser held approximately 80.9% of the voting securities of the Fund.

**8. UNDERLYING INVESTMENTS IN OTHER INVESTMENT COMPANIES**

As of December 31, 2020, the Fund invested a portion of its assets in Fidelity Treasury Portfolio (the “Fidelity Fund”). The Fidelity Fund is registered under the 1940 Act as an open-end management investment company. The Fund may redeem its investment from the Fidelity Fund at any time if the Adviser determines that it is in the best interest of the Fund and its shareholders to do so.

The performance of the Fund will be directly affected by the performance of the Fidelity Fund. The financial statements of the Fidelity Fund, including the schedule of investments, can be found at the Securities and Exchange Commission’s website [www.sec.gov](http://www.sec.gov) and should be read in conjunction with the Fund’s financial statements. As of December 31, 2020, the percentage of the Fund’s net assets invested in the Fidelity Fund was 51.0%.

**9. SUBSEQUENT EVENTS**

Subsequent events after the date of the Statement of Assets and Liabilities have been evaluated through the date the financial statements were issued. Management has determined that no events or transactions occurred requiring adjustment or disclosure in the financial statements.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Trustees of Arca U.S. Treasury Fund

### **Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities of Arca U.S Treasury Fund (the Fund), including the portfolio of investments, as of December 31, 2020, the related statements of operations, changes in net assets and financial highlights for the period from July 6, 2020 (commencement of operations) to December 31, 2020 and the related notes to the financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations, the changes in net assets and the financial highlights for the period from July 6, 2020 (commencement of operations) to December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020, by correspondence with the custodian. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the auditor of the Fund since 2019.

Denver, Colorado  
March 1, 2021

**Arca U.S. Treasury Fund**  
**SUPPLEMENTAL INFORMATION (Unaudited)**  
**December 31, 2020**

At an in-person meeting of the Trust's Board of Trustees held on December 11, 2019, the Board, including a majority of the members of the Board who are not "interested persons" of the Trust, as that term is defined in section 2(a)(19) of the Investment Company Act of 1940, as amended (the "Independent Trustees"), approved a proposed advisory agreement (the "Advisory Agreement") between Arca Capital Management, LLC (the "Adviser") and the Trust on behalf of the Arca U.S. Treasury Fund (the "Fund"). The Board took note of relevant judicial precedent and regulations adopted by the SEC setting forth factors to be considered by a board when evaluating investment advisory agreements including, among other matters: (i) the nature, extent, and quality of the services to be provided to the Fund; (ii) the investment performance of the Fund and the Adviser; (iii) the costs of the services to be provided and profits to be realized by the Adviser and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale would be realized as the Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of the Fund's investors.

In advance of the meeting, the Adviser provided certain information related to the proposed advisory agreement, as well as the Adviser's personnel, policies, resources and strategy. In addition, the Board noted that the evaluation process with respect to the Adviser is and will continue to be on-going. For example, the Board recognized that, at its regularly scheduled meetings, it will receive and be asked to consider information regarding, among other things, the performance of the Fund and investment, compliance and marketing services provided by the Adviser to the Fund.

*Nature, Extent and Quality of Services.* The Board reviewed materials provided by the Adviser related to the proposed Advisory Agreement, including an overview of the Adviser and its affiliates, and the personnel that would perform services for the Fund. The Board considered the Adviser's Form ADV and its compliance policies and procedures, select financial information of the Adviser, the proposed Advisory Agreement, and a description of the manner in which investment decisions are made and executed.

In reaching its conclusions, the Board considered that the Adviser is newly formed, but is staffed by experienced personnel that have experience in structuring and operating other registered investment companies and in managing and overseeing the effective operation of other service providers. The Board also considered that the Fund's primary investment objective is to invest in short-term U.S. Treasury securities, and that the operation of such a portfolio appears to be within the capabilities of the investment personnel employed by the Adviser.

In addition to investment advisory services, the Board considered the nature and quality of the administrative and other non-investment advisory services proposed to be provided to the Fund by the Adviser and its affiliates. The Board considered that the Adviser provides the Fund with certain administrative and technology development services, or oversees third parties that provide such services, that are necessary to enable the Fund's shares to be issued as digital securities. The Board also took note of the significant operational risks presented by offering shares of the Fund as digital securities, and recognized the significant time, costs and effort expended by the Adviser to structure the Fund, to assess potential use cases for the Fund, and to arrange services providers for the Fund, in light of the unique structure of digital securities. The Board concluded that the Adviser employed or engaged a sufficient range of technologically proficient personnel and supporting technology and service providers to carry out this function. The Board then concluded that the Adviser demonstrated that it had sufficient quality and depth of personnel, resources, management experience and compliance policies and procedures to perform its duties for the initial term of the proposed Advisory Agreement and that the nature, overall quality and extent of the management services to be provided by the Adviser were satisfactory.

*Performance.* The Board considered that the Fund is newly formed and as such does not have a record of prior performance to submit at the Meeting. The Board considered that the Fund's investment strategy of investing in U.S. Treasury securities should, under normal circumstances, consist of a highly liquid portfolio that generates a nominal income yield, after expenses, for its shareholders. The Board noted that it will receive regular reports regarding the Fund's performance against an identified benchmark index.

*Fees and Expenses.* The Board took into account that the Adviser was proposing a fee of 0.05% of the Fund's average daily net assets for its investment advisory services to the Fund. The Board noted that the Adviser was not

**Arca U.S. Treasury Fund**  
**SUPPLEMENTAL INFORMATION (Unaudited)(Continued)**  
**December 31, 2020**

aware of and did not identify any similarly situated closed-end interval funds with an investment objective and strategy similar to that of the Fund. Accordingly, although the Board did not have comparative data with respect to the Fund's proposed advisory fee, the Board discussed and considered the proposed fee in light of its cumulative prior experience, recognizing the relative lack of complexity involved in the proposed portfolio and the nominal income yield likely to be earned on the portfolio.

The Board also considered that the Adviser was proposing a fee of 0.20% of the Fund's average daily net assets for administrative and technology development services in connection with the technology development and implementation required to issue shares of the Fund as digital securities. The Board found that such services are not duplicative of the services rendered for portfolio management, and while there was no current comparison to any other service provider for similar services, such rate did not appear to be unreasonable in the Board's business judgment.

*Profitability.* The Board considered the Adviser's anticipated profitability and whether these profits are reasonable in light of the services proposed to be provided to the Fund. The Board considered that the Fund is not yet operational and no record of profitability exists. The Board also took into account the Adviser's estimated costs of organizing and managing the Fund and information provided by the Adviser regarding its financial condition. The Board noted the Adviser's commitment to operating the fund, including its proposed expense waiver.

*Economies of Scale.* The Board considered whether the Adviser would realize economies of scale with respect to its management of the Fund. The Trustees noted that economies of scale were not a relevant consideration at this time and the Adviser would revisit whether economies of scale exist in the future once the Fund has achieved sufficient scale.

*Conclusion.* The Board did not identify any one factor as particularly important and each Trustee may have individually given weight to separate factors. The Board received and reviewed a memorandum outlining the legal standards applicable to its consideration of the Advisory Agreement. The Board noted that, after the Fund becomes operational, the Board will continue to monitor the Fund's performance at its regular meetings, during executive sessions of the Independent Trustees, and outside of Board meetings. Based on its review, including consideration of each of the factors referenced above, the Board determined, in the exercise of its reasonable business judgment, that approval of the Advisory Agreement and its related fees, was reasonable in light of the factors considered by the Board.

**Arca U.S. Treasury Fund**  
**SUPPLEMENTAL INFORMATION (Unaudited)**  
**December 31, 2020**

**Trustees and Officers**

Unless otherwise indicated in the table below, the address of each Trustee and officer of the Fund is c/o Arca Capital Management, LLC, 4151 Redwood Ave., Suite 206 Los Angeles, CA 90066. Additional information about the Trustees and officers of the Fund is provided in the table below.

**Independent Trustees**

<b>Name, Address and Age</b>	<b>Position(s) with the Fund/Term of Office</b>	<b>Principal Occupation(s) During the Past Five Years</b>	<b>Number of Portfolios in Fund Complex* Overseen by Trustee</b>	<b>Other Directorships/ Trusteeships Held During the Past Five Years</b>
Bruce H. Park, 45	Trustee since 2019	VP Treasury, Molina Healthcare (2018 - Present); Sr. Finance Consultant (Head of Treasury) Health Net Inc. (2002- 2017)	1	N/A
Daniel A. Strachman, 49	Trustee since 2019	Managing Director, A&C Advisors LLC (corporate governance consulting for the investment management industry) (Sept. 2001 – Present); Co-Founder/Moderator, Operations for Alternatives (an online community focused on the convergence of the hedge fund, mutual fund and private equity fund industries) (July 2013 – Present); Co-Founder/Moderator, HEDGEAnswers, LLC (educational conference calls regarding alternative investments) (Jan 2007- Present); Managing Director – Head of Business Development, Apex Funds Services, Inc. (Dec. 2016 – Feb. 2018)	1	SFS Series Trust (Dec. 2020 – Present); Takumi Capital Management, LP (Sept. 2014 - Present); DCIG Capital Fund, Ltd (March 2018 - Present); Glide Fund Spc Ltd and Glide Master Fund SPC Ltd (Feb. 2019 - Present); Pangea Blockchain International Ltd. (Feb. 2019 – Dec. 2020); Investment Management Due Diligence Association (Dec. 2015 – Present); Trustee and Audit Committee Chair, Chapel Hill-Chauncy Hall School (2009-Present)
Jeffrey J. Gary, 58	Trustee since 2019	Retired. Senior Portfolio Manager, Avenue Capital (investment management firm) (Jan. 2012 – July 2018)	1	Trustee, Audit Committee Member and Valuation Committee Chair, Axonic Alternative Income Fund (Nov. 2018 – 2020); Director and Audit Committee Chair, National Holdings Corporation (Feb. 2019 – Present)

**Arca U.S. Treasury Fund**  
**SUPPLEMENTAL INFORMATION (Unaudited)(Continued)**  
**December 31, 2020**

**Interested Trustees**

<b>Name, Address and Age</b>	<b>Position(s) with the Fund/Term of Office</b>	<b>Principal Occupation(s) During the Past Five Years</b>	<b>Number of Portfolios in Fund Complex* Overseen by Trustee</b>	<b>Other Directorships/Trusteeships Held During the Past Five Years</b>
Philip Liu, 48	Trustee, Chairman of the Board since 2019	Co-Founder and Chief Legal Officer, Praesidium Partners, Inc. (parent holding company), Arca Investment Management, Inc. (investment adviser) and Arca Capital Management (May 2018 – present); Counsel, Manatt, Phelps & Phillips, LLP (Feb. 2017 to April 2018); General Counsel, Equinox Funds (Oct. 2009 to Sept. 2016)	1	N/A

**Officers**

<b>Name, Address and Age</b>	<b>Position(s) with the Fund/Term of Office</b>	<b>Principal Occupation(s) During the Past Five Years</b>
Jeffrey M. Dorman, 41	Portfolio Manager and Chief Investment Officer since December 2019	Co-Founder and Chief Investment Officer, Praesidium Partners, Inc. (parent holding company), Arca Investment Management, LLC. (investment adviser) and Arca Capital Management LLC (May 2018 - present); Vice President of Business Development and Chief Operating Officer of Harvest Exchange Corp. (Nov. 2013 to April 2018)
Philip Liu, 48	Chief Executive Officer since December 2019	Chief Legal Officer, Arca Capital Management LLC (Nov. 2019 – present); Co-Founder and Chief Legal Officer, Praesidium Partners, Inc. (parent holding company) and Arca Investment Management, Inc. (investment adviser) (May 2018 – present); Counsel, Manatt, Phelps & Phillips, LLP (Feb. 2017 to April 2018); General Counsel, Equinox Funds (Oct. 2009 to Oct. 2016)
Vance Jeffrey Sanders, 53	Chief Financial Officer since February 2021	President, CFO 5280, LLC (June 2018 – Present); President, Oswego Holdings, LLC & Advanced Cleaners, Inc. (Sept. 2013 – Present); Chief Financial Officer & Chief Technology Officer, Equinox Financial Group, LLC (Oct. 2007 – Nov. 2016); Principal Financial Executive, Equinox Funds Trust (Dec. 2010 – Nov. 2016)
Douglas N. Tyre, 40	Chief Compliance Officer since December 2019	Compliance Director, Cipperman Compliance Services, LLC (“Cipperman”) (July 2019 – Present); Assistant Compliance Director, Cipperman (Jan. 2018 – June 2019); Manager, Cipperman (April 2014 – Dec. 2017)

**Arca U.S. Treasury Fund**  
**SUPPLEMENTAL INFORMATION (Unaudited)(Continued)**  
**December 31, 2020**

Name, Address and Age	Position(s) with the Fund/Term of Office	Principal Occupation(s) During the Past Five Years
J. Rayne Steinberg, 43	Principal Financial Officer since December 2019	Chief Executive Officer, Arca Capital Management (Nov. 2019 – present); Co-Founder and Chief Executive Officer, Praesidium Partners, Inc. (parent holding company) and Arca Investment Management, Inc. (investment adviser) (May 2018 – present); Independent Consultant (May 2017 – May 2018); Chief Financial Officer, Plan B LLC (industrial materials company) (Nov. 2016 – May 2017); Chief Financial Officer, Fremont College (Nov. 2015 – July 2016); Financial Analyst, Ramius LLC (Jan. 2012 – April 2015); Co-Founder and E-Commerce Manager, Wisdom Tree Asset Management (2002 – 2011)
Richard Malinowski, 37	Secretary since December 2019	Senior Vice President and Senior Managing Counsel, Legal Administration, Ultimus Fund Solutions (fund administration firm) (August 2019 – present); Senior Vice President of Legal Administration (February 2017 – August 2019), Vice President and Counsel (April 2016 – February 2017) and Assistant Vice President of Legal Administration (September 2012 to March 2016), Gemini Fund Services (fund administration firm)

\* The term “Fund Complex” refers to the Arca U.S. Treasury Fund.

The Fund’s Statement of Additional Information includes additional information about certain of the Trustees and is available free of charge, upon request, by calling toll-free at 1-800-445-3148 or by visiting [arcalabs.com](http://arcalabs.com).

## PRIVACY NOTICE

### FACTS **WHAT DOES ARCA U.S. TREASURY FUND DO WITH YOUR PERSONAL INFORMATION?**

**Why?** Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

**What?** The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number
- Assets
- Retirement Assets
- Transaction History
- Checking Account Information
- Purchase History
- Account Balances
- Account Transactions
- Wire Transfer Instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

**How?** All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons the Fund chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Arca U.S. Treasury Fund share?	Can you limit this sharing?
<b>For our everyday business purposes -</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureau	Yes	No
<b>For our marketing purposes –</b> to offer our products and services to you	No	We don't share
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes –</b> information about your transactions and experiences	No	We don't share
<b>For our affiliates' everyday business purposes –</b> information about your creditworthiness	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

**Who we are**

**Who is providing this notice?**

Arca U.S. Treasury Fund

**What we do**

**How does Arca U.S. Treasury Fund protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings

Our service providers are held accountable for adhering to strict policies and procedures to prevent any misuse of your nonpublic personal information.

**How does Arca U.S. Treasury Fund collect my personal information?**

We collect your personal information, for example, when you

- Open an account
- Provide account information
- Give us your contact information
- Make deposits or withdrawals from your account
- Make a wire transfer
- Tell us where to send the money
- Tells us who receives the money
- Show your government-issued ID
- Show your driver's license

We also collect your personal information from other companies.

Federal law gives you the right to limit only:

- Sharing for affiliates' everyday business purposes – information about your creditworthiness
- Affiliates from using your information to market to you

- Sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

## Definitions

### Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Arca U.S. Treasury Fund does not share with our Affiliates.*

### Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial Companies

- *Arca U.S. Treasury Fund does not share with nonaffiliates so they can market to you.*

### Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *Arca U.S. Treasury Fund does not jointly market.*



## **PROXY VOTING POLICY**

Information regarding how the Fund voted proxies relating to portfolio securities for the most recent twelve month period ended June 30 as well as a description of the policies and procedures that the Fund uses to determine how to vote proxies is available without charge, upon request, by calling 1-800-445-3148 or by referring to the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

## **PORTFOLIO HOLDINGS**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year as an exhibit to Form N-PORT. Form N-PORT are available on the SEC's website at <http://www.sec.gov>. The information on Form N-PORT is available without charge, upon request, by calling 1-800-445-3148.

### **INVESTMENT ADVISER**

Arca Capital Management, LLC  
4151 Redwood Ave., Suite 206  
Los Angeles, CA 90066

### **ADMINISTRATOR**

Gemini Fund Services, LLC  
4221 North 203rd Street, Suite 100  
Elkhorn, NE 68022