April 2024

Digital Assets Alpha Fund

VanEck®

Pranav Kanade

Portfolio Manager

Please note that VanEck may have a position(s) in the digital asset(s) described below.

Dear Current and Future Investors,

This monthly letter focuses on three topics:

I. Performance & Portfolio Exposure

II. Harris Poll Insights

III. Coinbase (COIN) Update

I - Performance & Portfolio Exposure

Figure 1: Performance vs. Other Benchmarks

	Return (MTD)	Return (YTD)	Cumulative Return (6/24/22 - 4/30/24)	Annualized Return (6/24/22 - 4/30/24)
Digital Assets Alpha Fund (Gross)	-17.27%	16.75%	182.97%	75.50%
Digital Assets Alpha Fund (Net)	-15.01%	13.05%	135.23%	58.81%
Digital Assets Alpha Fund (Gross Excluding Sidepocket)*	-14.17%	22.44%	174.01%	72.47%
Digital Assets Alpha Fund (Net Excluding Sidepocket)*	-12.18%	17.29%	127.20%	55.86%
MarketVector Digital Assets Broad 100 Equal Weight Index (MVB100EW)	-29.52%	3.24%	44.05%	21.82%
MarketVector Digital Assets 100 Index (MVDA)	-19.46%	30.60%	124.10%	54.70%

Source: VanEck as of 4/30/2024. Returns less than one year are not annualized.
For complete return information please contact us at investorrelations@vaneck.com. *Fund performance excluding side pocketed investments is shown for informational purposes, as it may more closely reflect the performance that new investors might experience. However, it is not reflective of performance that investors in the fund at inception would have received; thus, please see important hypothetical performance disclosures at the end of this presentation. Past performance is not a guarantee of future results. Not intended as a recommendation to buy or sell any of the names mentioned herein. Gross returns exclude management fee. Net returns are inclusive of the management fee of 2.00% and performance fees and are based on a day-one full fee-paying investor. An individual investor's performance may differ due to timing of contributions/redemptions, side-pocket activity, any incentive fees and individual investor's account high-water marks. The launch date for MVB100EW was 7/14/2023, and any performance presented prior to that date is hypothetical in nature. Please see important disclosures at the end of this fund commentary regarding the new benchmark performance index MVB100EW and hypothetical performance.

Crypto markets experienced a significant drawdown in April, and our performance was impacted despite our risk reduction efforts in March. We continue to believe that crypto markets will demonstrate performance dispersion. In our view, BTC, ETH, SOL, and COIN are likely to outperform the broader altcoin market in the medium term (3-6 months). While there may be pockets of the altcoin market that experience mini narrative driven (non-fundamental) bull markets and the hot potato game, the altcoin market is ultimately plagued by oversupply and a lack of new demand. Much of the altcoin market lacks product-market fit, making it difficult and unrepeatable to play the hot potato narrative game.

Our plan moving forward is as follows:

1. Focus a significant portion of the portfolio on the four majors. Currently, we are heavily denominated in BTC and COIN convertible notes. If SOL and ETH reach levels we find attractive, we will likely re-establish our core positions in those assets.
2. Add to existing altcoin holdings and/or find new altcoins while focusing on a single north star question: "Can this become a major (like BTC, ETH, SOL & COIN) in the next 2 years?" As I established in my previous letter, the largest pool of capital coming into crypto is traditional finance (tradfi) capital. For a project to become one of the big four (BTC, ETH, SOL, or COIN), it must attract tradfi capital and, consequently, reprice from being small/early stage venture asset to a $50 billion to $100 billion asset. We believe our current altcoin holdings have this potential, and we are actively adding new prospective projects to this list. When valuations on these assets reach levels we find attractive, we will rotate our cash or BTC into these positions over the coming months. Stay tuned for updates.

Why allocate to us if we are going to sit in majors for the medium term?

If you believe we can effectively execute point number 2, which involves identifying the next majors/winners and building positions in them at attractive entry valuations, then consider allocating capital to us. This is the value we provide in exchange for our 2/20 fee structure, as opposed to simply buying the four majors on your own.

II - Harris Poll Insights

Crypto has become a partisan issue in the United States, with the November presidential elections likely serving as a significant catalyst for the space. It almost seems like binary risk, with Republicans currently seen as good for crypto and Democrats as bad. In this context, recent polling data from The Harris Poll, a respected U.S. market research firm, proves particularly interesting, despite the potential for polls to be inaccurate.

DCG commissioned The Harris Poll to survey 1,201 registered voters from key battleground states (Michigan, Ohio, Montana, Pennsylvania, Nevada, and Arizona) to assess attitudes toward digital assets and the financial system ahead of the 2024 U.S. elections. The full deck of the survey results is available for further analysis.

https://theblockchainassociation.org/wp-content/uploads/2024/05/DCG_HarrisPoll-Research-Report.pdf

TLDR:

1. 20% of swing state voters consider crypto a major issue in the 2024 election, indicating its growing relevance to the electorate.
2. 40% of voters want political candidates to discuss crypto more, showing a desire for greater discourse on the topic.
3. Most of the voters distrust elected officials' understanding of innovative technologies like crypto and worry about overregulation stifling innovation. Nearly half distrust candidates who interfere with crypto.
4. The current financial system is viewed as inequitable, favoring elites, lacking transparency, and setting younger generations up to fail by most voters. 66% of crypto-positive voters believe it's easier to succeed financially with crypto than traditional avenues.
5. Crypto has emerged as a significant election issue, with pro-crypto stances potentially benefiting candidates. Growing dissatisfaction with the traditional financial system is driving interest in alternative assets like cryptocurrencies among average Americans.

The poll, paid for by DCG, underscores the increasing mainstream relevance and appeal of crypto as voters seek a more inclusive and transparent financial future.

III - Coinbase (COIN) Update

We have previously discussed our thesis on Coinbase in the November 2023 investor letter. Considering Coinbase's strong showing in its latest quarterly earnings report on May 2nd, we wanted to revisit our thesis and discuss why we remain excited about this position.

To recap from the November letter, our view is that Coinbase's core business (exchange, stablecoin/Circle, custody, and staking services) is differentiated, highly profitable and stands to gain meaningful market share in the years to come. This core business also boasts substantial operating leverage and free cash flow generation – as illustrated by the $1bn+ EBITDA quarter the company has just posted (*Figure 2*).

Figure 2: Select financial metrics from the recent Coinbase earnings

FINANCIAL METRICS ($M)	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Net Revenue	736	663	623	905	1,588
Net Income (Loss)	(79)	(97)	(2)	273	1,176
Adjusted EBITDA	287	189	178	324	1,014

Source: Coinbase Q1'24 Shareholder Letter

In addition to these core products, we are particularly excited about Coinbase's emerging onchain products. This includes the Base Chain and a handful of other initiatives (e.g. the new Coinbase Smart Wallet). These products enable a seamless and delightful onchain experience for millions of users, and could eventually become the gateway to mainstream adoption.

We have been impressed by the company's pace of development and what they've shipped so far. To illustrate that, let's give you a quick primer on the current state of the Base Chain.

What's so interesting about the Base Chain?

As a reminder, Base is a blockchain launched by Coinbase in August '23. It is a Layer 2 ("L2") optimistic roll-up built on top of Ethereum, leveraging Optimism's OP Stack for scalability and interoperability.

And what's to like about it?

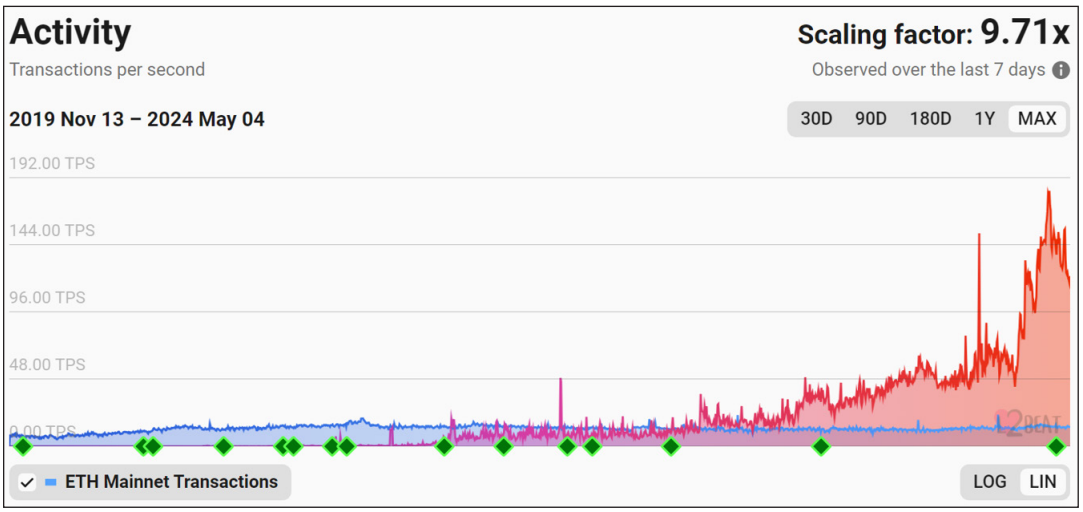
1. It's showing promising signs of traction
2. It's a great experience for both users and developers
3. It can be very profitable for COIN shareholders – directly and indirectly

Let's dive into each point.

1. Promising signs of traction:

As we know, Ethereum pivoted to a L2-centric roadmap years ago. This means that the Layer 1 ("L1") itself mostly stopped scaling while all new transaction growth has been pushed out to the L2's. Today, all L2's post ~10x more transactions combined than the L1 (*Figure 3*).

Figure 3: Transactions per second across Ethereum L1 (in blue) and L2's (in red)



Source: L2beat.com as of 5/5/24

There has been strong growth in transaction activity, especially following the Dencun upgrade to Ethereum in March 2024. Dencun introduced proto-danksharding and brought roll-up costs down by an order of magnitude.

Interestingly, much of that growth in activity came from Base and the broader Base ecosystem (including L3's built on top of Base, such as Degen Chain). Over the last 30 days, Base has seen more transactions than any other Ethereum L2 network (*Figure 4*). This is particularly impressive considering that unlike many other ecosystems – such as zkSync Era, Blast, Scroll and Linea – Base usage is not incentivized with points farming and airdrop speculation.

Figure 4: Activity leaderboard across Ethereum L1 and L2's

#	NAME	PAST DAY TPS	7D CHANGE	MAX DAILY TPS	30D COUNT
1	Base	28.08	5.07%	36.99 on 2024 Apr 08	81.08M
2	Degen Chain	25.15	15.56%	43.40 on 2024 Apr 25	61.93M
3	Arbitrum One	15.05	20.97%	58.97 on 2023 Dec 16	49.35M
4	Ethereum	13.46	5.36%	22.70 on 2024 Jan 14	35.85M
5	zkSync Era	9.88	7.01%	62.07 on 2023 Dec 16	31.30M

Source: L2beat.com as of 5/5/24

This tremendous activity on Base includes plenty of speculative behavior, such as memecoin trading. But it also includes a thriving DeFi ecosystem and myriad other novel applications being built across social, RWAs (real world assets), and more. Anecdotally, we've met many quality teams that are actively building (or considering building) on Base.

Why are so many users and builders flocking to Base? That leads us to our next point…

2. A great experience for both users and developers:

If you haven't yet used Base, hop in and give it a spin. Transactions today are cheap (typically <$0.01 to send ETH) and fast (2 second block times).

But being cheap and fast is no longer a differentiator. As we know, Solana is still cheaper and faster. Several other Ethereum L2's are also just as performant. **Base's differentiator is Coinbase – and the accessibility and seamless onboarding that comes with it.**

For starters, Base is directly accessible by Coinbase's 100M+ global customers right from the Coinbase app. With just a few clicks (and virtually no cost), you can go from ETH or USDC in your Coinbase account to ETH or USDC in your self-custody wallet on Base. As recently as a year ago, "onboarding to an L2" for most people meant sending tokens to Ethereum L1, fumbling around with some bridge, and spending $50 in gas fees. This has improved materially.

Note that this L2 onboarding experience is not exclusive to Base at this point. Other L2's have been integrated by Coinbase as well. But importantly, our expectation going forward is that:

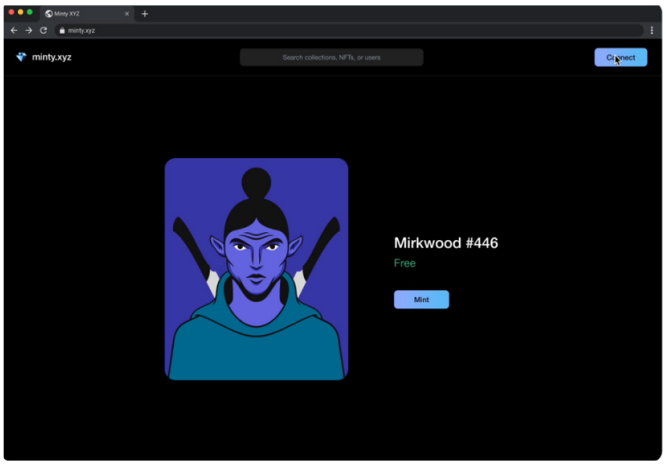
- Base will have the deepest integrations with all of Coinbase's new products and services
- Base will see the latest & greatest new features before any other network
- Coinbase will increasingly push new users towards Base as its recommended or default network

And we are already starting to see that play out now with the game-changing Coinbase Smart Wallet – it will be available on multiple networks, but with unique features that are coming to Base first.

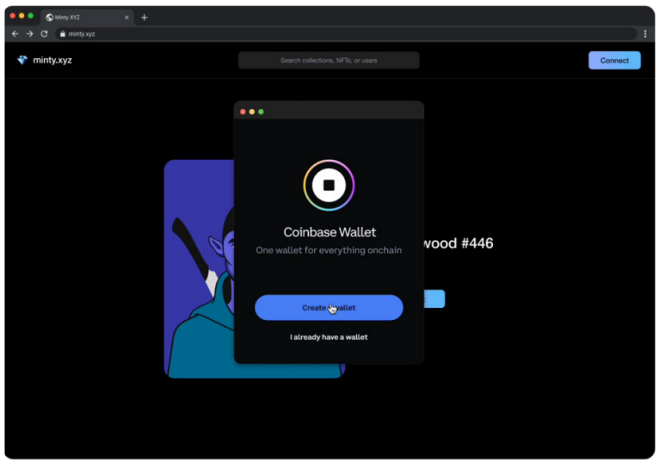
Smart Wallet has the potential to be revolutionary for user onboarding. Why is it such a big deal? Smart Wallet completely bypasses the typical onboarding process, allowing users to create a safe, self-custodial wallet in 5 seconds **without writing down a seed phrase and without linking any external accounts**. This works by leveraging the passkey feature that is now prevalent in modern smartphones (explainer on passkeys here from Apple). See *Figure 5* for an illustrative walk-through of the 5-second wallet creation process.

Figure 5: Steps to create a new Coinbase Smart Wallet in seconds

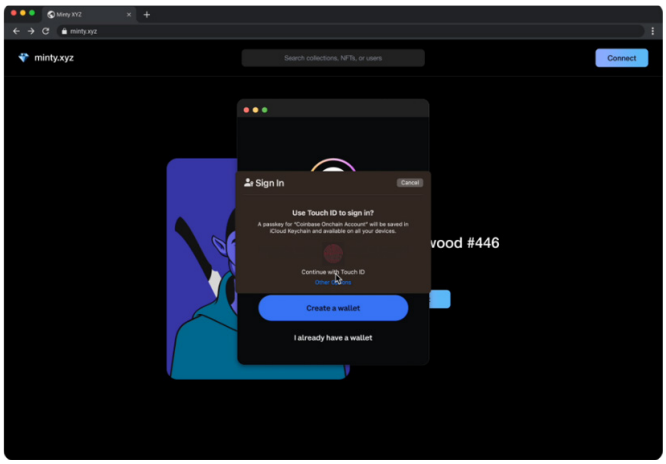
Step 1: Click "Connect"



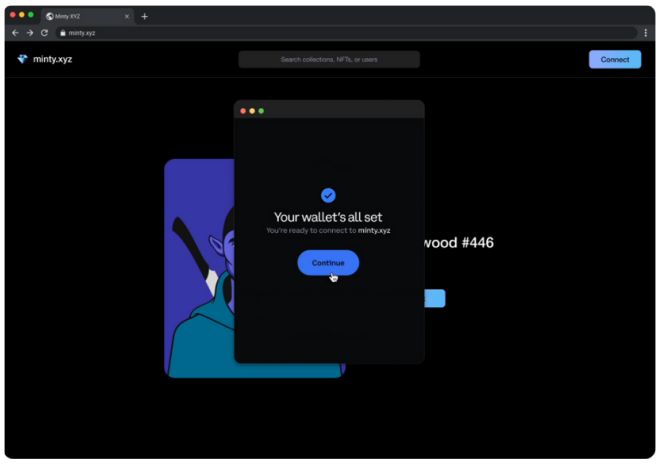
Step 2: Click "Create wallet"



Step 3: Use Apple's Touch ID



Step 4: Done - click "Continue" and use the dapp.



Source: https://www.coinbase.com/blog/evolving-wallets-to-bring-a-billion-users-onchain

Note that, in the example above:

- The user does not have any existing wallet extension installed in their browser
- The user did not have to write down a seed phrase, or get lectured on how to properly secure that seed phrase
- The user does not need to understand which blockchain they're interacting with (in this case, it's Base!)
- The user did not have to figure out how to bridge funds into this wallet

Within seconds, the user is onchain and ready to use the app. In many cases, this is actually *faster* than the traditional web2 account creation experience (i.e. setting up a username and password). Your cryptographic web3 identity entirely replaces the need for a username and password because your wallet is your account.

Also note that this new wallet created for the user is a smart contract wallet, ready to take advantage of all the benefits of account abstraction. Leveraging account abstraction + Coinbase's platform enables some critical features, including:

- **Gasless transactions**; users don't need any ETH to transact onchain and app developers can choose to sponsor transactions fees for their users
- **Pay with off-chain funds**; users can pull funds in real time from their off-chain Coinbase accounts, or even use a credit / debit card – funds show up in their new Smart Wallet immediately and ready for use

And meanwhile, builders are well-equipped to serve these users with interesting & novel applications onchain. We expect Base to remain one of the of most attractive networks for developers to build on, for a few different reasons:

- Extensive tooling and network effects for Solidity / EVM developers (which remains a key competitive advantage for Ethereum L2's vs. Solana)
- Robust Coinbase SDK and a suite of resources dedicated exclusively to Base dapp development – enabling plug-and-play implementations of the new Smart Wallet technology and other exciting developments down the pipeline
- The power of Coinbase's massive distribution platform, to push the most promising apps to its 100M+ user base

What this all means for the user is unparalleled accessibility, seamless onboarding, cheap/fast transaction fees, and a thriving developer ecosystem – which position Base as a leading candidate for mainstream onchain adoption.

So what happens if millions of users and builders arrive onchain?

3. It can be very profitable for COIN shareholders – directly and indirectly:

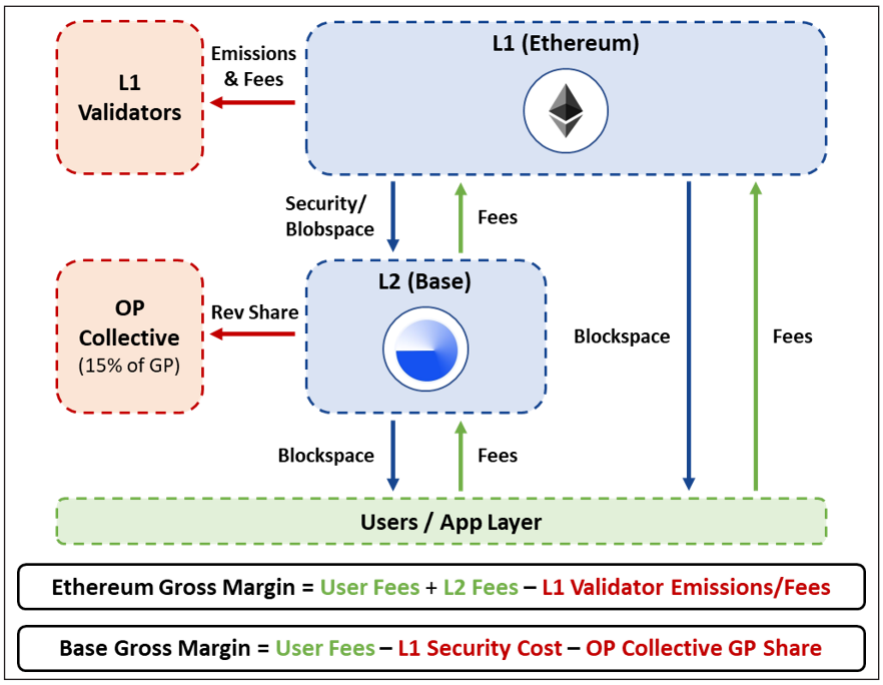
First, let's recap how a Layer 2 network like Base actually makes money.

The base layer, Ethereum, has simple economics – it generates revenue from users and other networks (i.e. L2's) paying for its blockspace. To secure that blockspace, it pays emissions and fees to a global & decentralized set of thousands of validators. Ethereum's P&L is (User Fees + L2 Fees – L1 Validator Emissions/Fees).

Meanwhile, Base Chain "inherits" security from Ethereum by settling down to it and paying for data availability (what is technically referred to as "blobspace"). In exchange, Base gets to build its own much more scalable blockspace, and sell that to millions of users. And there's one other expense to keep in mind too – as part of its commitment to the Optimism Collective and the OP Stack, Base has also pledged to share 15% of its gross profits to Optimism. All in all, Base's P&L is (User Fees – L1 Security Cost – OP Collective GP Share).

These revenue models are illustrated below in *Figure 6*.

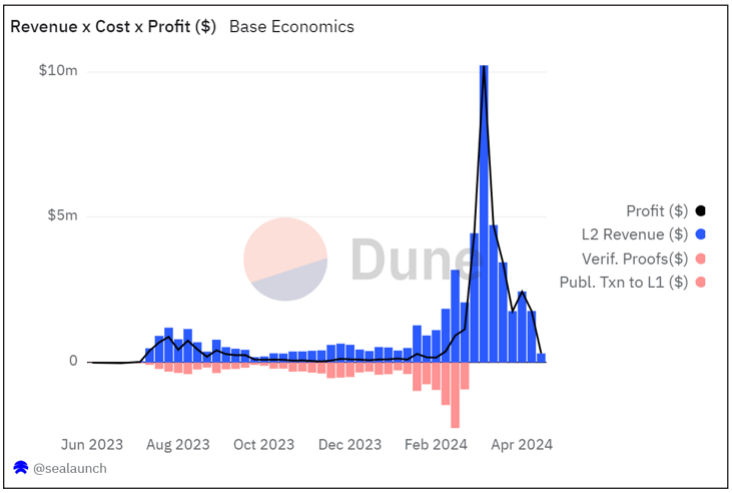
Figure 6: Illustrative revenue models for Ethereum and Base



Source: Internal

And how much is that gross margin, exactly? Let's examine Base's onchain fees generated since inception (*Figure 7*).

Figure 7: Weekly revenues (in blue) vs. L1 security expenses (in red) for the Base network



Source: Dune as of 5/5/24; disregard most recent bar in the chart as it does not capture a full week of revenues

We can derive the following from onchain data:

- Base paid meaningful fees for Ethereum security through mid-March, and then costs fell off a cliff – that's because of the Dencun upgrade which introduced cheap blobspace
- Base experienced a huge spike in demand shortly after Dencun, driven primarily by hyper-speculative activity (e.g. memecoin trading), making >$10M in fee margin in the week ending March 25th
- Weekly fee margin has since stabilized at roughly ~$2M, or ~$100M annualized
- After accounting for the OP Collective's 15% take rate, this means **~$85M of annualized profit to Coinbase's bottom line** from a network that is less than a year old

Of course, $85M is not yet a meaningful driver for broader Coinbase at this point. It's currently relegated to a footnote within "Other transaction revenue", as seen in *Figure 8* below. We believe that the potential impact of this hidden line item over the next 2-3 years could take many by surprise – there is little understanding of Base's potential amongst sell-side equity research analysts and none seem to be modeling Base as a meaningful multi-year growth driver.

Figure 8: Transaction revenue breakdown from the recent Coinbase earnings

TOTAL REVENUE	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Transaction Revenue					
Consumer, net[1]	329.2	289.0	247.0	468.9	935.2
Institutional, net	22.3	17.1	14.1	36.7	85.4
Other transaction revenue[1]	23.3	21.1	27.5	23.6	56.1
Total transaction revenue	**374.7**	**327.1**	**288.6**	**529.3**	**1,076.7**

"Other" growth driven primarily by Base fees

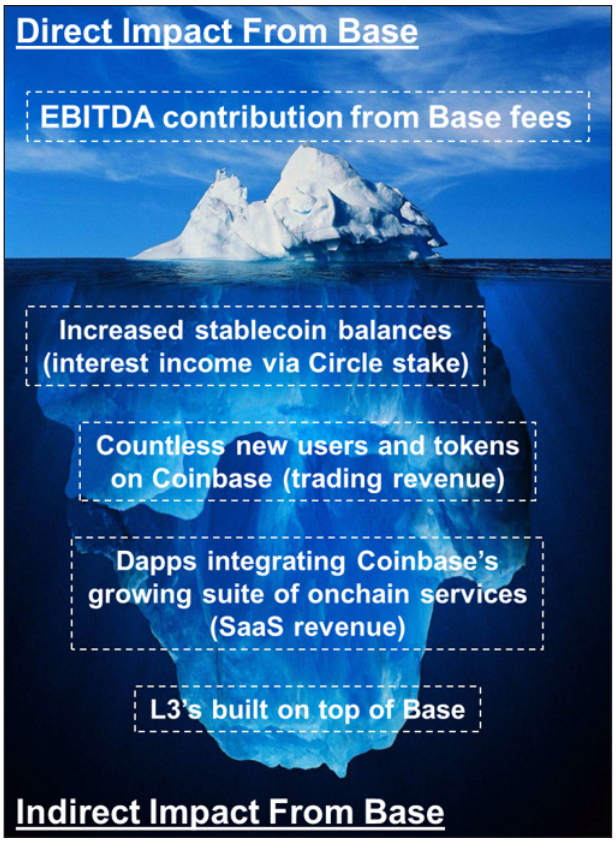
Source: Coinbase Q1'24 Shareholder Letter

Importantly, note that Base is incredibly early in its scaling roadmap. The chain is today pushing 5mgas/s (a gas target representing how much execution the chain can handle). The medium-term goal for the Base team over the next 18 months is to scale this 200x to 1ggas/s, and they've laid out a credible roadmap to get there.

If Coinbase can execute on its long-term vision and bring millions of users and builders onchain – and actually make use of the 200x greater onchain bandwidth – the direct impact to Coinbase's bottom line is transformational. In that scenario, it's realistic that **Base alone could generate more EBITDA than Coinbase's entire business today**, even if fees to end users continue to come down by another 50-75%.

And that is just the direct impact of Base to Coinbase's bottom line. The indirect impact of onboarding millions of users could be even more meaningful across the entire rest of its business…

Figure 9: Base EBITDA is just the tip of the iceberg



Source: Internal

Final thoughts on COIN

Please note that there's a lot of nuance with the above analysis on Base that we can't explore within the limited scope of this investor letter. There's huge execution risk. There's dependency on Ethereum's Layer 1 scaling roadmap (which has been known to move slowly). There's intense competition from other networks that are innovating at breakneck speed – such as Solana. There's meaningful potential changes to the Base network's revenue model (e.g. as they decentralize sequencers). We appreciate all the nuance and the risks, and always view our positions probabilistically.

That being said, we believe there is massive asymmetry between how the Street views Coinbase and its true potential. Traditional equity investors see a niche business within a "dying" industry with massive regulatory risk. Their models assign zero probability to the world moving onchain and what that could mean for Coinbase's business. We view things differently, and we believe Coinbase is a high-upside call option on onchain adoption and the success of web3.

Closing Out

As highlighted in the beginning of the letter, our north star is to find projects in the altcoin universe that can become a big four (BTC, ETH, SOL and COIN) over the next 2 years. With that goal in mind, I'd like to welcome Mathew Maximo to our investment team. Matt is joining us from Grayscale, where he served as a portfolio manager and led research & data analytics. He was grew up in Seattle and studied Biology at Seattle University. Previously, he contributed to several crypto projects, including the Graph Protocol as an indexer, and developed an NFT Ticketing platform before the pandemic. Outside of crypto, Matt enjoys skiing, eating dessert, and biking around the city with Citi Bike.

Reach out to us if you'd like to connect.

Sincerely,

Pranav Kanade

Portfolio Manager of VanEck Digital Assets Alpha Fund

Appendix:

Company and Fund AuM	$83.7M
Snapshot of month-end net/gross/long/short exposures (%)	
Net Long	57%
Gross	100%
Short	0%
Cash/Stablecoins	43%
Snapshot of number of positions within the Fund	
Positions	15
Snapshot of names and % exposures of month-end positions above 5% of portfolio	
Bitcoin	34%
COIN 0.25% 04/01/2030	10%
Helium	6%
Snapshot of names (but not % exposure) of month-end positions between 1% and 5% of portfolio	
Jupiter	<5%
Undisclosed	<5%
DEGEN	<5%
Snapshot of names (but not % exposure) of month-end positions below 1% of portfolio	
Small position 1	<1%
Small position 2	<1%
Small position 3	<1%
Small position 4	<1%
Small position 5	<1%
Small position 6	<1%
Small position 7	<1%
Small position 8	<1%
Small position 9	<1%
Snapshot of month-end counterparty exposures (%)	
Coinbase Custody	21%
Anchorage	57%
State Street	17%
Fireblocks	5%

The portfolio manager for the fund may have direct or indirect exposure to these platforms or products sold on these platforms.

***For complete return information please contact us at investorrelations@vaneck.com.**

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Index Definitions

MarketVector Digital Assets 100 Index (MVDA) is a market cap-weighted index which tracks the performance of the 100 largest digital assets. The index serves as benchmark and universe for the other MarketVector Digital Assets Indexes.

MarketVector Digital Asset Broad 100 Equal Weight Index (MVB100EW) is designed to track the performance of the largest 100 digital assets (with an 80-120 buffer) taking their availability in the largest centralized exchanges in consideration. The index is equal weighted.

Coin Definitions

Bitcoin (BTC) is a decentralized digital currency, without a central bank or single administrator, that can be sent from user to user on the peer to-peer bitcoin network without the need for intermediaries.

Ethereum (ETH) is a decentralized, open-source blockchain with smart contract functionality. Ether is the native cryptocurrency of the platform. Amongst cryptocurrencies, Ether is second only to Bitcoin in market capitalization.

Solana (SOL) is a public blockchain platform. It is open-source and decentralized, with consensus achieved using proof of stake and proof of history. Its internal cryptocurrency is SOL.

Helium (HNT) is a decentralized blockchain-powered network for Internet of Things (IoT) devices.

Optimism (OP) is a layer-two blockchain on top of Ethereum. Optimism benefits from the security of the Ethereum mainnet and helps scale the Ethereum ecosystem by using optimistic rollups.

Jupiter (JUP) utilizes military grade encryption to secure user data and powers secure dApps on public and private networks.

Arbitrum (ARB) is a rollup chain designed to improve the scalability of Ethereum. It achieves this by bundling multiple transactions into a single transaction, thereby reducing the load on the Ethereum network.

Base is an Ethereum Layer 2, incubated by Coinbase and built on the open-source OP Stack, that allows developers to easily deploy reliable, secure applications on a scaling solution with low transaction fees.

Degen (DEGEN) is an unofficial token that were distributed to the community on the decentralized social network, Farcaster.

zkSync Era is a layer 2 rollup that uses zero-knowledge proofs to scale Ethereum without compromising on security or decentralization.

USD Coin (USDC) is a digital currency that is fully backed by U.S. dollar assets. Managed by Centre, a consortium co-founded by the cryptocurrency exchange Coinbase (COIN), and Circle

Risk Considerations

The VanEck Digital Assets Alpha Fund (the "Fund") is not an investment company registered under the Investment Company Act of 1940, and therefore is not subject to the same regulatory requirements as mutual funds or ETFs registered under the Investment Company Act of 1940. While the Fund may trade commodity futures, commodity options contracts and other CFTC Regulated Products, the general partner intends to rely on the CFTC Rule 4.13(a)(3) exemption from registration as a Commodity Pool Operator ("CPO") and at all times the Fund will meet (i) trading limitations, (ii) investor suitability requirements and (iii) offering and marketing restrictions. Before making an investment decision, you should carefully consider the risk factors and other information included in the Private Placement Memorandum.

The Fund is available to Qualified Purchasers Only. Please carefully read the Private Placement Memorandum before investing. An investor should consider the investment objective, risks, charges and expenses of the Fund carefully before investing. There is no guarantee the Fund will achieve its investment objective and investors may lose their entire investment. The Fund is not suitable for all investors. Past performance is not a guarantee of future results.

The views and opinions expressed are those of VanEck. Fund manager commentaries are general in nature and should not be construed as investment advice. Opinions are subject to change with market conditions. Any discussion of specific securities mentioned in the commentaries is neither an offer to sell nor a solicitation to buy these securities.

An investment in the Fund is subject to risks which include, among others, regulatory, general investment and trading, opaque spot market, digital assets, digital asset exchanges, investing through DEXes, stablecoin, OTC transactions, valuation and liquidity, cryptocurrencies lending, digital asset lending and borrowing, DeFi lending of digital assets, digital asset lending programs offered by certain CeFi and DeFi exchanges, rebasing of digital assets, credit, credit market illiquidity, third party wallet providers, loss of private key, volatility and speculative nature of digital assets trading, digital asset network protocols and software, digital asset network malicious actors, forks and airdrops, digital asset miners ceasing operations, cybersecurity, computer malware and viruses, data loss, incorrect transfer of digital assets, initial coin/pre-sale initial coin offering, synthetic investments, options, futures, forwards, lack of blockchain company operating history, blockchain company failure, custody of fund assets, short selling, leverage, limited diversification, non-U.S. securities, and counterparty risks. **Please note that this is not an exhaustive list of risks pertaining to the Fund. Please read carefully the PPM for a complete list of potential risks.**

As of 7/31/2023, MarketVector Digital Asset Broad 100 Equal Weight Index (MVB100EW) has been added as the Fund's new performance benchmark index. While we will continue to display the performance of MarketVector Digital Assets 100 Index (MVDA), we feel that the new index is more closely aligned with the holdings of the Fund.

The Fund's investment objective is to provide capital appreciation through investing primarily in digital assets such as cryptocurrencies, protocols, digital currencies, cryptocommodities, digital currency networks, digital coins, altcoins, cryptocurrency platforms, decentralized application tokens and protocol tokens, app coins, blockchain-based assets, cryptoassets and other cryptofinance and digital assets and instruments that are based on or related to blockchain, distributed ledger, directed acyclic graph or similar technologies that currently exist or may exist in the future (collectively, "Digital Assets").

The Investment Manager utilizes a risk-based approach to Digital Asset allocation with the aim of providing the flexibility to adjust in adverse market conditions. The Investment Manager seeks to invest the Fund's assets in approximately 5 to 30 Digital Assets with high future potential value relative to such Digital Assets' current valuations and generally with market capitalizations in excess of $100 million. The Investment Manager will seek to analyze Digital Assets based on a variety of factors, including, but not limited to, use case, future adoption, existing partner firms and future partner prospects. The Fund also intends to seek additional yield through staking solutions and Digital Asset lending, including through decentralized finance ("DeFi") protocols. The Fund may also invest in public and private securities issued by Digital Asset companies (collectively, "Blockchain Companies" and such investments, "Blockchain Company Investments").

With the goal of limiting potential losses associated with adverse market conditions, excessively high valuations and drawdowns, the Investment Manager will adjust the Fund's Digital Asset allocation, which will generally range from 70% to 90% of the Fund's assets. The Fund's remaining assets will generally be used to generate yield.

Past performance is not an indication, or guarantee, of future results. Hypothetical or model performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading, and accordingly, may have undercompensated or overcompensated for the impact, if any, of certain market factors such as market disruptions and lack of liquidity. In addition, hypothetical trading does not involve financial risk and no hypothetical trading record can completely account for the impact of financial risk in actual trading (for example, the ability to adhere to a particular trading program in spite of trading losses). Hypothetical or model performance is designed with benefit of hindsight.

Investments in digital assets and Web3 companies are highly speculative and involve a high degree of risk. These risks include, but are not limited to: the technology is new and many of its uses may be untested; intense competition; slow adoption rates and the potential for product obsolescence; volatility and limited liquidity, including but not limited to, inability to liquidate a position; loss or destruction of key(s) to access accounts or the blockchain; reliance on digital wallets; reliance on unregulated markets and exchanges; reliance on the internet; cybersecurity risks; and the lack of regulation and the potential for new laws and regulation that may be difficult to predict. Moreover, the extent to which Web3 companies or digital assets utilize blockchain technology may vary, and it is possible that even widespread adoption of blockchain technology may not result in a material increase in the value of such companies or digital assets.

Digital asset prices are highly volatile, and the value of digital assets, and Web3 companies, can rise or fall dramatically and quickly. If their value goes down, there's no guarantee that it will rise again. As a result, there is a significant risk of loss of your entire principal investment.

Digital assets are not generally backed or supported by any government or central bank and are not covered by FDIC or SIPC insurance. Accounts at digital asset custodians and exchanges are not protected by SPIC and are not FDIC insured. Furthermore, markets and exchanges for digital assets are not regulated with the same controls or customer protections available in traditional equity, option, futures, or foreign exchange investing.

Digital assets include, but are not limited to, cryptocurrencies, tokens, NFTs, assets stored or created using blockchain technology, and other Web3 products.

Web3 companies include but are not limited to, companies that involve the development, innovation, and/or utilization of blockchain, digital assets, or crypto technologies.

VANECK ABSOLUTE RETURN ADVISERS CORPORATION ('VEARA"), THE INVESTMENT MANAGER OF THE FUND, IS A MEMBER OF NFA AND IS SUBJECT TO NFA'S REGULATORY OVERSIGHT AND EXAMINATIONS. VEARA HAS ENGAGED OR MAY ENGAGE IN UNDERLYING OR SPOT VIRTUAL CURRENCY TRANSACTIONS IN THE FUND. ALTHOUGH NFA HAS JURISDICTION OVER VEARA, YOU SHOULD BE AWARE THAT NFA DOES NOT HAVE REGULATORY OVERSIGHT AUTHORITY FOR UNDERLYING OR SPOT MARKET VIRTUAL CURRENCY PRODUCTS OR TRANSACTIONS OR VIRTUAL CURRENCY EXCHANGES, CUSTODIANS OR MARKETS. YOU SHOULD ALSO BE AWARE THAT GIVEN CERTAIN MATERIAL CHARACTERISTICS OF THESE PRODUCTS, INCLUDING LACK OF A CENTRALIZED PRICING SOURCE AND THE OPAQUE NATURE OF THE VIRTUAL CURRENCY MARKET, THERE CURRENTLY IS NO SOUND OR ACCEPTABLE PRACTICE FOR NFA TO ADEQUATELY VERIFY THE OWNERSHIP AND CONTROL OF A VIRTUAL CURRENCY OR THE VALUATION ATTRIBUTED TO A VIRTUAL CURRENCY BY VEARA.

All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met and investors may lose money. Diversification does not ensure a profit or protect against a loss in a declining market. Past performance is no guarantee of future performance.

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