March 2024

Digital Assets Alpha Fund

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 Update & Portfolio Exposure

II. Crypto Market Structure

III. Our Views on Token Vesting

I - Performance Update & Portfolio Exposure

Figure 1: Performance vs. Other Benchmarks

	Return (MTD)	Return (YTD)	Cumulative Return (6/24/22 - 3/31/24)	Annualized Return (6/24/22 - 3/31/24)
Digital Assets Alpha Fund (Gross)	5.81%	41.12%	242.04%	100.55%
Digital Assets Alpha Fund (Net)	4.82%	33.01%	176.77%	77.91%
Digital Assets Alpha Fund (Gross Excluding Sidepocket)*	8.11%	42.65%	219.25%	92.88%
Digital Assets Alpha Fund (Net Excluding Sidepocket)*	6.66%	33.56%	158.71%	71.24%
MarketVector Digital Assets Broad 100 Equal Weight Index (MVB100EW)	18.61%	46.48%	104.38%	49.86%
MarketVector Digital Assets 100 Index (MVDA)	15.24%	62.15%	178.25%	78.44%

Source: VanEck as of 3/31/2024. 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.

Sidepocket Investment

We completed a sidepocket investment in Parallel Studios in February which was announced by the team here: Announcement & Article. We will be sharing our thesis on this in a future letter.

Portfolio Update

In March, our portfolio underperformed the broader market and our benchmarks. I will discuss these two key contributing factors to underperformance:

1. Mid-month, we raised a significant amount of cash as we believed the risk-reward profile across the crypto market was unfavorable. This defensive positioning is aimed at protecting capital but also means we may miss out on potential upside.
2. Several of our key holdings, such as HNT, BLUR, LDO, OP, and ARB, experienced dramatic underperformance during the month (and the year), causing a significant drag on our overall portfolio returns. These projects, in which we have/had substantial positions, have yet to capture the attention and investment of the new retail capital entering the crypto space. We will discuss this phenomenon in more detail later in the letter.

I'll start by addressing the raising cash point. The appendix of our letter contains our portfolio holdings and exposure as of March 2024 month-end. As indicated by our cash levels, we are currently taking a defensive stance due to our belief that market conditions are frothy and the risk-reward profile of most altcoin positions is not attractive relative to their fundamentals. However, this perspective may change if we observe either a meaningful correction in altcoin prices or a significant improvement in adoption metrics.

To illustrate our reasoning, let's consider the aggregate value of smart contract platforms, which currently sits at approximately $750 billion—more than 2.5 times the levels seen in September/October 2023. We believe that smart contract platforms should generally be priced as a function of three key drivers:

1. Daily transacting wallets growth: Is it keeping pace with price appreciation, and is the growth rate accelerating or decelerating?
2. Daily transactions growth: Is it keeping pace with price appreciation, and is the growth rate accelerating or decelerating?
3. New developer growth: Is the number of new developers entering the space to build innovative projects keeping pace with price appreciation, and is the growth rate accelerating or decelerating?

While the first two questions can be measured quantitatively, the third is more qualitative, as it requires a subjective assessment of what constitutes "innovative." We ask these questions to answer a larger one: "Is the probability of crypto finding a killer use case and bringing the masses on-chain greater today?" The answer helps us evaluate the overall risk-reward of the space and determine our desired level of exposure.

Upon examining these factors, we find that although smart contract platform valuations have increased by 2.5 times, the number of daily transacting wallets has only doubled (off a low base) without accelerating growth, and daily transactions have grown by a factor of 2.8, also without accelerating growth, despite the introduction of many scaling solutions. Furthermore, the active developer base has remained flat or even decreased. It's also worth noting that much of the activity driving the growth in daily transacting wallets and transactions can be attributed to speculative memecoin and vaporware narrative trading, which is akin to casino activity and has unpredictable long-term sustainability.

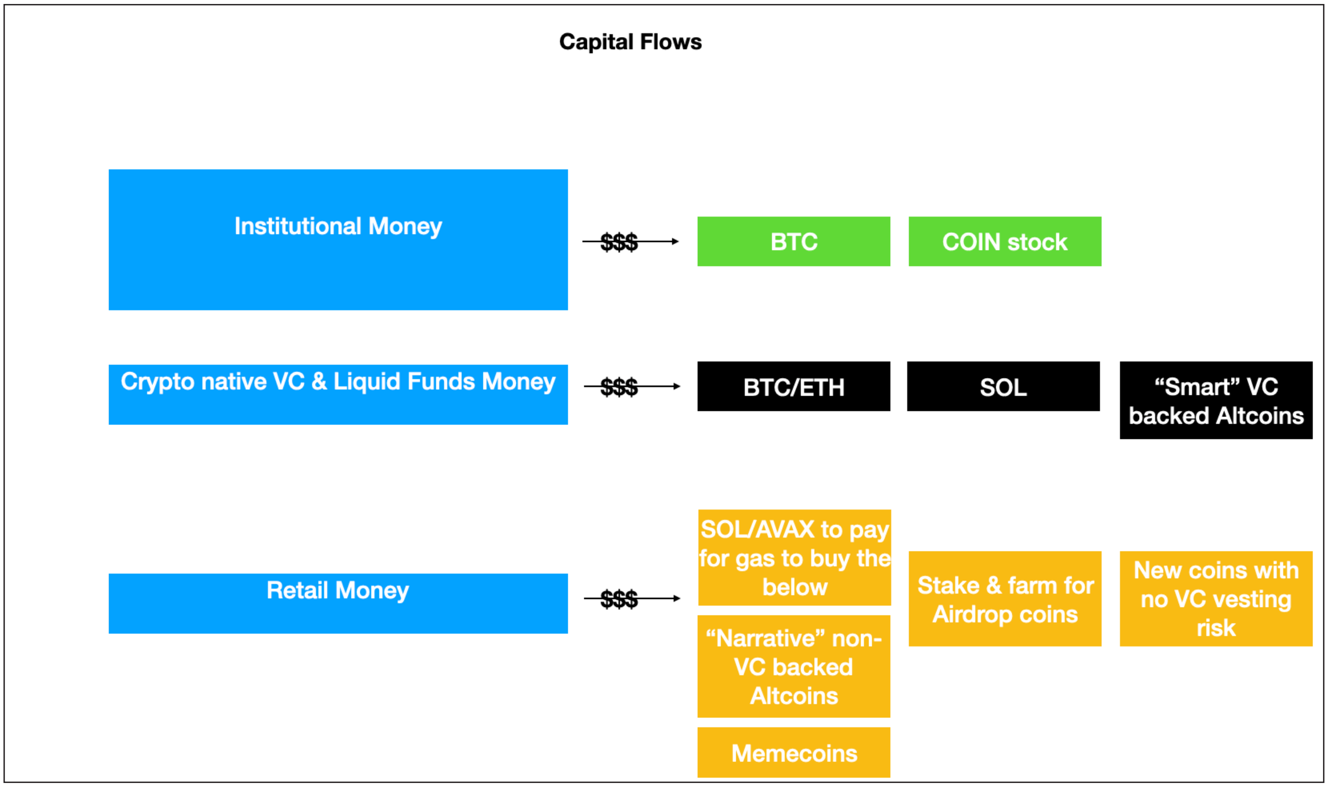
People often ask us, "But what about momentum and the 'bull cycle' narrative?" To this, I say that it is simply not what we do. We cannot necessarily measure those factors with any edge, and we will not base our risk-reward framework around things we cannot reliably measure.

In conclusion, while we believe the probability of crypto finding a killer use case and bringing the masses on-chain is slightly higher today than it was 6 months ago, this marginal improvement does not justify the current elevated valuations and price appreciation. *Until the situation changes, either through a price/valuation correction or a catch-up in fundamentals, we will remain defensive, specifically in a mindset of minimizing downside rather than maximizing upside.*

We are deeply committed to both capturing upside potential and protecting against downside risk. Our goal is to be maximally long when the risk-reward is asymmetric (like 2022-2023) in our favor and to reduce our exposure when the asymmetry is less pronounced. We believe that making the right calls on this positioning over multiple cycles will ultimately lead to significant capital compounding.

II - Crypto Market Structure

Figure 2: Crypto Money Flows Visualized



Source: Internal

The diagram above oversimplifies the money flows into crypto assets. There has been a noticeable shift in token performance between the first quarter of 2024 (1Q24) and the fourth quarter of 2023 (4Q23) due to changes in the sources of marginal money and how that money is being allocated.

In 4Q23, a significant portion of the capital flowing into liquid crypto assets came from either crypto liquid funds (like our fund) or crypto venture capital (VC) funds that were underdeployed during the bear market and needed quick exposure. As a result, they invested in liquid tokens rather than finding early-stage projects to invest in, as there were very few at the time. Consequently, the best-performing tokens in 4Q23 were BTC, ETH, SOL, and “smart” VC-backed altcoins, like many in our portfolio. Our fund and VCs investing in the liquid token markets focused on projects with product-market fit, clear value accrual, strong teams, and the potential to onboard the masses.

However, in 1Q24, the situation has changed significantly.

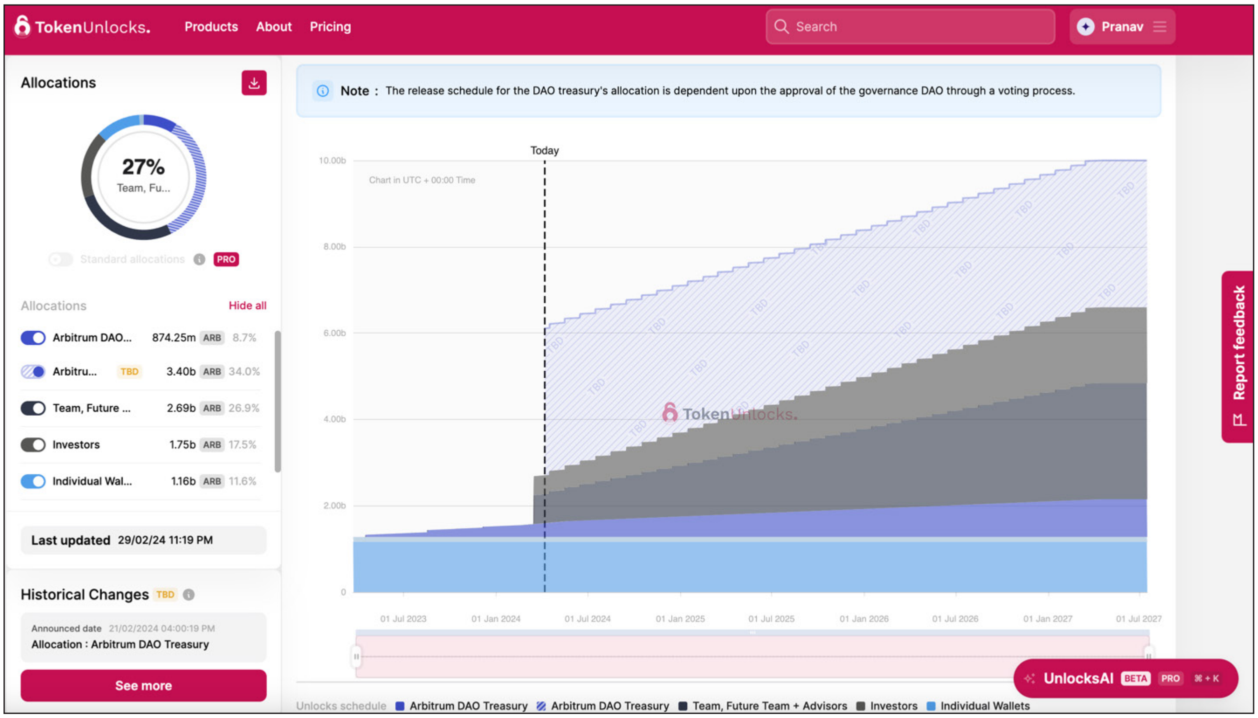
Institutional Money (from the above chart)

Following the introduction of Bitcoin ETFs, capital from traditional finance (TradFi) pools of capital, such as family offices, registered investment advisors (RIAs), private banks, model portfolios, and retail investors in their retirement and brokerage accounts, has dominated the market. This money has primarily been invested in BTC (via ETFs) and, to a lesser extent, Coinbase (COIN) stock, which is the only large-cap crypto equity outside the bitcoin miners.

Retail Money (from the above chart)

True crypto retail money, which was absent in 4Q23, has finally returned to the market. This retail money seeks to gamble and achieve 100x returns in short time frames. Retail investors thrive on attention and virality, which are not typically found in the “smart” VC-backed altcoins. Although these projects may be fundamentally strong, they all have token vesting from existing VC investors who will sell as prices appreciate. For example, Arbitrum (ARB), one of the most widely used Layer 2 solutions on Ethereum, has experienced price underperformance on an absolute basis and relative to BTC or ETH due to token unlocks (charts below).

Figure 3: Arbitrum Token Vesting (New Supply) Schedule



Source: Token Unlocks

Figure 4: Arbitrum/BTC

Source: Trading View

This is because vesting creates a constant supply of tokens hitting the market, and retail investors are reluctant to own tokens with significant ongoing supply. Retail investors are effectively boycotting tokens where they are considered the exit liquidity for VCs.

Ultimately, what retail investors are willing to buy fits into three buckets, all centered around the idea of getting rich quickly:

1. Story/Narrative with no VC seller bucket:
   - Retail investors prefer owning a “great story” with no supply overhang rather than tokens with product-market fit but with a supply overhang. Some examples include Fetch AI, SingularityNet, Conflux, and Theta Network.
   - Memecoins: If the meme takes off, investors can potentially make a 100x return quickly, and there’s no risk of a VC seller dumping their tokens.
2. Staking to receive airdrops: Many middleware projects have chosen to do this. Some positions that we currently hold for fundamental reasons have successfully employed this strategy. Retail wants to get rich off the airdrops.
3. New token launches with a compelling story: Retail investors like these because the risk of a VC seller is further out in time (typically 3-6 months, depending on when vesting begins).

A significant portion of the above activities are taking place on Solana or Avalanche, and retail investors need to own some SOL or AVAX to participate in these activities. Consequently, retail investors are also buying these coins. More recently, some of this activity has kicked off on Base, an Ethereum Layer 2 solution.

What’s our learning here?

Traditional finance (TradFi) money is buying BTC and, to a lesser extent, Coinbase (COIN) stock. Retail investors don’t want to own assets that might have near-term sellers, as the potential supply overhang means they can’t get rich quickly. For retail investors, capturing attention is the name of the game.

So, are we going to change our investment strategy and start chasing vaporware and memes? No. However, we are going to be more mindful of the “attention” aspect. We will add, “can this project capture the mindshare and attention of retail investors,” to our criteria, but it will not be the sole criterion. It will be one more factor added to our primary list, which includes projects with product-market fit, a great team/founder, a monopoly-like business, or winner-take-most potential, and clear economics.

III- Our views on token vesting

Tldr: The current market capitalization of altcoins (excluding BTC, ETH, and stablecoins) is approximately $800 billion. Considering only the token launches from the past 12 months, the total vesting supply set to enter the market over the next couple of years exceeds $200 billion. This figure does not even account for the VC-backed tokens scheduled to launch in the next 3-6 months, which could conservatively add another $30-50 billion. If these projects collectively fail to achieve mass product-market fit within this timeframe, the increased supply could overwhelm and collapse the market. As an alternative, VCs and founders could adjust the vesting structure from time-based vesting to KPI-based vesting, which would benefit the whole industry. This approach would enable the supply of new tokens and the resulting sell pressure to effectively match demand.

Below is a table of all the major token launches in the past 12 months, comparing their current market capitalization to their fully diluted valuation (FDV).

Figure 5: Token Launches And Their Supply Schedule

TGE	Token	Market Cap	FDV	MarketCap/FDV	Supply to come
3/23/2023	ARB	$3,888,936,903	$14,653,450,364	26.5%	10,764,513,461
5/3/2023	SUI	$2,247,713,295	$17,344,785,453	13.0%	15,097,072,158
7/18/2023	ARKM	$476,824,005	$2,330,518,107	20.5%	1,853,694,102
7/24/2023	WLD	$1,207,765,854	$69,898,877,318	1.7%	68,691,111,464
8/1/2023	SEI	$1,934,693,497	$7,232,499,054	26.8%	5,297,805,557
10/30/2023	TIA	$2,147,171,110	$12,698,422,128	16.9%	10,551,251,018
11/20/2023	PYTH	$1,299,486,075	$8,663,240,501	15.0%	7,363,754,426
1/9/2024	XAI	$297,714,101	$1,057,655,798	28.1%	759,941,697
1/18/2024	ONDO	$1,168,973,780	$8,096,705,489	14.4%	6,927,731,709
1/25/2024	ALT	$679,406,179	$5,412,696,534	12.6%	4,733,290,355
1/31/2024	JUP	$2,246,907,594	$16,643,759,958	13.5%	14,396,852,364
2/6/2024	DYM	$871,206,762	$5,465,145,079	15.9%	4,593,938,317
2/20/2024	STRK	$1,402,920,712	$19,270,888,895	7.3%	17,867,968,183
3/18/2024	ETHFI	$618,274,172	$5,366,963,295	11.5%	4,748,689,123
4/2/2024	ENA	$1,338,273,765	$14,087,092,266	9.5%	12,748,818,501
4/2/2024	W	$2,818,144,309	$15,656,357,272	18.0%	12,838,212,963
Total					**199,234,645,398**

Source: Internal as of 4/3/24.

The Incoming Supply Surge

We estimate that approximately $200 billion of total token supply will be released monthly over the next few years. This year, the average monthly release will be around $3-5 billion, with the numbers increasing significantly in 2025-2026.

Will This Supply Get Sold?

In short, yes. At least a large percentage of it will likely be sold. Here's why:

Bootstrapping Marketplace-like Businesses

Most token projects aim to create marketplace-like businesses without intermediaries. These projects span various sectors:

- Layer 1s: Providing blockspace
- NFT marketplaces (e.g., Blur, Tensor): Enabling permissionless NFT trading
- Pricing Oracles (Pyth): Enabling permissionless and censorship resistant pricing data infrastructure
- Bridges (e.g., Wormhole): Facilitating permissionless transfer of assets and messages between blockchains

In each case, tokens play a crucial role in aligning incentives across all constituents to bootstrap these products.

The Typical Token Launch Process (look at the table in Figure 6 to follow along)

1. Founders raise funds from VCs (Private investors) and build the product.
2. Upon completing development, teams launch a token to "Public Investors" via airdrop campaigns or launchpad sales (e.g., Binance) to solve the chicken/egg problem and bootstrap supply.
3. At launch, founders, teams, and VCs receive tokens subject to vesting periods. Vesting typically begins 6-12 months after the token generation event (TGE), with a percentage of tokens cliff vesting and the remainder vesting linearly thereafter.

Allocating Tokens for Future Growth

The "Reserved" and "Community/Other" token buckets are allocated for:

- Growing the supply side of the service
- Kickstarting demand
- Rewarding the original team for ongoing product development and maintenance

These buckets are typically governed by a foundation (often managed by a DAO) and tokenholder votes.

Figure 6: Typical Token Distributions

Private Investors	The involves entity investments (VC, Angels) in a selective group who purchased equity that later converts to tokens. It excludes public investment or open market costs, usually costing less than public investments.	- Strategic Round - Series A - Series B - Angel Investor - VC
Public Investors	Tokens sold through public channels or exchanges, open to anyone with possible selective criteria. These tokens are typically not subject to a vesting schedule and can be freely traded once listed on an exchange.	- Whitelist - IDO - ICO - ILO - IEO - Crowdsale - Launchpad - Coinlist
Reserved	The future recipient is not clearly defined. This group is likely controlled by the company, DAO, or foundation for operating expenses.	- Foundation - Treasury - Endowment - Ecosystem - Marketing - Non-profit Foundation - Ecosystem Grants - Reserves
Community / Others	The public can participate to receive a portion and be incentivized for engagement. This category is used to group various community-relate initiatives.	- Airdrop - Liquidity Mining - Staking Reward - Bounty Program - Contest - Initial LP

Source: Token Unlocks

Token Distribution and Sell or Hold Decision Drivers

When tokens launch, they often have a low float (around 10%) allocated to the "Public Investors" bucket. This low float, combined with the excitement surrounding a new project, results in a highly inflated starting valuation as retail investors pile in, leading to a very high "fully diluted value" (FDV). Here's a broad approximation of how tokens are typically distributed and the factors influencing the sell or hold decisions of each group:

1. Private Investors (10%): VCs need to distribute capital (DPI) to their LPs to continue raising new funds. As early investors, they often sit on massive paper gains due to the low float and high FDV dynamic. They are sellers over time.
2. Founders / Team (20%): With the high FDV, this allocation is often worth hundreds of millions or even billions. Tokens typically launch 12-18 months into a project's lifecycle. Imagine founders and team members who have been building for 18 months (living frugally on a small base salary) suddenly facing hundreds of millions in paper gains. They are likely to sell as their tokens vest to supplement their (often still small) base salary.

3. Public Investors (10%): This allocation is often given away via an airdrop or sold at a discount through a launchpad. Early public investors realize significant liquid gains as outside retail investors flock to the new project. This allocation often recycles in the liquid markets.
4. Reserved for Future Growth (10%): This bucket vests over time and is allocated to developer teams supporting the project's future roadmap. These teams have fiat-denominated costs and may sell a portion of their tokens to manage their runway.
5. Community / Others (50%): The largest bucket, this supply hits the market to grow both the supply and demand side of the project's products. While this bootstrapping mechanism works, both sides are currently supported by the same few million on-chain users. Although an estimated 300m+ people globally own crypto assets, only 10m+ are on-chain, providing either the supply or demand side of on-chain products. Many of these 10m+ users are "farmers" primarily attracted by incentives. The industry has yet to scale to large enough numbers to justify token valuations in the tens of billions of dollars.

The Need for Demand to Sustain Token Prices

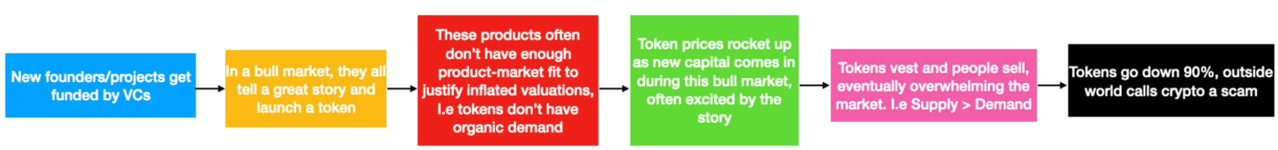
In summary, a vast majority of the token supply needs to be sold at some point. So, where does the demand come from to keep prices stable or increasing? There are two primary sources:

1. Organic Demand
   - Tokens typically represent ownership in an underlying product. When users bring in fiat money to use these products, some buyback-burn mechanism is often implemented to offset or reduce supply, creating organic demand.
2. External Inorganic Demand
   - The crypto industry needs to convince Bitcoiners to rotate their gains or BTC holdings into the ever-increasing token supply. Meanwhile, traditional finance (via retirement accounts and RIAs) should continue to support BTC prices by buying from Bitcoiners who are selling, like the dynamics of the new BTC ETF.
   - The crypto world must also persuade the outside world to buy these tokens from the vesting supply, creating additional external demand.

In the current construct, to sustain or increase token prices, the crypto industry must focus on generating both organic demand through product adoption and external inorganic demand by attracting capital from Bitcoiners and traditional finance. Without sufficient demand to absorb the incoming token supply, prices may struggle to remain stable or appreciate.

You can see why this above construct is problematic. Without killer products that have organic demand and an offsetting burn to the vesting token supply, the crypto industry is left with shilling useless narratives to attract outside capital. This is also the same mechanism that results in the industry going through boom and busts. Here is a simple visual representation of the crypto boom-busts.

Figure 7: Crypto Cycles



Source: Internal

<u>Resetting the Crypto Industry's Growth Strategy</u>

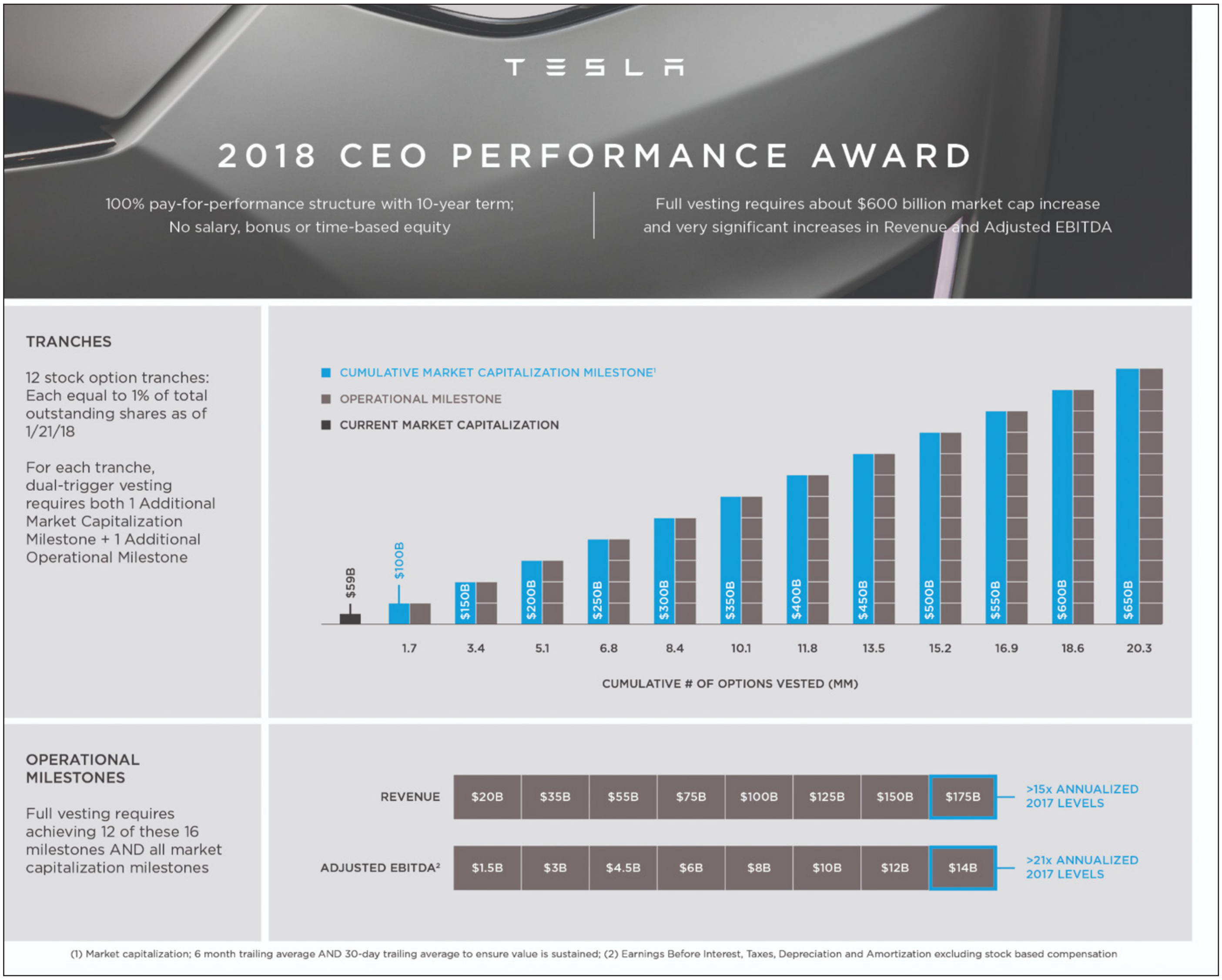
To grow responsibly, the crypto industry should consider resetting the token supply (vesting mechanism) to align with organic demand (KPIs). By doing so, founders, VCs, and the industry can focus on the long-term goal of driving on-chain adoption and responsibly inflating supply as organic demand for the products (and hence token burn) increases. This approach may also discourage grifters and scammy founders who often build products solely to capture token upside during bull markets and abandon their projects during bear markets, leaving retail investors holding the bag.

Elon Musk's 2018 Tesla Pay Package: A Precedent for Aligning Incentives

Elon Musk's 2017-2018 Tesla pay package serves as a notable example of aligning financial incentives with a company's success and growth. This highly ambitious and unprecedented compensation plan was designed to reward Musk for increasing Tesla's market value and achieving specific operational milestones over a decade.

Structure of the Pay Package (see image below)

Figure 8: Elon Musk's Tesla Pay Package



Source: Tesla SEC Filings

The pay package consisted of 12 tranches or performance targets, each granting Musk stock options equivalent to 1% of Tesla's equity at the time of the grant if specific operational and market capitalization milestones were met. These challenging milestones aimed to push Tesla towards significant growth and innovation. The operational goals were tied to Tesla's revenue and EBITDA (earnings before interest, taxes, depreciation, and amortization), while the market capitalization milestones were set at escalating levels, starting from an initial value of $100 billion.

To Conclude:

By adopting a similar approach to token vesting, the crypto industry can better align the interests of founders, teams, and investors with the long-term success and adoption of their projects. This shift in focus may lead to more sustainable growth, reduced volatility, and a healthier ecosystem overall.

Note on Celsius Bankruptcy

I wanted to update you on our role in the Celsius bankruptcy process, something I originally wrote about in our May 2023 investor letter.

VanEck is excited to announce our appointment, in partnership with GXD Labs, as the Complex Asset Recovery Manager and Litigation Administrator in the Celsius Networks bankruptcy case. This role is part of a joint venture called the Blockchain Recovery Investment Consortium (BRIC), which will be responsible for managing Celsius' illiquid assets over the next 3+ years as the company exits bankruptcy protection. Full press release here.

Our involvement in this process will not only help maximize recoveries for Celsius creditors, but also provide VanEck with a unique opportunity to deepen our knowledge and expertise in the space. By working out Celsius' institutional loans, private equity and venture capital investments, we will gain valuable insights into the intricacies of the digital assets market and the bankruptcy process in this sector. We believe this experience will be additive to our overall understanding of the crypto market and help us refine our investment strategies going forward.

Closing Out

As we enter April, we find ourselves in a strong cash position, which we believe is prudent given the current frothy market conditions. Our primary focus is on protecting our investors' capital, and we remain disciplined in our approach to deploying funds. However, we recognize the importance of staying flexible and adaptable in the face of changing market dynamics. Should the facts on the ground shift, we are more than willing to reassess our stance and deploy capital accordingly.

We value our relationship with you and welcome the opportunity to discuss our investment strategy in more detail. Please don't hesitate to reach out if you would like to schedule a call or meeting at your convenience.

Thank you for your continued trust and support.

Sincerely,

Pranav Kanade

Portfolio Manager of VanEck Digital Assets Alpha Fund

Appendix:

Approximate holdings as of 4/8/2024, excludes our side pocket

Company and Fund AuM	$97.3M
Snapshot of month-end net/gross/long/short exposures (%)	
Net Long	51%
Gross	100%
Short	0%
Cash/Stablecoins	49%
Snapshot of number of positions within the Fund	
Positions	17
Snapshot of names and % exposures of month-end positions above 5% of portfolio	
Bitcoin	23%
Helium	6%
Snapshot of names (but not % exposure) of month-end positions below 5% of portfolio	
BLUR	<5%
Jupiter	<5%
Render	<5%
Undisclosed	<5%
Uniswap	<5%
Orca	<5%
Ronin	<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%
Snapshot of month-end counterparty exposures (%)	
Coinbase Custody	15%
Anchorage	66%
State Street	10%
Fireblocks	9%

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.**

Certain statements in this presentation about the Fund and its strategy may constitute forward-looking information, future oriented financial information, financial outlooks, or performance estimates (collectively "forward-looking information"). The forward-looking information is stated as of the date of this presentation and is based on estimates and assumptions made by the General Partner of the Fund in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management of the Fund believes are appropriate and reasonable in the circumstances. There can be no assurance that such forward-looking information will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Therefore, undue reliance should not be placed on such forward-looking statements of information.

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.

Your individual performance may be different and will be reflected in your monthly investor statement. It is important to rely on the monthly investor statement that you receive from the fund's Administrator, as the statement will indicate your individual performance. An individual investor's performance may differ, perhaps materially, from the performance results set forth herein due to a number of factors, including (a) participation in new issues, (b) timing of individual contributions/subscriptions and withdrawals/redemptions, (c) any accumulated loss carryforwards and (d) different expenses, fees and other charges paid by certain investors.

Links to third party websites are provided as a convenience and the inclusion of such links does not imply any endorsement, approval, investigation, verification or monitoring by us of any content or information contained within or accessible from the linked sites. By clicking on the link to a non-VanEck webpage, you acknowledge that you are entering a third-party website subject to its own terms and conditions. VanEck disclaims responsibility for content, legality of access or suitability of the third-party websites.

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.

Avalanche (AVAX) is an open-source platform for launching decentralized finance applications and enterprise blockchain deployments in one interoperable, scalable ecosystem.

Stacks (STX) is a Bitcoin Layer for smart contracts; it enables smart contracts and decentralized applications to use Bitcoin as an asset and settle transactions on the Bitcoin blockchain.

OKB (OKB) is the native cryptocurrency token of the OKX exchange, formerly the OKEx exchange.

Blur (BLUR) is the native governance token of Blur, a unique non-fungible token (NFT) marketplace and aggregator platform that offers advanced features such as real-time price feeds, portfolio management and multi-marketplace NFT comparisons.

Render (RNDR) is an ERC-20 compatible utility token used to pay for animation, motion graphics, and VFX rendering on the distributed RNDR Network.

Lido DAO (LDO) is a liquid staking solution for Ethereum and other proof of stake chains.

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.

Orca (ORCA) is a decentralized cryptocurrency exchange (DEX) on the Solana blockchain. Orca allows users to swap tokens written on the Solana blockchain.

Filecoin (FIL) is a decentralized storage network for monetizing, storing, and retrieving data securely.

Ronin (RON) Ronin is an Ethereum sidechain built specifically for gaming. Ronin is operated by validators which are appointed by Sky Mavis, the core developers of Axie Infinity.

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.

VanEck®

Van Eck Securities Corporation, Distributor
A wholly-owned subsidiary of Van Eck Associates Corporation

666 Third Avenue | New York, NY 10017
vaneck.com | 800.826.2333