

Convenient Exposure to Bitcoin

HODL VanEck Bitcoin ETF

An investment in the VanEck Bitcoin ETF (“HODL,” or the “Trust”) is subject to significant risk and may not be suitable for all investors. The value of Bitcoin is highly volatile, and you can lose your entire principal investment. HODL is not an investment company registered under the Investment Company Act of 1940 (the “1940 Act”) and therefore is not subject to the same protections as mutual funds or ETFs registered under the 1940 Act.

Why should investors consider HODL?

HODL offers a convenient way to gain exposure to Bitcoin without the complexities of direct ownership. It’s a cost-efficient method to obtain bitcoin exposure, managed by VanEck, a well-established ETF issuer with extensive experience in crypto-related products, HODL also benefits from expert management and qualified custody of bitcoin. This product makes it easier and potentially more secure for investors to add bitcoin to their portfolios.

Why should investors consider investing in Bitcoin now?

Bitcoin is a scarce asset, with only 21 million bitcoins ever to exist, enhancing its appeal as a store of value. As a digital store of value and a potential hedge against inflation, Bitcoin offers portfolio diversification benefits. With over a decade of operating history and a growing network of users, Bitcoin's acceptance is increasing in the mainstream financial world.

- **Utility and Demand:** Bitcoin is used as a decentralized digital currency, enabling peer-to-peer transactions without the need for intermediaries. Its utility as a store of value and medium of exchange drives continuous demand in various economic sectors.
- **Portfolio Diversification:** Investing in Bitcoin can provide potential portfolio diversification benefits, as it operates independently from traditional financial assets. Its unique market dynamics can help balance risk and return in a diversified investment portfolio.
- **Adoption and Growth:** With increasing mainstream acceptance and institutional interest, Bitcoin's role in the digital economy is expanding rapidly. Its robust and active community contributes to its growing adoption and continuous development, enhancing its potential as a global digital currency.

What is the investment strategy for HODL?

The Trust’s investment objective is to reflect the performance of the price of Bitcoin less the expenses of the Trust’s operations. The Trust is a passive investment vehicle that does not seek to pursue any investment strategy beyond tracking the price of bitcoin.

How does the VanEck Bitcoin ETF track the price of bitcoin?

The product aims to closely track the price of the MarketVector Bitcoin Benchmark Rate (BBR). The NAV (Net Asset Value) of the product is calculated based on the current market value of the bitcoin it holds, less any applicable fees and expenses.

How does HODL compare to direct bitcoin ownership?

Direct bitcoin ownership requires interacting with a crypto exchange, managing storage, and ensuring security, all of which can be complex. HODL can be bought and sold on traditional stock exchanges, making it accessible through brokerage accounts, simplifying the process for investors.

What are the differences between HODL and other bitcoin investment options?

Investment Option	Pros	Cons
Direct bitcoin Investing	Full ownership, high control	Requires significant knowledge, complex storage, and security management
Bitcoin ETNs/ETPs (e.g., HODL)	Easy trading, managed by experienced issuers	Management fees, dependent on ETP structure performance
Crypto Hedge Funds	Professional management, potential for higher returns	High initial investment, lock-up periods, complex fee structures

How does the fund's creation/redemption process work?

HODL has an all-cash creation and redemption process. For creations, the Sponsor receives cash from the Authorized Participant (AP) in exchange for shares of the Trust. For redemptions, the Sponsor receives shares of the Fund from the AP in exchange for cash. Following a creation or redemption order, the Trust utilizes liquidity providers and Gemini Clearing to execute and settle the underlying bitcoin. Any and all trading costs (as pertaining to the underlying bitcoin transactions) for each primary market order will be passed back to the Authorized Participant(s) placing the creation/redemption order(s). The Fund does not offer in-kind creations or redemptions.

How does the fund buy and sell bitcoin?

For creations, the Sponsor uses cash delivered by APs to purchase bitcoin from third-party liquidity providers. Once the purchase is made, the bitcoin is delivered to the Trust's custodian, Gemini Trust Company, LLC, ensuring secure storage. To satisfy redemptions, the Sponsor sells bitcoin to a third-party liquidity provider in exchange for cash.

What are the tax implications compared to direct bitcoin investment?

The VanEck Bitcoin ETF is a grantor trust for U.S. federal income tax purposes. As a result, the Trust itself is not subject to U.S. federal income tax. Instead, the Trust's income and expenses "flow through" to the Shareholders. Shareholders generally will be treated, for U.S. federal income tax purposes, as if they directly owned a pro rata share of the underlying assets held in the Trust. Shareholders also will be treated as if they directly received their respective pro rata shares of the Trust's income and proceeds, and directly incurred their pro rata share of the Trust's expenses. Most state and local tax authorities follow U.S. Income tax rules in this regard. However, Shareholders should contact their own tax advisors as to the tax consequences of ownership of HODL shares.

What kind of fees does HODL have?

HODL charges an annual sponsor fee of 0.20%. During the period commencing on November 25, 2024 and ending on January 10, 2026, the Sponsor will waive the entire Sponsor Fee for the first \$2.5 billion of the Trust's assets. If the Trust's assets exceed \$2.5 billion prior to January 10, 2026, the Sponsor Fee charged on assets over \$2.5 billion will be 0.20%. All investors will incur the same Sponsor Fee which is the weighted average of those fee rates. After January 10, 2026, the Sponsor Fee will be 0.20%. Brokerage fees and commissions may apply, so please check with your broker. This adjustment demonstrates VanEck's commitment to delivering enhanced value to investors through competitive pricing.

How is the bitcoin for HODL custodied?

The Trust's bitcoin is held by its crypto custodians (currently, Gemini Trust Company, LLC and Coinbase Custody Trust, LLC), which act as the bitcoin Custodian, responsible for securely storing all of the Trust's bitcoin related to its bitcoin Account and Clearing Account.

Gemini Overview:

- Storage Solutions:
 - o Cold Storage: Gemini is required to hold the Trust's bitcoin in cold storage, which involves storing private keys completely offline to protect against unauthorized access and cyber threats. Cold storage is used for long-term security.
 - o Hot Storage: bitcoin that needs to be accessible temporarily for operations, such as creations, redemptions, or to pay the Sponsor Fee and extraordinary expenses, is held in hot wallets. These wallets are connected to the internet but are used only for short periods.
- Custody Structure and Security:
 - o Gemini employs hardware security modules (HSMs) to generate, store, and manage private keys for both cold and hot storage.
 - o Multi-signature technology and geographically diverse storage locations across the United States are used to enhance security and reduce risks.
 - o All private keys are stored in air-gapped environments with multiple levels of physical security and monitoring controls.
- Regulatory Compliance:
 - o As a fiduciary under Section 100 of the New York Banking Law, Gemini is held to stringent capital reserve requirements and banking compliance standards.
 - o Gemini has undergone SOC 1 Type II and SOC 2 Type II audits, which are external assessments designed to verify the effectiveness of its security and operational procedures. These audits ensure that the systems Gemini uses to store and protect assets meet rigorous standards.
- Insurance Coverage:
 - o Gemini maintains a \$100 million policy covering fraud, theft, and cyber-security breaches, and a \$25 million crime policy. This insurance applies to all digital assets held by Gemini, including those of the Trust.
 - o It's important to note that this insurance does not cover any loss in the value of bitcoin and only applies in cases of specified events such as fraud or theft. Additionally, the insurance is not specific to the Trust, meaning it may not be sufficient to cover all potential losses for the Trust or its investors in such events. In some cases, the coverage may not be available or enough to protect the Trust from all possible losses.

Coinbase Overview:

- Information Security Management Program:
 - Led by Coinbase's Chief Security Officer, Coinbase follows strict policies and standards to manage information security risks. Their program includes independent external audits like SOC 1 and SOC 2 Type II, which verify their security protocols.
 - Includes policies, procedures, and standards to manage information security risks.
 - Detailed Physical Security program with access control processes, emergency procedures, CCTV, and security systems governed by a board-approved policy.
- Custody and Security of Assets:
 - Vault wallet: Assets are secured within a cold storage environment with segregated wallets. Extensive key management technology, operations, and personnel ensure security.
 - Trading balance: majority of assets kept in cold storage with some in hot wallets.
- Secure Storage of Client Keys/Assets
 - Vault wallet: secure key generation, dual encrypted private key material, and geographically redundant storage. Transactions require cryptographic consensus across multiple operators.
 - Trading wallet: private keys are stored within high security online environments, encrypted at rest, and transactions are signed in protected environments.
- Insurance Coverage
 - Coinbase maintains a commercial crime insurance policy covering loss of client assets, including coverage for events such as employee collusion, theft, security breaches, and fraudulent transfers.
 - As with Gemini, this insurance does not cover any loss in the value of bitcoin and only applies to specific events such as fraud or theft. The policy is not exclusive to the Trust and may not be sufficient to cover all potential losses. Investors should be aware that coverage may be limited and not guaranteed to fully protect against all possible losses.

Who is Gemini?

Gemini is a leading cryptocurrency exchange and custodian known for its robust security measures and regulatory compliance:

- **Regulation:** Full-reserve exchange and custodian, regulated by NYDFS, licensed in all 50 US states, and holds multiple licenses globally.
- **Security:** Includes multisignature technology, role-based governance protocols, physical security, multiple layers of biometric access controls, and \$100M in digital asset insurance coverage. Completed SOC 1 Type II and SOC 2 Type II audits, and ISO 27001 certified.
- **Operational Standards:** Ensures all customer funds are held 1:1 and are available for withdrawal, adheres to strict compliance and operational protocols to safeguard customer assets.

Who is Coinbase?

Coinbase is a prominent cryptocurrency exchange and custodian acclaimed for its extensive security protocols and regulatory adherence:

- **Regulation:** Operates as a licensed and regulated entity in the US and various jurisdictions worldwide. Engages in regular SOC 1 and SOC 2 Type II audits.
- **Security:** Employs comprehensive security features including cold storage for the majority of assets, multisignature technology, encrypted private keys stored within high-security environments, and \$320M in digital asset insurance coverage. Adheres to rigorous standards such as the SOC 1 Type II and Soc 2 Type II attestations.
- **Operational Standards:** Ensures that customer assets are held in segregated or omnibus accounts with strict adherence to accounting controls. Maintains robust compliance and operational protocols to ensure the protection and integrity of customer assets.

What are the risks involved in buying HODL?

- **Bitcoin Market Risks:** The value of bitcoin can be extremely volatile and unpredictable. Bitcoin has only been in existence for just over a decade, and its medium-to-long-term value is subject to numerous factors related to the development and capabilities of blockchain technologies. These factors, as well as the fundamental characteristics of digital assets, remain uncertain and difficult to evaluate, contributing to the volatility and risks of investing in bitcoin and HODL.
- **Regulatory Risks:** Changes in laws or regulations affecting Bitcoin or cryptocurrency markets may impact the value of the Trust's holdings. The regulatory environment for digital assets continues to evolve, and platforms that trade bitcoin may be subject to regulation in certain jurisdictions but may not comply or be subject to limited oversight. This can introduce risks related to fraud, manipulation, security failures, or operational issues, all of which could adversely affect the value of bitcoin and, consequently, the value of HODL shares.
- **Operational Risks:** The Trust's bitcoin is stored with custodians in both hot and cold storage solutions to help mitigate risks. However, there can be no assurance that these security measures will function as intended or prove entirely effective. Custodians could experience technical failures, security breaches, or other operational problems that may result in losses or disruptions. Additionally, digital asset trading platforms, including those that may be used by the Trust's counterparties, can be vulnerable to hacking, fraud, and operational failures.
- **Market Trading Risks:** There may be times when there is limited liquidity in the market for HODL shares, which could affect their market price. In periods of high volatility or low trading volume, it may be difficult for investors to buy or sell shares at their desired price, potentially leading to significant deviations between the market price of the shares and the value of the Trust's underlying bitcoin.

How does the Trust audit its bitcoin?

On a daily basis, the sponsor and the accounting agent reconcile the bitcoin position at Gemini and Coinbase. As part of the Trust's annual audit, auditors confirm the existence of bitcoin positions. Gemini and Coinbase have a SOC 1 Report produced by an independent auditor outlining controls around the safekeeping of assets.

How can investors buy HODL?

Investors can purchase HODL shares through their existing brokerage accounts, making it a straightforward addition to any investment portfolio.

Source of all information: VanEck Research, February 2025.

General Disclosures

This is not an offer to buy or sell, or a recommendation to buy or sell any of the securities, financial instruments or digital assets mentioned herein. The information presented does not involve the rendering of personalized investment, financial, legal, tax advice, or any call to action. Certain statements contained herein may constitute projections, forecasts and other forward-looking statements, which do not reflect actual results, are for illustrative purposes only, are valid as of the date of this communication, and are subject to change without notice. Actual future performance of any assets or industries mentioned are unknown. Information provided by third party sources are believed to be reliable and have not been independently verified for accuracy or completeness and cannot be guaranteed. VanEck does not guarantee the accuracy of third party data. The information herein represents the opinion of the author(s), but not necessarily those of VanEck or its other employees.

VanEck Bitcoin ETF (HODL) Disclosures

This material must be preceded or accompanied by a [prospectus](#). An investment in the Trust may not be suitable for all investors. Before investing you should carefully consider the VanEck Bitcoin ETF's (the "Trust") investment objectives, risks, charges and expenses.

Investing involves significant risk, and you could lose money on an investment in the Trust. The value of Bitcoin is highly volatile, and the value of the Trust's shares could decline rapidly, including to zero. You could lose your entire principal investment. For a more complete discussion of the risk factors relative to the Trust, carefully read the prospectus.

The Trust's investment objective is to reflect the performance of the price of Bitcoin less the expenses of the Trust's operations. The Trust is a passive investment vehicle that does not seek to generate returns beyond tracking the price of Bitcoin.

The Trust is not an investment company registered under the Investment Company Act of 1940 ("1940 Act") or a commodity pool for the purposes of the Commodity Exchange Act ("CEA"). Shares of the Trust are not subject to the same regulatory requirements as mutual funds. As a result, shareholders of HODL do not have the protections associated with ownership of shares in an investment company registered under the 1940 Act or the protections afforded by the CEA.

An investment in the Trust is subject to risks which include, but are not limited to, the historically and potentially future extreme volatility of bitcoin, various potential factors that may adversely affect the liquidity of Trust shares, the limited history of the Index from which the value of bitcoin and hence the value of Trust shares will be determined, potential threats to the Trust's bitcoin custodian, and the unregulated nature and lack of transparency surrounding the operations of bitcoin trading platforms, all of which may ultimately adversely affect the value of shares of the Trust. Please note that this is not an exhaustive list of risks pertaining to the Trust. **Please read carefully the prospectus for a complete list of potential risks.**

Because shares of the Trust are intended to reflect the price of the Bitcoin held in the Trust, the market price of the shares is subject to fluctuations similar to those affecting Bitcoin prices. Additionally, shares of the Trust are bought and sold at market price, not at net asset value ("NAV"). Brokerage commissions will reduce returns.

Trust shares trade like stocks, are subject to investment risk and will fluctuate in market value. The value of Trust shares relates directly to the value of the Bitcoin held by the Trust (less its expenses), and fluctuations in the price of Bitcoin could materially and adversely affect an investment in the shares. The price received upon the sale of the shares, which trade at market price, may be more or less than the value of the Bitcoin represented by them. The Trust does not generate any income, and as the Trust regularly issues shares to pay for the Sponsor's ongoing expenses, the amount of Bitcoin represented by each Share will decline over time.

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