



Valkyrie

Balance Sheet Opportunities ETF Investment Case



ETFs

12/2021

FUND DETAILS

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| NAME | Valkyrie Balance Sheet Opportunities ETF |
| TICKER | VBB |
| LISTING EXCHANGE | NASDAQ |
| EXPENSE RATIO | 0.75% |
| INCEPTION DATE | 12-14-2021 |

Publicly-traded companies generate cash on a quarterly basis through profitable operations, borrowings, and asset sales.

As these firms report results each quarter, that cash is added to their balance sheet, ideally as a store of value that can earn interest or increase in size over time. Historically, most US corporations have held US dollars as the key liquid asset on their balance sheet. However, with interest rates at record lows and inflation at 30 year highs, the inflation-adjusted value of cash on the balance sheet has recently been declining every quarter. In fact, increasing inflation has led to over a 14% decline in the value of the US dollar over the last five years.

An increasing number of companies are choosing to invest their liquid balance sheet assets in bitcoin rather than US dollars.

These companies include Tesla, Square, and Microstrategy, all of which have outperformed the S&P 500 Index over the past five years. Based on pricing data from Bloomberg, while these stocks have been more volatile than the S&P 500 Index, they have been less volatile than bitcoin. As the price of bitcoin grows, the balance sheet assets of each company increase in value. In fact, even after accounting for moves in the US equity market, the price of bitcoin is a key driver of the returns to publicly traded software company, Microstrategy's stock.

VBB TOP 10 Holdings

As of December 15, 2021. Holdings are subject to change. Current and future holdings are subject to risk.

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|------|---------------------------|-----|
| MSTR | MICROSTRATEGY INC - A | 15% |
| SQ | SQUARE INC - A | 11% |
| TSLA | TESLA INC. | 10% |
| COIN | COINBASE GLOBAL INC - A | 10% |
| BTCS | BTCS INC | 5% |
| OSTK | OVERSTOCK.COM INC | 5% |
| HOOD | ROBINHOOD MARKETS INC - A | 5% |
| MA | MASTERCARD INC - A | 5% |
| PYPL | PAYPAL HOLDINGS INC | 5% |
| BLK | BLACKROCK INC | 5% |

Holdings are subject to change. For current portfolio holdings please visit valkyrie-funds.com. Portfolio holdings should not be considered as investment advice or a recommendation to buy, sell or hold any particular security.

In contrast to the eroding value of the US Dollar, the price of Bitcoin has risen substantially over the past five years.

While the US money supply has risen over 35% since December 2019, perhaps leading to continued inflationary pressures, bitcoin supply is capped at 21 million in the long run with 18.9 million coins outstanding in December 2021. The maximum increase in supply for bitcoin is just 11%¹.

VBB is designed to Identify companies that lead their peers in innovating and taking advantage of growth of bitcoin asset class.

This fund seeks to own shares of the first-mover companies that recognize the role that bitcoin may play in growing balance sheets and defending against the declining value of the US Dollar. Through the VBB ETF, investors can add exposure to the cryptocurrency market through equities, which have historically experienced lower volatility than direct investments in bitcoin.

DISCLOSURES

This investment case does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial advisor/financial consultant before making any investment decisions.

Investing involves risks. The loss of principal is possible. The Fund's investment objectives, risks, charges and expenses should be considered before investing. The fund may not be suitable for all investors. The prospectus contains this and other important information, and it may be obtained at <https://valkyrie-funds.com/>. Read it carefully before investing.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Any applicable brokerage fees and commissions will reduce returns.

Management Risk. The Fund is subject to management risk because it is an actively managed portfolio. The Adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that the Fund will meet its investment objective.

Bitcoin Investing Risk. The Fund is indirectly exposed to the risks of investing in bitcoin through its investments in companies with exposure to bitcoin. Bitcoin is a new and highly speculative investment. The risks associated with bitcoin include the following:

- Bitcoin is a new technological innovation with a limited history. There is no assurance that usage of bitcoin will continue to grow. A contraction in use of bitcoin may result in increased volatility or a reduction in the price of bitcoin, which could adversely impact the value of the Fund. The Bitcoin Network was launched in January 2009, platform trading in bitcoin began in 2010.
- The Fund's investments are exposed to risks associated with the price of bitcoin, which is subject to numerous factors and risks. The price of bitcoin is impacted by numerous factors, including:
- The total and available supply of bitcoin, including the possibility that a small group of early bitcoin adopters hold a significant proportion of the bitcoin that has thus far been created and that sales of bitcoin by such large holders may impact the price of bitcoin.
- Global bitcoin demand, which is influenced by the growth of retail merchants' and commercial businesses' acceptance of bitcoin as payment for goods and services, the security of online bitcoin exchanges and public bitcoin addresses that hold bitcoin, the perception that the use and holding of bitcoin is safe and secure, the lack of regulatory restrictions on their use, and the reputation regarding the use of bitcoin for illicit purposes.
- Global bitcoin supply, which is influenced by similar factors as global bitcoin demand, in addition to fiat currency (i.e., government currency not backed by an asset such as gold) needs by miners and taxpayers who may liquidate bitcoin holdings to meet tax obligations.
- Investors' expectations with respect to the rate of inflation of fiat currencies and deflation of bitcoin.
- Foreign exchange rates between fiat currencies and digital assets such as bitcoin.
- Interest rates.
- The continued operation of bitcoin exchanges in the United States and foreign jurisdictions, including their regulatory status, trading and custody policies, and cyber security.

DISCLOSURES

- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in bitcoin.
- Regulatory measures, if any, that restrict the use of bitcoin as a form of payment or the purchase or sale of bitcoin, including measures that restrict the direct or indirect participation in the bitcoin market by financial institutions or the introduction of bitcoin instruments.
- The maintenance and development of the open-source software protocol of the Bitcoin Network.
- Increased competition from other cryptocurrencies and digital assets, including forks of the Bitcoin Network.
- Developments in the information technology sector.
- Global or regional political, economic or financial events and situations.
- Investor or Bitcoin Network participant sentiments on the value or utility of bitcoin.
- The dedication of mining power to the Bitcoin Network and the willingness of bitcoin miners to clear bitcoin transactions for relatively low fees.

Negative developments in any of these factors could adversely impact an investment in the Fund.

A decline in the adoption of bitcoin could negatively impact the performance of the Fund. As a new asset and technological innovation, the bitcoin industry is subject to a high degree of uncertainty. The adoption of bitcoin will require growth in its usage for various applications that include retail and commercial payments, cross-border and remittance transactions, speculative investment and technical applications. Adoption of bitcoin will also require an accommodating regulatory environment. In addition, there is no assurance that bitcoin will maintain its value over the long-term. The value of bitcoin is subject to risks related to its usage. Even if growth in bitcoin adoption occurs in the near or medium-term, there is no assurance that bitcoin usage will continue to grow over the long-term. A contraction in use of bitcoin may result in increased volatility or a reduction in the price of bitcoin, which would adversely impact the value of the Fund's shares. Recently, bitcoin has come under scrutiny for its environmental impact, specifically the amount of energy consumed by bitcoin miners. Some companies have indicated they will cease accepting bitcoin for certain kinds of purchases due to such environmental concerns. To the extent such concerns persist, the demand for bitcoin and the speed of its adoption could be suppressed.

Bitcoin trading prices are volatile and shareholders could lose all or substantially all of their investment in the Fund. Speculators and investors who seek to profit from trading and holding bitcoin generate a significant portion of bitcoin demand. Bitcoin speculation regarding future appreciation in the value of bitcoin may inflate and make more volatile the price of a bitcoin. As a result, bitcoin may be more likely to fluctuate in value due to changing investor confidence in future appreciation in the price of bitcoin.

The S&P 500 Index is a widely used barometer of U.S. stock market performance; as a market-weighted index of leading companies in leading industries, it is dominated by large-capitalization companies. Past performance of an index is not an indication or guarantee of future results. It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index.

The Fund is distributed by ALPS Distributors, Inc.

