

QUARTERLY REPORT

VALKYRIE EXCHANGE TRADED FUNDS (ETFs)

Q2 2022

As of 6/30/22

ACTIVE ETFs



 **VALKYRIE**

MACRO COMMENTARY FROM BILL CANNON, HEAD OF PORTFOLIO MANAGEMENT



A new direction in American monetary policy began in mid-March when the Federal Open Market Committee raised rates for the first time since late 2018 in response to runaway inflation following two expansionary years due to covid related economic conditions. Within a couple months, the Fed admitted being late to react and moved to a more aggressive strategy of rate hikes and balance sheet reductions. The Ukrainian and Russian war escalated during the second quarter stressing most commodity markets, as countries scrambled to find solutions for a more prolonged period than most anticipated. Equities moved lower in anticipation of slower growth prospects, while interest rates trended higher as inflation indications continued to rise.

Amid a challenging environment, the labor market proved resilient with the unemployment rate actually improving year to date, while weekly initial jobless claims remained at historic lows. But consumer sentiment sharply declined to levels not seen in decades, leaving investors, and the Fed, in a conundrum over what can cause a recession in the near term, if at all.

A return to basics began, with a focus on data and how a rising rate environment actually turns inflation around and at what cost. With midterm elections quickly approaching, it was evident politicians wanted results in the near term, desiring evidence the proper coordination and response between markets and the Fed was in place.

ON-CHAIN COMMENTARY FROM JOSH OLSZEWICZ, HEAD OF RESEARCH

BTC: Active Addresses, BTC: Transaction Count



© 2022 Glassnode. All Rights Reserved.

glassnode

Bitcoin's usage as a network can be measured by viewing the on-chain activity of transactions per day and active addresses per day. An active address is a unique Bitcoin address that is either a sender or receiver. These are verifiable and transparent metrics which measure usage of the blockchain ledger. According to Glassnode.com, the Bitcoin blockchain averaged around 250,000 transactions per day and 900,000 active addresses per day, throughout the quarter. Notional transfer volumes per day ranged from \$150,000 to \$1.30 million.

Since October 2021, both metrics have largely held within their respective ranges and have slightly declined week-over-week.

Active addresses peaked at 1.15 million on January 26th, 2021 with transaction counts reaching a high of nearly 380,000 on December 22, 2017.

Additionally, according to Glassnode.com, Bitcoin held on centralized exchanges has continued to decline since March 2020, now matching levels seen in August 2018. Furthermore, just over 65% of Bitcoin's supply has not moved on-chain over the past year, marking a new all-time high (ATH). Collectively, this suggests entities and individuals have continued to hold through the drawdown since the price ATH in November, and are potentially moving more and more coins to longer-term storage or other yield-generating avenues.



BTF

THE VALKYRIE BITCOIN STRATEGY ETF (BTF)

continues to efficiently track the price of Bitcoin by investing in Bitcoin futures contracts traded at the Chicago Mercantile Exchange. Futures contracts are regulated financial instruments that allow participants to assume the risk of a price change of the underlying asset over time. The fund has been fortunate to only use the front or current month future contract which significantly minimizes tracking error by not using contracts with longer maturities. This is advantageous for the fund especially during the end of month futures contract roll period where positions of front month contracts are closed and contracts for the next calendar month are entered. Each monthly roll process has been successful achieving favorable trade indications which benefits the fund's performance.

FUND DETAILS

NAME	BITCOIN STRATEGY ETF
TICKER	BTF
LISTING EXCHANGE	Nasdaq
TOTAL EXPENSE RATIO	0.95%
INCEPTION DATE	10/21/2021
CUSIP	91917A 306
ADVISOR	Valkyrie Funds, LLC
SUB ADVISOR	Vident Investment Advisory, LLC
NET ASSETS (as of 6/30/22)	21,637,918.72

<https://valkyrie-funds.com/btf/>

PORTFOLIO COMPOSITION

SECTOR	WEIGHT
CME BITCOIN FUT APR22	100%
CASH & OTHER	--

As of June 30, 2022. 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.

FUND PERFORMANCE

For periods ended June 30, 2022 | *Cumulative

	1 MONTH	3 MONTHS	6 MONTHS	YTD	SINCE INCEPTION*
BTF NAV	-40.89	-59.24	-59.55	-59.55	-71.1
BTF Market Price	-40.75	-59.12	-59.53	-59.53	-71.04
S&P 500 Index (TR)	-8.25	-16.1	-19.96	-19.96	-15.92

Performance quoted represents past performance and does not guarantee future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Shares are bought and sold at market price (closing price) not net asset value (NAV) and are not individually redeemed from the Fund. Market price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined) and do not represent the return you would receive if you traded at other times. To obtain the most recent month-end performance data visit valkyrie-funds.com or call 1-800-617-0004.



VBB

THE VALKYRIE BALANCE SHEET OPPORTUNITIES ETF (VBB)

continues to provide diverse exposure to companies holding actual Bitcoin or maintaining a Bitcoin focused corporate strategy. Bitcoin's utility has emerged resilient during these times of correction, with no issues of performance or security sometimes evident in other protocols. Worldwide adoption of Bitcoin as a dependable alternative over a native currency is growing, as banks, financial institutions, and digital transactional companies incorporate Bitcoin as part of their standard suite of offerings. With double digit inflation currently experienced in many countries, citizens seek efficient and safer access to their savings, without interference from larger banks and institutions that might charge fees or delay withdrawals for use. Regular announcements of retailers and consumer related servicers engaging with Bitcoin as a form of payment are now the norm, and more related companies must accommodate this use.

As the price of Bitcoin shows more stability at these levels of support, regular consumer use will become more prevalent in common or daily transactions. We can see more digital relevant companies ready to go public after waiting patiently for better evaluation periods in the near term. International growth in the industry will become more evident, while investors and consumers here in the US build on better foundations for development and innovation.

FUND DETAILS

NAME	Valkyrie Balance Sheet Opportunities ETF
TICKER	VBB
LISTING EXCHANGE	Nasdaq
TOTAL EXPENSE RATIO	0.75%
INCEPTION DATE	12/14/2021
CUSIP	91917A 306
ADVISOR	Valkyrie Funds, LLC
SUB ADVISOR	Vident Investment Advisory, LLC
NET ASSETS (as of 6/30/22)	\$676,167.42

<https://valkyrie-funds.com/vbb/>

VBB TOP 10 HOLDINGS

TICKER	SECURITY NAME	ALLOCATION
TSLA	TESLA INC	13.35%
MSTR	MICROSTRATEGY INC - A	11.48%
SQ	BLOCK INC	8.75%
BLK	BLACKROCK INC	5.48%
GLOB	GLOBANT S A	5.17%
NEXOY	NEXON CO LTD	4.88%
COIN	COINBASE GLOBAL INC - A	4.50%
OSTK	OVERSTOCK.COM INC	3.71%
V	VISA INC	3.47%
MA	MASTERCARD INC - A	3.45%

As of June 30, 2022. Holdings are subject to change. Current and future holdings are subject to risk. 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.

PORTFOLIO COMPOSITION

SECTOR	WEIGHT
INFORMATION TECHNOLOGY	41.52%
FINANCIALS	32.47%
CONSUMER DIRECTORY	20.50%
COMMUNICATION SERVICES	4.90%

As of June 30, 2022. 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.

FUND PERFORMANCE

For periods ended June 30, 2022 | *Cumulative

	1 MONTH	3 MONTHS	6 MONTHS	YTD	SINCE INCEPTION*
VBB NAV	-22.27	-48.19	-54.76	-54.76	-56.11
VBB Market Price	-21.7	-47.91	-54.63	-64.63	-55.79
S&P 500 Index (TR)	-8.25	-16.1	-19.96	-19.96	-17.64

Performance quoted represents past performance and does not guarantee future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Shares are bought and sold at market price (closing price) not net asset value (NAV) and are not individually redeemed from the Fund. Market price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined) and do not represent the return you would receive if you traded at other times. To obtain the most recent month-end performance data visit valkyrie-funds.com or call 1-800-617-0004.



WGMI

THE VALKYRIE BITCOIN MINERS ETF (WGMI)

continues to provide exposure to Bitcoin mining companies with facilities mainly located in the United States and Canada. Transaction verification is an essential component of the Bitcoin ecosystem, providing transparency and security for the blockchain. Each company in the fund has demonstrated notable infrastructure development and expanding productivity despite the adverse price performance of the underlying during the quarter. Synergies among companies related to the energy generation industry have forged flexible relationships with Bitcoin miners that not only cut costs, but boost profitability.

Hash rate, a mining performance metric based on successful calculations per second, reached historically high levels during the second quarter as a result of strategic planning and execution of corporate goals miners set at the conclusion of last year. Miners are taking advantage of the abundance of renewable energy sources like wind, solar, and hydropower by providing an outlet of potentially stranded energy when overall demand is low. This process of stabilizing the grid easily transitions miners using energy when supply is high or demand is low.

Higher risk assets experienced sustained downward pressure in price performance from the previous quarter due to historically high inflation indications and the potential plan by the Fed of more aggressive interest rate hikes in the near term. Publicly listed mining companies closely mirrored the price movement of Bitcoin, which in turn hurt revenue streams due to lower projected evaluations, and more specifically, mined block reward. Fortunately, the mining industry maintained the strategy of improving hash rate metrics throughout the quarter and now look forward to a more sustainable plan using more efficient equipment which in turn lowers overhead costs.

FUND DETAILS

NAME	Bitcoin Miners ETF
TICKER	WGMI
LISTING EXCHANGE	Nasdaq
TOTAL EXPENSE RATIO	0.75%
INCEPTION DATE	2/7/2022
CUSIP	91917A207
ADVISOR	Valkyrie Funds, LLC
SUB ADVISOR	Vident Investment Advisory, LLC
NET ASSETS <small>(as of 6/30/22)</small>	\$3,704,922.16

<https://valkyrie-funds.com/wgmi/>

WGMI TOP 10 HOLDINGS

DESCRIPTION	ALLOCATION
CLEANSARK INC	13.63%
ARGO BLOCKCHAIN PLC	13.57%
BITFARMS LTD/CANADA	8.42%
HIVE BLOCKCHAIN TECHNOLOGIES	7.92%
CIPHER MINING INC	5.15%
BIT DIGITAL INC	4.37%
IRIS ENERGY LTD	4.17%
STRONGHOLD DIGITAL MINING	4.17%
RIOT BLOCKCHAIN INC	4.09%
DMG BLOCKCHAIN SOLUTIONS INC	3.95%

As of June 30, 2022. Holdings are subject to change. Current and future holdings are subject to risk. 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.

PORTFOLIO COMPOSITION

SECTOR	WEIGHT
INFORMATION TECHNOLOGY	100%

As of June 30, 2022. 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.

FUND PERFORMANCE

For periods ended June 30, 2022 | *Cumulative

	1 MONTH	3 MONTHS	6 MONTHS	YTD	SINCE INCEPTION*
WGMI NAV	-36.94	-65	-	-	-66.03
WGMI Market Price	-37.52	-65.11	-	-	-66.14
S&P 500 Index (TR)	-8.25	-16.1	-	-	-15.02

Performance quoted represents past performance and does not guarantee future results. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Shares are bought and sold at market price (closing price) not net asset value (NAV) and are not individually redeemed from the Fund. Market price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined) and do not represent the return you would receive if you traded at other times. To obtain the most recent month-end performance data visit valkyrie-funds.com or call 1-800-617-0004.

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.

The commentary is the opinion of the author.

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 the portfolio companies. 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, and Bitcoin Futures trading began in 2017, each of which limits a potential shareholder's ability to evaluate an investment in the Fund.

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;
 - 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; and
 - 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. A lack of expansion in usage of bitcoin could adversely affect the bitcoin futures contracts in which the Fund invests. 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.
- Regulation of participants in the bitcoin ecosystem continues to evolve in both the U.S. and foreign jurisdictions, which may restrict the use of bitcoin or otherwise impact the demand for bitcoin. As a technology, the Bitcoin Network is governed by its internal protocols and source code; however, the use by individuals or businesses of the Bitcoin Network and bitcoin may be subject to government regulation. Both domestic and foreign regulators and governments have increased focus on the use of the Bitcoin Network and bitcoin since 2013. In the U.S., federal and certain state authorities have exercised jurisdiction over specific uses of the Bitcoin Network and bitcoin, typically in the context of money service business regulation. Some foreign regulators and governments have exercised similar regulatory oversight; however, other jurisdictions have determined that regulatory action was premature or that the use of the Bitcoin Network should be prohibited or limited for reasons such as incompatibility with capital controls or financial system risks. Bitcoin market disruptions and resulting governmental interventions are unpredictable, and may make bitcoin illegal altogether. Future foreign regulations and directives may conflict with those in the U.S., and such regulatory actions may restrict or make bitcoin illegal in foreign jurisdictions. Future regulations and directives may impact the demand for bitcoin, and may also affect the ability of bitcoin exchanges to operate and for other market participants to enter into bitcoin transactions. To the extent that future regulatory actions or policies limit or restrict bitcoin usage, bitcoin trading or the ability to convert bitcoin to fiat currencies, the demand for bitcoin may be reduced, which may adversely affect investment in the Fund's shares. Regulation of bitcoin continues to evolve, the ultimate impact of which remains unclear and may adversely affect, among other things, the availability, value or performance of bitcoin and, thus, the companies in which the Fund invests. Moreover, in addition to exposing the Fund to potential new costs and expenses, additional regulation or changes to existing regulation may also require changes to the Fund's investment strategies. Although there continues to be uncertainty about the full impact of these and other regulatory changes, it is the case that the Fund may be subject to a more complex regulatory framework, and incur additional costs to comply with new requirements as well as to monitor for compliance with any new requirements going forward.
- Sales of newly mined bitcoin may cause the price of bitcoin to decline, which could negatively affect an investment in the Fund. Approximately 900 newly mined bitcoin are created each day. If the parties engaged in bitcoin mining choose not to hold the newly mined bitcoin, and, instead, make them available for sale, there can be downward pressure on the price of bitcoin. A bitcoin mining operation may be more likely to sell a higher percentage of its newly created bitcoin, and more rapidly so, if it is operating at a low profit margin, thus reducing the price of bitcoin. Lower bitcoin prices may result in further tightening of profit margins for miners and worsening profitability, thereby potentially causing even further selling pressure. Decreasing profit margins and increasing sales of newly mined bitcoin could result in a reduction in the price of bitcoin, which could adversely impact an investment in the Fund.
- Disruptions at bitcoin exchanges and potential consequences of a bitcoin exchange's failure could adversely affect an investment in the Fund. Bitcoin exchanges operate websites on which users can trade bitcoin for U.S. dollars, other government currencies or other digital assets. Trades on bitcoin exchanges are unrelated to transfers of bitcoin between users via the Bitcoin Network. Bitcoin trades on bitcoin exchanges are recorded on the bitcoin exchange's internal ledger only, and each internal ledger entry for a trade will correspond to an entry for an offsetting trade in U.S. dollars, other government currency or other digital asset. Bitcoin exchanges have a limited history. Since 2009, several bitcoin exchanges have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks a/k/a "DDoS Attacks." A DDoS attack is a malicious attempt to disrupt the normal traffic of network by overwhelming the target or its infrastructure with a flood of internet traffic. In many of these instances, the customers of such exchanges were not compensated or made whole for the partial or complete losses of their funds held at the exchanges. In 2014, the largest bitcoin exchange at the time, Mt. Gox, filed for bankruptcy in Japan amid reports the exchange lost up to 850,000 bitcoin, then valued then at over \$450 million. Bitcoin exchanges are also appealing targets for hackers and malware. In August 2016, Bitfinex, a bitcoin exchange located in Hong Kong, reported a security breach that resulted in the theft of approximately 120,000 bitcoin valued at the time at approximately \$65 million, a loss which was socialized and allocated to all Bitfinex account holders, regardless of whether the account holder held bitcoin or cash in their account. The potential for instability of bitcoin exchanges and the closure or temporary shutdown of exchanges due to fraud, business failure, hackers, DDoS or malware, or government-mandated regulation may reduce confidence in bitcoin, which may result in greater volatility in bitcoin.

- Demand for bitcoin is driven, in part, by its status as the most prominent and secure cryptocurrency. It is possible that a cryptocurrency other than bitcoin (often referred to as “Altcoins”) could have features that make it more desirable to a material portion of the digital asset user base, resulting in a reduction in demand for bitcoin, which could have a negative impact on the price of bitcoin and adversely affect the companies in which the Fund invests. The Bitcoin Network and bitcoin, as an asset, hold a “first-to-market” advantage over other digital assets. This first-to-market advantage is driven in large part by having the largest user base and, more importantly, the largest combined mining power in use to secure the Blockchain and transaction verification system. Having a large mining network results in greater user confidence regarding the security and long-term stability of a digital asset’s network and its blockchain; as a result, the advantage of more users and miners makes a digital asset more secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens the first-to-market advantage. Bitcoin also enjoys significantly greater acceptance and usage than other digital asset networks in the retail and commercial marketplace, due in large part to the relatively well-funded efforts of payment processing companies. Despite the marked first-mover advantage of the Bitcoin Network over other digital assets, it is possible that an altcoin could become materially popular due to either a perceived or exposed shortcoming of the Bitcoin Network protocol that is not immediately addressed by the bitcoin developers or a perceived advantage of an altcoin that includes features not incorporated into bitcoin. For example, the development of digital self-executing contracts (also known as “smart contracts” or “DeFi”) on the Ethereum network has permitted the value of its native unit (ether) to rival bitcoin for periods of time. If an Altcoin obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce bitcoin’s market share and have a negative impact on the demand for, and price of, bitcoin.
- Miners May Cease Expanding Processing Power to Create Blocks and Verify Transactions if They Are Not Adequately Compensated. Miners generate revenue from both newly created bitcoin (known as the “block reward”) and from fees taken upon verification of transactions. If the aggregate revenue from transaction fees and the block reward is below a miner’s cost, the miner may cease operations. An acute cessation of mining operations would reduce the collective processing power on the Blockchain, which would adversely affect the transaction verification process by temporarily decreasing the speed at which blocks are added to the Blockchain and make the Blockchain more vulnerable to a malicious actor obtaining control in excess of 50 percent of the processing power on the Blockchain. Reductions in processing power could result in material, though temporary, delays in transaction confirmation time. Any reduction in confidence in the transaction verification process or mining processing power may adversely impact the price of bitcoin. Furthermore, the block reward will decrease over time. In the summer of 2020, the block reward was reduced from 12.5 to 6.25 bitcoin, and it will further reduce to 3.125 bitcoin in 2024. As the block reward continues to decrease over time, the mining incentive structure will transition to a higher reliance on transaction verification fees in order to incentivize miners to continue to dedicate processing power to the Blockchain. If transaction verification fees become too high, the marketplace may be reluctant to use bitcoin. Decreased demand for bitcoin may adversely affect its price, which may adversely affect an investment in the Fund.
- Bitcoin Network development contributors could propose amendments to the Bitcoin Network’s protocols and software that, if accepted and authorized by large groups of Bitcoin Network users, could adversely affect an investment in the Fund. The Bitcoin Network is an open-source project meaning that any developer or computer scientist may review, propose changes to and develop software clients for the Bitcoin Network protocols. Although a small group of individuals referred to as the Core Developers previously exercised significant influence over the direction of Bitcoin Network development, no single party or group controls what refinements or improvements to the Bitcoin Network’s source code are proposed, approved or produced as upgrades or new software clients for Bitcoin Network users. A software update or new software client may alter the protocols and software that govern the Bitcoin Network and the properties of bitcoin, including the irreversibility of transactions and limitations on the mining of new bitcoin. When a modification is introduced and a substantial majority of users and miners consent to the modification, the change is implemented and the Bitcoin Network remains uninterrupted. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “fork” (i.e., “split”) of the Bitcoin Network (and the Blockchain), with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the Bitcoin Network running in parallel, but with each version’s underlying asset and blockchain lacking interchangeability. Additionally, a fork could be introduced by an unintentional, unanticipated software flaw in the multiple versions of otherwise compatible software users run. Although several chain forks have been addressed by community-led efforts to merge the two chains, such a fork could adversely affect Bitcoin’s viability. It is possible, however, that a substantial number of Bitcoin users and miners could adopt an incompatible version of Bitcoin while resisting community-led efforts to merge the two chains. This would result in a permanent fork. On August 1, 2017, after extended debates among developers as to how to improve the Bitcoin network’s transaction capacity, the Bitcoin network was forked by a group of developers and miners resulting in the creation of a new blockchain, which underlies the new digital asset “Bitcoin Cash” alongside the original Bitcoin Blockchain. Bitcoin and Bitcoin Cash now operate on separate, independent blockchains. Although the Bitcoin Network remained unchanged after the fork, it is unclear how such actions will affect the long-term viability of bitcoin and, accordingly, may adversely affect an investment in the Fund.

- The decentralized structure of Bitcoin Network software development may prevent the formation of a consensus on how to improve and modify the Bitcoin Network, which could prevent needed or desirable updates and thereby adversely impact an investment in the Fund. The lack of a formal or informal centralized structure in the development of Bitcoin Network means that parties with potentially competing motives and incentives must generate a consensus on how best to improve key elements of the Bitcoin Network protocols, such as how best to increase the transaction capacity of the Bitcoin Network. If developer proposals to improve the Bitcoin Network's protocols are incapable of obtaining an overwhelming consensus for adoption, a proposal may either be abandoned or indefinitely delayed pending the formation of consensus or the proposal may result in a fork. If a desirable or necessary improvement to the Bitcoin Network protocols is not implemented, it may have a negative impact on the functioning of the Bitcoin Network or the growth of user adoption. Any such delay may, therefore, have a negative impact on the secondary market price of bitcoin and the companies in which the Fund invests.
- The open-source structure of the Bitcoin Network protocol means that the contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the protocol. A failure to properly monitor and upgrade the protocol could damage the Bitcoin Network and, therefore, an investment in the companies in which the Fund invests. As the Bitcoin Network protocol is not sold and its use does not generate revenues for contributors, contributors are generally not compensated for maintaining and updating the Bitcoin Network protocol. Although some bitcoin industry participants have funded core developers, this type of financial incentive is not typical. The lack of guaranteed financial incentive for contributors to maintain or develop the Bitcoin Network and the lack of guaranteed resources to adequately address emerging issues with the Bitcoin Network may reduce incentives to address the issues adequately or in a timely manner. This may have a negative impact on the secondary market price of bitcoin and an investment in the Fund.
- Intellectual property rights claims may adversely affect the operation of the Bitcoin Network. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the Bitcoin network's long-term viability or the ability of end-users to hold and transfer bitcoin may adversely affect an investment in the Fund. Additionally, a meritorious intellectual property claim could prevent end-users from accessing the Bitcoin Network or holding or transferring their bitcoin. As a result, an intellectual property claim could adversely affect an investment in the companies in which the Fund invests.
- A malicious actor may attack the Bitcoin Network in an effort to prevent its function, which may adversely impact an investment in the Fund. A malicious actor may attack the Bitcoin Network in a number of ways, including a "50 Percent Attack" or a spam attack. If a malicious actor obtains a majority of the processing power (referred to herein as "aggregate hashrate") dedicated to mining on the Bitcoin Network, it will be able to exert unilateral control over the addition of blocks to the Blockchain. As long as the malicious actor enjoys this majority it may be able to "double-spend" its own bitcoin (i.e., spend the same bitcoin in two or more conflicting transactions) as well as prevent the confirmation of other Bitcoin transactions. If such a scenario were to materialize, it could adversely affect an investment in the Fund. More simply, a malicious actor could attempt to flood the pool of unconfirmed transactions (known as the "mempool") with tens of thousands of transactions in an effort to significantly slow the confirmation of legitimate transactions across the Bitcoin Network. Such a delay, if sustained for extended periods of time, could negatively impact the secondary market price of Bitcoin. These or any other form of attack on the Bitcoin Network could adversely affect an investment the companies in which the Fund invests.
- In the event of widespread disruption to the Internet, the market for bitcoins may become dangerously illiquid. The Bitcoin Network's functionality relies on the Internet. A significant disruption of Internet connectivity affecting large numbers of users or geographic areas could impede the functionality of the Bitcoin Network and adversely affect the companies in which the Fund invests. In addition, certain features of the Bitcoin Network, such as decentralization, open source protocol

The S&P 500® Index is a widely recognized capitalization-weighted index that measures the performance of the large-capitalization sector of the U.S. stock market. The MSCI World Net Index represents large and mid-cap equity performance across 23 developed markets countries. Returns shown for the MSCI World Net Index are net of foreign withholding taxes applicable to U.S. investors. Securities in the ETF's portfolio will not match those in any index. The actively managed ETF strategies are benchmark agnostic and corresponding portfolios may have significant non-correlation to any index. Index returns are generally provided as an overall market indicator. You cannot invest directly in an index. Although reinvestment of dividend and interest payments is assumed, no expenses are netted against an index's returns. Index performance information was furnished by sources deemed reliable and is believed to be accurate, however, no warranty or representation is made as to the accuracy thereof and the information is subject to correction.

The Fund is distributed by ALPS Distributors, Inc.

This is a new ETF with limited operating history.

VLK259