

Convenient Exposure to Ethereum

ETHV VanEck Ethereum ETF

Investing in the VanEck Ethereum ETF involves significant risk and may not be suitable for all investors. We use the generic term “ETF” to refer to exchange-traded investment vehicles, including those that are required to register under the Investment Company Act of 1940, as amended (the “40 Act”), as well as other exchange-traded products which are not subject to the registration of the ‘40 Act. The Trust is not an investment company registered under the Investment Company Act of 1940 or a commodity pool for the purposes of the Commodity Exchange Act, and thus offers investors fewer protections.

Why should investors consider ETHV?

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

Why should investors consider investing in Ether now?

Ethereum is an open-source “App Store” that runs software and allows for transfer of value. Ether is the native cryptocurrency of the Ethereum network, and powers the use of smart contracts and decentralized applications (dApps). This makes Ether integral to the functioning and growth of the Ethereum ecosystem. As a digital asset, Ether offers several key benefits:

- **Utility and Demand:** Ether is used to pay for transaction fees and computational services on the Ethereum network, driving continuous demand.
- **Smart Contract Platform:** Ethereum's capability to facilitate smart contracts and dApps makes Ether a crucial part of many innovative blockchain solutions.
- **Portfolio Diversification:** Investing in Ether can provide potential portfolio diversification benefits, as it operates differently from traditional financial assets.
- **Adoption and Growth:** With a robust development community and growing mainstream acceptance, Ether's role in the digital economy is expanding rapidly.

What is the investment strategy for ETHV?

The Trust’s investment objective is to reflect the performance of the price of Ether (“ETH”) 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 ETH.

How does the VanEck Ethereum ETF track the price of Ether?

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

How does ETHV compare to direct Ether ownership?

Direct Ether ownership requires interacting with a crypto exchange, managing storage, and ensuring security, all of which can be complex. ETHV 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 ETHV and other Ether investment options?

Investment Option	Pros	Cons
Direct Ether Investing	Full ownership, high control	Requires significant knowledge, complex storage, and security management
Ether ETNs/ETFs (e.g., ETHV)	Easy trading, managed by experienced issuers	Management fees, dependent on ETF 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?

The Fund 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 Fund. 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 Ether. Any and all trading costs (as pertaining to the underlying Ether 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 Ether?

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

What are the tax implications compared to direct Ether investment?

The VanEck Ethereum 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 ETHV shares.

What kind of fees does ETHV have?

ETHV charges an annual sponsor fee of 0.20%. During the period commencing on July 23, 2024 and ending on July 22, 2025, the Sponsor will waive the entire Sponsor Fee for the first \$1.5 billion of the Trust's assets. If the Trust's assets exceed \$1.5 billion prior to July 22, 2025, the Sponsor Fee charged on assets over \$1.5 billion will be 0.20%. All investors will incur the same Sponsor Fee which is the weighted average of those fee rates. After July 22, 2025, 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 Ether for ETHV custodied?

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

Gemini Overview:

- Storage Solutions:
 - Cold Storage: Gemini is required to hold the Trust's Ether 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.
 - Hot Storage: Ether 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:
 - Gemini employs hardware security modules (HSMs) to generate, store, and manage private keys for both cold and hot storage.
 - Multi-signature technology and geographically diverse storage locations across the United States are used to enhance security and reduce risks.
 - All private keys are stored in air-gapped environments with multiple levels of physical security and monitoring controls.
- Regulatory Compliance:
 - As a fiduciary under Section 100 of the New York Banking Law, Gemini is held to stringent capital reserve requirements and banking compliance standards.
 - Gemini is subject to various U.S. federal and state laws, including anti-money laundering regulations, the Bank Secrecy Act, and the USA PATRIOT Act.
- Insurance Coverage:
 - Gemini maintains a \$100 million specie 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.
 - Although the Trust is not a named beneficiary, the insurance covers customer losses, including those suffered by the Trust, from specified events such as fraud and theft.

Coinbase Overview:

- Information Security Management Program:
 - Led by the Chief Security Officer with independent SOC 1 and SOC 2 Type II attestations.
 - 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
 - Commercial Crime insurance policy covering loss of client assets with coverage for employee collusion, theft, security breaches, and fraudulent transfers. This insurance has been renewed annually since 2013, providing broad and deep coverage.

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 ETHV?

- **Ether Market Risks:** The value of Ether can be extremely volatile and unpredictable.
- **Regulatory Risks:** Changes in laws or regulations affecting Ether may impact the value of the Trust's holdings.
- **Operational Risks:** There are risks related to the custody and security of the Trust's Ether holdings.
- **Market Trading Risks:** There may be a lack of liquidity in the shares, affecting their market price.

How does the Trust audit its Ether?

On a daily basis, the sponsor and the accounting agent reconcile the Ether position at Gemini and Coinbase. As part of the Trust's annual audit, auditors confirm the existence of Ether 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 ETHV?

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

Source of all information: VanEck Research, July 2024.

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 Ethereum ETF ("ETHV") Disclosures

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

Investing involves significant risk, and you could lose money on an investment in the Trust. The value of ether 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.

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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 ETHV 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 ether, various potential factors that may adversely affect the liquidity of Trust shares, the limited history of the Index from which the value of ether and hence the value of Trust shares will be determined, potential threats to the Trust's Ethereum custodian, and the unregulated nature and lack of transparency surrounding the operations of ether 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 ether held in the Trust, the market price of the shares is subject to fluctuations similar to those affecting ether 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 ether held by the Trust (less its expenses), and fluctuations in the price of ether 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 ether 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 ether represented by each Share will decline over time.

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The Sponsor of the Trust is VanEck Digital Assets, LLC. The Marketing Agent for the Trust is Van Eck Securities Corporation. VanEck Digital Assets, LLC., and Van Eck Securities Corporation are wholly-owned subsidiaries of Van Eck Associates Corporation.

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