



Victory Hashdex Nasdaq  
**Crypto Index Fund**

Q3 2021



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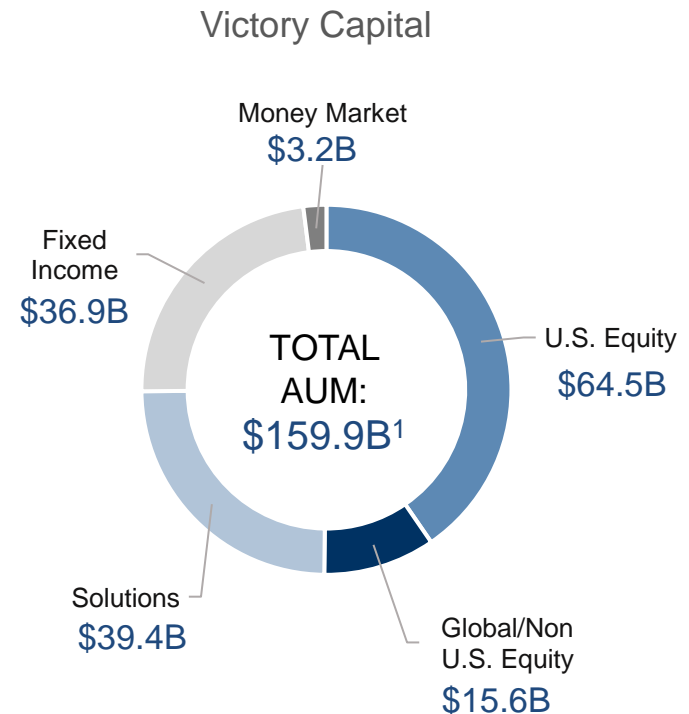


# Who is Victory Capital?

Boutique investment qualities with the centralized operating platform of a large asset manager

## We have built our firm to deliver for our clients:

- > Our next-generation business model, which combines boutique investment qualities with the benefits of a fully integrated, centralized operating platform, enables our investment professionals to fully focus on client portfolios
- > We manage \$159.9B in assets, and are well-positioned to reinvest in cutting-edge services and systems while remaining highly attentive to each client
- > We serve nearly 300 institutional clients and understand our responsibility as part of a larger overall plan and portfolio
- > Our investment professionals and employees invest personally in our strategies, as well as in our firm, which ensures that our interests are aligned with those of our clients



<sup>1</sup>All data as of September 30, 2021. Allocations listed above may not add up due to rounding. For more information, please refer to the firm's latest quarter-end press release at [www.vcm.com](http://www.vcm.com).



Through its history, Victory Capital has expanded its focus on sustainable investing and diversity and inclusion. Today, the Firm maintains and fosters its membership in the UN-supported Principles for Responsible Investment (PRI), the Sustainability Accounting Standards Board (SASB) Alliance and Ceres Investor Network on Sustainability & Climate Risk. Victory Capital also has active participants in McKinsey's Black Leadership Academy and partners with Paradigm Strategy, Inc. on Inclusivity Training.

\*The transaction is expected to close in the fourth quarter of 2021 and is subject to customary approvals, conditions and consents.

# Our Integrated Model



- > Victory Capital operates a next-generation business model, combining boutique investment qualities with the benefits of a fully integrated, centralized operating platform.
- > Centralized support allows investment professionals to focus solely on client outcomes and portfolios.
- > Each franchise is led by a dedicated Chief Investment Officer and each franchise maintains its independent investment philosophy, process and culture, which drives autonomous, client-focused decision making.
- > Our Solutions Team can customize portfolios toward specific client goals by leveraging our franchises, our strategic beta and quantitative insights, and a suite of ETF products.

## Client Portfolios and Relationships

Joint Functions	Central Functions	Franchise Functions
<ul style="list-style-type: none"> <li>&gt; Relationship management</li> <li>&gt; Client reporting/analysis</li> <li>&gt; Consultant relations</li> <li>&gt; ESG considerations</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Operations management</li> <li>&gt; Technology/infrastructure</li> <li>&gt; Compliance and Legal</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Risk management</li> <li>&gt; Security Selection</li> <li>&gt; Research</li> </ul>

Advisory services offered by Victory Capital Management Inc., an SEC registered investment adviser. Primary responsibility for the day-to-day management of most of the investment portfolios lies with the investment franchises.



# Digital Assets Overview

Introducing a new asset class & potential opportunities held within



## THE CASE FOR DIGITAL ASSETS

- Value creation in an emerging digital asset ecosystem
- Increased institutional adoption
- Have shown a low correlation to stocks and bonds
- A potential store of value like gold
- The supply and issuance of digital assets are independent of the actions taken by central banks or governments
- May serve as a hedge against inflation
- Blockchain represents a potentially disruptive technology platform



## Small Allocations to Bitcoin Can Enhance Risk-Adjusted Returns

(October 2016 – September 2021)

	MSCI ACWI	Bloomberg Barclays US Aggregate	Bitcoin	60 / 40 Portfolio	Allocation to Bitcoin within 60/40 Portfolio (Allocation sourced from MSCI ACWI)		
					+1%	+2.5%	+5%
Return of Index or Portfolio	13.20%	2.95%	134.48%	9.28%	10.48%	12.29%	15.33%
Standard Deviation	14.65%	3.31%	91.10%	8.97%	9.11%	9.46%	10.41%
Sharpe Ratio	0.82	0.55	1.46	0.91	1.03	1.18	1.36

Source: Bitcoin returns sourced through Bloomberg, Portfolio analyzed through Zephyr

**Past performance is no guarantee of future results.** Index returns are for illustrative purposes only. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Bitcoin returns are calculated by tracking the CMBI Bitcoin Total Return Index. The "60/40 Portfolio" is a hypothetical portfolio composed of a 60% allocation to the MSCI ACWI Index and 40% allocation to the Bloomberg Barclays US Aggregate Index. Allocation to Bitcoin were taken from MSCI ACWI allocations for each respective measure. Risk is measured by each index or portfolio's standard deviation metric.

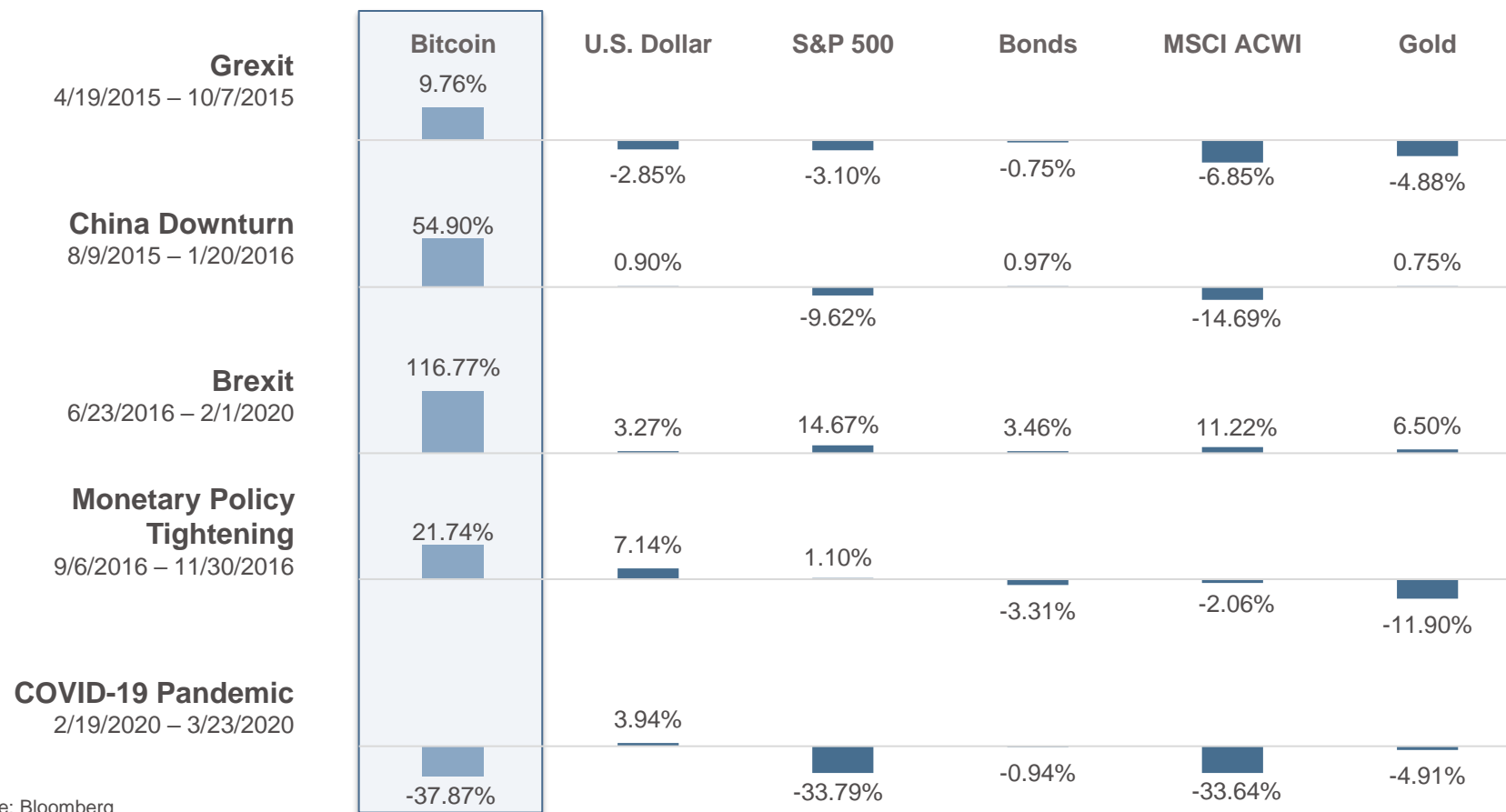
**Standard Deviation** measures an investment's historical volatility, calculated using the investment's annual rate of return. (Ex. If a fund has a 12% average rate of return and a standard deviation of 4%, its return will range from 8-16 percent.)

**Sharpe Ratio** is the average return earned in excess of the risk-free rate per unit of volatility or total risk. (Ex. A Sharpe Ratio of 0.2 means volatility of the returns is 5x the average return. Some investors may not want investments that are up 10% one month and down 15% the next month, etc., even if the investment offers a higher overall average return. Sharpe Ratio General Ranking: < 1 Inadequate risk/return profile.)

# Bitcoin Performance During Periods of Market Stress



During times of market volatility, Bitcoin has shown little correlation to other asset classes.



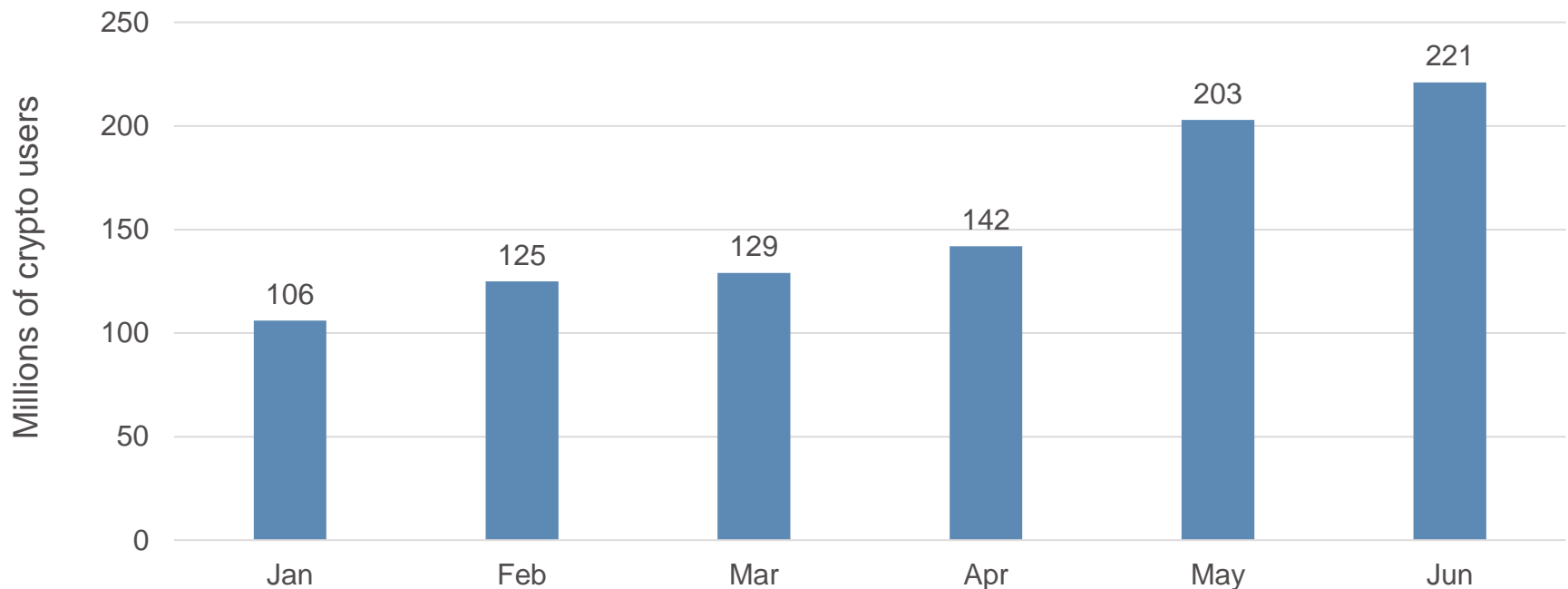
Source: Bloomberg

**Past performance is no guarantee of future results.** High, double-digit and triple digit returns are unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions.

Bitcoin returns are calculated by tracking the CMBI Bitcoin; U.S Dollar returns are calculated by tracking the Invesco DB US Dollar Index Bullish Fund; Bond returns are calculated by tracking the Bloomberg Barclays U.S. Aggregate Bond Index; Gold returns are calculated by tracking the LBMA Gold Price Index.

*“Notably, it only took **four months** to double the global crypto population from 100 million to 200 million. By comparison, it took **nine months** to reach 100 million from 65 million since we began tracking these numbers.” - Crypto.com*

## Global crypto users in 2021 has more than doubled in 6 months



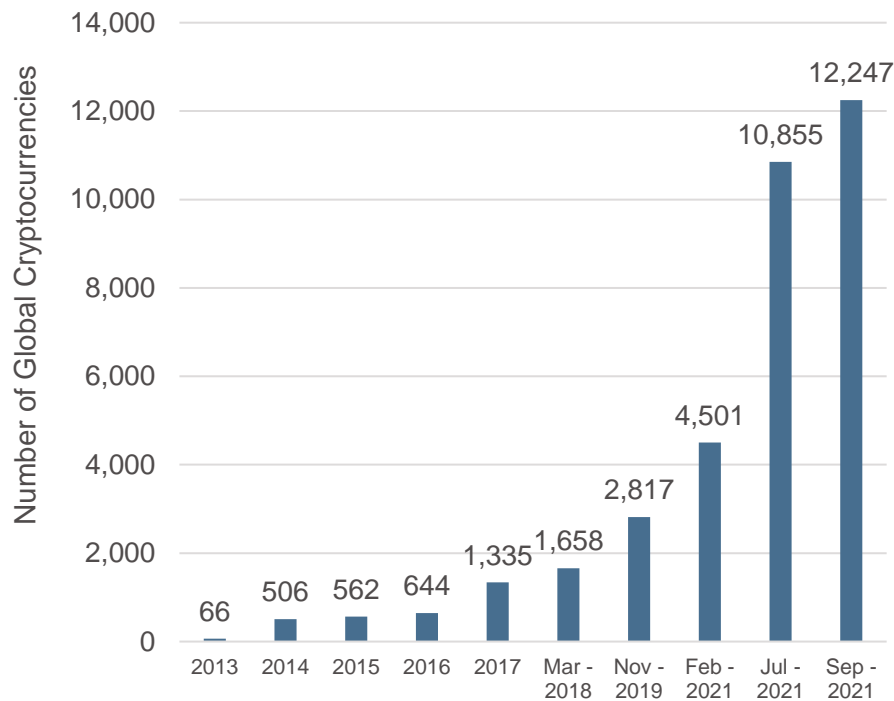
Source: Graph reproduced with permission of Crypto.com. As of 7/6/2021;  
*Measuring Global Crypto Users, A Study to Measure Market Size Using On-Chain Metrics July 2021*  
For access to full Crypto.com report, [please access here.](#)

# Crypto is Bigger Than Just Bitcoin

While Bitcoin has become somewhat of the staple for the asset class, new coins and technologies may surpass the “original crypto asset” as the space continues to evolve.

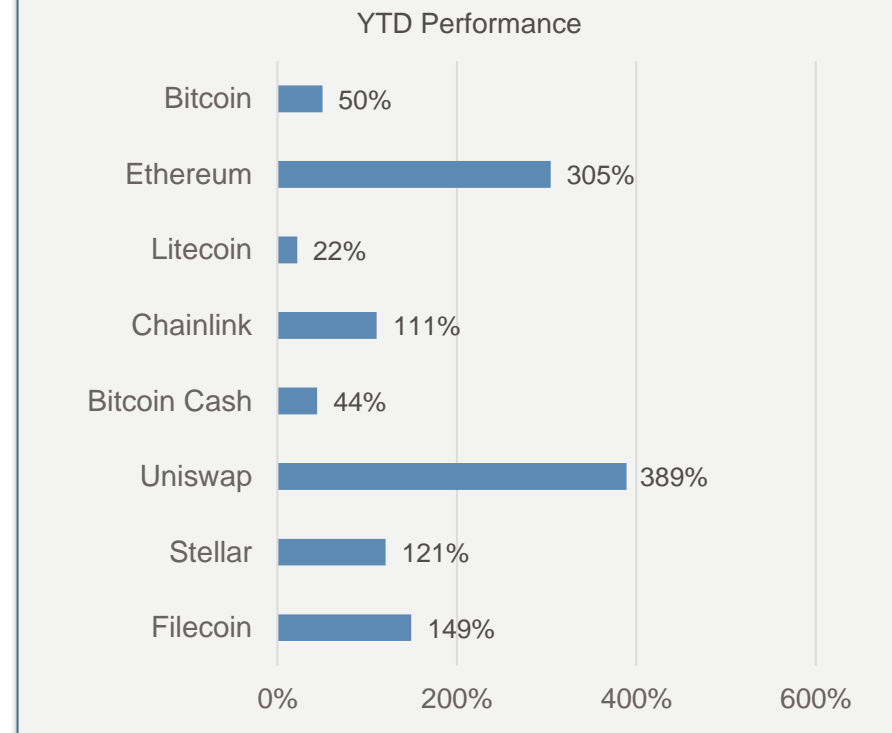
**A multi-coin approach** may be more appropriate for some investors in this emerging asset class.

### Cryptocurrencies are exponentially growing



Source: 2013 through Feb 21: [Statista](#); Jul & Sep 2021: [Coinmarketcap.com](#)

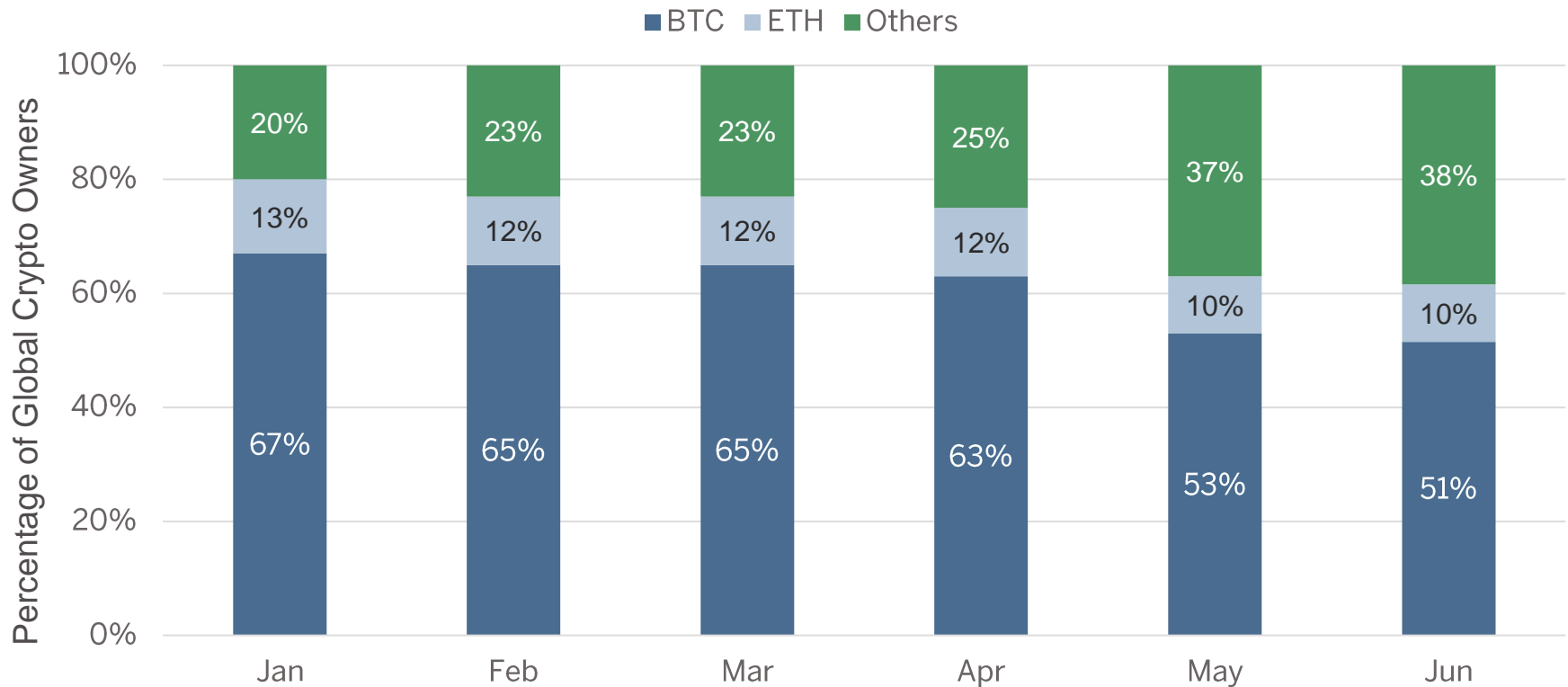
### Bitcoin may not always be the leader in crypto assets



Source: Bloomberg; 1/1/2021 – 9/30/2021  
Filecoin returns were sourced through Coindesk.com

Over the course of 2021, the market share of digital assets other than Bitcoin and Ethereum has nearly doubled as they rise in popularity among crypto investors.

## In 2021, Altcoins have gained share from Bitcoin and Ethereum



Source: Graph reproduced with permission of Crypto.com. As of 7/6/2021;  
*Measuring Global Crypto Users, A Study to Measure Market Size Using On-Chain Metrics July 2021*  
For access to full Crypto.com report, [please access here](#).



## Financial Institutions

- **Bank of America** approves Bitcoin trading futures for some clients - [LINK](#)
- **SoftBank Group** pursues investment in crypto exchange “Bullish” – [LINK](#)
- **NCR** opens Bitcoin to 650 US Banks and Credit Unions – [LINK](#)
- **Morgan Stanley** making crypto currency available to accredited investors with an exposure limit of 2.5% - [LINK](#)
- **Fidelity** discloses ownership in Bitcoin mining - [LINK](#)



## Corporations

- **Square** to enter crypto hardware market with Bitcoin wallet – [LINK](#)
- **MasterCard** announced plans to enable digital asset purchases for all merchants – [LINK](#)
- **Apple Pay** will now get support from the digital asset card payment system, BitPay – [LINK](#)
- Telecom companies such as **AT&T and Verizon** leveraging blockchain technology - [LINK](#)



## Nations, States and Cities

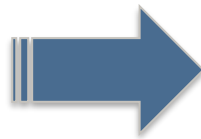
- Bitcoin becomes legal tender in **El Salvador** – [LINK](#)
- **Miami** Mayor announces BTC will be adopted across the city, notably in treasury, taxes, and fees – [LINK](#)
- **Ukraine** passes law to legalize and regulate Bitcoin - [LINK](#)
- **Cuba** recognizes and regulates cryptocurrencies as forms of payment - [LINK](#)
- In **Nigeria**, [32% use crypto](#) and the country is planning to launch their own digital currency - [LINK](#)



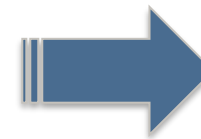
## What is a blockchain?

A blockchain is a decentralized and public virtual ledger that records any information anonymously and permanently.

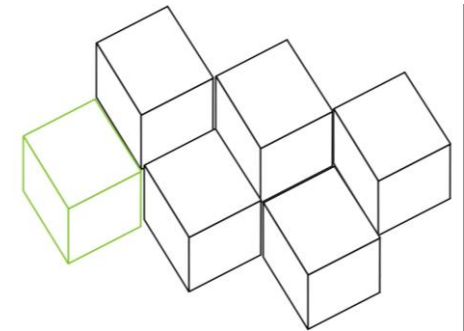
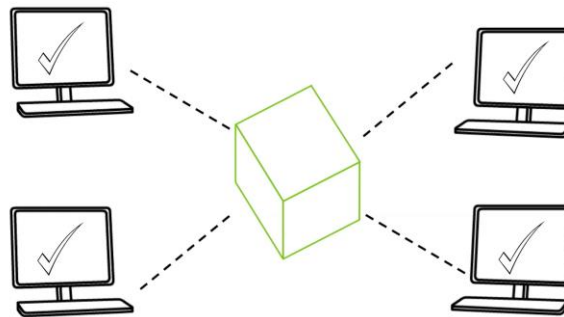
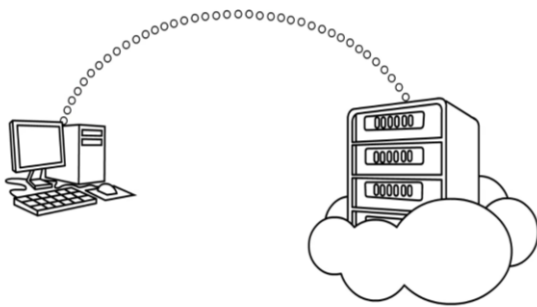
A transaction is stored online in a block of data



The block is broadcast across network and approved



The block is added to chain of existing blocks forming a blockchain

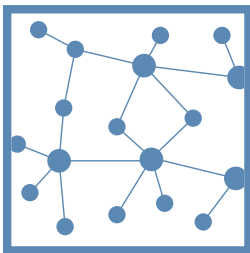


## What makes blockchain technology special?

- Transparency
- Decentralized Authority
- Programmable Money
- Global Access
- True Ownership & Anonymity
- Settlement Efficiency

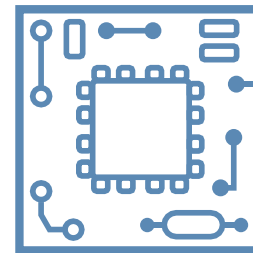
The potential for digital assets is only now being discovered. It may still have a long runway given the decentralized and programmable use cases that can be applied across many sectors.

## Decentralized Network



- Public ledger
- No single, core authority
- Transparent and immutable
- Better governance
- Promotes efficiency, reduces fees

## Programmable Assets



- Smart contracts
- Built-in terms and conditions within assets
- Self-validating transactions; removes need for third parties
- Automation, higher interoperability and convenience



Over the last century, technological advancements have rapidly progressed with each step forward vastly changing many facets of life.

The growing use of blockchain is widely seen as the leap forward in providing decentralized peer-to-peer networks.



**Mainframes** - - - - Centralized Computing

**PCs & Client Servers** - - - - Distributed Computing

**Internet** - - - - - Network Computing

**Smart Phones** - - - Mobile Computing

**Blockchain** - - - - Decentralized Networks

## Current Applications of Blockchain

Currency & Store of Value

NFT Marketplace

Payments & Transfers

Smart Contracts

DeFi  
(Decentralized Finance)

Personal Identity Security

## Beneficiaries

1.7B  
Unbanked  
Individuals<sup>1</sup>

Shippers  
&  
Suppliers

Artists  
&  
Musicians

Govts

Doctors,  
Nurses,  
Patients

Realtors  
&  
Homeowners

<sup>1/</sup> World Bank Group Report,  
[https://globalindex.worldbank.org/sites/globalindex/files/chapters/2017%20Index%20full%20report\\_chapter2.pdf](https://globalindex.worldbank.org/sites/globalindex/files/chapters/2017%20Index%20full%20report_chapter2.pdf)



## Why crypto?

- Blockchain is an emerging and disruptive platform
- Crypto assets have delivered returns with little-to-no correlation to traditional investments
- Some crypto assets may prove to be a long-term store of value
- Through our analysis, crypto has been shown to offer attractive risk-adjusted returns



## Why now?

- Crypto is a nascent asset class with potential value creation opportunities only now being realized
- Provides early exposure to a new tech paradigm at the heart of global digitization
- Increasing growth, adoption and application where supply can be limited
- Forthcoming regulation may lead to further institutionalization

As with any emerging asset class and technology, it's increasingly important to understand and consider both the opportunity and risks. Crypto assets are still in their infancy and can be inherently volatile. For a more in-depth overview of these aspects, see page 30.



# The Nasdaq Crypto Index (NCI)

Simplifying crypto asset access  
through a representative, institutionally investible  
and adaptable index



**The Nasdaq Crypto Index (NCI)** measures performance of a significant portion of the digital asset market and provides an innovative benchmark for institutional investment.

- Tracks the performance of a diverse basket of USD-traded digital assets
- Applies rigorous liquidity, exchange and custody standards for asset eligibility
- Free float market cap weighted & reconstituted quarterly
- Governed by the Nasdaq Cryptocurrency Index Oversight Committee (NCIOC)

## CORE NCI PRINCIPLES



**Representative**

Provides a definitive benchmark for institutional investment into the digital asset space using a multi-asset approach



**Institutionally Investible**

Integrates a robust set of methodology eligibility criteria to include digital assets available at vetted exchanges and custodians



**Adaptable**

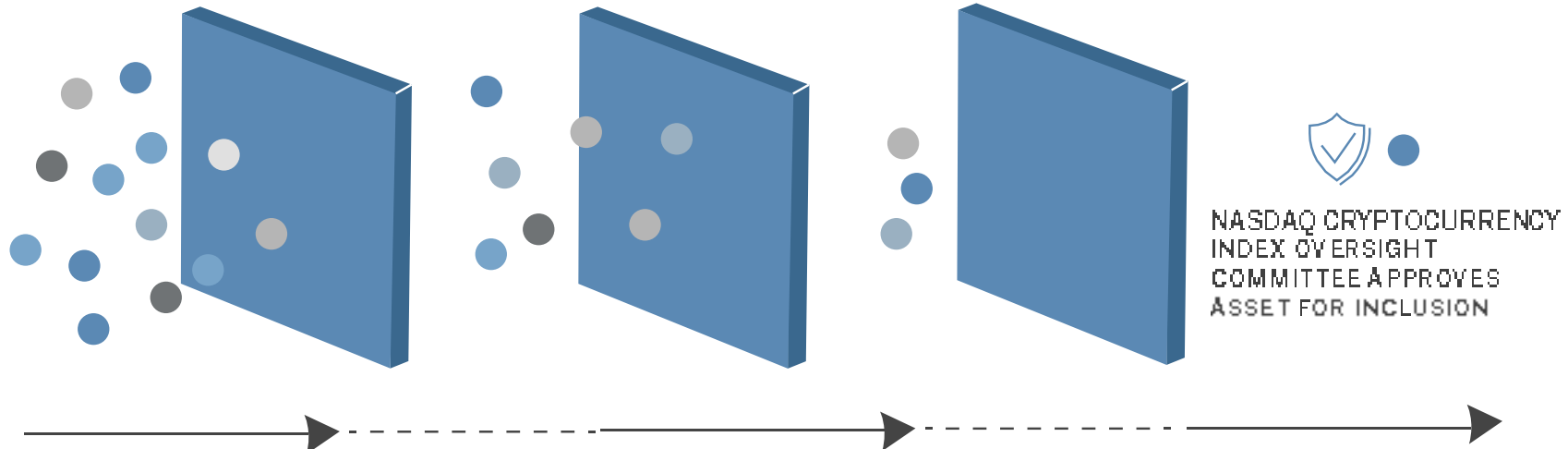
Adjusts index composition quarterly to ensure accurate representation of the asset class as it continues to evolve

# Overview of Nasdaq Crypto Index Selection Process

UNIVERSE:  
12,000+ crypto assets

ASSET MUST BE LISTED & SUPPORTED ON:  
3 Nasdaq-approved exchanges  
2 Nasdaq-approved custodians

MARKET CAP ELIGIBILITY:  
Must have a market cap  $\geq 0.5\%$  of  
eligible constituents



## WHY IT MATTERS?

### CORE EXCHANGES / CUSTODIANS:

- Ensures price transparency, liquidity, security and safeguarding of crypto assets
- Maintains proper level of compliance with regulation and authorities
- High level of rigor and criteria for inclusion creates institutionally investible selection of assets

### MARKET CAP REQUIREMENTS:

- Establishes an accurate representation of the crypto market based on available and circulating supply of assets

### NASDAQ CRYPTO INDEX COMMITTEE

- Guards investors from potentially risky or unsafe crypto assets
- Quantitative oversight helps maintain an adaptable index within evolving asset class

## CORE EXCHANGES

BitStamp    Coinbase    Gemini    itBit    Kraken

### Key Selection Criteria

1. Effective Anti-Money Laundering / Know Your Customer controls in place
2. Licensed by independent public governing body
3. Effective trade monitoring, surveillance and enforcement procedures
4. Demonstrate robust IT infrastructure and capacity management
5. Policy and track record of cooperating with regulators and law enforcement

## CORE CUSTODIANS

BitGo    Coinbase    Fidelity    Gemini

### Key Selection Criteria

1. Licensed by the SEC and/or state securities regulators<sup>1</sup>
2. Provide independent segregated client accounts
3. Utilize advanced security infrastructure to include private key segmentation, multi-signature capabilities & geographic distribution
4. Insurance policies that cover, at least partially, theft or loss of private keys
5. Offer timely and secure redemption process
6. Demonstrates comprehensive risk management and risk mitigation processes
7. Evidence of third-party security audits

This is a brief overview of the key selection criteria. For a full list and description of criteria available please view the [NCI Methodology Document](#).

1/ Examples include the U.S. Securities and Exchange Commission, the New York State Department of Financial Services, or other state, national or international regulators

The Nasdaq Crypto Index Oversight Committee provides effective governance through shared crypto asset expertise.



Comprised of senior members across Nasdaq's Legal, Risk, Compliance, Trading, Surveillance, IT, and Index teams to ensure varying viewpoints and expertise



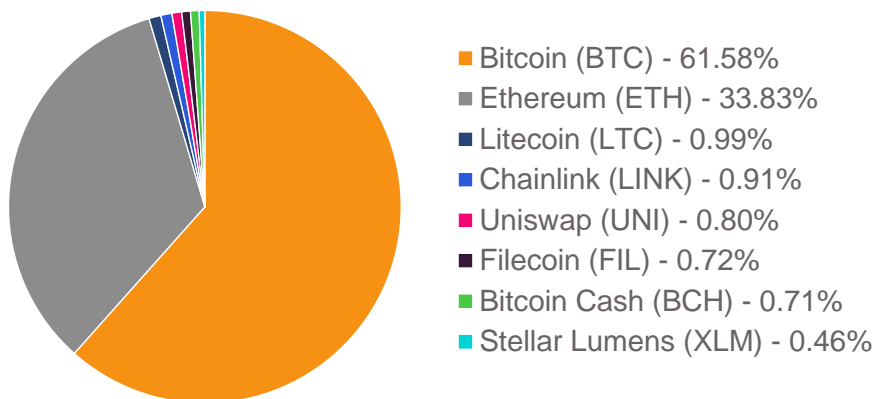
Responsible for the implementation, administration, and general oversight of the Index, including the selection of Core Exchanges and Core Custodians, adjustments to account for regulatory changes, and periodic methodology reviews.



Conducts a final review of all eligible assets prior to entry at the quarterly reconstitution wherein it reserves the right to exclude any assets based on one or more factors, including but not limited to, its review of general reputational, fraud, manipulation, or security concerns connected to the asset.



## Index Constituents (%)



## Core Exchanges & Custodians

Core Exchanges	Core Custodians
BitStamp	BitGo
Coinbase	Coinbase
Gemini	Fidelity
itBit	Gemini
Kraken	

- Tracks a diverse basket of USD-traded digital assets
- Applies rigorous liquidity, exchange and custody standards for asset eligibility
- Rebalanced and reconstituted quarterly
- Free float market cap weighted
- Core exchanges / custodians selected in order to build optimal trade pricing and security
- Governed by a robust, dynamic methodology and Nasdaq Crypto Index Committee

Hashdex is a crypto-focused asset manager founded to bridge the gap between traditional financial markets and crypto by making crypto investing easy with simple, secure and regulated funds.

They are currently the largest crypto asset manager in Latin America with offices in Brazil and the U.S. They currently manage over \$722MM<sup>1</sup> in digital assets.

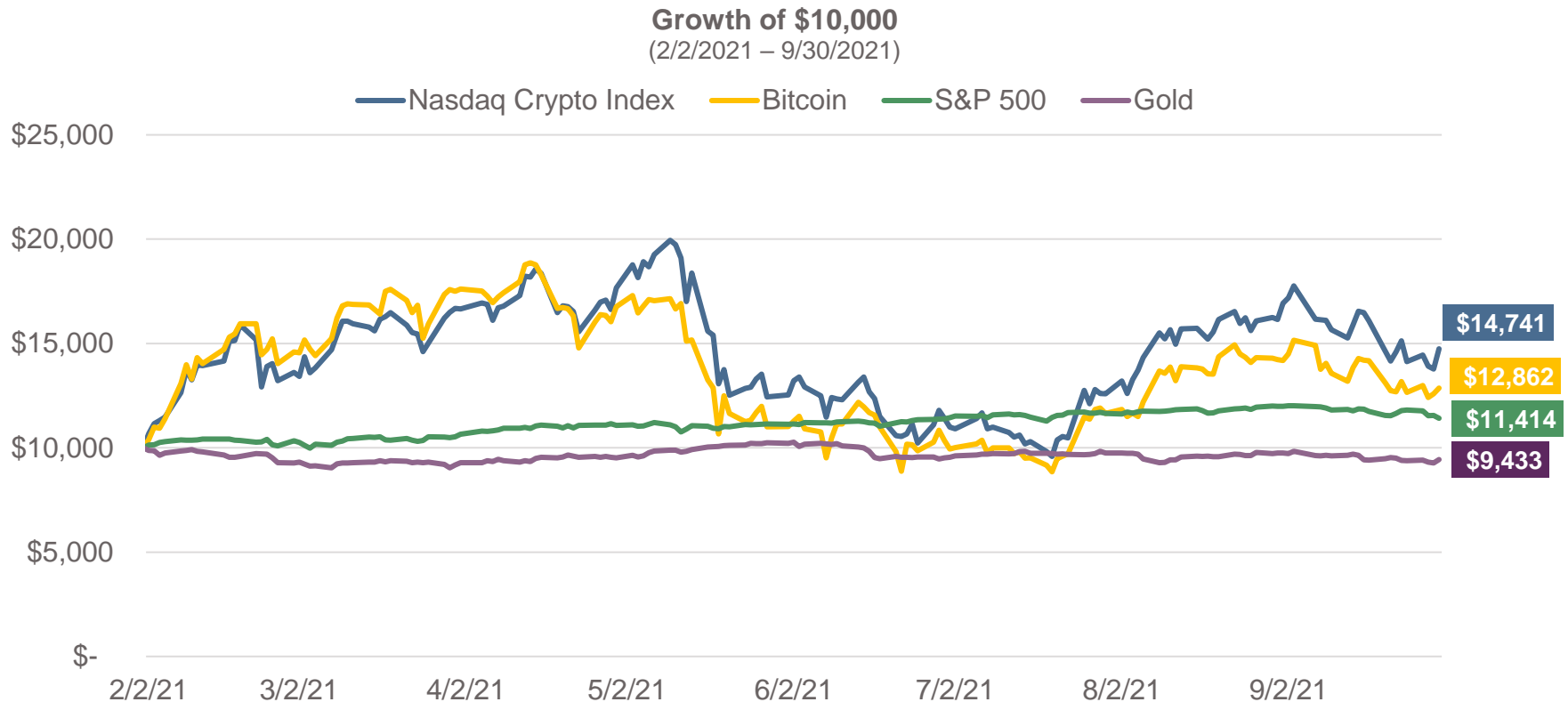


- Launched the world's first crypto index ETFs in Bermuda and Brazil in 2021 (HASH11)
- HASH11 is now the third largest ETF by investors in Brazil, across all asset classes<sup>1</sup>
- Completed one of the largest Series A raises in Latin American history, led by Valor Capital and supported by Softbank and Coinbase Ventures, among others
- Now expanding to the USA through an exclusive partnership with Nasdaq and Victory Capital

<sup>1</sup>/ As of 9/30/2021

**HASH 11 is a Brazilian ETF and not available to U.S. investors.**

A broad-based crypto asset approach has helped the Nasdaq Crypto Index outperform other asset classes and a Bitcoin-only allocation since its inception.



Index returns are for illustrative purposes only and do not reflect fund performance. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. **Past performance does not guarantee future results.**

Source: NCI Returns from Nasdaq; Other asset classes sourced from Bloomberg. SPDR® Gold Shares ETF used as a proxy for Gold the commodity. Inception date of Nasdaq Crypto Index 2/2/2021

# The NCI Provides A Best-In-Class Approach



There are many ways to gain exposure to multiple crypto assets through both established and emerging index providers.

However, the NCI is differentiated through its dynamic and representative nature in addition to providing more rigor to ensure the institutional investability of crypto assets.

## Bloomberg Galaxy Crypto Index

- Reconstituted monthly
- Holdings capped at 40%
- Max number of holdings limited to top 12
- Excludes stablecoins
- Globally recognized index provider
- Assets must have at least 2 eligible pricing sources

## Bitwise 10 Large Cap Crypto Index

- Reconstituted monthly
- Free-float market cap
- Max number of holdings limited to top 10
- Excludes stablecoins
- Assets must be traded on at least 2 eligible exchanges & supported by at least 1 custodians

## Nasdaq Crypto Index

- Reconstituted quarterly
- Free-float market cap
- No max constraints on holdings
- Excludes stablecoins
- Globally recognized index provider
- Assets must be traded on at least 3 core exchanges & supported by at least 2 core custodians



# Victory Hashdex Nasdaq Crypto Index Fund

Delivering an institutional-grade, low-cost fund that provides multi-coin exposure

**The Victory Hashdex Nasdaq Crypto Index Fund is a private fund only available in the U.S. to accredited investors. Investments in shares of the Fund are speculative and involve a high degree of risk. The Fund is NOT A MUTUAL FUND OR ETF. Most people are *not* accredited investors (as defined by the Securities Act of 1933). Before making an investment decision, you should consult a financial professional and carefully consider the risk factors and other information included in the Private Placement Memorandum. Investors in the Fund must be verified as accredited investors.**

As a new and still evolving asset class, there may be potential risks that still need to be understood and carefully considered.

- High volatility
- Estate Planning
- Regulation
- Improper storage
- Path to the SEC approving an ETF
- Multi-coin vs single-coin
- Complexity of Individual Custody
- Liquidity
- Fees

## Individual Crypto Custody & Safeguarding

Private keys are used to access crypto holdings and transact, however maintaining these on one's own can be a risk. Private keys consist of a long string of numbers and letters which can be difficult to remember.

One can generate a wallet and private key digitally, but digital wallets also have the risk of being hacked. Alternatively, one can obtain a hard wallet, storing private keys offline, but also carries the risk of losing physical custody of this wallet. If lost, recovery can be near impossible.

Victory Capital's forward-thinking approach provides accredited US investors direct access to some of the most liquid<sup>1</sup> crypto assets.

Through our offering, investors can gain broad-based exposure to digital assets traded across a core set of exchanges and custodians.

## The Victory Hashdex Nasdaq Crypto Index Fund:



### TRACKS A DYNAMIC INDEX

Constituents adjust over time, ensuring the Fund remains an accurate representation of high-quality digital assets



### INCORPORATES A DIVERSIFIED APPROACH

Captures multiple tokens, vetted for quality, offering investors broad-based exposure across the asset class with no holdings weight caps



### PROVIDES EASE OF INVESTING & STORAGE

Provides seamless and cost-effective entry to a fund where asset storage of digital asset custody is streamlined for investors

- Industry-leading pricing – 1.75% management fee
- Daily subscriptions and redemptions
- Broad, vetted crypto asset exposure
- Quarterly reconstitution
- Trusted index governance through the Nasdaq Crypto Index Committee

<sup>1/</sup> Index criteria for liquidity requires that an asset must have a median daily trading volume in the USD pair conducted across all core exchanges that is no less than 0.5% of the cryptocurrency asset that has the highest median daily trading volume measured during the first 40 calendar days immediately following the previous reconstitution and rebalance day.

# Crypto Asset Access Comparison



Hashdex is able to deliver efficient institutional trading execution by placing trades on the best exchanges for each individual coin<sup>1</sup> included in the index.

This facilitates low-cost transactions and ample liquidity. It also provides more favorable pricing than purchasing individual coins directly from exchanges.

	<b>Victory Hashdex Nasdaq Crypto Index Fund</b>	<b>Private Multi-Coin Fund</b>	<b>Private Multi-Coin Funds to OTC</b>	<b>Direct Purchase Through Coinbase<sup>2</sup></b>
Active / Passive	Passive	Passive	Passive / Active	N/A
Subscription	Daily	Monthly	Daily / Weekly	Continuous
Redemption	Daily	Quarterly (30-day notice)	12-month lockup then OTC	Continuous
Minimum Investment Amount	\$25,000	\$25,000	\$25,000 / \$50,000	\$2
<b>Price (Redemption)</b>	<b>NAV</b>	<b>NAV</b>	<b>Market (Premium or Discount)</b>	<b>Market</b>
Avg. Spread to NAV	0	0	Approx. 1.30%	0.50% Coinbase Stated avg.
Round Trip	0	0	Approx. 2.60%	1.00%
Commission to Buy/Sell	0	0	0	1.50%
Management Fee	1.75%	2.00%	2.50%	N/A
Withdrawal Fee	0	0	0	1.50 – 4.00%

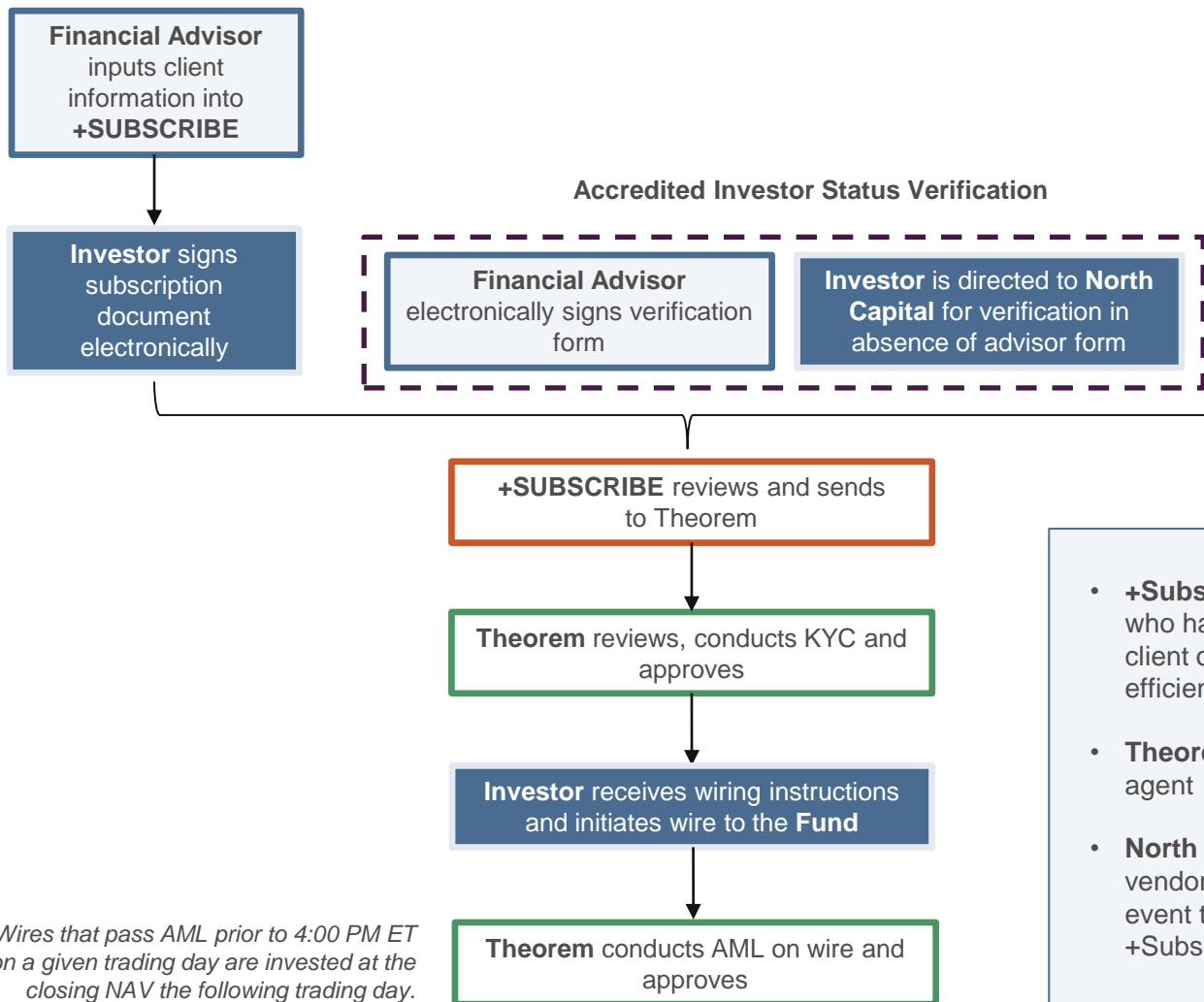
Source: Bloomberg & [Coinbase](#); as of 9/30/2021

1/ Hashdex uses a trading methodology which operates within multiple exchanges, seeking to optimize the trading cost for all trade sizes.

2/ Assumes investment of \$200 or more



# Initial Subscription Process



*Wires that pass AML prior to 4:00 PM ET on a given trading day are invested at the closing NAV the following trading day.*

- **+Subscribe** is the investor onboarding service, who has digitized the process in order to make client onboarding streamlined and more efficient than previous paper methods
- **Theorem** is the fund administrator and transfer agent
- **North Capital** is a third-party verification vendor for accredited investor status in the event that an advisor is not filling out the +Subscribe form

**Note:** Subsequent subscriptions and redemptions use a short form and follow the same cutoff time as the initial subscription.

# Fund Terms & Subscription Providers



**Investment Objective:** Seeks to track the performance, before fees and expenses, of the Nasdaq Crypto Index.

**Fund Structure:** The Fund is a Delaware limited liability company formed on July 16, 2021. The Fund will pursue its investment objective by investing substantially all of its assets in the Hashdex Nasdaq Crypto Index ETF, an exempted company incorporated under the laws of the Cayman Islands.

Victory Capital Digital Assets, LLC is the Manager of the Fund, and Victory Capital Management Inc. serves as the Fund's Investment Adviser.

<b>Asset Class</b>	Digital Assets
<b>Index</b>	Nasdaq Crypto Index
<b>Management Fee</b>	1.75%
<b>Performance Fee</b>	0%
<b>Subscriptions</b>	Daily
<b>Redemptions</b>	Daily
<b>Lock-Up Term</b>	None
<b>Withdrawal Fee</b>	None
<b>Rebalancing</b>	Quarterly
<b>Qualification</b>	Accredited Investors
<b>Minimum Investment</b>	\$25,000 initial investment
<b>Subsequent Investments</b>	\$10,000 subsequent investments
<b>Taxation</b>	Pass through partnership for tax purposes. K-1's are prepared for investors
<b>IRA Eligible</b>	New Direction Trust Company, Entrust Group, IRA Innovations, Madison Trust Company and other IRA Custodians
<b>NAV Pricing</b>	Daily, 3:00pm ET (business day)

<b>Service Providers</b>	
Index Provider	Nasdaq, Inc.
Manager	Victory Capital Digital Assets, LLC
Investment Adviser	Victory Capital Management Inc.
Audit & Tax	Cohen & Co.
Counsel	K&L Gates LLP
Administrator	Theorem Fund Services, LLC
Cash Custodian	Citibank, N.A.
Placement Agent	Victory Capital Services, Inc.



# Appendix

## INNOVATION IN BLOCKCHAIN

1. Bitcoin is introduced as the first digital asset – it now is used by millions for payments and sits at over \$800B in market cap\*



2. The true potential of blockchain is discovered – benefits entail using separately from currency for various types of decentralized peer to peer transactions



3. Smart contracts emerge providing further utility of the blockchain technology, allowing automated agreement systems to be developed

Satoshi Nakamoto introduces blockchain and Bitcoin in a white paper

2008

The first Bitcoin purchase takes place

2010

2009

The first Bitcoin transaction takes place

2011

Bitcoin reaches parity with US Dollar

Market cap of Bitcoin reaches \$1B & white paper on Ethereum published

2013

2015

Ethereum project is launched & Nasdaq begins blockchain trial

Companies begin adopting blockchain & Ethereum transactions exceed 1M per day

2019

2021

Market cap of crypto assets reach over \$2T

One can gain exposure to digital assets directly through retail crypto exchanges, over-the-counter trusts or through private funds.

ETF's granting access have been filed, however are still under scrutinous review by the SEC with no clear timetable on approval.

## RETAIL EXCHANGES

- Not available through financial platforms
- No estate planning
- Self-storage / custody
- Subject to commissions and spreads
- 24/7 liquidity at spot prices

## OVER-THE-COUNTER TRUSTS

- Not recommended through financial platforms
- Grants the ability for estate planning
- Storage typically handled through fund manager
- Subject to higher fees and spreads
- Market liquidity with premiums/discounts

## PRIVATE FUNDS

- Financial platform availability varies
- Grants the ability for estate planning
- Typically lower fees / transact at NAV
- Liquidity may vary between private fund offerings
- Ongoing manager and ops due diligence

## MYTH

## REALITY

**Crypto assets are not secure and prone to digital theft or hacks**

*Passwords or digital wallets have the potential to be hacked – fund investor assets are typically custodied in cold storage (hardware not connected to the Internet)*

**Single-coin investments are the best way to maximize return**

Rapid innovation and evolution within digital assets makes it difficult to name a clear winner; Various crypto assets may provide unique benefits and characteristics.

**Crypto assets are expensive to trade**

Crypto CAN be expensive to trade, which makes professional trading through crypto funds valuable.

**Crypto assets are in a bubble**

There have been multiple price cycles since the inception of this asset class, each making higher highs and higher lows

**Crypto assets have no real-world use or cash flows, therefore no intrinsic value**

Crypto assets are driven by a medium of exchange that creates value in and of itself; Decentralized applications and DeFi protocol utilization lead to value creation. Cash flow is one element of the traditional valuation of a company stock, but not the only one. Some commodities and derivatives also lack cash flows, but have value.

TERM	DEFINITION
<b>Blockchain</b>	A growing list of records of transactions in digital assets, called blocks, that are linked together using cryptography. Each block contains a cryptographic hash of the previous block, a timestamp, and transaction data.
<b>Cryptocurrency</b>	A digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority.
<b>Crypto Mining</b>	Crypto mining is a process in which digital currencies utilize computing power from "miners" to verify transactions across their respective networks. Without computing power voluntarily offered by miners to validate transactions, these networks would run slow and inevitably fail. Miners are usually incentivized or "paid" with small amounts of cryptocurrency. These small amounts of cryptocurrencies paid out are newly minted coins, meaning that this process of validation and keeping the blockchain's integrity intact triggers the release of new coins into the total supply in circulation.
<b>Coin</b>	In terms of cryptocurrency, a coin is a digital token.
<b>DAO</b>	A Decentralized Autonomous Organization (DAO) is an open-source blockchain protocol governed by a group of individuals rather than one central authority figure. DAOs use smart contracts and governance tokens to enable participants to make consensus on how the organization's resources are allocated. The rules that the DAO creates are embedded into computer code that executes on its own based on the protocol. DAOs provide a transparent way for collaboration on blockchain projects.
<b>Defi</b>	DeFi is short for "decentralized finance". This is a broad term used for many instances of blockchain which intends to disrupt financial intermediaries. DeFi makes it possible for financial products to be open for anyone's use on a public decentralized blockchain network, eliminating the centralized structure that involves middlemen like brokerage firms or banks.

TERM	DEFINITION
<b>ICO</b>	<p>An Initial Coin Offering (ICO) is a type of crowdfunding method for blockchain projects. Some have compared this type of offering to an initial public offering, but instead for cryptocurrencies. During ICOs cryptographic coins (or tokens) are sold as a way to fund a specific project.</p>
<b>Proof of Stake</b>	<p>Proof of stake refers to second most common way in which a blockchain reaches consensus. This ensures only validated transactions are posted to the blockchain. Proof of stake acts quite differently from proof of work in that instead of competing to be the first to solve a math problem, individuals are selected to validate the blockchain based on how much crypto they own. Additionally, rather than receiving a reward for validating, the user simply receives a transaction fee for their efforts.</p>
<b>Proof of Work</b>	<p>Proof of work refers to one of the most common ways in which a blockchain reaches consensus. This ensures only validated transactions are posted to the blockchain. Proof of work requires virtual miners to expend large amounts of computer processing power and energy to solve very difficult math problems (known as cryptography). The first miner to solve this math problem is granted permission to validate the next transaction and post it to the blockchain. In return, the miner is rewarded with crypto.</p>
<b>Smart Contract</b>	<p>Simply stated, smart contracts are lines of coded business protocols stored on a blockchain. They are intended to execute automatically when involved contract participants meet their agreed upon terms and conditions. For example, smart contracts can be used in supply chain asset and product tracking systems. In this instance, smart contracts could potentially be used within each step of the supply chain providing full transparency and automation within each hand-off or step in the process.</p>
<b>Wallet</b>	<p>A wallet is used to store digital assets – can be a hard wallet maintained on a piece of hardware or a digital wallet maintained digitally</p>



**Investments in the Fund are speculative investments that involve high degrees of risk, including a partial or total loss of invested funds. There can be no assurance that the Fund will achieve its investment objective or return any capital. The interests in the Fund are not suitable for any investor that cannot afford loss of the entire investment and is not intended as a complete investment program. The interests in the Fund are not registered under the Securities Act of 1933 (the “Securities Act”), the Securities Exchange Act of 1934, the Investment Company Act of 1940, or any state or foreign securities laws, and are being offered in private placements pursuant to the exemption from registration provided by Rule 506 of Regulation D and/or Regulation S of the Securities Act and other similar exemptions in the laws of the states and jurisdictions where the offering will be made. As a result, interests in the Fund are restricted and subject to significant limitations on resales and transfers. Potential investors should have limited need for liquidity in their investment and should carefully consider the long-term nature of an investment in the Fund prior to making an investment decision. Interests in the Fund are not insured by the FDIC or any other governmental agency.**

This document does not constitute an offer of securities. An offering will be made, if it is made at all, by means of a private placement memorandum provided to appropriately qualified recipients on a confidential basis. That private placement memorandum may contain additional or different terms than those described above.

Any offering or solicitation will be made only to certain qualified investors who are “accredited investors” as defined under Regulation D of the Securities Act, and any investments by U.S. persons will only be permitted to potential investors who demonstrate that status. Investors in the Fund must have the financial ability, sophistication, experience and willingness to bear the risks of such investment.

Interests in the Fund are intended to reflect the price of the digital asset(s) held by the Fund (based on digital asset(s) per share), less fees, expenses and other liabilities. The Fund's fees and expenses, which may be substantial, will be paid using the Fund's assets, which will reduce the Fund's assets and the corresponding value of the respective investment. As a passively managed fund, the Fund will not be managed to avoid losses from the decline in value of its portfolio.

The trading prices of digital assets have experienced extreme volatility in their history (including in recent periods) and may continue to do so. Trading prices for the digital assets held by the Fund could experience steep declines in value and interests in the Fund could lose all or substantially all of their value. Due to the limited history of cryptocurrencies and the rapidly evolving nature of the cryptocurrency market, it is not possible to know all the risks involved in making an investment in cryptocurrencies, and new risks may emerge at any time. Cryptocurrencies have gained commercial acceptance only within the past decade and, as a result, there is little data on their long-term investment potential. Additionally, due to the rapidly evolving nature of the cryptocurrency market, including the development of new cryptocurrencies and advancements in the underlying technology, it is not possible to predict which cryptocurrencies will be included in the Index or Fund in the future. New cryptocurrencies or changes to existing cryptocurrencies may expose Fund investors to additional risks which are impossible to predict. This uncertainty makes an investment in the Fund very risky. The information above is not a complete list of the risks and other important factors to be considered in an investment in the Fund and is subject to the more complete disclosures in the private placement memorandum.

**The Bloomberg Barclays U.S. Aggregate Bond Index** measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

**The MSCI All-Country World Index (ACWI)** is a free float-adjusted, market-capitalization-weighted index designed to measure the performance of large- and mid-cap stocks across developed markets, and emerging markets.

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