



Investment Thesis

USD Yield

USDY

Product type

Dollar-denominated investment product providing access to potentially attractive income from the crypto lending ecosystem

Overview

The 21Shares USD Yield ETP provides exposure to potentially attractive income in the fast-growing digital asset lending ecosystem. This is effected by using the ETP's collateral (comprised of USDC) to generate income from the crypto lending ecosystem via overcollateralized loans. Generated income is added to the net asset value (NAV) of the product for the benefit of investors. Loans are overcollateralized and monitored daily to protect the ETP holders. The ETP provides simplified access to the potentially attractive income in the digital asset lending space. The lending agreements are executed through institutional-grade lending partners. With regards to portfolio allocation, USDY complements cash in a diversified portfolio to provide income with goals of principal preservation and daily liquidity.

Fundamentals

- Yield products of traditional finance now offer lower interest rates and higher risks.
- Income potentially generated through digital asset lending space offers higher yield than the investment grade short-term fixed income markets.
- USDC is a fully collateralized stablecoin, founded by Circle and supported by Coinbase, one of the largest crypto exchanges, and Bitmain, a Bitcoin mining company.

Key takeaways

- Generates income from the crypto lending ecosystem.
- Simple access to the fast-growing digital asset lending markets without directly managing loans or interacting with borrowers.
- The product is safeguarded against defaults by overcollateralization

Risk factors

The issuer may enter into lending arrangements whereby it lends the underlying to third parties to generate yield. A default by the borrower under such lending arrangements combined with a fall in the value of the collateral assets that the borrower has posted may result in the Issuer holding insufficient assets to meet its obligations in connection with redemptions of products and a corresponding fall in the value of an Investor's holding.

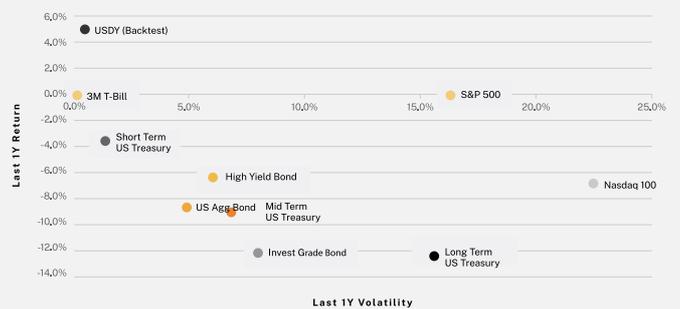
Figure 1:
Asset Class Correlation

| Correlation | SPY US Equity | QQQ US | BIL US | SHY US | IEF US | TLT US | AGG US | LQD US | HYG US Equity | ZBTUSD Currency | XETUSD | USDY |
|------------------------|---------------|--------|--------|--------|--------|--------|--------|--------|---------------|-----------------|--------|------|
| SPY US Equity | 1 | | | | | | | | | | | |
| QQQ US Equity | 0.93 | 1 | | | | | | | | | | |
| BIL US Equity | 0.12 | 0.1 | 1 | | | | | | | | | |
| SHY US Equity | 0.01 | 0.04 | 0.08 | 1 | | | | | | | | |
| IEF US Equity | -0.12 | -0.03 | 0.05 | 0.76 | 1 | | | | | | | |
| TLT US Equity | -0.12 | -0.02 | 0.1 | 0.53 | 0.91 | 1 | | | | | | |
| AGG US Equity | 0.05 | 0.13 | 0.1 | 0.77 | 0.96 | 0.9 | 1 | | | | | |
| LQD US Equity | 0.24 | 0.31 | 0.1 | 0.62 | 0.84 | 0.85 | 0.94 | 1 | | | | |
| HYG US Equity | 0.74 | 0.74 | 0.11 | 0.36 | 0.26 | 0.22 | 0.44 | 0.59 | 1 | | | |
| XBTUSD Currency | 0.37 | 0.4 | 0.06 | -0.02 | -0.08 | -0.04 | 0 | 0.08 | 0.28 | 1 | | |
| XETUSD Currency | 0.36 | 0.37 | -0.02 | -0.01 | -0.04 | -0.04 | 0.02 | 0.09 | 0.29 | 0.8 | 1 | |
| USDY | 0.01 | 0.01 | -0.05 | -0.05 | -0.06 | -0.08 | -0.06 | -0.08 | -0.04 | 0.05 | 0.05 | 1 |

Figure 2:
Asset Class Return-Risk Analysis

| As of 4.30.22 | USDY (Backtest) | S&P 500 | Nasdaq 100 | 3M T-Bill | Short Term | Mid Term | Long Term | US Agg Bond | Invest Grade Bond | High Yield Bond |
|-----------------------|-----------------|---------|------------|-----------|------------|----------|-----------|-------------|-------------------|-----------------|
| Year to date | 1.00% | -13.00% | -21.20% | -0.01% | -3.00% | -10.30% | -19.10% | -9.40% | -14.50% | -8.70% |
| Last 1Y Return | 5.00% | 0.00% | -6.90% | -0.10% | -3.60% | -9.00% | -12.50% | -8.60% | -12.20% | -6.40% |
| Last 1Y Vol | 0.50% | 16.30% | 22.50% | 0.20% | 1.40% | 6.80% | 15.60% | 4.90% | 8.00% | 6.10% |

Figure 3:
Asset Classes Return vs Risk



Data Source for All Figures:
Bloomberg, 21Shares

Disclaimer

This document is not an offer to sell or a solicitation of an offer to buy or subscribe for securities of 21Shares AG. Neither this document nor anything contained herein shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction. This document and the information contained herein are not for distribution in or into (directly or indirectly) the United States, Canada, Australia or Japan or any other jurisdiction in which the distribution or release would be unlawful. This document does not constitute an offer of securities for sale in or into the United States, Canada, Australia or Japan. The securities of 21Shares AG to which these materials relate have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will not be a public offering of securities in the United States. This document is only being distributed to and is only directed at: (i) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"); or (iv) persons who fall within Article 43(2) of the Order, including existing members and creditors of the Company or (v) any other persons to whom this document can be lawfully distributed in circumstances where section 21(1) of the FSMA does not apply. The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. In any EEA Member State (other than the Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Great Britain, Hungary, Ireland, Italy, Liechtenstein, Luxembourg, Malta, The Netherlands, Norway, Poland, Romania, Slovakia, Spain and Sweden) that has implemented the Prospectus Regulation (EU) 2017/1129, together with any applicable implementing measures in any Member State, the "Prospectus Regulation") this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation. Exclusively for potential investors in Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Great Britain, Hungary, Ireland, Italy, Liechtenstein, Luxembourg, Malta, The Netherlands, Norway, Poland, Romania, Slovakia, Spain and Sweden the 2021 Base Prospectus (EU) is made available on the Issuer's website under www.21Shares.com. The approval of the 2021 Base Prospectus (EU) should not be understood as an endorsement by the SFSA of the securities offered or admitted to trading on a regulated market. Eligible potential investors should read the 2021 Base Prospectus (EU) and the relevant Final Terms before making an investment decision in order to understand the potential risks associated with the decision to invest in the securities. You are about to purchase a product that is not simple and may be difficult to understand. This document constitutes advertisement within the meaning of the Swiss Financial Services Act (the "FinSA") and not a prospectus. In accordance with article 109 of the Swiss Financial Services Ordinance, the Base Prospectus dated 12 November 2021, as supplemented from time to time and the final terms for any product issued have been prepared in compliance with articles 652a and 1156 of the Swiss Code of Obligations, as such articles were in effect immediately prior to the entry into effect of the FinSA, and the Listing Rules of the SIX Swiss Exchange in their version in force as of January 1, 2020. Consequently, the Prospectus has not been and will not be reviewed or approved by a Swiss review body pursuant to article 51 of the FinSA, and does not comply with the disclosure requirements applicable to a prospectus approved by such a review body under the FinSA.