

BLOK

AMPLIFY TRANSFORMATIONAL
DATA SHARING ETF

The BLOK-Chain Monthly

Staying Up-to-date with the Rapidly Evolving
Blockchain and Crypto Ecosystem

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Sharing ETF (BLOK)

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THE MANDATE

The Amplify Transformational Data Sharing ETF (BLOK) is an actively managed fund, seeking to identify the leading companies focused on the transformation and development of the blockchain and cryptocurrency markets. The managers focus on how companies can capture the growth, innovation and disruption of the blockchain paradigm shift. The evolution of the internet has changed how people communicate. We believe growth companies that embrace blockchain evolution will capture secular growth trends that are accelerating and disrupting core processes in business. We think this is an important secular trend, as Gartner forecasts business value generated by the blockchain could be \$176 billion by 2025, and \$3.1 trillion by 2030.¹

TOP 10 HOLDINGS *As Of 6/30/2022*

Ticker	Company	% Weight
IBM	INTERNATIONAL BUSINESS MACHS C	5.77%
NA	CORE SCIENTIFIC CONV	5.44%
CME	CME GROUP INC	5.38%
ACN	ACCENTURE PLC	5.18%
8473 JP	SBI HOLDINGS INC	4.86%
OSTK	OVERSTOCK COM INC DEL	4.73%
9449 JP	GMO INTERNET INC	4.30%
SI	SILVERGATE CAP CORP	4.17%
MSTR	MICROSTRATEGY INC	3.64%
4819 JP	DIGITAL GARAGE	3.56%

Holdings and allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security.

JUNE MONTHLY HIGHLIGHTS

June price performance was negative 22.73%, which brings YTD performance to a decline of 55.92%. Note the fact that the price of bitcoin was also down about 40% in June. While BLOK is not meant to be a direct investment in bitcoin, there are alignments with the core mandate.

Crypto Winters are hard to stomach no matter how many storms an investor has bled through. However, with each passing storm, the asset class arguably gets more battle tested, and rebounds have historically been worth the ride. Nevertheless, there will be casualties to such volatility. Unfortunately, readers of this report will recognize that Voyager Digital, which filed for bankruptcy, was caught in this recent contagion. From a risk management perspective, readers should note that Voyager did not have direct balance sheet leverage. Voyager's issue was that it lent out \$660 million of its \$2 billion in assets to a single hedge fund named Three Arrow Capital (3AC), which itself was leveraged against those assets and also filed for bankruptcy.

We have always maintained a diversified approach to counterparty risk, but the recent contagion demonstrated that the ecosystem is still very small and vulnerable. In reviewing the exposure to Voyager, it should be noted that our last direct purchase in the stock was back in August 2021. At the time of the filing, the position was less than 30 basis points (0.30%). It was our understanding, based upon a recent private placement and public disclosures about a backstop deal from Alameda² that, despite its troubles, the company had a plan to avoid bankruptcy. Historically, bottoms are made with headlines about failing companies; aka Lehman, Long Term Capital and "the .com" period. We regret that, in this case, our conversations with Voyager Management weeks prior did not expose the concentrated exposure to 3AC.

¹ <https://www.gartner.com/en/doc/3855708-digital-disruption-profile-blockchains-radical-promise-spans-business-and-society#:~:text=Gartner%20forecasts%20that%20the%20business,and%20%243.1%20trillion%20by%202030.>

² <https://www.prnewswire.com/news-releases/voyager-digital-provides-market-update-301572971.html>

MINING OVERVIEW EXPOSURE

In June, we took a hard look at our exposure to the stocks in the Crypto mining category. This involves multiple visits to the RIOT Blockchain facility and a visit to the new Argo facility in Dickens County. Both RIOT and Argo are taking a leadership position in the technology innovation called Immersion. Immersion is extremely quiet and more efficient in terms of bitcoin mining optimization than the traditional manner. (See below for an inside look at the new Helios facility and take a listen³ to Argo's machines at work).

The stocks in the mining category are down in market value in the range of 84-92% from their all-time highs. Bitcoin cannot exist without these companies, so they are an essential part of our pick-and-shovel strategy. They are also highly correlated with the price action of bitcoin with good reason. The position in the group is at the low end of the historical exposure, at about 16.4%, and this also includes a 10% Senior Convertible Note that we hold from Core Scientific. We have taken profits along the way in the group, which was around 34% of the portfolio at its peak.

We believe that the original Whitepaper written by Satoshi will continue to make the cycles for bitcoin miners a thriving, moat-like business. As a reminder, the incentive structure behind the formula rewards miners for protecting the security of the system and making sure it works efficiently. When the price of bitcoin goes below a certain level, not all miners can operate profitably. Therefore, miners who have weak capital structures go offline, and this contraction of capacity leads to greater productivity for the larger miners. We believe that level is around \$15,000 to \$20,000, but certain companies have also taken prudent steps to strengthen their balance sheets through the monetization of their bitcoin or Ethereum holdings. As an example, Core Scientific, which produces about 1,000 bitcoin a month, recently raised \$167 million by selling 7,200 bitcoin. Other companies in the portfolio, such as RIOT Blockchain, HUT 8 and HIVE are positioned with net cash positions and are looking to buy equipment (hash power) on the cheap into this weakness. Bitfarms recently reduced its debt through the sale of 3,000 bitcoin. Equipment prices have declined dramatically similar to the decline in bitcoin, which is no surprise.



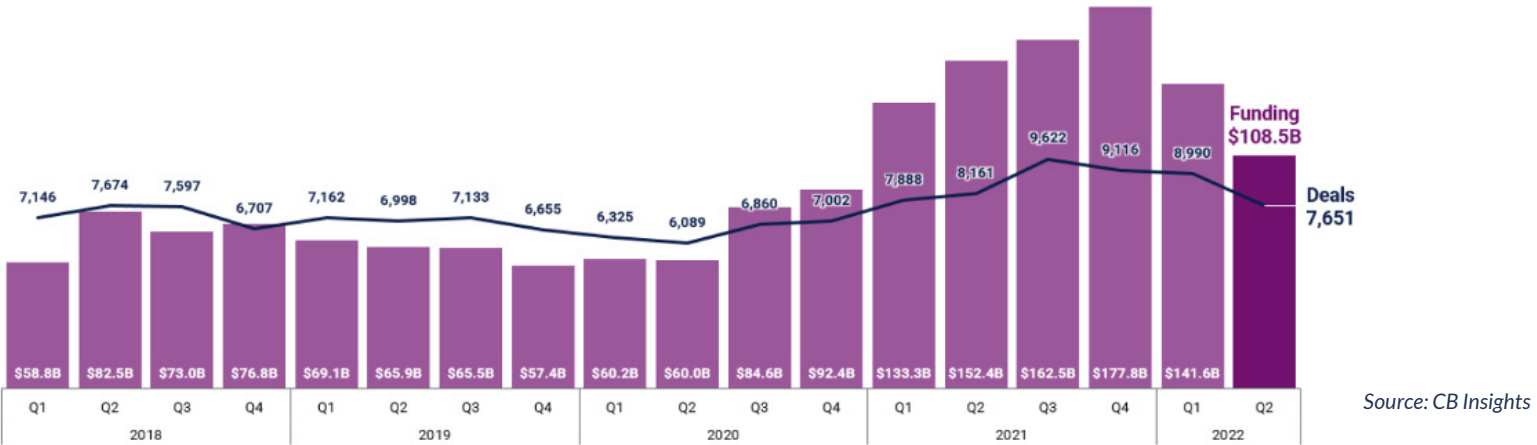
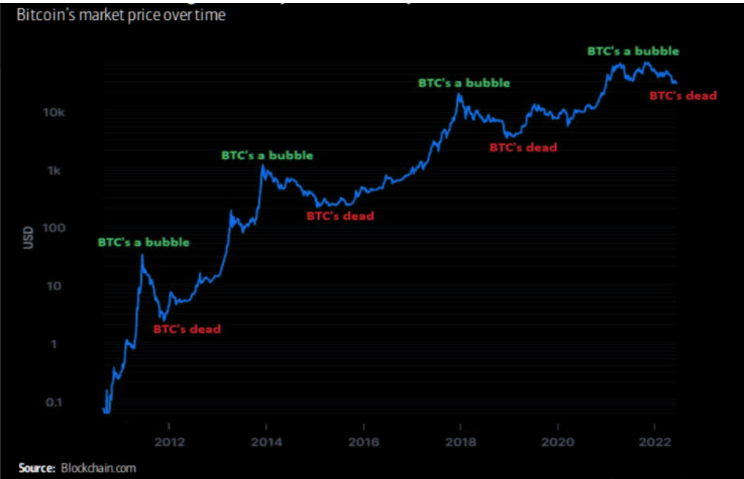
3 <https://twitter.com/ETFPprofessor/status/1535239314199699456?s=20&t=Q9MLEqi2lkWekXiLiVnqkg>

Business execution has not all been the same, and most miners have proven to be overly zealous in their plans to build out facility capacity. To that point, as an example, Marathon Digital Holdings has almost 199,000 bitcoin miners in storage and on order, and leverage of about \$650 million in a 1% Senior Convertible 2026 debt. Marathon was smart in tapping the debt markets with a 1% coupon last year. Fortunately, they also have 10,055 bitcoin. Argo Blockchain also has public debt outstanding, but with its new facility just coming online and a coupon of 8.25%, we think this debt has held up better.

SECOND QUARTER HIGHLIGHTS

Global venture capital investment may have finally peaked in this second quarter of 2022. Funding raised of \$108.5 billion across 7,651 deals was down sequentially quarter over quarter by 23% in terms of dollar value, but still remains above 2020 levels⁴. The burst of a financial bubble can be clear in hindsight, but similarly so should the continued innovation that comes as a by-product that flows from such excess liquidity. The question therefore is not whether innovation and disruption will come, but what business trends will be driven by the next leg up. We would also expect that the rationalization of capital investment today will also come with more reasonable multiples and timeframes to both monetization and positive cash flows. Meaning, these are good times to be investing in the future if you are taking a long-term view.

Bitcoin bubble (As of June 19th, 2022)



Q2'22 funding drops by 23.4% QoQ, deal activity slows

Experienced investors will recall the opportunities that followed situations like Bear Stearns and Lehman Brothers in 2008, and even Long-Term Capital in 1998. Greed and leverage will always be part of the financial system and the process of deleveraging to find financial equilibrium will always be a painful process. However, looking past recent negative headlines, there are some signs of stability in the overall markets as well as in bitcoin. Specifically, we believe that that speculation and leverage from the crypto trading platforms is at the tail end, and regulation will create a pathway for further adoption⁵.

4 https://www.cbinsights.com/research/report/venture-trends-report-q2-2022-preview/?utm_source=CB+Insights+Newsletter&utm_medium=email&utm_campaign=newsletter_general_sat_2022_07_08&utm_term=block-1&utm_content=research-public

5 <https://www.reuters.com/markets/us/feds-brainard-urges-swift-action-regulating-cryptocurrencies-2022-07-08/>

THE CRYSTAL BALL AND MANAGING RISK

Investors should note that some of our larger positions are less pure plays. IBM⁶ and Accenture⁷ are two examples of companies that we have been along since the inception of the fund. As leading technology companies providing private blockchain solutions, we use such positions to play defense when things are difficult, but make no mistake about it. As you will read from their websites, they have true strategic strategies to capitalize and drive growth for their shareholders from the blockchain.

A BOTTOM?

Looking past the negative headlines of Tera Luna, Celsius, 3AC and Voyager, we see evidence that we are in the later innings of the leverage unwind and liquidation cycle. Most mining companies have deleveraged. Celsius appears to be making progress with managing its deleveraging process, including the payment of \$500 million⁸. Also, we would expect regulatory progress to be announced in August as per plans by the Biden Administration to release a published mining report about the energy use of bitcoin mining. We have long believed that a standardization around ESG metrics and bitcoin mining⁹ would be a net positive. We believe that the utility grid is stronger as a result of the bitcoin mining and negotiated curtailments by large mining firms like RIOT and Core Scientific.

EDUCATION

For those who just want to get educated on the Blockchain, here are some links:

- The Truth About Crypto by Ric Edelman: <https://www.amazon.com/Truth-About-Crypto-Easy-Understand-ebook/dp/B09JPFTPH9>
- Galaxy Digital Research: <https://www.galaxydigital.io/research.html>
- Bernard Marr & Co: <https://bernardmarr.com/35-amazing-real-world-examples-of-how-blockchain-is-changing-our-world/>
- Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System <https://bitcoin.org/bitcoin.pdf>

SUMMARY

The fundamental utility value of blockchain has not changed despite the bitcoin price decline and the crypto markets contagion. We regret the Voyager exposure held in the fund, but the strategy of disciplined position sizing and portfolio diversification minimized the impact. We would also point out that Voyager's bankruptcy was not about the company specifically being leveraged, but about a bad risk management decision on concentrated counterparty exposure. The early adoption of the blockchain across industries is expected to continue, but such disruption and change will continue to be volatile. In this first half of 2022, this volatility went against us as liquidity was pulled out of broad markets. Volatility, of course, cuts both ways! We do not own bitcoin directly, but expect that better days will follow in the price action which will provide evidence of more adoption.

The fund declined 22.73% in June and negative 55.92% YTD performance is also a result of a broad decline in growth stocks and negative headlines around crypto price action. Nevertheless, we continue to expect that blockchain innovation will continue to be funded by the need for change and the opportunity that the technology will make things better.

6 <https://www.ibm.com/blockchain/services>

7 <https://www.accenture.com/us-en/services/blockchain-index>

8 <https://www.coindesk.com/markets/2022/07/07/celsius-sends-500m-of-bitcoin-derivative-to-crypto-exchange-after-debt-payoff/>

9 <https://news.bloomberglaw.com/environment-and-energy/crypto-miners-energy-climate-costs-draw-white-house-scrutiny>

BLOK PERFORMANCE

Quarter end as of 6/30/2022	Cumulative (%)					Annualized (%)		
	1 Mo.	3 Mo.	6 Mo.	YTD	Since Inception	1 Yr.	3 Yr.	Since Inception
Fund NAV	-21.45%	-46.73%	-54.60%	-54.60%	9.41%	-56.34%	5.59%	2.04%
Closing Price	-21.38%	-46.97%	-54.87%	-54.87%	9.10%	-56.52%	5.59%	1.97%

Fund inception date: (1/17/2018). The performance data quoted represents past performance. Past performance does not guarantee future results.

The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. For performance data current to the most recent month-end please call 855-267-3837 or visit [BLOKETE.com](https://www.blokete.com). Brokerage commissions will reduce returns. BLOK's gross expense ratio is 0.71%.

APPENDIX A: Monthly Detailed Performance Contribution Chart For period 5/31/22 - 6/30/22

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
AMPLIFY TRANSFORMATIONAL DATA SHARING ETF	100.00	-22.73	-22.73
Information Technology	52.03	-24.03	-12.70
INTL BUSINESS MACHINES CORP	5.36	1.69	0.09
GMO INTERNET INC	4.75	-12.63	-0.66
ACCENTURE PLC-CL A	4.43	-6.97	-0.27
DIGITAL GARAGE INC	4.28	-10.08	-0.42
MICROSTRATEGY INC-CL A	4.13	-37.93	-1.77
BLOCK INC	2.47	-29.77	-0.86
HIVE BLOCKCHAIN TECHNOLOGIES	2.37	-31.73	-0.81
RIOT BLOCKCHAIN INC	2.10	-41.72	-1.00
ARGO BLOCKCHAIN PLC	2.02	-37.88	-0.88
BITFARMS LTD/CANADA	2.00	-44.40	-1.01
PAYPAL HOLDINGS INC	1.95	-18.04	-0.34
HUT 8 MINING CORP	1.93	-47.82	-1.10
MARATHON DIGITAL HOLDINGS IN	1.79	-47.80	-1.00
TAIWAN SEMICONDUCTOR-SP ADR	1.66	-13.75	-0.22
COMPOSECURE INC	1.46	-31.67	-0.50
MASTERCARD INC - A	1.43	-11.85	-0.16
CANAAN INC	1.41	-13.90	-0.19
ADVANCED MICRO DEVICES	1.36	-24.93	-0.34
VISA INC-CLASS A SHARES	1.32	-7.20	-0.09
NVIDIA CORP	1.27	-18.80	-0.23
INTEL CORP	1.24	-15.78	-0.18
CORE SCIENTIFIC INC	0.53	-57.79	-0.40
STRONGHOLD DIGITAL MINING-A	0.43	-48.61	-0.27
BIGG DIGITAL ASSETS INC	0.33	-22.36	-0.07
Financials	32.60	-21.42	-6.92
CME GROUP INC	5.56	3.47	0.19
SBI HOLDINGS INC	4.59	-3.92	-0.16
SILVERGATE CAPITAL CORP-CL A	4.57	-31.81	-1.55
COINBASE GLOBAL INC -CLASS A	3.13	-39.80	-1.36

APPENDIX A: Monthly Detailed Performance Contribution Chart *For period 5/31/22 - 6/30/22*

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
GALAXY DIGITAL HOLDINGS LTD	2.69	-41.74	-1.24
WISDOMTREE INVESTMENTS INC	2.47	-14.79	-0.35
VONTOBEL HOLDING AG-REG	1.78	-9.93	-0.16
SIGNATURE BANK	1.76	-17.14	-0.30
CUSTOMERS BANCORP INC	1.68	-17.92	-0.27
NEW YORK COMMUNITY BANCORP	1.35	-8.52	-0.10
MOGO INC	1.02	-38.21	-0.45
ROBINHOOD MARKETS INC - A	0.77	-18.29	-0.14
VOYAGER DIGITAL LTD	0.73	-83.37	-1.02
NU HOLDINGS LTD/CAYMAN ISL-A	0.49	-1.84	-0.01
Consumer Discretionary	5.33	-19.36	-0.98
OVERSTOCK.COM INC	4.85	-19.30	-0.88
RAKUTEN GROUP INC	0.48	-19.95	-0.10
Not Classified	5.29	-32.82	-1.87
PURPOSE BITCOIN ETF	1.83	-40.41	-0.86
3IQ COINSHARES BITCOIN ETF	1.73	-40.41	-0.85
INVESCO GVT & AGNCY-INST	0.75	0.08	0.00
NOCTURNE ACQUISITION CORP	0.72	-6.34	-0.04
BITCOIN ETF-USD	0.26	-40.34	-0.12
CHINA RENMINBI	0.00	-0.47	0.00
Communication Services	4.47	-5.98	-0.24
Z HOLDINGS CORP	2.85	-11.92	-0.33
ROBLOX CORP -CLASS A	1.37	9.75	0.13
META PLATFORMS INC-CLASS A	0.25	-16.73	-0.04
Energy	0.29	-3.73	-0.02
TEXAS PACIFIC LAND CORP	0.29	-3.73	-0.02

Holdings and allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security.



Carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and additional information can be found in Amplify Funds statutory and summary prospectus, which may be obtained above or by calling 855-267-3837, or by visiting AmplifyETFs.com. Read the prospectus carefully before investing.

Click [HERE](#) for BLOK's top 10 holdings.

Click [HERE](#) for BLOK's prospectus.

Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. The Fund's return may not match or achieve a high degree of correlation with the return of the underlying Index.

The Fund is subject to management risk because it is actively managed. Narrowly focused investments typically exhibit higher volatility. A portfolio concentrated in a single industry, such as companies actively engaged in blockchain technology, makes it vulnerable to factors affecting the companies. The Fund may face more risks than if it were diversified broadly over numerous industries or sectors. Blockchain technology may never develop optimized transactional pro-

cesses that lead to realized economic returns for any company in which the Fund invests.

The Fund invests at least 80% of the Fund's net assets in equity securities of companies actively involved in the development and utilization of blockchain technologies. Such investments may be subject to the following risks: the technology is new and many of its uses may be untested; theft, loss or destruction; competing platforms and technologies; cybersecurity incidents; developmental risk; lack of liquid markets; possible manipulation of blockchain-based assets; lack of regulation; third party product defects or vulnerabilities; reliance on the Internet; and line of business risk. The investable universe may include companies that partner with or invest in other companies that are engaged in transformational data sharing or companies that participate in blockchain industry consortiums. The Fund will invest in the securities of foreign companies. Securities issued by foreign companies present risks beyond those of securities of U.S. issuers.

The Fund may have exposure to cryptocurrencies such as bitcoin indirectly through investment funds, including through an investment in the Bitcoin Investment Trust ("GBTC"), a privately offered, open-end investment vehicle. Even when held indirectly, investment vehicles like GBTC may be affected by the high volatility associated with cryptocurrency exposure. Holding a privately offered investment vehicle

in its portfolio may cause the Fund to trade at a premium or discount to NAV. Many significant aspects of the U.S. federal income tax treatment of investments in cryptocurrencies are uncertain and such investments, even indirectly, may produce non-qualifying income for purposes of the favorable U.S. federal income tax treatment generally accorded to regulated investment companies.

Amplify Investments LLC is the Investment Adviser to the Fund, and Toroso Investments, LLC serves as the Investment Sub-Adviser.

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QUESTIONS?

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