BLOK

AMPLIFY TRANSFORMATIONAL DATA SHARING ETF

# The BLOK-Chain Monthly

December 2022

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

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Amplify ETFs

## 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 11/30/2022*

| Ticker | Company | % Weight |
|---|---|---|
| IBM | INTERN'L BUSINESS MACHS | 6.52% |
| ACN | ACCENTURE PLC IRELAND | 6.02% |
| OSTK | OVERSTOCK COM INC DEL | 5.39% |
| 8473 JP | SBI HOLDINGS INC | 5.05% |
| 9449 JP | GMO INTERNET GROUP | 4.93% |
| MSTR | MICROSTRATEGY INC | 4.71% |
| CME | CME GROUP INC | 4.46% |
| SQ | BLOCK INC | 3.64% |
| 4819 JP | DIGITAL GARAGE | 3.45% |
| COIN | COINBASE GLOBAL INC | 2.86% |

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

## NOVEMBER MONTHLY HIGHLIGHTS

Year to date, the fund is down 57.62%, which includes a decline of 8.43% in November. There have been few places for investors to hide in Fintech, Blockchain, and Digital Assets/crypto, but there can be no question that disruption, while not always neat, creates opportunity.

We are not going to dwell in this report about the events related to the FTX fraud. We, like everyone else, are disgusted by the unlawful actions that took place, and cannot add much to the twisted tale of Sam Bankman-Fried (aka SBF) further than what the media and SBF himself continue to share. More importantly, our investors should know that during the month, we had multiple follow-up due diligence conversations with company managements and third parties regarding the risks of contagion. We would also like to point out that the inherent value proposition offered by the concept of blockchain is centered around how cryptology works to the benefit of a trustless society through automation and the purity of math.

## EXPECTATIONS FOR 2023:

- We expect that regulation will accelerate in the digital industry. To some degree, the good news is that the blockchain technology allows for greater transparency in most cases; certainly for Bitcoin and Ethereum. Moreover, politicians through Congress will no longer allow the SEC and CFTC to remain on the sidelines. We believe this is a net positive since clarity in 2023 will create a framework for companies, entrepreneurs, and investors to know how to operate. Could this accelerate the final rule from FASB on how companies can account for Bitcoin/crypto at fair value rather than the lowest cost price? (Marcum explains[2])
- Weak companies with real solutions may file for bankruptcy because they were dependent on coin economics, but that does not mean they won't be recapitalized or bought by other companies at realistic valuations. We remain confident that venture capital is still capable of capitalizing on the long-term opportunity of blockchain. As a reminder overall, according to Pitchbook, while venture capital (VC) investment activity was down to $4.7 billion across 153 deals (previously $6.9 billion across 244 deals in the second quarter), it still feels healthy to us, especially in light of more reasonable valuations and breakeven levels[3].
- Survivors will be thrivers! Even crypto skeptics agree that while funding sources are in a bear market, blockchain technology and digital assets are here to stay. This means that while much has to be written off to zero, what survives will have tremendous potential to change different industries - healthcare, finance, gaming and media to name a few. We are very excited by the prospects of capitalizing on this long-term opportunity.
- Established companies like Bank of America, Amazon, Visa, Mastercard and Google have invested in large projects and companies in the blockchain technology. The fact is that funding for good projects that solve real problems will be available for companies, if only because smart CEOs fear the risk of not embracing the next wave like the internet or cloud.

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.marcumllp.com/insights/fasb-recommends-new-cryptocurrency-accounting-method-with-significant-impact-on-corporate-reporting

3 https://www.reuters.com/technology/venture-capitalists-flock-blockchain-firms-third-quarter-pitchbook-2022-11-29/

## 13.03% BLOCKCHAIN APPLICATION CATEGORY: ADDED CISCO AND SPLUNK

Readers of this report will note that we recently segmented companies in our investment category in the transactional category by isolating those companies that provide blockchain applications. The thesis behind the use of blockchain applications to solve supply chain issues over traditional database and AI solutions is that such different technologies are useful for vendors to interact with a platform while still maintaining control over their own data and relative anonymity.

In November, we increased exposure to the blockchain application category with the addition of 1% exposure to both Cisco Systems and Splunk. Cisco Systems, a company known for building network infrastructure, has made progress with its internal blockchain strategy and now appears to be expanding its efforts broadly as part of its supply chain solution. Splunk Inc (SPLK) is a cyber software and cloud provider, best known as a solution provider that is embedded in the infrastructure of cyber security and networking. It is, therefore, logical and not surprising, that both are getting more involved with Blockchain as an effort to support their client needs.

Splunk has a blockchain solution that helps programmers validate and keep track of blockchains. The company provides an application that tracks blockchain protocols. The fact is that while blockchains are transparent, systematizing a process to track the process and math requires expertise. It is one thing to say that a "smart contract" has been established, and it is another thing to make sure the system is operating correctly. TRUST AND VERIFY! Those interested in drilling deeper should listen to the Grey's Academy 301 Blockchain, DLT and Splunk Podcast.

The 13.03% weighting across 8 companies categorized as blockchain applications include: Roblox (RBLX), Composecure (CMPO), Silvergate Capital (SI), Customers Bancorp, Signature Bank (SBNY) and New York Community Bank (NYCB).

## EDUCATION

For those who just want to get educated about blockchain regulations, here are some links:

- Insights about FTX:
  - an interview with Changpeng Zhao (CZ), CEO of Binance, at the UAE at the Milken Institute https://milkeninstitute.org/video/changpeng-zhao-binance-ceo
  - a podcast with Kraken CEO, Jesse Powell and Kevin Zhou https://youtu.be/QG6dM58wtz8
- Exchange disclosures make progress with Proof of Reserves (https://coinmarketcap.com/exchanges/binance/), but "self-regulations" on Twitter by Jesse Powell and the community leads to a direct challenge. A balance sheet must have Assets and Liabilities to provide an accurate picture (https://bit.ly/3Hxqc1c).
- Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System https://bitcoin.org/bitcoin.pdf

## SUMMARY

In November, the fund was down 8.43%, which brings YTD performance to -57.62%. In 2022, there were few places to hide in blockchain, Fintech, and digital assets. In November, we added to the blockchain application category by investing 2% in Cisco Systems and Splunk. This brings the category to over 13.03%, just behind Venture at 13.60% and Private Blockchain at 15.44%. Transactional remains the largest category, at about 25.65%. It is evident that many small companies which had substantial market caps just over a year ago will not survive, but out of the carnage will likely come opportunity. IBM's recent announcement of its acquisition of Octo establishes one of the largest digital transformation partners to the federal government.4 IBM is no longer your grandfather's technology company, but we will enjoy the 4.5% dividend. We believe many substantial companies – Visa, Google, and Mastercard, to name just a few – have invested substantial portfolios in early stage blockchain projects and companies. We continue to believe that the blockchain technological evolution is at an early stage of disruption and that the winning companies will cause many industries to do business differently. For this reason, we are very excited about 2023 and beyond.

4 https://www.prnewswire.com/news-releases/ibm-to-acquire-octo-301697587.html

## BLOK PERFORMANCE

| | Cumulative (%) | | | | | Annualized (%) | | |
|---|---|---|---|---|---|---|---|---|
| **Month end as of 11/30/2022** | **1 Mo.** | **3 Mo.** | **6 Mo.** | **YTD** | **Since Inception** | **1 Yr.** | **3 Yr.** | **Since Inception** |
| Fund NAV | -8.43% | -18.98% | -26.67% | -57.62% | 2.14% | -64.94% | 2.31% | 0.43% |
| Closing Price | -10.99% | -18.77% | -26.63% | -57.88% | 1.81% | -65.00% | 2.27% | 0.37% |
| **Quarter end as of 9/30/2022** | **1 Mo.** | **3 Mo.** | **6 Mo.** | **YTD** | **Since Inception** | **1 Yr.** | **3 Yr.** | **Since Inception** |
| Fund NAV | -11.60% | 1.85% | -45.75% | -53.76% | 11.43% | -52.81% | 7.06% | 2.33% |
| Closing Price | -11.19% | 2.04% | -45.89% | -53.95% | 11.32% | -52.63% | 7.01% | 2.31% |

***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 BLOKETF.com. Brokerage commissions will reduce returns. BLOK's gross expense ratio is 0.71%.***

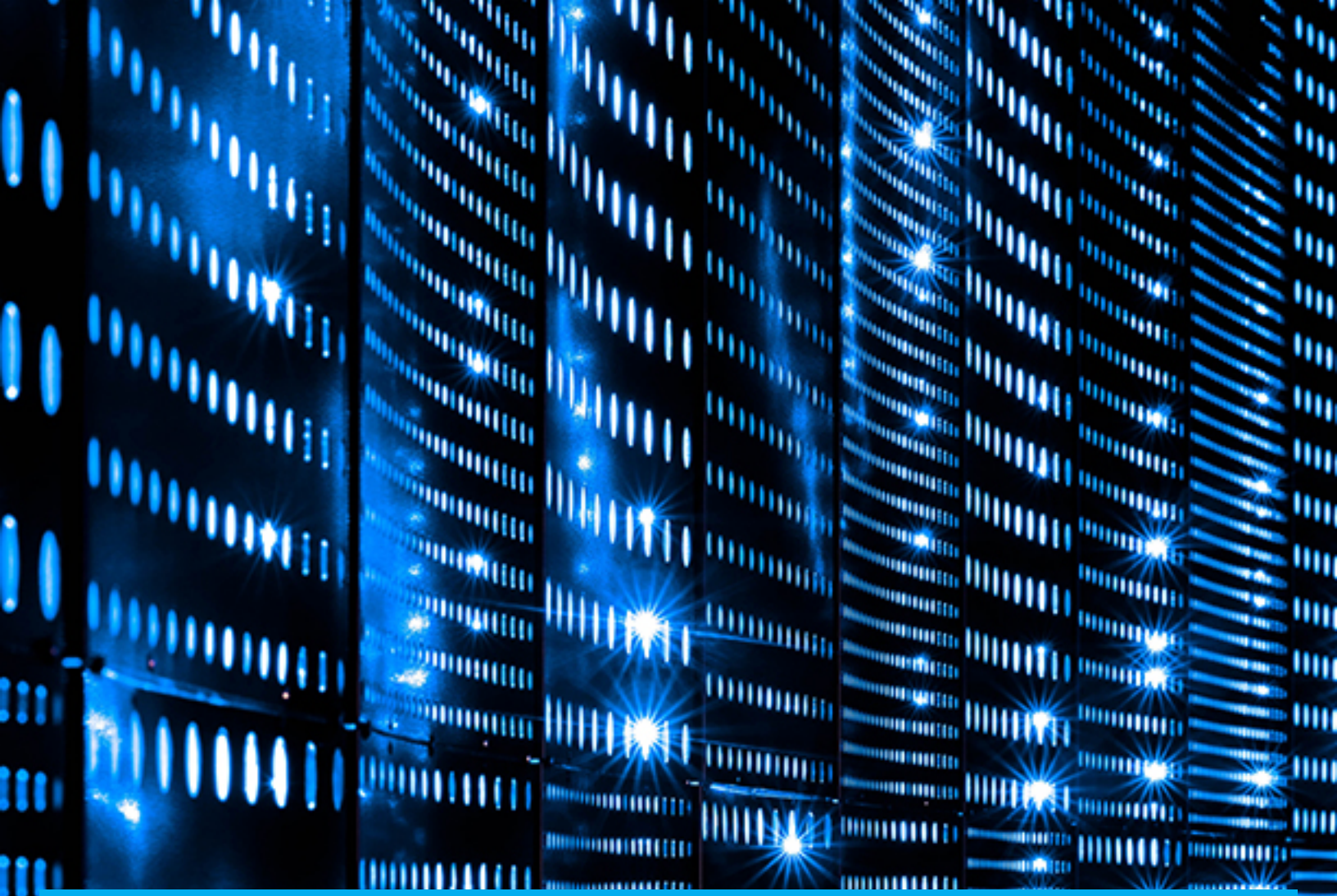
## **APPENDIX A:** Monthly Detailed Performance Contribution Chart *For period 10/31/22 - 11/30/2022*

| | Average Weight (%) | Total Return (%) | Contribution to Return (%) |
|---|---|---|---|
| **AMPLIFY TRANSFORMATIONAL DATA SHARING ETF** | | | |
| **Information Technology** | **53.33** | **-7.92** | **-4.12** |
| INTL BUSINESS MACHINES CORP | 6.38 | 8.97 | 0.53 |
| ACCENTURE PLC-CL A | 5.76 | 6.00 | 0.36 |
| GMO INTERNET GROUP INC | 4.97 | 5.02 | 0.21 |
| MICROSTRATEGY INC-CL A | 4.77 | -25.95 | -1.55 |
| BLOCK INC | 3.47 | 12.82 | 0.41 |
| DIGITAL GARAGE INC | 3.27 | 19.49 | 0.53 |
| MARATHON DIGITAL HOLDINGS IN | 2.41 | -51.79 | -1.75 |
| PAYPAL HOLDINGS INC | 2.38 | -6.19 | -0.14 |
| RIOT BLOCKCHAIN INC | 2.29 | -32.51 | -0.93 |
| HUT 8 MINING CORP | 2.26 | -47.04 | -1.50 |
| HIVE BLOCKCHAIN TECHNOLOGIES | 1.95 | -32.74 | -0.77 |
| MASTERCARD INC - A | 1.72 | 8.60 | 0.14 |
| VISA INC-CLASS A SHARES | 1.56 | 4.99 | 0.08 |
| COMPOSECURE INC | 1.43 | -6.18 | -0.08 |
| ORACLE CORP | 1.38 | 6.35 | 0.09 |
| CANAAN INC | 1.31 | -10.34 | -0.14 |
| TAIWAN SEMICONDUCTOR-SP ADR | 1.27 | 34.82 | 0.36 |
| ADVANCED MICRO DEVICES | 1.19 | 29.25 | 0.29 |
| BITFARMS LTD/CANADA | 1.11 | -38.53 | -0.53 |
| INTEL CORP | 1.05 | 7.14 | 0.07 |
| NVIDIA CORP | 0.48 | 20.97 | 0.23 |
| CISCO SYSTEMS INC | 0.40 | 4.04 | 0.04 |
| BIGG DIGITAL ASSETS INC | 0.26 | -19.18 | -0.05 |
| SPLUNK INC | 0.23 | -0.84 | -0.01 |
| ARGO BLOCKCHAIN PLC | 0.01 | -0.52 | 0.00 |
| CORE SCIENTIFIC INC | 0.01 | -16.40 | -0.01 |
| **Financials** | **29.91** | **-14.21** | **-4.36** |
| SBI HOLDINGS INC | 5.04 | 3.74 | 0.17 |
| CME GROUP INC | 4.46 | 1.85 | 0.08 |
| COINBASE GLOBAL INC -CLASS A | 3.23 | -30.97 | -1.21 |
| WISDOMTREE INC | 2.67 | 3.17 | 0.10 |
| SILVERGATE CAPITAL CORP-CL A | 2.66 | -51.67 | -1.96 |
| CUSTOMERS BANCORP INC | 2.51 | -4.21 | -0.10 |
| GALAXY DIGITAL HOLDINGS LTD | 2.27 | -34.57 | -0.89 |
| NEW YORK COMMUNITY BANCORP | 1.59 | 2.35 | 0.04 |
| SIGNATURE BANK | 1.48 | -12.00 | -0.18 |
| VONTOBEL HOLDING AG-REG | 1.22 | 8.53 | 0.09 |
| ROBINHOOD MARKETS INC - A | 1.09 | -17.89 | -0.21 |

## **APPENDIX A:** Monthly Detailed Performance Contribution Chart *For period 10/31/22 - 11/30/2022*

| | Average Weight (%) | Total Return (%) | Contribution to Return (%) |
|---|---|---|---|
| NU HOLDINGS LTD/CAYMAN ISL-A | 0.94 | -11.00 | -0.08 |
| MOGO INC | 0.75 | -24.51 | -0.21 |
| **Consumer Discretionary** | **4.92** | **14.49** | **0.70** |
| OVERSTOCK.COM INC | 4.92 | 14.49 | 0.70 |
| **Communication Services** | **3.86** | **-13.58** | **-0.57** |
| Z HOLDINGS CORP | 1.98 | 3.44 | 0.07 |
| ROBLOX CORP -CLASS A | 1.84 | -28.99 | -0.64 |
| META PLATFORMS INC-CLASS A | 0.03 | 3.82 | 0.01 |
| **Consumer Staples** | **1.44** | **7.09** | **0.10** |
| WALMART INC | 1.44 | 7.09 | 0.10 |
| **Energy** | **0.57** | **12.53** | **0.06** |
| TEXAS PACIFIC LAND CORP | 0.57 | 12.53 | 0.06 |
| **Not Classified** | **5.97** | **-16.68** | **-1.09** |
| INVESCO GVT & AGNCY-INST | 1.93 | 0.30 | 0.01 |
| PURPOSE BITCOIN ETF | 1.53 | -15.65 | -0.26 |
| 3IQ COINSHARES BITCOIN ETF | 1.42 | -42.76 | -0.74 |
| NOCTURNE ACQUISITION CORP | 0.87 | -5.57 | -0.05 |
| BITCOIN ETF-USD | 0.21 | -16.89 | -0.04 |
| US DOLLAR | 0.01 | 0.00 | 0.00 |
| CHINA RENMINBI | 0.00 | 2.62 | 0.00 |

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 processes 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.

Amplify ETFs are distributed by Foreside Fund Services, LLC.

Amplify ETFs

***QUESTIONS?***

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