

MAY 2023

# The BLOK-Chain Monthly

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

By Dan Weiskopf and Mike Venuto, Co-Portfolio Managers  
of the Amplify Transformational Data Sharing ETF (BLOK)

## 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<sup>1</sup>.

## TOP 10 HOLDINGS *(as of 04/30/2023)*

TICKER	COMPANY	% WT.
MSTR	MICROSTRATEGY INC	5.41%
RIOT	RIOT PLATFORMS INC	4.87%
9449 JP	GMO INTERNET GROUP	4.58%
ACN	ACCENTURE PLC IRELAND	3.79%
GLXY.CN	GALAXY DIGITAL	3.76%
MARA	MARATHON DIGITAL	3.76%
8473 JP	SBI HOLDINGS INC	3.62%
4819 JP	DIGITAL GARAGE	3.56%
OSTK	OVERSTOCK COM INC	3.52%
COIN	COINBASE GLOBAL INC	3.47%

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

## APRIL MONTHLY

The Fund increased 2.77% in April and is up 30.40% YTD in 2023. While we are pleased to be writing about such strong performance at the start of the year, we are even more optimistic about the long-term future of the companies we are invested in. We are pleased to be delivering such strong performance at the start of the year, despite the banking crisis headlines, economic uncertainty, and the newness of the technology and digital asset value. This performance came as we strategically increased the portfolio's net exposure to the Bitcoin Miners (22%), a category which has a very high correlation to Bitcoin.

## APRIL PORTFOLIO TRANSACTIONS

The activity in April was higher than in typical months. Our process requires us to trim positions and take profits when they exceed a certain threshold. This was the case for MicroStrategy (MSTR) and RIOT Platforms (RIOT), which at the conclusion of April were still our top two positions. Since, by design, Bitcoin serves as a natural hedge to a banking crisis, we then offset these sales by increasing exposure in both Cleanspark (CLSK) and Bitfarms Ltd (BITF). During the month we also increased exposure to the Semiconductor industry through additional purchases in Advanced Micro Devices (AMD) and Taiwan Semiconductor Manufacturing (TSM). Paypal (PYPL), Nu Holdings (NU), and Splunk (SPLK) were also increased during the month. The portfolio's exposure to the banking sector is very small, at about 3%. We believe the banking sector will ultimately be meaningfully changed by digital assets and blockchain, but these are not times to be overweighted. Nevertheless, we took a victory lap on New York Community Bancorp (NYCB), which ended up striking a sweetheart deal with the FDIC for Signature Bank deposits. We added DBS Group to the portfolio after the sale of NYCB, and on a net basis, reduced the banking sector exposure by about 100 BPs (1.0%).\* Buying DBS Group also diversified the portfolio into Singapore, where bank regulation is friendlier towards digital assets. DBS's CEO, Piyusha Gupta, is very forward thinking towards Blockchain, digital assets, and Web3 technologies in general (Piyush Gupta How Web3 technologies will shape finance in 2023).<sup>2</sup> We would also highlight that while this is a trade blotter of the actions taken in the portfolio during the month, we also were very active on the due diligence front by adding companies to the proprietary database.

## REFLECTIONS FROM THE WISE

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We have been mostly pleased by the financial results reported by the companies in the portfolio during this first quarter, but recognize that the near term growth outlook of companies today is fuzzy and challenging. The good news on this front is that growth is looking cheaper today than in years past, which is a nice setup for upside surprise in operating metrics and will leave room for multiple expansions. Moreover, we expect that management teams who will remain focused on their core objectives and view themselves as disruptors will not be deterred by challenges. Jack Dorsey, CEO of Block Inc. (SQ) said during their First Quarter report, “There are three macro challenges affecting all businesses now and over the long term. Number one, constant state of global crisis. Number two, regulatory fragmentation. Number three, global financial systems shifts. The world seems to be moving from one global crisis to the next and suffering from an overwhelming amount of information, which is causing people and organizations of all sizes to be distracted and reactive to the moment. From COVID to inflation, to the war in Ukraine, to bank failures, the number of things we all need to pay attention to grows unbounded.”<sup>3</sup> Under these conditions, we believe disruptor companies are on sale for now, and long-term investors who are not looking closely to capture the inevitable transformational change from blockchain and digital assets are simply missing out on the most important paradigm shift in decades. We note that even Warren Buffett and Charlie Munger, two skeptics of digital assets, agree that an allocation, when sized appropriately to Fintech and innovation, has a place. Don’t believe us? Berkshire holds 107 million shares of Nu Holdings, worth about \$600 million. As noted above, we recently added to the position. NU is an on-ramp for digital assets and an emerging market NEO bank with over 80 million customers. To this point, we would also point out that NU stock trades at close to \$6 and has a market cap of some \$25-\$27 billion dollars versus Coinbase (COIN), at \$14 to \$15 billion. We would like to think that COIN is undervalued according to Warren Buffett’s metrics for valuing NU<sup>4</sup>, but even bulls have to be concerned that either the regulatory pressures in the U.S. are suppressing Coinbase’s valuation (smell a discount), or worse – Coinbase’s management will be discouraged from innovating. Time will tell, but we feel confident that Coinbase’s management will be discouraged or unfocused in achieving its core mission. As a reminder, the U.S. is strengthened by the optimism and leadership from entrepreneurs like Michael Saylor, Jack Dorsey, Michael Novogratz and Brian Anderson, who willingly welcome regulators. As Brian Armstrong says, while Coinbase is being suited by the US government, “The rule of law does exist in the U.S, we do reach the right outcome eventually.”<sup>5</sup>

## EDUCATION

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For those who want to get educated on the blockchain:

- Financial Accounting Standards Board (FASB) has said that public comments are due June 6, 2023,<sup>6</sup> which could lead to fair value accounting taking place by year end. This is an important first step for institutional buying and an example of regulatory progress. Few institutions will buy something that can only be marketed at the lowest price.
- Educational Piece on Bitcoin Mining: Mining 101 – Blockware Intelligence<sup>7</sup>
- Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System<sup>8</sup>

## SUMMARY

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The Fund increased 2.77% in April and was up 30.40% YTD in 2023. April activity was very high in terms of changes to the portfolio, and on a net basis we increased the exposure to the Bitcoin miners (22%). Bitcoin is a natural hedge against the banking crisis, and the miners are highly correlated to the price action of Bitcoin. Innovators and entrepreneurs, as disruptors, should stay focused on their objectives despite a world order and economies that look like a constant state of chaos. Investors need to embrace this new reality as it will create opportunities to buy growth at discounted prices. In BLOK, we see an opportunity to capture both the upside of great growth companies run by entrepreneurs who are focused on the blockchain, and the natural hedge that Bitcoin provides in this world of chaos.

Thank you for your interest and confidence as shareholders of BLOK.

**BLOK PERFORMANCE****CUMULATIVE (%)****ANNUALIZED (%)**

<b>MONTH END AS OF 04/30/2023</b>	<b>1 MO.</b>	<b>3 MO.</b>	<b>6 MO.</b>	<b>YTD</b>	<b>SINCE INCEPTION</b>	<b>1 YR.</b>	<b>3 YR.</b>	<b>5 YR.</b>	<b>SINCE INCEPTION</b>
Fund NAV	2.77%	5.93%	7.40%	30.40%	19.79%	-25.91%	8.66%	4.64%	3.48%
Closing Price	2.79%	5.29%	4.63%	31.55%	19.69%	-25.64%	8.79%	4.57%	3.46%
<b>QUARTER END AS OF 03/31/2023</b>	<b>1 MO.</b>	<b>3 MO.</b>	<b>6 MO.</b>	<b>YTD</b>	<b>SINCE INCEPTION</b>	<b>1 YR.</b>	<b>3 YR.</b>	<b>5 YR.</b>	<b>SINCE INCEPTION</b>
Fund NAV	6.20%	26.89%	4.60%	26.89%	16.56%	-43.25%	13.19%	4.01%	2.99%
Closing Price	6.14%	27.98%	4.59%	27.98%	16.44%	-43.40%	13.61%	4.01%	2.97%

*Fund inception date: (01/17/2018). 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](https://www.blokETF.com). Brokerage commissions will reduce returns. BLOK's gross expense ratio is 0.75%.*

**APPENDIX A: MONTHLY DETAILED PERFORMANCE CONTRIBUTION CHART** (For period 03/31/2023 - 04/30/2023)

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
<b>AMPLIFY TRANSFORMATIONAL DATA SHARING ETF</b>			
Information Technology	51.92	7.25	3.74
MICROSTRATEGY INC-CL A	5.63	12.34	0.75
RIOT PLATFORMS INC	5.49	19.72	1.40
GMO INTERNET GROUP INC	4.67	3.63	0.17
ACCENTURE PLC-CL A	3.91	-1.54	-0.06
MARATHON DIGITAL HOLDINGS IN	3.69	15.48	0.54
DIGITAL GARAGE INC	3.56	7.27	0.25
INTL BUSINESS MACHINES CORP	3.42	-3.57	-0.12
HIVE BLOCKCHAIN TECHNOLOGIES	3.01	-1.33	-0.02
CLEANSARK INC	2.86	40.65	0.77
BITFARMS LTD/CANADA	2.81	23.77	0.51
HUT 8 MINING CORP	2.64	-2.24	-0.04
COMPOSECURE INC	1.85	1.90	0.03
ADVANCED MICRO DEVICES	1.53	-8.82	-0.13
TAIWAN SEMICONDUCTOR-SP ADR	1.49	-9.37	-0.16
ORACLE CORP	1.43	2.37	0.03
SPLUNK INC	1.26	-10.05	-0.16
CANAAN INC	1.09	4.44	0.05
CISCO SYSTEMS INC	0.95	-8.93	-0.09
MSTR 6 1/8 06/15/28	0.41	2.13	0.01
BIGG DIGITAL ASSETS INC	0.25	-6.55	-0.02
Financials	34.74	-1.35	-0.56
COINBASE GLOBAL INC -CLASS A	4.17	-20.39	-0.92
CME GROUP INC	4.13	-3.00	-0.14
GALAXY DIGITAL HOLDINGS LTD	4.08	-3.30	-0.10
SBI HOLDINGS INC	3.80	-1.41	-0.06
BLOCK INC	3.07	-11.45	-0.38
WISDOMTREE INC	2.74	6.48	0.16
PAYPAL HOLDINGS INC	2.66	0.08	0.00
CUSTOMERS BANCORP INC	2.32	17.93	0.42
NU HOLDINGS LTD/CAYMAN ISL-A	1.71	8.40	0.15
MASTERCARD INC - A	1.65	4.74	0.07
VISA INC-CLASS A SHARES	1.51	3.22	0.05
NEW YORK COMMUNITY BANCORP	1.31	18.25	0.24
ROBINHOOD MARKETS INC - A	0.91	-8.86	-0.08
MOGO INC	0.65	4.22	0.03
VONTOBEL HOLDING AG-REG	0.02	0.61	0.00

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Communication Services	3.80	-12.22	-0.47
ROBLOX CORP -CLASS A	1.92	-20.85	-0.42
Z HOLDINGS CORP	1.87	-2.85	-0.05
Consumer Discretionary	3.39	0.44	0.01
OVERSTOCK.COM INC	3.39	0.44	0.01
Consumer Staples	0.77	2.39	0.02
WALMART INC	0.77	2.39	0.02
Not Classified	5.39	2.20	0.14
PURPOSE BITCOIN ETF	2.16	2.85	0.07
3IQ BITCOIN ETF	1.65	2.47	0.05
INVESCO GVT & AGNCY-INST	0.73	0.22	0.00
CI GALAXY BITCOIN ETF USD	0.49	-0.18	0.00
BITCOIN ETF-USD	0.36	4.96	0.02
CHINA RENMINBI	0.00	-0.22	0.00

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\*BPs: A basis point (BP) is a unit that is equal to 1/100th of 1%.

<sup>1</sup> <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.>

<sup>2</sup> <https://twitter.com/i/status/1589966773817942018>

<sup>3</sup> [https://s29.q4cdn.com/628966176/files/doc\\_financials/2023/q1/Block-Q1-23-Earnings-Call-CID-11358.mp3](https://s29.q4cdn.com/628966176/files/doc_financials/2023/q1/Block-Q1-23-Earnings-Call-CID-11358.mp3)

<sup>4</sup> <https://www.coindesk.com/business/2022/02/16/berkshire-hathaway-invests-1b-in-brazilian-digital-bank-nubank-reduces-mastercard-visa-positions/>

<sup>5</sup> <https://www.nasdaq.com/videos/coinbase-ceo-says-sec-dispute-is-an-opportunity-for-regulatory-clarity>

<sup>6</sup> <https://tax.thomsonreuters.com/news/fasb-proposes-accounting-rules-for-measuring-presenting-and-disclosing-crypto-assets/>

<sup>7</sup> <https://static1.squarespace.com/static/5de588aa3e9c044c1ad8cb59/t/6405f67b7f38c44b6af2f79c/1678112381377/Mining+101++Blockware+Intelligence.pdf>

<sup>8</sup> <https://bitcoin.org/bitcoin.pdf>

**Carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and additional information can be found in the Fund's statutory and summary prospectus, which may be obtained 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. 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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