

SEPTEMBER 2023

The BLOK-Chain Monthly

Staying Up-to-date with the Rapidly
Evolving Blockchain Technology

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of the Amplify Transformational Data Sharing ETF (BLOK)

ABOUT BLOK

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.

TOP 10 HOLDINGS *(as of 08/31/2023)*

TICKER	COMPANY	% WT.
MSTR	MICROSTRATEGY INC	4.85%
COIN	COINBASE GLOBAL INC	4.71%
8473 JP	SBI HOLDINGS INC	4.04%
ACN	ACCENTURE PLC IRELAND	3.98%
OSTK	OVERSTOCK COM INC DEL	3.93%
CLSK	CLEANSARK INC	3.86%
GLXY CN	GALAXY DIGITAL HOLDINGS LTD	3.56%
9449 JP	GMO INTERNET GROUP	3.37%
RIOT	RIOT PLATFORMS INC	3.31%
PYPL	PAYPAL HLDGS INC	3.29%

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

AUGUST MONTHLY

In August, BLOK retraced July's 15.05% monthly gains with a decline of 16.06%, but this does not change our optimism or our reasoning as to why the Fund's YTD NAV returns are up 43.45%. As a reminder, this pullback comes after a 3:0 ruling in the D.C. Circuit Court of Appeals in favor of Grayscale¹ that could begin to pry open the door to a regulatory framework that leads to several whale-like buyers. Whether that buyer is branded as Blackrock, Invesco, Fidelity, or any number of the 11-or-so other Exchange Traded Funds. Moreover, these whales will bring ease of access for institutions, additional transparency to the Bitcoin market, and a flood of additional liquidity. Whether the launch of a Spot ETF comes in January or the next 12 months, the clock is now firmly ticking. Bottom line, we are not surprised to see a whipsaw since the victory was very well telegraphed and investors tend to anticipate outcomes in asset classes. Moreover, this was the most positive outcome that could have been anticipated. In our opinion, we would expect investors and speculators to now view the regulatory framework as more friendly and view the benefits that a Spot ETF might bring as a tailwind.

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.

REGULATION

What happened and Why It Matters to BLOK

Put simply, in a unanimous vote of 3:0, the D.C. Court of Appeals made it clear that the Securities and Exchange Commission (SEC) should not have denied Grayscale's proposal to convert to an ETF. The court ruled that the SEC's methodology for approving a spot ETF was "inconsistent," "capricious," and "arbitrary."² We believe this court decision provides a more aligned regulatory path to go forward. The SEC has 45 days from the ruling, or until October 13, to decide if it wants to appeal the decision. Politics aside, we don't see how millions of GBTC holders should be held hostage and harmed by the inferior structure.³ Moreover, concerns highlighted by the SEC around custody and counter-party risk do need to be operationally addressed so the market for a Bitcoin spot ETF can run smoothly. Thereafter, around 90 days later, the first application deadline will come from Ark/21 Shares on January 10, 2024.

BLOK is not a Bitcoin fund, but because our investment mandate aligns our investors' capital with this important development, we felt the need to start this month's BLOK blast with the above commentary, knowing it was top of mind. It also cannot be ignored that Bitcoin miners are highly affected by the price action of Bitcoin and sometimes anticipate the change of Bitcoin price. The anticipation of the price move makes sense. This is because the delta on the move can affect the profitability of the mining business in such a significant way (since Bitcoin miners get paid in Bitcoin). Note that at the close of the month, the Fund had a 19.88% weighting to this sector. This sector, plus certain other sectors (Direct, Transactional, and Venture Capital), make the Fund highly correlated to the price action of Bitcoin.

When will Bitcoin rally again? We admit to being biased, these conditions inspire uptrends more than downtrends and if anything, ironically, it is the lack of volatility lately in the asset class that may lead to investors missing a sharp rally. We would also like to highlight the news about the Financial Accounting Standard Board (FASB) unanimously endorsing a change in its accounting standard as an important development for market adoption by institutions. While in 2024 companies can choose to follow the new rule, in 2025 it will become the standard. Previously, when you bought Bitcoin, you could only mark the position to the lower price since it was owned without any ability to mark it back up when it went higher again. For a company like MicroStrategy (MSTR), which owns about 152,800 Bitcoin, this means that it can now properly show the value of its investment in Bitcoin. As of August 1, 2023, this amount was purchased for \$4.519 billion at an average of \$29,668 per Bitcoin, but cumulative impairment charges totaling \$2.196 billion had the position marketed down to an average of \$15,251 per Bitcoin. Thank you, FASB, for adapting to this new modern digital world!

Of course, with each month passing, the Bitcoin Halving (April 26, 2024) gets closer, and momentum should be building. We are not maximalists, but we would also note with each month passing the U.S. Government is printing more dollars and deficit spending just to pay interest. Conversely, at its foundational core, Bitcoin's supply restrictions keep its price in check as measured against the value of other forms of currencies that do not have supply limitations. It is this simple reasoning that defines why the price historically moves higher before a halving, but also why the Spot Bitcoin ETF(s) could be so important to the demand narrative. Will a Spot launch date be in January or around the halving? We don't know, but in either case we would anticipate that investor speculation could lead to the price action building on these two outcomes.

ATTRIBUTION

As we wrote last month when the Fund was up 15.05%, certain stocks performed above our short-term expectations, and this was when Bitcoin was down about 4.5%. In August, Bitcoin pulled further down by about 10%, and energy prices moved up while difficulty rates led to additional headwinds. These conditions are mostly beyond the control of the miners, except those who have access to cheap energy and a very modern and growing fleet of miners. As a result, while our portfolio remains diversified across 48 names, we continue to trim positions when they eclipse our maximum exposure levels. Nevertheless, across the mining sector the Fund saw a pullback of 7.3% (about half of the 14.59% decline in August) which offset some of the gains we saw in July. Specifically, in this month Riot Platform (-38.71% vs +56.68%), Hive Digital Technologies (-32.42% vs +16.91%), HUT8 Mining (-31.55% vs +7.16%), Marathon Digital (-27.63% vs +25.32%), Bitfarms Ltd (-26.54% vs +24.64%) and Cleanspark (-17.97% vs +40.09%). Other holdings, that had similar volatility in their returns include: Canaan Inc (-36.79% vs 49.30%), Customers Bancorp (-16.29% vs +38.73%), Coinbase Global (-19.28% vs +37.82%), MicroStrategy (-18.35% vs +27.88%), and BLOCK Inc, formerly Square (-28.41% vs +20.97%).

Overstock, which we trimmed last month, was down 28.41% after the previous month's rally of 11.97%, and Roblox, which we increased in August, was down 27.92%. We humbly highlight this volatility because it is a characteristic in investing in disruptive and transformational companies and the reason why we believe diversification is so critical in how we invest. Long term, however, we believe this volatility is worth it as many of the companies we are invested in have the potential for exponential returns.

TRANSACTIONS AND REPOSITIONING

During the month the position in Marathon Digital (MARA) was cut in half to about 2% due to disciplined rules around diversification. The reduction brought us to the middle level of our exposure to the mining sector. We also trimmed exposure in IBM (IBM) and CME Group (CME) and increased exposure in more direct pure plays: Roblox Corp (RBLX) and Paypal (PYPL). Taking profits into strength is always easier to explain than buying into weakness, but while our portfolio can be volatile, our decision making remains highly focused around sizing the portfolio risk.

- Our thoughts about PayPal: With 435 million regular users on its platform, it is well positioned to scale its payment network and cross market different use cases for its new stablecoin (PYUSD). According to Jose Fernandez da Ponte, Paypal's senior vice president and general manager of blockchain, crypto, and digital currencies, the market for stable coin is currently about \$120 billion and at a nascent stage as a competitive payment solution. Moreover, as a public company that is already well regulated, it brings integrity and confidence to the application.⁴ Lastly, Paypal is a company with a solid balance sheet and strong free cash flow. It is a core holding at about a 3% weighting.
- The Roblox portfolio position is at about 2% because it is a pure play on the ecosystem that is building the Metaverse and mobile gaming. Staying with Metcalfe's modeling, it is focused on a network of developers that are expanding in the range of 20-25%. The sell-off came as a result of concerns about accelerated spending ahead of forecasts which can be a sign of growth headwinds. Nevertheless, Bookings were up 22%, Average Daily Active Suers (DAU) were 65.5 million, up 25% YoY, and usage as defined by unique players and hours were up 19% and 24% respectively.

EDUCATION

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

- Bitcoin Mining: A Deep Dive into BTC Mining & ERCOT's Four Coincident Peak Program (4CP) | by Foundry | Foundry | Aug, 2023 | Medium <https://medium.com/foundry-digital/btc-mining-ercots-four-coincident-peak-program-8907fbf99bd2>
- April 26, 2024, is the pending date of Bitcoin Halving. Here is an explanation: <https://www.coindesk.com/learn/bitcoin-halving-explained/>
- Blockchain explained in a video. https://www.youtube.com/watch?v=ru_vu-T0hd8
- Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System <https://bitcoin.org/bitcoin.pdf>

SUMMARY

Given the outlook for a Spot Bitcoin ETF and the positive news out of FASB, it is difficult not to be optimistic about the outlook for the Fund. However, the volatility of the performance in August offset what was earned in July and leaves the Fund up about 43.45% YTD. While moving incrementally and with a very disciplined approach to investing in disruptive companies, we look forward to capturing the trends in Blockchain which includes the action in Bitcoin. We appreciate that this report over emphasizes the Bitcoin Spot ETF activity and hope that we can be a resource for any questions on developments in this area. Thank you for your inquiries and confidence.

BLOK PERFORMANCE

MONTH END AS OF 08/31/2023	CUMULATIVE (%)					ANNUALIZED (%)				
	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION	
Fund NAV	-16.06%	8.97%	20.06%	43.45%	31.77%	4.54%	0.13%	5.23%	5.03%	
Closing Price	-15.69%	9.08%	20.57%	45.37%	32.26%	5.52%	0.22%	5.34%	5.10%	

QUARTER END AS OF 06/30/2023	CUMULATIVE (%)					ANNUALIZED (%)				
	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION	
Fund NAV	12.83%	17.06%	48.54%	48.54%	36.45%	24.71%	9.27%	7.06%	5.87%	
Closing Price	12.90%	17.57%	50.46%	50.46%	36.90%	25.48%	9.50%	7.16%	5.93%	

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. Brokerage commissions will reduce returns. BLOK's gross expense ratio is 0.75%.

APPENDIX A: MONTHLY DETAILED PERFORMANCE CONTRIBUTION CHART (For period 07/31/2023 - 08/31/2023)

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
AMPLIFY TRANSFORMATIONAL DATA SHARING ETF			
Information Technology	49.74	-19.32	-9.88
MICROSTRATEGY INC-CL A	4.83	-18.35	-0.89
MARATHON DIGITAL HOLDINGS IN	4.47	-27.63	-1.38
CLEANSARK INC	4.07	-17.97	-0.75
RIOT PLATFORMS INC	3.89	-38.71	-1.81
ACCENTURE PLC-CL A	3.71	2.35	0.10
BITFARMS LTD/CANADA	3.54	-26.34	-1.01
GMO INTERNET GROUP INC	3.39	-18.45	-0.64
HUT 8 MINING CORP	3.37	-31.55	-1.20
HIVE DIGITAL TECHNOLOGIES LT	3.12	-32.42	-1.15
INTL BUSINESS MACHINES CORP	2.67	3.02	0.06
DIGITAL GARAGE INC	2.39	-11.52	-0.27
ADVANCED MICRO DEVICES	1.83	-7.59	-0.13
TAIWAN SEMICONDUCTOR-SP ADR	1.60	-5.63	-0.08
ORACLE CORP	1.49	2.70	0.04
COMPOSECURE INC	1.39	-15.36	-0.21
CANAAN INC	1.39	-36.79	-0.59
WIPRO LTD-ADR	1.15	0.00	0.00
CISCO SYSTEMS INC	0.88	10.20	0.08
MSTR 6 1/8 06/15/28	0.36	0.77	0.00
BIGG DIGITAL ASSETS INC	0.20	-22.98	-0.05
Financials	34.89	-12.69	-4.24
COINBASE GLOBAL INC -CLASS A	4.66	-19.28	-0.91
SBI HOLDINGS INC	3.86	-3.22	-0.10
GALAXY DIGITAL HOLDINGS LTD	3.60	-21.96	-0.83
PAYPAL HOLDINGS INC	2.95	-17.55	-0.44
BLOCK INC	2.95	-28.41	-0.94
CUSTOMERS BANCORP INC	2.93	-16.29	-0.48
NU HOLDINGS LTD/CAYMAN ISL-A	2.65	-13.94	-0.37
CME GROUP INC	2.58	1.87	0.05
WISDOMTREE INC	2.13	5.37	0.12
MASTERCARD INC - A	1.53	4.66	0.07
VISA INC-CLASS A SHARES	1.34	3.54	0.05
DBS GROUP HOLDINGS LTD	1.31	-3.07	-0.03
FRANKLIN RESOURCES INC	0.98	-8.55	-0.08
ROBINHOOD MARKETS INC - A	0.87	-15.32	-0.13
MOGO INC	0.55	-34.16	-0.21

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Consumer Discretionary	6.37	-19.96	-1.31
OVERSTOCK.COM INC	4.26	-28.41	-1.34
MERCADOLIBRE INC	1.08	10.85	0.11
ALIBABA GROUP HOLDING-SP ADR	1.03	-9.06	-0.08
Communication Services	3.30	-10.94	-0.30
ROBLOX CORP -CLASS A	1.70	-27.92	-0.42
Z HOLDINGS CORP	1.60	7.91	0.11
Consumer Staples	0.69	2.08	0.01
WALMART INC	0.69	2.08	0.01
Not Classified	5.01	-6.03	-0.37
PURPOSE BITCOIN ETF	1.79	-9.93	-0.18
CI GALAXY BITCOIN ETF USD	1.16	-10.24	-0.12
CRIIBZ Float 04/29/25	0.85	0.73	0.02
3IQ BITCOIN ETF	0.50	-10.98	-0.06
BITCOIN ETF-USD	0.39	-9.13	-0.04
INVESCO GVT & AGNCY-INST	0.30	0.34	0.00
3IQ BITCOIN ETF	0.02	0.00	0.00
US DOLLAR	0.00	0.00	0.00
CHINA RENMINBI	0.00	-0.58	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.

¹ <https://www.sec.gov/Archives/edgar/data/1579346/000119312513279830/d562329ds1.htm>

² <https://grayscale.com/wp-content/uploads/2023/08/GBTC-Decision-829.pdf>

³ https://grayscale.com/grayscale-latest-gbtc-comment-letter/?_gl=1*1eluzrs*_up*MQ..*_ga*MTUwOTYwMzczNS4xNjk0NzA3MTUw*_ga_DCPM7R7HSQ*M TY5NDcwNzE0OS4xLjEuMTY5NDcwNzE3OC4wLjAuMA..

⁴ <https://www.cnn.com/2023/08/08/paypal-crypto-chief-jose-fernandez-da-ponte-on-battling-tether-usdc.html>

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. Investing in cryptocurrency is highly speculative and is only appropriate for investors who understand the associated risks and likelihood of extreme volatility. Investors in cryptocurrency should be prepared to lose their entire investment. The fund does not invest directly in bitcoin. 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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