Amplify ETFs™

BLOK

Amplify Transformational Data Sharing ETF

OCTOBER 2023

The BLOK-Chain Monthly

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

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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 09/30/2023)*

TICKER	COMPANY	% WT.
MSTR	MICROSTRATEGY	4.90%
COIN	COINBASE GLOBAL	4.88%
8473 JP	SBI HLDGS	4.57%
ACN	ACCENTURE PLC	4.15%
GLXY CN	GALAXY DIGITAL HLDGS	3.74%
RIOT	RIOT PLATFORMS	3.66%
9449 JP	GMO INTERNET GROUP	3.54%
PYPL	PAYPAL HLDGS	3.38%
CLSK	CLEANSPARK	3.28%
CUBI	CUSTOMERS BANCORP	3.08%

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

PERFORMANCE HIGHLIGHTS

BLOK is up YTD by 30.59% but NAV returns were down 8.96% in September and down 12.08% for the third quarter. We often highlight the Bitcoin miners in these reports because the sector historically moves with the price action of Bitcoin, and moves with a significant delta to such price action. The miners have made up about 44.57% of the YTD return which is in line with September performance (more to follow below). However, recent concerns around capital access and/or equity dilution have weighed heavily on the performance of these stocks. Performance was also hampered by our position in Overstock, but we would highlight that, pursuant to process, we also trimmed this overweight core position back in early September after a substantial run from $18 to $38.

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.

THE MINERS

In September and for the third quarter, the decline in the price of the miner stocks represented ~44% of the Fund's 8.96% decline with a negative 3.98% return and ~48% of the Fund's 12.08% decline, or a negative 5.78% return, respectively. This price action is disproportional to our weighting. Given that Bitcoin mining is a capital-intensive cyclical business, some may wonder why we hold an allocation in the group. First, let's remember that the group is a core part of the thesis the Fund invests with in blockchain infrastructure, aka picks and axes. Second, these are exponentially growing businesses and arguably over time will have a moat-like feel as the buildout slows. Establishing an institutional sized facility will not become less expensive in the future. Third, anyone investing in this industry is doing so because they believe Bitcoin will at least double in price in 2024. As the table from Cantor Fitzgerald Research shows, "Bitcoin typically experiences strong price returns the year of and the year immediately following the halving" (see table below).[1]

	BTC Price		BTC Price		BTC Price		BTC Price
Year	Return	Year	Return	Year	Return	Year	Return
2009	NA	2013	5372%	2017	1296%	2021	58%
2010	249%	2014	-57%	2018	-73%	2022	-65%
2011	1471%	2015	37%	2019	88%	2023	58%
2012	156%	2016	123%	2020	305%	2024	TBD%

Source: Coin metrics, Cantor Fitzgerald Research, October 2023.

**Bottom row indicates halving years.*

WHY MIGHT THE "HALVING" LEAD TO EXPONENTIAL PRICE INCREASE?

1. Bitcoin Miners secure the network and are paid in Bitcoin as block rewards. In 2021, revenues from rewards totaled $15 billion and then declined 37.5% in 2022 to $9.37 billion. In 2023, with a rebound in Bitcoin price to current levels ($34,000) this revenue stream could be set to exceed 2022 despite stock prices in the group at lower levels. If Bitcoin price continues to move higher, through the halving, we would anticipate, that revenues from Block rewards could exceed past peaks. We would also highlight that in 2023, transaction volume is at a run of about 5% while in past cycles it was minimal. In 2024, if transactional volume increases to 5-10% it could add $750 million to $1.5 billion of revenues to the network, as compared to about $500 million in 2023.[2]
2. Historically, the delta on bitcoin mining stocks versus the actual price is very substantial. We would prefer not to extrapolate too much from past data because there are too many variables that make this future halving different, but it is reasonable to envision that when supply of Bitcoin "mined" is cut in half, there will be substantial survivorship bias on the value of what mining firms thrive. The hash rate growth in 2024 should subside, thereby benefiting those with established capacity.[3] Hash is a key measure of network competition and security. As a base case, hash rate currently is at about 400 Exahashes per second (EH/s) so if the network capacity stays stable and price goes up as it has in the past, the miners should do quite well. Again, if Bitcoin price goes higher (>100%) and rewards get scarcer, the value of an established operation should increase, especially as more transactional volume increases as an incremental or marginal increase in revenue value (point 4).
3. Two significant input costs will make building large scale mining even more challenging. Most small miners do not effectively hedge their energy costs and will be operationally shut down rather than mine at a loss. Second, high productivity mining equipment is increasingly becoming more expensive which puts small miners at a significant competitive disadvantage if they want to scale up.
4. A shrinking supply of Bitcoin that can come on the market in the face of greater institutional buy-side demand and industry wide acceptance as a technology tool. According to Galaxy Digital, growth in ordinals and inscriptions continues to add to the narrative around Bitcoin and the miners. Specifically, "ordinals, including BRC-20s are on pace to accumulate $725 million in trading volume" and could gain further from additional tool development. A backlog of transactions volume has added incremental revenues for miners which could be important as the Bitcoin halving nears.[4]

REGULATION

WHAT HAPPENED AND WHY IT MATTERS TO BLOK

The evidence seems clear that the SEC is more open to a Spot ETF approval, but that does not mean such an approval will come easily. Evidence of approval comes in the form of a narrowing funnel of reasonable questions and the public filing around the responded Spot ETFs and the fact that they did not appeal the Grayscale court decision. In addition, the approval of the future based Ethereum ETFs lead to the conclusion of an approval process which could be broad in nature (aka applications passing a certain test could all be approved at once). Unfortunately, we still do not have a crystal ball on this issue. Nevertheless, wouldn't it be ironic if the launch was timed within a week of the halving, around late April 2024? Again, to be clear, approval of a Spot ETF, which some say could take place within the next 90 days, will set investors up with a clear timetable around a formal launch date. See Eric Balchunas and James Seyffart's 90% probability comments on X, formerly Twitter, for constant rambling about spot Bitcoin.[5]

ATTRIBUTION

YTD the Fund is up 30.59%, and about 44.57% of this came from the miners. We may shift our exposure within this category depending upon our views on Bitcoin price. In the beginning of the year, we were at an extreme low of 9.3% coming out of 2022, but we fortunately increased this exposure during January to about 15%. In mid-July, the exposure peaked at 27.7% and closed the third quarter with 18.24% exposure.

In September and for the third quarter, the decline in the price of the miner stocks represented ~44% of the Fund's 8.96% decline with a negative 3.98% return and ~48% of the Fund's 12.08% decline, or a negative 5.78%, respectively. This explains much of the Fund's drawdown, but YTD the Fund also benefited from positions in MicroStrategy, Coinbase Global and CME Group which represented approximately 5.06%, 3.85% and 0.77% of the 30.59% YTD NAV return. Some profits were realized in all three of these names throughout the year pursuant to our discipline around diversification.

Overstock has contributed to the Fund's YTD volatility and is down 18.29% YTD, but YTD attribution is about flat since we both increased its weighting when it became oversold and later monetized the gain. During the third quarter, however, it was down 51.43% and closed September down 39.41%, costing the Fund 2.56% and 1.53%. This follows news that Homegoods has seen some considerable softness despite its integration as a new version of Bed Bath and Beyond. The softness probably has led to substantial losses for the business, but we remain optimistic that the venture capital portfolio of companies remains under appreciated by the market. Moreover, after the October 27th earnings report, we expect the company to confirm a healthy balance sheet with cash on hand of about $6-7 per share and a plan to move forward with a revived brand and business strategy. The stock is at $15 a share.

Several of our held companies have seen management changes, and we were pleased to see Marcus Lemonis join the board of Bed Bath and Beyond (OSTK). We were also pleased to see that PayPal has a new CEO, Alex Chriss. Dan Shulman, the previous CEO, built a great platform for Alex to build upon and his experience running Intuit's Small Business and Self-Employed Group makes him a natural choice. That division was responsible for half of Intuit's revenue.[6] On a different note, it was announced recently that BLOCK Inc (SQ) CEO, Alyssa Henry, will be departing, and while Jack Dorsey remains firmly at the helm, the year has not been easy for the stock or the firm. SQ is down 29.57% YTD and has faced a negative headwind of 0.86% YTD. We believe any company looking to transform itself must have the right CEO who can execute a plan. Vision for the sake of transformation and disruption is not enough.

TRANSACTIONS AND REPOSITIONING

As mentioned, in September we reduced Overstock based upon our process around diversification and management. Similar decisions were made around Marathon Digital (MARA). In lieu of raising such cash, we bought more RIOT Platform (RIOT) and made a new investment in Opera Ltd. (OPRA).

Opera is a company that has been in our universe since 2019 and something we owned back in 2021. As a blockchain company, it is appealing to the portfolio in several ways. First, the business is expanding and sits on top of Google as a search engine targeted at West Europe and Africa. Second, with a solid balance sheet, 80% gross margins, and a secure 7% dividend, the stock seems very under appreciated. Moreover, the company offers AI tools, a crypto wallet, and plans to offer a stablecoin to its users in Africa. Opera counts over 100 million users across the continent of Africa which continues to open doors around finance for its population.[7] We see the overlap between AI tools and blockchain/digital assets embraced by Opera as an example of how companies can seek to transform their business to upgrade the lifestyles of their customers.

EDUCATION

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

- Odds of a Bitcoin Spot ETF according to Eric Balchunas: Does Grayscale's Win Against the SEC Mean a Spot Bitcoin ETF Will Be Approved? – Unchained Crypto[8]
- Get educated about Digital Assets through DACFP: Digital Assets Council of Financial Professionals[9]
- Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System[10]

SUMMARY

YTD BLOK is up 30.59%, but investors in this third quarter saw a decline in NAV returns of 12.08%. The Fund was down 8.96% in September. As an active fund, the portfolio saw an increase in exposure to the Bitcoin miners through the beginning of the year rising from 9.5% to 27.7% at its peak. Miners have contributed between 44% and 48% of the returns to the Fund throughout the year and current exposure is at about 18-19%. Through diversification, we as the portfolio management team have followed a strategy of managing idiosyncratic risk and continuing to search for new blockchain opportunities and use cases. We see a significant overlap between companies using artificial intelligence (AI) and blockchain technologies because both technologies are transformational in their alignment for businesses to potentially increase efficiencies and lower costs in the future. More to follow about this in future reports.

BLOK PERFORMANCE	CUMULATIVE (%)					ANNUALIZED (%)			
MONTH END AS OF 09/30/2023	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION
Fund NAV	-8.96%	-12.08%	2.92%	30.59%	19.96%	7.65%	-1.68%	3.42%	3.24%
Closing Price	-9.33%	-12.40%	-3.00%	31.81%	19.93%	7.73%	-1.80%	3.43%	3.24%
QUARTER END AS OF 09/30/2023	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION
Fund NAV	-8.96%	-12.08%	2.92%	30.59%	19.96%	7.65%	-1.68%	3.42%	3.24%
Closing Price	-9.33%	-12.40%	-3.00%	31.81%	19.93%	7.73%	-1.80%	3.43%	3.24%

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 08/31/2023 - 09/30/2023)*

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
AMPLIFY TRANSFORMATIONAL DATA SHARING ETF			
Information Technology	45.36	-12.34	-5.77
MICROSTRATEGY INC	4.83	-8.18	-0.40
ACCENTURE PLC	4.10	-5.15	-0.21
GMO INTERNET GROUP INC	3.53	-4.16	-0.15
CLEANSPARK INC	3.52	-22.72	-0.88
RIOT PLATFORMS INC	3.42	-17.80	-0.67
BITFARMS LTD/CANADA	3.04	-20.59	-0.70
HUT 8 MINING CORP	2.83	-19.03	-0.58
HIVE DIGITAL TECHNOLOGIES LT	2.58	-15.46	-0.42
INTL BUSINESS MACHINES CORP	2.44	-4.45	-0.11
DIGITAL GARAGE INC	2.38	-10.47	-0.25
ADVANCED MICRO DEVICES	1.89	-2.74	-0.05
MARATHON DIGITAL HOLDINGS IN	1.77	-32.38	-0.73
TAIWAN SEMICONDUCTOR	1.66	-6.65	-0.11
ORACLE CORP	1.61	-12.02	-0.20
COMPOSECURE INC	1.46	2.71	0.03
WIPRO LTD	1.29	-1.02	-0.02
CANAAN INC	1.14	-9.45	-0.11
CISCO SYSTEMS INC	0.98	-6.26	-0.06
MSTR 6 ⅛ 06/15/28	0.40	-0.90	0.00
OPERA LTD	0.31	-15.39	-0.12
BIGG DIGITAL ASSETS INC	0.18	-29.77	-0.06
Financials	36.49	-4.14	-1.47
COINBASE GLOBAL INC	4.82	-5.68	-0.27
SBI HOLDINGS INC	4.51	3.26	0.11
GALAXY DIGITAL HOLDINGS LTD	3.51	-3.78	-0.13
PAYPAL HOLDINGS INC	3.39	-6.48	-0.21
CUSTOMERS BANCORP INC	2.88	-1.96	-0.05
NU HOLDINGS LTD/CAYMAN ISL	2.72	5.84	0.16
BLOCK INC	2.69	-23.23	-0.66
CME GROUP INC	2.56	-0.68	-0.02
WISDOMTREE INC	2.41	-4.11	-0.10
MASTERCARD INC	1.72	-4.05	-0.07
VISA INC	1.46	-6.38	-0.09
DBS GROUP HOLDINGS LTD	1.42	-0.03	0.00
FRANKLIN RESOURCES INC	1.01	-6.95	-0.07
ROBINHOOD MARKETS INC	0.90	-9.92	-0.09
MOGO INC	0.50	5.55	0.02

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Consumer Discretionary	5.53	-27.58	-1.70
OVERSTOCK.COM INC	3.20	-39.41	-1.53
MERCADOLIBRE INC	1.26	-7.61	-0.10
ALIBABA GROUP HOLDING	1.07	-6.63	-0.07
Communication Services	3.99	-2.02	-0.07
ROBLOX CORP	2.20	2.37	0.06
LY CORPORATION	1.79	-7.37	-0.13
Consumer Staples	0.77	-1.65	-0.01
WALMART INC	0.77	-1.65	-0.01
Not Classified	7.86	0.39	0.12
CRIIBZ Float 04/29/25	2.12	0.73	0.01
PURPOSE BITCOIN ETF	1.89	2.29	0.04
INVESCO GVT & AGNCY-INST	1.80	0.39	0.01
CI GALAXY BITCOIN ETF USD	1.24	3.67	0.04
3IQ BITCOIN ETF	0.44	3.73	0.02
BITCOIN ETF-USD	0.37	1.24	0.00
JAPANESE YEN	0.00	-0.42	0.00
CHINA RENMINBI	0.00	-1.23	0.00

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APPENDIX B: THIRD QUARTER DETAILED PERFORMANCE CONTRIBUTION CHART *(For period 06/30/2023 - 09/30/2023)*

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
AMPLIFY TRANSFORMATIONAL DATA SHARING ETF			
Information Technology	49.02	-16.44	-7.65
MICROSTRATEGY INC	5.01	-4.13	-0.07
CLEANSPARK INC	3.94	-11.19	-0.41
RIOT PLATFORMS INC	3.89	-21.07	-0.81
MARATHON DIGITAL HOLDINGS	3.76	-38.67	-1.09
ACCENTURE PLC	3.74	-0.12	-0.01
GMO INTERNET GROUP INC	3.50	-18.46	-0.65
BITFARMS LTD/CANADA	3.49	-27.09	-0.92
HUT 8 MINING CORP	3.44	-40.61	-1.51
HIVE DIGITAL TECHNOLOGIES LT	3.13	-33.21	-1.04
INTL BUSINESS MACHINES CORP	2.65	6.07	0.15
DIGITAL GARAGE INC	2.38	-13.12	-0.31
ADVANCED MICRO DEVICES	1.83	-9.74	-0.17
TAIWAN SEMICONDUCTOR	1.62	-13.45	-0.20
ORACLE CORP	1.49	-10.75	-0.17
COMPOSECURE INC	1.41	-5.98	-0.08

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
CANAAN INC	1.32	-14.55	-0.19
WIPRO LTD	0.89	-1.43	-0.02
CISCO SYSTEMS INC	0.88	4.69	0.03
MSTR 6 ⅛ 06/15/28	0.36	0.88	0.00
BIGG DIGITAL ASSETS INC	0.20	-33.64	-0.07
OPERA LTD	0.10	-15.39	-0.12
Financials	35.25	-3.13	-1.11
COINBASE GLOBAL INC	4.88	4.93	0.30
SBI HOLDINGS INC	3.89	10.14	0.30
GALAXY DIGITAL HOLDINGS LTD	3.70	-14.76	-0.48
PAYPAL HOLDINGS INC	3.03	-12.39	-0.33
BLOCK INC	2.95	-33.51	-1.04
CUSTOMERS BANCORP INC	2.89	13.85	0.34
NU HOLDINGS LTD/CAYMAN ISL	2.64	-8.11	-0.20
CME GROUP INC	2.53	8.64	0.19
WISDOMTREE INC	2.18	2.52	0.04
MASTERCARD INC	1.55	0.81	0.01
VISA INC	1.34	-2.96	-0.04
DBS GROUP HOLDINGS LTD	1.30	7.36	0.08
ROBINHOOD MARKETS INC	0.88	-1.70	-0.02
FRANKLIN RESOURCES INC	0.82	-6.85	-0.12
MOGO INC	0.55	-23.99	-0.14
NASDAQ INC	0.12	1.73	0.01
Consumer Discretionary	5.84	-35.81	-2.53
OVERSTOCK.COM INC	3.96	-51.43	-2.56
MERCADOLIBRE INC	0.98	7.03	0.05
ALIBABA GROUP HOLDING	0.90	4.07	-0.01
Communication Services	3.99	-2.02	-0.07
ROBLOX CORP	1.79	-28.14	-0.39
LY CORPORATION	1.60	16.18	0.18
Consumer Staples	0.70	2.11	0.01
WALMART INC	0.70	2.11	0.01
Not Classified	5.81	-9.21	-0.40
PURPOSE BITCOIN ETF	1.81	-11.99	-0.21
CI GALAXY BITCOIN ETF USD	1.18	-11.32	-0.13
CRIIBZ Float 04/29/25	0.99	1.47	0.03
INVESCO GVT & AGNCY-INST	0.96	1.01	0.01
3IQ BITCOIN ETF	0.46	-10.44	-0.06
BITCOIN ETF-USD	0.38	-12.69	-0.05

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
3IQ BITCOIN ETF	0.03	-0.20	0.00
US DOLLAR	0.00	0.00	0.00
JAPANESE YEN	0.00	-0.42	0.00
CHINA RENMINBI	0.00	-0.83	0.00

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[1] Cantor Fitzerald, October 9, 2023. Crypto & Blockchain Industry Report, "Cantor's Cost-Per-Coin Analysis: Which Bitcoin Miners Are Best Positioned to Survive the Halving by Josh Singer and Will Carlson
[2] https://www.theblock.co/data/on-chain-metrics/bitcoin/bitcoin-miner-revenue-monthly
[3] https://www.coindesk.com/consensus-magazine/2023/07/26/bitcoin-mining-computing-power-may-drop-as-much-as-30-after-halving-experts/
[4] https://www.galaxy.com/insights/research/bitcoin-inscriptions-and-ordinals/
[5] https://x.com/JSeyff/status/1712900403090559398?s=20
[6] https://newsroom.paypal-corp.com/2023-08-14-PayPal-Names-Alex-Chriss-as-Next-President-and-CEO
[7] https://press.opera.com/2023/09/13/opera-launches-minipay/
[8] https://unchainedcrypto.com/does-grayscales-win-against-the-sec-mean-a-spot-bitcoin-etf-will-be-approved/
[9] https://dacfp.com/podcast/
[10] https://bitcoin.org/bitcoin.pdf