

NOVEMBER 2023

The BLOK-Chain Monthly

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

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OCTOBER MONTHLY

Amplify Transformational Data Sharing ETF (BLOK) NAV return is up YTD by 34.83% with a rebound of 3.25% in October. The progress of transformational change is often difficult to measure, and broad market uncertainty makes for short term volatility. Nevertheless, as we look into the future, we see tangible evidence that reinforces our confidence that blockchain, as a technology and source of change, is having a positive effect across industries and business in general. We know that low-hanging fruit will be seen first in the financial service industry by companies like J.P. Morgan, which through its ONYX division has grown from a concept to the transfer of \$900 billion in value “on-chain.” To be clear, such action only demonstrates the interoperability and evolution of cryptology as built by its ONYX division, and not the bank’s change in sentiment on the speculation of value around crypto assets. Moreover, the division, which employs about 250 people, exists purely because the firm sees the technology as potentially benefiting its clients and reducing friction between its employees and customers. Herwig Konings of Security Tokens Group conducted a constructive and insightful interview with Keerthi Moudgal, Head of Product, Onyx Digital Assets, Onyx by J.P. Morgan (<https://www.securities.io/banking-giant-jpmorgan-spearheads-global-tokenization-initiatives/>).

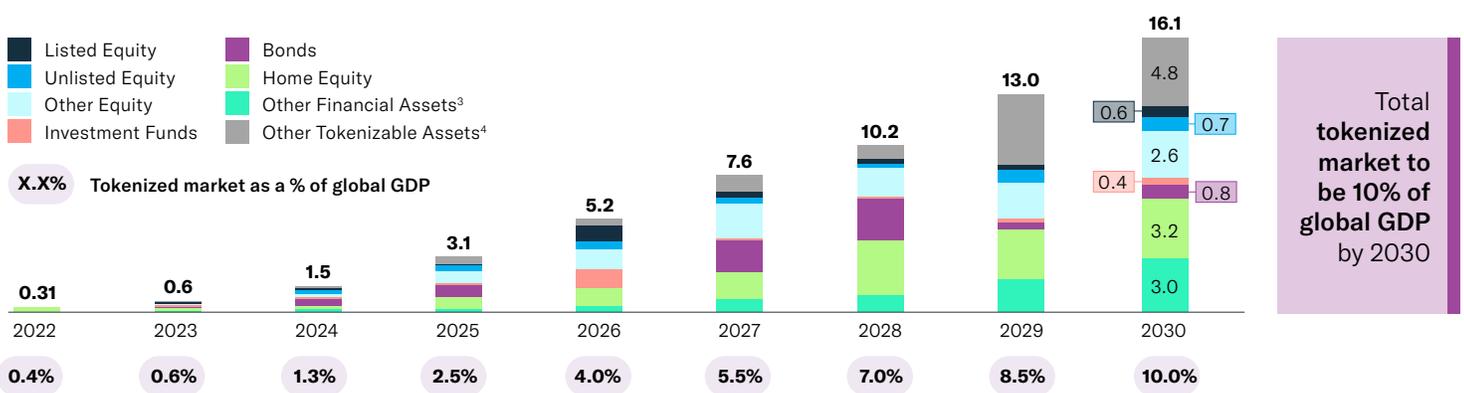
It is reasonable to be skeptical of price action, especially when it is volatile in nature. However, those who are skeptical about the use case of blockchain need only think about the use case around buying a book on the internet from their local bookstore today. Even Charlie Munger probably doesn’t walk to the local bookstore anymore. Truth be told, when technology leads with clear benefits like reducing customer costs, increasing operating efficiencies, and solving a needed problem, little changes will be embraced. To this point, Bain Capital estimates that the notional value of private assets outside the financial system is worth about \$540 trillion.¹ Forget the value of Bitcoin for a moment. Ask the larger question: what is the value, as a scalable solution, of monetizing through tokenization of real estate, intellectual property, or ETFs/securities? Boston Consulting has a conservative value of about \$16 Trillion by 2030.²

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

TICKER	COMPANY	% WT.
MSTR	MICROSTRATEGY INC	5.12%
COIN	COINBASE GLOBAL INC	4.85%
8473 JP	SBI HOLDINGS INC	4.47%
GLXY CN	GALAXY DIGITAL HOLDINGS LTD	4.47%
CME	CME GROUP INC	3.52%
CLSK	CLEANSARK INC	3.42%
OSTK	OVERSTOCK COM INC DEL	3.41%
9449 JP	GMO INTERNET GROUP	3.19%
NU	NU HLDGS LTD	3.19%
ACN	ACCENTURE PLC IRELAND	2.91%

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

FIG. 1: TOKENIZATION OF ILLIQUID ASSETS TO BE A \$16 TRILLION WORTH OPPORTUNITY GLOBALLY



Source: World Economic Forum - Global Agenda Council, BCG Analysis

³ For example, Insurance policies, Pensions, Alternative Investments | ⁴ e.g., Infrastructure Projects, Car Fleets, Patents

Note: The analysis does not include crypto assets

True, while we are still very nascent in the development of blockchain, it is great to have the resources of such a monumental firm to pave the way in building out the important infrastructure. Now the question is how the infrastructure can be further innovated to transfer such value as a “more open architecture” within a broad regulatory framework across many different global frameworks and authorities. Moreover, when considering the change that is upon us in the way of broad benefits from tracking supply chain and healthcare, we can get very excited about the buildout of the infrastructure around the financial service industry.

THE MINERS

Hashrate continued to be a headwind in October as it increased across the network by 9.4%. A higher Hashrate makes the network more secure but makes the economics of mining Bitcoin more challenging. To put this into context, Bitfarms reported an increase in facility Hashrate by 3%, but still saw a 13 Bitcoin sequential decline to 398 in what was mined. Nevertheless, with Bitcoin price in the range of \$32,000 to \$35,000, the return on invested capital can be between 12-14 months. Another way of looking at it is that breakeven per Bitcoin is at or between \$10,000 and \$12,000, so when Bitcoin is at \$35,000, the gross profits before energy costs are about 65% to 72%. We believe that such a gross margin percent is a compelling business case but recognize that this margin moves up and down with the price of Bitcoin and whether the miners have their energy price properly hedged.

ATTRIBUTION

The 3.25% rebound in the month of October came mostly from a 28% move from what we consider exposure to Bitcoin. MicroStrategy was up almost 29% and contributed 1.41% in attribution to the fund, and the 4.9% aggregate weighting in Bitcoin Spot ETFs contributed 1.19%. Other big moves came from Customers Bancorp, up 16.72%, and Galaxy Digital, which was up almost 23%, adding 0.85% to the attribution. PayPal Holdings (PYPL) and BLOCK (SQ) were both down in October, 11.39% and 9.06% respectively. The only other big movers during the month were Nu Holding and Roblox Corp (RBLX), up 13.10% and 9.84%, respectively. Our holdings in Japan were down, LY Corp (Yahoo Japan) and GMO Internet were down 9.37% and 7.13%, respectively.

TRANSACTIONS AND REPOSITIONING

During October we executed 9 buys and 7 sells, which is an unusually high number in the portfolio. The decision to trim Customers Bancorp (CUBI) was a function of it having a substantial move. Management continues to deliver results, so we were happy to take a victory lap and maintain the core position. We also trimmed MicroStrategy, which has been the number one position for the Fund for quite some time. Pursuant to our disciplined process of managing risk by trimming core holdings when they are around the 5.5% to 6% range, we have taken a lot of profit out of MicroStrategy. We eliminated Wipro and trimmed Accenture because we wanted to reduce our IT Services portfolio exposure after both companies reported some industry softness. IBM was not trimmed, and fortunately reported a solid quarter. We also trimmed Wisdomtree (WT) to make more room for Franklin Resources (BEN) and Blackrock (BLK). We trimmed exposure in RIOT Platform (RIOT) to make room for a new miner, Cipher (CIFR), which is also in Texas, and bought back some of the stock in Marathon that was sold a few months ago at higher prices. We are highly sensitive to the portfolio's geographic mix of the miners we own. While Texas is a very friendly state to miners, there are outside forces around the grid and weather that we try to balance out with a diversified approach.

Lastly, we increased exposure further in Overstock (OSTK), Paypal Holdings (PYPL) and Opera Ltd (OPRA). The decision to increase PYPL came after a solid earnings report from the new CEO, who also added a new CFO. The leadership of management is an important factor in our decision-making process, which is an area we discussed in our last report when we highlighted BLOCK (SQ). We believe that how a management team communicates its short- and long-term strategy to its shareholders is important in providing clear metrics of accountability towards the execution of a plan. This has been clear in MicroStrategy, Paypal Holdings, and BLOCK (SQ), but not so clear in regard to Beyond, formerly Overstock (Aka Bed Bath & Beyond). We would expect this to change in November.

EDUCATION

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

- Raoul Pal's Realvision podcasts are always a good source of vision around Crypto – <https://www.realvision.com/marketplace/exponentialist>
- Lyn Alden's research is well known as a great resource for macro strategist, but her latest book is a wonderful resource for everyone "Broken Money: Why Our Financial System is Failing Us and How We Can Make it Better": <https://www.lynalden.com/broken-money/>
- Satoshi Nakamoto Original Bitcoin White Paper: Bitcoin: A Peer-to-Peer Electronic Cash System <https://bitcoin.org/bitcoin.pdf>

SUMMARY

BLOK NAV return is up 34.83% YTD after a 3.25% move in October, and blockchain transformation change is upon us. This is evidenced by the progress seen now by large companies, and progress on the regulatory environment. It is easy to focus on Bitcoin, but more important is the tokenization of assets on chain. This has long been a vision of the Fund, but as we move forward into 2024 and beyond, it seems evidenced that such change is upon us.

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.

BLOK PERFORMANCE

MONTH END AS OF 10/31/2023	CUMULATIVE (%)					ANNUALIZED (%)				
	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION	
Fund NAV	3.25%	-21.10%	3.40%	34.83%	23.86%	11.05%	-1.14%	7.26%	3.77%	
Closing Price	3.41%	-20.94%	3.62%	36.31%	24.02%	8.42%	-1.19%	7.29%	3.79%	
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 09/30/2023 - 10/31/2023)

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
AMPLIFY TRANSFORMATIONAL DATA SHARING ETF			
Information Technology	46.16	2.59	1.26
MICROSTRATEGY INC	5.19	28.97	1.41
ACCENTURE PLC	3.91	-2.86	-0.13
RIOT PLATFORMS INC	3.68	4.82	0.16
GMO INTERNET GROUP INC	3.39	-7.13	-0.26
CLEANSARK INC	3.36	7.61	0.25
BITFARMS LTD/CANADA	2.88	-1.94	-0.05
HUT 8 MINING CORP	2.74	9.43	0.26
HIVE DIGITAL TECHNOLOGIES LT	2.55	-1.21	-0.03
INTL BUSINESS MACHINES CORP	2.44	3.09	0.07
MARATHON DIGITAL HOLDINGS	2.18	3.65	0.21
DIGITAL GARAGE INC	2.11	-14.09	-0.35
ADVANCED MICRO DEVICES	1.97	-4.20	-0.08
TAIWAN SEMICONDUCTOR	1.73	-0.68	-0.01
ORACLE CORP	1.55	-2.02	-0.03
COMPOSECURE INC	1.47	-6.51	-0.10
CANAAN INC	1.19	5.49	0.06
OPERA LTD	1.10	2.75	0.05
WIPRO LTD	1.05	-6.20	-0.08
CISCO SYSTEMS INC	0.98	-2.33	-0.02
MSTR 6 1/8 06/15/28	0.43	2.42	0.01
CIPHER MINING INC	0.15	-5.93	-0.05
BIGG DIGITAL ASSETS INC	0.12	-17.22	-0.03
Financials	36.67	2.21	0.79
COINBASE GLOBAL INC	4.90	2.72	0.14
SBI HOLDINGS INC	4.54	0.98	0.04
GALAXY DIGITAL HOLDINGS LTD	3.82	22.96	0.85
PAYPAL HOLDINGS INC	3.21	-11.39	-0.39
NU HOLDINGS LTD/CAYMAN ISL	3.08	13.10	0.39
CME GROUP INC	2.82	6.61	0.19
CUSTOMERS BANCORP INC	2.60	16.72	0.40
BLOCK INC	2.37	-9.06	-0.22
WISDOMTREE INC	2.32	-11.43	-0.25
MASTERCARD INC	1.71	-4.80	-0.08
VISA INC	1.48	2.21	0.03
DBS GROUP HOLDINGS LTD	1.47	-2.73	-0.04
FRANKLIN RESOURCES INC	1.04	-7.28	-0.06
ROBINHOOD MARKETS INC	0.86	-6.83	-0.06

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
MOGO INC	0.46	-26.50	-0.14
BLACKROCK INC			0.00
Consumer Discretionary	4.87	-2.35	-0.12
OVERSTOCK.COM INC	2.63	-1.39	-0.03
MERCADOLIBRE INC	1.19	-2.14	-0.03
ALIBABA GROUP HOLDING	1.05	-4.84	-0.06
Communication Services	4.23	1.66	0.07
ROBLOX CORP	2.53	9.84	0.24
LY CORP	1.70	-9.37	-0.17
Consumer Staples	0.79	2.18	0.02
WALMART INC	0.79	2.18	0.02
Not Classified	7.28	17.34	1.20
PURPOSE BITCOIN ETF	2.27	28.05	0.59
CRIIBZ Float 04/29/25	2.27	0.19	0.01
CI GALAXY BITCOIN ETF USD	1.54	27.50	0.40
INVESCO GVT & AGENCY-INST	0.43	0.32	0.00
BITCOIN ETF-USD	0.40	29.38	0.11
3IQ BITCOIN ETF	0.37	26.81	0.09
CHINA RENMINBI	0.00	-0.35	0.00
US DOLLAR	0.00	0.00	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.forbes.com/sites/roomykan/2023/06/29/asset-tokenization-a-trillion-dollar-market-opportunity-jp-morgan-blackrock-and-goldman-think-so/?sh=73d6834a4ff0>

² <https://web-assets.bcg.com/1e/a2/5b5f2b7e42dfad2cb3113a291222/on-chain-asset-tokenization.pdf>

Carefully consider the Fund's investment objectives, risks, charges and expenses before investing. This and other information can be found in the Fund's statutory and summary prospectus, which may be obtained at [AmplifyETFs.com](https://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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