

AUGUST 2024

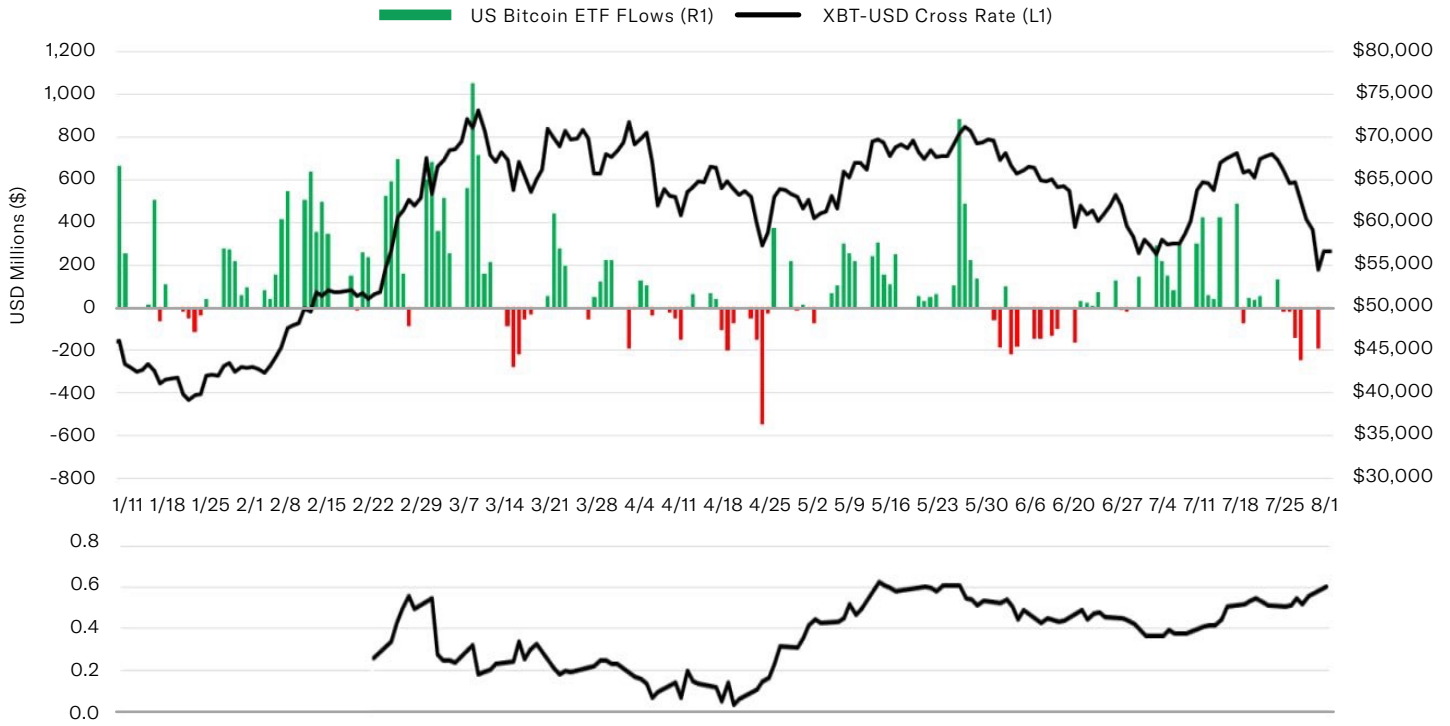
# The BLOK-Chain Monthly

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

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

BLOK closed July with a positive NAV return of 3.52% and YTD performance of positive 22.83% (see [standardized performance](#)). Then August hit, and market volatility erupted. This, of course, has had a negative effect on the price action of Bitcoin, ETF flows, and many of the stocks in the portfolio that tend to be high beta. However, while the correction in price is a challenge to watch, it does not change the momentum of the infrastructure buildout in Blockchain or, according to our research, the long-term trend around Bitcoin adoption.

**BITCOIN ETF FLOWS, BTCUSD, & 30D ROLLING CORRELATION**



Source: Galaxy Research. Data as of 08/05/2024.

Our focus for the Fund remains on capturing the benefits that will come from those companies building out the Blockchain rails. In certain cases, we have identified groups like the Bitcoin miners that secure the Bitcoin network. In other cases, we are allocating to growth companies providing investors trading and/or transactional platforms. Currently, the Fund is diversified across nine companies in the miners category representing 24% of the portfolio, and 15 companies in the platform category representing 24.45% of the portfolio. While we continue to see acceleration and evidence of adoption, we were particularly excited to see the news out of the California DMV. According to sources, this initiative aligns with Governor Newsome’s 2025 vision of integrating blockchain into government operations to reduce title transfer time from two weeks to a few minutes (see article by Riley Asak, California DMV and Cryptocurrency: Blockchain-Powered Vehicle Ownership<sup>1</sup>).

*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. For performance data current to the most recent month-end please visit [BLOKETF.com](https://BLOKETF.com).*



For decades we have heralded that the ETF wrapper will democratize assets and investment opportunities. It should therefore be no surprise to those who know us that we see easy access to Bitcoin through ETFs as great news. However, what should not be lost is the fact that while Bitcoin is expected to remain the dominant protocol and/or asset in the category, it will not be the singular winner. Innovation simply does not work that way. To this point, we note that the 42 million citizens in California will be relying on a partnership with Oxhead Alpha and Ava Labs, and be using the Avalanche blockchain, not Bitcoin. In highlighting this fact, we are not trying to reduce the value proposition of Bitcoin network but rather build awareness around how cryptography<sup>2</sup> works and how it will transform people's lives through data sharing. To be clear, Blockchain as the wrapper is the technical term that describes the use of cryptography as programming puts information "on-chain." We often accept the fact that an airplane can fly without truly knowing why. Similarly, over the last 20-30 years, we have grown to trust "the internet" as a network that transfers information instantly and securely. The Blockchain is no different, except with most Blockchains, it is a tri-party computer secure code that displaces trust through automation so that we know it is true. The saying "trust but verify" has never been more truthful than in today's sketchy world!

Bitcoin, as a commodity, is designed to be a long-term store of value and basis for digital property. However, this evolution makes for a disruptive technology that will ultimately revolutionize industries. To this point, we do not know whether this means the network will eventually have a value of \$283 trillion (Michael Saylor's Keynote Speech - Nashville Bitcoin 2024: The Digital Economy<sup>3</sup>), but cryptology ("crypto" for short) certainly has the power, momentum, and technological benefits needed to disrupt industries globally. **Again, boiling it down, cryptology described as Blockchain is simply about tokenizing information through a computer language for the purpose of providing "smart contracts" and automating outcomes. This is the foundational thesis behind transformational data sharing and how its adoption will change industries and thus have an impact worth far more than just the value of Bitcoin.**

As another example of how industries will change from the adoption of Blockchain, we would highlight a recent interview that we did with the CEO of GrainChain. By improving the transparency and reliability of real time data using Blockchain, GrainChain has improved financing terms for farmers in Central America and Texas. As "Smart Contracts" work using the IBM Hyperledger Blockchain network, banks and lenders rely on the data to get paid faster based upon both the proper accounting of costs and revenues. Note that accountability is available across 24 different commodities (see Blockchain Interview Series with GrainChain's Luis Macias<sup>4</sup>).

## TRANSACTIONS AND REPOSITIONING

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Our investment process can be defined by the asymmetry of the opportunity and our discipline to move in small increments. As we become more confident in Management's ability to execute on a strategic long-term plan or our short-term outlook for risk, we will add to or subtract from a position. We will never catch a falling knife because we feel we are smarter than the markets just based upon price. Frankly, we try to size the portfolio positions so that when we are wrong, we don't destroy capital. We believe this type of systematic approach positions our investors well for future disruption and volatility so that when we get it right, we can see an outsized upside.

During the month of July, we added to small positions in Bitdeer Technologies (BTDR), Opera Ltd. (OPRA), and Dell Technologies (DELL), and further increased the position in BLOCK, Inc. (SQ).

- ✔ Bitdeer Technologies is a vertically integrated Bitcoin mining company. In 2025, they will be building their own equipment and have access to over 2.5 GW of power. Their business is very diversified in terms of locations and the fact that they host and mine for themselves. The company has about \$200 million on its balance sheet and a very experienced management team. In May, Tether Holdings became their largest investor, with an allocation of up to \$150 million at \$10 a share.<sup>5</sup>
- ✔ Opera Ltd is a browser provider in the emerging market, including Africa. Opera is involved in WEB3 as a game provider, in AI as a search engine, and provides a way to transfer value using crypto and secure wallets.<sup>6</sup>
- ✔ Dell Technologies was discussed in last month's report. Since then, they have announced some planned layoffs which arguably are never a good sign for a growth company. Michael Dell has also gone quiet on his enthusiasm for Bitcoin (probably due to the company's official quiet period). Layoffs could be a function of belt tightening in the wake of margin compression and/or AI automation. More will be learned about the company's position in AI Servers, 2025 outlook, and management enthusiasm for Bitcoin when the company reports earnings in late August.
- ✔ BLOCK's management style, led by Jack Dorsey, is an example of founder led management, like Michael Dell and Michael Saylor. In the world of innovation that is led by Bitcoin and Fintech, we generally see founder-led companies as having an advantage. It is clear, according to Jack Dorsey, he is willing to shake things up.
- ✔ BLOCK is an example of a common thread in our overall strategy. We like companies led by founders who enjoy disruption. Companies looking to transform industries must be willing to shake things up and fundamentally, companies led by their founders enjoy a level of independence. Our reasoning for increasing the position in BLOCK was primarily the company's chip deal with Core Scientific.<sup>7</sup> While the deal by itself may be small for BLOCK, it demonstrates how the company continues to lean in on the long-term opportunity in Bitcoin. During the conference call, Jack Dorsey said "I'm fully confident and have no doubt that this is going to be a significant business for us, and we're going to take a majority of the market share." Along with the company's Cash App business, consistent Bitcoin purchases and holding Bitcoin was mentioned 54 times in the Block Q2 Shareholder Letter.<sup>8</sup>
- ✔ During the month, Customers Bancorp reported strong operating results that rallied the stock further and led it to trade at a premium to book. Marathon Digital Holdings (MARA) and Canaan (CAN) were also reduced during the month to make room for Bitdeer.

## ATTRIBUTION

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Despite a positive move of 3.52% in the portfolio, only a small group of stocks stood out in contributing to this performance. Roblox Corp (RBLX) was up 11.58% and contributed 42 \*BPs (base points) of performance during the month after reporting record results. Customers Bancorp also added 43 BPs to the performance. As mentioned above, as a result of a 34.39% increase in the stock price, we trimmed further from this position. PayPal similarly added about 40 BPs to the performance after a 13.36% move. Robinhood, Bitdeer, and Beyond were the stocks that hurt the portfolio the most, and they were down 9.42%, 11.5% and 13.61%, respectively. After their declines in the month, they trimmed performance by 31 BPs, 28 BPs and 27 BPs, respectively.

## TOP 10 HOLDINGS *(as of 7/31/2024)*

TICKER	COMPANY	% WT.	TICKER	COMPANY	% WT.
CORZ	Core Scientific Inc	5.31%	8473 JP	SBI Holdings Inc	3.10%
GLXY CN	Galaxy Digital Holdings Ltd	5.11%	SQ	Block Inc	3.09%
MSTR	MicroStrategy Inc	4.22%	CLSK	Cleanspark Inc	3.02%
COIN	Coinbase Global Inc	3.86%	HOOD	Robinhood Markets Inc	3.02%
PYPL	PayPal Holdings Inc	3.24%	HUT	HUT 8 CORP	3.00%

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

## BLOK PERFORMANCE

MONTH END AS OF 7/31/2024	CUMULATIVE (%)					ANNUALIZED (%)				
	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION	
Fund NAV	3.52%	18.77%	36.33%	22.83%	123.50%	42.37%	-1.80%	18.49%	13.09%	
Closing Price	3.44%	18.85%	36.39%	22.91%	123.32%	42.36%	-1.76%	18.60%	13.08%	
QUARTER END AS OF 6/30/2023	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION	
Fund NAV	7.06%	-2.52%	18.66%	18.66%	115.91%	58.24%	-4.84%	18.37%	12.67%	
Closing Price	7.16%	-2.66%	18.83%	18.83%	115.89%	57.71%	-4.89%	18.43%	12.67%	

*Fund Inception Date: 1/17/2018. BLOK's gross expense ratio is 0.76%. 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. For performance data current to the most recent month-end please visit [AmplifyETFs.com/BLOK](https://AmplifyETFs.com/BLOK). Brokerage commissions will reduce returns. A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. The closing price or market price is the most recent price at which the fund was traded.*

## SUMMARY

Transformational data sharing is happening every day, but we just assume it works seamlessly and automatically with the internet. In the near future, we see digital property as an asset that will seamlessly affect change across industries through automation and cryptology. We see the price action of Bitcoin as a short-term definable indication of adoption, but we again would remind people that the change that is occurring continues to build momentum regardless of such short-term volatility.

## EDUCATION

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

- Natalie Brunell: Bullish Macro Outlook, Optimal Bitcoin Allocation, and S&P to 15,000<sup>9</sup>
- Who owns Bitcoin: <https://bitcointreasuries.com/>
- Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System <https://bitcoin.org/bitcoin.pdf>



# BLOK

Amplify Transformational Data Sharing ETF

**First & Largest Actively Managed  
Blockchain Technology ETF**

Learn more: [BLOKETF.com](https://BLOKETF.com)



Global equity portfolio of professionally-selected companies involved in blockchain technology.



Active management approach that we believe enables the Fund to remain flexible, make timely decisions and identify companies that are best positioned to profit from the developing blockchain technology space.



Convenience and Transparency: access the blockchain and crypto ecosystem without K-1 tax reporting.\*\*

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

\*\*Schedule K-1 is a federal tax document used to report the income, losses, and dividends of a business' or financial entity's partners or an S corporation's shareholders. This information does not constitute, and should not be considered a substitute for, legal or tax advice.

<sup>1</sup><https://coinpaper.com/5066/california-dmv-and-cryptocurrency-blockchain>

<sup>2</sup><https://www.fortinet.com/resources/cyberglossary/what-is-cryptography>

<sup>3</sup><https://youtu.be/O9KnBcWMkpw>

<sup>4</sup>[https://www.youtube.com/watch?v=4chTpbM\\_azY&t=6s](https://www.youtube.com/watch?v=4chTpbM_azY&t=6s)

<sup>5</sup><https://ir.bitdeer.com/news-releases/news-release-details/bitdeer-announces-150-million-private-placement-financing>

<sup>6</sup><https://blogs.opera.com/crypto/>

<sup>7</sup><https://investors.block.xyz/investor-news/news-details/2024/Blocks-New-Bitcoin-Mining-Chip-to-Be-Part-of-an-Ongoing-Project-With-Core-Scientific-to-Decentralize-Mining-Hardware/default.aspx>

<sup>8</sup>[https://s29.q4cdn.com/628966176/files/doc\\_financials/2024/q2/Block\\_Shareholder-Letter\\_2Q24.pdf](https://s29.q4cdn.com/628966176/files/doc_financials/2024/q2/Block_Shareholder-Letter_2Q24.pdf)

<sup>9</sup><https://www.youtube.com/watch?v=tFqYcfdDl3k>

**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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