

MAY 2024

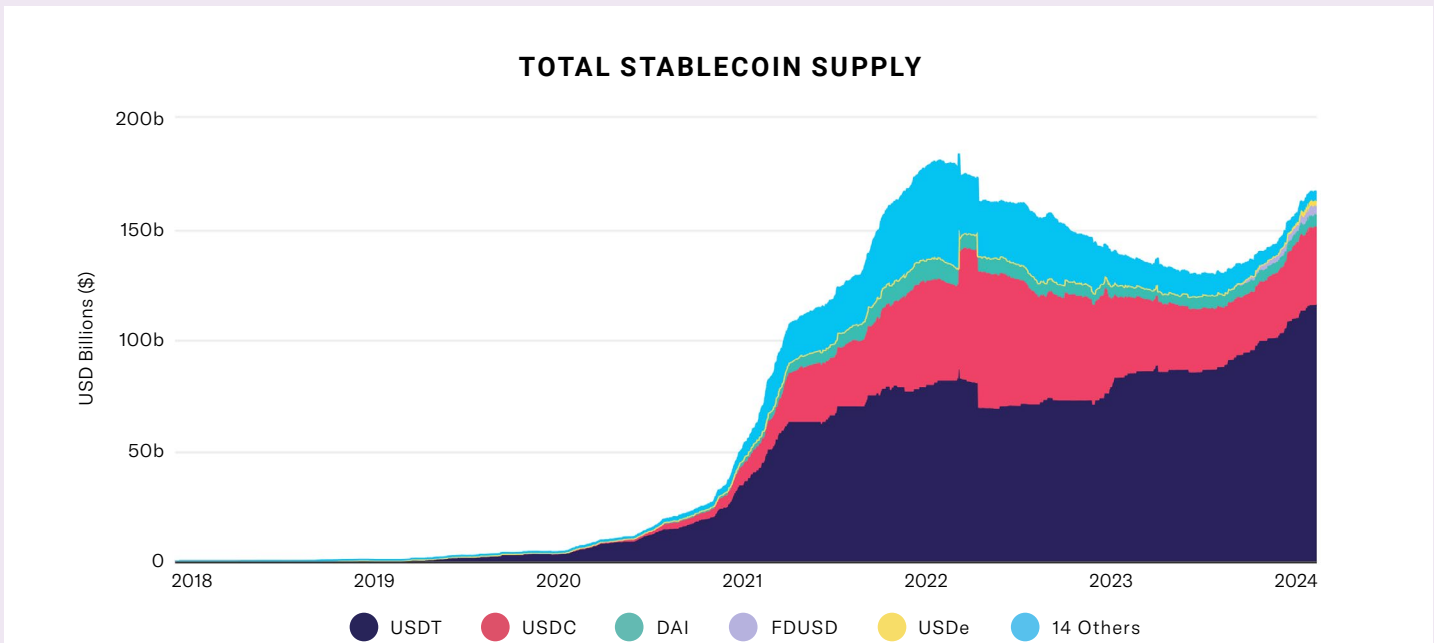
# The BLOK-Chain Monthly

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 retraced much of its gain in April with a decline of 15.03% (NAV return), closing the month up 3.42% YTD. The pullback in the Fund's performance followed a significant broad sentiment change towards risk off as almost half of the Fund's 56 positions were down greater than 10%. Even steady companies in the portfolio like IBM and Accenture were repriced down almost 13% due to concerns about slowing IT spending. Volatility, of course, is difficult to time, so our best defense remains our focused approach to diversification, the pursuit of new companies focused on implementing blockchain technology, and continuing to trim our winners when they reach our levels. In many ways, we see this pullback as an opportunity to capture volatility. We continue to see expanding evidence around progress regarding adoption of blockchain, tokenization, and digital assets. Specific examples include:

- 1) The Miners:** The very much anticipated fourth Bitcoin network "Halving" was executed as planned. As a cherry on top, there was an upside surprise, with a brief explosion around transactional fee volumes which provided a short-term boost in revenues.<sup>1</sup> Just because the Halving worked without a hitch does not mean its technological success should be taken for granted, especially given the volatility of the risk/reward. To this point, we believe the correlation to Bitcoin price will work much like a coiled spring in the upcoming price rally.
- 2) Trillion-Dollar Asset Manager Race:** Two of the largest trillion-dollar global asset managers are now offering US Government Money Funds on the Blockchain, both with about \$370 million. It may be a horse race between Blackrock (BUIDL) and Franklin Templeton (BENJI) for now, but if clients benefit, it would be reasonable to assume that other asset managers will follow.<sup>2</sup> We believe this is an initial step to push forward the technology applications on traditional rails (aka mutual funds) while pursuing a true stablecoin effort. These two firms are not thinking millions. Currently, there is about \$167 billion in true stablecoin assets (\$1 pegged) sitting blockchain rails.<sup>3</sup> By 2028, forecasters expect the stablecoin market to reach \$2.8 trillion. Blackrock's collaboration with Circle (USDC) in a seamless offering using blockchain is just the beginning.<sup>4</sup> We would note that both Blackrock and Fidelity have invested in Circle since 2022 and there is an active Form S-1 on file.<sup>5,6</sup>



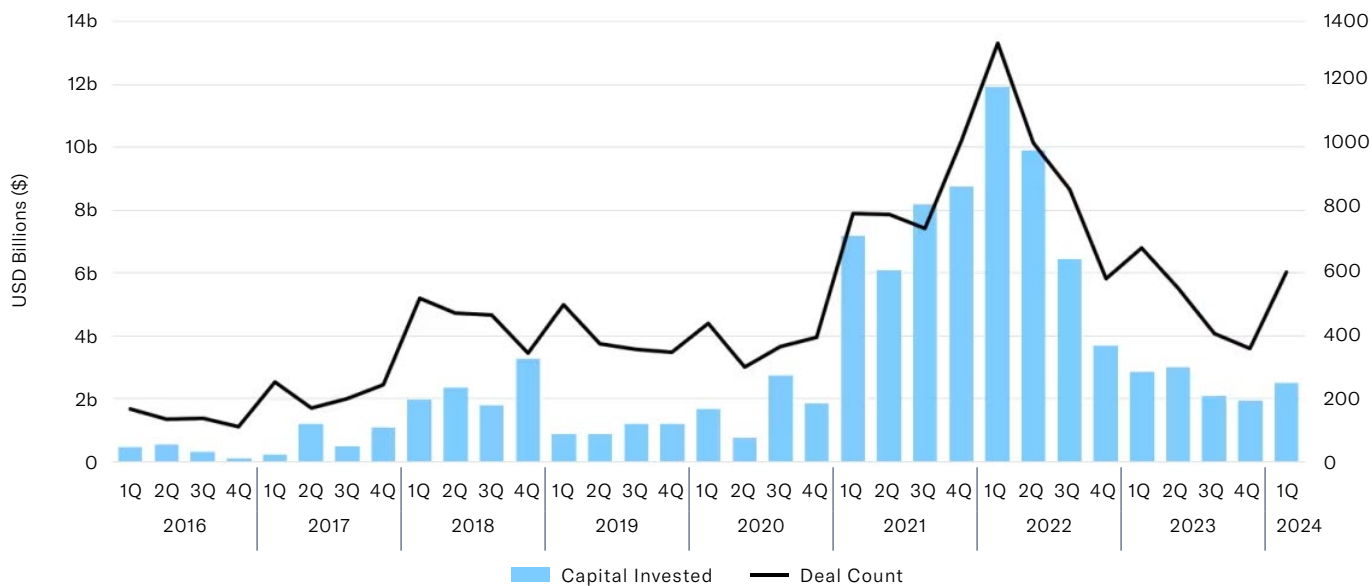
Sources: The Block, Coin Metrics, DeFillama as of 5/2024.

Stablecoins are cryptocurrencies that attempt to peg their market value to some external reference. Stablecoins may be pegged to a currency like the U.S. dollar. Includes fiat-backed, crypto-backed and algorithmic stablecoins across blockchains. **USD Tether (USDT), USD Coin (USDC), DAI (DAI), First Digital USD (FDUSD), Ethena USDe (USDe). United States Dollar = USD.**

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://www.blokETF.com).

**3) Venture Capital:** After bottoming in Q4 2023, Galaxy Digital's venture capital spending targeted at Blockchain started to tick back up in Q1 2024, with a 50% sequential increase quarter-over-quarter (QoQ) to 603 deals, and a 29% increase in dollars invested at \$2.49 billion.<sup>7</sup> We hear venture capital activity is certainly picking up, and there remains dry powder still in the funds from 2021 and 2022. To be fair, because large generalist funds have backed away, capital remains difficult to raise. We believe this will only mean business plans need to have more clarity than during the peak cycle periods, and the quality of the deals will just be stronger. People looking for further evidence of progress should also know that there will certainly be an overlap between AI and Blockchain.

## CRYPTO VC DEAL COUNT & CAPITAL INVESTED



Source: Pitchbook Data Inc., Galaxy Research. As of 5/2024.

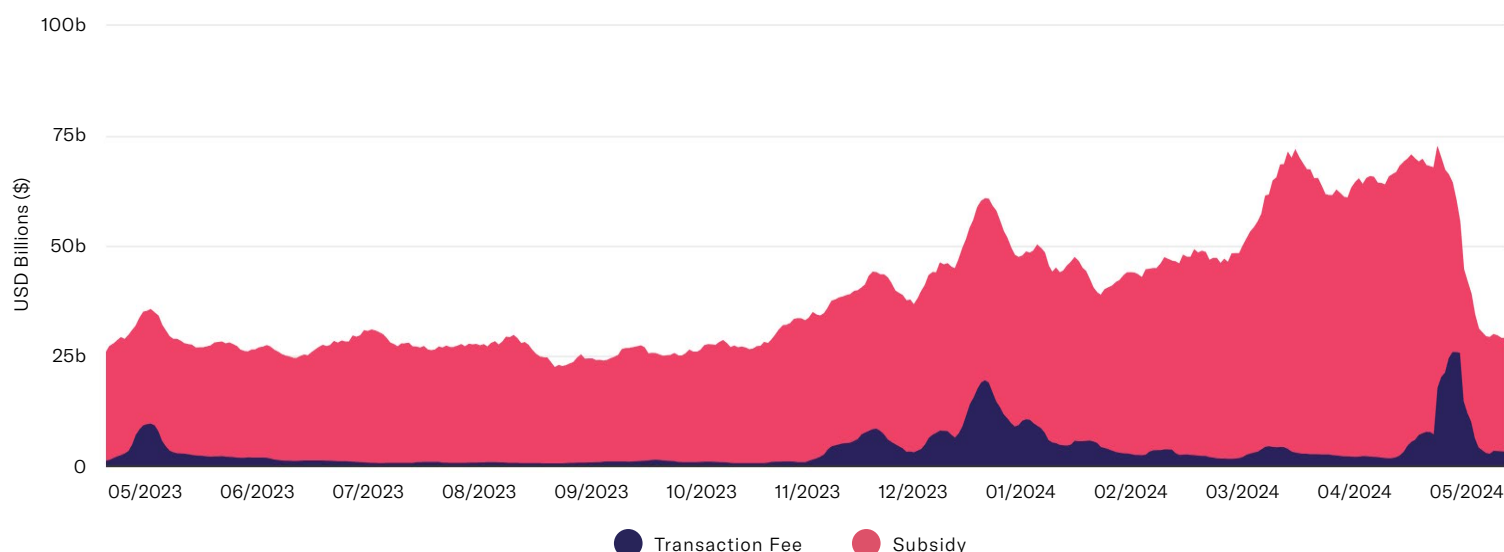
**4) Bitcoin Miners Earnings:** We would also like to highlight that Bitcoin miners in our Q1 2024 holdings will produce real revenues and EBITDA (earnings before interest, taxes, depreciation, and amortization) for the first time in their history. Some are speaking about “free cash flow,” and some are even reporting that their near-term cap expenditure plans are “fully funded.” As we move into May, we have high hopes that earnings season will provide tangible evidence for these businesses that have required hundreds of millions of dollars of investor capital and are finally set up to deliver operational scale.

## BITCOIN MINER HALVING

Bitcoin prices may move up and down for a variety of reasons in the short term, but those focused on the long term will appreciate that the rate of supply will be absolutely restricted to expanding at a pace of 0.85 BPs\* a year for the next 4 years. This rate of growth in supply is about half that of gold, but unlike gold, Bitcoin supply cannot be expanded regardless of what happens with the Bitcoin network. At its foundational core, this is why Bitcoin is referred to as an inflation hedge against other currencies and why the surprise spike up in transactional fee volume post halving was important evidence that the security of the network could have additional revenue beyond just price.

To put the halving event into perspective, we note that daily mining network revenue going into the halving was running close to all time daily highs at \$71 million, with Bitcoin price running around \$65,000-\$67,000. However, in the day afterwards, the network earned \$107.7 million, with transactional fee volume representing about \$80 million.<sup>8</sup> Note that not every miner benefited to the same scale, but we were pleasantly surprised to see that Core Scientific saw daily mining revenue spike from a very consistent 29-31 BTC a day to 57 the day after the halving. As such, after 3-4 days, mining production settled down again as expected, and daily revenues are now tracking as planned. Those who wish to track this kind of activity can measure it conveniently by following Core Scientific's daily volume on X at [https://twitter.com/Core\\_Scientific](https://twitter.com/Core_Scientific) or at theBLOCK.Co (See below chart – note, "Subsidy" refers to BTC price).<sup>9</sup>

### BITCOIN MINER REVENUE (DAILY, 7DMA)



Source: The Block. Data as of 5/2024. Seven Day Moving Average (7DMA) is a short-term trend indicator calculated by taking the sum of last seven trading days closing price of the stock and dividing by seven.

Miner revenue takes into account inflation rewards (block subsidy) and transaction fees. Miners are paid rewards in the blockchain's native currency for producing valid blocks and processing transactions.

The 2024 halving was predicted years in advance, and sophisticated large-scale miners have been regularly tapping the capital markets. At various points in past cycles there have been debates about the bitcoin miners as indicators of price. This is why we recently wrote a piece for Coindesk titled "Bitcoin Miners Are Set For a Coiled-Spring Rally".<sup>10</sup> We believe if Bitcoin were to further rally and challenge the old highs then the coiled spring would be back! Currently, we are about 18-20% allocated to the miners, which is the mid-range of our past exposures. Note we are measured in our exposures between geography, those companies we referred to as "accelerators," and those diversifying into AI.

### ADDITIONAL RESOURCES

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

■ Natalie Brunell, Coin Stories Podcast:

- Michael Saylor's 'Gold Rush' Has Started: 2024-2034, Why Smart Money is Buying Bitcoin - <https://www.youtube.com/watch?v=AQJgoBQwnCM>
- Bitcoin Mining Special Roundtable with 5 Public Mining Titans - <https://open.spotify.com/episode/6NyJkAeansDOgQTI6QSXsE?si=gf-O9yuTSjamCMzyU-O2Kg>

■ Whitepapers and research: <https://www.blockchain.com/en/research>

■ Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System: <https://bitcoin.org/bitcoin.pdf>

## BLOK MONTHLY COMMENTARY

There is no way to sugar coat a down 15% month, but we believe the long-term trend remains in our favor. Change is not always neat, but we remain confident in the evidence we see that the transformation among the companies we are invested in remains on track. This is not to say that every earnings report has met our goals or that the monthly production reports from the miners have been on target. We also recognize that everyone in the Fund would rather see a \$100,000 Bitcoin than a \$50,000 Bitcoin. However, the internet was not built in a quarter, or even a year. To this end, we leave you with a video that was shared by Accenture about the future of travel and the benefits of hosting people's individual identities on the Blockchain. We only wish it also promised perfect airplane landings and on time service! Thank you for your continued confidence in us. Monthly marks matter, but things can change quickly with transformation technology and digital property. We are off to a strong result in May.

## TOP 10 HOLDINGS (as of 4/30/2024)

TICKER	COMPANY	% WT.	TICKER	COMPANY	% WT.
GLXY CN	Galaxy Digital Holdings	4.74%	MSTR	MicroStrategy	3.30%
COIN	Coinbase Global	4.16%	NU	NU Holdings	3.15%
PYPL	PayPal Holdings	3.97%	SQ	Block	3.11%
8473 JP	SBI Holdings	3.41%	CLSK	Cleanspark	3.04%
HOOD	Robinhood Markets	3.37%	RBLX	Roblox	3.02%

*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 4/30/2024	CUMULATIVE (%)				ANNUALIZED (%)				
	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION
Fund NAV	-15.03%	14.78%	51.93%	3.42%	88.19%	57.10%	-12.33%	15.64%	10.58%
Closing Price	-15.29%	14.76%	51.51%	3.42%	87.90%	56.99%	-12.30%	15.68%	10.56%
QUARTER END AS OF 3/31/2024	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION
Fund NAV	8.35%	21.72%	84.63%	21.72%	121.49%	90.01%	-8.93%	19.86%	13.68%
Closing Price	8.61%	22.08%	84.94%	22.08%	121.80%	90.49%	-8.96%	20.02%	13.70%

*Fund inception date: (01/17/2018). 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.*

## ATTRIBUTION

Bitcoin was down about 17% during the month, and the Fund's direct exposure to that asset class was about 8% at month end. This exposure comes through holdings in 5% Spot Bitcoin ETFs and about a 3.5% weighting in MicroStrategy stock, but again, we see the Fund's 18% to 20% holdings in the equity of the miners as additional correlated exposure. We do not own the miners equally but would note that their contribution to the decline was about 3.54% - Spot Bitcoin and MicroStrategy stock was about 2.548%, and Coinbase was an additional 1%. Beyond (formerly Overstock) was down almost 44% on no news which led to an almost 2% decline in value.

## TRANSACTIONS AND REPOSITING

We added a 1% position to Nvidia (NVDA) in April while we sold out of Canaan. In speaking to many of the miners who are diversifying into AI infrastructure, it has become clear that the Bitcoin mining industry is now going to be a meaningful purchase of GPUs (graphics processing units) from Nvidia. While we may own well-known companies that have a role in the transformation of Blockchain, we tend to provide a very high active share in our process. To this point, our overlap to the S&P500 or most large-cap or mid-cap growth ETFs is below 20%. We believe this is an important differentiator. In addition, while the total addressable market (TAM) for public digital property has implications in the trillions of dollars, our research tends to focus deeper on mid-small cap opportunities.

# 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://cointelegraph.com/news/bitcoin-mining-revenue-107-m-ath-btc-halving-day>

<sup>2</sup> <https://www.coindesk.com/markets/2024/04/30/blackrocks-buidl-becomes-largest-tokenized-treasury-fund-hitting-375m-toppling-franklin-templetons/>

<sup>3</sup> <https://www.theblock.co/post/291954/stablecoin-volumes-stay-strong-as-fdusd-hits-record-high-while-usdt-declines>

<sup>4</sup> <https://cointelegraph.com/news/circle-blackrock-transfers-usdc-buidl>

<sup>5</sup> <https://www.prnewswire.com/news-releases/circle-announces-400m-funding-round-301523647.html>

<sup>6</sup> <https://www.circle.com/en/pressroom/circle-announces-confidential-submission-of-draft-registration-statement-for-proposed-initial-public-offering>

<sup>7</sup> <https://www.galaxy.com/insights/research/crypto-and-blockchain-venture-capital-q1-2024/>

<sup>8</sup> <https://www.coindesk.com/markets/2024/04/22/bitcoin-miners-have-raked-in-abnormal-transaction-fees-since-halving-bernstein/>

<sup>9</sup> <https://www.theblock.co/data/on-chain-metrics/bitcoin/bitcoin-miner-revenue-daily>

<sup>10</sup> <https://www.coindesk.com/markets/2024/04/17/bitcoin-miners-are-set-for-a-coiled-spring-rally/>

**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 Participation Sub-Adviser.

Amplify ETFs are distributed by Foreside Fund Services, LLC.