

NOVEMBER 2024

The BLOK-Chain Monthly

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

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As of October 31, 2024, BLOK's NAV returns were up 6.99% and YTD performance was 34.31% (see [standardized performance](#)). In the last report, we provided a great deal of information around how trillions worth of value creation is occurring on a regular basis as a result of blockchain technology. We did this because, while it is easy to see Bitcoin as the most valuable blockchain because of its price action and value proposition, it is evident to us that on a longer-term basis, tokenization of real-world assets (RWA) using other blockchains may ultimately have even greater societal and business implications. Moreover, while 2024 has proven to be a rewarding year for our investors, we foresee business momentum building upon itself as a result of the election. Bottom line, in 2025 we foresee greater regulatory clarity from the government, increased capital access, and an increase in large firms embracing blockchain as a competitive advantage.

Looking beyond the possibility of the government owning Bitcoin as treasury and/or the proxy vote around Microsoft adopting a similar mandate on December 10th, we foresee firms having significantly less reason to not accelerate their spending on blockchain technology as a solution to lower costs, increase efficiency, and improve security.¹ In many ways, with Society for Worldwide Interbank Financial Telecommunications (SWIFT), Depository Trust and Clearing Corporation (DTCC), so many more trillion-dollar financial firms embracing blockchain technology, any financial service firms not willing to adopt it will run the risk of being disintermediated in 2026 and beyond.² Next month we will be writing about our 2025 predictions, but one of our obvious predictions is that CFOs and CTOs will be reviewing their allocations to a blockchain. Hint: if you believe that highly regulated banks and large traditional finance or TradFi firms are now seeing value in the automation and security of blockchain, just think about the potential benefits of adoption in the healthcare and real estate sectors. Stay tuned!

Tokenized Fund Development Under Two Paths

	WHAT IF #1 Grow Gradually like ETF	WHAT IF #2 Upgrade Existing Fund Vehicles
Key elements required	<ul style="list-style-type: none"> Clarity on requirements for secondary transfer Continued development on stablecoins, tokenized deposits and CBDC Asset managers launching new fund vehicles to attract new investors 	<ul style="list-style-type: none"> Clarity on requirements for secondary transfer Continued development on stablecoins, tokenized deposits and CBDC Asset managers launching new fund vehicles to attract new investors Easy-to-follow conversion path for existing fund vehicles
Potential AUM of tokenized fund in 2030	<p>~US\$600 to 1,000 billion</p> <p>ETF achieved 1% of total AUM in ~7 years after its first launch in major market</p>	<p>US\$ trillions+</p> <p>Subject to guidance from regulators</p>

Source: BCG analysis.

We are all about sharing insights and opinions from others who we believe will educate our investors. To this point, we found the BCG whitepaper particularly constructive, as it makes the case for \$600 billion to \$1 trillion in mutual fund assets getting tokenized by 2030.³ It is noteworthy that the authors also highlight that the tokenization value proposition basically follows the ETF playbook in disruption by adding greater potential liquidity and operating efficiencies. As such, the authors project that tokenization will gain 1% of the \$58 trillion in AUM, similar to the path that ETFs followed, and save the mutual fund industry about \$100 to \$400 billion. There is no mention that investors will benefit from this change with lower costs, but it would be reasonable to assume that with greater scale, lower prices will follow. While investor protections around transparency and security would have to be addressed in disclosures, investors may end up seeing the benefit without needing to do much except read the disclosures. The difference in the two paths would be a function of acceptance around private funds (see above).

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.

Feature Comparison: Mutual Funds, ETF, Tokenized Funds

	Mutual Fund	Exchange-Traded Fund	Tokenized Fund**
Anticipated potential difference in key features*	A mutual fund pools money from many investors to invest in a diversified portfolio professionally managed by a fund manager	Similar to mutual fund, but shares of the fund are traded on exchange like a stock	Similar to mutual fund & ETF, but shares of the fund are digitally represented on a distributed ledger like a token
Price transparency for investors	Execution price is confirmed with delays, e.g., EOD NAV processing	Execution price is confirmed instantly, based on secondary market activities, such as the latest bid/ask order book and indicative NAV	
Time to fund & cash for investors	T+2/3 days required	Intraday, during exchange hours	Intraday, 24/7 feasible
Potential as collateral for lending	Limited mutual funds due to cost (e.g. lien, default risk mgmt.)	ETFs as collateral for margin trading mostly in brokers	Near-instant collateralization for lending via smart contracts
Potential as underlying assets for derivatives	Limited mutual funds are used for bespoke structured products	Selected ETFs are used for Exchange-Traded Options	Feasible for Smart Derivative Contracts usage (atomic, 24/7)
Integration with on-chain money	Lower efficiency as money settlement takes time		Atomic settlement (DvP); money programmability

Source: Industry interview, BCG analysis.

* Features for tokenized funds are their potentials using blockchain – subject to regulations.

** Also known as on-chain fund, digital fund, or blockchain-trade fund.

Sorry for getting deep in the weeds, but this is important to many of our readers in the financial service industry. BCG makes the case above that there are “three main approaches to fund tokenization, each with its distinct advantage and challenge. The first is the creation of digital twins⁴, often through Security Token Offerings (STO), similar to a master-feeder structure.⁵ This approach is fast to implement but involves the added expense of managing dual operations. The second approach is developing a native pool of investors. Lastly, there is an option of converting existing funds. This method offers scalability but demands care to avoid disruption.” We would note that much of this might be achieved through distributed ledger technology (DLT), but on private blockchains which have established internal custodial relationships and/or through platforms like Chainlink, which provide bridges between TradFi and Decentralized Finance (DeFi).

TRANSACTIONS AND REPOSITIONING

October was an especially active month. Pursuant to the process, the Fund trimmed Galaxy Digital (Galaxy CN) and MicroStrategy (MSTR) per diversification rules. Scaling back some winners and following certain rules around sector exposure has been a constructive risk management discipline we have maintained since the fund was launched in 2018. In addition, two positions we decided to reduce exposure in were Alibaba (BABA) after it rallied hard with other stocks in China, and Roblox (RBLX). The Fund sold 100% of LY Corp and Bitfarms (BITF) to support our interest in buying new positions in Applied Digital (APLD) and Terawulf (WULF). The Bitcoin mining data center sector remains a highly dynamic area of the portfolio. There are many factors that we are constantly reviewing around our weightings in this group. For details, please feel free to reach out. We increased our exposure in the sector and are now leaning in aggressively in the area.

We also added to BlackRock (BLK), DELL Technology (DELL), and MercadoLibre (MELI). BlackRock continues to position itself well for the tokenization of real-world assets (RWA) beginning with private equity funds. It is the manager of about \$1 trillion in alternatives and closed on the acquisition of Global Infrastructure Partners on October 1. Reading through the BCG whitepaper, one has to imagine that BlackRock has a strategic plan to integrate the two opportunities. We also believe that KKR has ambitions to capitalize on the tokenization opportunity when combined with infrastructure and private equity. It has some tokenized funds, and recently closed on a \$50 billion partnership. Members of the team have been open about their vision that \$100 trillion will need to be spent on global infrastructure. Lastly, close readers of these reports should not be surprised to read that we nearly doubled the Fund's position in Opera LTD (OPRA) and increased the exposure incrementally in Coinbase (COIN).

ATTRIBUTION

Despite trimming into the rally, MicroStrategy continued to be our biggest winner, making up 1.76% of the 6.72% return (or about 25% of the return for the month). Other significant contributors were HUT8 and Core Scientific, making up about 85 basis points (bps) and 80 bps respectively. There were no stocks with losses that made up a similarly measured amount of the monthly return.

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

TICKER	COMPANY	% WT.	TICKER	COMPANY	% WT.
Core Scientific	CORZ	5.95%	Coinbase Global	COIN	3.32%
MicroStrategy	MSTR	4.58%	Block	SQ	3.30%
Galaxy Digital	GLXY CN	4.03%	HUT 8	HUT	3.25%
PayPal	PYPL	3.58%	Robinhood Markets	HOOD	3.15%
NU	NU	3.38%	CompoSecure	CMPO	3.14%

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 10/31/2024	CUMULATIVE (%)				ANNUALIZED (%)				
	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION
Fund NAV	6.99%	9.35%	29.87%	34.31%	144.39%	97.31%	-5.73%	21.51%	14.07%
Closing Price	7.04%	9.46%	30.09%	34.54%	144.44%	97.10%	-5.75%	21.66%	14.07%
QUARTER END AS OF 9/30/2024	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION
Fund NAV	6.25%	5.79%	3.13%	25.53%	128.42%	90.41%	-1.10%	20.26%	13.11%
Closing Price	6.08%	5.78%	2.96%	25.70%	128.37%	90.43%	-0.95%	20.25%	13.11%

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 visit 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

BLOK's NAV returns were up 6.99% and YTD performance was 34.31% through October 31, 2024. This performance was achieved through diversification in about 55 holdings with concentration restrictions around sectors and holdings. We would also highlight that the transformation we expect to occur as a result of tokenization could begin to accelerate due to the election. This is not a Fund that looks to pivot strategically based on political outcomes, but we would expect that the policies over the next year under this new administration will offer greater clarity for innovation around crypto and therefore tokenization. To be clear, we expect that funding targeted at blockchain and tokenization will accelerate in 2025, and as a result, the companies in our universe will experience continued long-term momentum. For this reason, many involved in the industry and technology are now calling for a re-acceleration and transformation of the digital era.

EDUCATION

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

- Podcasts: Public Key: Inside the Rapid Growth of Real World Asset Tokenization with Chris Tyrrell
- Back to Basics: How is math used in cryptography (How is math used in cryptography? | LinkedIn)
- Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System bitcoin.org/bitcoin.pdf

BLOK

Amplify Transformational Data Sharing ETF

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

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

¹ [sec.gov/Archives/edgar/data/789019/000119312524242884/d878959ddefa14a.htm](https://www.sec.gov/Archives/edgar/data/789019/000119312524242884/d878959ddefa14a.htm)

² [Inside The Competition For Big Money \(oliverwymanforum.com/future-of-money/2023/nov/inside-the-competition-for-big-money.html\)](https://www.oliverwymanforum.com/future-of-money/2023/nov/inside-the-competition-for-big-money.html)

³ [web-assets.bcg.com/81/71/6ff0849641a58706581b5a77113f/tokenized-funds-the-third-revolution-in-asset-management-decoded.pdf](https://www.web-assets.bcg.com/81/71/6ff0849641a58706581b5a77113f/tokenized-funds-the-third-revolution-in-asset-management-decoded.pdf)

⁴ A digital twin is a digital replica of a physical object, person, system, or process, contextualized in a digital version of its environment. Digital twins may help many kinds of organizations simulate real situations and their outcomes, ultimately allowing them to make better decisions. (McKinsey.com, What Is Digital Twin Technology)

⁵ An investment structure commonly used by hedge funds that involves investors investing in feeder funds that, in turn, invest in a larger master fund. (Investopedia.com, Master-Feeder Structure)

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://www.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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