

FEBRUARY 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)

As is always the case, we encourage investors to think long-term about the Fund's focus on growth, disruption, and transformation. We would remind readers that it took around 12 years for the automobile to displace the horse drawn carriage, but once it happened no one looked back (see Figure 1).

History has many examples of evolutionary (or even revolutionary) technologies that solve social problems and/or cause important changes. Companies that are driven by this change most often experience accelerated long-term revenue and earnings growth. These companies have corporate cultures that are led by CEOs/founders who are willing to do what is different. Companies that do not seek to embrace change ultimately go the way of the past. This may be one reason why growth stocks tend to outperform value stocks.



Figure 1: Images taken of street traffic in New York City depict a shift in mode of transportation from horse drawn carriages in 1900 (left) to automobiles in 1913 (right).  
Source: US National Archives and George Grantham Bain Collection

### SPECIFIC HIGHLIGHTS (PAYPAL)

PayPal's new CEO, Alex Chriss, came out swinging in January with a grand vision that was met with a snore. This was probably because they had few specifics around company transformation beyond simply getting leaner. The good news is that the path to delivering on business execution seems to be clear. Moreover, as platforms go, PayPal is very well positioned with solid a balance sheet, foundational trends, and customer loyalty.

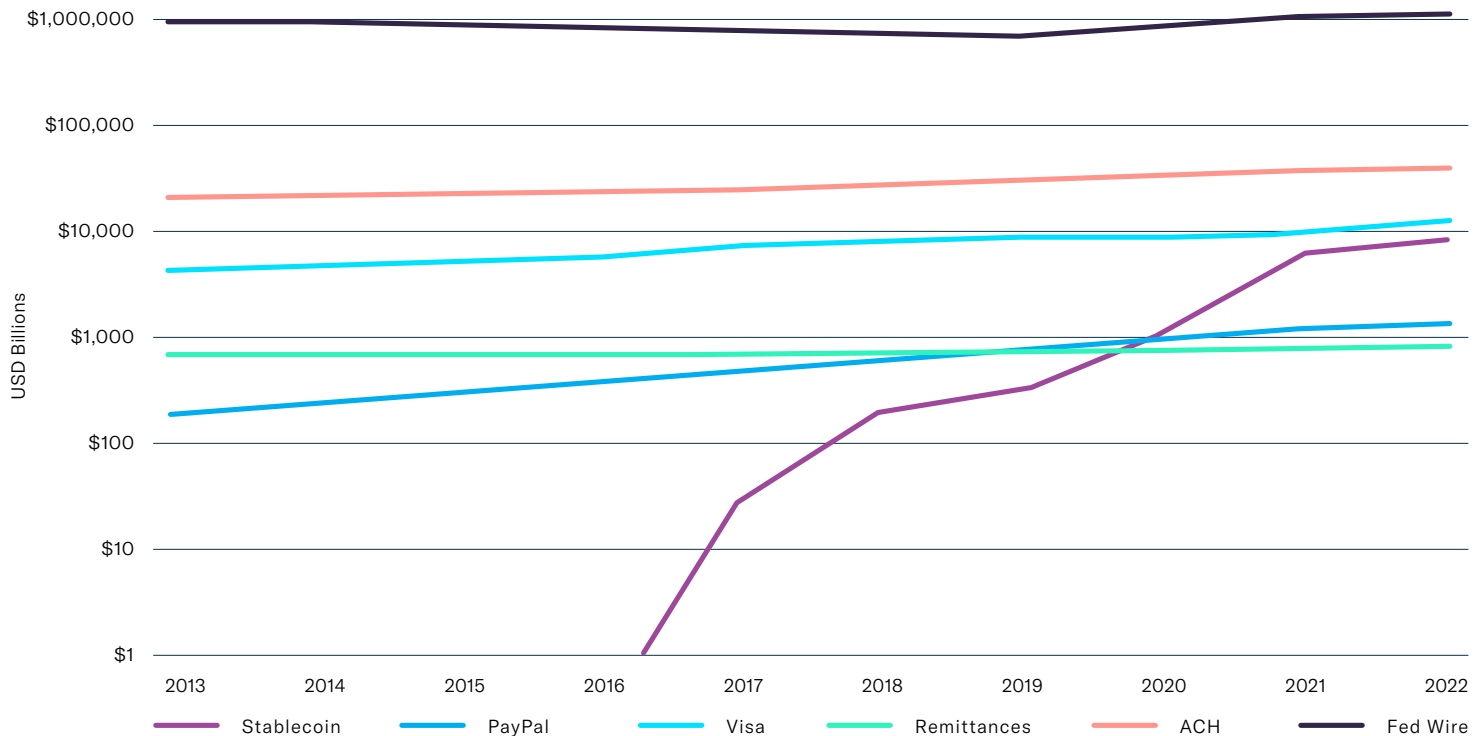
Check out his presentation called "First Look".<sup>1</sup> As the new CEO, Mr. Chriss has offered a sobering view of the business he has inherited, including concerns around client dissatisfaction, margin pressure, and a bloated infrastructure. He has also not made any short-term promises, so expectations are very low. In fact, as a platform with 400 million subscribers and EV/EBITDA around 9x (versus its average peer group which is at 20x), we think patient investors could be rewarded by significant multiple expansion. Moreover, with optionality around the potential use cases and benefits of having its own stablecoin, and the integration of AI that benefits both the business operator and the customer, PayPal could surprise many investors with how it transforms itself. The opportunity, challenge, and vision are clear – PayPal touches 25% of the \$6 trillion e-commerce industry, and shareholders will benefit from any incremental advantage from this customer experience. Will the B2C car drive faster, smoother, or simply carry more? Regardless, we think this platform and its CEO is one to watch closely.

## THE ROAD TRAVELED

We can see evidence of progress in the development of stablecoin volumes. Executive Director and Head of Digital Asset Markets at Morgan Stanley, Andrew Peel, CFA, highlights that the global adoption of dollar-linked stablecoins has seen exponential growth. In 2022, stablecoins processed transactions close to \$10 trillion on public blockchains which highlights the opportunity to disrupt the traditional system of transferring value through commerce (see Figure 2).<sup>2</sup> It may not be sexy to talk about pennies and single digit BPs\* but make no mistake, two to three BPs adds up on \$10 trillion, and is far more efficient and less costly than the current system.

### STABLECOIN VOLUMES ARE COMPARABLE TO EXISTING FINANCIAL SYSTEMS

*Annual Volume of Stablecoin vs Other Financial Systems (USD Bn): 2013 to 2022*



Source: Nic Carter – Castle Island Ventures, Coinmetrics, World Bank, Federal Reserve, Bloomberg, NACHA, September 2023.

Stablecoins are a low-cost and efficient global solution for transferring value across borders in the form of programmable public digital property that can facilitate e-commerce, whether peer-to-peer, B2C, or B2B. Visa has been testing stablecoins to improve efficiency since 2021, because they recognized that their business is about speed and scale and will be challenged by the operating efficiencies of stablecoins. As a result, effective September 2023, the firm announced that it was expanding its stable settlement capabilities. Americans who travel abroad are frequently surprised by the back-end charges on their credit card bill. Visa is beginning to address this issue through its partnership with Circle, using USDC (USD Coin - a digital stablecoin), on the Crypto.com platform. As the press release explains, “Now, Crypto.com can send USDC cross-border over the Ethereum blockchain directly to a Visa treasury-managed Circle account which helps reduce the time and complexity of international wire transfers”.<sup>3</sup> In years to come, as stablecoin volume eclipses Visa volume, we believe that people will begin to take for granted that crypto, as public digital property, is simply the rails to move value. After all, if trillions of dollars can be moved safely and securely, why can’t music, intellectual property, or even digital healthcare records be stored on crypto? To learn more about stablecoins and tokenization, check out the article about music NFTs below<sup>6</sup>, and Galaxy Digital’s Digital Asset Academy 9-minute video with Steve Kurz.<sup>4</sup> The answer will come in a matter of time, but having established firms like Visa, PayPal, and Mastercard embrace the change and work with regulators is a necessary part of the evolution. Legislation and regulation are necessary parts of the process. Think about highways without speed limits and traffic rules.

## BLOK MONTHLY COMMENTARY

The Amplify Transformational Data Sharing ETF (BLOK) was down 9.90% in January, which brings the 12-month NAV return to 44.98%. The road ahead will be about transformational change across industries and universal adoption. This will take global legislation and regulatory cooperation, which can be messy. However, ignoring how this change will impact society is like being stubborn and not using a computer, or continuing to ride the horse and buggy as cars pass you by.

During January, we made certain small changes to the portfolio to try to manage risk around the spot bitcoin excitement. However, as a reminder, while selling is one form of managing risk, so is not increasing beta to the asset class. Sometimes it is what you don't do that has the greatest intangible benefit. Lastly, we were thrilled to see Core Scientific come out of bankruptcy. It was a rigorous process, and much time was spent working through the details, but looking back, the reorganization process did lead to a positive outcome for our investment.

## TOP 10 HOLDINGS (as of 1/31/2024)

TICKER	COMPANY	% WT.	TICKER	COMPANY	% WT.
MSTR	MICROSTRATEGY	4.62%	MARA	MARATHON DIGITAL	3.21%
8473 JP	SBI HOLDINGS	3.97%	9449 JP	GMO INTERNET GROUP	3.08%
GLXY CN	GALAXY DIGITAL	3.96%	PYPL	PAYPAL	3.07%
COIN	COINBASE GLOBAL	3.77%	IBM	IBM	2.94%
BYON	BEYOND	3.67%	ACN	ACCENTURE PLC	2.71%

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 1/31/2024	CUMULATIVE (%)					ANNUALIZED (%)				
	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION	
Fund NAV	-9.90%	32.36%	4.44%	-9.90%	63.95%	44.98%	-6.69%	14.30%	8.53%	
Closing Price	-9.88%	32.02%	4.37%	-9.88%	63.73%	44.04%	-6.79%	14.32%	8.50%	
QUARTER END AS OF 12/31/2023	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION	
	1 MO.	3 MO.	6 MO.	YTD	SINCE INCEPTION	1 YR.	3 YR.	5 YR.	SINCE INCEPTION	
Fund NAV	25.79%	51.69%	33.36%	98.09%	81.96%	98.09%	-0.22%	19.29%	10.57%	
Closing Price	25.49%	51.50%	32.72%	99.69%	81.69%	99.69%	-0.44%	19.42%	10.54%	

Fund inception date: (01/17/2018). BLOK's gross expense ratio is 0.75%. 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](https://BLOKETF.com). 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

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Profit taking in the mining stocks was extreme, in the range of 20-43% across the board. We highlight this as profit taking since many of the stocks in 2023 were up 300%. At the end of 2023, the category represented about 22.43%, but at the end of January this amount was down to 18.19%. This includes about an additional 1% from Core Scientific's successful exit from bankruptcy, but after about 2% in sales in the category early in the month. In 2021, the Fund invested in Core Scientific through Senior Convertible Notes representing \$26,500,000. This bond was exchanged in January for a new Note that, on face value, represents \$14,836,015. The fund also invested in Core Scientific through securities, including common stock, worth about \$11,060,453 (\$3.21) at the close of the first day of trading on January 25th. It has been a long year since the chapter 11 filing, and while the values of the bonds are marked at a conservative discount to face value, they are available to trade over DTCC and represent a significant return on capital. We are optimistic about Core's prospects. Their established scale and leaner business model coming out of bankruptcy should make them a competitive large-scale miner. As active participants on the debtors' committee, we played a role in the recapitalization of the firm.

## TRANSACTIONS AND REPOSITING

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We moved early in the month to trim some of the direct exposure to bitcoin price by reducing Marathon Digital (MARA), Bitfarms (BITF), and Coinbase Global (COIN). We incrementally increased the weightings in Blackrock (BLK) and CompoSecure Inc. (CMPO). These were decisions driven to try and manage risk while staying true to our core mandate.

## ADDITIONAL RESOURCES

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

- What Bitcoin Did with Peter McCormack: Grayscale, the SEC & Genesis with Michael Sonnenshein - WBD623<sup>5</sup>
- Chainlink: How Music NFTs Can reshape the Music Industry<sup>6</sup>
- Satoshi Nakamoto Original Bitcoin White paper: Bitcoin: A Peer-to-Peer Electronic Cash System<sup>7</sup>

**APPENDIX A: MONTHLY DETAILED PERFORMANCE CONTRIBUTION CHART** (For period 12/29/2023 - 1/31/2024)

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
<b>AMPLIFY TRANSFORMATIONAL DATA SHARING ETF</b>			
Information Technology	44.62	-14.68	-6.70
MICROSTRATEGY INC	4.91	-20.65	-1.10
MARATHON DIGITAL	3.86	-24.52	-1.03
BITFARMS LTD/CANADA	3.35	-20.29	-0.79
GMO INTERNET GROUP	3.02	0.77	0.02
RIOT PLATFORMS	2.84	-29.54	-0.91
CLEANSARK	2.71	-27.02	-0.78
INTL BUSINESS MACHINES	2.69	12.30	0.32
ACCENTURE PLC	2.63	4.07	0.11
HIVE DIGITAL TECHNOLOGIES	2.30	-28.47	-0.75
ADVANCED MICRO DEVICES	2.21	13.76	0.29
HUT 8 CORP	2.07	-43.91	-1.11
DIGITAL GARAGE	1.84	-5.77	-0.11
ORACLE CORP	1.68	6.35	0.10
TAIWAN SEMICONDUCTOR	1.52	8.62	0.13
COMPOSECURE	1.39	-6.67	-0.08
CIPHER MINING	1.31	-26.39	-0.41
QUALCOMM	1.07	2.68	0.03
BROADCOM	0.99	5.71	0.06
OPERA	0.91	-14.39	-0.14
CANAAN	0.91	-37.88	-0.39
MSTR 6 ⅛ 06/15/28	0.18	-1.42	0.00
BIGG DIGITAL ASSETS	0.14	-27.06	-0.04
CORE SCIENTIFIC	0.13	-15.03	-0.14
Financials	35.59	16.90	6.35
COINBASE GLOBAL	4.18	-26.29	-1.28
SBI HOLDINGS	3.77	10.82	0.36
GALAXY DIGITAL	3.50	-8.10	-0.31
PAYPAL	3.06	-0.10	-0.01
BLOCK	2.70	-15.95	-0.45
ROBINHOOD MARKETS	2.66	-15.70	-0.43
NU HOLDINGS	2.62	3.36	0.08
CME GROUP	2.52	-2.26	-0.04
CUSTOMERS BANCORP	2.42	-7.25	-0.17
BLACKROCK	1.53	-4.62	-0.07
WISDOMTREE	1.44	-2.31	-0.03
DBS GROUP HOLDINGS	1.40	-5.81	-0.08
MASTERCARD	1.37	5.49	0.07

	Average Weight (%)	Total Return (%)	Contribution to Return (%)
FRANKLIN RESOURCES	1.32	-9.66	-0.13
VISA	1.23	4.96	0.06
MOGO	0.41	-18.78	-0.08
Consumer Discretionary	7.87	-9.76	-0.74
BEYOND	4.04	-20.59	-0.88
MERCADOLIBRE	2.57	8.93	0.22
ALIBABA GROUP HOLDING	1.26	-6.89	-0.08
Communication Services	4.07	-13.50	-0.55
ROBLOX CORP	2.51	-15.11	-0.38
LY CORP	1.56	-10.81	-0.17
Consumer Staples	1.11	4.82	0.05
WALMART	1.11	4.82	0.05
Industrials	0.86	6.14	0.05
CACI INTERNATIONAL	0.86	6.14	0.05
Not Classified	5.33	4.09	0.02
PURPOSE BITCOIN ETF	2.08	0.65	0.00
CI GALAXY BITCOIN ETF USD	1.86	1.52	0.01
INVESCO GVT & AGNCY-INST	0.68	0.32	0.00
3IQ BITCOIN ETF	0.37	1.43	0.00
BITCOIN ETF-USD	0.33	0.39	0.00
CHINA RENMINBI	0.00	0.03	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.



# 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://www.youtube.com/watch?v=byYcpwe53Gs>

<sup>2</sup> Digital (De)Dollarization? | Morgan Stanley | <https://www.morganstanley.com/im/en-us/financial-advisor/insights/articles/digital-dedollarization.html>

<sup>3</sup> <https://usa.visa.com/about-visa/newsroom/press-releases.releaseId.19881.html>

<sup>4</sup> <https://www.galaxy.com/digital-assets-academy/lesson-5/>

<sup>5</sup> <https://open.spotify.com/episode/1R40bUSc8lHWlJ5lZPBtB?si=PIRgU8F9RzyQz4nq-OS2Yw>

<sup>6</sup> <https://chain.link/education-hub/music-nfts>

<sup>7</sup> <https://bitcoin.org/bitcoin.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.

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