

Elwood Blockchain Global Equity Index (BLOCK Index)

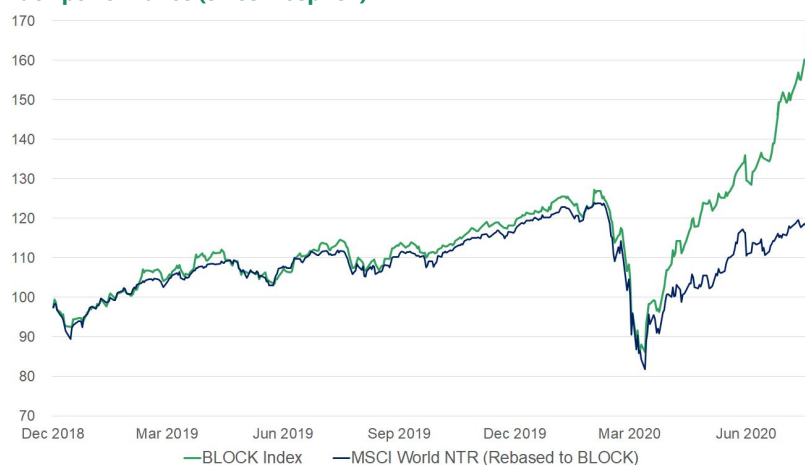
Quarterly Index Review (July 2020)

Performance overview

During the three months to the end of July 2020, the Elwood Blockchain Global Equity Index generated a total return of 38.9%, in comparison to the MSCI World Net Total Return Index which generated a total return of 12.8%.

Overstock, Kakao and Square were the largest positive contributors to performance in the quarter, while Canaan, CME and Silvergate were the largest detractors.

Index performance (since inception)



(Sources: Bloomberg, Elwood) (Note: All figures in USD)

Analyst commentary

Financial markets have performed well in the quarter, as the liquidity provided by governments and central banks overshadowed the weak economic fundamentals. Our index was no exception and benefited from the trend, as valuation metrics for some of the larger technology and digital payments names soared with a level of exuberance not seen since the 2000 technology bubble. With central banks increasingly buying exotic assets, institutional investors have had more liquidity than ever to invest in high quality leading technology stocks. At the same time, individuals with little or no investing experience have been sitting at home receiving government handouts. In some cases, this has led people to accumulate higher levels of disposable income, some of which has been channelled into financial markets. Many of these retail investors often buy stocks without considering valuation ratios or other fundamentals and this may have caused a further dislocation between financial markets and the real economy. As a result, this gamification of the stock market is leading some investors to lose faith in analysis and fundamentals, something we are keen to avoid.

The index also benefited from a number of stock specific situations, most notably Overstock, whose shares have risen 972% YTD. The US e-commerce company saw revenues more than double YoY in the June 2020 quarter, to US\$782.5m. In the period Overstock generated net income of US\$33.4m after 13 consecutive quarters of losses. This dramatic turnaround was driven by a confluence of factors, including a new and more focused management team; Overstock's product suite matching particularly well with the current stay at home climate, including home furniture, rugs, curtains, sheets and home office equipment, and the company's ability to source goods from its network of suppliers across the country. In the quarter, Overstock also listed a digital version of its shares on its own trading platform, "tZero".

Another catalyst for the Index was the strong performance from TSMC, particularly at the end of the quarter as questions about whether Intel would remain in the chip manufacturing space for the long term started to arise. This provides further evidence of the merits of TSMC's foundry only business model, which we also think may ensure the company's long term success in the cryptocurrency ASIC chip manufacturing space. However, there could be risks ahead with all the major mining ASIC manufacturers domiciled in China and political pressure on TSMC from the United States not to sell into the region. At the same time, MicroBT, the new up and coming ASIC manufacturer, now uses Samsung, which is also part of our index.

Cryptocurrency prices also appreciated considerably in the quarter, driven, in our view, by three factors i. the same liquidity and speculative considerations boosting stock prices, ii. higher inflationary expectations driving up the gold price, and iii. increasingly popular "DeFi" platforms such as Uniswap and Compound, built on top of the Ethereum network. In the listed equity space, there are an increasing number of cryptocurrency pure plays which could benefit from this trend and the liquidity of these names is improving. There are now two listed mining ASIC makers, Canaan (CAN US) and Ebang (EBON US) and five listed mining operating entities, RIOT Blockchain (RIOT US), Hut 8 (HUT CN), Hive (HIVE CN), Bitfarms (BITF CN) and Argo Blockchain (ARB LN). There are several other cryptocurrency financial services related entities such as BC Technology (863 HK), Galaxy Digital (GLXY CN), Bitcoin Group (ADE GY) and Cypherpunk Holdings (HOLD CN). Unfortunately, as it stands, we have not yet seen evidence that all of these companies can generate sustainable earnings. At the same time, the liquidity for many of these names is not as high as we would have liked and, therefore, we have not been able to include many of these pure plays in the index. However, over the coming quarters we will continue our analysis into the sustainability and profitability of these companies' business models and look to invest when and where appropriate. Recently, rumours of an imminent IPO for the leading cryptocurrency exchange and wallet company Coinbase have accelerated. Therefore, despite the challenging market conditions, where liquidity and speculative behaviour seem to overshadow fundamentals, we see continued potential opportunities on the horizon within our specialised investment mandate.

Overall performance data

| | Quarter | 2020 YTD | Since inception |
|-----------------------------|---------|----------|-----------------|
| BLOCK Index | 38.9% | 36.9% | 71.2% |
| MSCI World Net Total Return | 12.8% | (1.3%) | 21.6% |
| Bitcoin | 28.5% | 58.5% | 236.3% |

(Sources: Bloomberg, Elwood) (Notes: All figures in USD. The index launched on 11 Dec 2018)

Product description

The Index aims to offer exposure to listed companies that participate or have the potential to participate in the blockchain or cryptocurrency ecosystem. The index is calculated and distributed by Solactive and is rebalanced quarterly.

Investment products

Invesco have launched an exchange traded fund which aims to provide the performance of the index.

| Exchange | Currency | Ticker |
|-----------------------|----------|---------|
| London Stock Exchange | USD | BCHN LN |
| London Stock Exchange | GBP | BCHS LN |
| Borse Frankfurt | EUR | BNXG GY |
| Borse Italiana | USD | BCHN IM |
| SIX | USD | BCHS SW |

Strategy assets under management: US\$166.4 million
(As at 31 July 2020)

Index members & performance data

| Name | Weight | 2019 | July 2020 Quarter | 2020 YTD |
|--------------------------------|--------|--------------|-------------------|---------------|
| TSMC | 5.0% | 57.2% | 42.6% | 33.3% |
| GMO Internet | 4.1% | 44.9% | 30.6% | 51.8% |
| Monex | 4.1% | (25.4%) | 8.1% | (10.9%) |
| Kakao | 4.1% | 43.8% | 89.4% | 116.7% |
| CME | 4.1% | 9.7% | (6.3%) | (16.5%) |
| Global Unichip | 4.1% | 22.2% | 24.8% | 26.3% |
| Plus 500 | 2.7% | (26.5%) | (0.4%) | 37.8% |
| IG Group | 2.7% | 35.9% | 1.6% | 6.6% |
| Samsung | 2.7% | 43.1% | 18.3% | 1.9% |
| Square | 2.7% | 11.5% | 99.3% | 107.6% |
| ICE | 2.7% | 24.5% | 8.5% | 5.3% |
| Digital Garage | 2.7% | 87.3% | (8.7%) | (20.0%) |
| NTT Data | 2.7% | 25.1% | 8.9% | (15.8%) |
| NRI | 2.7% | 77.3% | 6.5% | 23.0% |
| Rakuten | 2.7% | 29.4% | 6.4% | 6.2% |
| Overstock | 2.7% | (48.1%) | 499.0% | 972.2% |
| Rio Tinto | 2.7% | 40.9% | 30.4% | 6.1% |
| Qualcomm | 2.7% | 60.7% | 35.3% | 21.5% |
| Oracle | 2.7% | 19.3% | 5.1% | 6.1% |
| Naver | 2.7% | 47.6% | 54.7% | 56.3% |
| Line | 2.7% | 43.7% | 7.2% | 7.5% |
| Nexon | 2.7% | 2.4% | 106.9% | 109.7% |
| Nippon Gas | 1.4% | (8.6%) | 41.4% | 46.8% |
| Banco Santander | 1.4% | (2.6%) | (4.3%) | (49.1%) |
| Intel | 1.4% | 30.7% | (20.0%) | (19.4%) |
| SBI | 1.4% | 13.1% | 9.8% | 3.0% |
| AMD | 1.4% | 148.4% | 47.8% | 68.8% |
| Nasdaq | 1.4% | 33.9% | 20.2% | 23.8% |
| IBM | 1.4% | 23.6% | (0.8%) | (6.1%) |
| Softbank | 1.4% | 33.0% | 43.8% | 43.5% |
| MUFG | 1.4% | 16.6% | (8.5%) | (29.8%) |
| Aluminum Corp Of China | 1.4% | 6.5% | 20.6% | (25.1%) |
| Alcoa | 1.4% | (19.1%) | 59.5% | (39.6%) |
| Amazon | 1.4% | 23.0% | 27.9% | 71.3% |
| Microsoft | 1.4% | 57.6% | 14.7% | 30.7% |
| General Motors | 1.4% | 14.0% | 11.7% | (31.1%) |
| Verizon | 1.4% | 13.9% | 1.2% | (3.3%) |
| Barrick Gold | 1.4% | 38.5% | 12.5% | 56.3% |
| Facebook | 1.4% | 56.6% | 23.9% | 23.6% |
| Norsk Hydro | 1.4% | (14.3%) | 9.5% | (24.8%) |
| Canaan | 1.3% | n/a | (51.7%) | (59.0%) |
| Caica | 1.0% | (12.1%) | 29.3% | 26.6% |
| Ceres | 0.7% | (24.3%) | 43.1% | (3.0%) |
| Tul | 0.6% | 18.5% | 20.4% | (14.1%) |
| New Constituent | | | | |
| Broadridge Financial | 2.7% | 30.6% | 16.3% | 9.9% |
| Elwood Blockchain Index | | 28.6% | 38.9% | 36.9% |
| MSCI World (NTR) | | 27.7% | 12.8% | (1.3%) |

(Sources: Bloomberg, Elwood)

(Notes: Weighting as at July 2020 rebalance. Investment returns in USD based on the Bloomberg total return function)

Index volatility metrics

| Realised Volatility | Quarter | 2020 YTD | Since inception |
|-----------------------------|---------|----------|-----------------|
| BLOCK Index | 27.2% | 27.2% | 20.6% |
| MSCI World Net Total Return | 24.7% | 31.1% | 20.7% |
| Bitcoin | 39.7% | 65.2% | 65.1% |

(Sources: Bloomberg, Elwood) (Notes: Based on daily percentage change. All figures in USD. The index launched on 11 Dec 2018)

Index performance by country of domicile

| Performance | Quarter | 2020 YTD | Since inception |
|----------------|--------------|--------------|-----------------|
| United States | 78.3% | 83.7% | 126.3% |
| Japan | 12.7% | 9.4% | 29.4% |
| Taiwan | 35.4% | 27.3% | 82.2% |
| South Korea | 59.2% | 63.2% | 9.4% |
| United Kingdom | 15.8% | 8.1% | 3.6% |
| Total | 38.9% | 36.9% | 71.2% |

| Contribution | Quarter | 2020 YTD | Since inception |
|----------------|--------------|--------------|-----------------|
| United States | 27.2% | 28.6% | 42.6% |
| Japan | 3.7% | 2.9% | 9.2% |
| Taiwan | 3.0% | 1.9% | 7.7% |
| South Korea | 6.0% | 6.0% | 9.4% |
| United Kingdom | 1.0% | 0.7% | 3.6% |
| Total | 38.9% | 36.9% | 71.2% |

(Sources: Bloomberg, Elwood) (Notes: All figures in USD. The index launched on 11 Dec 2018)

Index performance data by sector

| Performance | Quarter | 2020 YTD | Since inception |
|------------------------|--------------|--------------|-----------------|
| Communication Services | 46.0% | 51.2% | 72.0% |
| Consumer Discretionary | 224.2% | 294.1% | 234.7% |
| Financials | 1.1% | (2.0%) | 11.5% |
| Information technology | 16.9% | 15.2% | 64.0% |
| Materials | 24.2% | (4.9%) | 5.0% |
| Utilities | 41.7% | 46.7% | 31.7% |
| Total | 38.9% | 36.9% | 71.2% |

| Contribution | Quarter | 2020 YTD | Since inception |
|------------------------|--------------|--------------|-----------------|
| Communication Services | 6.7% | 7.0% | 10.7% |
| Consumer Discretionary | 21.4% | 23.8% | 25.6% |
| Financials | 0.4% | (0.5%) | 3.2% |
| Information technology | 7.1% | 6.3% | 29.1% |
| Materials | 2.6% | (0.0%) | 1.1% |
| Utilities | 0.6% | 0.6% | 0.6% |
| Total | 38.9% | 36.9% | 71.2% |

(Sources: Bloomberg, Elwood) (Notes: All figures in USD. The index launched on 11 Dec 2018)

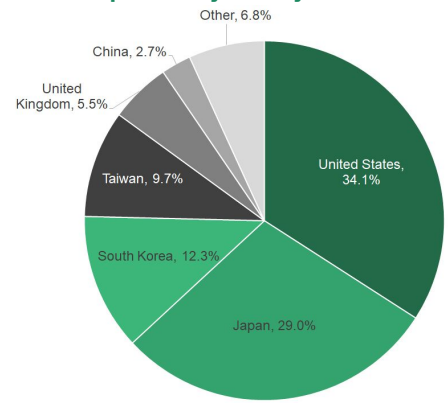
Top constituents by contribution (July 2020 quarter)

| Contributors | Total return | Contribution |
|--------------|--------------|--------------|
| Overstock | 503.7% | 20.8% |
| Kakao | 88.8% | 3.8% |
| Square | 98.2% | 2.9% |
| TSMC | 42.5% | 2.0% |
| Naver | 54.1% | 1.6% |

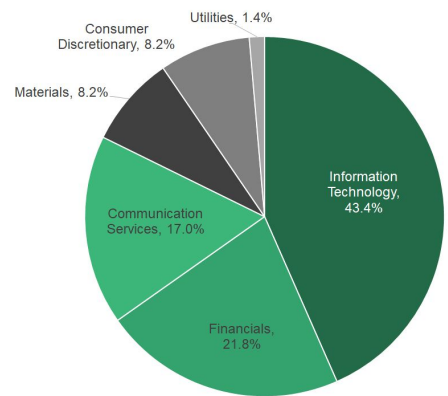
| Detractors | Total return | Contribution |
|------------|--------------|--------------|
| Canaan | (47.9%) | (2.4%) |
| CME | (8.1%) | (0.3%) |
| Silvergate | (9.8%) | (0.3%) |
| Intel | (19.5%) | (0.2%) |
| Hut 8 | (17.9%) | (0.2%) |

(Sources: Bloomberg, Elwood) (Note: All figures in USD)

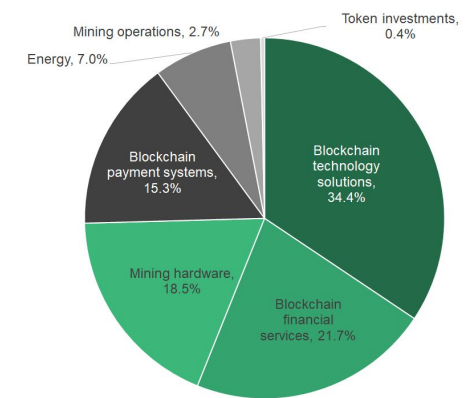
Index composition by country



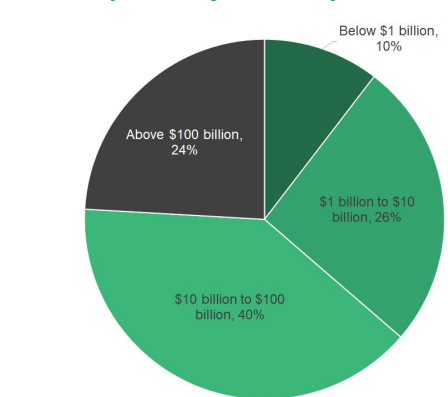
Index composition by sector (GICS)



Index composition by blockchain business area



Index composition by market capitalisation



(Sources: Bloomberg, Elwood) (Note: Data as at July 2020 rebalance)

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