

Quarterly Index Review - April 2020

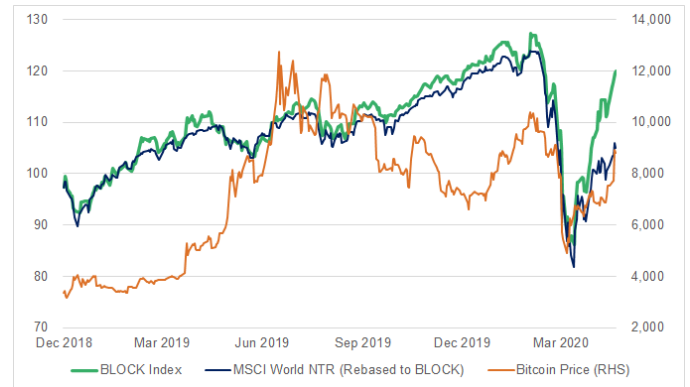
Elwood Blockchain Global Equity Index (BLOCK Index)

Performance overview

During the three months to the end of April 2020, the Elwood Blockchain Global Equity Index decreased in value by 1.0%, in comparison to the MSCI World Net Total Return Index which decreased in value by 11.9%.

Overstock, Plus 500 and GMO Internet were the biggest positive contributors to performance in the quarter, while NTT Data, CME and Santander were the largest detractors.

Index Performance



(Source: Bloomberg, Elwood. Bitcoin price in USD. All figures in USD)

Analyst Commentary

Actions taken to mitigate the impact of COVID-19 in the quarter caused a dramatic global economic slowdown, which sent shockwaves through financial markets. Initially, the Index went down sharply, but later recovered and experienced a decline of just 1.0% in the quarter. The Index weathered the storm reasonably well. However, this cannot be attributed to any prior market views or substantial advances in blockchain technology. Rather, it is a fortunate coincidence given the outperformance of technology stocks in this environment and our Index's heavier weight towards the sector. Areas most impacted by the crisis are energy, industrials, financials and the travel, retail and restaurant subsegments of consumer related industries. These sectors are unlikely to be key areas of focus for a blockchain index which is mostly geared towards information technology. Even within financials, where the index does have significant exposure, the focus is slightly tilted towards exchanges and trading platforms, areas which have benefited from increased volatility during the crisis, compared to banks and insurers which are typically leveraged plays on regional economies.

The financial market recovery in the last month or so feels as if we are in the calm eye of the storm. Shutting down the economy has serious consequences because of the large amount of private sector debt and the associated interest payments still due. Credit markets may not continue to function smoothly while the economy is in suspension. In this environment, generating alpha and protecting one's capital in equity markets may be more challenging than simply avoiding energy names, industrials and banks.

To prevent a deflationary debt spiral rippling through the financial system, central banks are stepping in again. With the pressure so immense, striking the right balance may become almost impossible and the delicate harmony between inflationary and deflationary forces could break down. It is possible that an asset like gold may perform well in that environment. As for Bitcoin, the economic backdrop does present it with an opportunity. But given Bitcoin's lack of maturity, it is far from clear how much it can benefit. During the quarter, Bitcoin experienced its normal high volatility of 90%. However the remarkable circumstance was the high level of volatility in traditional financial markets. In the quarter, the MSCI World Net Total Return Index experienced volatility of 44.6%, within the range typically occupied by cryptocurrencies. On many days in the period, some of the largest stocks in the world appeared to be more volatile than even the most speculative cryptocurrencies.

We will continue to look for sustainable and profitable companies with exposure to blockchain technology and cryptocurrency, the latter either through trading platforms, payment systems or exposure in the mining supply chain. The Index has shown it can track global equities when the cryptocurrency industry is in a cyclical downturn. The question is: Can the indirect Bitcoin exposure in the Index result in outperformance in falling markets, assuming that uncertainty over inflation is driving up the price of Bitcoin? We think this could be achieved, but perhaps only to a moderate extent.

Overall performance data

	1m	3m	Since launch
BLOCK Index	21.0%	(1.0%)	23.2%
MSCI World Net Total Return Index	10.9%	(11.9%)	7.8%
Bitcoin	36.2%	(5.6%)	161.6%

(Source: Bloomberg, Elwood. All figures in USD)

BLOCK Index performance data by sector

Performance	1m	3m	Since launch
Communication Services	18.7%	6.9%	17.8%
Consumer Discretionary	51.6%	20.3%	3.3%
Financials	16.0%	(6.4%)	10.1%
Information technology	20.4%	(2.4%)	40.2%
Materials	19.1%	(11.1%)	(14.8%)
Utilities	(0.1%)	4.1%	(7.0%)
Total	21.0%	(1.0%)	23.2%

Contribution	1m	3m	Since launch
Communication Services	3.0%	0.8%	2.7%
Consumer Discretionary	4.1%	2.1%	1.5%
Financials	3.6%	(1.5%)	2.2%
Information technology	8.9%	(1.1%)	17.8%
Materials	1.6%	(1.1%)	(1.4%)
Utilities	(0.0%)	0.0%	(0.1%)
Total	21.0%	(1.0%)	23.2%

(Source: Bloomberg, Elwood. All figures in USD)

BLOCK Index performance by country of domicile

Performance	1m	3m	Since launch
United States	24.6%	0.6%	29.3%
Japan	15.7%	(2.5%)	14.6%
Taiwan	24.3%	(1.1%)	34.6%
South Korea	21.2%	6.5%	39.6%
United Kingdom	6.2%	(0.2%)	33.5%
Total	21.0%	(1.0%)	23.2%

Contribution	1m	3m	Since launch
United States	9.3%	0.5%	11.7%
Japan	4.2%	(0.5%)	4.2%
Taiwan	2.5%	(0.4%)	3.7%
South Korea	2.3%	0.5%	2.2%
United Kingdom	0.4%	0.1%	2.1%
Total	21.0%	(1.0%)	23.2%

(Source: Bloomberg, Elwood. All figures in USD)

Quarterly correlation and volatility metrics

Correlation	April 2020 Quarter
BLOCK Index vs MSCI World Net Total Return	0.95
BLOCK Index vs Bitcoin	0.39
Beta	April 2020 Quarter
BLOCK Index vs MSCI World Net Total Return	0.78
BLOCK Index vs Bitcoin	0.16
Realised Volatility	April 2020 Quarter
BLOCK Index	36.8%
MSCI World Net Total Return	44.6%
Bitcoin	90.6%

(Source: Bloomberg, Elwood)

(Notes: Based on daily percentage change. All figures in USD)

Performance data by blockchain business area

Performance	1m	3m	Since launch
Blockchain financial services	16.3%	0.4%	13.2%
Mining hardware	23.9%	(2.4%)	46.0%
Blockchain technology solutions	16.2%	(1.3%)	32.8%
Blockchain payment systems	40.8%	19.0%	15.2%
Energy	12.2%	(21.2%)	(29.2%)
Mining operations	31.1%	12.6%	71.0%
Token investments	29.9%	(16.1%)	(5.7%)
Total	21.0%	(1.0%)	23.2%

Contribution	1m	3m	Since launch
Blockchain financial services	5.6%	(0.1%)	4.5%
Mining hardware	4.7%	(0.7%)	8.9%
Blockchain technology solutions	3.6%	(0.1%)	7.4%
Blockchain payment systems	3.9%	2.2%	2.1%
Energy	0.8%	(1.7%)	(2.6%)
Mining operations	1.4%	0.7%	3.4%
Token investments	0.3%	(0.3%)	(0.1%)
Total	21.0%	(1.0%)	23.2%

(Source: Bloomberg, Elwood. All figures in USD)

Top five constituents by contribution - Quarter Ending April 2020

Best	Total return	Contribution
Overstock	55.4%	1.9%
Plus 500	38.7%	1.3%
GMO Internet	12.6%	0.7%
Barrick Gold	43.8%	0.7%
Kakao	14.5%	0.5%

Worst	Total return	Contribution
CME	(17.6%)	(0.9%)
NTT Data	(27.4%)	(0.9%)
Santander	(43.3%)	(0.7%)
Alcoa	(41.6%)	(0.6%)
Canaan	(13.7%)	(0.5%)

(Source: Bloomberg, Elwood. All figures in USD)

Index members & performance

Name	Weight	2019	2020 YTD	April 2020 Quarter	Feb-20	Mar-20	Apr-20
TSMC	5.0%	57.2%	(6.5%)	(2.3%)	(1.4%)	(12.3%)	13.1%
GMO internet	4.3%	44.9%	15.8%	12.7%	(15.3%)	1.6%	30.9%
CME	4.3%	9.7%	(10.8%)	(17.6%)	(8.4%)	(12.7%)	3.1%
Global Unichip	4.3%	22.2%	1.2%	3.4%	(6.2%)	(18.0%)	34.5%
Kakao	4.3%	43.8%	14.4%	14.3%	7.4%	(10.5%)	18.9%
Canaan	3.6%	n/a	(15.1%)	(13.7%)	(15.2%)	(40.3%)	70.4%
IG Group	2.8%	35.9%	5.0%	8.4%	(1.9%)	(0.2%)	10.6%
Digital Garage	2.8%	87.3%	(12.4%)	(1.6%)	(16.8%)	3.9%	13.8%
Square	2.8%	11.5%	4.1%	(12.8%)	11.6%	(37.1%)	24.4%
NTT Data	2.8%	25.1%	(22.6%)	(27.3%)	(16.8%)	(18.5%)	7.1%
Intercontinental Exchange	2.8%	24.5%	(3.0%)	(10.0%)	(10.5%)	(9.1%)	10.8%
Rakuten	2.8%	29.4%	(0.2%)	8.5%	5.7%	(8.9%)	12.6%
Monex	2.8%	(25.4%)	(19.1%)	(18.2%)	(21.0%)	(17.5%)	25.6%
Overstock.com	2.8%	(48.1%)	79.0%	55.4%	(20.4%)	(22.8%)	152.9%
Plus500	2.8%	(26.5%)	38.4%	38.3%	6.5%	10.5%	17.5%
QUALCOMM	2.8%	60.7%	(10.2%)	(7.1%)	(8.2%)	(12.9%)	16.3%
Oracle Corp	2.8%	19.3%	0.9%	1.5%	(5.7%)	(2.3%)	10.1%
NAVER	2.8%	47.6%	1.0%	8.6%	(3.7%)	(3.3%)	16.7%
Samsung Electronics	2.8%	43.1%	(13.9%)	(11.8%)	(4.6%)	(12.2%)	5.2%
Nomura Research Institute	2.8%	77.3%	15.5%	11.1%	(2.5%)	(1.8%)	16.0%
Rio Tinto	2.8%	40.9%	(18.6%)	(9.8%)	(14.6%)	5.0%	0.6%
LINE	2.8%	43.7%	0.3%	(0.3%)	(0.7%)	(1.5%)	2.0%
Silergate Capital	1.6%	n/a	(0.1%)	0.8%	(6.6%)	(35.3%)	66.7%
Intel	1.4%	30.7%	0.7%	(5.7%)	(12.7%)	(2.5%)	10.8%
Nasdaq	1.4%	33.9%	2.9%	(5.3%)	(11.9%)	(6.9%)	15.5%
AMD	1.4%	148.4%	14.2%	11.5%	(3.2%)	-	15.2%
Norsk Hydro	1.4%	(14.3%)	(31.3%)	(19.1%)	(10.5%)	(23.5%)	18.1%
IBM	1.4%	23.6%	(5.3%)	(11.7%)	(8.5%)	(14.8%)	13.2%
SoftBank	1.4%	33.0%	(0.2%)	4.5%	11.1%	(23.7%)	23.3%
Alcoa Corp	1.4%	(19.1%)	(62.1%)	(41.6%)	(0.6%)	(55.6%)	32.3%
Alumina	1.4%	15.7%	(27.1%)	(19.3%)	(10.2%)	(29.2%)	27.1%
Amazon.com	1.4%	23.0%	33.9%	23.2%	(6.2%)	3.5%	26.9%
General Motors	1.4%	14.0%	(38.3%)	(32.4%)	(8.7%)	(31.0%)	7.3%
Verizon Communications	1.4%	13.9%	(4.4%)	(2.3%)	(8.9%)	(0.8%)	8.1%
Barrick Gold	1.4%	38.5%	38.9%	39.4%	3.3%	(4.4%)	41.1%
Facebook	1.4%	56.6%	(0.3%)	1.4%	(4.7%)	(13.3%)	22.7%
Banco Santander	1.4%	(2.6%)	(46.8%)	(43.4%)	(7.1%)	(33.5%)	(8.4%)
SBI Holdings	1.4%	13.1%	(6.1%)	(16.1%)	(15.4%)	(23.5%)	29.7%
Nippon Gas	1.4%	(8.6%)	3.8%	4.1%	(1.2%)	5.6%	(0.2%)
Mitsubishi UFJ Financial	1.4%	16.6%	(23.3%)	(20.3%)	(6.2%)	(21.7%)	8.6%
Microsoft	1.4%	57.6%	13.9%	5.6%	(4.6%)	(2.7%)	13.6%
Aluminum Corp of China	1.4%	6.5%	(37.9%)	(28.1%)	(10.3%)	(25.2%)	7.2%
Hut 8	0.6%	(22.5%)	(26.0%)	(37.4%)	(13.7%)	(39.7%)	20.2%
Elwood Blockchain Index		28.6%	(1.5%)	(1.0%)	(6.1%)	(12.9%)	21.0%
MSCI World (NTR)		27.7%	(12.4%)	(11.9%)	(8.5%)	(13.2%)	10.9%

Source: Bloomberg, Elwood

(Notes: Weighting as at April 2020 rebalance, investment returns in USD)

Valuation data

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
Elwood Blockchain Global Equity Index					
PE	15.0	14.4	18.8	22.6	17.3
Price/Book	2.5	2.5	2.5	2.6	2.0
EV/Sales	1.6	1.8	1.9	1.9	1.4
Dividend Yield	2.3%	2.9%	2.3%	2.2%	2.3%

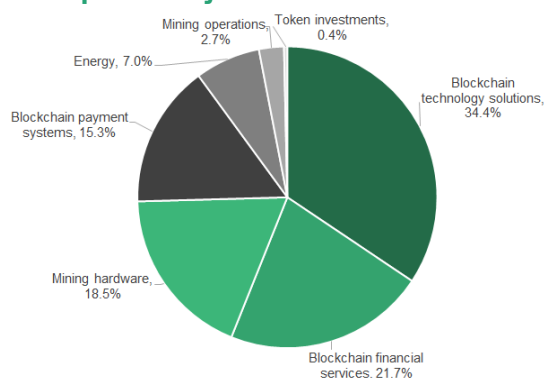
MSCI World Net Total Return Index

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
PE	16.8	17.7	18.2	19.5	15.7
Price/Book	2.4	2.4	2.4	2.5	2.0
EV/Sales	2.0	2.1	2.1	2.2	1.8
Dividend Yield	2.5%	2.5%	2.5%	2.4%	2.9%

(Source: Bloomberg, Elwood)

(Notes: PE ratio based on current market capitalisation, positive earnings only and sales, profits and dividends over the last rolling 12 months. Data based on calendar quarters.)

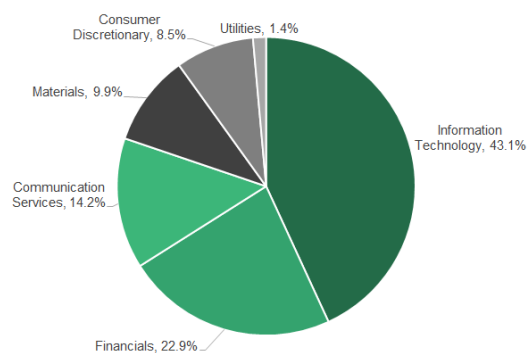
Index composition by blockchain business area



(Source: Bloomberg, Elwood)

(Note: Data as at April 2020. All figures in USD)

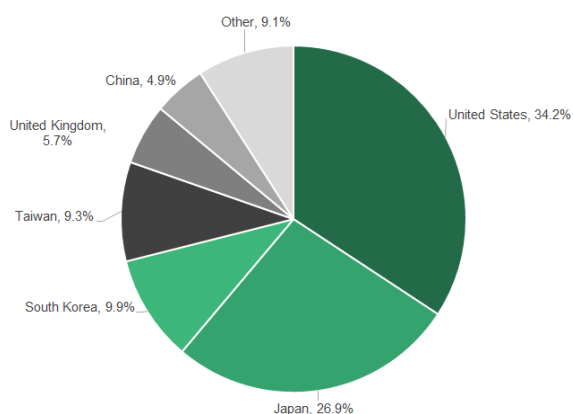
Index composition by sector (GICS)



(Source: Bloomberg, Elwood)

(Note: Data as at April 2020. All figures in USD)

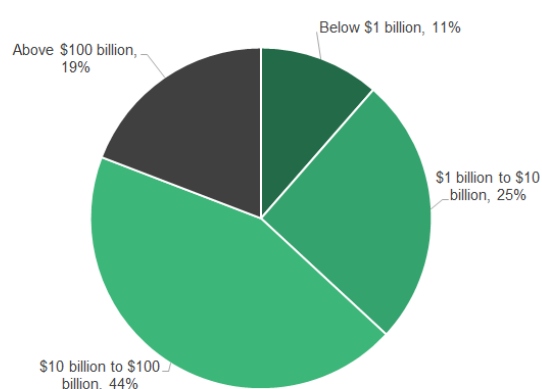
Index composition by country



(Source: Bloomberg, Elwood)

(Note: Data as at April 2020. All figures in USD)

Index composition by market cap



(Source: Bloomberg, Elwood)

(Note: Data as at April 2020. All figures in USD)

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