

# Thematic Investing | Blockchain



## Overview

Blockchain is a decentralised, immutable ledger technology that securely records transactions across multiple computers. Blockchain technology is poised for transformative evolution, profoundly impacting society over the coming decades. Interoperability (the interaction between two or more separate systems) and scalability will be priorities, allowing seamless communication between different blockchains and supporting a higher volume of transactions. Mainstream adoption will expand across industries like finance, supply chain, and healthcare, driving transparency and efficiency. Decentralised Finance (DeFi) will grow, offering opportunity for innovative financial services without intermediaries. Privacy and security will improve through advanced encryption and data protection measures. Blockchain's governance systems will promote transparency and social impact initiatives. Digital identity management and IoT (internet of things) integration will enhance data security and authentication. The overall impact will be a transparent, efficient, and equitable society, driven by decentralised and secure blockchain technologies.

## Benefits

- **Greater transparency:** Distributed ledger (shared digital record keeping system on multiple computers) provides full transparency, allowing all network participants to see the same information simultaneously.
- **Higher security:** This technology is encrypted end-to-end, meaning that it could prevent fraud and unauthorised activities.
- **Automation:** Blockchain increases the efficiency and speed of processing information without storing documents in paper format.
- **Reduced costs & savings:** Blockchain could reduce annual financial fraud by \$7-9billion, reduce regulatory fines by \$2-3billion and cross border payment fees by \$4billion.<sup>1</sup>

## Challenges

- **Lack of regulatory oversight:** Currently there is consumer protection, AML compliance, tax guidelines or global standardisation governing the use of Blockchain.
- **Complexity:** The nature of blockchain technology makes it hard for users to understand and employ it efficiently.
- **Lack of scalability:** The system may not be able to accommodate large-scale users.
- **Energy consumption:** Proof-of-work (PoW) requires substantial amounts of energy to validate transactions.
- **Public perception:** May cause a lack of trust in the technology.

## Shortlist of ETFs to gain exposure to this theme

Ticker	Name	Net Assets (US\$)*	Holdings	Fee*	Link To Factsheet
BLOK US	Amplify Transformational Data Sharing ETF	US\$591m	50	0.71%	<a href="#">BLOK US</a>
BCHN LN	Invesco CoinShares Global Blockchain UCITS ETF Acc	US\$551m	48	0.65%	<a href="#">BCHN LN</a>
BLCN US	Siren Nasdaq NexGen Economy ETF	US\$80m	58	0.68%	<a href="#">BLCN US</a>
CRYP AU	BetaShares Crypto Innovators ETF	US\$64m	35	0.67%	<a href="#">CRYP AU</a>

\*Data as at 1 August 2023



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1 - Higginson, Hilal, Yugac, Blockchain and retail banking: Making the connection, McKinsey & Company.

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