

# DIVO™

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Amplify CWP Enhanced  
Income Dividend ETF

# Income Outlook: Is It Time to Seek Dividend-Paying Stocks?

On March 9, 2009, no one could imagine that investors were about to embark on the longest bull market in history. Those who participated were rewarded handsomely. Over 11 years, the S&P 500 Index climbed 13.56% annually until March of 2021, when the increasing lurid pandemic headlines put a swift end to the ascent. Markets recovered from the shock of the pandemic but now face additional uncertainties like inflation at a 40-year high, a war involving a global superpower, and no end in sight to worldwide supply chain snafus. Experts seem to agree on one thing – both equity and fixed income markets are in for a rough ride. Given this forecast, would investors benefit from seeking income from their portfolios rather than capital appreciation?

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The Standard & Poor's (S&P) 500 Total Return Index is an unmanaged, market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value, and assumes distributions are reinvested back into the index. You cannot directly invest in an index.

<sup>1</sup> Investopedia, "Is This Really the Longest Bull Market in History?", August 19, 2021

# Steady, Strong Investor Demand for Income

From December 2008 until March 2022, the Fed maintained an almost uninterrupted zero-interest-rate policy. During this period, traditional sources of investor income (like short-term bonds, certificates of deposit, and money market funds) paid so little all were virtually ignored. This resulted in strong demand for dividend-paying stocks since there were few other alternatives for investors seeking income. Now, with the Federal Reserve in the middle of a battle with inflation, rates are heading up, but dividend stocks are still in high demand because historical data suggests they are less risky than the broader market. Even better, dividend stocks may outperform the broader market as well.<sup>2</sup>

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<sup>2</sup> Merrill, "In Volatile Markets, Investors May Find Comfort in Dividends", 2022

# The Advantages of Income-Producing Equity Investments

Demand for these companies extends well beyond risk and return – here are some additional reasons why investors continue to seek out dividend-paying companies along with investments that generate income from the conservative strategy of writing call options on positions already held in portfolio.



## Predictable Income

There are thousands of companies that pay monthly or quarterly dividends, and many have a track record going back decades. Not every dividend payer is worth owning, of course, but the sheer number shows that the desire for income is ongoing.



## Protection against Inflation

Fixed income products expose investors to interest rate risk (fixed payments lose purchasing power in inflationary environments). But companies can increase dividends, and based on an average of all rolling 12-month periods since 1940, dividend growth has exceeded inflation by an average of 2.4% per year<sup>3</sup>.



## Drives Total Return

According to S&P Global, dividends have been responsible for 32% of the total return of the S&P 500 Index since 1926<sup>4</sup>. Adding a conservative covered-call writing strategy overlay has the potential to help drive total return.



## Preferential Tax Treatment

Dividends paid by U.S. corporations or qualifying foreign entities are taxable to investors at rates ranging from 0% to 20% (rather than the investor's marginal rate), depending on taxable income<sup>5</sup>.

<sup>3</sup> Marketwatch, "You Need to Pay More Attention to Dividends", April 23, 2022

<sup>4</sup> S&P Global, "S&P 500 Dividend Aristocrats: The Importance of Stable Dividend Income", September 23, 2021

<sup>5</sup> Nerdwallet, "Dividend Tax Rate 2021-2022: Find Out What You'll Owe", January 21, 2022

# How to Invest in Income-Producing Stocks

In order to invest in income-producing stocks, you first must know where to find them. Certain sectors have traditionally been reliable dividend payers, including the following:

## Financials

(Banks, REITs, etc.)

## Utilities

## Basic Materials

(Oil & Gas, etc.)

## Consumer Goods

(Tobacco, etc.)

## Services

(Media, etc.)

## Technology

(Telecoms, etc.)

Of course, not every company in these sectors pays a dividend, and of those that do, there may be other considerations that make some less desirable than others.

## Covered Calls Adds Income Potential

Writing covered calls on portfolio holdings can be another valuable income source. A covered call is an instrument sold by the owner of a stock in return for a share of future appreciation of the stock during a defined period of time. This is a conservative income strategy because there are only two possible outcomes. First – the stock is sold at a higher price on the expiration date of the call option. In this scenario, the call writer keeps the option premium and also the appreciation of the underlying stock up to the call (or strike) price. The second possibility is the stock never exceeds the strike price during the period up to expiration. If this happens, the call writer keeps the option premium and also keeps the stock in portfolio.

# Amplify CWP Enhanced Dividend Income ETF - DIVO™

Not everyone has the time or the confidence to screen, research, and purchase individual stocks, then continuously monitor their business operations and risks. The Amplify CWP Enhanced Dividend Income ETF was designed to provide investors with a high level of monthly income on a risk-adjusted basis<sup>6</sup>.

It seeks this objective in two ways. First, DIVO assembles a portfolio of quality, large-cap stocks with a history of dividends and earnings growth, and second, a tactical covered-call writing strategy is implemented.

## Reasons to Invest

### Two Potential Income Streams

DIVO seeks income from dividend paying stocks and by opportunistically writing covered calls on those stocks.

### Professionally Managed

Access a professionally managed dividend and option income investment strategy through the efficiency of an ETF.

### Seeks to Lower Volatility

Dividend and option income may provide lower share price volatility versus the overall market during times of broad-based market declines.

As an actively managed income-producing ETF, DIVO seeks to provide investors with gross annual income of 2-3% from dividends and 2-4% from option premiums.

<sup>6</sup> The Fund's performance is not guaranteed.

# DIVO Portfolio Selection Methodology

In our portfolio-selection process, we place a strong emphasis on:

1

Identifying publicly traded, high-quality large-cap companies with historical dividend and earnings growth

2

Balancing our portfolio selections among the 10 S&P sectors, with appropriate over or underweighting as determined by the portfolio managers

3

Assembling a portfolio of 20-25 stocks that have been screened according to attributes such as earnings, cash flow, return on equity, and management track record

4

Tactical covered-call writing on individual stocks to conservatively boost the income generated by the portfolio record

Writing covered calls may limit the upside of potential of the underlying security, and does not protect against loss beyond the option premium received. The strategy seeks to provide gross annual income of approximately 2-3% from dividend income and 2-4% from option premium. There is no guarantee the strategy will be successful.

## AmplifyETFs – Empowering Investors Through Efficiency, Transparency, and Flexibility

Amplify ETFs deliver expanded investment opportunities for growth, capital preservation, and income-focused investors. The launch of DIVO in December 2016 is consistent with our value proposition to bring first-to-market products across growth and income segments. With experts predicting market volatility in the near- to medium-term, many investors are rediscovering the benefits of an income-focused portfolio. For more information, please visit [divoetf.com](http://divoetf.com).

**Carefully consider the Fund's investment objectives, risk factors, charges, and expenses before investing. This and additional information can be found in the Fund's statutory and summary prospectus, which may be obtained by calling 855-267-3837, or by visiting [AmplifyETFs.com](http://AmplifyETFs.com). Read the prospectus carefully before investing.**

*Investing involves risk, including the possible loss of principal. You could lose money by investing in the Fund. There can be no assurance that the Fund's investment objectives will be achieved. **Covered call risk** is the risk that the Fund will forgo, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. **Smaller Companies Risk**. Small and/or mid-capitalization companies may be more vulnerable to adverse general market or economic developments, and their securities may be less liquid and may experience greater price volatility than larger, more established companies. **Non-Diversification Risk**. Because the Fund is non-diversified and can invest a greater portion of its assets in securities of individual issuers than a diversified fund.*

*Amplify Investments LLC serves as the investment adviser to the Fund. Capital Wealth Planning, LLC and Penserra Capital Management LLC each serve as investment sub-advisers to the Fund. Amplify ETFs are distributed by Foreside Fund Services, LLC.*

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