Amplify High Income ETF

# CEFs: FREQUENTLY ASKED QUESTIONS

### What are Closed- End Funds (CEFs)?

Closed-End Funds (CEFs) are professionally managed and publicly traded investment companies. CEFs generally invest in securities like stocks and bonds. Many CEFs focus on income generating investment strategies. One common misconception investors may have is that CEFs are simply traditional mutual funds that have closed to new investors. This is incorrect as CEFs are a different investment vehicle than traditional mutual funds.

### Are CEFs new?

Closed-End Funds have existed in the United States since the 1890's. Their inception came several decades before the traditional open-end mutual fund.

### How many CEFs exist in the United States?

According to data from the 2019 Investment Company Fact Book, there were over 506 U.S. CEFs trading at year-end in 2018. Bond funds were the most common type of CEFs making up 64% of all CEFs. Equity funds made up the remaining percentage at 36%.

### Who owns Closed End Funds?

According to the 2019 Investment Company Factbook, a comparison of households owning closed-end funds versus mutual funds, CEF households are typically 3 years older and have a 25% higher household income. Excluding primary residence, CEF owners have approximately 100% more household financial assets than mutual fund owners.

### How do CEFs begin?

Closed-End Funds raise capital primarily through an initial public offering (IPO). Once the offering concludes, the fund is generally finished issuing new shares, making it "closed" to new capital flowing into the fund. This does not mean that investors can't buy shares of a CEF after its IPO, however. Once the capital is raised for the fund, its shares are listed on securities exchanges like the New York Stock Exchange (NYSE) or the NASDAQ. Shares are then bought and sold in the open market at the CEF's "market price." In addition, a CEF may still elect to raise more capital at another point in the future.

### How are CEF shares priced?

CEFs typically only issue a specific amount of shares. These shares trade each day on a securities exchange. The amount of demand for a CEF sets the "market price" for its shares. This may or may not equal the actual Net Asset Value (NAV) of the CEF's individual securities holdings. Thus, the market price for CEF shares often trades at either a "premium" (a market price above the NAV of the CEF) or a "discount" (a market price below the NAV of the CEF) to the fund's NAV.

### How does the liquidity of a CEF differ from a traditional mutual fund?

The buying, selling and pricing of traditional mutual fund shares occurs once a day at the close of markets. As an exchange-traded securities however, CEF shares are priced and can be bought and sold throughout the trading day.

### Explain the use of leverage in CEFs.

Many CEFs attempt to generate a higher level of income for shareholders by allowing the portfolio manager to "leverage" their investment. This is often accomplished by the CEF either issuing short-term senior securities or borrowing short-term capital. The additional capital is then used to buy higher yielding securities, usually in the area the CEF is already invested in.

Thus, CEFs have the potential to earn increased income from receiving the difference between the lower interest rate on short-term capital raised and the higher interest rate returned from the investment of that capital. This strategy is only beneficial to shareholders if the CEF's investments can yield more than the cost of what it can issue or borrow capital. In addition, the affect of leverage in CEFs also means that the share price of a CEF may be more volatile than an unleveraged fund.

### Where can I find more information on Closed-End Funds?

There are several websites with robust education and articles on Closed-End Funds. They include:

- *The Closed End Fund Association https://www.cefa.com*
- *CEF Connect https://www.cefconnect.com*
- *Investment Company Institute (ICI) https://ici.org*

***There is no guarantee that distributions will be made.***

***For performance as of the most recent month end please visit www.amplifyetfs.com.***

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

NAVs are calculated using prices as of 4:00 PM EST. The closing price is the Mid-Point between the Bid and Ask price as of the close of the exchange. ETFs are bought and sold at market price (not NAV). Market price returns do not represent the returns an investor would receive if shares were traded at other times. Brokerage commissions will reduce returns.

Investing involves risk, including the possible loss of principal. Because the Fund is a fund of funds, its investment performance largely depends on the investment performance of the Underlying Funds in which it invests. An investment in the Fund is subject to the risks associated with the Underlying Funds that comprise the Index, including risks related to investments in derivatives, REITs, foreign securities and municipal securities. Fixed-income securities' prices generally fall as interest rates rise. High yield securities are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of the non-investment grade securities markets, real or perceived adverse economic conditions, and lower liquidity. Preferred stock is subject to many of the risks associated with debt securities, including interest rate risk. In addition, preferred stock may not pay a dividend, an issuer may suspend payment of dividends on preferred stock at any time, and in certain situations an issuer may call or redeem its preferred stock or convert it to common stock. International investments may also involve risk from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, and from economic or political instability. There is no guarantee that the fund will meet its investment objective.

The Fund will pay indirectly a proportional share of the fees and expenses of the Underlying Funds in which it invests, including their investment advisory and administration fees, in addition to its own fees and expenses. In addition, at times certain segments of the market represented by constituent Underlying Funds may be out of favor and underperform other segments. The underlying holdings of the fund may be leveraged, which will expose the holdings to higher volatility and may accelerate the impact of any losses.

Amplify Investments LLC serves as the Investment Advisor and Penserra Capital Management LLC serves as sub-advisor to the Fund.

Amplify ETFs are distributed by Foreside Fund Services, LLC.

**QUESTIONS?**
**Visit AmplifyETFs.com/YYY**

**ONLINE:** AmplifyETFs.com
**EMAIL:** info@AmplifyETFs.com
**PHONE:** 855-267-3837 | (855-AMP-ETFS)

Amplify ETFs