

## **ETF EDUCATION**

# ETFs: FREQUENTLY ASKED QUESTIONS

### WHAT ARE EXCHANGE-TRADED FUNDS (ETFs)?

In general, an exchange-traded fund (ETF) is an investment vehicle traded on a stock exchange that has a share creation and redemption process allowing it to vary in size of assets and shares.

While ETFs trade like stocks they are generally comprised of a basket of holdings. In addition, most ETFs seek to track a published index of securities, which is the same investment approach used by traditional index funds.

### WHEN DID THE FIRST ETF LAUNCH?

The first ETF began trading in 1993.

### WHAT DO ETFs PROVIDE?

ETFs seek to provide an efficient and convenient way to access baskets of various types of investments from around the world.

### WHAT TYPES OF INVESTMENTS CAN ETFs HOLD?

ETFs can hold stocks, bonds, futures, physical commodities and even short positions. There are a variety of ways to structure an ETF depending on the type of investments an ETF will hold.

### DO ETFs ONLY TRACK INDEXES?

Most ETFs are designed to track benchmarks. However a small but growing number of ETFs are actively managed and seek to outperform benchmarks.

### HOW MANY ETFs EXIST?

As of the end of January 2016, there were over 1,700 ETFs listed in the United States according the research site XTF ETF Experts. In total, these ETFs represented in excess of \$1.9 trillion of investor assets as of the end of January 2016 according to industry site ETF.com.

### WHAT COSTS ARE ASSOCIATED WITH OWNING AN ETF?

Like traditional mutual funds, ETFs charge an annual expense ratio. In addition, when buying or selling an ETF there may be associated trading costs. ETFs do not have a sales charge or 12b1 fees.

### HOW DO I BUY OR SELL AN ETF?

Buying and selling ETF shares is identical to buying and selling individual shares of stocks. Investors must have a brokerage account in order to purchase and hold ETF shares. Once the brokerage account is created and funded, a buy order is placed to purchase shares of the specific ETF. Likewise, shares of an ETF may be sold by placing a sale order in the brokerage account. ETFs trade throughout the day, just like individual stocks, thus transactions may occur at any time during normal market hours.





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### WHAT ARE SOME OF THE KEY FEATURES AND BENEFITS OF ETFs?

- **Convenience:** Anyone with a brokerage account can potentially purchase an ETF.
- **Tax Efficiency:** ETFs operate with a unique tax structure that may allow the ETF to have more control over taxation.
- **Transparency:** Most ETFs reveal their entire portfolio on a daily basis, allowing investors to know exactly what they own.
- **Flexibility:** ETFs can be bought and sold during the trading day, producing more flexibility for investors making transactions.
- **Diversification:** Most ETFs are composed of a basket of underlying securities.

### WHERE CAN I FIND MORE INFORMATION AND EDUCATION ON ETFs?

There are a variety of third party ETF websites with education, data and current news about ETFs and the ETF industry.

**They include:**

- ETF.com
- ETF Database
- Understand ETFs
- 2015 Investment Company Fact Book

### ABOUT Amplify

Amplify believes the power of the ETF structure is found in the efficiency, transparency and flexibility it provides shareholders. Utilizing those benefits, Amplify seeks to deliver ETFs powered by investment strategies from index providers and asset managers within unique market segments. We believe our approach amplifies opportunities for investors.



*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. Read the prospectus carefully before investing.*

*Diversification does not assure a profit or protect against a loss in a declining market.*

Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

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