BATT

Amplify Advanced Battery Metals and Materials ETF

Update & Commentary

August 2018

Here is an update on the advanced battery metals and materials industry as well as overall commodity and emerging markets given the recent market volatility.

WHY THE PULL-BACK IN COMMODITIES AND EMERGING MARKETS?

We believe the recent pull-back in commodities and emerging markets are due to the following factors:

- Summer equity volumes are weaker, particularly in August. This has exacerbated the pullback as the only real incentivized market participants are sellers.
- High level of cross-asset correlation, especially correlation across equities. This indicates the selling is really just liquidation instead of strategic sales due to changes in fundamentals. This is a macro issue, not a commodity issue.
- Global growth was starting to weaken heading into the summer. Trade tensions and selectively-stressed emerging market economies (e.g. Turkey) have added to the risk-off mentality and have damaged investor confidence.

LOOKING AHEAD, THERE ARE A FEW CRITICAL FACTORS TO CONSIDER...

- China is easing. After People's Bank of China (PBoC) has been gradually tightening liquidity with medium-term lending facilities since early 2017, the trend has recently started to loosen to counter a stronger USD and weaker trade data.
- Tariffs are not necessarily negative for commodity prices and we also believe that most of the trade war-related headlines are positioning for negotiations. Trump has done this time and time again - clearly, he sees it as a reliable strategy that has served him well in other negotiations.
- Fundamentals have not weakened for battery metals or the companies that mine them. While the market has been weak, there have been several positive announcements for BATT holdings - companies shifting from developer to producer, agreements signed with strategic investors, and other positives that the market has ignored for now.
- We believe the biggest catalysts for rising commodity prices are not impacted by this market weakness. Governments are just as committed to electric vehicle (EV) promotions, automakers continue their enormous EV roll-out, and valuations have come back in various commodity producers.
- Inflation is still grinding higher across a number of metrics - and upside price risk for crude oil with potential supply issues in Venezuela and Middle East tensions near oil transportation chokepoints.

CONCLUSION

The current macro environment has not been positive for most commodity producers as well as non-U.S. dollar denominated stocks. A strong U.S. dollar combined with a looming trade war being negotiated very publicly has led to market turmoil in many market segments including battery metals and materials stocks.

The good news is there are some positive developments in this market segment including strong EV sales growth in the largest market in the world (China). While this growth is encouraging, the recent selloff has created some attractive valuations on this segment. While no one knows when the current macro dominated fears will subside, we believe the battery metals and materials market segment appears to be attractively valued and in a good position that is based on the fundamental growth of battery metals and materials demand.

Amplify ETFs

QUESTIONS? Visit **AmplifyETFs.com/BATT**
for information on the Amplify Advanced Battery Metals and Materials ETF (BATT).

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The Amplify Advanced Battery Metals and Materials ETF – BATT is a professionally managed ETF that seeks to provide exposure to Lithium, Cobalt, Nickel, Manganese and Graphite via publicly-traded stocks. Companies in the portfolio are principally engaged in the business of mining, exploration, production, development, processing or recycling of advanced battery metals and materials.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

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 by calling 855-267-3837, or by visiting AmplifyETFs.com. Read the prospectus carefully before investing.

Investing involves risk, including the possible loss of principal. The Fund is subject to management risk because it is actively managed. 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. Narrowly focused investments typically exhibit higher volatility. A portfolio concentrated in a single industry, such as advance battery metals and materials, makes it vulnerable to factors affecting the companies. The Fund may face more risks than if it were diversified broadly over numerous industries or sectors. The Fund has become more susceptible to potential operational risks through breaches in cyber security. The Fund will invest in securities that are issued by and/or have exposure to, companies primarily involved in the metals and mining industry. Investments in metals and mining companies may be speculative and subject to greater price volatility than investments in other types of companies. The exploration and development of metals involves significant financial risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Rare earth metals have more specialized uses and are often more difficult to extract. The increased demand for these metals has strained supply, which could adversely affect the companies in the Fund's portfolio. Some of the companies in which the Fund will invest are engaged in other lines of business unrelated to the mining, refining and/or manufacturing of metals and these lines of business could adversely affect their operating results. The Fund's assets will be concentrated in the materials sector, which means the Fund will be more affected by the performance of the materials sector than a fund that is more diversified. The Fund currently has fewer assets than larger funds, and like other relatively new funds, large inflows and outflows may impact the Fund's market exposure for limited periods of time. The Fund will invest in the securities of non-U.S. companies. Investments in emerging market issuers are subject to a greater risk of loss than investments in issuers located or operating in more developed markets. The mining, refining and/or manufacturing of metals may be significantly affected by regulatory action and changes in governments. Small and/or mid-capitalization companies may be more vulnerable to adverse general market or economic developments.

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