

Tracking US-Listed Closed-End Funds via the ISE High Income™ Index

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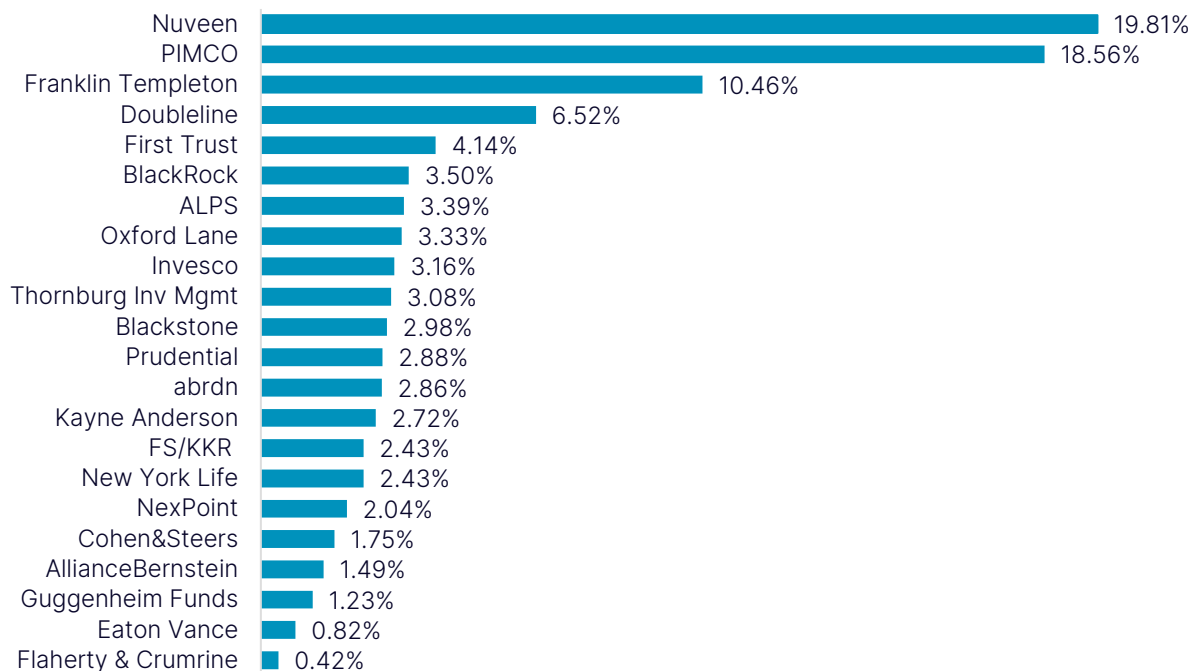
While exchange-traded funds (ETFs) and closed-end funds (CEFs) give investors access to pooled investments and trade on stock exchanges, both providing the benefit of intra-day liquidity, there are a few structural differences that make CEFs unique. Unlike ETF shares which can be redeemed or created continuously, closed-end funds offer a fixed number of shares at their initial public offering (IPO). Having a fixed number of shares gives CEFs the ability to trade above or below Net Asset Value (NAV) based on supply and demand, which is referred to as trading at a premium (above NAV) or at a discount (below NAV). Purchasing CEFs at a discount gives investors the potential for capital appreciation on top of dividends that are typically paid out on a monthly or quarterly basis. The “closed” structure provides fund managers with a wider range of investment options, including those that may be more illiquid and therefore considered riskier, providing the potential for higher returns. Relatively speaking, CEFs tend to be more volatile as many utilize leverage, causing amplified moves to both the upside and the downside. Investors that take on higher risk through CEFs are often rewarded with higher dividends, making CEFs a viable way to generate above-average income. Researching CEFs and CEF issuers, however, can often be time-consuming and burdensome for investors, adding a barrier to entry. To overcome these challenges, investors can look to track the total returns and income of the top US-listed closed-end funds using an “index of funds” approach via the ISE High Income Index (YLDA™).

The ISE High Income Index tracks the returns and yield of 45 closed-end funds using an “index of funds” approach, the benefits of which include the diversification of closed-end funds across a number of issuers, asset classes, and subsectors. To be eligible for inclusion in the ISE High Income Index, a security must be a closed-end fund and not any of the following security types: operating company, exchange-traded fund (ETF), holding company, commodity pool, or Real Estate Investment Trust (REIT). Additionally, eligible securities must be listed on the Nasdaq Stock Market, the New York Stock Exchange, NYSE American, or the CBOE Exchange with a market capitalization of at least \$500 million and have a six-month average daily traded value of at least \$1 million. The ISE High Income Index constituents are determined by assigning each closed-end fund a combined rank score based on fund yield, fund share price discount/premium to NAV, and fund average daily traded value. The closed-end funds with overall ranks of 1 through 45 are selected for inclusion. They are weighted using a modified linear weighting methodology such that no one security weight exceeds 3% and no one security weight exceeds 100% of the ratio between its six-month average daily traded value and \$10 million. The ISE High Income Index is reconstituted and rebalanced on a semi-annual basis in January and July.

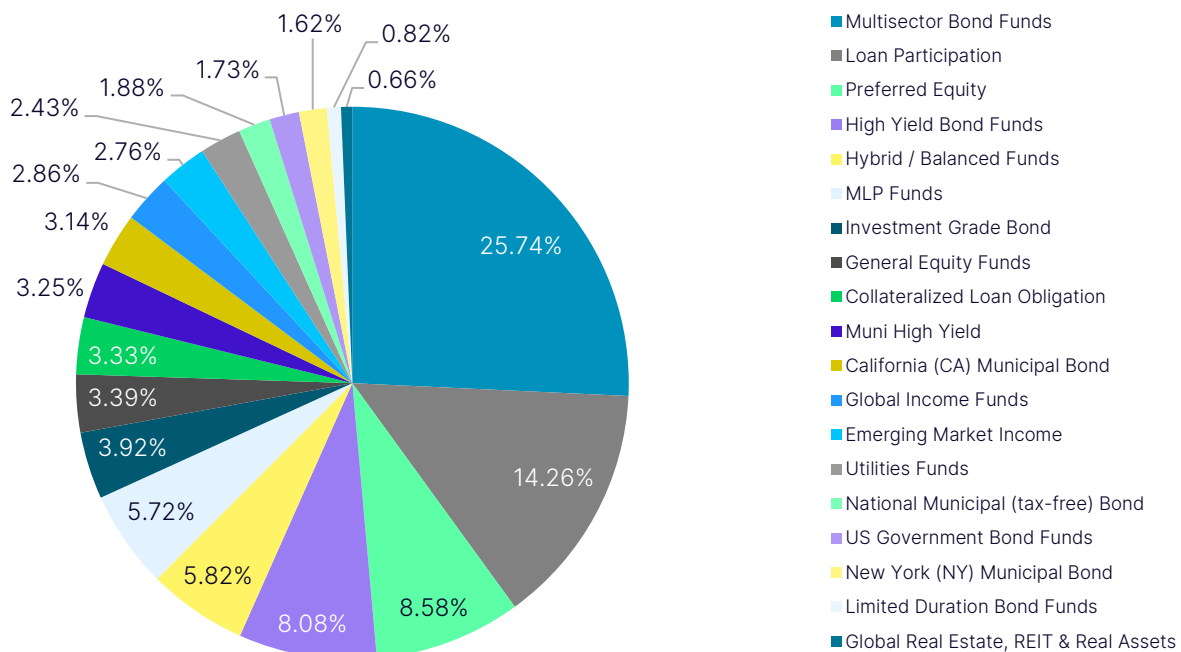
As of June 30, 2023, YLDA has an indicated yield of 10.69%, and the average closed-end fund in the portfolio trades at a -7.48% discount, offering the potential for future capital appreciation. In addition, YLDA's portfolio was comprised of 83% fixed-income funds and 17% equity funds, many of which deploy leverage to maximize their income potential. As of the most recent reconstitution, the top five CEF issuers in the ISE High Income Index include Nuveen, PIMCO, Franklin Templeton, Doubleline, and First Trust, all of which are reputable firms in the closed-end fund space. When combined, these top five issuers account for nearly 60% of closed-end funds

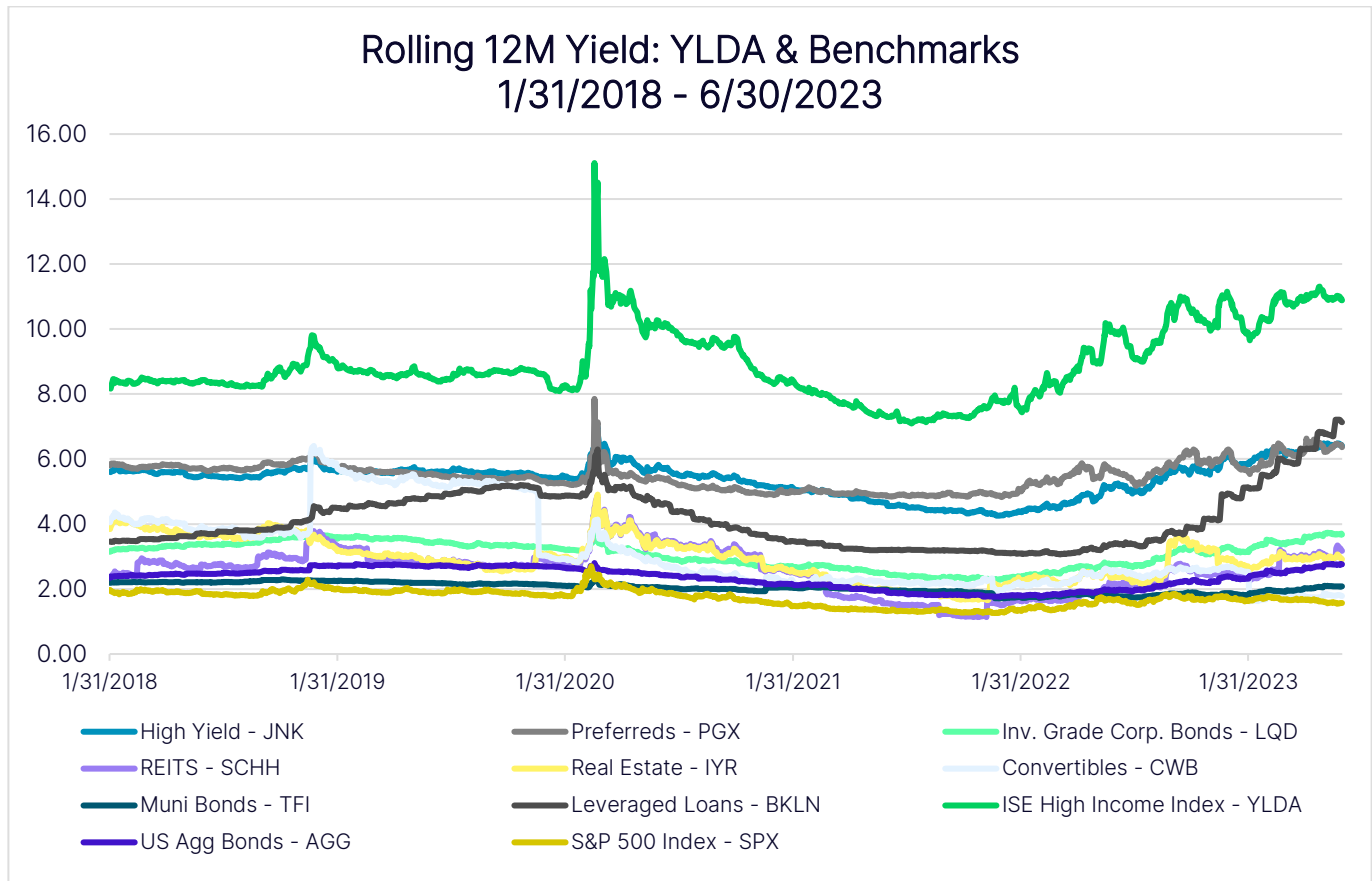
currently within the ISE High Income Index. In terms of fund type, YLDA currently has the highest allocation to multisector bond funds at 25.74%, followed by loan participation funds (14.26%) and preferred equity funds (8.58%).

YLDA Issuer Allocation as of 6/30/2023

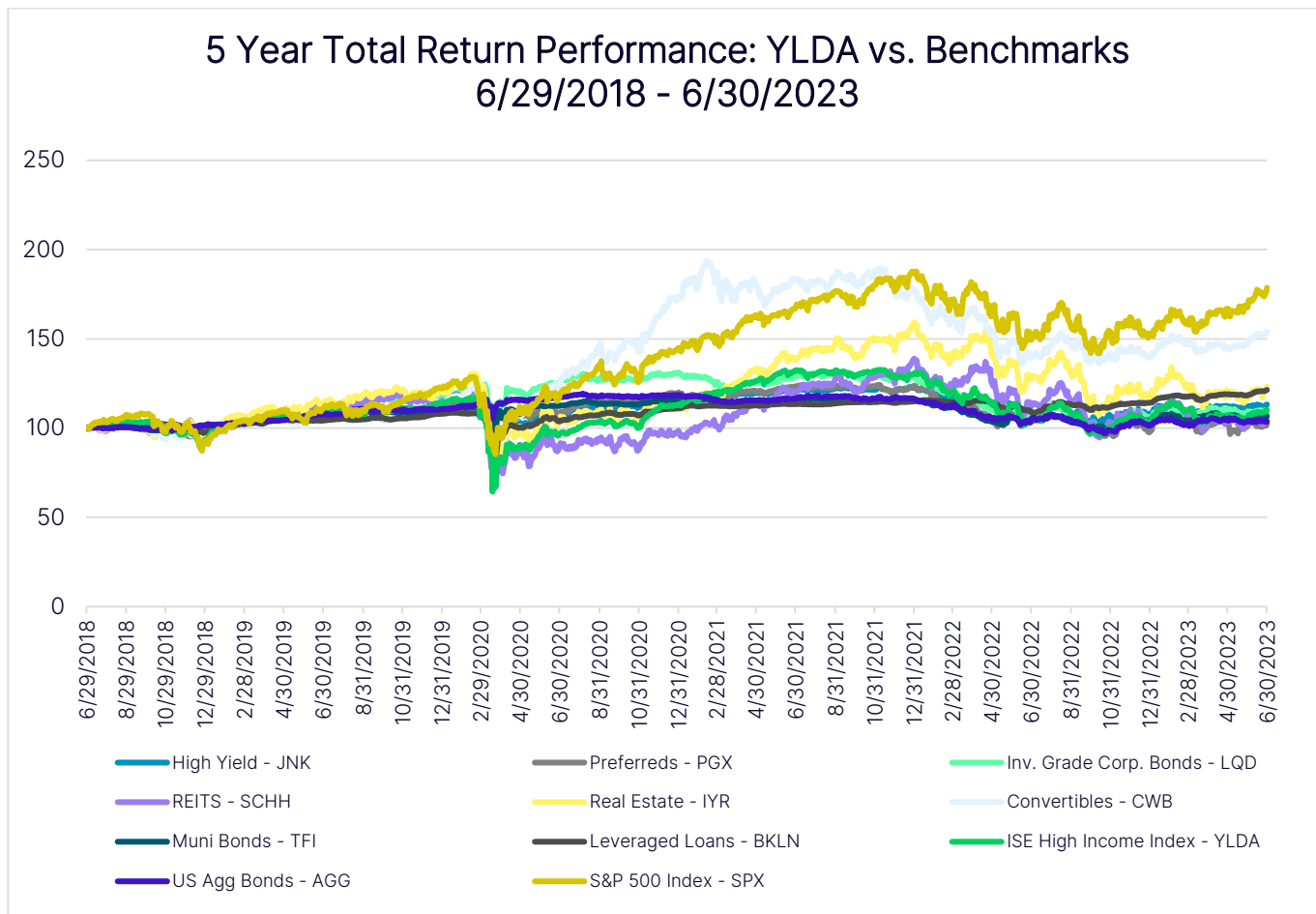


YLDA Fund Type Classification as of 6/30/2023

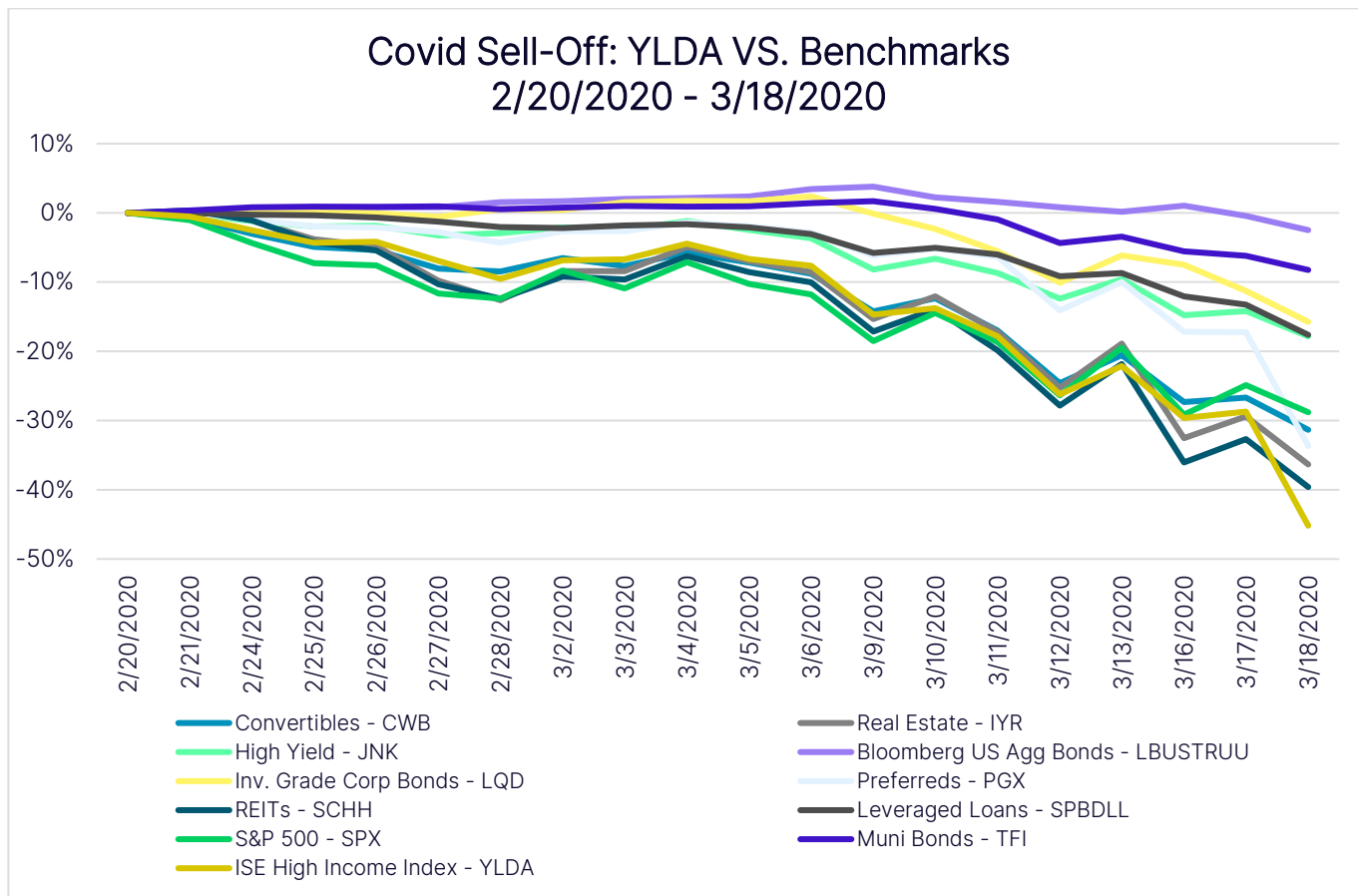




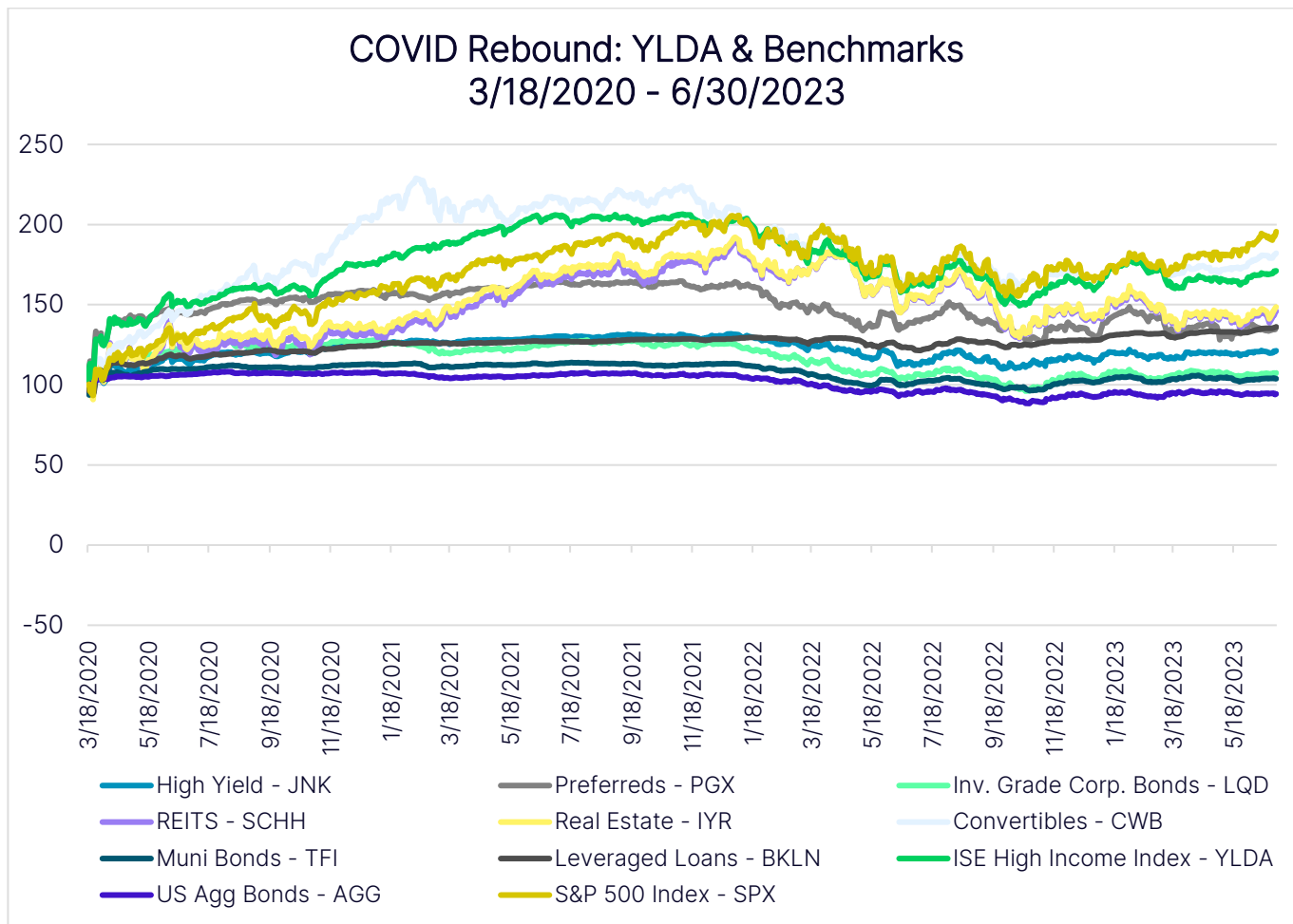
The ISE High Income Index is a high-flyer in terms of yield, especially when compared to other fixed-income benchmarks, such as those tracking high-yield bonds, leveraged loans, REITs, and preferreds. The chart above shows the 12-month rolling yields for YLDA, the S&P 500 Index, the Bloomberg US Aggregate Bond Index (tracked by the iShares Core U.S. Aggregate Bond ETF, ticker: AGG), and eight other benchmark ETFs tracking similar asset class exposures to YLDA on an individual basis since February 2018. Even after seeing its 12-month rolling yield cool off from the March 2020 spike, YLDA continues to provide an above-average yield of 10.89% (as of 6/30/2023), the highest out of the group. In comparison, the next highest-yielding fixed income benchmark is leveraged loans at 7.13% (proxied by the Invesco Senior Loan ETF, ticker: BKLN), followed by high-yield bonds at 6.41% (proxied by the SPDR Bloomberg High Yield Bond ETF, ticker: JNK), and preferred equities at 6.36% (proxied by the Invesco Preferred ETF, ticker: PGX).



Cumulatively, over the last five years (6/29/2018 – 6/30/2023), the ISE High Income gained 10.07% on a total return basis, outpacing the performance of the Bloomberg US Aggregate Bond Index, which gained 3.89% over the same period. However, the ride was not as “smooth,” relatively speaking. As mentioned above, many closed-end funds utilize leverage to increase the potential for higher returns. In times of elevated volatility, leverage can contribute to drastic swings in price, such as the sharp sell-off that occurred in early 2020 when YLDA fell over 45% between February 20, 2020, and March 18, 2020. This severe pullback was not caused by any single fund, fund issuer, or asset-class type in particular; all 30 closed-end funds within YLDA at the time fell at least 36% in less than a month with an average loss of 44.53%. The broader US equity market, using the S&P 500 Index as a proxy, fell by 28.78% over this timeframe as well.



Although such drawdowns can be extreme, there have also been significant rebounds from these sorts of events. Between YLDA's all-time low on March 18, 2020, and June 30, 2023, the ISE High Income Index posted a total return of 71.23%, outperforming the Bloomberg US Aggregate Bond Index benchmark by over 76%. The S&P 500 Index gained 95.66% over the same timeframe on a total return basis.



As of June 30, 2023, the ISE High Income Index sits 16.79% below its recent high-watermark printed just over two years ago on June 14, 2021, indicating a potential continuation of the buy-on-pullback opportunity for those using YLDA as a proxy for the closed-end fund market. Year-to-date, the ISE High Income Index is up just under 7%, outperforming the Bloomberg US Aggregate Bond Index, which has gained 2.09%. The other eight fixed-income benchmarks tracked above, including real estate, REITs, leveraged loans, muni bonds, preferreds, convertibles, investment grade corporates, and high-yield bonds, have gained between 2.10% – 9.56% so far in 2023, with convertibles leading the way, up 9.56%. YLDA’s current indicated yield of 10.69% is uniquely compelling versus other high-income indexes in offering a rate that exceeds recent annualized inflation readings.

Overall, the income and long-term total return story remain in place for the ISE High Income Index. Its current composition of equity and debt funds, including those that utilize leverage, has the index well-positioned to continue to maximize its potential for higher returns while generating a competitive monthly income stream.

Summary: The ISE High Income Index tracks the returns and income of the top US-listed closed-end funds in an “index of funds” approach. Over the last five years, the ISE High Income Index has outperformed the Bloomberg Aggregate US Bond Index, although the ride has not been as “smooth.” Furthermore, YLDA’s current yield of 10.69% is uniquely compelling versus other high-income indexes in offering a rate that exceeds recent annualized inflation readings.

The Amplify High Income ETF (US: YYY) tracks the ISE High Income Index.

Sources: Nasdaq Global Indexes, Bloomberg, FactSet

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