

# HEQT | Simplify Hedged Equity ETF

## FUND OVERVIEW

The **Simplify Hedged Equity ETF (HEQT)** seeks to provide capital appreciation by offering US Large Cap exposure while investing in a series of put-spread collars designed to help reduce volatility.

Equities + put-spread collars have become a popular way to create more conservative, lower volatility equity investments. By deploying a ladder of collars, that expire over 3 sequential months, the fund seeks to create a hedged equity experience that is additionally robust to rebalancing luck.

## PERFORMANCE REVIEW

- HEQT generated total returns of 2.86%, outperforming its historical beta to large cap US equities. The fund lagged the generic 60/40 index in Q4 as bond yields came off recent highs but did outperform the blend by 8.46% in 2022.
- Upside call strike moneyness for generic 3mth put spread collars spent most of 2022 above 106%, allowing modest upside equity market gains and only recently compressing as put/call volatility skew has narrowed from the lows.
- Costless collars remain an attractive means of selling volatility while hedging against downside and positioning for a rangebound trade in equities.

**Performance as of 12/31/22** | Inception Date: 11/01/21

	CUMULATIVE TOTAL RETURN				ANNUALIZED TOTAL RETURN	
	3 Mo	6 Mo	YTD	Since Inception	1 Year	Since Inception
<b>NAV</b>	2.86%	1.46%	-8.40%	-6.11%	-8.40%	-5.27%
<b>Market Price</b>	2.59%	1.65%	-8.25%	-6.27%	-8.25%	-5.42%
<b>Bloomberg US EQ: FI 60:40 Index</b>	4.98%	0.07%	-16.86%	-15.69%	-16.86%	-13.69%

The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. In addition, investment returns and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance data current to the most recent month-end, please call (855) 772-8488 or go to <https://www.simplify.us/etfs>.

## FUND DETAILS as of 12/31/22

### TOP TEN HOLDINGS\*\*

POSITION	ALLOCATION
ISHARES S+P 500 INDEX FUND	99.34%
SPX US 03/17/23 P3710	0.87%
SPX US 02/17/23 P3730	0.65%
SPX US 01/20/23 P3485	0.04%
SPX US 01/20/23 P2925	0.00%
SPX US 02/17/23 P3140	-0.04%
SPX US 03/17/23 P3120	-0.10%
SPX US 02/17/23 C4175	-0.14%
SPX US 01/20/23 C3930	-0.35%
SPX US 03/17/23 C4130	-0.41%
Cash	0.14%

Gross Expense Ratio	0.53%
Net Expense Ratio	—
SEC 30-Day Yield	1.21%
SEC 30-Day Yield Unsubsidized	1.21%

\*\*Holdings are subject to change without notice.

### DEFINITIONS

**Expiry:** The time until an option expires. In the context here expiry is used to describe the length of time from when an option position is initiated to when it will expire.

**Market Price:** The current price at which shares are bought and sold. Market returns are based upon the last trade price.

**Moneyness:** Represents how far the option strike is from current market price. In-the-money and out-of-the-money describe options whose market price is beyond the strike and not beyond the strike, respectively.

**NAV:** The dollar value of a single share, based on the value of the underlying assets of the fund minus its liabilities, divided by the number of shares outstanding. Calculated at the end of each business day.

**Notional Exposure:** The full market exposure a derivatives contract provides after accounting for the leverage embedded in the derivative, expressed as a percentage of the fund's total assets. We assume each option's delta (sensitivity to changes in underlying security) is 1 in this calculation, implying that we are measuring the exposure afforded by the options in the instance where extreme markets are being realized. This metric provides a measure of the protection afforded to the underlying security by a given option position.

**Option:** An option is a contract that gives the buyer the right to either buy (in the case of a call option) or sell (in the case of a put option) an underlying asset at a pre-determined price ("strike") by a specific date ("expiry"). An "outright" is another name for a single option leg. A "spread" is when options are bought at one strike and an equal amount of options are sold at a different strike, all at the same expiry.

## DEFINITIONS (cont'd)

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**Put-Spread Collar:** An options strategy that involves buying OTM put options while simultaneously selling the same number of puts further OTM (put-spread), while offsetting the cost of the put-spread by selling OTM calls (the collar).

**SEC 30-Day Yield:** The yield is calculated with a standardized formula and represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price. The yield includes the effect of any fee waivers and/or reimbursements. Without waivers, yields would be reduced. This is also referred to as the "standardized yield", "30-Day Yield" and "Current Yield". The unsubsidized SEC 30-Day Yield does not reflect the effect of any fee waivers and/or expense reimbursements.

## IMPORTANT INFORMATION:

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**Investors should carefully consider the investment objectives, risks, charges, and expenses of Exchange Traded Funds (ETFs) before investing. To obtain an ETF's prospectus containing this and other important information, please call (855) 772-8488, or visit [SimplifyETFs.com](https://SimplifyETFs.com). Please read the prospectus carefully before you invest.**

**An investment in the fund involves risk, including possible loss of principal.**

The fund is actively-managed is subject to the risk that the strategy may not produce the intended results. The fund is new and has a limited operating history to evaluate.

The use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. These risks include (i) the risk that the counterparty to a derivative transaction may not fulfill its contractual obligations; (ii) risk of mispricing or improper valuation; and (iii) the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate, or index. Derivative prices are highly volatile and may fluctuate substantially during a short period of time. The use of leverage by the Fund, such as borrowing money to purchase securities or the use of options, will cause the Fund to incur additional expenses and magnify the Fund's gains or losses. Futures may involve risks greater than the risks associated with investing directly in securities. Futures contracts may not correlate with the underlying investment or it could become mispriced or improperly valued and may not produce the desired investment results.

The Fund invests in ETFs (Exchange-Traded Funds) and is therefore subject to the same risks as the underlying securities in which the ETF invests as well as entails higher expenses than if invested into the underlying ETF directly.

While the option overlay is intended to improve the Fund's performance, there is no guarantee that it will do so. Utilizing an option overlay strategy involves the risk that as the buyer of a put or call option, the Fund risks losing the entire premium invested in the option if the Fund does not exercise the option. Also, securities and options traded in over-the-counter markets may trade less frequently and in limited volumes and thus exhibit more volatility and liquidity risk.

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