

# XXV | Simplify Ancorato Target 25 Distribution ETF

## Why XXV? Distinct source of high potential monthly income through equity volatility selling



### Potential monthly income through selling barrier options

Higher levels of potential income than can be found in traditional equity income investments



### 25% Targeted distribution rate with single stock barrier options

Options on single stocks can potentially generate higher income than index-based options



### Operationally efficient

Options are automatically and continuously rolled, allowing investors to buy and hold with no action required

## How Barrier Options Work



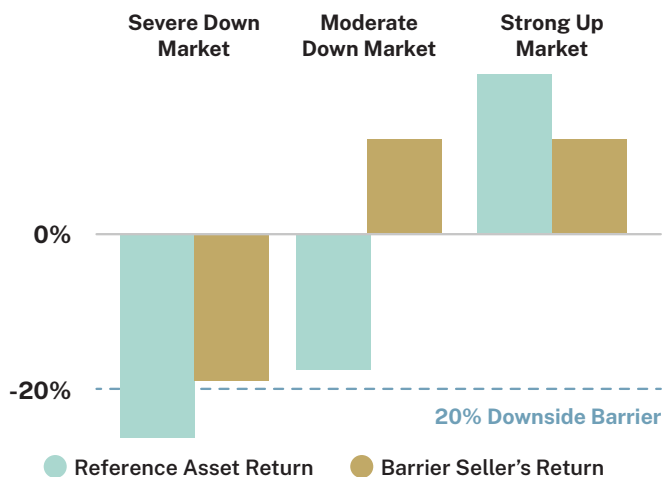
Barrier put options are sold with a pre-determined downside barrier (e.g. 20%)



If the reference asset return is below the barrier at expiration, the seller fully participates in the asset's downside return (less premiums received)



If the reference asset return is above the barrier at expiration, seller experiences no loss and premiums received are their profit



For illustrative purposes only.

## XXV Use Cases

Potentially higher level of monthly income than many equity income investments with a barrier level that mitigates some downside risk.

Lower risk than equity income products that focus on a single-stock underlying asset.

Differentiated source of returns diversifies an equity or fixed income portfolio.

## XXV Portfolio Construction

### Barrier Options

- » Laddered portfolio of one year to expiration barrier options
- » Barrier levels are selected to support a targeted 25% distribution\*
- » Underlying reference assets:
  - Select individual stocks and
  - "Worst-of" performance on a group of individual stocks
- » Options may be called on a monthly schedule
- » Subadvisor: Ancorato Capital, a firm with deep expertise in structured products\*\*

\*Although a barrier option will incur no loss if the reference asset is above the barrier at expiration, in the interim period the fund's value will fluctuate as the options are continually marked to current market prices.

\*\*Ancorato employs investment research on individual stocks and option overlay strategies as inputs to the adviser's portfolio construction process.

### Operational Efficiency

- » Options are continually rolled at expiration or when called
- » Investors can buy and hold with no action required
- » Daily liquidity with lower cost than traditional barrier structured products
- » Registered investment company, so not subject to bank credit risk
- » Less idiosyncratic risk than equity income products based on a single stock
- » No K-1 tax form

## Glossary

**Barrier Option:** A type of customized over-the-counter option in which the underlying reference assets, tenor and barrier level are negotiated with a counterparty. They set a threshold (“barrier”) below which the underlying notional value is fully exposed to the downside upon expiration.

**Idiosyncratic Risk:** The risks that are unique to an individual asset (such as a specific company’s stock) or a small group of assets (such as a particular industry).

**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.

**Schedule K-1:** A federal tax document used to report the income, losses, and dividends of a business’ or financial entity’s partners or an S corporation’s shareholders.

**Volatility:** A measure of how much and how quickly prices move over a given span of time.

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## IMPORTANT INFORMATION

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

The fund is actively managed and 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. The Fund’s investment in fixed income securities is subject to credit risk (the debtor may default) and prepayment risk (an obligation paid early) which could cause its share price and total return to be reduced. Typically, as interest rates rise the value of bond prices will decline and the fund could lose value.

Shareholders receiving periodic payments from the Fund may be under the impression that they are receiving net profits. However, all or a portion of a distribution may consist of a return of capital (i.e., from your original investment). Return of capital represents a return of a portion of the Fund shareholder’s invested capital and is not taxable in the year it is received unless the distribution exceeds a shareholder’s basis in the Fund. However, a return of capital may result in an increase in a later gain on a sale of Fund Shares or a reduction of a loss. There is no guarantee that the adviser will be successful in its attempt to have the Fund’s distribution payments meet the target without some return of capital.

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