

# SDMF | Simplify DBi CTA Managed Futures Index ETF

## Why SDMF?



### Portfolio Diversifier

Seeks to maximize the diversification benefit to traditional stocks and bonds, providing an uncorrelated source of risk and return



### Index/Passive Implementation

The strategy seeks to track the DBi CTA MF Index, reducing tracking error for allocators



### Tax Intelligent

Exposure to index is gained via bullet swaps which can provide tax advantages given holding periods greater than 1 year relative to holding futures contracts directly

## Key Portfolio Benefits

- Absolute returns
- Low correlation to stocks and bonds
- Cost-effective implementation

SDMF seeks to deliver these benefits via DBi's proprietary replication methodology with the goal of delivering the alpha of the CTA space but in a more liquid, transparent and cost-effective approach.

Uncorrelated source of absolute return for balanced portfolios

Provides access to DBi's proprietary replication methodology

Cost-effective exposure built for inclusion in ETF model portfolios

## The Alts Solution for the Model Revolution

### Reduce Manager Selection Risk

DBi's replication model seeks to represent the returns of a basket of managed futures funds to capture the diversification benefits of managed futures while reducing individual manager selection risk.

### Reduce Implementation Costs

Hedge funds typically transact intraday in hundreds of global markets, resulting in excess costs borne by the investor. DBi seeks to capture the alpha of the space by replicating the return stream observed by these funds through the 10 most liquid markets to reduce costs without sacrificing return.

### Reduce Tracking Error

Alternatives can be difficult for allocators who work within active risk budgets. By codifying DBi replication methodology into an index, which the ETF then tracks, allocators can introduce these important sources of diversification without concern for taking on tracking error.

### EXPOSURE TO MAJOR TREND-FOLLOWING THEMES VIA 10 LIQUID FUTURES MARKETS

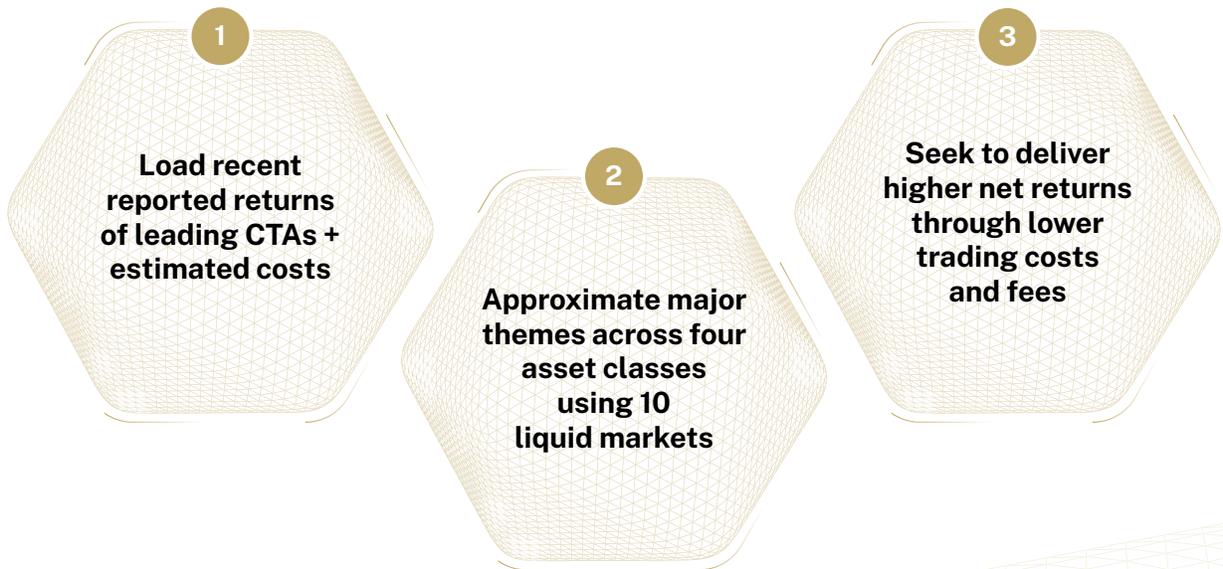
Equity	Interest-Rate
✓ S&P 500	✓ US 2Y
✓ MSCI EAFE	✓ US 10Y
✓ MSCI EM	✓ US Long Bond
Commodity	FX
✓ WTI Crude	✓ Japanese Yen
✓ Gold	✓ Euro

Exposure achieved via swap, not via futures markets directly.  
For illustrative purposes only. Subject to change.

## | Index Construction Methodology

Allocators face two major hurdles in accessing strategy alpha: **A) manager selection** and **B) implementation costs**

- » DBi's replication strategy seeks to solve both issues by efficiently isolating strategy alpha from "major themes."
- » On a weekly basis, the model constructs a portfolio of ten futures markets across interest rates, currencies (FX), equities and commodities to approximate the current "major themes" of the CTA industry.
- » The investment process consists of taking recent, daily net reported returns (price/NAV data) of leading hedge funds, adding back estimated implementation expenses (e.g., trading costs, management and performance fees), constructing the optimized portfolio from pre-selected factors and rebalancing.
- » This portfolio of major market themes is codified into an index which is then tracked by Simplify DBi CTA MF Index ETF (SDMF), striving for minimal tracking error to the official benchmark index.



## | Tax Intelligent Investing

Unlike typical managed futures strategies, SDMF is gaining exposure to the DBi CTA MF Index via a bullet swap structure which can potentially provide certain tax advantages over futures contracts or total return swaps.

Bullet swaps that expire beyond 1 year are taxed at long-term capital gains rates (lower) rather than typical futures contracts which can be, at best, subject to 1256 rule which splits tax treatment at 60% long-term capital gains/40% short-term capital gains, and at worst, taxed as ordinary income (higher).

## Glossary

**Alpha:** An investment strategy's ability to beat the market, or its "edge." Alpha is thus also often referred to as "excess return" or the "abnormal rate of return" in relation to a benchmark, when adjusted for risk.

**DBi CTA MF Index:** The index is designed to offer hypothetical exposure to a dynamic basket of listed instruments. Its objective is to replicate the performance of the largest managed futures funds included in the CTA industry (the "Target Index"), prior to the deduction of the estimated average fees and expenses of the components of the Target Index.

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## IMPORTANT INFORMATION

*Investors should carefully consider the investment objectives, risks, charges, and expenses of Exchange Traded Funds (ETFs) before investing. To obtain an ETF's prospectus or Summary 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 subject to the risk that the strategy may not produce the intended results. The fund will also rely on the Futures Adviser's judgments about the value and potential appreciation of particular securities which if assessed incorrectly could negatively affect the Fund.

The Fund's use of futures may involve different or greater risks than investing directly in securities and the contract may not correlate perfectly with the underlying asset. These risks include leverage risk which means a small percentage of assets invested in futures can have a disproportionately large impact on the Fund. This risk could cause the Fund to lose more than the principal amount invested. Futures contracts may become mispriced or improperly valued when compared to the adviser's expectation and may not produce the desired investment results. The Fund's exposure to futures contracts is subject to risks related to rolling. Extended periods of contango or backwardation can cause significant losses for the Fund. Any short sales of the futures contracts by the fund theoretically involves unlimited loss potential since the market price of securities sold short may continuously increase.

**CTA Risk.** The CTAs' judgments about the attractiveness, value and potential appreciation of particular commodity asset classes and futures may prove to be incorrect and may not produce the desired results.

**Limited History Risk.** The Fund is a new ETF and does not yet have a history of operations for investors to evaluate.

**Non-Diversification Risk.** Because the Fund is non-diversified and may invest a greater portion of its assets in fewer issuers than a diversified fund.

**Passive Investment Risk.** The Fund is not actively managed, and the adviser will not sell a holding due to current or projected underperformance.

Investments linked to commodity or currency futures contracts including exposure to non-U.S. currencies can be highly volatile affected by market movements, changes in interest rates or factors affecting a particular industry or commodity. Changes in currency exchange rates can be unpredictable or change quickly which will affect the value of the Fund.

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