

# VPOP | Simplify Volt Pop Culture Disruption ETF

As of December 31, 2020

## Overview

The Simplify Volt Pop Culture Disruption is not just another thematic investment product. VPOP is designed to concentrate in those few disruptive companies poised to dominate the new era of media and then enhance the concentrated exposures with options.

With our partner Volt Equity our investment process begins with a first principles approach to identify those few companies poised to lead the disruption. We then deploy a sophisticated option overlay to create convexity in the portfolio to enhance the upside while improving drawdowns.

## Key Points

- **Spotify and Snap are our two anchor names in the portfolio given their mission to empower content creators and disrupt legacy media**
- **SPOT is our top holding with a 25% target allocation split between a 22.5% equity position and a 2.5% call option position**
- **SNAP is our second largest holding with a 20% target allocation split between a 17.5% equity position and a 2.5% call option position**

## Strategy Design

### Concentrate in Disruptors

- In our view, there are often just a few winners that end up dominating a new industry
- Our first principles approach seeks to identify those companies poised to be the theme's leaders



### Enhanced Upside

- An advanced call option overlay seeks to enhance the upside potential from our identified leaders
- The overlay is designed for various types of S-curve dislocations



### Downside Protection

- An intelligent put option overlay is deployed to potentially protect portfolios from a broad tech selloff
- Idiosyncratic risk in anchor names is also capped via concentration limits

## Details

Ticker	Inception Date	Yield	Gross Expense Ratio	Exchange	CUSIP	Net Assets
VPOP	12/31/2020	0.23%	1.03%	NYSE	82889N806	\$1,258.048.15

## Current Holdings

Position	Allocation
SPOT	21.01%
SNAP	17.07%
PTON	4.29%
DIS	4.67%
ATVI	4.04%
NFLX	3.09%
FB	3.04%
QQQ	31.12%
Call Option Overlay	3.17%
Put Option Overlay	1.54%
Cash	6.96%

## Options Holdings Details

Position	Allocation	Notional Exposure (Delta=1)
<b>Call Option Overlay</b>		
SPOT US 04/16/21 C500	0.15%	15%
SPOT US 07/16/21 C500	0.40%	15%
SPOT US 01/21/22 C500	0.47%	8%
SPOT US 01/20/23 C500	0.84%	8%
SNAP US 04/16/21 C75	0.20%	7%
SNAP US 07/16/21 C75	0.43%	8%
SNAP US 01/21/22 C75	0.23%	2%
SNAP US 01/20/23 C75	0.45%	3%
<b>Put Option Overlay</b>		
NDX US 03/19/21 P5000	0.38%	1739%
NDX US 06/18/21 P5000	0.36%	409%
NDX US 12/17/21 P4000	0.80%	511%

Holdings are subject to change without notice.

## Performance

Ticker	YTD	1-Year	3-Year	5-Year	10-Year	Inception
NAV	-					
Market Price	-					
S&P 500 Index	-					

Total returns are based on the closing market price of the ETF on December 31, 2020.

**The performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment returns and 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. Performance data for the most recent month-end is available above.**

### Definitions

**Convexity:** An investment strategy is convex if its payoff relative to its benchmark is curved upward. Convex investment strategies are expected to be highly correlated with the benchmark in typical market environments but diverge to the positive in extreme markets. There are no free lunches though, and convex strategies are expected to lag during quiet markets.

**Options:** 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 by a specific date. Options are a powerful tool for creating a wide array of payoff profiles and can be used on a standalone basis or integrated into a broader portfolio strategy.

**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) 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.

**S-Curve:** A graphical representation of new product adoption, whereby product adoption is slow to begin, then ramps very rapidly, and then slows again after market saturation, creating an "S" shape. The valuation of a company best positioned to profit from the rapid adoption of a new product or theme often mirrors this shape.

**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.

**OTMness:** Stands for out-of-the-moneyness and represents how far the option strike is from current market price. In the context here OTMness is used to describe how far the option strike is from the market price when the option position is initiated.

**Annualized Budget:** The average amount expected to be spent on a specific option position per year. For options rolled more frequently than annually each option position will be initiated at less than the annual budget amount. Options rolled less frequently than annually would be initiated at a size higher than the annual budget.

**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.

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

**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. Past performance does not guarantee future results.**

The fund's investment objective is to seek capital appreciation.  
The funds are new and have a limited operating history.

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 earnings and prospects of small and medium sized companies are more volatile than larger companies and may experience higher failure rates than larger companies. Small and medium sized companies normally have a lower trading volume than larger companies, which may tend to make their market price fall more disproportionately than larger companies in response to selling pressures and may have limited markets, product lines, or financial resources and lack management experience. The funds are new with a limited operating history.

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.

The risk that the Model used by the Fund to determine or guide investment decisions may not achieve the objectives of the Fund. Additionally, the portfolio manager of the Fund is able, under certain adverse conditions, to deviate from the Model employed by the Fund. Such deviations may not achieve the objectives of the Fund and may produce lower returns and/or higher volatility compared to what the returns and volatility of the Fund would have been if the portfolio manager had not deviated from the Model.

The Fund focuses its assets (i.e., invests up to 25% of its assets) in securities of Spotify and Snap Inc., and as a result, the Fund may be subject to greater volatility with respect to its portfolio securities than a Fund that is more broadly diversified. Companies that the sub-adviser believes are focused on and expected to benefit from shifting the bases of technology infrastructure from hardware and software to the cloud, enabling mobile and local services, such as companies that rely on or benefit from the increased use of shared technology, infrastructure and services may also be part of the investments.

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