

# VFIN | Simplify Volt Fintech Disruption ETF

As of March 31, 2021

## Overview

The Simplify Volt Fintech Disruption ETF is not just another thematic investment product. VFIN is designed to concentrate in those few disruptive companies poised to dominate the new era of fintech 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 that we believe could enhance the upside potential while improving drawdowns.

## Key Points

- **Square and Lemonade are our lead anchors due to their ability to remove payment friction and disrupt legacy financial services**
- **SQ is our top holding with a 25% target allocation split between a 20% equity position and a 5% call option position**
- **LMND is our second largest holding with a 25% target allocation split between a 20% equity position and a 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



### Nasdaq 100 Hedge

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

**Details | Ticker:** VFIN

**Inception Date:** 12/28/2020

SEC 30-Day Yield	SEC 30-Day Yield Unsubsidized	Gross Expense Ratio	Exchange	CUSIP	Net Assets
-0.78%	-0.78%	1.03%	NYSE	82889N707	\$2,267,595.58

## Current Holdings

Position	Allocation
SQ	20.97%
LMND	14.68%
SHOP	4.49%
MELI	4.09%
PYPL	5.01%
PDD	2.66%
QQQ	36.65%
Call Option Overlay	5.00%
Put Option Overlay	1.99%
Cash	4.46%

Holdings are subject to change without notice.

## Options Holdings Details

Position	Allocation	Notional Exposure (Delta=1)
<b>Call Option Overlay</b>		
SQ 06/18/21 C350	0.27%	43%
SQ 09/17/21 C390	0.34%	28%
SQ 01/21/22 C350	0.78%	18%
SQ 01/20/23 C350	2.18%	20%
LMND 06/18/21 C190	0.20%	32%
LMND 09/17/21 C260	0.12%	12%
LMND 01/21/22 C190	0.22%	3%
LMND 01/20/23 C190	0.89%	5%
<b>Put Option Overlay</b>		
NDX 06/18/21 P5500	0.12%	405%
NDX 06/18/21 P5000	0.07%	463%
NDX 09/17/21 P7000	0.26%	116%
NDX 12/17/21 P4000	0.37%	405%
NDX 03/18/22 P7000	0.72%	116%
QQQ 06/17/22 P100	0.45%	283%

## Performance

Average annual total returns as of 03/31/2021

Ticker	MTD 03/31/2021	YTD	1-Year	5-Year	10-Year	Inception
NAV	-15.95%	-18.31%	—	—	—	-19.49%
Market Price	-15.55%	-17.35%	—	—	—	-19.07%
S&P 500 Index	5.17%	6.95%	—	—	—	15.87%

Total returns are based on the closing market price of the ETF as of the most recent quarter-end, March 31, 2021.

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. For performance data current to the most recent month-end please call (855) 772-8488 or go to <https://www.simplify.us/etfs>.

### 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.

**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.

## DEFINITIONS CONTINUED:

**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.

**SEC 30-Day Yield:** The SEC yield is calculated with a standardized formula mandated by the SEC. The formula is based on maximum offering price per share and includes the effect of any fee waivers. Without waivers, yields would be reduced. This is also referred to as the "standardized yield", "30-Day Yield" and "Current Yield".

## 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 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 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.

The Fund focuses its assets (i.e., invests up to 25% of its assets) in securities of Square and Lemonade, 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. Peer-to-peer loans are originated and documented in electronic form and there are generally no tangible written documents evidencing such loans or any payments owed thereon. As such, the peer-to-peer securities based crowdfunding and digital lending ecosystem is susceptible to risks associated with electronic systems. The fund may make investments in blockchain companies which have risks from competition, theft, cyber security, Intellectual Property, and others which should be carefully considered.

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**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.

**SEC Unsubsidized 30-Day Yield:** The un-subsidized SEC yield is calculated with a standardized formula mandated by the SEC. The formula is based on maximum offering price per share and does not reflect waivers in effect. This is also referred to as the "unsubsidized standardized yield", "unsubsidized 30-Day Yield" and "unsubsidized Current Yield".