SIMPLIFY ETFs

PFIX | Simplify Interest Rate Hedge ETF

As of October 31, 2021

Overview

The Simplify Interest Rate Hedge ETF seeks to hedge interest rate movements arising from rising long-term interest rates, and to benefit from market stress when fixed income volatility increases, while providing the potential for income.

The fund holds a large position in over-the-counter (OTC) interest rate options intended to provide a direct and transparent convex exposure to large upward moves in interest rates and interest rate volatility.

Using OTC derivatives, usually only available to institutional investors, PFIX is designed to be functionally similar to owning a position in long-dated put options on 20-year US Treasury bonds. Since the option position is held for an extended period, the ETF provides a simple and transparent interest rate hedge.

Key Points

- **First ETF providing a simple, direct, and transparent interest rate hedge**
- **Unique access to OTC derivative payoff profiles unavailable to the public**
- **Highly efficient ETF wrapper with attractive liquidity and tax treatment**

Strategy Details

- Initial investment of 50% of NAV in 7-year OTC payer swaption on the 20-year rate struck at 4.25%, providing direct exposure to rising rates
- Option position is a strategic exposure to interest rates, expected to be reset only after extended periods of time or extreme rate moves
- Option term and rate maturity are chosen to minimize cost of ownership; option strike and term chosen to maximize convexity

Portfolio Applications

- **Fixed Income Hedge:** Rising interest rates drive bond prices down based on their duration.
- **Real Estate Hedge:** Rising rates have historically led to falling real estate prices.
- **Growth Equity Hedge:** High growth stocks have historically fared poorly in a rising interest rate environment.

Details | Ticker: PFIX

Inception Date: 5/10/2021

SEC 30-Day Yield	SEC 30-Day Yield Unsubsidized	Gross Expense Ratio	Net Expense Ratio	Exchange	CUSIP	Net Assets
0.15%	0.15%	0.50%	0.50%	NYSE	82889N855	$123,400,970.47

Current Holdings

Position	Allocation
T 0 3/4 04/30/26 Govt	61.26%
Swaption 05/11/2028 P4.25% BOAML	-0.89%
Swaption 05/12/2028 P4.25%	-2.12%
Swaption 05/11/2028 P4.25%	-2.34%
Cash	44.08%

Holdings are subject to change without notice.

Performance

		Average annual total returns as of 09/30/2021				
Ticker	MTD 10/31/2021	Q3 2021	1-Year	5-Year	10-Year	Inception
NAV	0.33%	-1.37%	—	—	—	-20.00%
Market Price	-1.35%	-1.79%	—	—	—	-18.69%
IDCOT20 Index	2.51%	0.10%	--	--	--	4.88%

IDCOT20: The Ice US Treasury 20+ Year Bond Index measures US dollar-denominated, fixed-rate nominal debt issued by the US Treasury with 20+ years to maturity.

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. For most recent data 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.

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.

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.

DEFINITIONS CONTINUED:

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.

Over-The-Counter (OTC): Refers to the process where securities are traded directly between counterparties rather than on a centralized exchange. OTC trades manage counterparty risk via the direct exchange of collateral.

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”.

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.

Payer Swaption: The purchaser has the right, but not the obligation, to enter a swap contract at a future date by which they would pay a specified fixed rate and receive floating for the full swap term.

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”.

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. 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.

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

The fund's investment objective seeks to hedge interest rate movements arising from rising long-term interest rates, and to benefit from market stress when fixed income volatility increases, while providing the potential for income.

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.

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