SIMPLIFY ETFs

# EMGD | Simplify Emerging Markets Equity PLUS Downside Convexity ETF

As of January 14, 2022

## Overview

The Simplify Emerging Markets Equity PLUS Downside Convexity ETF seeks to provide capital appreciation with exposure to emerging equity markets while boosting performance during extreme selloffs in emerging markets via a systematic options overlay.

The fund's core holding provides investors with emerging markets index exposure. A modest option overlay budget is then deployed into a series of options positions that help create downside convexity in the fund.

## Key Points

- **Low-cost emerging markets index ETF is the core holding**
- **Modest and transparent option budget adds downside convexity to the core passive exposure**
- **Advanced options strategy is designed to be robust across a variety of extreme drawdown conditions**

## Strategy Design

### Passive Emerging Markets Equity Exposure

- Emerging markets index ETF is the core holding
- Potential quarterly dividend
- Tax-efficient & Cost Effective*

+

### Advanced Options Overlay

- Potentially boost equity performance during extreme drawdowns in emerging markets
- Modest option budget with no upside caps
- Designed to handle various types of market dislocations

## Payoff Profile

Downside Convexity attempts to increasingly boost performance as market declines deepen

*For illustrative purposes only. Does not represent or predict fund performance.*

## Portfolio Applications for Emerging Markets Equity + Downside Convexity

- **High Growth:** Emerging markets hold the potential for achieving attractive growth in portfolios.
- **Core Equity Portfolio Diversification:** Exposure to emerging markets could provide portfolio diversification benefits.
- **Defensive Equity Positioning:** Alternative for low volatility, quality, and other "defensive" equity factor exposures while preserving emerging market exposure.

## Details | Ticker: EMGD Inception Date: 01/10/2022

| Core Exposure | SEC 30-Day Yield | SEC 30-Day Yield Unsubsidized | Gross Expense Ratio | Net Expense Ratio | Exchange | CUSIP | Net Assets |
|---|---|---|---|---|---|---|---|
| Emerging Market Equity | — | — | 0.61% | 0.36% | NYSE | 46434G103 | $2,553,271.57 |

The Fund's adviser has contractually agreed to reduce its management fees, until at least October 30, 2022, to 0.25% of the Fund's average daily net assets.

## Current Holdings

| Position | Allocation | Notional Exposure (Delta=1) |
|---|---|---|
| IEMG | 95.73% | — |
| EEM 06/17/22 P25 | 0.06% | 42% |
| EEM 09/16/22 P25 | 0.20% | 55% |
| EEM 12/16/22 P25 | 0.30% | 49% |
| EEM 03/17/23 P25 | 0.33% | 49% |
| Cash | 3.38% | — |

Holdings are subject to change without notice.

## Core Options Ladder Budget

| Position | Initial OTMness | Expiry Position in Ladder | Annual Budget |
|---|---|---|---|
| Medium-Term EEM Put Ladder: Option #1 | 50% | 6m | 0.5% |
| Medium-Term EEM Put Ladder: Option #2 | 50% | 9m | 0.5% |
| Long-Term EEM Put Ladder: Option #1 | 50% | 12m | 0.5% |
| Long-Term EEM Put Ladder: Option #2 | 50% | 15m | 0.5% |

## Performance as of 12/31/21

| Cumulative Total Returns | | | | Annualized Total Returns | |
|---|---|---|---|---|---|
| Ticker | MTD | 3 Months | 12 Months | 1 Year | Since Inception |
| NAV | — | — | — | — | — |
| Market Price | — | — | — | — | — |
| MSCI Emerging Markets Index | — | — | — | — | — |

**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.**

## Portfolio Uses

### Core Strategic Holding

- 98%+ allocation to emerging markets index ETF provides traditional developed foreign exposure, which may help geographically diversify equity portfolios
- Modest option budget aims to minimize long-term drag of overlay while providing outsized convexity benefits

### A Tactical Tool

- Easily swap with any developed foreign equity holding for instant tactical expression
- Convex option design allows for outsized exposure to your view without significantly changing your equity exposure

### Asset Class Flexibility

- Downside convexity looks to hedge against market moves without diversifying into asset classes like bonds

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.

**SEC 30-Day Yield**: The yield is calculated with a standardized formula and represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price. The yield includes the effect of any fee waivers and/or reimbursements. Without waivers, yields would be reduced. This is also referred to as the "standardized yield", "30-Day Yield" and "Current Yield".

**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.

**SEC Unsubsidized 30-Day Yield:** The SEC 30-Day yield not adjusted for any fee waivers and/or expense reimbursements 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.**

The fund is actively-managed 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 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 fund invests primarily in ETFs that invest in securities domiciled in countries outside the U.S. that may experience more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. and Canadian companies. These companies may be subject to additional risks, including political and economic risks, civil conflicts and war, greater volatility, expropriation and nationalization risks, currency fluctuations, higher transaction costs, delayed settlement, and less stringent investor protection and different disclosure standards. Investing in emerging markets which may be less diverse and mature or have limited availability and reliability of information may result in a lack of liquidity and price volatility.

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.

**ETFs are subject to capital gains tax and taxation of dividend income. However, ETFs are structured in such a manner that taxes are generally minimized for the holder of the ETF. An ETF manager accommodates investment inflows and outflows by creating or redeeming "creation units," which are baskets of assets. As a result, the investor usually is not exposed to capital gains on any individual security in the underlying portfolio. However, capital gains tax may be incurred by the investor after the ETF is sold.*

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