

# HEQT | Simplify Hedged Equity ETF

## Overview

The Simplify Hedged Equity ETF (HEQT) seeks to provide capital appreciation by offering US large cap exposure while investing in a series of put-spread collars designed to help reduce volatility.

Equities + put-spread collars have become a popular way to create more conservative, lower volatility equity investments. By deploying a ladder of collars, that expire over 3 sequential months, the fund seeks to create a hedged equity experience that is additionally robust to rebalancing luck.

## Key Points

- US large cap index ETF is the core equity exposure (IVV)
- Put-spread collars covering 100% notional of the equities are deployed to mitigate volatility
- First hedged equity ETF utilizing a ladder of collars to improve rebalancing luck
- No Schedule K-1

## Strategy Design

### Passive US Equity Exposure

- US large cap index ETF
- Quarterly dividend



### Advanced Collar Overlay

- A ladder of three put-spread collars, expiring over the next three consecutive months, is deployed to smooth out rebalancing luck associated with a single quarterly collar
- Each collar consists of an approximately 5% OTM to 20% OTM put-spread, that is funded by selling a call

## Portfolio Applications

- **Conservative Equities:** Many investors struggle to stay the course with equity investments due to the volatility. By creating a lower volatility equity exposure, those more risk averse clients can look to participate in equity upside.
- **Alternative Low Volatility Investments:** With increased volatility in duration assets, investors are searching for alternatives for their lower volatility investments. The reduction in volatility offered by hedged equity creates this alternative for investors.

Details | Ticker: HEQT | Inception Date: 11/01/2021

As of 09/30/23

SEC 30-Day Yield	SEC 30-Day Yield Unsubsidized	Gross Expense Ratio	Exchange	CUSIP	Net Assets
1.05%	1.05%	0.53%	NYSE	82889N764	\$110,228,298.00

## Current Holdings as of 09/30/23\*

Position	Allocation	Notional Exposure (Delta=1)
IVV	98.18%	—
SPX US 12/15/23 P4285 Index	0.78%	32.68%
SPX US 10/20/23 P4310 Index	0.49%	32.68%
SPX US 11/17/23 P4150 Index	0.35%	32.68%
SPX US 10/20/23 C4750 Index	0.00%	-32.68%
SPX US 10/20/23 P3625 Index	-0.01%	-32.68%
SPX US 11/17/23 P3500 Index	-0.03%	-32.68%
SPX US 12/15/23 C4730 Index	-0.04%	-32.68%
SPX US 11/17/23 C4590 Index	-0.06%	-32.68%
SPX US 12/15/23 P3600 Index	-0.09%	-32.68%
Cash	0.44%	—

\*Holdings are subject to change without notice.

## Performance as of 09/30/23

	Cumulative Total Return				Annualized Total Return		Annualized Volatility
	3 mo	6 mo	YTD	Since Inception	1-Year	Since Inception	Since Inception
NAV	-1.60%	3.68%	9.25%	2.58%	12.38%	1.34%	9.39%
Market Price	-1.49%	3.76%	9.01%	2.18%	11.83%	1.13%	8.92%
Bloomberg US EG:FI 60:40 Index	-3.09%	1.73%	7.74%	-8.92%	13.11%	-4.77%	13.49%
S&P 500 Index	-3.27%	5.18%	13.06%	-4.10%	21.59%	-2.17%	19.85%

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 Managers:

**Paul Kim**, Chief Executive Officer of the Adviser, **David Berns**, Chief Investment Officer of the Adviser, and **Michael Green**, CFA, Managing Director and Chief Strategist of the Adviser, have each served the Fund as a portfolio manager since it commenced operations in October 2021. Mr. Kim, Mr. Berns, and Mr. Green are jointly and primarily responsible for the management of the Fund.

## DEFINITIONS:

**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.

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

**Moneyness:** Represents how far the option strike is from current market price. In-the-money and out-of-the-money describe options whose market price is beyond the strike and not beyond the strike, respectively.

**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.

**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 security) 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.

**Option:** 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 ("strike") by a specific date ("expiry"). An "outright" is another name for a single option leg. A "spread" is when options are bought at one strike and an equal amount of options are sold at a different strike, all at the same expiry.

**Put-Spread Collar:** An options strategy that involves buying OTM put options while simultaneously selling the same number of puts further OTM (put-spread), while offsetting the cost of the put-spread by selling OTM calls (the collar).

**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". The unsubsidized SEC 30-Day Yield does not reflect the effect of any fee waivers and/or expense reimbursements.

## 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](http://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.

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.

Simplify ETFs are distributed by Foreside Financial Services, LLC. Simplify and Foreside are not related.

© 2023 Simplify ETFs. All rights reserved.