SIMPLIFY ETFs

SIMPLIFY HEDGED EQUITY ETF (HEQT)

Navigating Volatility with Confidence: The Power of a Hedged Equity ETF

By: Jeff Schwarte, CFA, Chief Equity Strategist

INTRODUCTION

In today's dynamic market landscape, investors are constantly seeking strategies to grow their capital while mitigating risk. Traditional equity investments offer growth potential but often come with significant exposure to market downturns. This is where a hedged equity ETF can play a pivotal role, offering a sophisticated approach to capturing upside while providing a crucial layer of protection. In this article, we will define the hedged equity approach and subsequently highlight how Simplify's Hedged Equity ETF (HEQT) applies a hedged equity approach.

WHAT IS A HEDGED EQUITY ETF?

At its core, a hedged equity ETF aims to provide exposure to the equity market with a built-in mechanism to help reduce downside risk. Unlike a standard equity ETF that simply tracks an index, a hedged equity ETF typically employs options strategies in an effort to create a protective barrier. This means that while you participate in the potential gains of the stock market, the impact of significant market corrections may be softened.

THE POTENTIAL BENEFITS OF A HEDGED EQUITY APPROACH

Downside Protection: This is perhaps the most compelling benefit. By utilizing options, particularly put options, a hedged equity ETF can limit losses during market sell-offs. This can potentially provide investors with greater peace of mind and help preserve capital. Imagine a scenario where the broader market drops 10%; a well-constructed hedged equity strategy would potentially limit your loss to a smaller percentage and may even help provide positive returns.

Participating in Upside: The goal isn't just protection; it's also to capture a meaningful portion of the market's upside. Hedged equity strategies are designed to allow investors to benefit from market rallies, albeit often with a slightly moderated return compared to an unhedged equivalent during strong bull markets. This trade-off is often considered worthwhile for the added security.

Reduced Volatility: The hedging component naturally leads to lower overall portfolio volatility. For investors who are sensitive to large swings in their portfolio value, a hedged equity ETF seeks to offer a smoother investment journey, potentially making it easier to stick to their long-term investment plan.

Diversification of Risk Management: For many investors, simply diversifying across different asset classes isn't enough to fully address market risk. A hedged equity ETF offers a different dimension of risk management, focusing specifically on mitigating equity market downturns, which can be a valuable addition to a well-diversified portfolio.

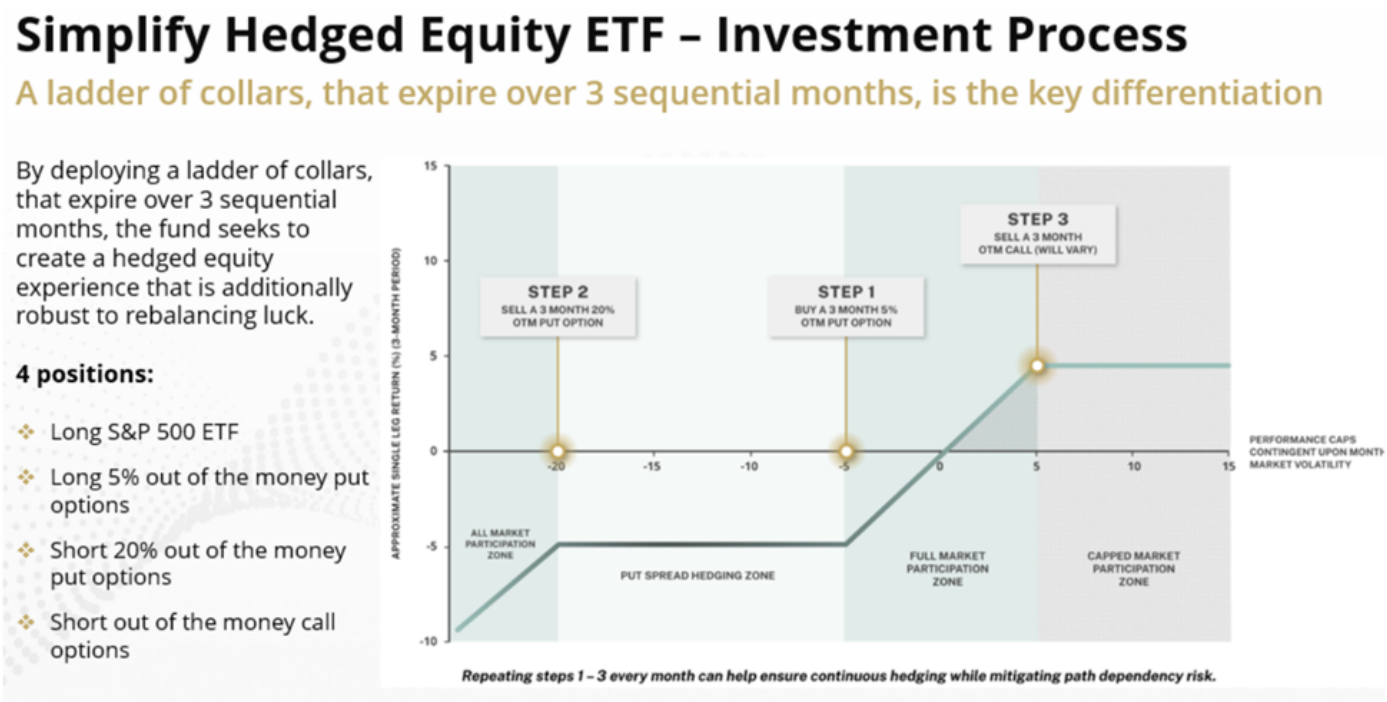
SIMPLIFY HEDGED EQUITY ETF (HEQT): A CLOSER LOOK

Simplify's Hedged Equity ETF (HEQT) is an example of how this strategy can be implemented. HEQT aims to provide investors with broad equity market exposure while simultaneously seeking to mitigate significant drawdowns. It achieves this through a transparent and rules-based options overlay strategy.

HEQT's approach involves:

- **Long S&P 500 Exposure:** Gaining exposure to the broad U.S. equity market through instruments like S&P 500 ETFs. Owning the underlying ETF helps to ensure we capture the dividend vs. gaining exposure synthetically.
- **Options Overlay:** We deploy a **laddered options structure**, a technique where put options on indices like the S&P 500 are purchased with staggered maturities (e.g., one-third expiring each month over a three-month horizon). This eliminates the cost and risk of rolling one large, concentrated position, instead creating a robust, dynamic hedge against market declines. This professional approach ensures that a portion of the portfolio is always preserved by rolling short-term options, providing continuous downside mitigation without sacrificing the flexibility needed to capture long-term growth.
- **Targeting Defined Downside Protection:** HEQT is designed with a clear objective to provide a significant buffer against large market sell-offs, aiming to reduce the impact of tail risk events.

Figure 1: Highlights of the investment approach for HEQT



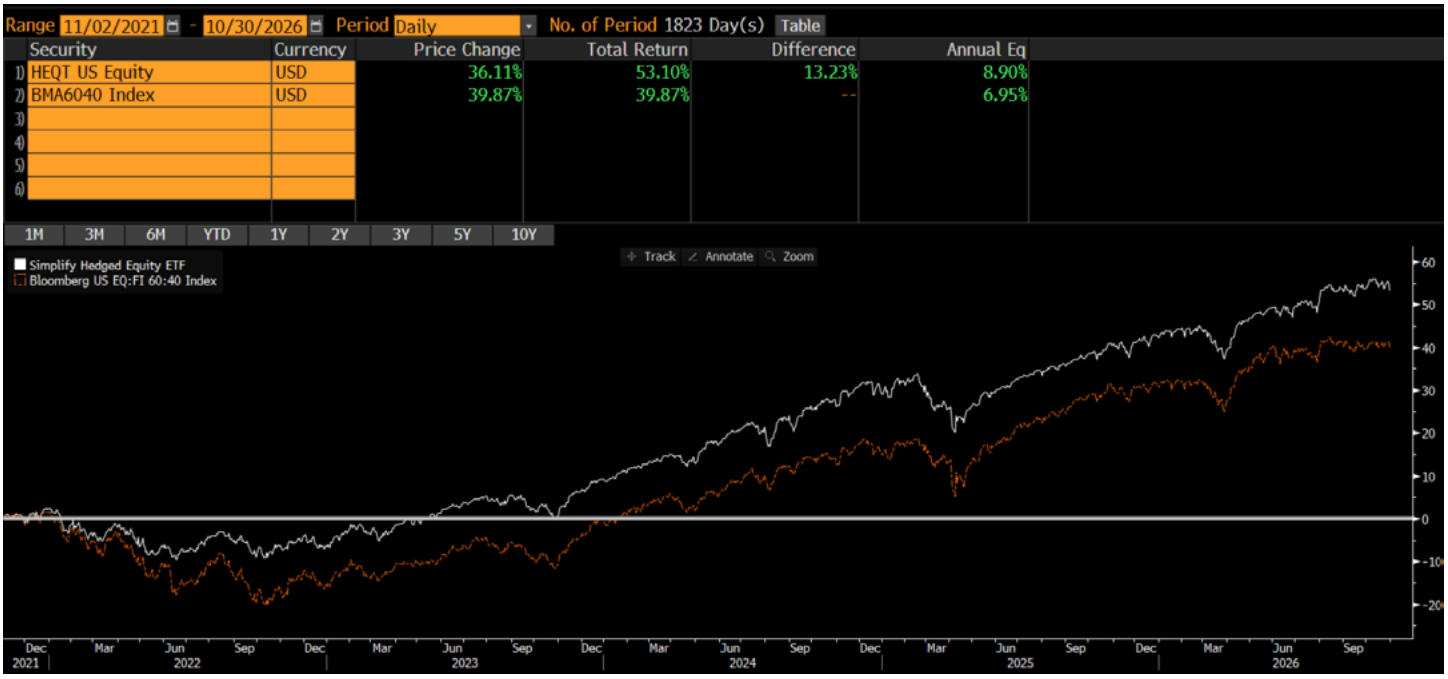
For illustrative purposes only.

By combining broad equity exposure with a thoughtful and actively managed options strategy, HEQT endeavors to offer investors a compelling solution for navigating today's uncertain markets. It allows investors to stay invested in equities for long-term growth potential while maintaining a disciplined approach to managing risk.

PERFORMANCE AND RISK PROFILE

The performance data is compelling: Since its inception, HEQT has delivered a 9.0% annualized total return, representing an alpha generation of 205 basis points (bps) relative to the traditional 60/40 balanced portfolio. The since-inception performance metrics of HEQT are visually documented in Figure 2.

Figure 2: Since inception performance of HEQT vs. 60/40 portfolio.



Source: Bloomberg. HEQT returns at NAV. 60/40 Portfolio represented by the Bloomberg Multi-Asset 60/40 Index (BMA6040 Index). The performance (NAV) 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 the 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 and standardized performance are available at **simplify.us/etfs/heqt-simplify-hedged-equity-etf**. *The expense ratio for HEQT is 0.48%. Alpha calculations are based on comparison to the referenced 60/40 benchmark and are subject to methodology assumptions. One cannot invest directly in an index.*

WHY HEQT VS. THE LARGEST HEDGE EQUITY PEERS?

The peer group comprises the 10 largest funds, representing $42.2 billion in aggregate assets under management, within the Morningstar U.S. Fund Equity Hedged Category*, drawn from a universe of 176 funds and ETFs.

HEQT vs. Top 10 Hedged Equity Funds (9/28/2023 to 10/31/2026)

1.58% median annualized excess returns
13.99%
vs
12.42%

23% higher Sortino ratio
1.49
vs.
1.21

11% lower expense ratio
48 bps
vs.
54 bps

10% lower max drawdown
10.57
vs.
11.76

7% lower annualized volatility
8.00
vs.
8.60

**Source: Morningstar U.S. Fund Equity Hedged Category, as of October 30, 2026. Past performance is no guarantee of future results.*

IS A HEDGED EQUITY ETF RIGHT FOR YOU?

A hedged equity ETF like HEQT may be particularly attractive for:

- **Risk-averse investors** who want equity market participation but with less volatility.
- **Investors nearing retirement** who seek to protect their accumulated capital from significant market declines.
- **Those looking to diversify their risk management strategies** beyond traditional asset allocation.
- **Investors seeking an equity solution** that combines growth potential with proactive downside protection.

IN CONCLUSION

While no investment can guarantee returns or eliminate risk entirely, hedged equity ETFs represent an innovative tool for investors looking to participate in the equity market with a greater degree of confidence. Simplify's HEQT offers a professionally managed and transparent way to implement such a strategy, potentially offering a more resilient path to achieving your long-term financial goals.

GLOSSARY

Alpha: The amount by which an investment outperforms (or underperforms) a benchmark after accounting for risk. In simple terms, alpha measures value added beyond what the market alone delivered.

Basis Point (bp): A unit used to describe small percentage changes. One basis point equals 0.01%. For example, 100 basis points equals 1.00%.

Bloomberg 60/40 Index: A benchmark that represents a traditional balanced portfolio made up of 60% stocks and 40% bonds.

Drawdown: The decline from an investment's highest value to its lowest value during a specific period. Maximum drawdown refers to the largest decline experienced.

Hedging: A risk-management technique designed to help reduce the impact of market declines. Hedging may help limit losses but cannot eliminate investment risk.

Options: Financial contracts that give the buyer the right, but not the obligation, to buy or sell an asset at a specified price before a certain date.

Put Option: A type of option that generally increases in value when the underlying market falls, making it a common tool for downside-risk management.

S&P 500 Index: An index that tracks 500 large U.S. companies and is commonly used as a measure of the U.S. stock market.

Sortino Ratio: A measure of risk-adjusted performance that evaluates returns relative to downside risk. A higher Sortino ratio generally indicates more return per unit of downside volatility.

Volatility: A measure of how much and how quickly prices move over a given span of time.

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 or Summary prospectus containing this and other important information, please call (855) 772-8488, or view/download a prospectus online. 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 and is subject to the risk that the strategy may not produce the intended results. The Fund invests in ETFs (Exchange-Traded Funds) and entails higher expenses than if invested into the underlying ETF directly. The lower the credit quality, the more volatile performance will be. When junk bonds sell off, the lowest-rated bonds are typically hit hardest known as blow up risk. Likewise, the riskiest bonds typically rise fastest in a bull market however these investments that don't have a credit rating are typically the most volatile, hard to price and the least liquid.

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 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's investment in fixed income securities is subject to credit risk (the debtor may default) and prepayment risk (an obligation paid early) which could cause its share price and total return to be reduced. Typically, as interest rates rise the value of bond prices will decline and the fund could lose value.

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