SIMPLIFY ETFs

4Q24

PFIX | Simplify Interest Rate Hedge ETF

Overview

The Simplify Interest Rate Hedge ETF (PFIX) seeks to hedge against rising long-term interest rates, and to benefit from market stress when fixed income volatility increases.

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 As of 12/31/24

SEC 30-Day Yield	Gross Expense Ratio	Exchange	CUSIP	Net Assets
3.22%	0.50%	NYSE	82889N855	$184,437,861

Top Ten Holdings as of 12/31/24*

Position	Allocation	Notional (Delta =1)
T Bills	38.39%	—
Treasury	33.31%	—
Swaption 4.50 05/14/2030-20Y - Payer (MS)	9.21%	—
T Bills	6.24%	—
T Bills	3.34%	—
Swaption 4.50 05/14/2030-20Y - Payer (GS)	3.11%	—
Swaption 4.25 05/14/2030-20Y - Payer (GS)	2.36%	—
Swaption 4.25 05/14/2030-20Y - Payer (BOFA)	2.15%	—
Swaption 4.50 05/14/2030-20Y - Payer (BARC)	1.47%	—
Swaption 4.50 05/14/2030-20Y - Payer (JPM)	0.30%	—
Cash	0.13%	—

*Holdings are subject to change without notice.

Performance as of 12/31/24

	Cumulative Total Return				Annualized Total Return	
PFIX	**3 mo**	**6 mo**	**YTD**	**Since Inception**	**1-Year**	**Since Inception**
NAV	27.90%	11.43%	36.46%	106.52%	36.46%	22.02%
Market Price	28.60%	12.01%	35.93%	106.87%	35.93%	22.10%
ICE U.S. Treasury 20+ Year Bond Index	-9.55%	-2.34%	-7.71%	-29.24%	-7.71%	-9.06%

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:

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.

ICE U.S. Treasury 20+ Year Bond Index: Tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have greater than or equal to twenty years remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and an adjusted amount outstanding of at least $300 million.

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

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.

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.

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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.

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 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 or Summary 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 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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