SIMPLIFY

SIMPLIFY SHORT TERM TREASURY FUTURES STRATEGY ETF (TUA)

Still a Great Opportunity to Invest in TUA

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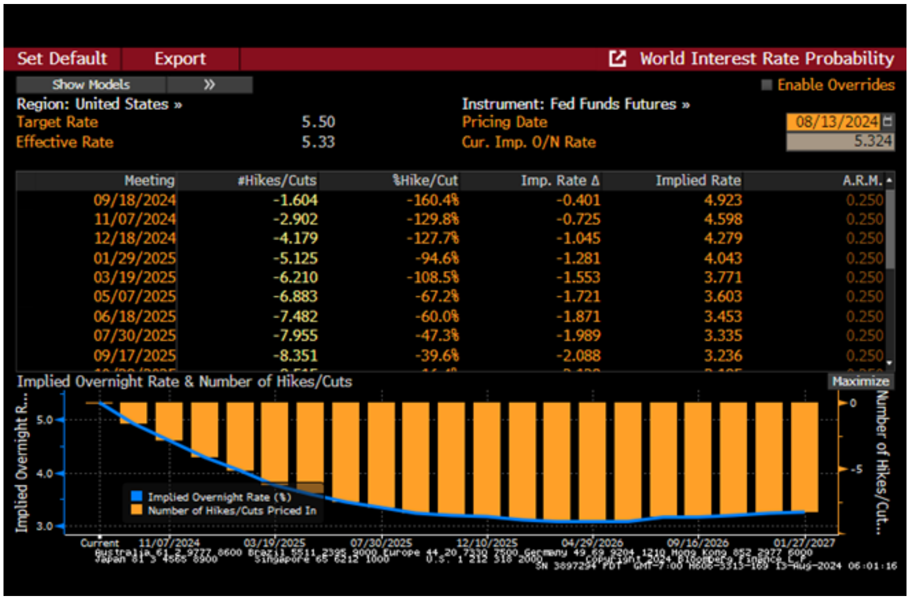
WHY INVEST IN THE 2-YEAR PART OF THE YIELD CURVE NOW?

The Federal Reserve Bank (FED) left rates on hold at the July 31st meeting and they have now been on hold for over a year. However, they did lay the groundwork at this meeting for potentially cutting rates at the September meeting and after the July Jobs report came in weaker than expected it most likely will happen. The U.S. Treasury market is not waiting for the FED to make its move with 2-year U.S. Treasuries rallying about 30bps since the meeting and as you can see in Figure 1, almost two cuts (-40bps) priced into the market for the September meeting and over four cuts priced for 2024 (-105bps).

Figure 1: Interest Rate Probability



Source: Bloomberg

Although the 2-year U.S. Treasury yield recently dropped below 4.00% after peaking this year at the end of April at just over 5.00%, the Federal Funds effective rate is still 5.375%, thus 3-month and shorter T-Bills are yielding over 5.00%. This inverted curve (see Figure 2) has led to negative carry in the portfolio and has been a headwind this year. However, with the FED cutting rates soon this should lead to a return to a normal, upward-sloping yield curve allowing the 5 times exposure to the 2-year U.S. Treasury note to kick in for a tailwind.

Figure 2: U.S. Treasury 3-Month vs. 2-Year Curve

Source: Bloomberg

THE SIMPLIFY SHORT TERM TREASURY FUTURES STRATEGY ETF (TUA)

TUA is a rather simple approach to investing in the front end of the yield curve sized in an amount that gives it intermediate Treasury duration. The ETF has about 5 times exposure to the 2-year U.S. Treasury Note, giving it a duration of about 8 to 9 years. The strategy combines a core portfolio of mostly U.S. Treasury Bills as collateral and actively traded 2-year U.S. Treasury futures contracts. TUA is systematically managed, which means that Simplify is not making any bets on the direction of interest rates, and futures contracts are rolled quarterly as they approach expiration.

IN CONCLUSION

The 2-year part of the yield curve will benefit the most when the FED starts to ease monetary policy and TUA is a good option to express this idea. Even if the FED doesn't cut as aggressively as the market is pricing, a gradual cutting cycle will still return the yield curve to a normal, upward sloping shape so now is a great time to consider exposure to 2-year U.S. Treasuries expressed in TUA.

GLOSSARY:

Basis Points: A common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

Duration: A measure of the sensitivity of the price of a bond to a change in interest rates.

Futures Contract: A legal agreement to buy or sell a particular commodity asset, or security at a predetermined price at a specified time in the future. Futures contracts are standardized for quality and quantity to facilitate trading on a futures exchange.

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.

When the Fund invests in fixed income securities, the value of your investment in the Fund will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of fixed income securities owned by the Fund.

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.

Authorized Participant Risk. Only an Authorized Participant may engage in creation or redemption transactions directly with the Fund. The Fund has a limited number of institutions that may act as an Authorized Participant on an agency basis (i.e., on behalf of other market participants).

Derivatives Risk. Options are a derivative investment. 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.

Futures Contract Risk. Futures contracts involve the following risks (a) the imperfect correlation between the change in market value of the instruments held by the Fund and the price of the forward or futures contract; (b) possible lack of a liquid secondary market; (c) leverage, which means a small percentage of assets in futures can have a disproportionately large impact on the Fund and the Fund can lose more than the principal amount invested; (d) losses are potentially unlimited; (f) the possibility that the counterparty will default in the performance of its obligations.

Leverage Risk. The use of leverage by the Fund, such as the use of options, may cause the Fund to incur additional expenses and magnify the Fund's gains or losses.

Option Risk. 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.

Short-term investment Risk. Investors holding shares of the Fund over longer-term periods may be subject to increased risk of loss. The Fund is intended to be used only for short-term investment horizons. An investor in the Fund can lose all or a substantial portion of his or her investment within a single day. The longer an investor's holding period in the Fund, the greater the potential for loss.

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