

CDX

Simplify High Yield ETF

Fund Description

CDX is a fund-of-funds that invests in US high-yield bond ETFs with different maturities. It also provides a credit hedge overlay, which may contain S&P 500 Index (SPX) puts.

FactSet Analyst Report

CDX aims for income by providing exposure to US high-fixed income ETFs and a credit hedge overlay. The portfolios ETFs target bonds with different maturities, durations, and quality, such as iShares Broad High Yield ETF (USHY) and the VanEck Fallen Angel High Yield ETF (ANGL). CDX will utilize several credit hedge strategies consisting of calls on credit default swaps, SPX puts, and Quality-Junk factor-based hedges (quality-minus-junk or QMJ). In a QMJ strategy, investors go long high-quality securities and short low-quality ones. These strategies are designed to help protect the core high-yield exposure when credit spreads widen. Up to 20% of the portfolio can be invested in derivatives, containing exchange-traded and OTC put and call options on equity or fixed income indices, equity or fixed income ETFs, and purchasing total return swaps. The adviser anticipates buying and selling its derivatives depending upon the funds rebalancing requirements and expiration dates.