

HEQT

Simplify Hedged Equity ETF

Fund Description

HEQT seeks capital appreciation by investing in ETFs that track the S&P 500 Index, while employing an options collar strategy. Each collar consists of an approximately 5% to 20% out-of-the-money put-spread.

FactSet Analyst Report

HEQT is an actively managed fund that primarily invests in ETFs that hold constituents of the S&P 500 Index, while using an options strategy known as a put/spread collar to manage risks and volatility. The strategy typically involves initiating long positions in put options at a higher strike price and selling puts at a lower strike price which ultimately results in a put option spread. The put spreads are partially funded by writing index call options, which caps the upside participation in the index. A ladder of three collars, each consisting of 5% to 20% out-of-the-money put-spreads, is utilized for hedging equity and improving rebalancing luck related to a single quarterly collar. Note, this strategy would not be most profitable when markets are rising, since the call option will likely be exercised once the market price rises to the options strike price.