

# **Quadratic Interest Rate Volatility and Inflation Hedge ETF (IVOL)**

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Q1 2021

## About Quadratic Capital Management and Krane Funds Advisors, LLC

### Quadratic Capital Management

Quadratic Capital Management is an innovative asset management firm founded in 2013 by Nancy Davis. The firm has utilized its significant expertise in the interest rate volatility and options markets to construct IVOL. Quadratic Capital Management serves as the Investment Sub-Adviser to the IVOL ETF.

### Krane Fund Advisors, LLC

Krane Funds was founded in 2013 by Jonathan Krane and manages approximately \$6 billion. The firm seeks to provide innovative, first to market strategies that have been developed based on the firm and its partners' deep knowledge of investing. Krane Funds is majority owned by China International Capital Corporation (CICC). Krane Funds Advisors serves as the Investment Adviser to the IVOL ETF.



## Dedicated to responsible investing with a strong focus on ESG

### **Krane Funds is a UN PRI signatory and as such adheres to the following principles:**



- To be active owners and incorporate ESG issues into our ownership policies and practices
- To seek appropriate disclosure on ESG issues by the entities in which we invest
- To promote acceptance and implementation of the Principles within the investment industry
- To work together to enhance our effectiveness in implementing the Principles
- To report on our activities and progress towards implementing the Principles

### **Quadratic Capital Management LLC is a member of the SASB Alliance. The Firm is a:**



- Registered Small/Minority Business Enterprise
- Majority woman-owned firm
- Supports the elevation of financially material ESG standards
- The ESG principles used by the Fund are based on the framework published by the Sustainability Accounting Standards Board ("SASB")

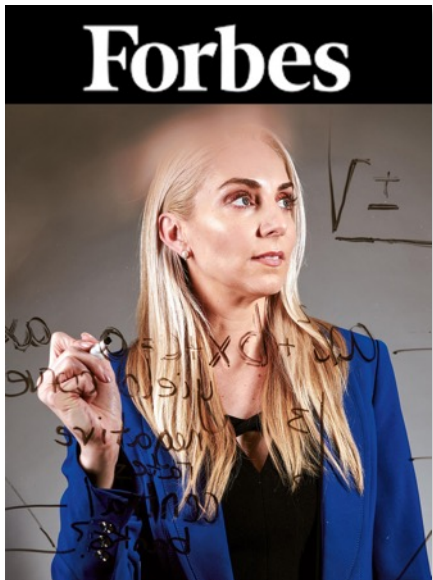
### **IVOL is an ESG fixed income fund, the Fund:**



- Democratizes financial markets by giving investors access to OTC rates markets
- Adheres to ESG principles by excluding issuers involved in certain practices, industries or product lines according to the ESG framework published by the SASB Alliance
- Focuses on diversification and incorporates ESG issues into investment analysis and decision-making processes

## Select IVOL Highlights, Milestones, and Awards

**September 2019:**  
Forbes profiles Nancy and IVOL strategy



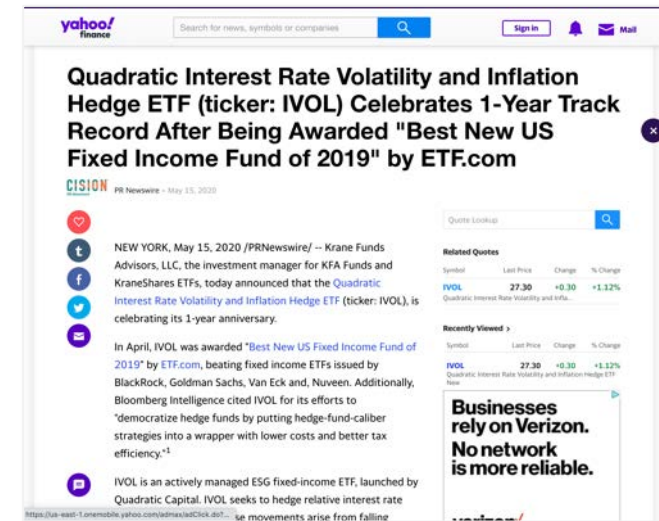
**March 2020:**  
Barron's 100 Most Influential Women in Finance on inaugural list



**April 2020:**  
IVOL named "Best New US Fixed Income Fund of 2019" by ETF.com\*

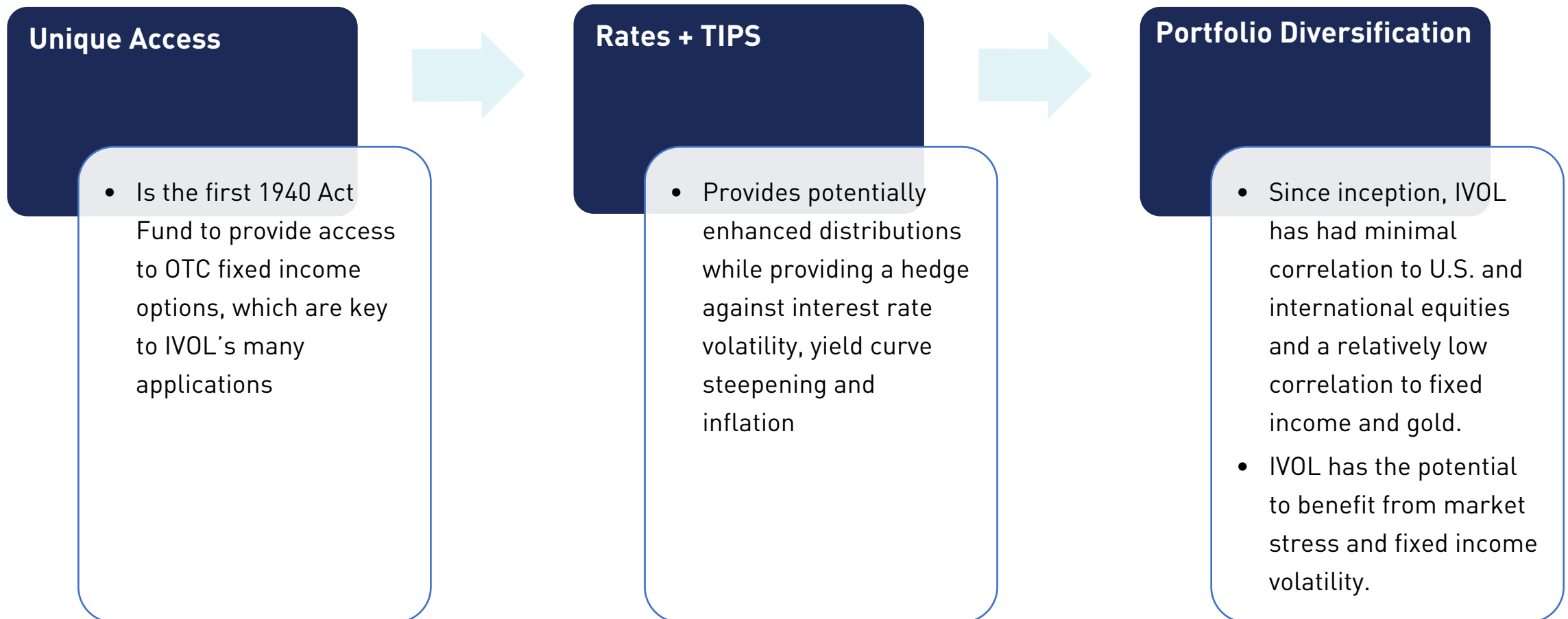


**August 2020:**  
IVOL surpasses \$500M AUM



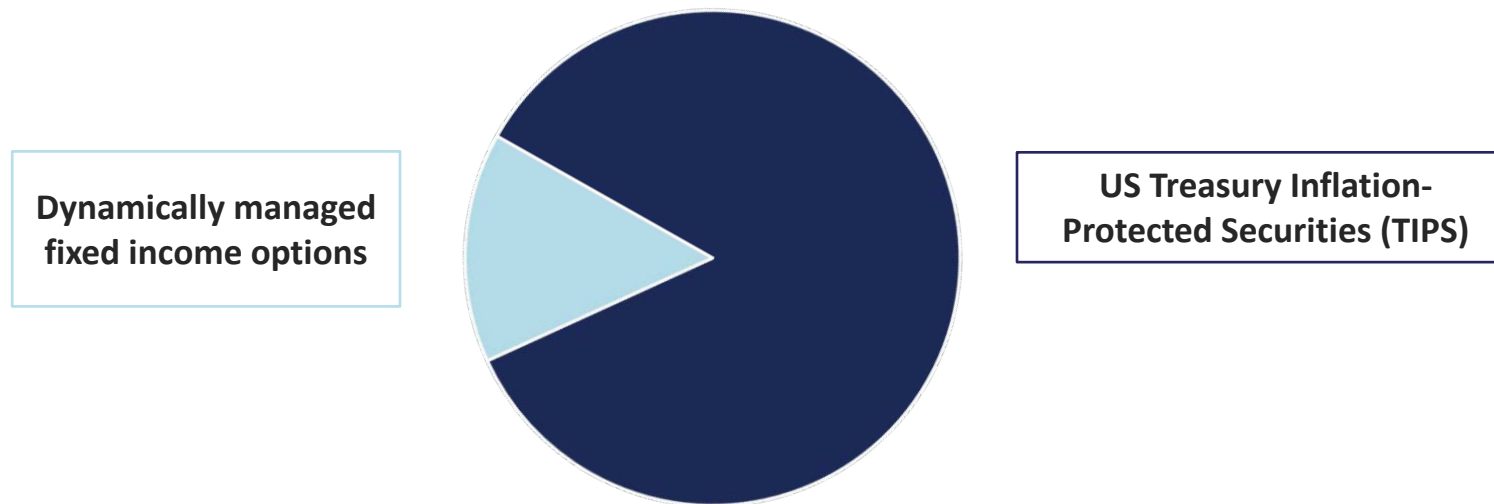
## The IVOL Philosophy

- IVOL is a fixed income ETF that is designed by combining US Treasuries with OTC fixed income options.
- IVOL provides potential for differentiated diversification with many portfolio applications.



## IVOL Portfolio Composition

- IVOL is approximately 85% US Treasuries
- Balance of portfolio is dynamically managed fixed income options



### Why IVOL does not only own TIPS

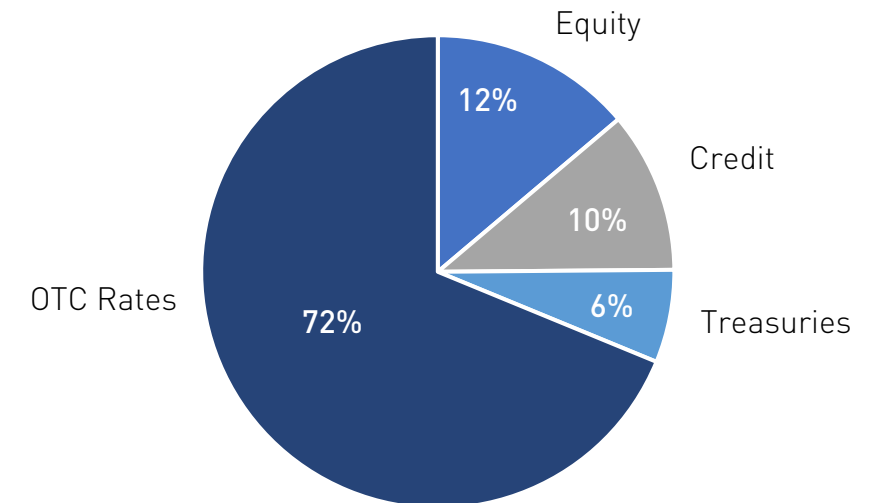
- TIPS are set using CPI, and TIPS alone do not capture inflation expectations.
- By adding fixed income options to the portfolio, IVOL gives investors a way to own inflation expectations.
- It is these expectations which have a far more significant impact on the rate sensitivity of bond portfolios. IVOL gives investors another way potentially to profit from inflation rather than just waiting for their TIPS to reset.

## Access: Exposure to the Rates Markets

- IVOL provides access to OTC rates which is the largest asset class and also provides the potential for differentiated performance from stocks and bonds.
- IVOL's OTC rates options provide exposure to the shape of the yield curve, which is largely a result of inflation expectations. Thus, the options have the potential to increase in value with a normalization of inflation expectations and therefore function similar to options on inflation expectations.

### Key features:

- Potential for enhanced, inflation-protected distributions
- All options are fully funded, so the maximum downside is known and limited to the market value of the options.
- Through its options, IVOL is long OTC fixed income volatility, providing potential profit from market stress as volatility increases.
- Options have the potential to benefit from relative interest rate moves – whether those moves are lower (or negative) rates in the front end and/or higher rates in the back end.



Source: Nasdaq, SIFMA and BIS. "US OTC Rates" defined as the notional value outstanding in interest rate contracts denominated in USD as of H1 2019.

## IVOL: Low Correlations to Common Asset Classes<sup>1</sup>

- IVOL may provide potentially attractive diversification during a time when many other holdings may have behaved very similarly.
- It may act as a partial hedge, given how it has had very low correlations with the major indexes shown above.
- Historic data does not guarantee future trends, and it is possible that these correlations may change over time.

IVOL NAV Correlation To:	DOW	S&P 500	The Agg*	MSCI EM	HY Credit	Gold	VIX
Daily Correlation	0.03	0.03	0.03	0.18	0.14	0.16	-0.03

Daily correlation from 5/14/19 to 12/31/20. Source: Bloomberg and Quadratic calculations

1. See end of deck for index definitions. Index returns are for illustrative purposes only and do not represent actual Fund performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. For actual fund performance visit our website [www.kfafunds.com](http://www.kfafunds.com).

\*Bloomberg Barclays US Aggregate Bond Index



## IVOL Portfolio Applications – How can IVOL enhance other allocations?

Investments	Potential Risks	How IVOL can potentially help mitigate these risks
Passive Fixed Income	<ul style="list-style-type: none"> <li>Many investors use products benchmarked to the “Barclays Agg”, (the Bloomberg Barclays Aggregate Bond Index), as a proxy for the fixed income universe. The Barclays Agg has no TIPS, 28% of the index is short volatility and 32% has credit spread risk.<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>IVOL holds TIPS and is long-volatility, which can act as a potential diversifier to a fixed income portfolio centered on the Barclays Agg.</li> </ul>
Real Estate	<ul style="list-style-type: none"> <li>Higher rates increase the all-in cost of buying a home or other property and can depress demand.</li> <li>Increased rate volatility can reduce mortgage lenders’ appetite for new loans.</li> </ul>	<ul style="list-style-type: none"> <li>IVOL may help hedge the risk of falling real estate prices brought on by rising long term interest rates.</li> </ul>
Equities	<ul style="list-style-type: none"> <li>Min vol / low vol stocks can be seen as “defensive” and used with the goal to generate yield with less equity risk than the broader market.</li> <li>However, investors might be overpaying for “safe” stocks which have nothing to do with owning volatility and may not perform as expected during equity market declines such as in a recession.</li> </ul>	<ul style="list-style-type: none"> <li>IVOL owns fixed income volatility and may act as a market hedge since volatility has historically increased during large equity sell-offs.</li> <li>IVOL is potentially defensive for an equity portfolio given its use of US Treasuries. Further, its options potentially benefit from a steepening of the yield curve, which historically has often occurred during equity market declines.</li> </ul>

1. As of 12/31/2019.

## IVOL Portfolio Applications

Investments	Potential Risks	How IVOL can potentially manage these risks:
TIPS	<ul style="list-style-type: none"> <li>TIPS are set using the Consumer Price Index (CPI).</li> <li>About 1/3 of CPI is defined by “shelter,” and that is mostly rent.</li> <li>For many investors, rent might not be an important item that they are trying to protect against.</li> </ul>	<ul style="list-style-type: none"> <li>IVOL owns TIPS, but they are enhanced using TIPS with options. These options function as options on inflation expectations, because the yield curve is largely a result of inflation expectations.</li> </ul>
Floating Rate Notes (FRN)	<ul style="list-style-type: none"> <li>Frequently used for their potential to profit from higher yields, FRNs have credit risk and almost no sensitivity to interest rates.</li> </ul>	<ul style="list-style-type: none"> <li>IVOL has the potential to appreciate when the interest rate curve steepens and long dated inflation expectations move higher, giving investors a similar benefit to the one they are expecting from their FRN without the credit risk.<sup>1</sup></li> </ul>
Short Duration Bonds	<ul style="list-style-type: none"> <li>Many investors own short duration bond because they are concerned about higher interest rates and do not want the duration risk exposure.</li> </ul>	<ul style="list-style-type: none"> <li>IVOL may help hedge during bond market sell-offs should the yield curve steepen and volatility increase while providing potentially enhanced distributions.</li> </ul>

1. The options held by IVOL are subject to counterparty risk. Please see options risk disclosure on page 16

## IVOL Completion Portfolio Application Example 1: Passive Fixed Income

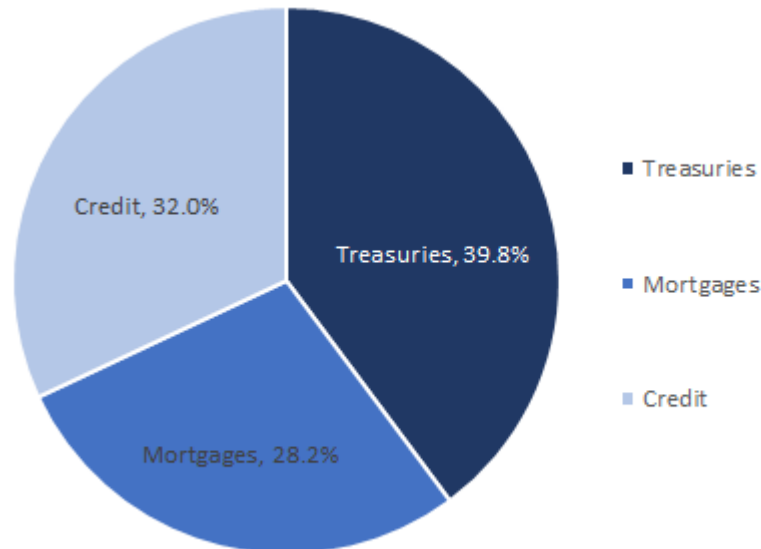
Many investors use products tied to The Bloomberg Barclays US Aggregate Bond Index (“the AGG”) for their passive fixed income exposure.

There are several issues with the “AGG” that investors should keep in mind:

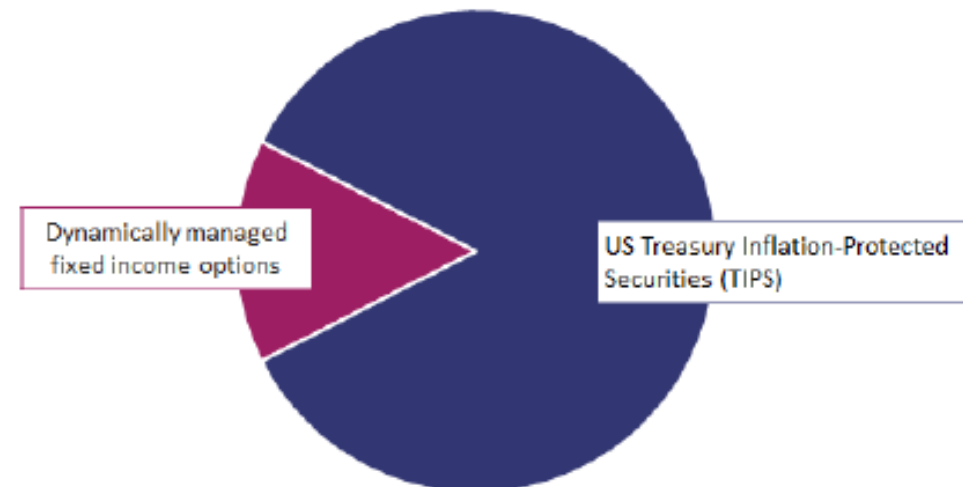
- Roughly 28% of the AGG's holdings are short volatility, while 32% of the AGG is exposed to credit spread risk.
- The AGG does not contain any inflation protected bonds (TIPS).

These shortcomings may leave investors exposed in ways they did not anticipate, with gaps in their bond portfolio. IVOL may serve as a diversifier for such investors.

“The AGG” composition



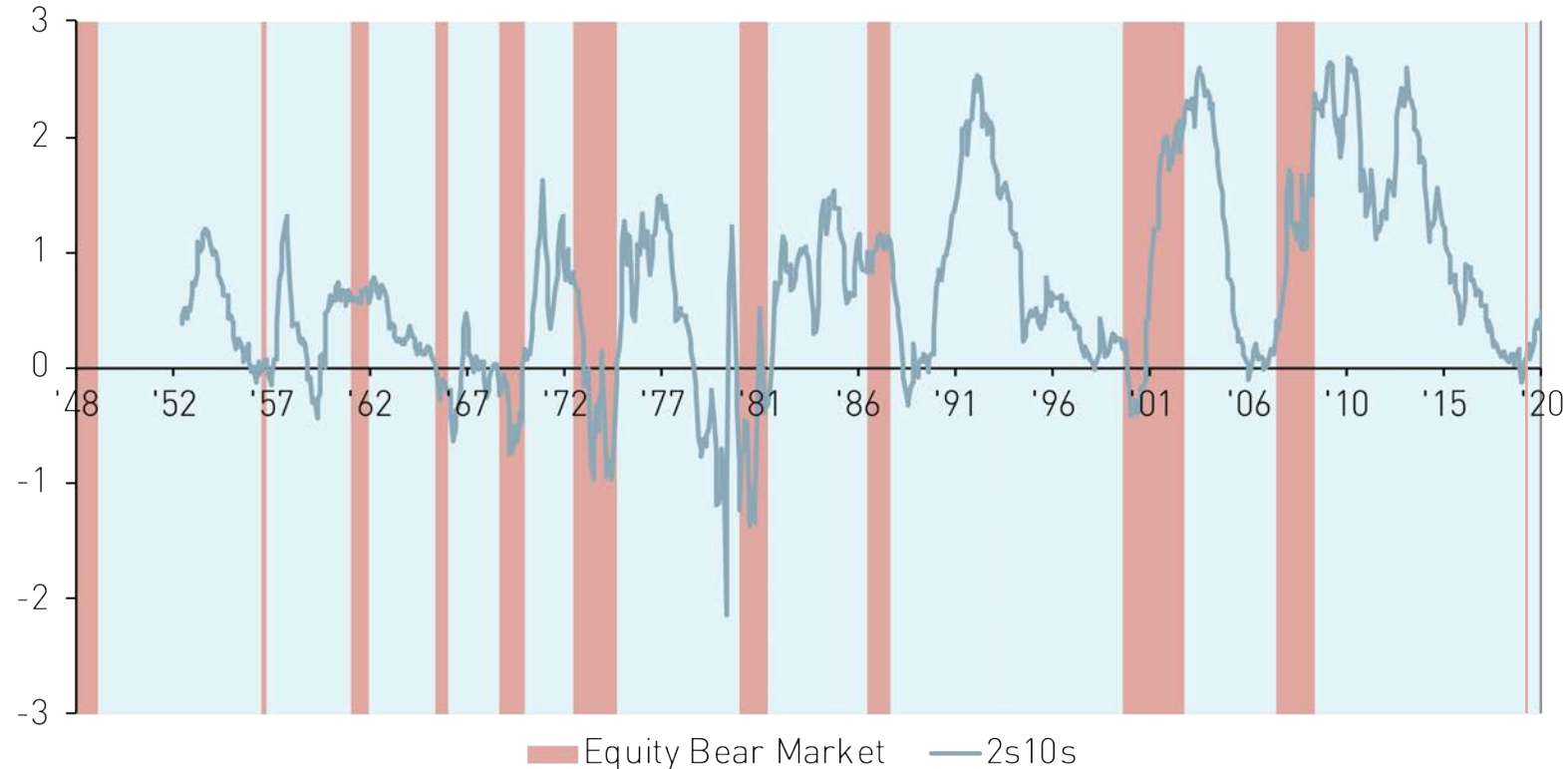
IVOL composition



## IVOL Hedge Portfolio Application Example 2: IVOL During Periods of “Risk Off” for Equities

- The IVOL portfolio potentially has the ability to benefit from equity market shocks. How can IVOL’s options potentially benefit equity holders? As the chart below shows, equity market sell-offs have historically been associated with a steepening of the yield curve.
- By holding interest rate options that are expected to pay off when the yield curve steepens, IVOL may also help hedge investors against equity market sell-offs.

**Relationship Between US Equity Market Sell-Offs and the Yield Curve**



Source: Goldman Sachs and Quadratic capital as of Q4 2020

S&P 500 is the equity index and 2s10s is defined as the difference between the 10y and the 2y swap rates. Past performance does not guarantee future results.

## IVOL Performance History

### Monthly

Date	IVOL	S&P 500	TIPS (SCHP)
Q2 2019**	3.85%	3.79%	2.30%
Q3 2019	-1.26%	1.19%	1.52%
Q4 2019	0.68%	8.53%	0.70%
1/31/2020	0.72%	-0.16%	2.12%
2/28/2020	1.41%	-8.41%	0.93%
3/31/2020	0.80%	-12.51%	-1.47%
4/30/2020	2.90%	12.68%	2.71%
5/29/2020	1.24%	4.53%	0.49%
6/30/2020	1.80%	1.84%	1.11%
7/31/2020	-0.11%	5.51%	2.25%
8/31/2020	3.19%	7.01%	0.91%
9/30/2020	-1.11%	-3.92%	-0.31%
10/31/2020	0.37%	-2.77%	-0.65%
11/30/2020	-0.07%	10.75%	1.10%
12/31/2020	2.61%	3.71%	1.25%

### As of 12/31/21

	Cumulative %			Average Annualized		
	3 Mo	6 Mo	Since Inception	1 Yr	3 Yr	Since Inception
Fund NAV Closing Price	3.46%	5.83%	18.34%	14.75%	-	10.87%
Index*	2.93%	4.93%	18.33%	14.70%	-	10.86%
Index*	1.62%	4.70%	15.99%	10.99%	-	9.48%

- IVOL has significantly outperformed its TIPS Index Benchmark, especially since the sell off started on 2/20/2020
- From 2/20 to 9/30 2020, IVOL was up 11.92%
- 6.72% from the TIPS component and 5.10% from the options component
- IVOL was able to have a less pronounced drawdown compared to TIPS alone in March 2020 and recovered faster.
  - IVOL max drawdown was 8% from 3/6 to 3/20. On 3/26 IVOL had already recovered to a price higher than where we were on 3/6 (4 trading days)
  - TIPS alone (SCHP), the drawdown was 10.85% from 3/6 to 3/18 and recovered just on 6/10 (58 trading days)

*The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please visit [www.kraneshares.com](http://www.kraneshares.com)*

*Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.*

*\*Index is the Bloomberg Barclays US Treasury Inflation Linked Bond Index (Series L). Please note that although this index is provided for comparative purposes, the fund's strategy is benchmark agnostic.*

*\*\*Since IVOL inception on 5/14/19*

## Potential Scenario Analysis

Factors that Impact IVOL	Rising	Falling
TIPS Bond Price	✓	✗
Volatility	✓	✗
Expectations for Rate Cuts	✓	✗
Long Dated Yields	✓	✗

✓/✗ indicates the potential effect these scenarios may have on IVOL. With ✓ indicating a potential positive effect and ✗ indicating a potential negative effect. “Long dated yields” defined as the yield on the 10y US treasury.

## IVOL's Risk Profile

Investing involves risk, including possible loss of principal. There can be no assurance that the Fund will achieve its stated objectives, including its objective of eliminating the curve or inflation risk. Investors should take note of the following risks before investing in IVOL. A more thorough discussion of options investing can be found on the Options Clearing Corporation's website. A link to which can be found in the Important Notes section of this presentation.

- **A Flattening Yield Curve Risk:** IVOL may underperform or lose money when the U.S. interest rate curve flattens or inverts, perhaps significantly. When this occurs the Fund's investments may generally underperform a portfolio consisting solely of U.S. government bonds
- **Leverage Risk:** IVOL's OTC options may give rise to a form of leverage, which may magnify the Fund's potential for gain and the risk of loss. The Fund may potentially be more volatile than a portfolio of traditional investments such as stocks or bonds.
- **Liquidity & Counterparty Risk:** OTC options may be subject to liquidity risk and counterparty risk.
- **Credit & Non-Curve Interest Rate Risk:** IVOL's use OTC options is not intended to mitigate credit risk, or non-curve interest rate risk. Additionally, IVOL invests in debt securities, which typically decrease in value when interest rates rise.
- **Considered Speculative:** Investing in options tied to the shape of the swap curve is considered speculative and can be extremely volatile.
- **Concentration Risk:** The fund is non diversified.

## Guide to Trading ETFs

### ETF liquidity is determined by the asset class, not by the fund size

- Exchange-traded funds (ETFs) are a wrapper, and although an investor may hold a large percentage of an ETF, one must look at the percentage owned of the underlying asset class.

### ETF investors are not impacted by other investors' trades in the same ETF

- The ETF structure is unique in that all investors transact independently on an exchange. Being a large or small owner in a fund does not mean you're more or less impacted by the actions of other investors. In a mutual fund, all investors are impacted by the trading activity of other holders in the fund.

### An ETF closure does not create principal risk

- If a fund were to close, neither large nor small investors would have a principal risk. The fund would be liquidated by the portfolio manager, and the investors would receive back NAV of the fund, minus costs, at the time of liquidation.

### Trading in and out and fund size

- Investors can trade in and out of a fund regardless of the fund's AUM. ETF liquidity providers (market makers) can easily transfer the liquidity of the underlying basket into ETF shares. Market makers also accept NAV based orders for larger tickets.



## Understanding ETF Liquidity

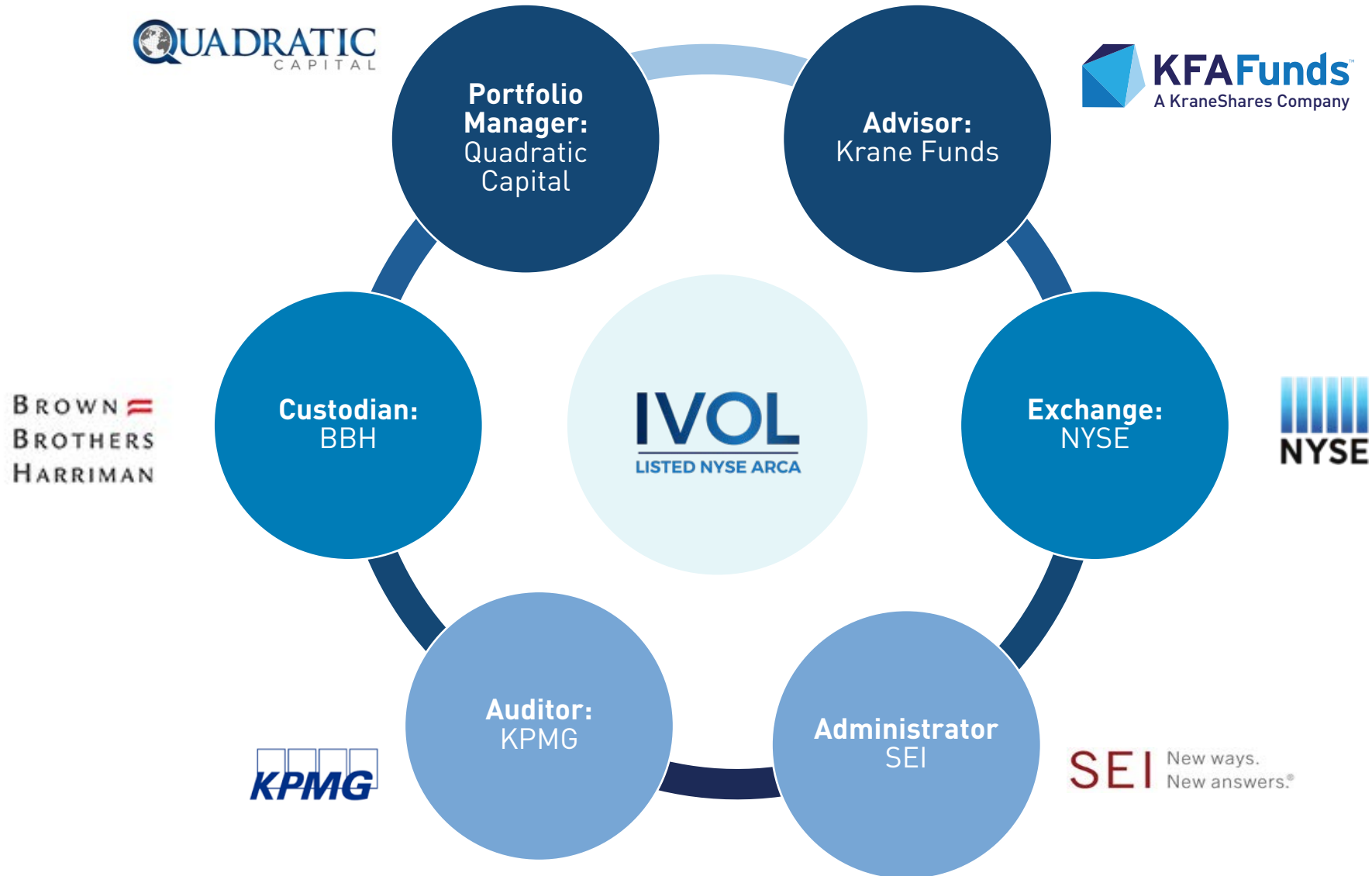
### An ETF is not a stock

- If an ETF does not trade a certain number of shares per day, is the fund illiquid? No. It's a plausible assumption from a single-stock perspective, but with ETFs, there is more to consider. The key is to understand the difference between the primary and secondary market liquidity of an ETF.

### Primary Market vs. Secondary Market

- Most noninstitutional investors transact in the secondary market—which means investors are trading the ETF shares that currently exist. Secondary liquidity is the “on screen” liquidity you see from your brokerage (e.g., volume and spreads), and it's determined primarily by the volume of ETF shares traded.
- However, one of the key features of ETFs is that the supply of shares is flexible—shares can be “created” or “redeemed” to offset changes in demand. Primary liquidity is concerned with how efficient it is to create or redeem shares. Liquidity in one market is not indicative of liquidity in the other market.
- The determinants of primary market liquidity are different than the determinants of secondary market liquidity. In the secondary market, liquidity is primarily a function of the value of the ETF shares traded and frequency and volume of the trading of those shares throughout the trading day. When placing a large trade—on the scale of tens of thousands of shares—investors are sometimes able to circumvent an illiquid secondary market by using an “authorized participant” (AP) to reach through to the primary market to “create” new ETF shares at NAV price.

## The IVOL Ecosystem



## Portfolio Management and Capital Markets Leadership



### **Nancy Davis, Chief Investment Officer, Quadratic Capital Management**

Nancy Davis is the founder and managing partner of Quadratic Capital Management in 2013 and is the portfolio manager for The Quadratic Interest Rate Volatility and Inflation Hedge ETF (NYSE Ticker: IVOL). Ms. Davis began her career at Goldman Sachs where she spent nearly ten years, the last seven with the proprietary trading group where she rose to become the Head of Credit, Derivatives and OTC Trading. Prior to starting Quadratic, she served as a portfolio manager at Highbridge Capital Management. She later served in a senior executive role at AllianceBernstein.

She has been the recipient of numerous industry recognitions. She was named by Barron's as one of the "100 Most Influential Women in U.S. Finance." Institutional Investor called her a "Rising Star of Hedge Funds." The Hedge Fund Journal tapped her as one of "Tomorrow's Titans." Ms. Davis is considered a leading expert in the global financial markets and writes and speaks frequently about markets and investing.



### **Glenn Christal, Chief Operating Officer, Quadratic Capital Management**

Glenn Christal is responsible for overseeing the business and trading operations for the company. Previously, Glenn Christal was at Tudor Investment Corp, a multi-billion macro hedge fund, for fifteen years where he was the Treasurer and chair of the Treasury and Credit Committees. Mr. Christal oversaw collateral management, cash management, credit and trade documentation negotiations. His prior role was the Chief Operations Officer at Millennium Partners where he oversaw trade operations.



### **Henrique Rocha, Market Strategist, Quadratic Capital Management**

Henrique Rocha joined Quadratic in 2015. Previously, he worked at Goldman Sachs as an Interest Rates and Foreign Exchange Strategist, responsible for tactical idea generation for institutional clients, including banks, corporations, hedge funds, asset managers, and sovereigns.

He holds a B.S. magna cum laude in Electrical Engineering from Yale University, where he was a member of Phi Beta Kappa and Tau Beta Pi.

## Quadratic Capital and Krane Funds Leadership



### **Jonathan Krane, Chief Executive Officer, Krane Funds Advisors**

Jonathan Krane is the founder and Chief Executive Officer of Krane Funds Advisors, the premier platform for developing and delivering differentiated, high-conviction investment strategies to global investors and KraneShares, an asset management firm delivering China-focused exchange traded funds to global investors.



### **Jonathan Shelon, Chief Operating Officer, Krane Funds Advisors**

Jonathan is the Chief Operating Officer at KraneShares. Prior to KFA, he was the Chief Investment Officer of the Specialized Strategies Team at J.P. Morgan, overseeing \$40 billion in AUM and a Portfolio Manager at Fidelity Investments where he was responsible for \$150 billion in assets for over five million shareholders in Fidelity's target date strategies, the Freedom Funds.



### **Odette Gafner, Chief Compliance Officer, Krane Funds Advisors**

Odette Gafner is Head of Compliance at KFA and joined the firm March in 2019 to oversee the compliance program for the Funds and to serve as the Chief Compliance Officer (CCO) to Krane Fund Advisors. Odette has over 12 years of experience implementing policies and establishing best practice across the asset management industry. Prior to joining the KraneShares team, Odette worked at BlackRock for 12 years.



### **James Maund, Head of Capital Markets, Krane Funds Advisors**

James Maund joined KraneShares as head of Capital Markets in January 2020. James has more than 15 years of experience in ETF trading and capital markets. Prior to joining KraneShares, James was a vice president in the Institutional ETF Group / ETF Capital Markets Group at State Street Global Advisors. Prior to State Street, James was an ETF trader at Goldman Sachs & Co.

## Quadratic Capital and Krane Funds Leadership



### **Brendan Ahern, Chief Investment Officer, Krane Funds Advisors**

Brendan Ahern is the Chief Investment Officer at Krane Funds Advisors (KFA). Mr. Ahern joined KFA in 2012 and was an original member of the team that launched its first ETFs. He leads the firm's research and education efforts and actively works with investors on a variety of subjects ranging from asset allocation to trading to articulating the growing influence that index providers hold in the asset management industry. Prior experience includes over ten years with Barclays Global Investors (subsequently BlackRock's iShares), which he joined in 2001 during the rollout of their ETF business.



### **Julian Daniels, Managing Director, Krane Funds Advisors**

Julian Daniels joined KraneShares in August 2018 as a Managing Director to head the firm's institutional efforts. Prior to KraneShares, Julian was a senior member of the VanEck institutional business development team. Prior to VanEck, he was an Associate at Select Access Management.



### **Florence Moon, Director, Krane Funds Advisors**

Florence Moon joined KraneShares in June 2019 as a Director to support the firm's institutional efforts. Florence has over 12 years of experience working with institutional clients, handling all aspects of client service and relationship development. Prior to KraneShares, Florence spent 12 years with VanEck Global where she was a senior member of the institutional business development team.



### **Guy Ferrara, Managing Director, Krane Funds Advisors**

Guy has spent the last 20 years in the asset management industry. Prior to KFA, Guy worked for UBS in client education, portfolio construction, and asset retention. Over the course of his 20-year career his mission has always been improving real financial outcomes for client's and the financial advisors who serve them.

## Quadratic Capital and Krane Funds Leadership



### **Joseph Dube, Head of Marketing, Krane Funds Advisors**

Joseph joined KraneShares in June 2012 as Head of Marketing. He is in charge of creating and maintaining all client-facing marketing materials including websites, advertisements, pitch books, and fact sheets as well as the bi-weekly research newsletter. He takes pride in designing and developing the highest quality educational material for retail investors, financial advisors, and journalists. Joseph has a BFA from the Rochester Institute of Technology. He was a Rotary Youth Exchange student to Argentina and is fluent in Spanish.



### **Libby Landis, Senior Marketing Analyst, Krane Funds Advisors**

Libby joined KraneShares marketing department in March of 2019 to create marketing content for current and prospective institutional and retail investors. Through use of articles, webinars, press releases, research and brand partnerships Libby aims to produce content that is engaging, relevant and educational to KraneShares' audience. Libby began her career in art business, working for institutions such as The Met, Sotheby's and digital art commerce firm, Paddle8. In 2015 she went back to school for a Master degree in Integrated Marketing at NYU. While in school Libby established an interest in financial marketing while working for global macro hedge fund, Key Square Capital Management.



### **Elena Jiao, Marketing Analyst, Krane Funds Advisors**

Elena Jiao joined KraneShares in September 2019 as a Marketing Analyst. She is in charge of managing social media, graphic design, and ensuring a consistent brand image across all platforms. Growing up between China and America, Elena has always been interested in international business, specifically in marketing for international businesses. She has a plethora of experience in digital marketing and design from alice + olivia, Tom Ford International, to the Harper's Bazaar China and the United States Department of Commerce.

# The Quadratic Interest Rate Volatility and Inflation Hedge ETF

## Key Fund Information

Ticker	IVOL
Fund Name	Quadratic Interest Rate Volatility and Inflation Hedge ETF
Primary Exchange	NYSE
Total Annual Fund Operating Expense	1.04%
Total Annual Fund Operating Expenses After Fee Waiver*	0.99%
Inception Date	5/13/2019
Distribution Frequency	Monthly

\*Adviser has contractually agreed to waive fees until August 1, 2021.

## Index Definitions

**The Dow Jones Industrial Average (“Dow”)** is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange and the NASDAQ.

**The S&P 500, (“S&P”),** is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the US.

**The MSCI Emerging Markets (“MSCI EM”) Index** captures large and mid cap representation across 26 Emerging Markets (EM) countries.

**The iBoxx iShares High Yield Corporate Bond Index (“HY Credit”)** is designed to reflect the performance of USD denominated high yield corporate debt.

**VIX** is a CBOE index that represents equity volatility of 30-day expectations of the S&P 500 equity index.

**Bloomberg Barclays US Aggregate Bond Index (“Barclays Agg”)** is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays US Treasury Inflation Linked Bond Index (Series L).** It measures the performance of the US Treasury Inflation Protected Securities (TIPS) market.

## Important Notes

**Carefully consider the Funds’ investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds’ full and summary prospectus, which may be obtained by visiting [www.kfafunds.com](http://www.kfafunds.com). Read the prospectus carefully before investing.**

Investing involves risk, including possible loss of principal. There can be no assurance that a Fund will achieve its stated objectives. ETF shares are not redeemable with the issuing fund other than in large Creation Unit aggregations. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. The returns shown do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns.

Beginning 12/23/2020, market price returns are based on the official closing price of an ETF share or, if the official closing price isn’t available, the midpoint between the national best bid and national best offer (“NBBO”) as of the time the ETF calculates current NAV per share. Prior to that date, market price returns were based on the midpoint between the Bid and Ask price. NAVs are calculated using prices as of 4:00 PM Eastern Time.

There is no guarantee by the Fund will declare distributions in the future or that, if declared, such distributions will remain at current levels or increase over time. The Fund is non-diversified. The Funds may invest in derivatives, which are often more volatile than other investments and may magnify the Funds’ gains or losses.

There are risks involved with investing in options including total loss of principal. Options investing is not suitable for all investors. This fund utilizes sophisticated options strategies which may not be suitable for all investors. For a more comprehensive discussion of the risks involved in options investing, please review Characterizations and Risks of Standardized Options available at <http://www.theocc.com/about/publications/character-risks.jsp> or contact the Options Clearing Corporation directly at 1 N. Wacker Dr., Suite 500, Chicago, IL 60606. (1-888-678-4667)

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**The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please visit [www.ivoletf.com](http://www.ivoletf.com)**

ETF shares are not redeemable with the issuing fund other than in large Creation Unit aggregations. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. The returns shown do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns.

Beginning 12/23/2020, market price returns are based on the official closing price of an ETF share or, if the official closing price isn't available, the midpoint between the national best bid and national best offer ("NBBO") as of the time the ETF calculates current NAV per share. Prior to that date, market price returns were based on the midpoint between the Bid and Ask price. NAVs are calculated using prices as of 4:00 PM Eastern Time.

**The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund and may be obtained by calling 833-IVOL-ETF (1-833-486-5383). Please read it carefully before investing.**

Diversification does not ensure a profit or guarantee against a loss. Investing involves risk. Principal loss is possible. There is no guarantee the Fund will achieve its investment objectives. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. The Fund's derivatives investments involve risks. The derivatives used by the Fund may give rise to a form of leverage. Leverage magnifies the potential for gain and the risk of loss. The prices of options can be highly volatile and the use of options can lower total returns. OTC options generally have more flexible terms negotiated between the buyer and the seller. As a result, such instruments generally are subject to greater credit risk and counterparty risk. OTC instruments also may be subject to greater liquidity risk. The Fund's use of such instruments is intended to mitigate the curve risk and is not intended to mitigate credit risk, or non-curve interest rate risk. There is no guarantee that the Fund's investments will completely eliminate the curve or inflation risk of the long positions in U.S. government bonds. In addition, when the swap curve flattens, the Fund's investments will generally underperform a portfolio comprised solely of the U.S. government bonds. In a flattening curve environment, the Fund's hedging strategy could result in disproportionately larger losses in the Fund's options as compared to gains or losses in the U.S. government bond positions attributable to interest rate changes. The Fund's exposure to derivatives tied to interest rates subjects the Fund to greater volatility than investments in traditional securities, such as stocks and bonds. Investing in derivatives tied to interest rates, including through options tied to the shape of the swap curve, is speculative and can be extremely volatile. The Fund is non-diversified. IVOL is distributed by SEI Investments Distribution Co. (SIDCO), 1 Freedom Valley Drive, Oaks, PA 19456. The Fund's sub-adviser is Quadratic Capital Management LLC (Quadratic). SIDCO is not affiliated with Quadratic Neither Quadratic nor SIDCO or their affiliates provide tax advice. Please note that (i) any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.