

Introduction to Short and Leveraged Single Stock ETPs

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Institutional Sales

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Leverage Shares

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Leverage Shares

Outline

- 01** Global Leveraged ETP Landscape
- 02** What are short and leveraged (S&L) single stock ETPs?
- 03** S&L ETPs vs competing products
- 04** How Leverage Shares ETPs get their leveraged / inverse exposure
- 05** The impact of compounding on performance
- 06** Empirical example
- 07** The Lineup

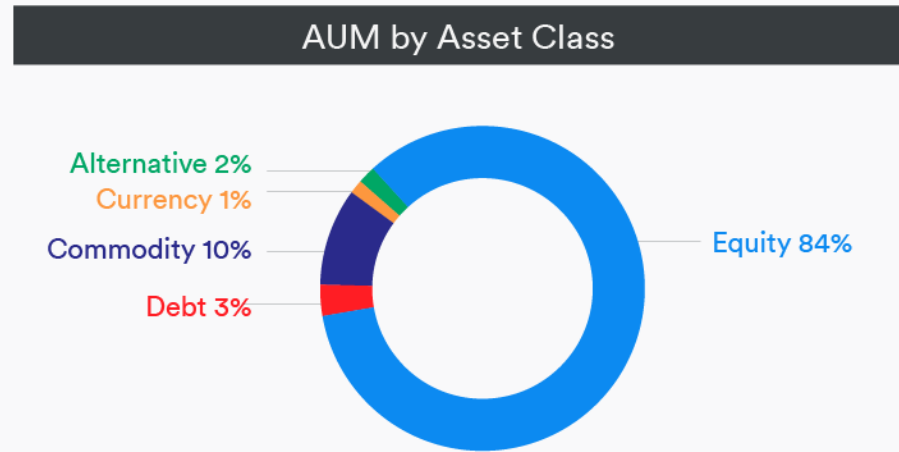
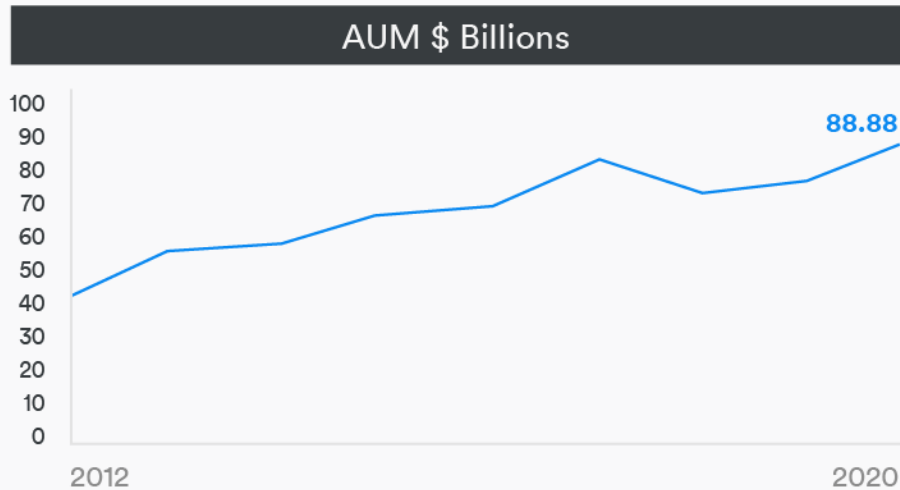


Leverage Shares

01

Short & Leveraged ETP Landscape

- The global short and leveraged ETP space is made up of 875 ETPs/ETFs with \$89 billion in assets under management.
- Leverage factors of 3x, 2x, and -1x make up ~78% of AUM.

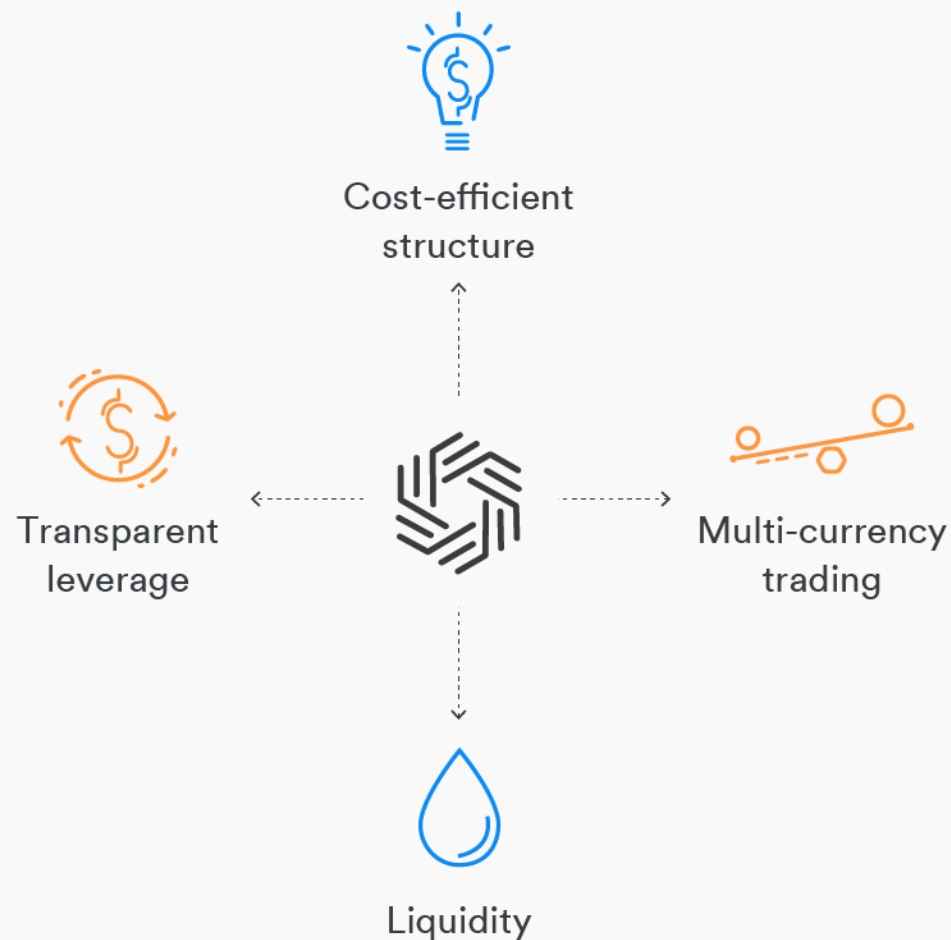


Data as of July 2020. Source: Bloomberg.

02

What are S&L Single Stock ETPs?

- Leverage Shares is an ETP provider launched in 2017, offering magnified exposure to single stocks
- Designed to replicate the daily return of individual equities
- Exposure to heavily traded US stocks
- Leverage factors of:
-1x | 2x | 3x



What are S&L Single Stock ETPs?

Main characteristics



No credit risk

Physically backed ETPs



Low fees

Transparent fees comprised of an arranger fee & interest margin fee



Loss capped to initial investment

Investors cannot lose more than their original investment



Guaranteed liquidity

Continuous bid/ask spread provided by BNP Paribas



SIPP/ISA & UCITS eligible

Tax efficient investments



Multi-currency trading

Our ETPs can be traded in GBP, USD & EUR

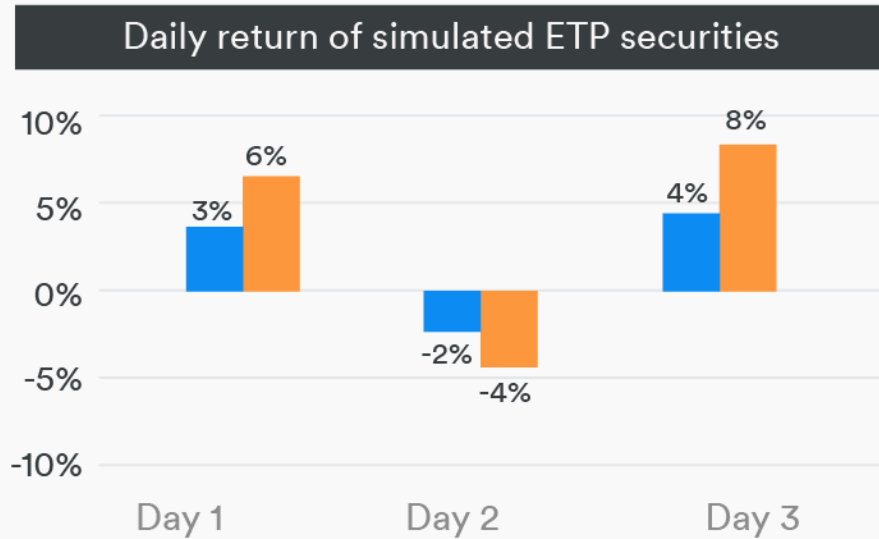


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What are S&L Single Stock ETPs?

Leveraged 2x ETP Example

— Leveraged 2x ETP — Underlying Security

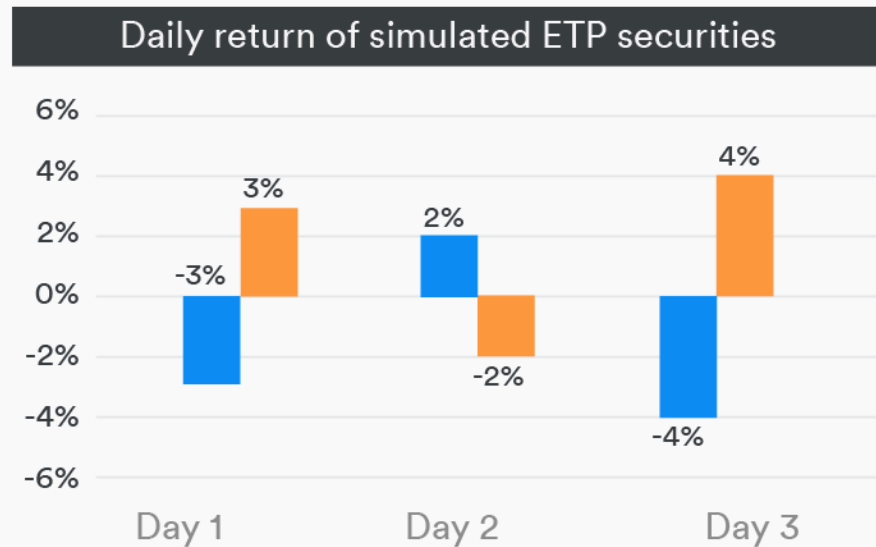


- Designed to meet an investment objective for a single day, before costs and fees.
- Each ETP aims to provide 2x (two times) the daily return of the underlying stock being tracked.
- The products are then rebalanced to provide a leveraged daily return the following day.

What are S&L Single Stock ETPs?

Short -1x ETP Example

— -1x Short ETP — Underlying Security



- Each ETP aims to provide -1x (inverse) the daily return of the underlying stock being tracked.
- The daily returns are adjusted for costs and fees.

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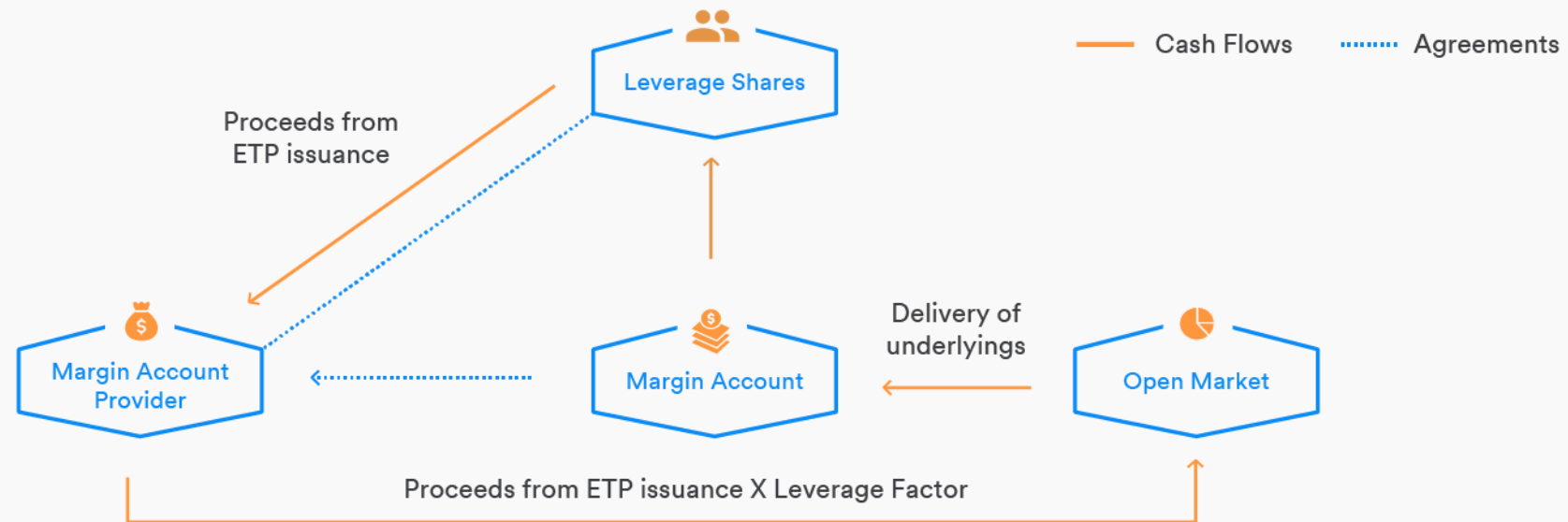
S&L ETPs vs. Competing Products

POTENTIAL WAYS TO GAIN MAGNIFIED EXPOSURE	STOCK ON MARGIN	CALL OPTIONS	FUTURES	CFDs	LEVERAGED ETPs
No margin account	×	×	×	×	✓
Trade on a regulated exchange	✓	✓	✓	×	✓
Losses capped at amount invested	×	✓	×	×	✓
No margin maintenance requirements	×	✓	×	×	✓
Reduced credit risk	✓	✓	✓	×	✓

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How Leverage is Achieved


- Leverage Shares uses proceeds from issuance of ETPs and a matching margin loan to invest in the underlying securities.
- Residual cash, like dividends from underlying stocks, is reinvested.
- Derivatives (such as swaps) are not used.



Daily Compounding: “The trend is your friend”


I. Trending upward markets: You may gain **more** than leverage factor implies.

Underlying rises 5% every day												
		Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10	End result
Underlying Stock	100.00	105.00	110.25	115.76	121.55	127.63	134.01	140.71	147.75	155.13	162.89	+63%
No daily compounding	100.00	110.00	120.50	131.53	143.10	155.26	168.02	181.42	195.49	210.27	225.78	+126%
2x Leveraged ETP	100.00	110.00	121.00	133.10	146.41	161.05	177.16	194.87	214.36	235.79	259.37	+159%

2x
expectation


II. Chopy markets: Oscillating returns may lead to **worse** performance.

Underlying rises by 5% then drops by 5%												
		Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10	End result
Underlying Stock	100.00	105.00	99.75	104.74	99.50	104.48	99.25	104.21	99.00	103.95	98.76	-1%
No daily compounding	100.00	110.00	99.50	109.48	99.00	108.95	98.50	108.43	98.01	107.91	97.51	-2%
2x Leveraged ETP	100.00	110.00	99.00	108.90	98.01	107.81	97.03	106.73	96.06	105.67	95.10	-5%

2x
expectation


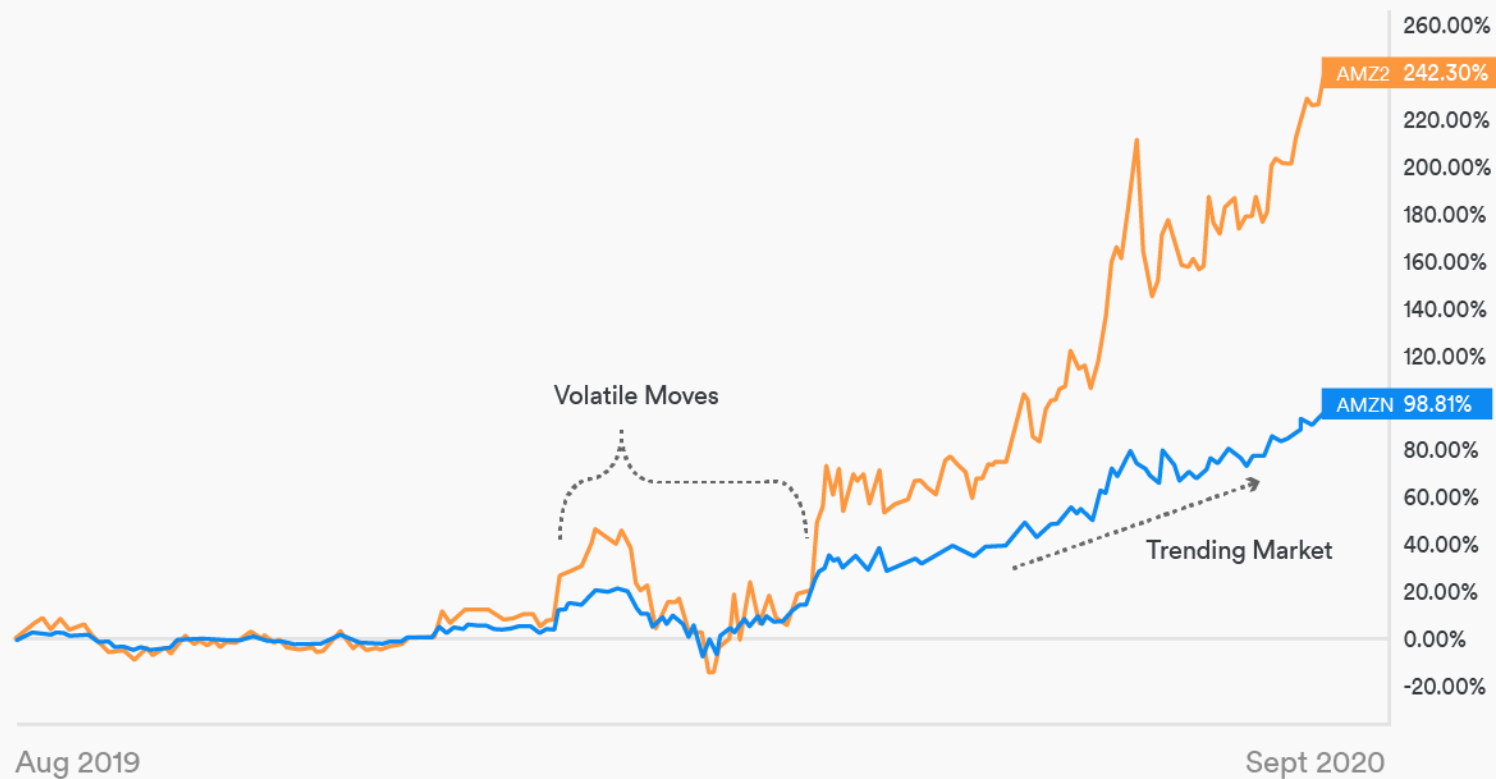
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Empirical example

Performance of Amazon, Inc. stock (NASDAQ: AMZN) vs 2x Amazon ETP (LON: AMZ2) over a one-year period.



The Lineup

3x

3x Apple ETP
 3x Amazon ETP
 3x NVIDIA ETP
 3x Netflix ETP
 3x Alphabet ETP
 3x Facebook ETP
 3x Microsoft ETP
 3x Salesforce.com ETP

2x

2x Uber ETP	2x Alphabet ETP
2x Visa ETP	2x Facebook ETP
2x Apple ETP	2x JPMorgan ETP
2x Tesla ETP	2x Citigroup ETP
2x Amazon ETP	2x Microsoft ETP
2x NVIDIA ETP	2x Goldman Sachs ETP
2x Alibaba ETP	2x Salesforce.com ETP
2x Netflix ETP	2x Micron ETP
2x Twitter ETP	2x AMD ETP

-1x

-1x AMD ETP	-1x Netflix ETP
-1x Uber ETP	-1x Twitter ETP
-1x Apple ETP	-1x Micron ETP
-1x Tesla ETP	-1x Alphabet ETP
-1x Amazon ETP	-1x Facebook ETP
-1x NVIDIA ETP	-1x Microsoft ETP
-1x Alibaba ETP	-1x Salesforce.com ETP

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