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# Leverage Shares

## Maneuvering Market Volatility with Leveraged and Inverse ETPs

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Leverage Shares

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# Maneuvering Market Volatility with Leveraged and Inverse ETPs

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Trade with More Conviction™



Leverage Shares

# Today's Presenter

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**Oktay Kavrak, CFA**  
Director - Product Strategy

# Disclosures

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The value of an investment in ETPs may go down as well as up and past performance is not a reliable indicator of future performance.

Trading ETPs may not be suitable for all types of investors as they carry a high degree of risk. You may lose all of your initial investment. Only speculate with money you can afford to lose. Changes in exchange rates may also cause your investment to go up or down in value. Tax laws may be subject to change. Please ensure that you fully understand the risks involved. If in any doubt, please seek independent financial advice. Investors should refer to the section entitled “Risk Factors” in the relevant prospectus for further details of these and other risks associated with an investment in the securities offered by the Issuer.

# Outline

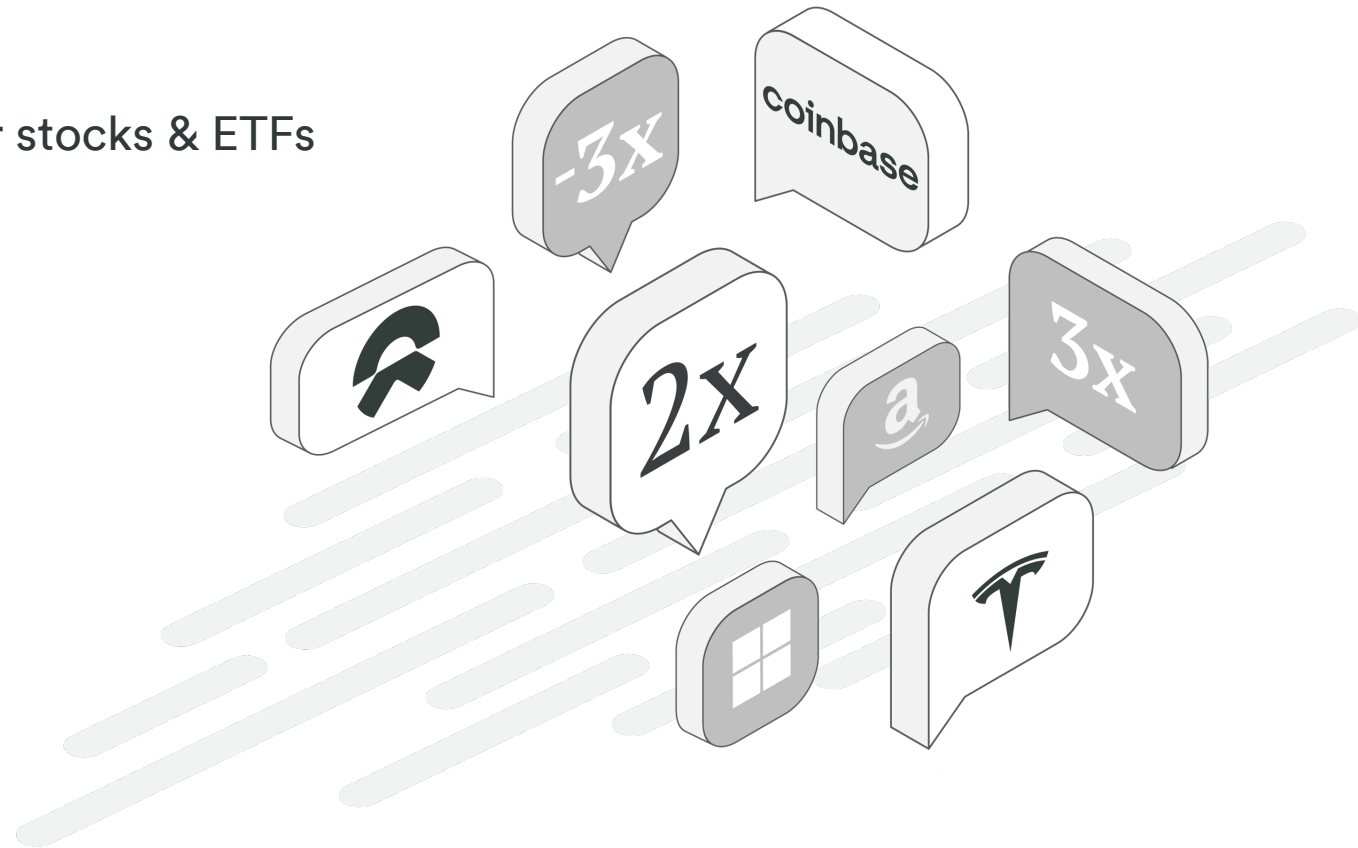
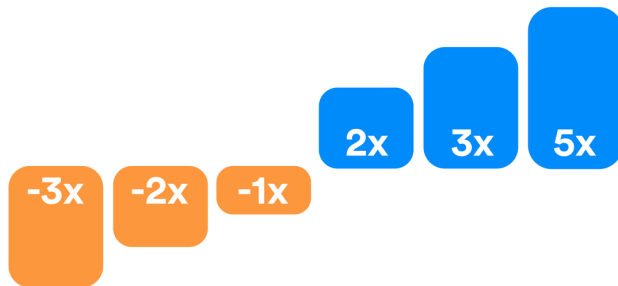
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- 01 About Leverage Shares
- 02 What are S&L ETPs?
- 03 How S&L ETPs Work
- 04 Compounding: Effects of holding
- 05 Global Short and Leveraged ETP Universe
- 06 Core and non-core portfolio holdings
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# 01

## About Leverage Shares ETPs

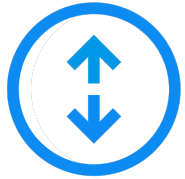
- Short and Leveraged exposure to popular stocks & ETFs
- Launched in 2017
- Over 180 ETPs
- Leverage factors of:



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## 02

# What are Short and Leveraged (S&L) ETPs?



Provide leveraged/inverse exposure to the underlying instrument(s).



Can track broad indices, fixed income, commodities, crypto, single stocks, etc.



Use your regular broker.  
No margin account needed.



Trade like any other stock or ETF on regulated exchanges.

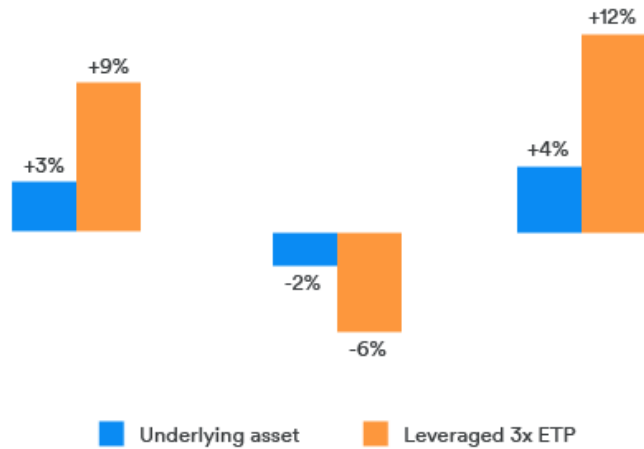
# 03

## How S&L ETPs Work

### Leveraged ETP

- High bullish conviction
- Underlying expected to rise in value

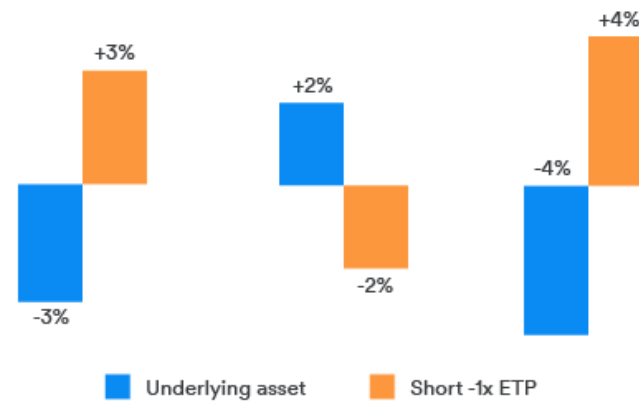
Leveraged 3x ETP Example



### Inverse ETP

- Bearish view
- Underlying expected to fall in value

Short -1x ETP Example

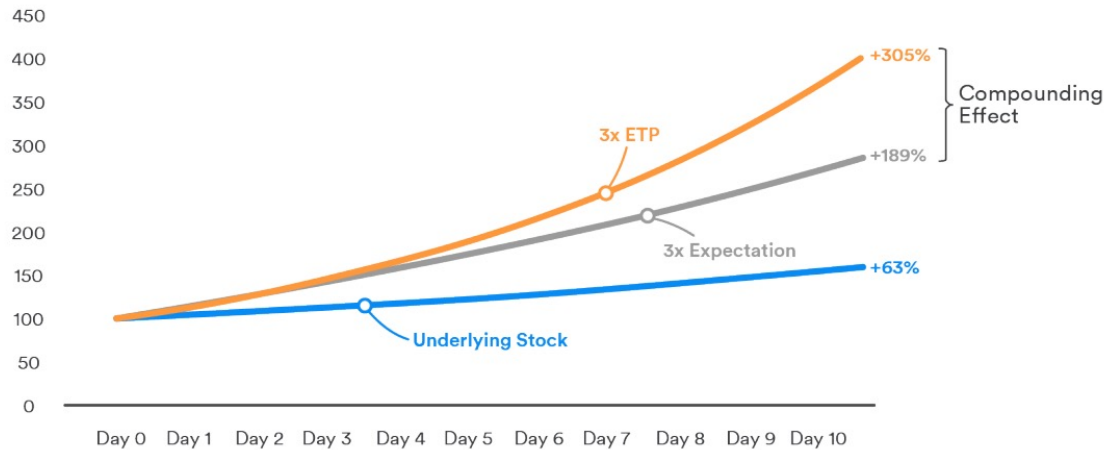


# 04

## Compounding: Effects of holding

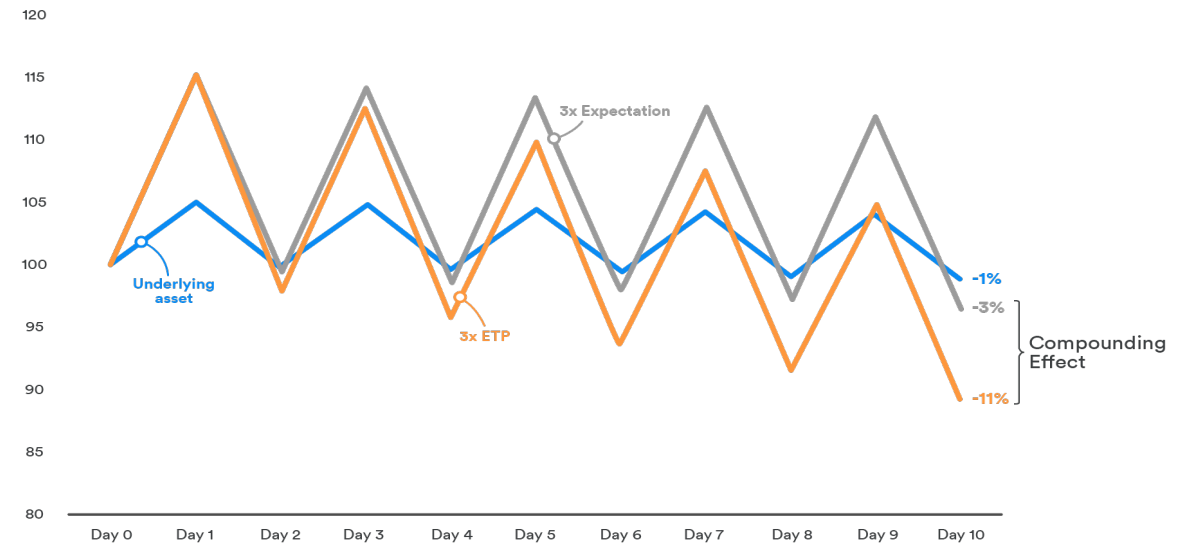
Trending, rising market

Underlying rises 5% each day



Directionless, choppy market

Underlying rises and falls by 5% continuously



# Global Short and Leveraged ETP Universe

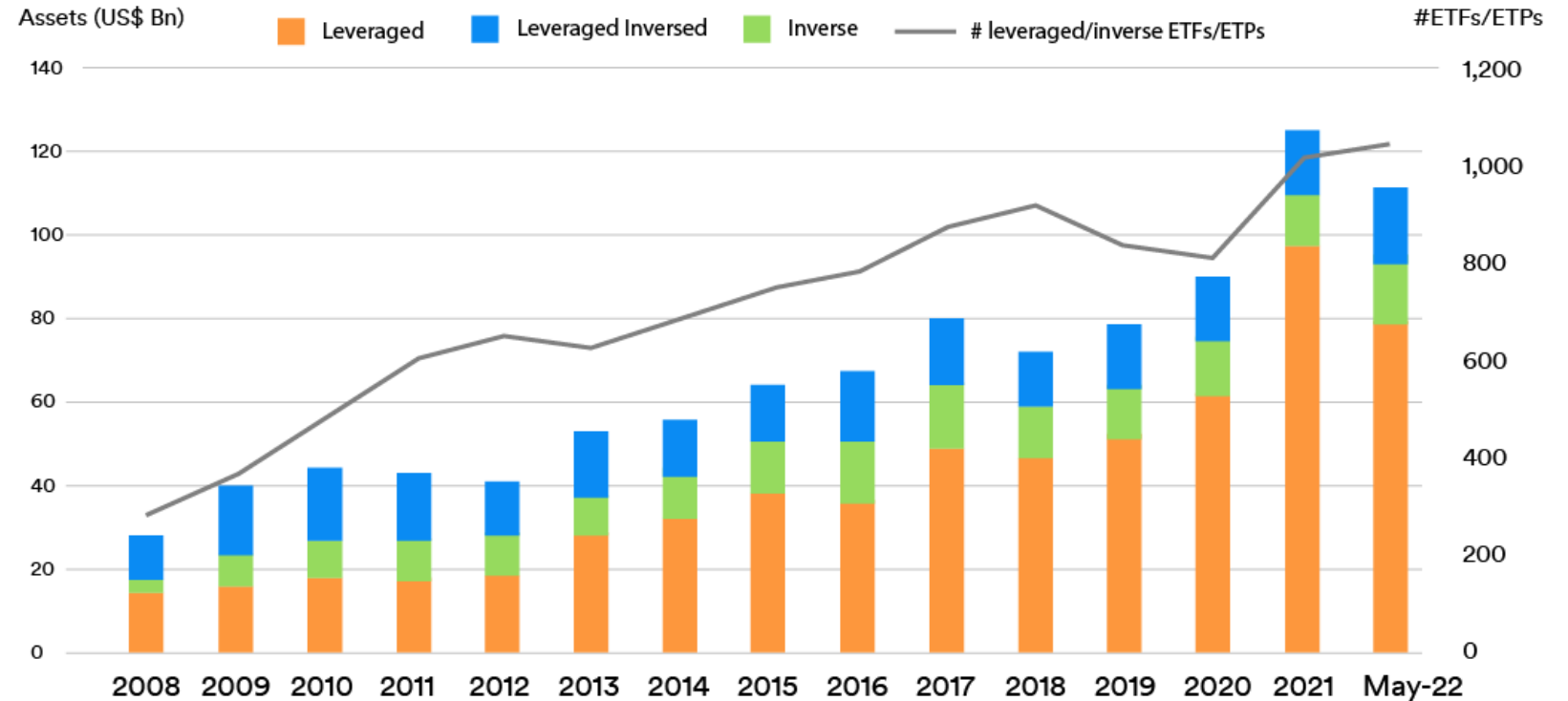
## S&L ETP/ETFs worldwide:

- 1043 in total
- \$112 billion AUM

## Overall ETP/ETFs worldwide:

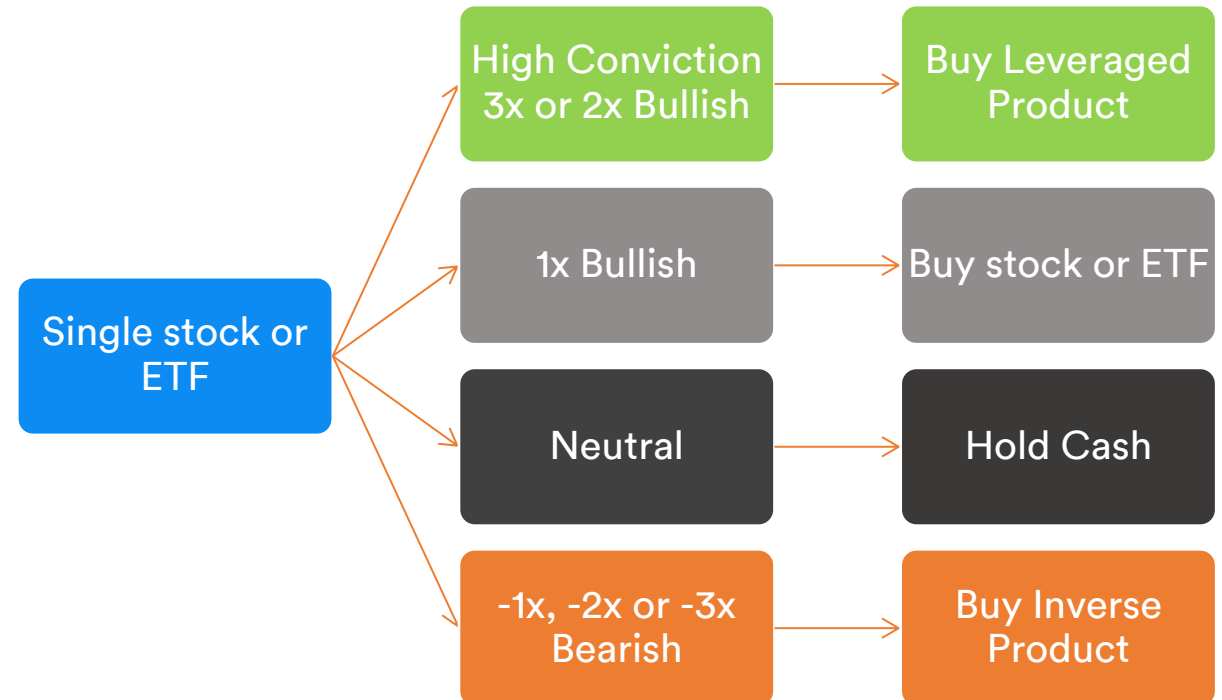
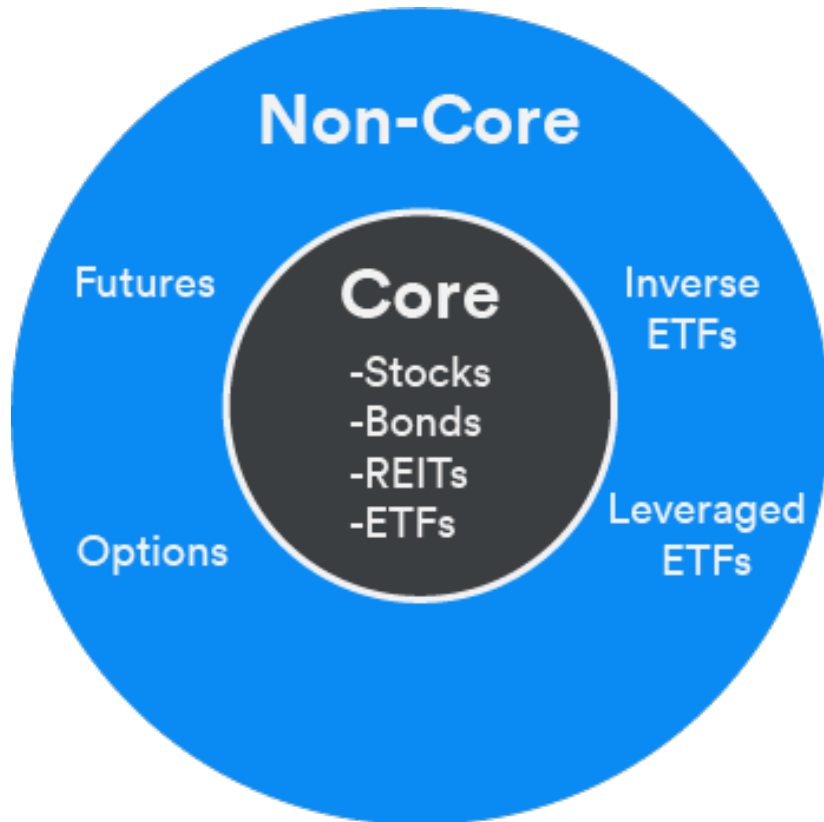
- \$10 trillion AUM

S&L is about 1% of ETP universe



Data as at end May 2022. Source: ETFGI.

# Core and non-core portfolio holdings



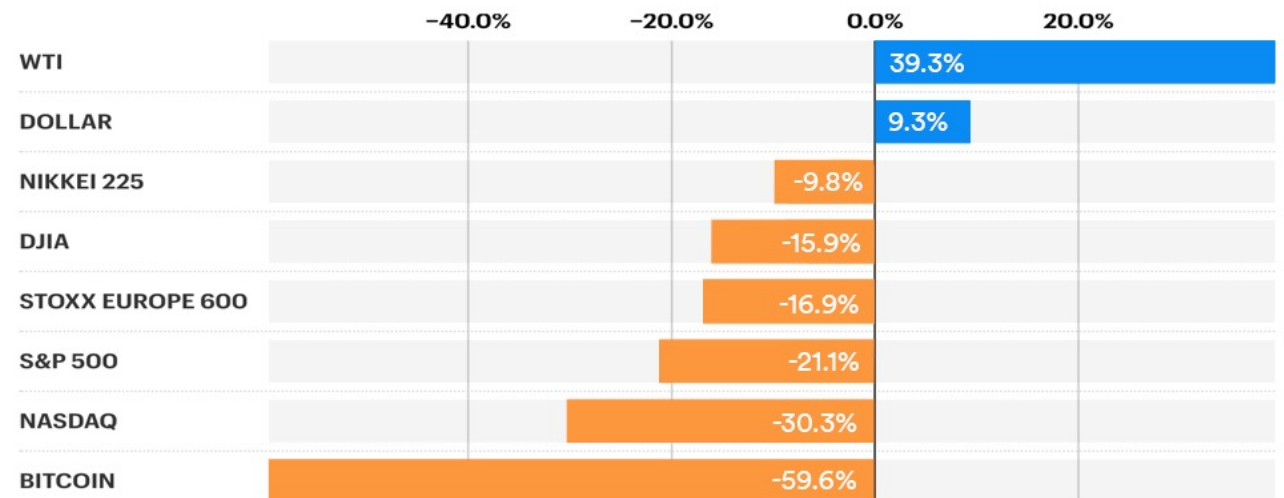
# Market Backdrop

## No place to hide

- Stocks close out the WORST first half of the year since 1970\*
- Aggressive rate hikes expected in 2022 and 2023
- Geopolitical situation and supply chain pressures
- Inflation worries around the world

### A first half to forget

Stocks and crypto suffered their worst first half in more than 50 years. Here's how bad it looks for investors.

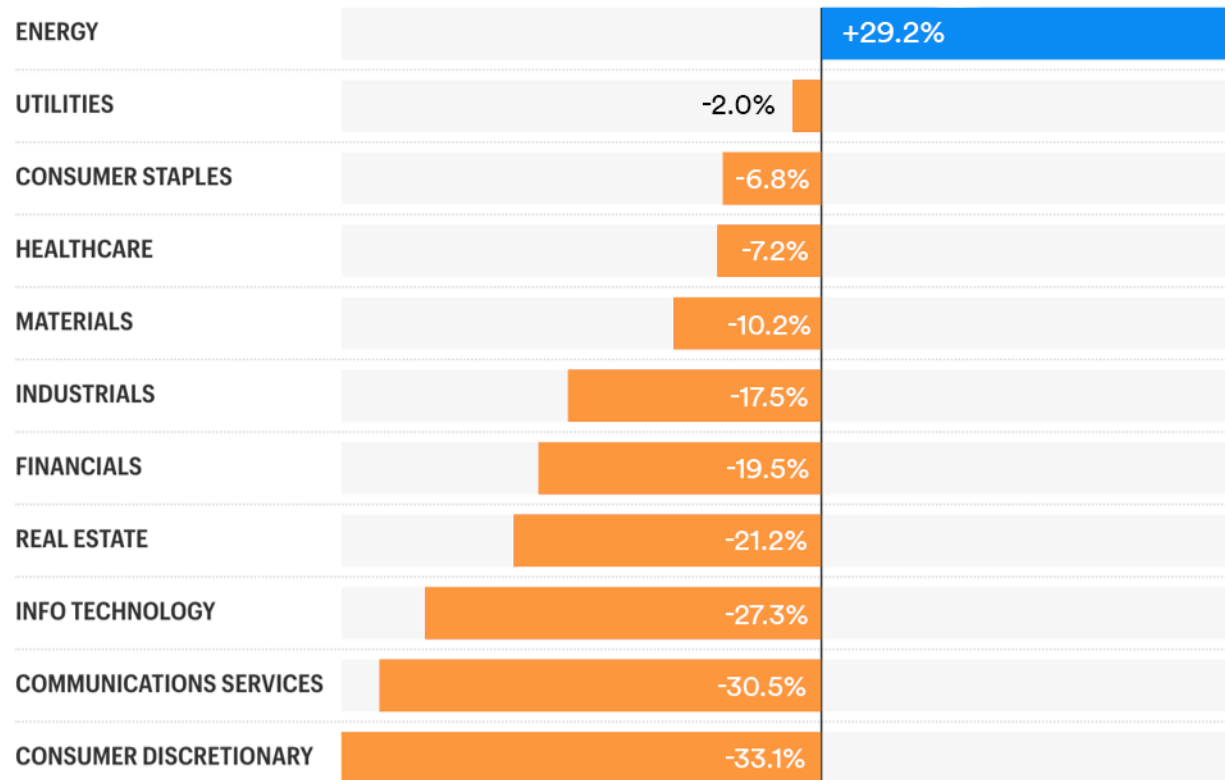


Data as at end June 30, 2022. Source: Fortune.

# Market Backdrop (con't)

## Sectors: Not too many bright spots

### S&P 500 sector performance

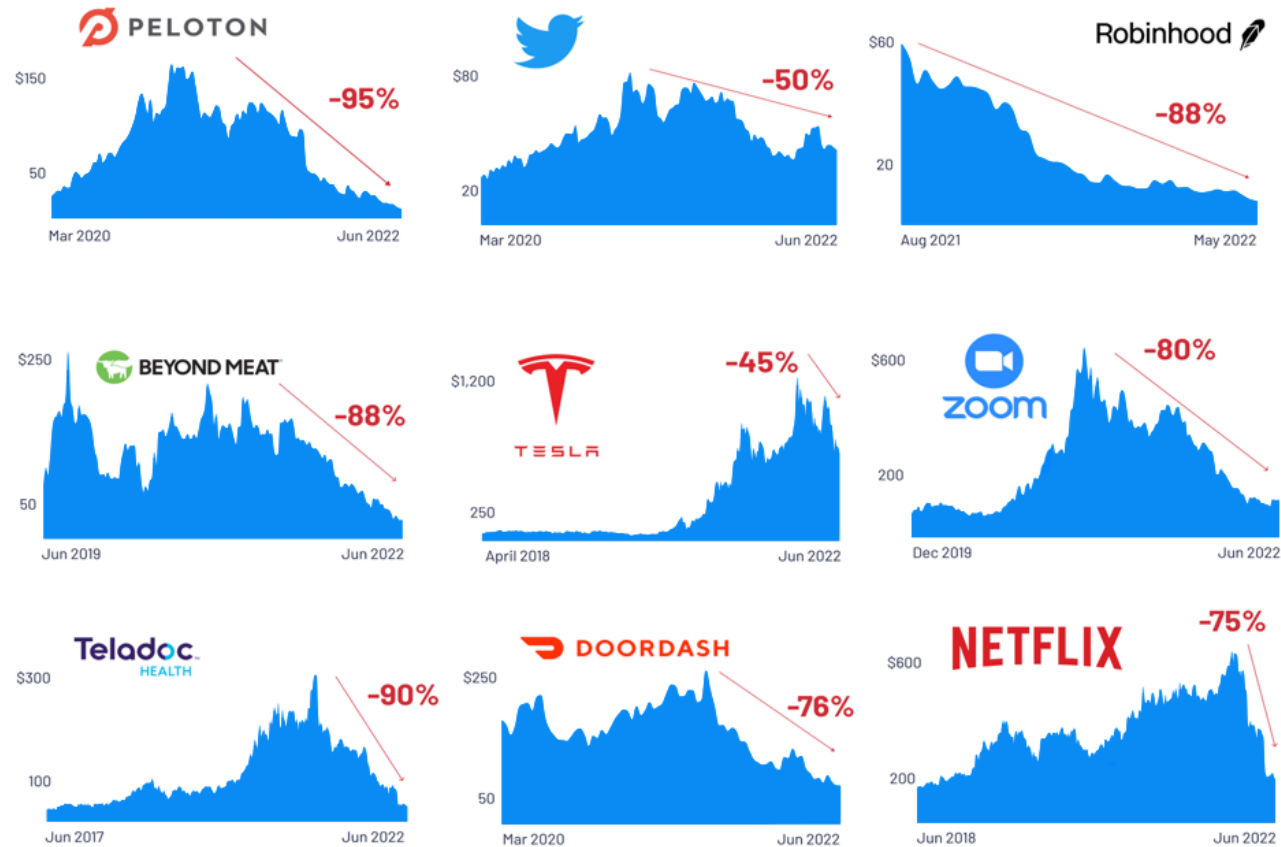


Performance as of June 30, 2022. Source: Fidelity Investments.

# Market Backdrop (con't)

## Growth stocks: Out of style

Share price decline from recent peak during 'work from home' boom



Performance until June 24th, 2022.  
Source: Bloomberg, Genuine Impact.

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# Market Backdrop (con't)

## 60/40 YTD

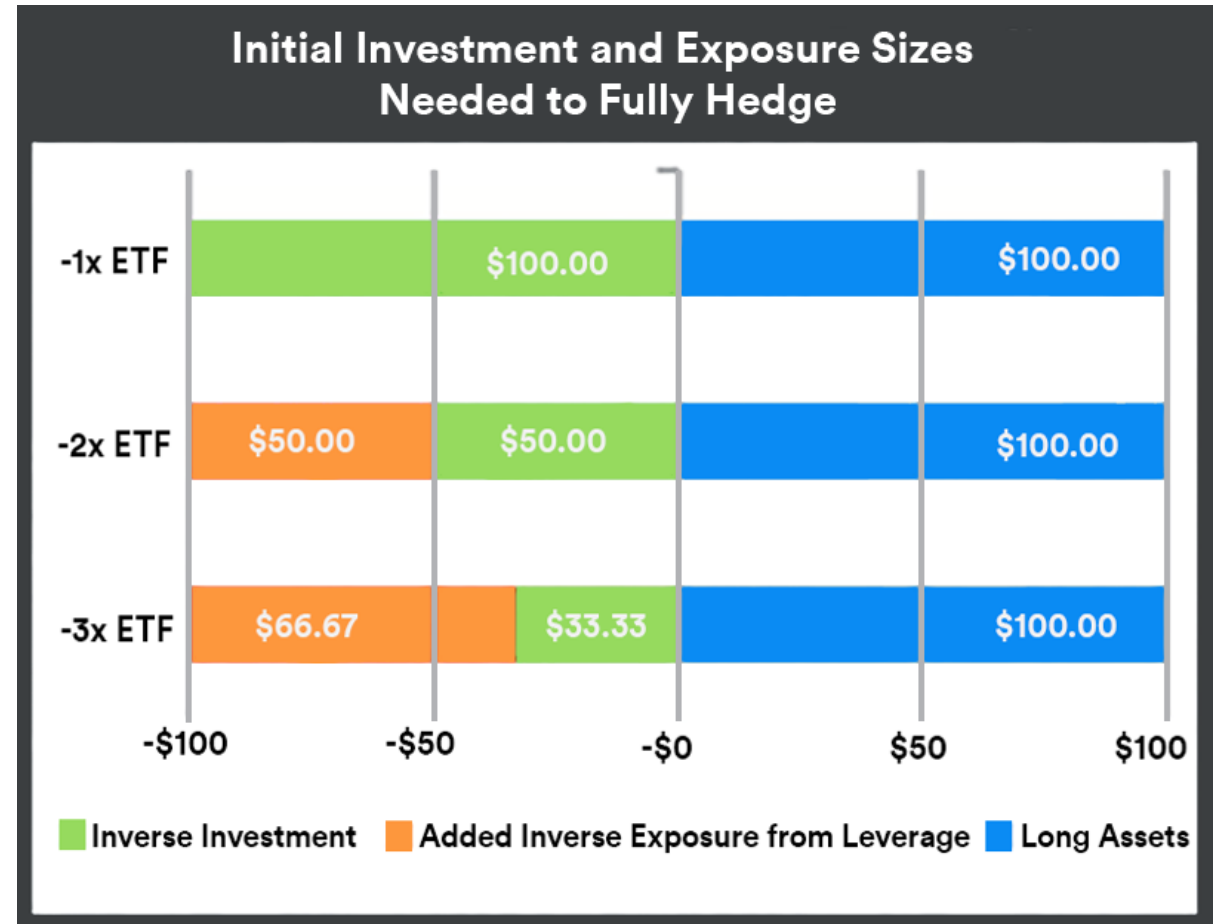
### Global equities vs. global bonds annual returns, 1977-2022



Data as of July 6th, 2022.  
Source: "Global Outlook - Midyear 2022", July 2022, Blackrock Investment Institute.

## Hedging with Inverse ETPs

- Investors hedge risk rather than sell positions because of liquidity, tax, trading cost or other portfolio management implications.
- To hedge, negatively correlated investments are added.

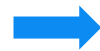


Inverse ETF exposure assumed to equal fund assets multiplied by fund multiple.  
Source: ProShares

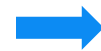
## Tips and tricks for efficient hedging



Choose your hedging instrument.



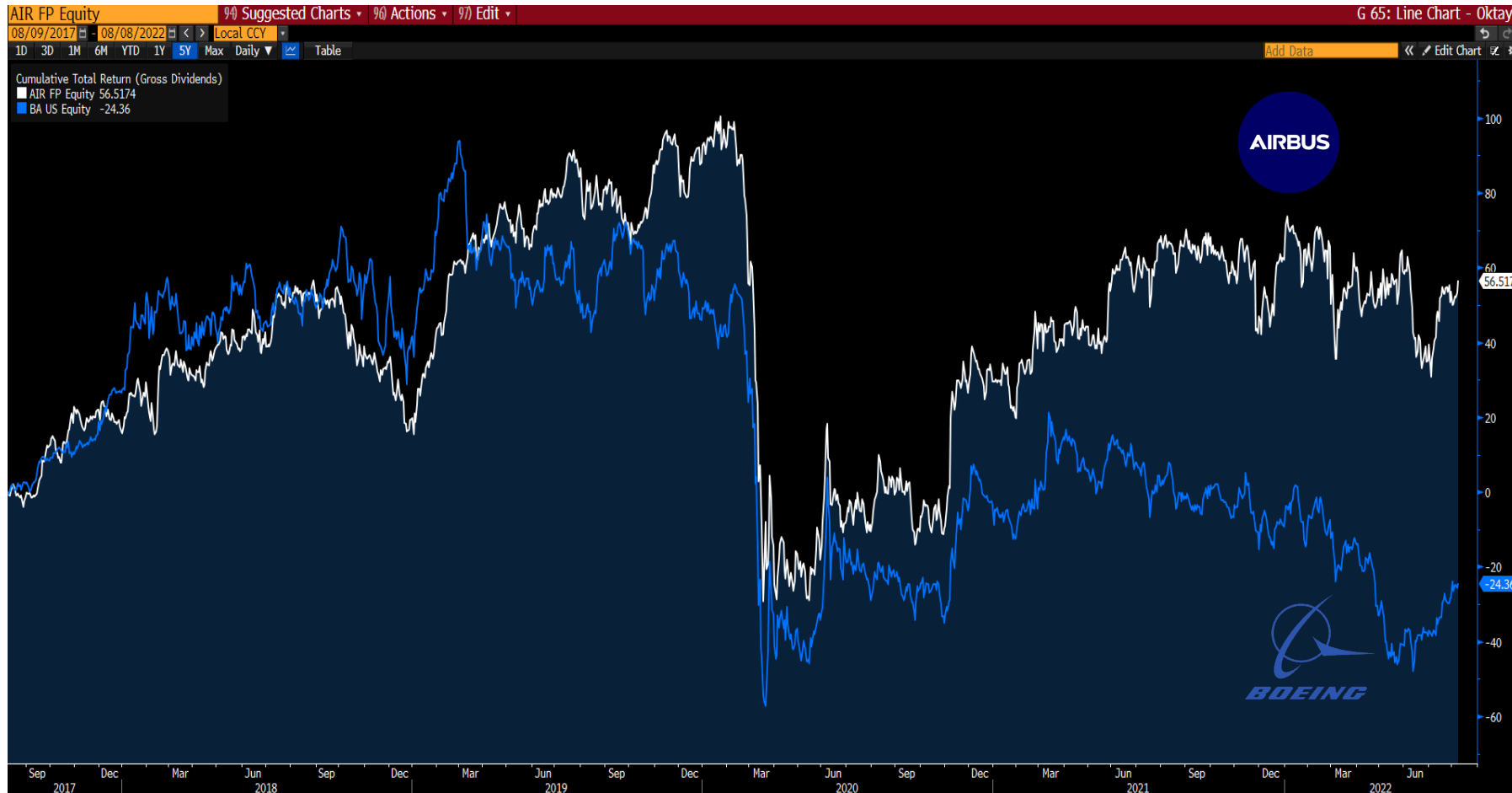
Decide how much you want to hedge.



Monitor and rebalance:

- Calendar-based rebalancing (weekly, monthly, quarterly)
- Fixed-percentage rebalancing

# Pairs Trade Example: Single Stocks



Source: Bloomberg

## Scenario:

An investor may enter a pairs trade using the a stock/leveraged ETP and an inverse ETP if they feel one instrument is overpriced relative to the other.

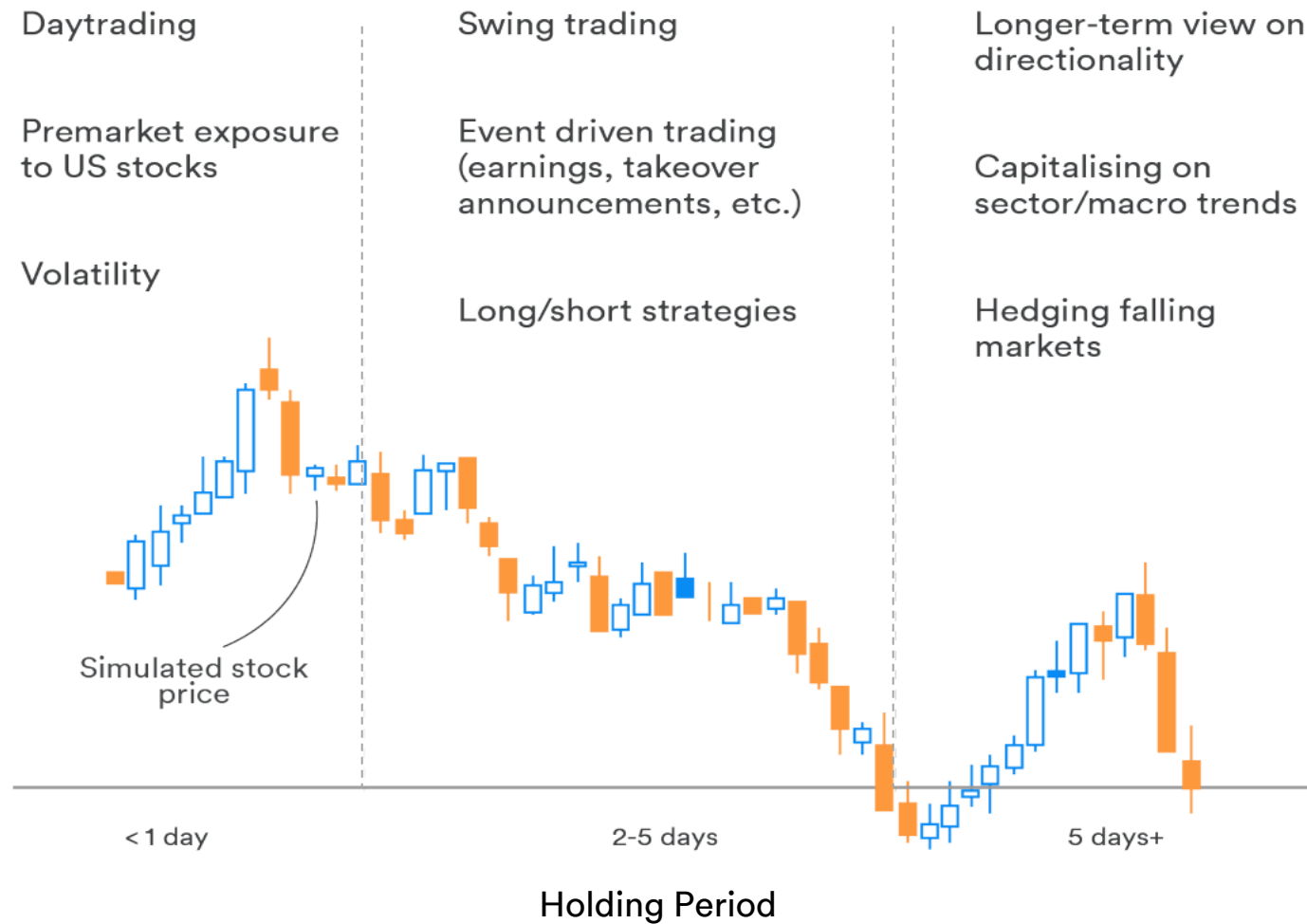
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## Use cases for Inverse ETPs

- Existing long position, but worried about short-term outlook
- Already planning to short, don't want to risk more than principal
- Looking to capitalise on momentum from news, earnings releases, corporate actions.
- Broad or targeted hedging.



# How might ETPs be used?



## Summary: Why may someone use Leveraged ETPs?



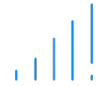
Quick & efficient leverage.



Targeted exposure, no 'dilution'



Less capital = same exposure



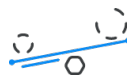
No derivatives / futures / margin / CFD accounts needed



Go long or short, capitalize on both market directions



Pricing structure: No time decay, transparent on-exchange pricing



Hedging: "I have some positions, but worried about short-term volatility"

# Potential Ways to Get Leveraged Exposure

	FUTURES	OPTIONS	SPREAD BETTING/CFDs	WARRANTS/ TURBOS	LEVERAGED CERTIFICATES	LEVERAGE SHARES ETPs
Losses Capped at Invested Amount	✗	✓*	✗	✓	✓	✓
No Margin Account Required	✗	✗	✗	✓	✓	✓
No Maintenance Margin Required	✗	✗	✗	✓	✓	✓
Traded on a Regulated Exchange	✓	✓	✗	✓	✓	✓
Market Makers Providing Transparent and Competitive Pricing	✓	✓	✗	✗	✗	✓
Airbag Mechanism to Limit Intraday Loss of Value	✗	✗	✗	✗	✓	✓
Constant Leverage Factor	✗	✗	✗	✗	✓	✓
No Bank Credit Risk	✓	✓	✗	✗	✗	✓
Underlying Physically Held as Security	✗	✗	✗	✗	✗	✓
Low Minimum Trade Size	✗	✗	✓	✗	✗	✓

\*Not for option seller

# Q&A Session





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