

Other useful information about ETPs

An investment in these 4 products (Exchange Traded Funds/Notes/Products/ Commodities), from exposure value point of view, its characteristics are the same as an investment in shares. Therefore the maximum risk is represented by the nominal value invested: there is no leverage¹.

Whilst generally ETP's do not have any leverage, there are some cases where some of these exchange traded products utilize leverage to achieve their goals. In these cases, the leverage is usually also mentioned in the name and can be "3x" or "2x". These Leveraged instruments try to amplify the yield by calculating a leverage on the value of the underlying performance.

For example, 3x means that the yield performance of the ETPFNC is 3 times higher than that of the underlying. For example, if the underlying moves by 1%, the gain (but also the loss) will be of 3%.

These products, whose price has a leverage effect, are more suitable for intraday or short-term positions. Leverage products are not recommended to be used as long-term investments, as they utilize futures, which incur a cost on each rollover period, resulting in a declining long term value if the direction of the underlying does not go in favour of the direction of the leveraged ETP.

Another important aspect is, that ETPs (ETF, ETN, ETC) are share-like instruments: therefore, they cannot be sold short.

However, you should be aware that issuers have started to create instruments whose value is appreciated when the underlying asset depreciates. These are "short" or "reverse" products and these words are included in the name of the instrument (some leveraged short instruments are called ULTRASHORT, for example).

ETP shorts are therefore chosen when you want to make money from falling markets. How do you do it? Select the ETF short and click on buy (they cannot be sold short).

It is by no means easy to understand their use, but there are mainly two strategies used by these "short" instruments:

- 1) speculation – used to make opportunistic trades, usually on short-term time horizon, such as to benefit from market volatility during central bank announcements, or important earnings releases.
- 2) coverage – to offset or hedge existing exposure in the portfolio. If you have a long position on a certain asset in your portfolio and you expect a short-term market correction, you can buy a short ETP to offset part of this exposure.

¹ There is no leverage in the amount you invest, however, the strategy of the fund can have 2x or 3x leverage. Further information can be read in the KID also available on the platform.