

EXCHANGE- TRADED PRODUCTS

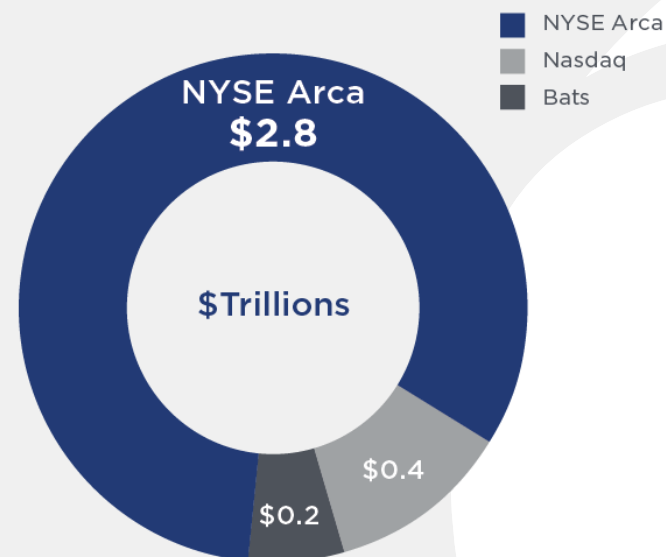
Exchange-Traded Products

- Define an exchange-traded product (ETP)
- Review differences between exchange-traded funds (ETFs) and exchange-traded notes (ETNs)
- Describe the uses for leveraged ETPs

What are ETPs?

- Exchange Traded Products are a way to diversify holdings without needing to manage a large portfolio.
 - Minimizes the risk associated with a single security.
- They replaced Mutual Funds as the investment of choice for simple diversification.
- The most common ETPs are ETFs (Exchange Traded Funds).
 - ETFs are essentially Mutual Funds that are traded on exchanges.

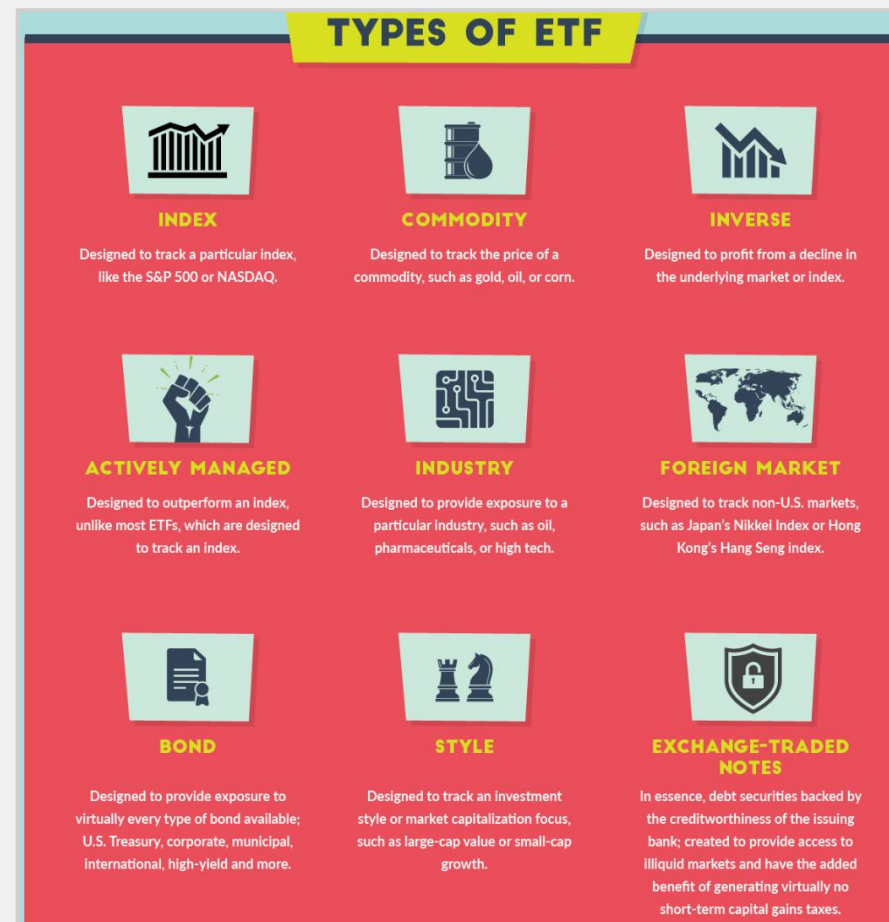
Assets Under Management of U.S. ETPs¹



¹ETFs include all exchange traded products
Source: NYSE Internal Database and Consolidated Tape Statistics, March 31, 2018

Why ETPs

- Gain exposure to themes, sectors, countries without excessive research.
- Invest in markets which would not otherwise be accessible.
- Automated tracking of the index. Processes additions and deletions.
- **NOTE:** Buying a US based ETF with foreign exposure is also exposed to FX changes.



ETFs vs ETN (Exchange-Traded Notes)

- The difference is in what the investor actually owns.
- With an ETF, the investor owns a share in the underlying assets.
- ETNs are structured products which are issued as senior debt notes.
 - Similar to an unsecured loan.
- The holder of an ETN owns a share in a bond backed by those assets.

ETFs	ETNs
Funds	Structured Senior Debt Notes
Hold Underlying Asset	Do Not Hold Underlying Asset
Track Underlying Asset	Track Underlying Asset
Trade Like Stock	Trade Like Stock
Slippage	No Slippage
More Liquid	Less Liquid


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Leveraged ETFs

- An investor can only buy an ETF.
 - What if we have bearish sentiment?
- ETF Sponsors create many ETFs to give access to bearish opinions and leverage.
- An Inverse ETF will rise in price when the underlying assets decrease in price.
- A leveraged ETF will move twice as fast as the underlying assets. Gives multiples of the profit and loss.
 - Decays over time.
 - Short term trades only.



REITs

- Real Estate Investment Trusts represents a stake in a portfolio of income-producing real estate.
- They can be bought and sold like other ETPs however their tax treatment is usually different.
- Technical Analysis is the same as other fungible assets.



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