Capital at risk

Short & Leveraged ETPs

Trade with More Conviction™

Leverage Shares

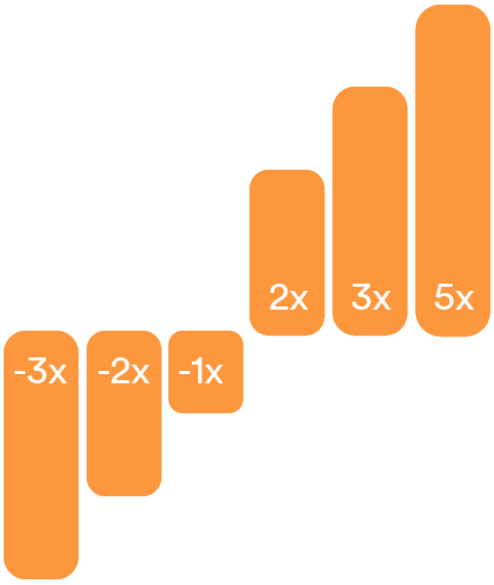
Reaching New Horizons

About Us

Leverage Shares was founded in 2017 to meet investor demand for convenient access to sophisticated trading strategies. With institutional and retail investors in mind, market participants now have access to sophisticated strategies once reserved for professional fund managers, like trading with leverage and going short.

Our short and leveraged (S&L) exchange traded products (ETPs) allow traders to act on their conviction and get magnified exposure to some of today's hottest global investments.[1]

Short and Leveraged ETPs



Long (5x, 3x, 2x) and inverse (-1x, -2x, -3x) ETPs on single stocks & ETFs.

Trading in ETPs may not be suitable for all types of investors as they carry a high degree of risk. Investors may lose all of their initial investment and should only speculate with money they can afford to lose.[1]

What is an ETP?

An Exchange Traded Product (ETP) is a financial instrument that provides exposure to a targeted benchmark and trades similarly to shares. “ETP” is an all-encompassing term that includes exchange traded notes (ETNs), exchange traded commodities/currencies (ETCs), and exchange traded funds (ETFs).

ETF: Exchange Traded Fund

A pool of funds from investors which are used for investment into underlying assets. ETFs are traded on a stock exchange similarly to equities. With a simple trade, ETFs offer a certain degree of diversification as they track a basket (i.e. equities, fixed income, etc.) and not a single security.

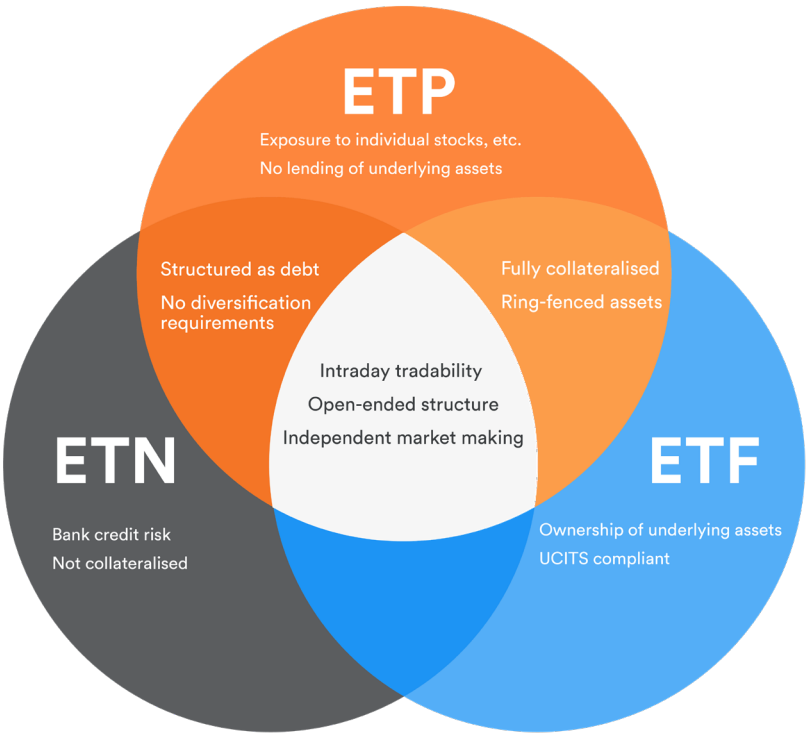
ETC: Exchange Traded Commodity

Debt securities which function similar to ETFs. ETCs are designed to provide exposure to commodities (individual or baskets) and are collateralised.

ETN: Exchange Traded Note

Debt securities that offer exposure to hard-to-access instruments and are not subject to the diversification requirements of ETFs. Generally issued by banks and are not collateralised.

Leverage Shares ETPs have characteristics of traditional ETFs, ETNs and ETCs.



Long Story Short

What sets us apart?

No margin account
Tradable in brokerage accounts without need for a margin account

Mitigated credit risk
ETPs fully backed with the underlying assets

Small investment
ETPs are issued at $5 per share

Multi-currency trading
Tradable in GBP/USD/EUR

Losses capped
Investors cannot lose more than their original investment

Guaranteed liquidity
Continuous bid/ask spread provided by BNP Paribas

SIPP/ISA & UCITS eligible
Tax treatment depends on individual circumstances and may be subject to change

Transparent fees
Annual management fee (0.75%) and interest margin rate (benchmark + 1.5%). Other fees may apply. The fees are deducted from the value of the ETPs

Index providers: NYSE STOXX

Liquidity provider: BNP PARIBAS

Listed on: London Stock Exchange Group, EURONEXT, BORSA ITALIANA

Prospectus approval: Banc Ceannais na hÉireann Central Bank of Ireland Eurosystem

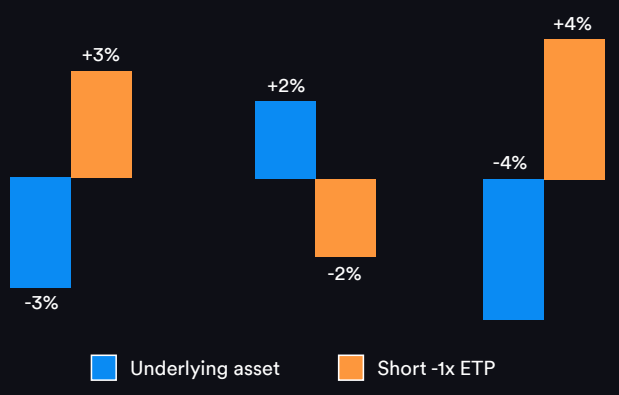
Under the hood: The Mechanics

Short and leveraged ETPs are designed to give investors the ability to benefit from both bullish and bearish market conditions.

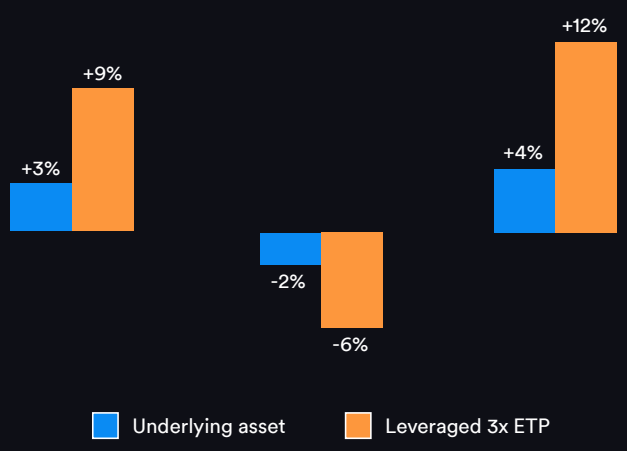
Leverage Shares ETPs are structured to replicate the daily performance of individual stocks and ETFs. They aim to multiply the performance of the underlying asset by a given leverage factor, consequently amplifying any gains and losses (adjusted for fees).

For example, let's take a 3x leveraged ETP. If the given underlying asset or ETF rises by 3% over a day, then the ETP will rise by 9%. However, if the underlying falls by 3%, the ETP will lose 9% (excluding fees & costs).

Short -1x ETP Example



Leveraged 3x ETP Example



Short ETPs offer the inverse daily performance of the underlying asset or ETF, essentially replicating a daily short position.

If we simply take a -1x short ETP, then a 3% fall in the underlying asset or ETF, would result in a 3% daily gain for the ETP. On the other hand, if the underlying asset or ETF rises by 3% on a given day, the ETP would decrease by 3% for that day.

Compared to other leveraged trading alternatives, our ETPs do not require opening a margin account. The ETPs can be traded via most brokerage/ share dealing accounts.

Take flight with Leveraged ETPs

2x, 3x and 5x Leveraged ETPs are designed with the tactical trader in mind.

Leveraged ETPs are efficient tools for heightened exposure to individual stocks or ETFs. Sophisticated traders can express their convictions during tactical opportunities with a simple trade.

Same as with short ETPs, the events of the day would impact the exposure and the leverage factor, so at the end of each day the portfolio manager has to rebalance the exposure to maintain the same leverage. This means that the ETPs provide a 'constant' leverage factor on each day. Such daily rebalancing leads to a compounding effect, which amplifies repeated gains but punishes performance during volatile periods.

BULL MARKET

Term reserved for conditions in which prices of most stocks are increasing for an extended period of time.

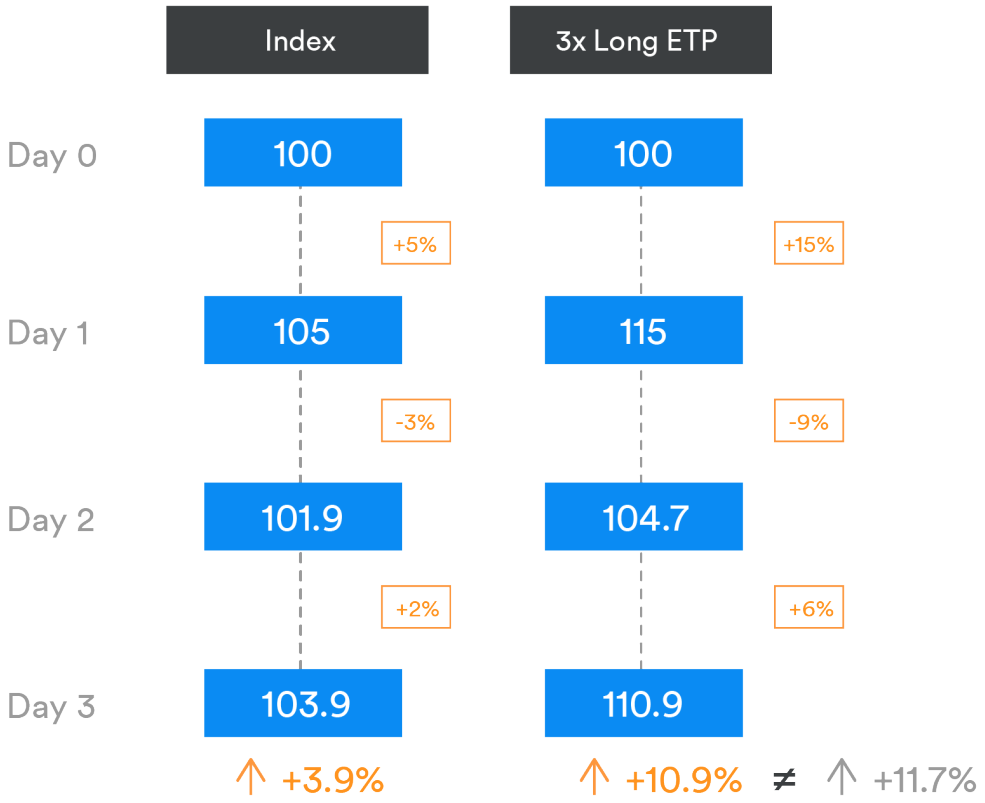
COMPOUNDING

The process in which the earnings from an asset are reinvested to generate additional earnings over time. This growth occurs because the investment generates earnings on the accumulated earnings from preceding periods, on top of the initial amount invested. Compounding has an impact on the performance of leveraged products when the holding period exceeds one day.

Compounding

Let's assume an underlying asset with a starting value of $100.

On Day 1, the asset price rises by 5% and is at $105. On that same day, the 3x leveraged ETP will go up by 15%, ending up at $115. On the following day the underlying falls by 3% and is at $101.9, while the ETP declines by 9% to $104.7. On the third day the underlying goes up by 2% and is at $103.9, while the ETP goes up by 6% and is at $110.9. So while the asset has increased by overall 3.9% over the three day period, the ETP has increased by just 10.9% (which is not 3 x 3.9% = 11.7%) due to compounding.

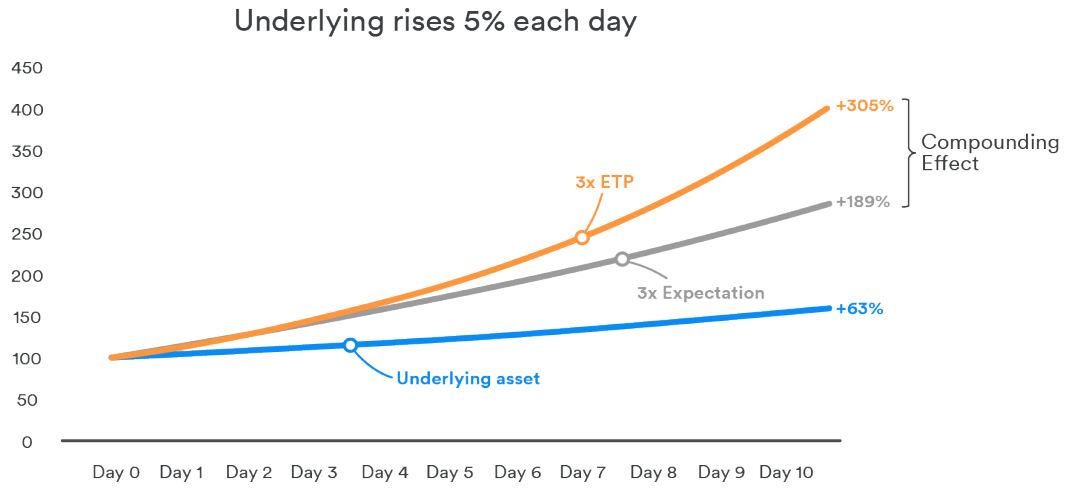


The behavior of leveraged ETPs

I. When the underlying goes up:

A continuous upward trend is the most beneficial scenario for a leveraged ETP. With every gain in the underlying asset, the 3x ETP will rise three times as much and due to compounding this effect will be further exaggerated over longer holding periods.

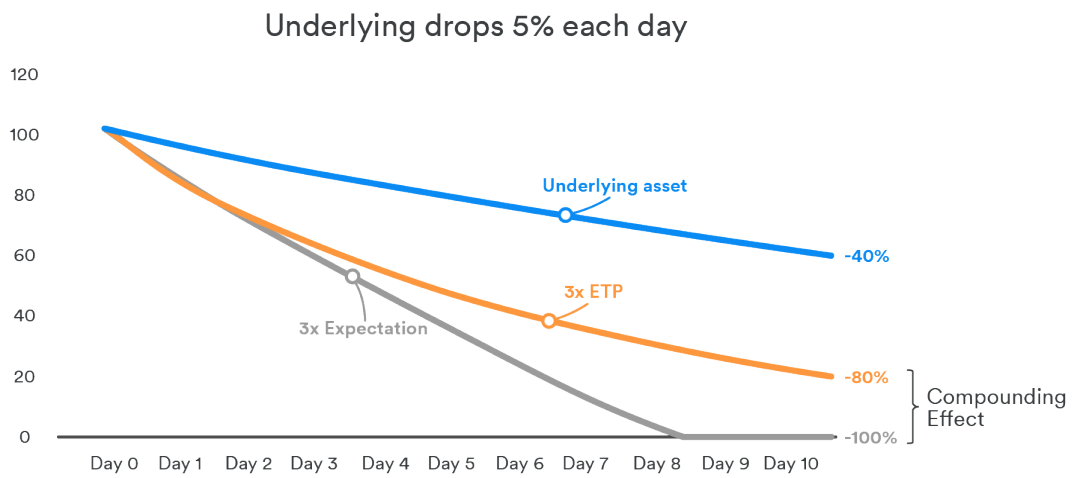
Example: The chart below shows an asset rising by 5% each day to make a cumulative gain of 63% over a ten-day period. Without compounding, it would be expected that the 3x ETP would provide three times the return (189%), but due to compounding, the gains made by the 3x ETP are significantly higher (305%).



II. When the underlying goes down:

A downward trending asset is a very disadvantageous scenario for a leveraged ETP. As the underlying asset falls, the leveraged ETP will double or triple your daily loss (depending on the leverage factor). However, compounding will mitigate the losses, since every day the loss is applied to a smaller ETP value.

Example: Here the chart shows an asset that drops by 5% every day over a ten-day period to end at 40% down. In a theoretical scenario, without compounding, the value of the 3x ETP would have dropped to 0. With compounding, however, the value of the 3x ETP is down by 80% rather than losing its entire value.

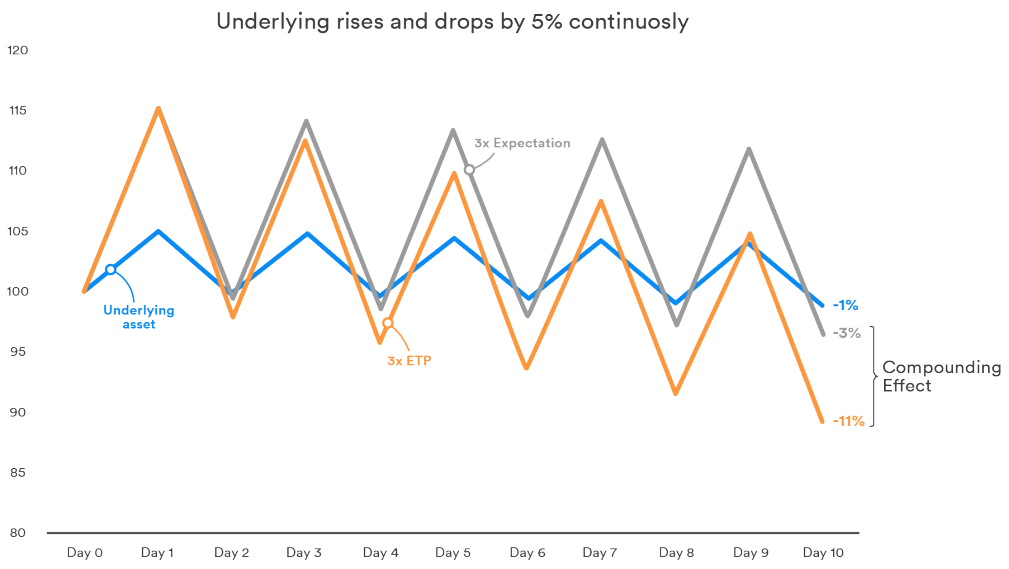


Oscillating market, the underlying moves up and down:

This is the most 'dangerous' situation for leveraged ETPs because generally, when the asset value goes up then down, the leveraged ETP would suffer more than the underlying asset. In this scenario because of compounding, with every gain, the subsequent loss will be applied to a higher ETP value – exacerbating losses. After each loss, the subsequent gain is applied to a smaller amount – making the gains less pronounced. Over a period of time this can significantly reduce returns.

In general - the more volatile the underlying and the longer the ETP is held, the higher the deviation in performance of the underlying vs the corresponding ETP.

Example: The chart shows an asset continuously rising and dropping by 5% over a ten-day period. We can see that while the underlying asset is only down by 1% at the end of the period, the 3x ETP is down by 11%. In this case compounding exacerbates the losses, since without compounding the 3x ETP would only be down 3%.



LEVERAGE

Leverage amplifies returns by a given factor. Any potential gains and losses are multiplied by the leverage factor. Trading on leverage typically entails borrowing, but by trading Leverage Shares ETPs investors don't need to borrow funds.

LONG POSITION

An investor would typically take a long position to benefit from a rising market.

Shield your portfolio with Short ETPs

If on any given day an investor expects the value of a particular asset to fall, then investing in short ETPs might be a viable option. Assuming that the underlying asset falls by 1%, then a short ETP would yield a 1% return, a double short ETP would give a 2% return and a triple short ETP would give a 3% return on the amount invested (excluding costs and fees).

There are generally two situations in which the use of short ETPs might be considered:

If an investor is expecting certain asset to take a sudden dip and does not want to cash in their long-term investments, short ETPs can provide the needed hedge and compensate for any loss in the long positions with the gain on the ETP.

SHORT POSITION

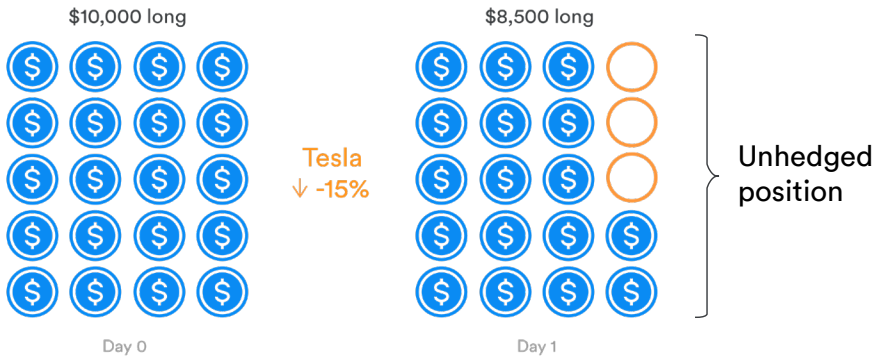
An investor would typically take a short position to benefit from a falling market.

BEAR MARKET

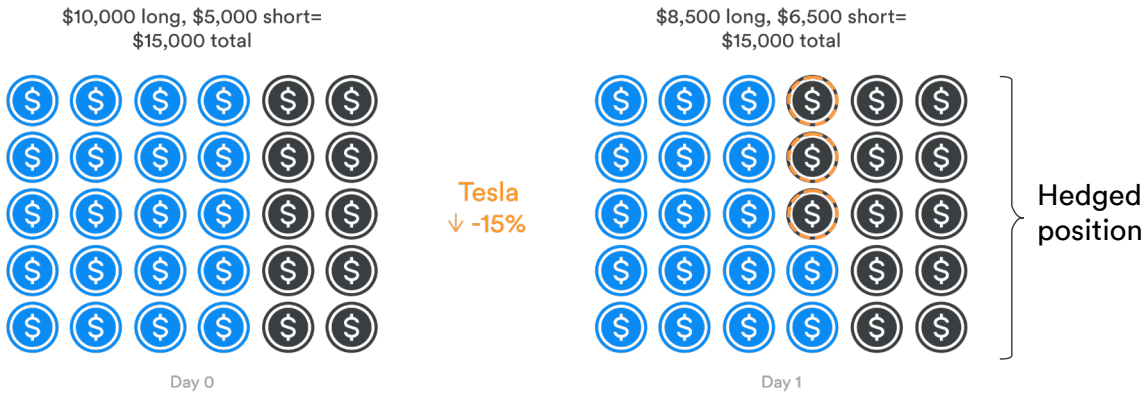
When the value of most stocks is declining for a prolonged period of time.

Let's take the example of an investor who has a long portfolio investment of $10,000 in Tesla stock.

On any given day, if the value of the Tesla stock falls by 15%, the portfolio would now be worth $8,500.



However, the investor could hedge their position and take precautions and invest $5,000 in a Leverage Shares -2x Short Tesla ETP. In this case, the 15% loss made in the long-term portfolio would be compensated by a 30% gain from the short ETP and the overall portfolio worth would stay the same.



Both leveraged and inverse indices use the end-of-day price of the underlying asset or ETPs to define the closing level of the ETP.

The events of the day would impact the levels and exposure of the ETP and usually corrective actions are required by the portfolio manager who has to rebalance the exposure in order to maintain a constant leverage factor.

Therefore, if an investor holds the ETP for a period longer than one day, both gains and losses will be compounded, and the performance of short ETPs would no longer follow the benchmark precisely.

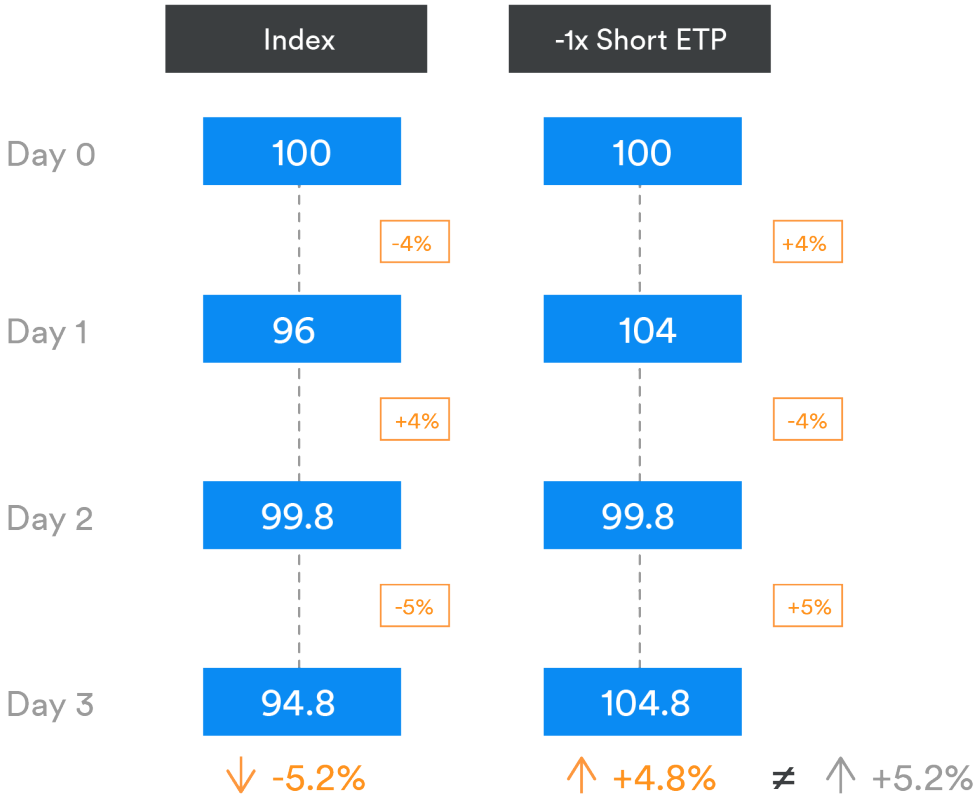
It should be noted that this example is applicable to a one day holding period only. In order to maintain similar results for a longer period of time an investor would have to adjust their positions regularly.

Compounding

The compounding effect causes the movement in the value of short ETPs to not follow a linear path compared to the underlying asset over periods longer than 1 day, due to accumulation from previous periods.

Let's assume that the underlying asset has a starting value of $100.

On a given day when the ETP (tracking the underlying asset) closes its value down by 4%, meaning at $96, the -1x short ETP associated with that asset would be up by 4%, meaning at $104 (assuming the same initial value of $100). If at market close on the next day the value of the underlying asset is up by 4%, meaning at $99.8, then the ETP would be down by 4%, meaning at $99.8. If on the third day the underlying is down by 5% to $94.8, then the ETP would be up by 5% to $104.8. As this example shows, for the three-day period, while the value of the underlying asset has fallen by 5.2%, the -1x short ETP has not increased by the same percentage but by 4.8%. This result is due to compounding.



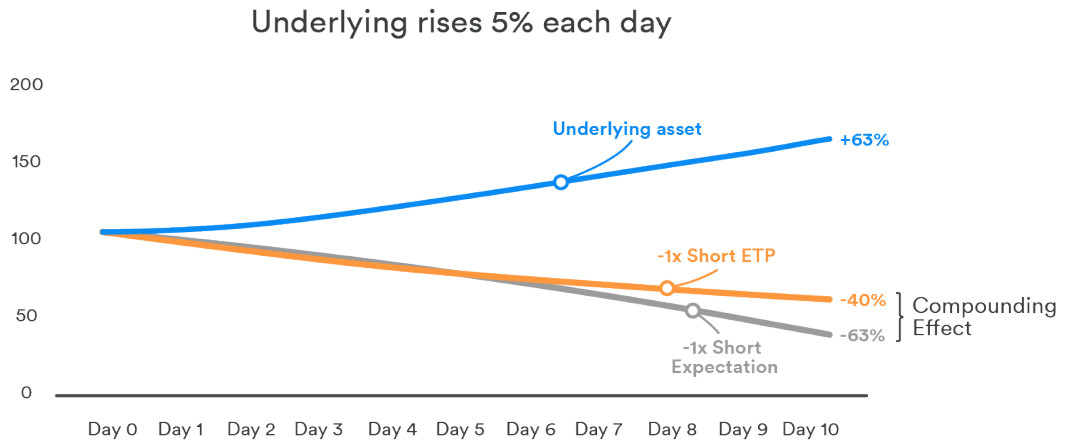
Thus, over time, compounding can create a disparity between the underlying asset and the short ETP. This disparity grows with market volatility, the leverage factor and the holding period. This is something an investor has to keep in mind when holding onto short ETPs for a period longer than one day.

How do short ETPs work?

I. When the underlying goes up:

If an asset is continuously rising in value, then the short ETP will consequently decrease every day. In this scenario compounding will mitigate the losses, since every day the loss is applied to a lower ETP value.

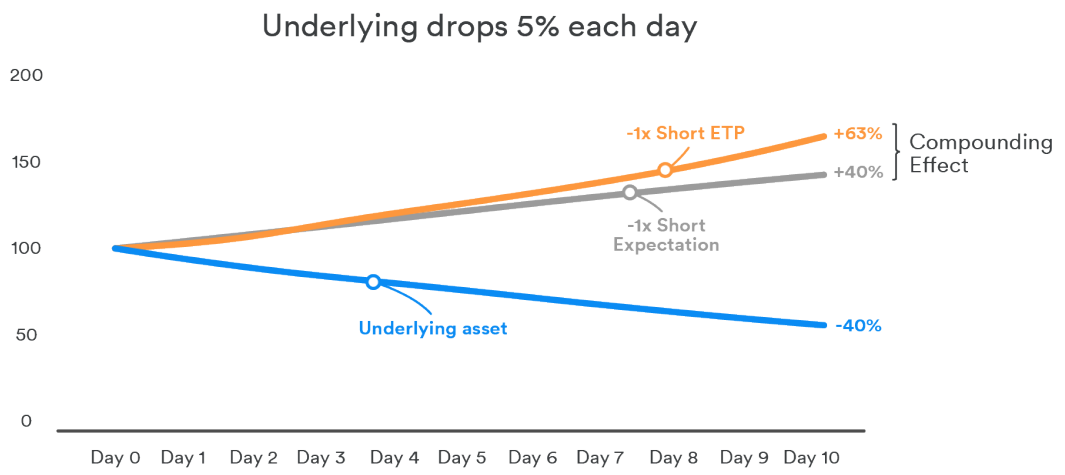
Example: The chart shows an asset continuously increasing by 5% over a ten-day period. By day 10, the underlying asset is up by 63%, while the -1x Short ETP is down by only 40%, instead of +63%, due to compounding.



II. When the underlying goes down:

A prolonged downward trend is the most beneficial for short ETPs vs actually "shorting" an asset. While the underlying asset decreases in value, the ETP will provide positive returns with subsequent gains based on a progressively higher value.

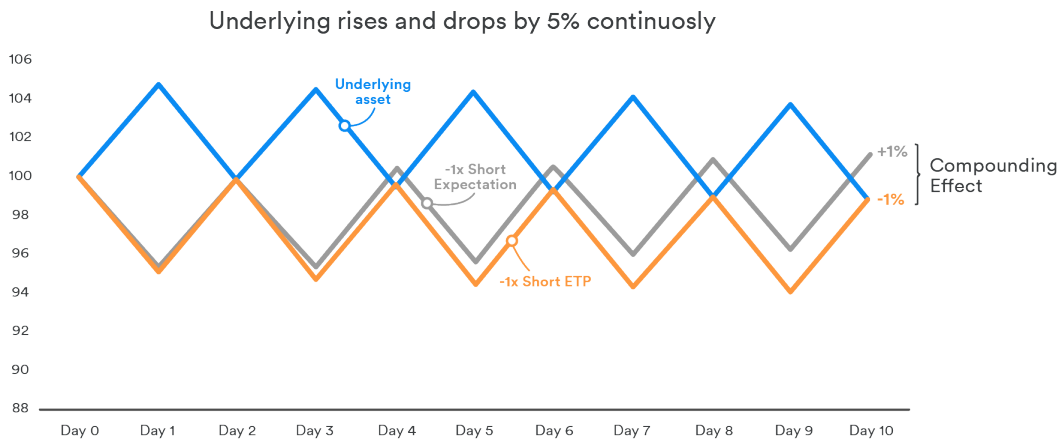
Example: The chart illustrates a situation in which the underlying asset drops by 5% every day over a ten-day period, falling by a total of 40% at the end of the 10th day. At the same time, the -1x Short ETP has increased by 63% (significantly more than the 40% increase expected with no compounding).



III. Oscillating market, the underlying moves up and down:

An asset continuously moving up and down creates a detrimental scenario for short ETPs, since the short ETP will generally suffer the negative effects of compounding – with every gain, the consecutive loss is applied to a higher value and after every loss, the gain is applied to a lower ETP value. Over a prolonged period of time this can cause divergence in results between the underlying asset and the -1x Short ETP.

Example: The chart portrays an asset which rises and drops by 5% continuously, over a ten-day period. At the end of the 10th day, the value of the asset has a cumulative loss of 1% compared to the first day. In this case, it would be expected that the -1x Short ETP would have increased by 1%, but due to compounding the ETP is also down by 1% compared to day one.



What is the recommended holding period for S&L ETPs?

The effects of daily compounding/rebalancing reiterate an important point: unlike passive investment such as pure beta ETFs, our short and leveraged ETPs are relatively more risky and require active management. The recommended holding period of our short & leveraged instruments is one day.

UCITS

UCITS stands for 'Undertakings for Collective Investment in Transferable Securities' and is a directive of the European Commission that establishes a harmonized framework throughout the European Union for the operation of collective investment schemes.

SPREADS

The difference between the bid (selling price) and ask (buying price) quoted for an asset.

Potential ways to trade with Leverage

Potential Ways to Gain Magnified Exposure	Futures	Option	Spread Betting / CFDs	Warrants / Turbos	Leveraged Certificates	Leverage Shares ETPs[1]
Constant Leverage Factor	✗	✗	✗	✗	✓	✓
Losses Capped at Invested Amount	✗	✓	✗	✓	✓	✓
Low Minimum Trade Size	✗	✗	✓	✗	✗	✓
No Maintenance Margin Required	✗	✗	✗	✓	✓	✓
No Margin Account Required	✗	✗	✗	✗	✓	✓
Physically-Backed	✗	✗	✗	✗	✗	✓
Dedicated Market Maker	✓	✓	✗	✗	✗	✓
No Bank Credit Risk[2]	✓	✓	✗	✗	✗	✓
Traded on a Regulated Exchange	✓	✓	✗	✓	✓	✓

[1] Leverage Shares are margin-based ETPs that provide 5x, 3x, 2x, -1x -2x, -3x & -5x exposure to individual stocks & ETFs.

[2] Although credit risk is reduced, other risks still apply.

Our S&L Single Stock ETPs

Fintech Disruptors & Growth Stocks

Airbnb
Coinbase
JD.com
Palantir
PayPal
Plug Power
Square
Visa

FANG+ Constituents

Alibaba
Alphabet
Amazon
Apple
Baidu
Facebook
Netflix
NVIDIA
Tesla

Blue Chips

AMD
BP
Goldman Sachs
HSBC
JP Morgan
Microsoft
Royal Dutch Shell
Salesforce

Stay-at-home Champs & Recovery Plays

Boeing
Disney
Uber

Our S&L Thematic ETPs

ARK Invest based ETPs

ARKG Genomic
ARKK Innovation
ARKW NextGen Internet

Sectors and Themes

Biotechnology
China Tech
Clean Energy
Financials
Gold Miners
Oil & Gas
Semiconductors

Broad Market

Total World
US 500
US Tech 100

How might Leverage Shares ETPs be used?

Prior to investing, investors should ask themselves the following questions:

> Do I understand the various risks with respect to these ETPs?

> Am I able to actively monitor and manage my investments?

> Can I tolerate substantial losses, possibly the full amount of my investment?

> Do I have a keen grasp on the concept of daily compounding?

How might LS ETPs be used?

Daytrading

Premarket exposure to US stocks

Volatility

Swing trading

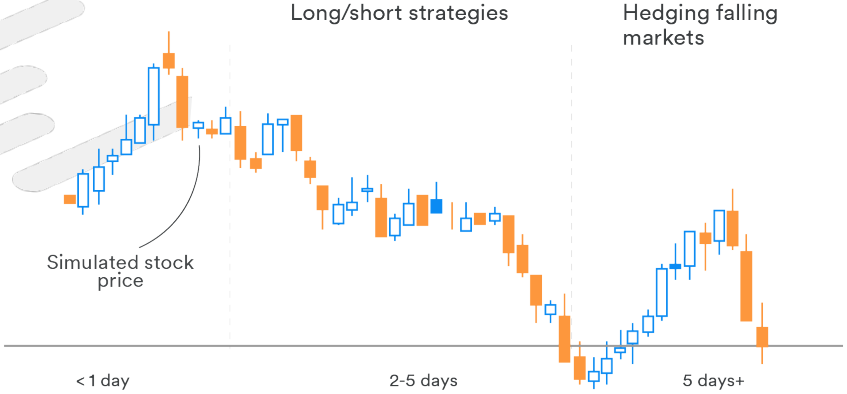
Event driven trading (earnings, takeover announcements, etc.)

Long/short strategies

Longer-term view on directionality

Capitalising on sector/macro trends

Hedging falling markets



MARKET RISK

The value of each ETP is derived from the value of the asset being tracked (close price is used as ETP's NAV). Investors should understand the various factors that drive the value of the underlying stock, which may include broad macro factors down to company-specific risks.

CURRENCY RISK

ETPs denominated in currencies other than that of the underlying aseet will take on currency risk. This risk can be both positive or negative depending on the trading of GBP or EUR-denominated ETP relative to USD, the currency of the underly- ing security.

TRADING RISK

Volatility on the underlying asset may lead to wider bid-ask spreads.

EQUITY PRICE RISK

The risk of a decline in the value of a security or a portfolio. Equity price risk can be either systematic or unsystematic. Unsystematic risk can be mitigated through diversification, whereas systematic cannot.

CONCENTRATION RISK

Investors with concentrated position in individual assets will be subject to adverse movements in those assets. This is similar to holding concentrated positions in a single stock.

Frequently Asked Questions

How do Leverage Shares ETPs track US stocks and ETFs during European trading hours?

Similar to European UCITS ETFs tracking US indices (e.g. S&P 500, Nasdaq 100, etc.), market makers can provide prices during European hours based on any trading on the underlying and any instrument tracking the underlying: cross-listings, pre-market trading, etc. Nonetheless, the closing price of the US stock or ETF/ADR is the basis for the NAV calculations of the ETPs.

What is the daily all-in cost of holding Leverage Shares ETPs?

The daily costs comprise of an annual management fee and a margin interest rate. This varies by the underlying asset tracked by a given ETP and its leverage factor, but is usually under 0.01% per day.

Are leveraged ETPs a new concept?

No, the first leveraged ETP was launched in 2006. Previous short and leveraged ETPs have generally offered exposure to broad based indices, commodities and fixed income.

Does Leverage Shares use swaps to offer leveraged exposure?

Leverage Shares ETPs do not invest in over-the counter (OTC) derivatives like swaps or forwards. The ETP issuance proceeds and margin borrowing are used so that each ETP is fully collateralised.

What would happen to the ETPs if Leverage Shares PLC were to go bankrupt?

There should be no impact on the ETPs as ETP assets are held in favour of an independent trustee (Apex Corporate Trustees (UK) Limited) on behalf and for the benefit of investors. Leverage Shares PLC's assets are ring-fenced from other Leverage Shares entities to minimise risk to investors in the event of bankruptcy of the provider. Other fees, like costs incurred in connection with the unwinding of the issuer's operations, may be reflected in each ETP's final NAV.

Risk Disclosure

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. An investment in ETPs is dependent on the performance of the underlying asset, less costs, but it is not expected to match that performance precisely. ETPs offering daily leveraged or daily short exposures ("Leveraged ETPs") are products which feature specific risks that prospective investors should understand before investing in them.

Securities issued by the Issuer are products involving a significant degree of risk and may not be suitable for all types of investor. Any decision to invest should be based on the information contained in the prospectus of the Issuer (or any supplements thereto) which includes, inter alia, information on certain risks associated with an investment. The price of any securities may go up or down and an investor may not get back the amount invested. Securities are priced in US Dollars/Euros/Pounds and the value of the investment in other currencies will be affected by exchange rate movements.

Short and leveraged exchange-traded products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short-term basis. Any investment in short and/or leveraged products should be monitored on a daily basis to ensure consistency with your investment strategy. You should understand that investments in short and/or leveraged exchange-traded products held for a period of longer than one day may not provide returns equivalent to the return from the relevant unleveraged investment multiplied by the relevant leverage factor.

Potential losses in short and/or leveraged exchange-traded products may be magnified in comparison to investments that do not incorporate these strategies. Please refer to the section entitled "Risk Factors" in the relevant prospectus for further details of these and other risks associated with an investment in short and/or leveraged exchange traded products. You should consult an independent investment adviser prior to making an investment in short and/or leveraged exchange-traded products in order to determine its suitability to your circumstances.

Disclaimer

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 in ETPs may not be suitable for all types of investors as they carry a high degree of risk. Investors may lose all of their initial investment and should only speculate with money they can afford to lose. Changes in exchange rates may also cause their investment to go up or down in value. Tax laws may be subject to change. Investors should ensure that they fully understand the risks involved. If in any doubt, investors should 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.

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Preferred Providers

ETP OPERATIONS

INDEX PROVIDER

LEGAL & COMPLIANCE

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