Leveraged ETF Fees Explained: What You Need to Know

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When investing in a leveraged ETF, you're aiming for amplified daily returns – like twice the return of a stock. But it's important to know that these leveraged returns come with their own cost structure. In this guide, we'll break down how leveraged ETF fees work and how they can impact your investment returns. We'll also compare leveraged ETF fees to those of regular ETFs to show how they might differ.

How leveraged ETF fees work

As with "regular" exchange-traded funds, leveraged ETFs charge an annual fee called the **expense ratio**. It pays for running the fund and keeping leverage in place. Because leverage adds complexity, these fees can be higher than those charged by regular ETFs.

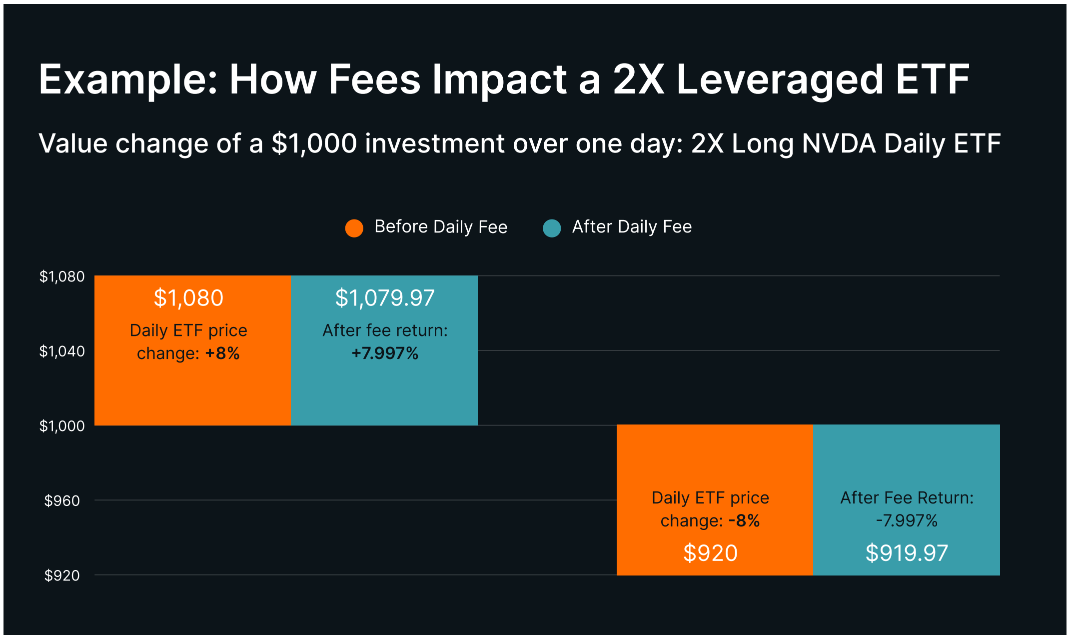
The fund takes this fee from its net asset value (NAV) each day. NAV shows what the fund is worth – everything it owns, minus costs, divided by shares. Each day, the fund shaves off a tiny slice of that annual fee. Across the year, those slices add up to the full expense ratio.

Hypothetical example: Fee impact on a 2x leveraged ETF

Say the 2X Long NVDA Daily ETF (ticker NVDG) gains 8% in a day when Nvidia's stock rises 4%. The fund's annual expense ratio is 0.75% – or about 0.0029% per day. After that small daily fee, the ETF's return comes to roughly 7.997%. It's barely noticeable day to day, but fees can add up over time.

Now suppose you invest $1,000 in the same ETF. An 8% move before fees would take your position to about $1,080. After the fund deducts its daily fee, your value would be more like $1,079.97.

If Nvidia falls 4% in a day, the ETF aims for about an 8% drop. Your position would fall to roughly $920 before fees, and around $919.97 after the same daily deduction.



Note: All figures are illustrative. Actual results depend on each fund's expense ratio, daily compounding, and market path.

Leveraged ETF fees vs regular ETF fees

Leveraged ETFs tend to have higher expense ratios than regular ETFs. That's because they use derivatives to "synthetically" boost daily returns without holding the underlying assets.

The table below shows how fees for leveraged ETFs typically compare to standard ETFs:

Feature	Standard ETF	Leveraged ETF
Yearly expense ratio	Lower (e.g., 0.1% - 1%).	Higher (e.g., 0.5% - 1.5%).
Daily fee impact	Deducted daily, but barely noticeable.	Also deducted daily. The daily effect is also negligible.
Cost for holding	Lower for long-term investors.	Higher for holding periods longer than a day.

Keep in mind that most investors only hold leveraged ETFs for a short time – usually a day or less. So, daily fees tend not to add up as much for those investors. That's because leveraged ETFs "reset" each day to maintain the same leverage ratios, which can lead to adverse "compounding" effects over time. Learn more about leveraged ETFs and compounding here.

Leveraged ETFs also have other trading costs, which can stack up the more you trade. You'll pay your broker's **dealing fee** when you buy or sell, and there's usually a small gap between the bid and ask price – called the **spread**. For short-term traders, these costs usually matter more than the fund's expense ratio.

Leverage Shares offers 2X daily leveraged ETFs on popular US stocks such as Nvidia, Tesla, and Palantir. Each fund currently charges a 0.75% annual expense ratio – below the industry average for leveraged ETFs.

Key takeaways

- Leveraged ETFs tend to charge higher expense ratios than regular ETFs. This is mostly due to the costs of maintaining leverage ratios.
- Each day, the fund subtracts a small fee from its NAV. That means your leveraged return will be slightly below the target multiple after expenses.
- If you trade leveraged ETFs, remember that these daily fees can add up over longer holding periods.
- Leveraged ETFs also have other trading costs, such as broker fees and spreads. These can matter more to short-term traders.

Disclosure

INVESTMENT INVOLVES SIGNIFICANT RISK. The Fund does not invest directly in the underlying stock. Investing in the Fund involves a high degree of risk. As with any investment, there is a risk that you could lose all or a portion of your investment in the Fund.

An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about Themes ETFs. To obtain a Fund's prospectus and summary prospectus call 886-584-3637 or visit leverageshares.com/us/. A Fund's prospectus and summary prospectus should be read carefully before investing.

Because of daily rebalancing and the compounding of each day's return over time, the return of the Fund for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from 200% of the return of the underlying stock over the same period. The Fund will lose money if the underlying stock performance is flat over time, and as a result of daily rebalancing, the underlying stock's volatility and the effects of compounding, it is even possible that the Fund will lose money over time while the underlying stock's performance increases over a period longer than a single day.

The Fund is not suitable for all investors. The Fund is designed to be utilized only by knowledgeable investors who understand the potential consequences of seeking daily leveraged (2X) investment results, understand the risks associated with the use of leverage and are willing to monitor their portfolios frequently. The Fund is not intended to be used by, and is not appropriate for, investors who do not intend to actively monitor and manage their portfolios. For periods longer than a single day, the Fund will lose money if the underlying stock's performance is flat, and it is possible that the Fund will lose money even if the underlying stock's performance increases over a period longer than a single day. An investor could lose the full principal value of his/her investment within a single day if the price of the underlying stock falls by more than 50% in one trading day.

Some funds have risks associated with a limited operating risk of less than 1 year.

Investment in leveraged products may be subject to higher volatility. Fund does not directly invest in the underlying stock. An investment in the Fund involves risk, including the possible loss of principal. The Fund is non-diversified and includes risks associated with the Fund concentrating its investments in a particular industry, sector, or geographic region which can result in increased volatility. The use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. Risks of the Fund include effects of Compounding and Market Volatility Risk, Inverse Risk, Market Risk, Counterparty Risk, Rebalancing Risk, Intra-Day Investment Risk, Daily Index Correlation Risk, Other Investment Companies (including ETFs) Risk, and risks specific to the securities of the Underlying Stock and the sector in which it operates. These and other risks can be found in the prospectus.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. The market price returns are based on the official closing price of an ETF share or, if the official closing price isn't available, the midpoint between the national best bid and national best offer ("NBBO") as of the time the ETF calculates current NAV per share, and do not represent the returns you would receive if you traded shares at other times. NAVs are calculated using prices as of 4:00 PM Eastern Time. Indices are unmanaged and do not include the effect of fees, expenses, or sales charges. One cannot invest directly in an index.

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