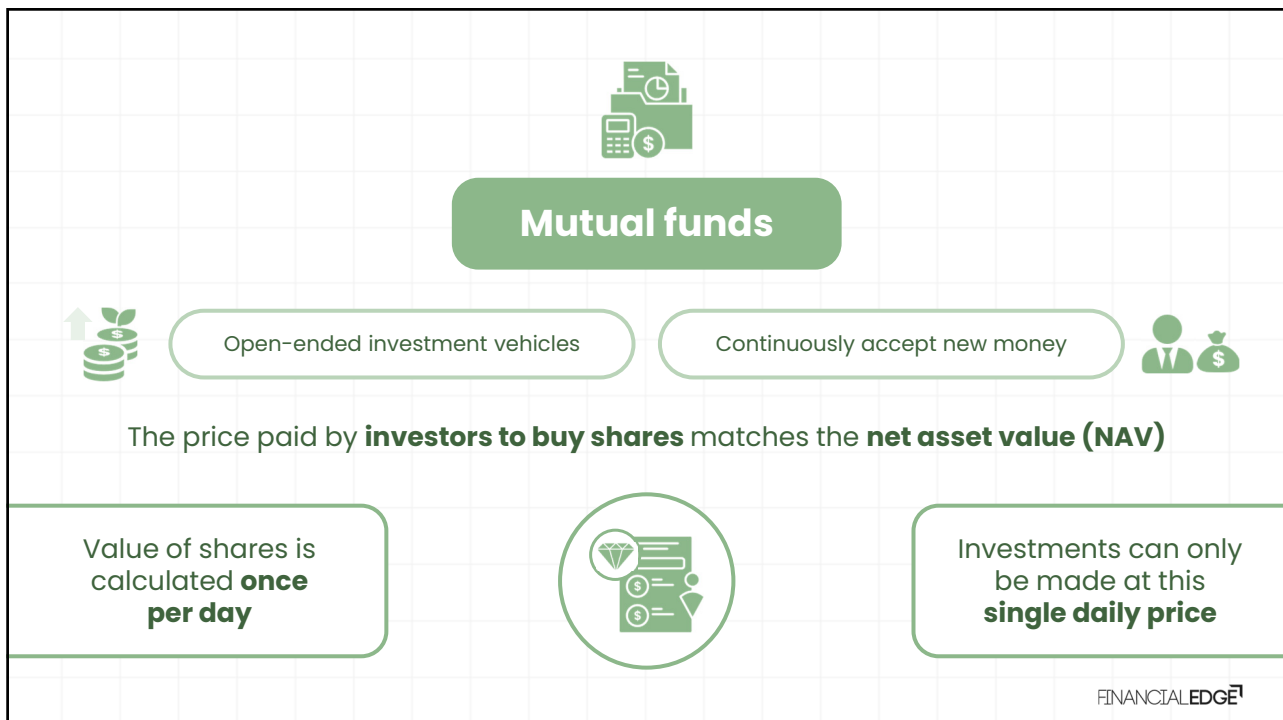
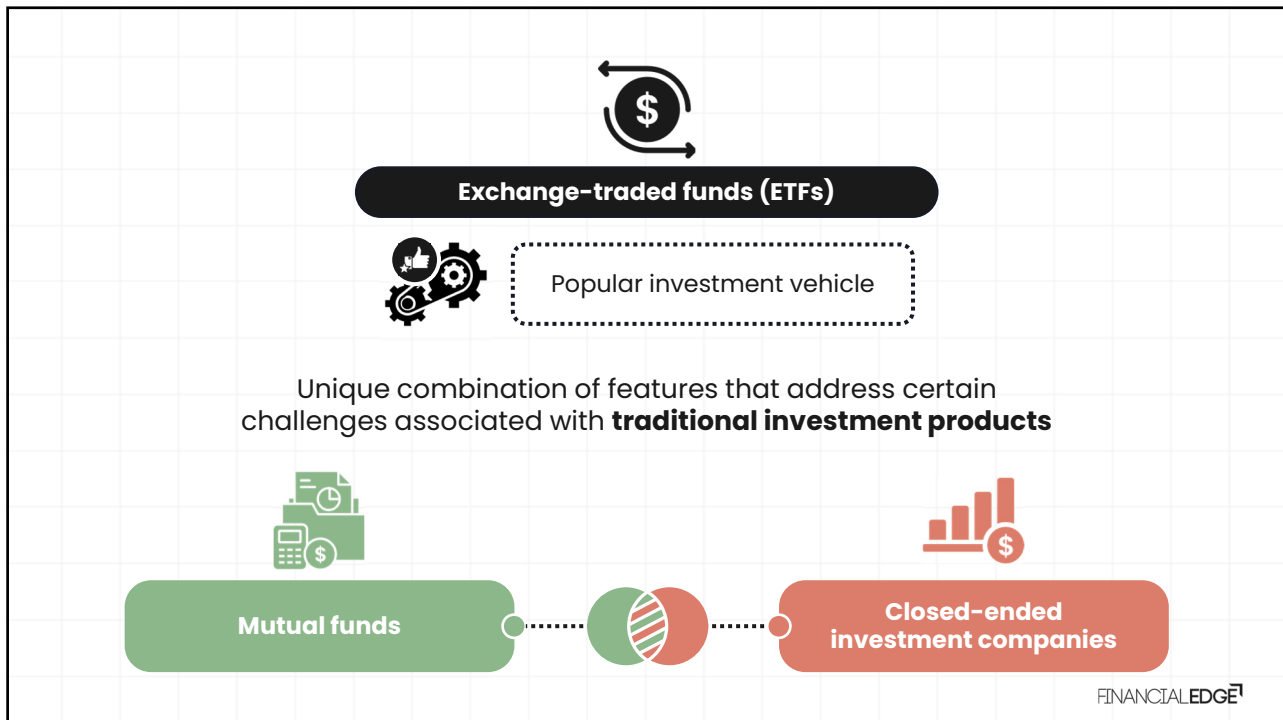


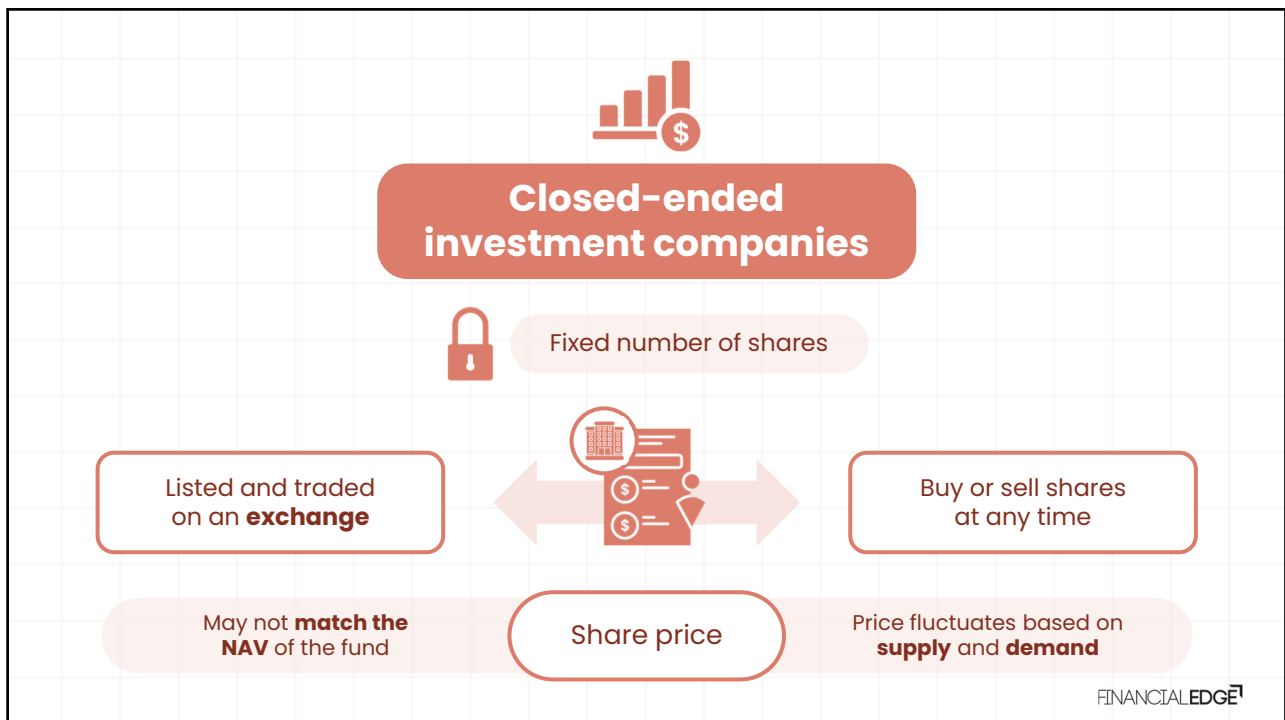
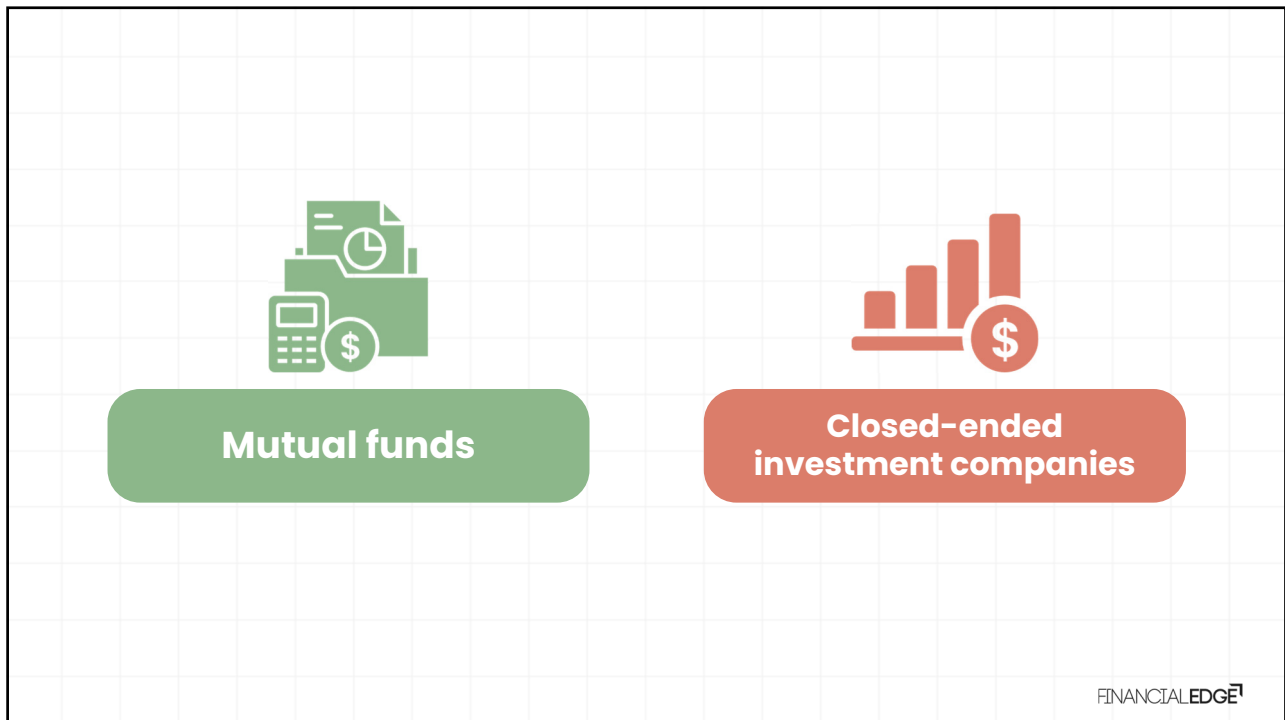


Equity Delta One Instruments



Equity Exchange Traded Funds (ETFs)





Exchange-traded funds (ETFs)



Mutual funds

ETFs are **open-ended**

They can grow as more investors wish to **invest in them**



Closed-ended investment companies

ETFs shares are listed on an **exchange**

Investors can **trade** them **throughout the day** at variable prices



'In-kind' **creation** and **redemption** process

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Cost

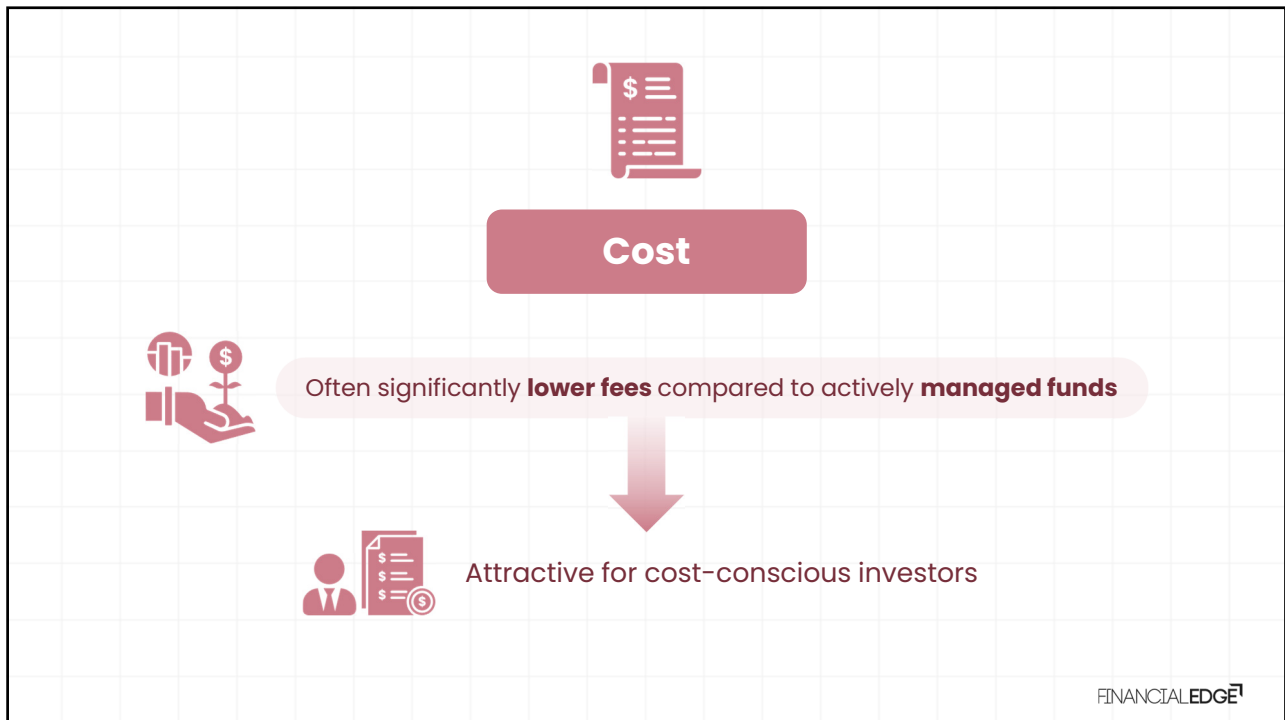


Asset class



Flexibility

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Asset class

ETFs provide exposure to a wide range of **asset classes**:



Equities



Fixed income



Commodities



Bitcoin

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Cost



Asset class



Flexibility

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Flexibility

ETFs combine the trading ease of an **individual security** with the diversification benefits of an **open-ended** or **closed-ended fund**



Buy shares



Sell shares

At any point during **market hours**, offering **liquidity** and **ease of access**

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Equity ETFs – Players in the Trade

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Important to understand the roles of the key participants involved in their:



Trading



Creation



Management

Secondary market



Investors **buy and sell ETF shares** directly with other **market participants**

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'In-kind creation' and 'in-kind redemption'



Market stability



Aligns share supply
with demand



Keep **ETF share prices** closely aligned with their **net asset value (NAV)**

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Net Asset Value (NAV)



(Total value of an ETF's assets – liabilities)



Number of outstanding shares

There are three **main players** involved in **exchange-traded funds (ETFs) trading**:



Broker

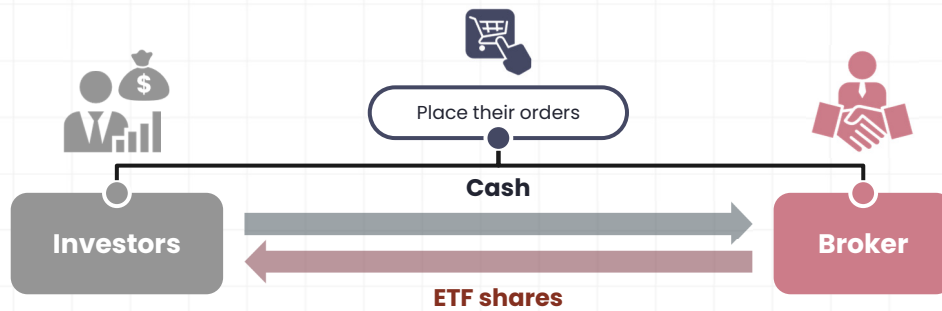


Authorized
Participant (AP)

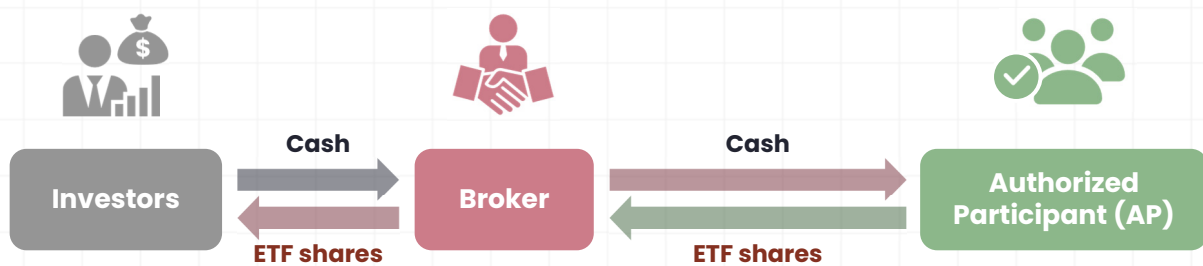


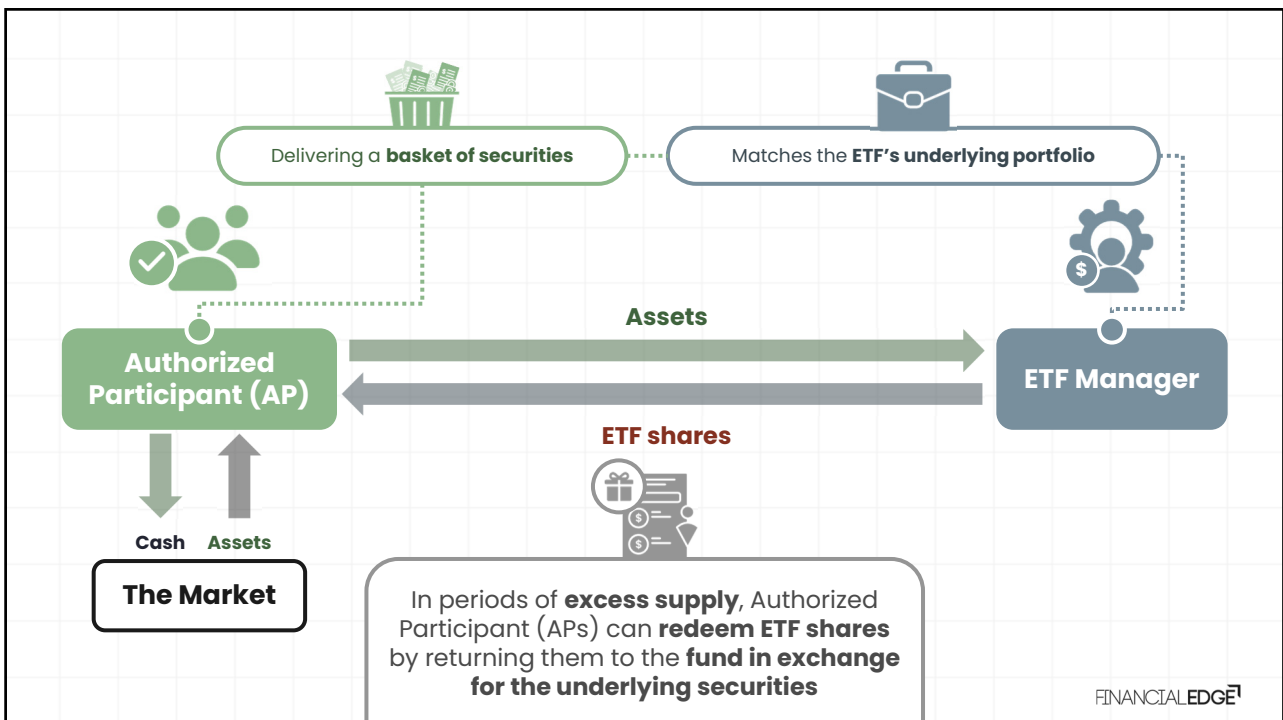
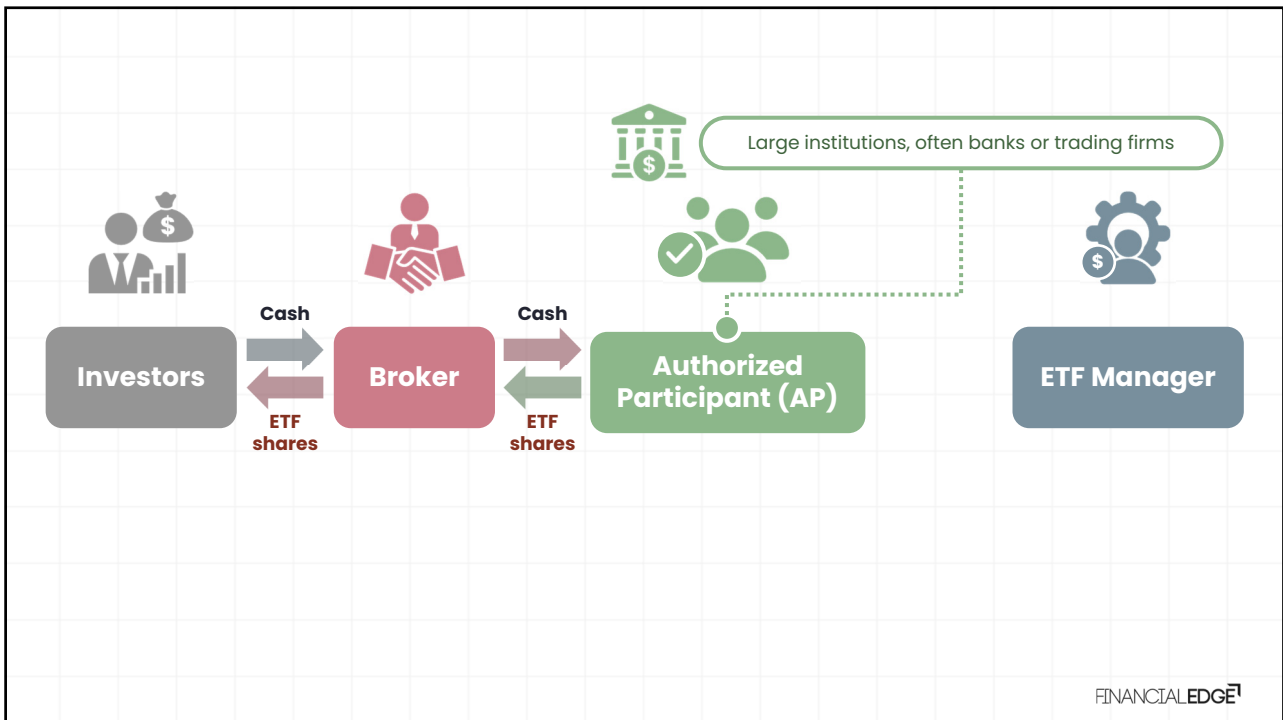
ETF Manager

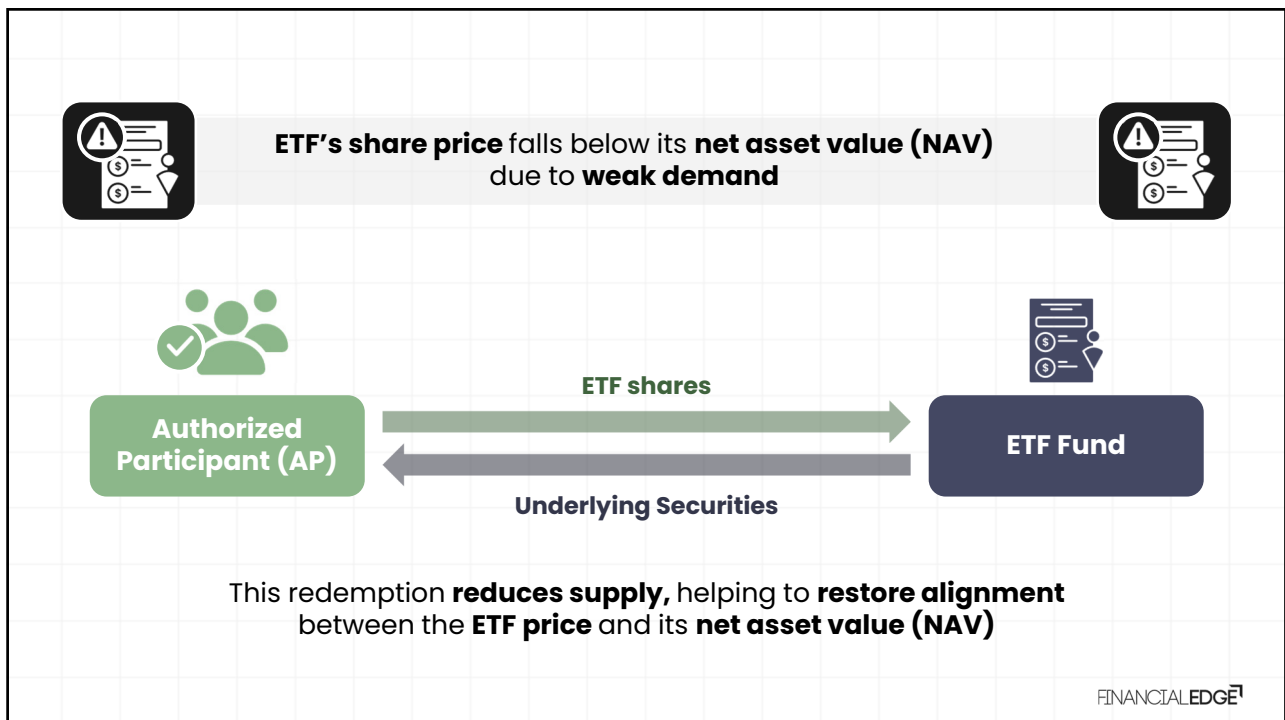
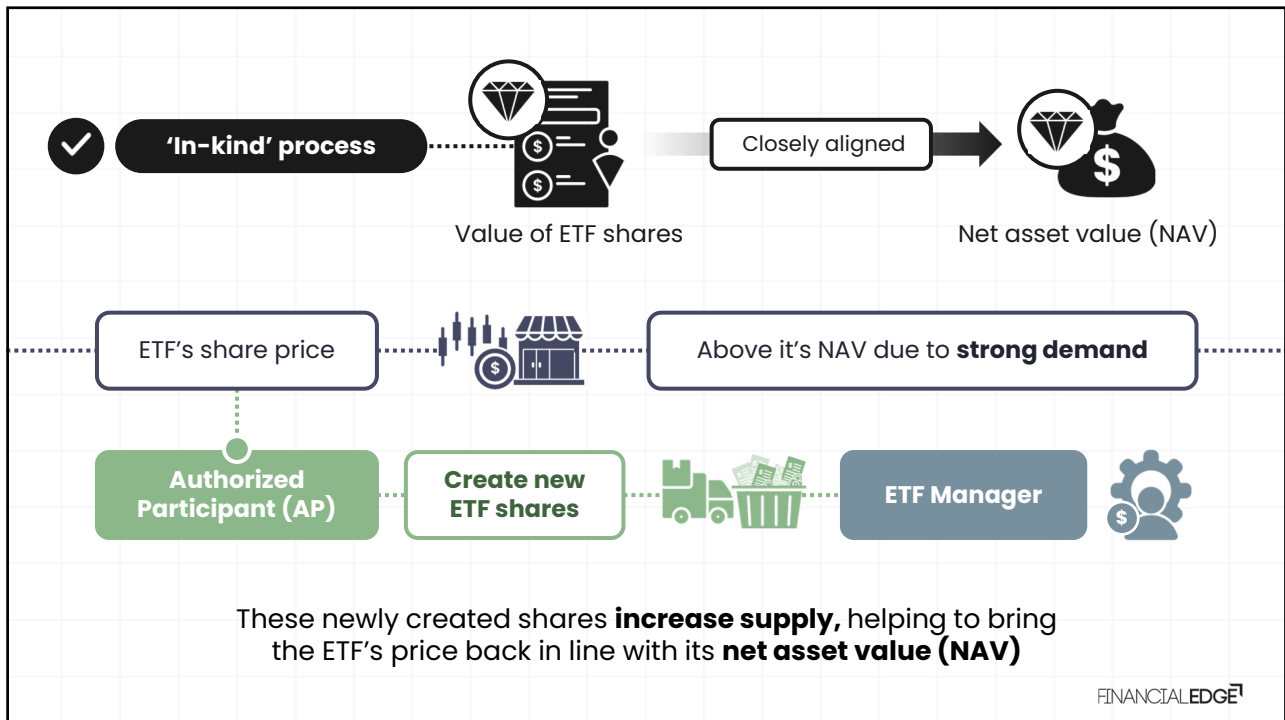
These **transactions occur** on the **exchange** and are **independent of the creation process**

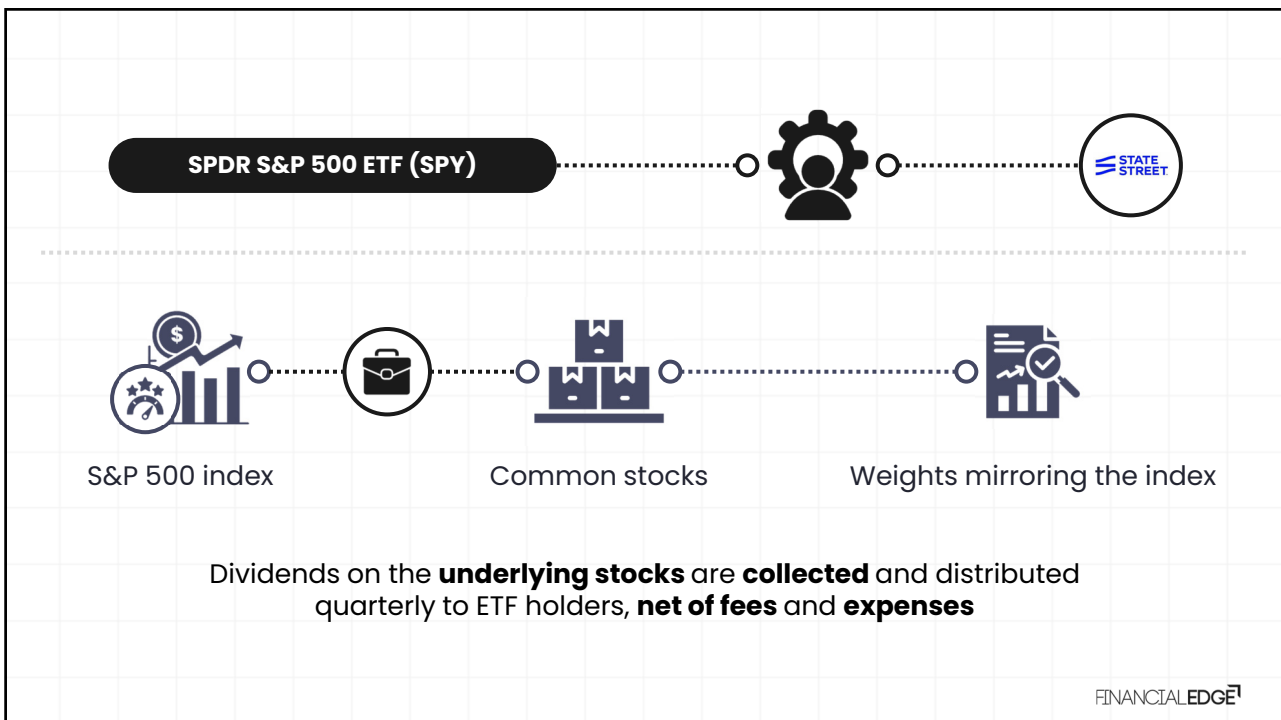
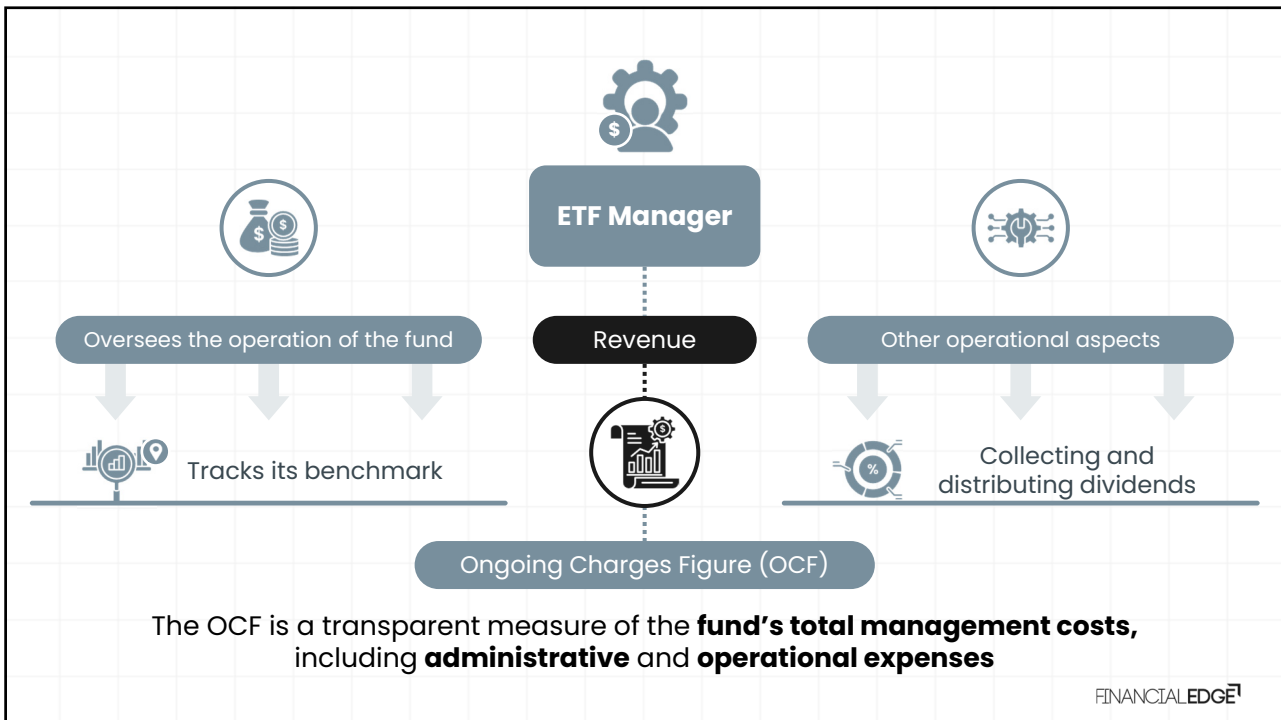
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When liquidity in the secondary market becomes **insufficient...**

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Equity ETFs – Net Asset Value (NAV)

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Net Asset Value (NAV)



Equity ETF



Critical metric
for investors



Total value
of all assets



At any given
point in time

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Value of
share
holdings



The **total market value** of the ETF's
underlying **portfolio of stocks**

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Value of
share
holdings

+

Received
dividends

Cash component

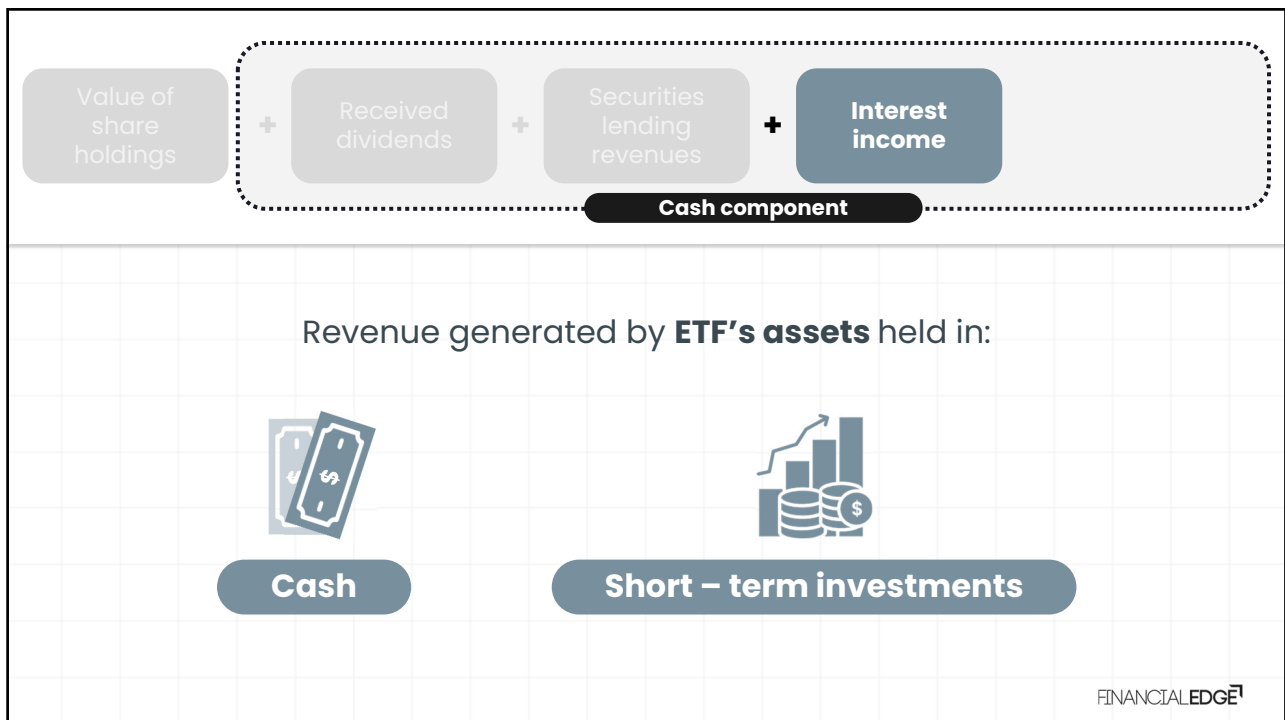
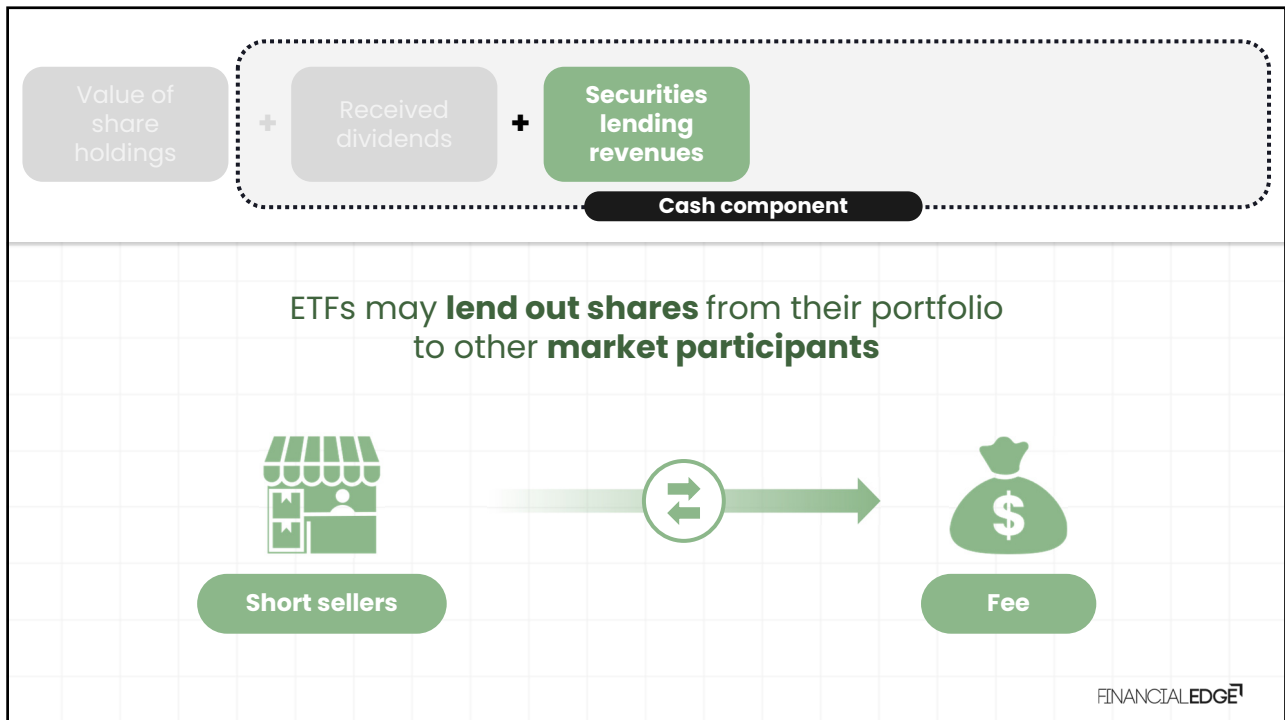


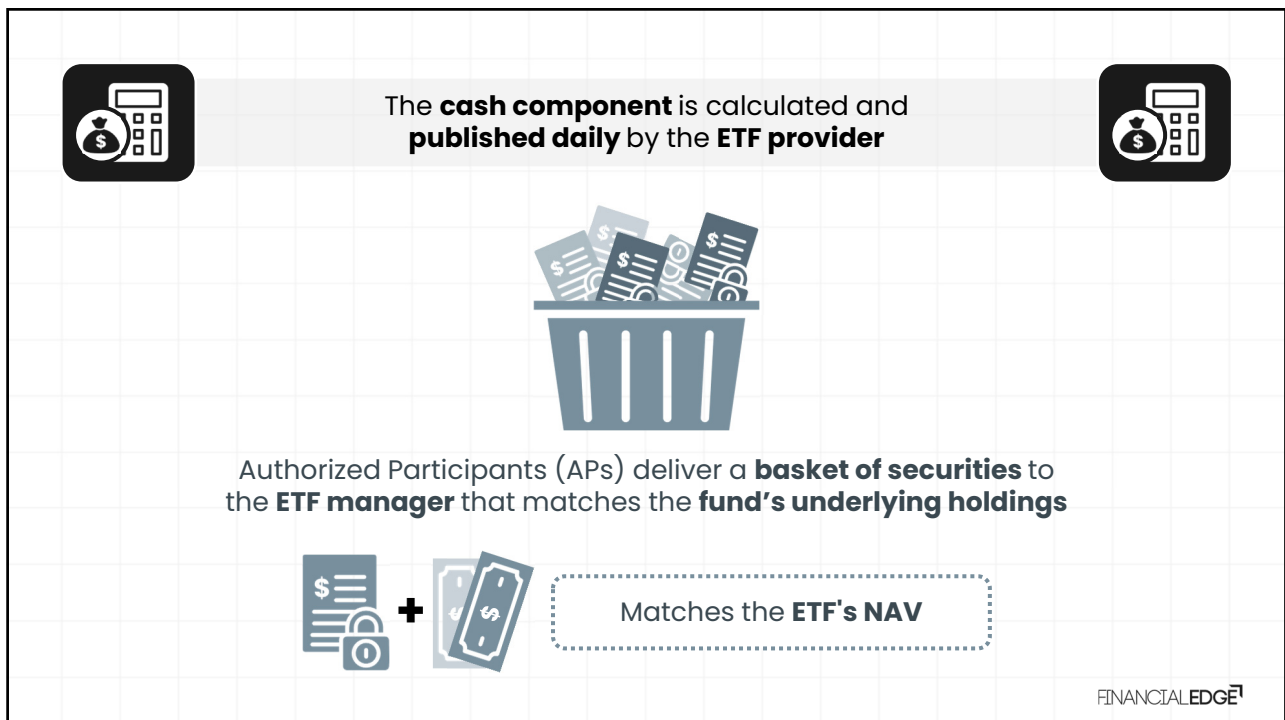
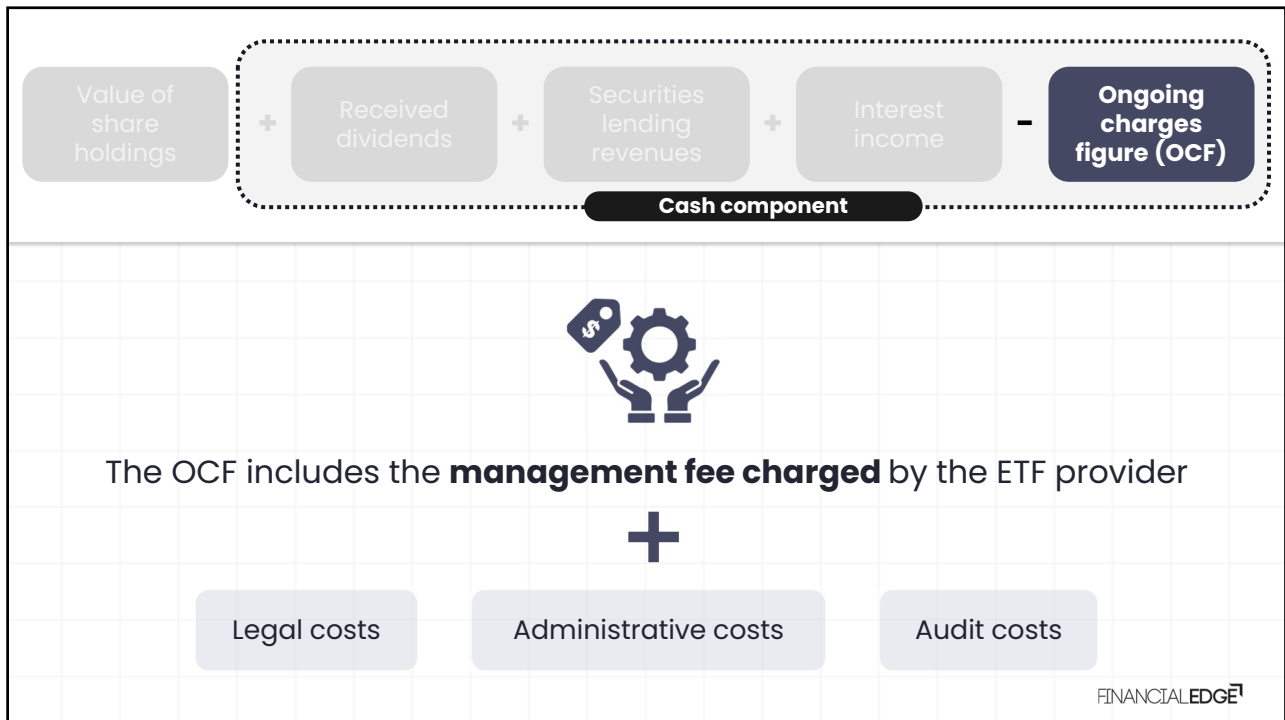
Companies in the **ETF's portfolio**
distribute dividends



Collected by the **fund** and added
to **cash component**

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Exchanged Traded Funds (ETFs)- Benefits

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ETFs (Exchange Traded Funds)

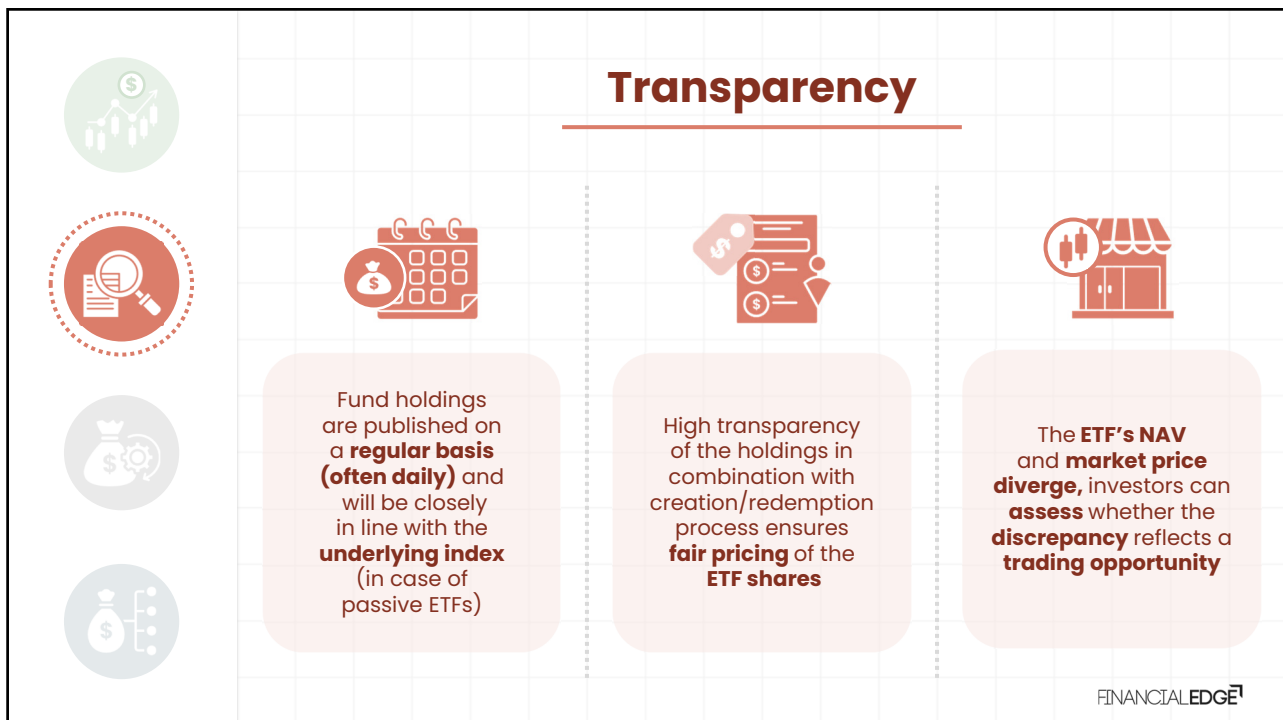
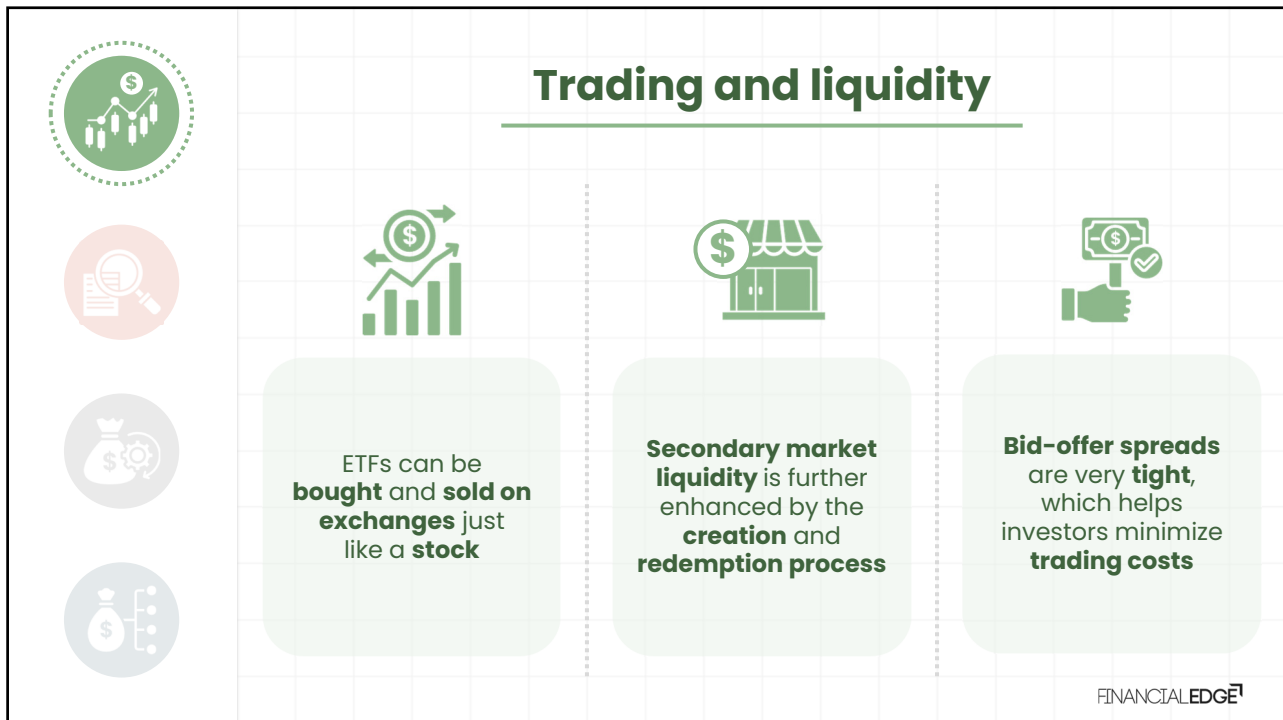



One of the most **popular investment** vehicles
due to their **numerous benefits**




Investors seeking a **flexible, cost-efficient**
way to achieve **broad-based market exposure**

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Cost efficiency



Most ETFs, especially those tracking broad-market indices, have **low ongoing charges**, as they are typically **passively managed**




ETFs are a compelling choice for both **retail** and **institutional investors** looking to **minimize fees** while gaining broad **market exposure**




An investor saving for retirement might opt for a **low-cost index ETF** to keep **fees low** and **maximize long-term returns**


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Structural benefits



ETFs have **no maturity, roll, or expiration risk**



Suitable for long-term investors who want to avoid the **complexities** of **rolling contracts** or managing expirations



ETFs are ideal for investors seeking **broad, diversified exposure** with **minimal maintenance**

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Exchange Traded Funds (ETFs)-Considerations

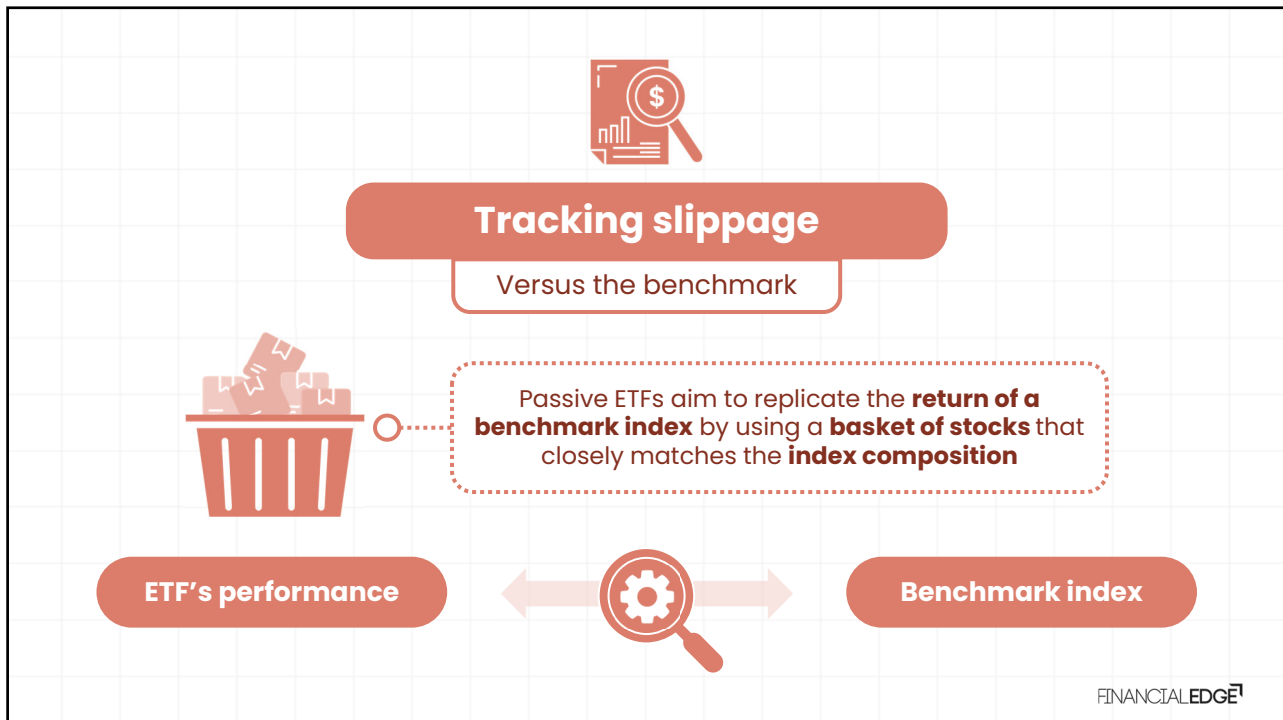
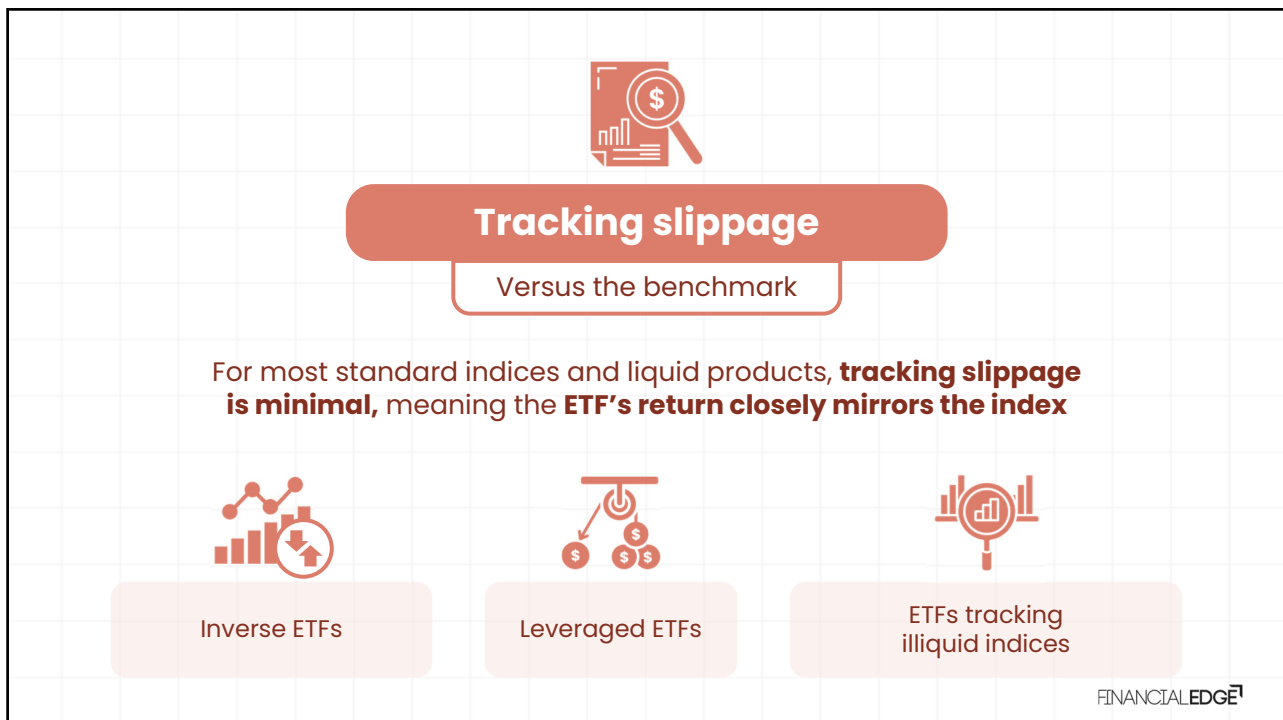
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Tracking slippage

Fully funded products

Indirect counterparty
credit risk

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Tracking slippage

Fully funded products

Indirect counterparty
credit risk

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Fully funded products



ETFs do not have an **embedded leverage feature**



ETFs trade like **stocks**, allowing **margin purchases**
or **short selling** where permitted

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Tracking slippage

Fully funded products

Indirect counterparty
credit risk

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Indirect counterparty credit risk



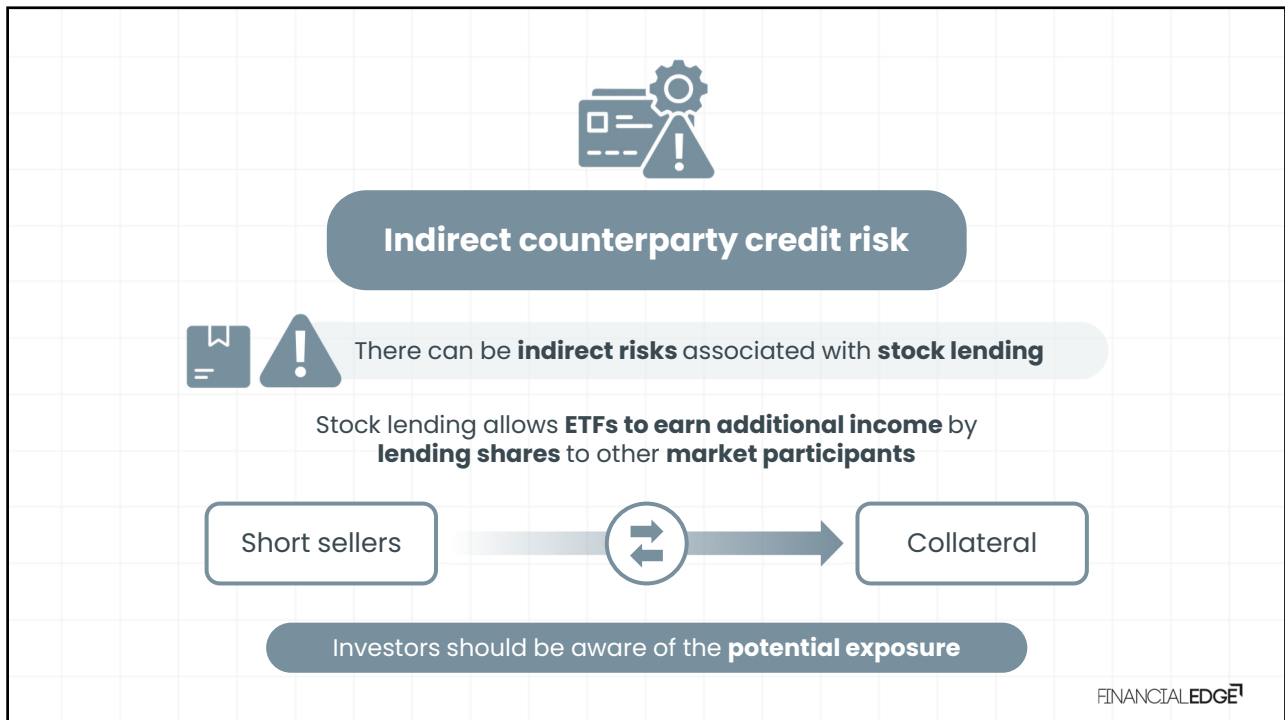
Some ETFs use a **derivative contract** (a swap) with a **counterparty** to **replicate the performance of the index**



The swap provider pays the ETF the total **return of the index**, including **both capital appreciation and dividends**

If the **swap provider defaults**, the ETF may not receive the **agreed returns**

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Active Exchange Traded Funds (ETFs)

Active ETFs vs Traditional ETFs

Similarities



Active ETFs are traded on **stock exchanges**



Active ETFs offer the same **intraday liquidity** and **trading flexibility**

Key differences



Active ETFs aim to outperform a **benchmark index** – not to replicate it



Active ETFs may not reveal their exact holdings every day to protect their **strategy**

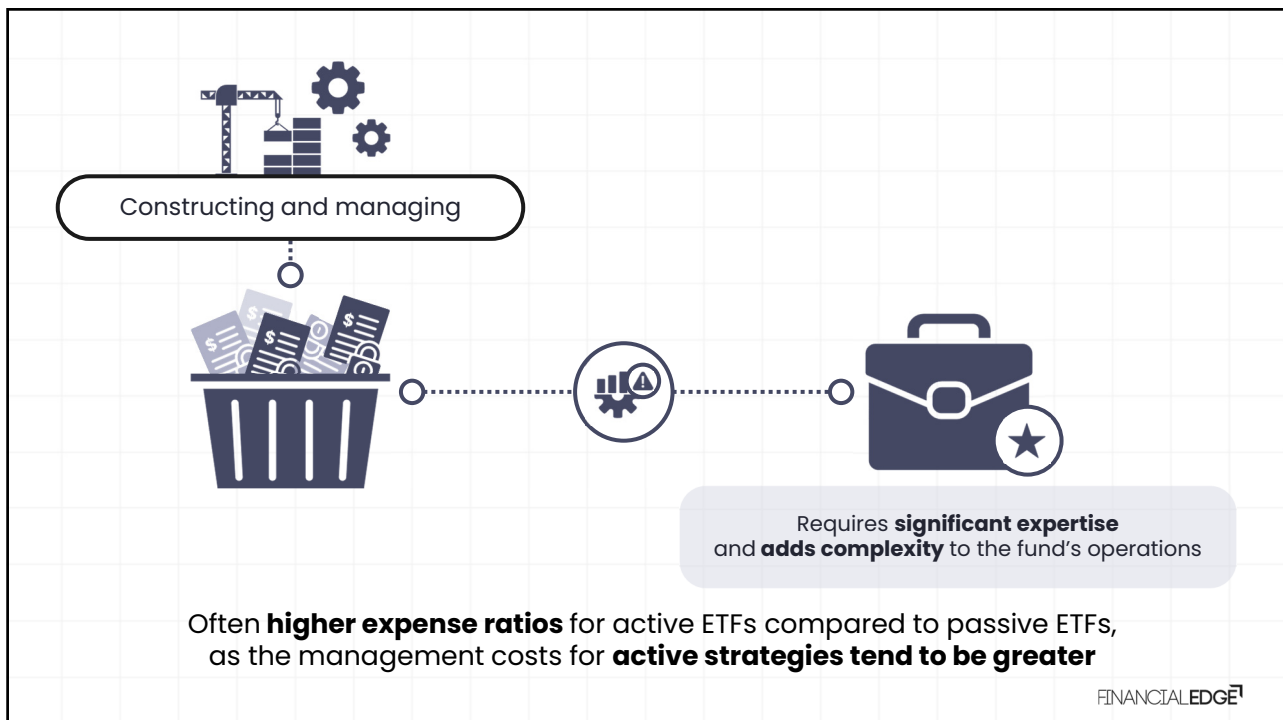
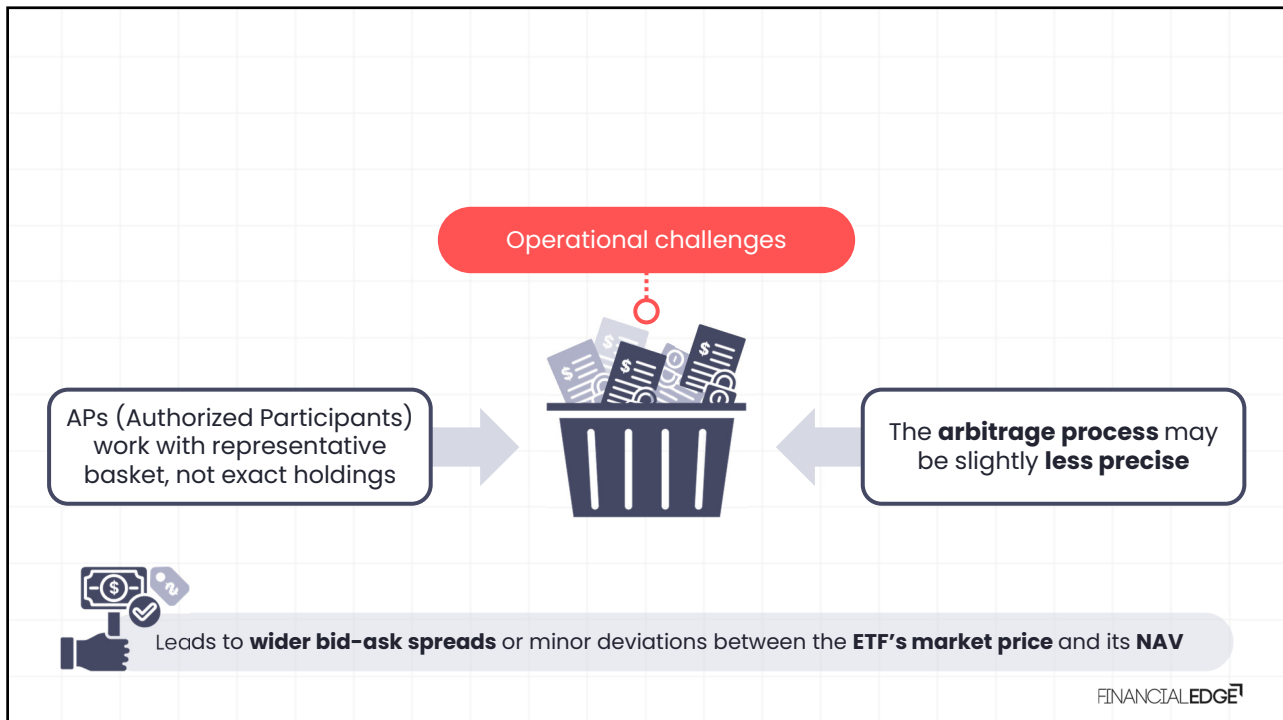
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"Representative basket" of securities



Approximate the **risk and return** profile of the ETF's actual holdings

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Smart Beta Exchange Traded Funds (ETFs)

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Smart Beta ETFs (Exchange Traded Funds)

A blend of **passive** and **active investment strategies**



Focus on **specific factors** or **characteristics of securities**

Value



Growth



Momentum

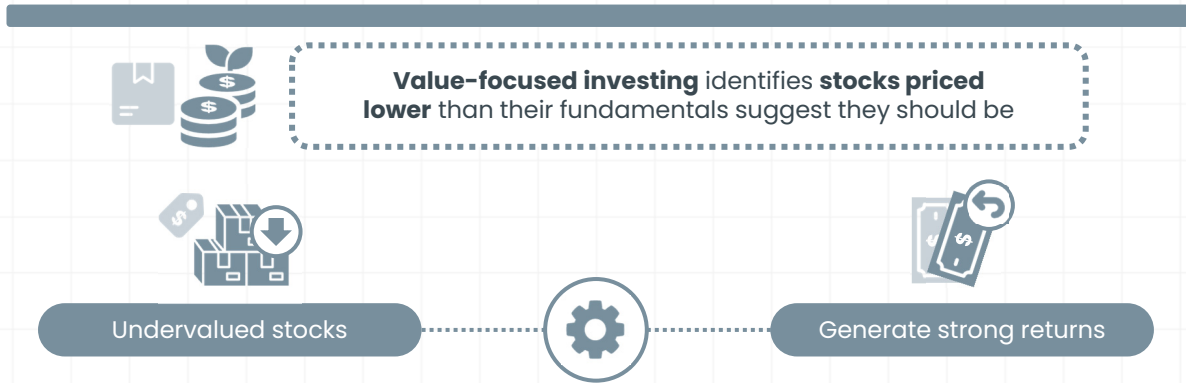


Dividends

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Value



Value strategies are often favored during **economic recoveries** or **periods of market underperformance**

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Smart Beta ETFs

(Exchange Traded Funds)

A blend of **passive** and **active investment strategies**



Focus on **specific factors** or **characteristics of securities**

Value

Growth

Momentum

Dividends

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Growth



Targets companies exhibiting **above-average growth** in:

Earnings

Revenues

Cash flows



Growth



Technology

Healthcare



Higher valuations



More sensitive to changes in **interest rates** or **economic conditions**

Smart Beta ETFs

(Exchange Traded Funds)

A blend of **passive** and **active** investment strategies



Focus on **specific factors** or **characteristics of securities**

Value

Growth

Momentum

Dividends

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Momentum



These focus on stocks that have shown **high recent returns** and are likely to **continue rising**



Strong-performing stocks



Attract further investor interest

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Momentum



Sectors like **technology** or **growth-driven industries**



Can carry **higher risks** during **market corrections**, as momentum stocks can fall sharply when **trends reverse**

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Smart Beta ETFs

(Exchange Traded Funds)

A blend of **passive** and **active investment strategies**



Focus on **specific factors** or **characteristics of securities**

Value

Growth

Momentum

Dividends

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Dividends



Prioritize stocks with the **highest dividend yields**, offering investors the potential for regular income **alongside capital appreciation**



Utilities

Consumer staples

Telecommunications

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Dividends

Can provide a **cushion during market downturns** through steady income



Income-focused investors



Underperform in fast-rising markets

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