



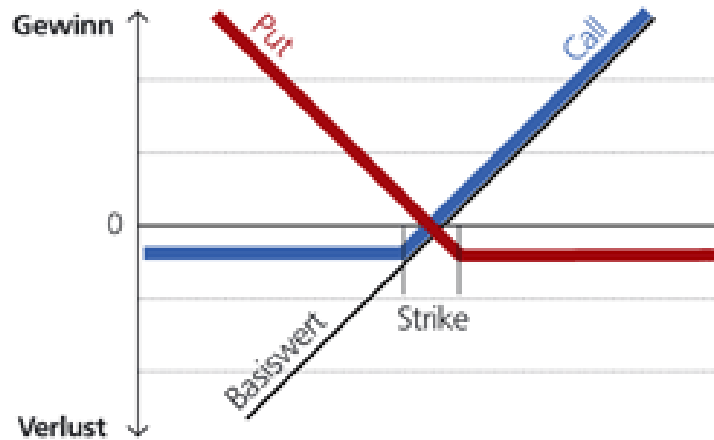




# Alternative Leverage Products










	Warrants	Knock-Out Warrants	Factor Certificates	ETF
Counterparty Risk	Yes	Yes	Yes	<u>No</u> (Segregated Account)
Product Type	Leveraged Product	Leveraged Product with Knock-Out	Leverage Product (official classification: Tracker-Certificate)	Fund
Maturity	Fixed	Fixed and Open End	Open End	Open-End
Leverage	Variable Leverage	Variable Leverage	Fixed Leverage	Fixed Leverage
Speciality	Certified form of a Plain-Vanilla Option, simple and efficient	Has a knock-out barrier → Product expires value less, when barrier touched	Constant leverage on a daily basis	Precise tracking of the underlying index
Influence of Volatility	Vol. ↑ → Value Product ↑	Very low	No influence	No influence
Costs	Low, depending on market	Proportionally very low	Proportionally very low	Low
Trading Platform				
Liquidity	High	High	High	Very high
Transparency	Good	Good – Very Good	Very Good	Very Good



W-Call: Expecting a rising u'lying price

W-Put: Expecting a decreasing u'lying price

## What influences the price?

<b>Impl. Volatility</b> 	Value Call 	Value Put 
<b>Time to maturity</b> 	Value Call 	Value Put 
<b>Exp. Dividends</b> 	Value Call 	Value Put 

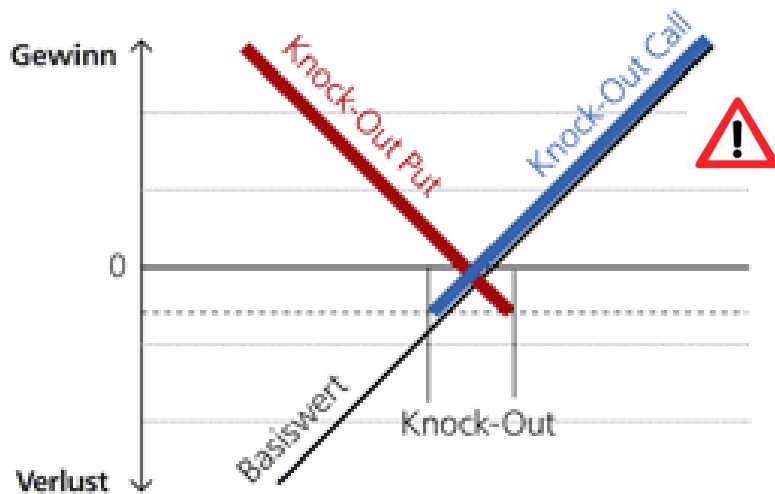
## Advantages:

- ✓ Very efficient if used correctly
- ✓ Leverage
- ✓ Hedging possibilities

## Disadvantages:

- Risk of total loss
- Influence of Volatility and costly if held for a long time

source: [www.svsp-verband.ch](http://www.svsp-verband.ch)








Knock-Out Call: Expecting a rising u'lying price

Knock-Out Put: Expecting a decreasing u'lying price

Difference to a classic Warrant = **Knock Out Barrier**

## What influences the price?

<b>Strike</b> 	Value Call 	Value Put 
<b>Time to maturity</b> 	Value Call <small>slightly</small>	Value Put <small>slightly</small>
<b>Impl. Volatility</b> 	Value Call <small>slightly</small>	Value Put <small>slightly</small>

### Advantages:

- ✓ Very low to marginal influence of Vol and Time to Mat.
- ✓ Due to low employment of capital – high leverage
- ✓ Transparent product

### Disadvantages:

- Potential high risk of total loss

source: [www.svsp-verband.ch](http://www.svsp-verband.ch)

## The Alternative: Factor Certificates

- › Open End certificate which replicates a leveraged index
- › The most flexible product on Scoach for investors which expect a clear market trend:
  - Bullish: Factor Long Certificate on U'lying XXX
  - Bearish: Factor Short Certificate on U'lying XXX

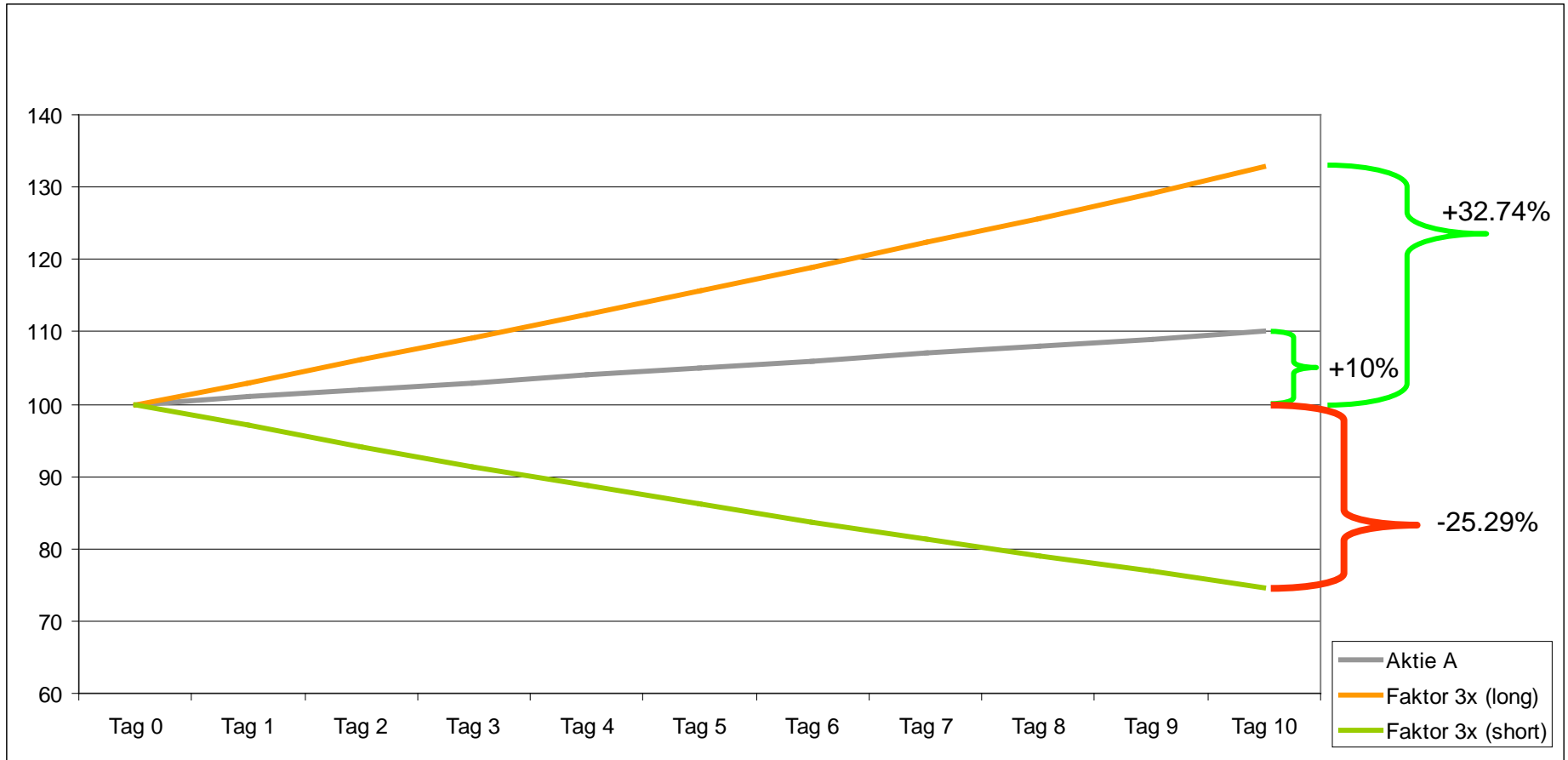


Neutral market expectations: Please choose another product!

A fixed leverage on a daily basis:

- Equity: 3x Long and 3x Short
  - Index: 3x Long, 3x Short and 4x Long, 4x Short
  - Precious Metals: 3x Long, 3x Short and 4x Long, 4x Short
  - Oil and Gas: 3x Long, 3x Short and 4x Long, 4x Short
  - Bund Future: 5x Long, 5x Short and 10x Long, 10x Short
  - Commodities: 4x Long, 4x Short
  - Volatility: 1x Long, 1x Short and 2x Long, 2x Short
- › Ideal investment solution for investors who briefly want to take advantage of short-term trends
  - › Security Mechanism

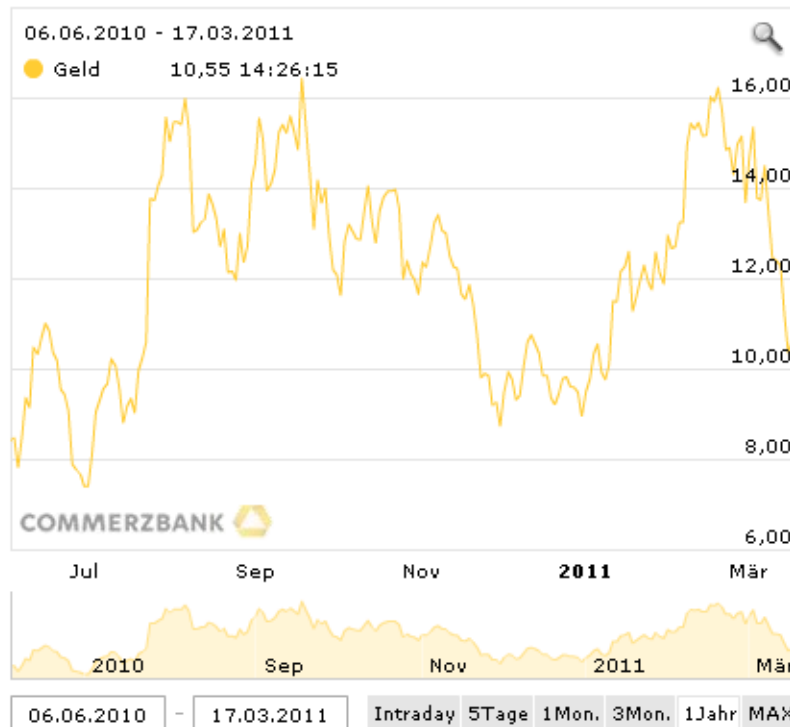
# Influence of the leverage component of the Factor Certificate



# Factor Certificate: An Example

## Unlimited Faktor Certificate auf Faktor Triple Long UBS Index

Data Downloads



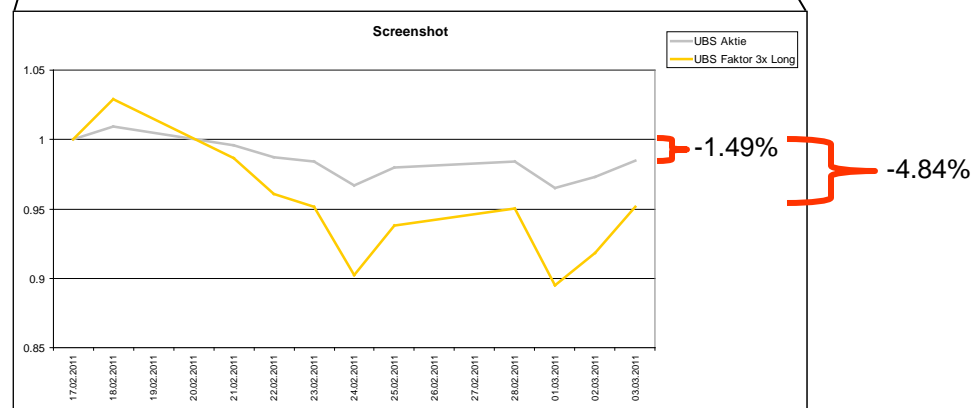
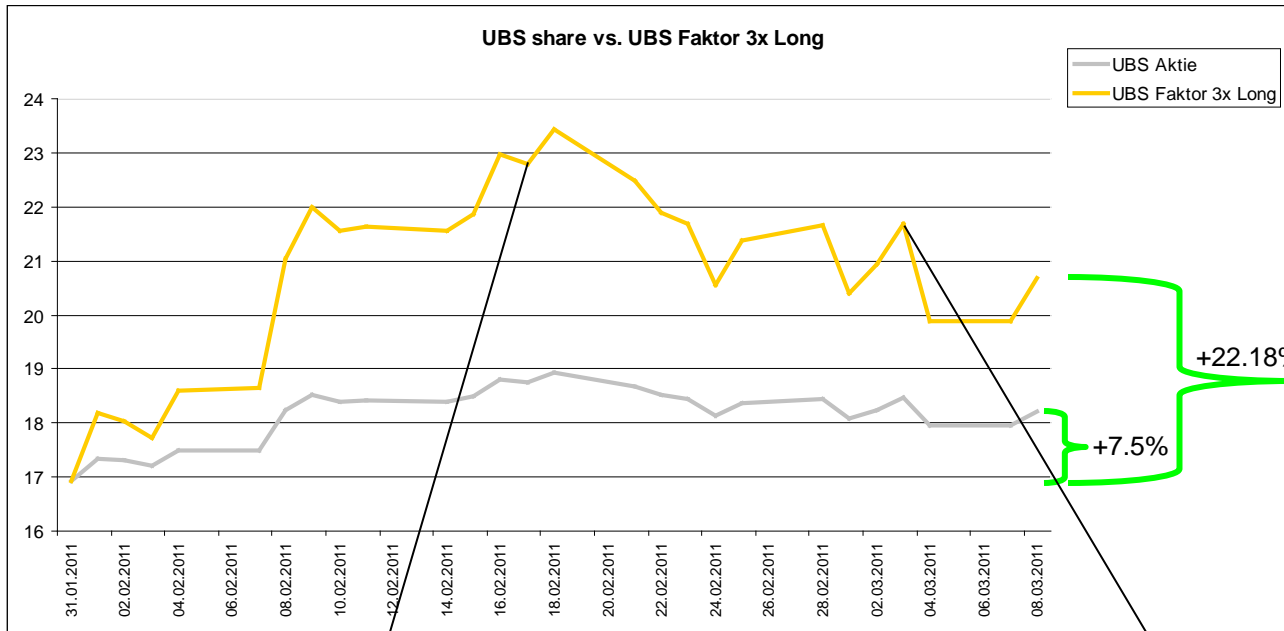
### Kursinformationen

Geld	10.55 CHF
Brief	10.58 CHF
% Tägl. Veränderung	-1.03
Hoch	10.84 CHF
Tief	10.31 CHF
Zeit	14:26:12

### Stammdaten

ISIN	DE000CZ24YS0
Valor	11380786
Symbol	CBLUB
Produktart	Unlimited Faktor Certificate
Basiswert	Faktor Triple Long UBS Index
Emissionstag	02.06.2010
Bewertungstag	-
Laufzeit	-
Bezugsverhältnis	1:1
Basiswert	Faktor Triple Long UBS Index

# A real life Example of a Factor Certificate



# The Security Mechanism

› The Mechanism:

- Assuming you are in possession of a 3x Long Factor Certificate and there is a market movement in the underlying asset of 30% in the wrong directions, then the Security Mechanism will be triggered.
- An intra-day index adjustment will take place, in which case a new day will be simulated
- The huge daily loss will hence be cushioned
- However, if during that relevant day a correction in the underlying will take place, it could lead to disturbances in the rebound of the Factor Certificate

Movement in the underlying	Underlying value	3x Factor with Security Mechanism	Theoretical 3x Factor without Security Mechanism <small>(does not exist)</small>
Initial Value	CHF 100	CHF 10	CHF 10
-30%	CHF 70	CHF 1	CHF 1
-35%	CHF 65	CHF 0.79	CHF -0.50

**Thanks to the Security Mechanism, mathematically it is impossible that the product will ever reach a value of zero**

# Factor Certificate : The construction

Short index

Leverage component

Sale of the share equivalent to the leverage  
+  
consideration of dividend payments by  
the company on the ex-dividend date

+

Interest component

interest earnings from the capital  
employed and the short position  
-  
less the cost of a repurchase agreement  
corresponding to the short position  
-  
less the index charges

Long index

Leverage component

Purchase of the share equivalent to the leverage  
+  
consideration of dividend payments by the  
company on the ex-dividend date

-

Financing component

financing costs for borrowing capital  
corresponding to the credit-financed long position  
+  
additional costs of the issuer corresponding to the  
credit-financed long position  
+  
index charges

# Factor Certificates: Opportunities and Risks

## › Opportunities:

- One of the most transparent products in the Market
- Open End
- All underlyings that are replicated by a Factor Certificate can be traded any time on a daily basis. Hence, as soon as a trend is detected, you now have immediate investment solutions and this on all SMI stocks, Precious and Industrial Metals, Oil and Gas, Agricultural Goods and other Commodities, Interest Rates and even Volatility
- No Roll-Costs where Futures are applicable
- Flexibility
- No timely selection process is needed
- Security Mechanism

## › Risks:

- In case the underlying does not develop as anticipated, larger losses may occur if not immediately reacted
- Even though we have a Security Mechanism and mathematically a value of zero may never be reached, large losses can occur.
- Currency Risks do exist if the underlying asset is not equal the currency of the Factor Certificate
- Sideways movements may rupture the value development of the Factor Certificate



## A further alternative: Leveraged Long and Short ETFs

- › To track an underlying index with a leverage
- › Leverage of 2 on long positions and a leverage of 1 on short positions
- › Leverage is also calculated on a daily basis
- › Similar functionality as Factor Certificates, simply with a lower leverage (a good example of how the ETF Market also influenced the structured products market)
- › The client benefits from all advantages of an ETF

AMUNDI ETF SHORT US TREASURY 3-7 DAILY	USD	95.35	0.00%
AMUNDI ETF SHORT US TREASURY 7-10 DAILY	USD	93.32	0.00%
ComStage ETF CAC 40@ Short TR	CHF	72.17	0.00%
ComStage ETF CAC 40@ Short TR	EUR	56.58	-0.91%
ComStage ETF Commerzbank Bund-Future Double Short TR	CHF	114.44	1.44%
ComStage ETF Commerzbank Bund-Future Double Short TR	EUR	89.47	0.22%
ComStage ETF Commerzbank Bund-Future Short TR	CHF	121.51	1.34%
ComStage ETF Commerzbank Bund-Future Short TR	EUR	94.99	0.11%
ComStage ETF EURO STOXX 50@ Daily Short GR	CHF	42.81	0.45%
ComStage ETF EURO STOXX 50@ Daily Short GR	EUR	33.57	-0.47%
ComStage ETF FTSE 100 Short Strategy TR	CHF	47.68	0.00%
ComStage ETF FTSE 100 Short Strategy TR	GBP	32.60	-0.55%

ComStage ETF CAC 40@ Leverage	EUR	8.60	1.65%
ComStage ETF Commerzbank Bund-Future Leveraged TR	CHF	141.70	0.82%
ComStage ETF Commerzbank Bund-Future Leveraged TR	EUR	110.91	-0.25%
ComStage ETF EURO STOXX 50@ Daily Leverage	CHF	23.08	2.26%
ComStage ETF EURO STOXX 50@ Daily Leverage	EUR	18.04	1.01%
ComStage ETF FTSE 100 Leveraged TR	CHF	44.88	1.93%
ComStage ETF FTSE 100 Leveraged TR	GBP	30.62	1.12%
db x-trackers EURO STOXX 50@ LEVERAGED DAILY ETF	CHF	19.20	2.18%
db x-trackers FTSE 100 LEVERAGED DAILY ETF	CHF	12.62	0.00%
db x-trackers S&P 500 2x LEVERAGED DAILY ETF	CHF	13.67	1.71%
Lyxor ETF Daily Leveraged SMI	CHF	11.89	2.68%
Lyxor ETF EURO STOXX 50 Daily Leverage	EUR	15.26	0.00%

1) source: [www.six-swiss-exchange.com/funds/overview\\_de.html](http://www.six-swiss-exchange.com/funds/overview_de.html)

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