

Media Release

Study on Discount Certificates 2022: Strong even in weak market phases

- 61.8 percent of the discount certificates analysed achieved positive returns in 2022.
- 67 percent of the discount certificates analysed outperformed their underlyings.
- 24.2 percent of the discount certificates analysed achieved positive returns despite their underlyings performing negatively.

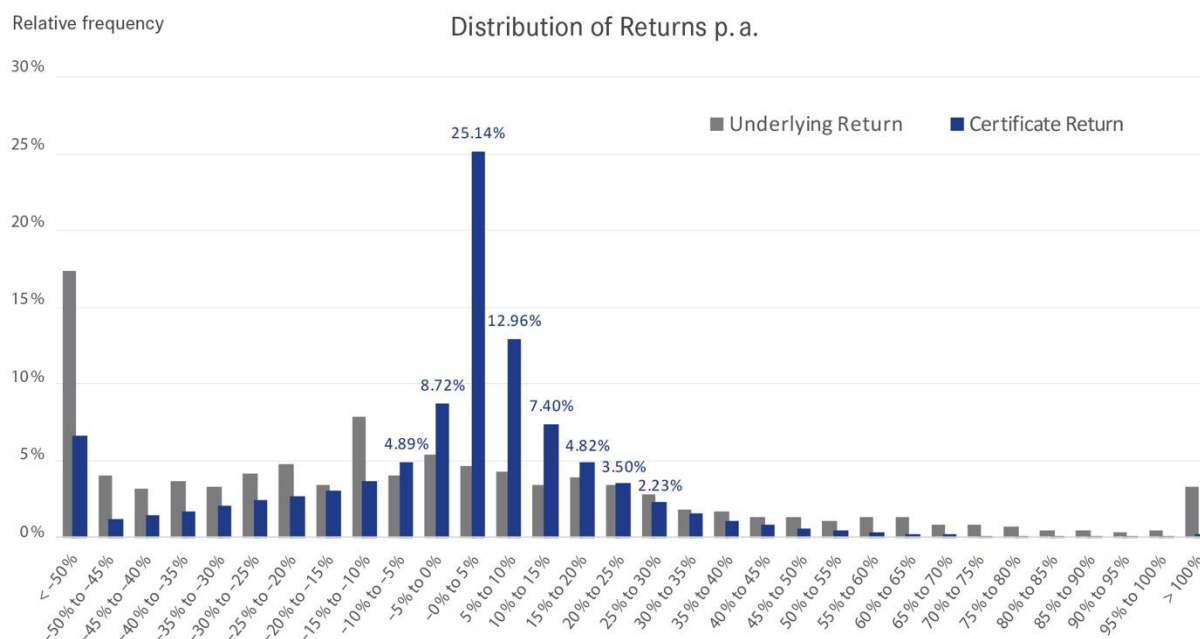
Frankfurt am Main, Germany, 5 June 2023

In the challenging market environment of 2022, one of the oldest and most popular types of structured product – the discount certificate – was able to outclass direct investments in underlyings. This is one of the findings of the Study on Discount Certificates 2022, which the German Derivatives Association (Deutscher Derivate Verband, DDV) presented together with the Boerse Stuttgart Group and TTMzero.

“Discount certificates are dependable securities, especially in turbulent market phases. They deliver attractive returns in sideways and slightly downwards-trending markets as well, and can contribute to stabilising a portfolio. This is clearly demonstrated by the comparisons with direct investments,” said Christian Vollmuth, CEO and Member of the Board of the DDV. “Two-thirds of the discount certificates analysed managed to outperform their underlyings.”

The study analysed 173,151 discount certificates with the 70 top underlyings (5 indices and 65 equities) from Germany, Europe, and the United States, reviewing the performance of the discount certificates between 1 January 2022 and 31 December 2022. The generally weak market environment in 2022 was influenced by factors such as the invasion of Ukraine, supply chain bottlenecks, chip shortages, rising energy prices, and a drastic increase in inflation and interest rates. Only 39.1 percent of the underlyings performed positively, whereas a total of 61.8 percent of discount certificates achieved positive returns. Some 24.2 percent of the discount certificates even achieved these positive returns despite the underlying performing negatively.

Comparison of the distribution of the returns of discount certificates and underlyings



The average return of all discount certificates was -3.8 percent p.a. in 2022, whereas the underlyings lost 10.1 percent p.a. on average. Of the 67,986 discount certificates maturing in 2022 (around 39.3 percent of the discount certificates analysed), a total of 49.6 percent achieved their maximum return, which averaged 7 percent p.a.

According to Christian Vollmuth, “The study again highlights the unique risk-mitigating properties of discount certificates. With structured products in Germany, we want to contribute to an investment culture in which responsible investors have access to the best possible securities solutions for asset accumulation, investment, and hedging.”

As at the end of 2022, German private investors had a total of just under 3.9 billion euros of discount certificates in their portfolios – around 4.8 percent of the country’s total market volume of structured products.

The success story of discount certificates is based on the ease with which they can be intuitively understood: Investors buying a discount certificate get a price discount on the respective underlying asset, such as an equity. This discount acts as a buffer if the price of the underlying asset falls. In exchange for this discount, investors accept that they will only participate in the performance of the underlying asset up to the level of the cap.

Discount certificates are currently available for more than 560 underlyings across the asset classes of equities, indices, and commodities. The wide variety of caps and maturities

allows investors to pursue nuanced strategies in their portfolios – they can choose between largely defensive, neutral, and offensive approaches for a range of investment horizons.

The complete study is available [here](#).

Deutscher Derivate Verband (DDV), the German Derivatives Association, is the industry representative body for the leading issuers of structured products in Germany: Barclays, BNP Paribas, Citigroup, DekaBank, Deutsche Bank, DZ BANK, Goldman Sachs, HSBC Trinkaus, J.P. Morgan, LBBW, Morgan Stanley, Société Générale, UBS, UniCredit, and Vontobel. Furthermore, the Association's work is supported by over 20 sponsoring members, which include the Stuttgart and Frankfurt Exchanges, gettex, Baader Bank, the direct banks comdirect bank, Consorsbank, DKB, flatexDEGIRO, ING-DiBa, maxblue, S Broker, Smartbroker, and Trade Republic, as well as the finance portals finanzen.net and onvista, and other service providers.

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