

## Media release

### **DDV study on Discount Certificates:**

The investment instrument for a good balance of risk and return

- **Over 88 percent of the Discount Certificates evaluated in the period under review achieved a positive return**
- **In the observation period, 37.1 percent of the Discount Certificates achieved a higher return than their underlyings**
- **The average return in 2019 was 14.1 percent p.a.**

*Frankfurt am Main, Germany, 26 May 2020*

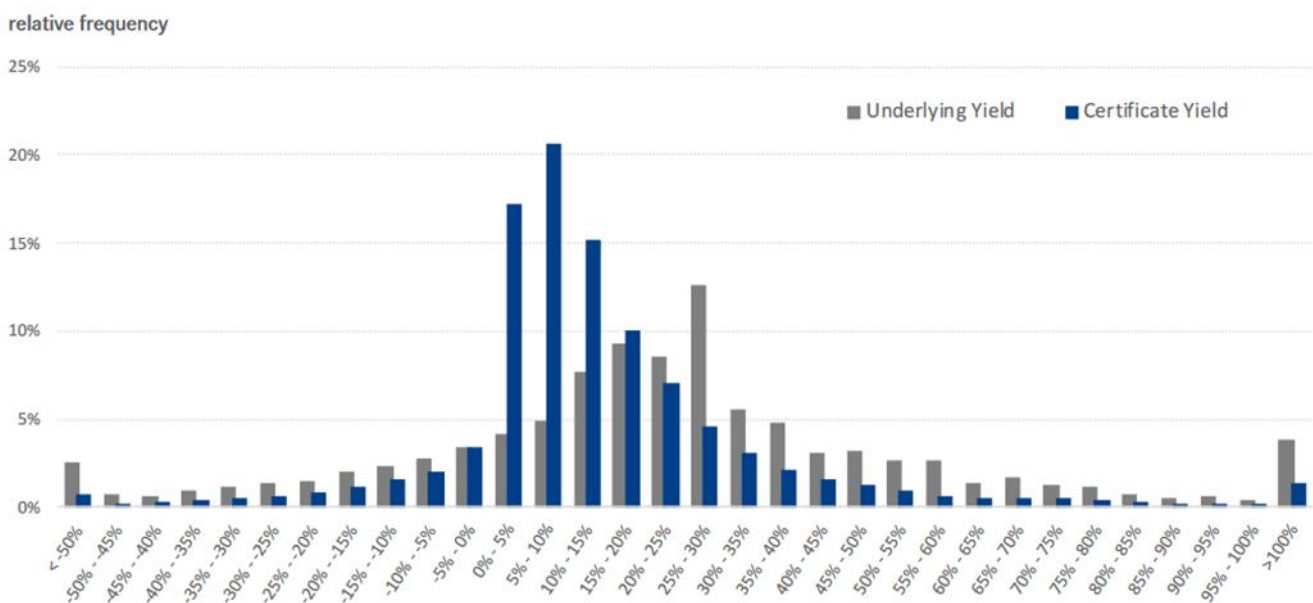
In order to be able to quantify the advantages and disadvantages of investment products, active investors tend to draw on historical performance data – this is also the case in the evaluation of Discount Certificates. With this in mind, the German Derivatives Association (Deutscher Derivate Verband, DDV) commissioned an empirical study from TTMzero GmbH, whose expertise lies in the independent evaluation of financial instruments, among other areas. The aim of the study was to determine the returns of more than 180,000 Discount Certificates listed on the Stuttgart Stock Exchange (Börse Stuttgart) for 2019. The examined Discount Certificates referenced the 70 most popular underlyings from Germany (the top 40), Europe excluding Germany (the top 20), and the United States (the top 10). The performance of these Discount Certificates was then compared with the performance of the respective underlying equities or indices.

The individual evaluation of performance began on the first trading day for the respective Discount Certificate in 2019, and ended with its last trading day in 2019. The return of the underlying was determined over the same period of time as its respective Discount Certificate, adjusting its price for corporate actions (dividends, stock splits, etc.).

In total, 88.4 percent of the Discount Certificates achieved a positive return in the period under review. Around a third of products (37.1 percent) performed better than their underlying asset, and one in twelve Discount Certificates (8.4 percent) managed to achieve a positive return despite the negative performance of their underlying asset. The average return of all 187,107 Discount Certificates reviewed was 14.1 percent p.a., while that of the underlyings (in an exceptionally good year for equities) was 24 percent, although these had a much higher distribution of returns. On the first day of observation, the Discount Certificates examined had an average discount of 14.2 percent, which provided a considerable buffer for their purchasers.

“This shows once again that, with their balance of risk and return, Discount Certificates present a practical alternative investment option, particularly for security-oriented investors,” explains Lars Brandau, Managing Director at the DDV. “Depending on the individual selection, the discount provides differing degrees of buffer, and Discount Certificates are much more likely to achieve a positive return than the underlying asset. For many conservative investors, these two factors are much more relevant than the chance of achieving the very high profits that can occasionally be realised with individual underlyings.” Brandau points out that more than half of the Discount Certificates examined in 2019 achieved an annualised return of between 5 and 25 percent. For 18.2 percent of Discount Certificates, the return was even higher than this.

### Comparison of the distribution of returns of Discount Certificates and underlyings



In addition, due to the stock market turbulence connected with the coronavirus pandemic, it is to be expected that the performance of Discount Certificates compared with their underlying equities or indices will again be significantly better in 2020 than in 2019. Among other things, this is because of the significantly higher implied volatility of most underlyings on an annual average – this regularly

Deutscher Derivate Verband (DDV), the German Derivatives Association, is the industry representative body for the leading issuers of structured products in Germany, who represent more than 90 percent of the German structured products market: BayernLB, BNP Paribas, Citigroup, DekaBank, Deutsche Bank, DZ BANK, Goldman Sachs, Helaba, HSBC Trinkaus, HypoVereinsbank, LBBW, Morgan Stanley, Société Générale, UBS, and Vontobel. Furthermore, the Association’s work is supported by 17 sponsoring members, which include the Stuttgart and Frankfurt Exchanges, Baader Bank, the direct banks comdirect bank, Consorsbank, DKB, flatex, ING-DiBa, maxblue and S Broker, as well as finance portals and other service providers.

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ensures particularly attractive conditions for Discount Certificates. However, the share of Discount Certificates with a positive return is likely to be lower due to the recent performance of the stock markets.

In the first four months of 2020, the share of Discount Certificates that achieved their maximum return was 35.5 percent. In 2019, this figure was as high as 67.4 percent. The share of Discount Certificates that outperformed their underlying asset between the beginning of January 2020 and the end of April 2020 was 67.7 percent, while only 37.1 percent of Discount Certificates achieved a better return than their underlying asset in 2019.

This subject will be further explored in a continuation of the Discount Certificates study planned for early next year, which will use the data from 2020.

The study is also available on the DDV website, at [www.derivateverband.de](http://www.derivateverband.de)

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