



IFF ONLINE ACADEMY

FOCUS ON ETFs

A five week, five module course
delivered 100% online

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Learning partner of

**Inside
ETFs**

WHY TAKE THIS COURSE

There has been an explosive growth in the number and variety of ETFs available in the capital markets. This topical online course goes into much more depth than others of its kind. It will enable you and your team to get up to speed on the mechanics, applications and risks of ETFs quickly and efficiently with the flexibility of doing it in your own time and a location that suits you.

After the course, you'll be able to:

- ★ Contrast the limitations of traditional collective investment vehicles (CIVs) with features of ETFs
- ★ Identify the chief risks associated with holding ETFs
- ★ Identify and analyse the special tracking error issues behind inverse and leveraged ETFs
- ★ Explain the demise of ETFs that implemented short volatility strategies
- ★ Describe how to implement a forex hedge with an ETF that tracks a G10 currency
- ★ Explain how bond-based ETFs have different behaviour to actual bonds
- ★ Describe the performance of various widely used smart beta ETFs
- ★ Identify risks for ETFs based on market capacity and liquidity issues
- ★ Explain the liquidity risks with ETFs that focus on emerging and frontier markets

COURSE LEADER

CLIVE CORCORAN



Clive Corcoran has been engaged in the finance and investment management sectors, on both sides of the Atlantic, for more than 25 years. After completing his education in the UK, Canada and the US, he co-founded and became the CEO of an investment management company based in the USA. The company provided wealth management and fiduciary services to a variety of international clients. His own responsibilities included personalised business management, international tax planning and providing strategic financial advice to high net worth individuals.

Since re-locating to the UK, he has continued, as an FCA registered investment adviser, to be engaged in providing strategic investment advice to private clients and pension funds. As part of his focus on providing training on capital markets he has considerable experience with exchange traded funds (ETFs) and other structured products.

During recent years he has written several books on international finance, focusing on asset allocation and risk management. He also has also been very actively involved in executive education on a global basis for finance professionals. He delivers training on a variety of topics including risk management, Basel III and capital adequacy, central banking, systemic risk, asset allocation techniques, credit risk, market risk and derivatives.

ABOUT IFF

IFF has been the chosen training provider of the world's best finance professionals since 1991. We are part of Informa PLC and the learning partner of Inside ETFs and FundForum series of events.

- We continually develop and improve our training to make it more effective for you
- You'll experience interactive and practical training - implement what you learn straight away
- You'll learn from practising, highly-experienced financial experts
- We limit class size so the trainer can adapt the content to suit you

Please see the Distance Learning Catalogue to see the related courses: <http://www.iff-training.com/DLCAT>

ABOUT THE ONLINE ACADEMY

IFF's interactive digital courses are designed for ambitious professionals with busy schedules and/or smaller training budgets.

You'll learn exactly what you need to know, in bite size chunks. You can set the pace yourself, but most people spend two hours a week on their studying and fit it around work and home commitments. The on-demand feature means the content is available when you need it, meaning this is the most flexible and convenient way to learn. You can share ideas and questions via the discussion forum.

PRICE

£499 plus VAT = £598.80

We can price this course in US\$

*Discounts available for group bookings – email cs@iff-training.com for details

REGISTER

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ONLINE IN-COMPANY TRAINING

IFF's bespoke training solutions will help you address your specific key business challenges. You can use this programme, or one that's designed just for you, with content focusing on the issues you and your teams are facing. Delivering in-company training online means you can train people in different locations at the same time.

- ★ Tailored content – 100% targeted to cover your needs
- ★ No travel or time out of the office – we will come to you
- ★ Value for money – train teams of staff at the same time
- ★ Risk free – we've been doing this for 30 years

We will meet you anywhere in the world. Contact us on: +44 (0)20 7017 7190 or email: cs@iff-training.com

COURSE PROGRAMME



MODULE ONE – THE EXCHANGE TRADED PRODUCT LANDSCAPE

Knowledge

On completion of this module, the successful participant will be able to:

- ★ Understand the origins of exchange traded products and the rapid adoption by market participants
- ★ Understand the distinctions between exchange traded funds (ETFs) and exchange traded notes (ETNs)
- ★ Recognise the characteristics that distinguish ETFs from other financial instruments
- ★ Understand the dynamics that have propelled ETFs to become the dominant asset class in contemporary markets
- ★ Define the scope and size of the ETF Industry in comparison to other investment products
- ★ Understand the way in which large institutions and hedge funds have adopted ETFs as preferred investment products

Skills

This module will call for the successful participant to:

- Differentiate between different kinds of ETPs
- Explain the factors which have contributed to the success of ETFs
- Contrast the limitations of traditional collective investment vehicles (CIVs) with features of ETFs
- Identify the chief risks associated with holding ETFs

Unit Content

Historical Development Of Exchange Traded Products

- Focus on the SPDR Trust™ created by State Street in 1993
- Review of other collective investment vehicles (CIVs)
- Fee structure and execution benefits of ETFs
- Use of ETFs as part of a reaction to active management strategies
- Behaviour of ETFs during market stress periods – e.g. the Flash Crash of 2010



CASE STUDY

The original ETF – State Street's SPY

Footprint of ETPs in Global Capital Markets

- Compare availability and range of ETFs traded on US, European and Asian platforms
- Number of funds, assets under management, growth trajectories
- Regulatory issues for ETF sponsors and investors
- Role of ETFs in institutional investment strategies
- Access to emerging and frontier markets



CASE STUDY

Compare the performance and AUM of ETFs with hedge funds

ETFs as Structured Products

- Contrast features of ETFs to mutual funds and investment trusts
- Primary and secondary market activities

- Contrast funds which hold “physicals” versus those which are synthetic
- Nature of counter party risk regarding synthetic ETFs
- Regulatory issues concerning structured products e.g. MiFID II

MODULE TWO – MECHANICS OF ETFs

Knowledge

On completion of this module, the successful participant will be able to:

- ★ Contrast open ended investment vehicles with closed ended funds
- ★ Demonstrate a comprehensive understanding of the organizational structure of exchange traded funds (ETFs) and exchange traded notes (ETNs)
- ★ Understand the nature of the fiduciary and trust architecture of ETFs
- ★ Importance of fees earned from Securities Borrowing and Lending Intermediaries (SBLIs)
- ★ Treatment of dividends and other income generated in the underlying securities
- ★ Use of derivatives in the ETF creation process

Skills

This module will call for the successful participant to:

- Analyse the role of Authorised Participants in the creation and redemption process
- Understand the role of securities lending as a form of income to ETF sponsors
- Understand the importance of tracking error – deviation from the performance of the underlying
- Explain the difference between different replication strategies – stratified sampling vs. full replication

Unit Content

Organisational Structure of Etf's

- Nature of open ended investment vehicles
- Fiduciary/trust architectures
- Role of sponsors and trustees
- Function of Authorised Participants (APs) in the primary market
- Creation and redemption units – role of APs



CASE STUDY

Detailed analysis of the creation and redemption process

Secondary Market Features of ETFs

- Market micro-structure issues for ETF trading
- Secondary market characteristics – liquidity issues
- Does the ETF trade at a premium or discount to NAV?
- Treatment of dividends and other income generated in the underlying securities
- Second order trading of ETFs – e.g. contracts for difference (CFDs) that reference ETFs



CASE STUDY

Importance of fees earned from Securities Borrowing and Lending Intermediaries (SBLIs)

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Key Investment Metrics of ETFs

- Expense ratio – the fee structure and how collected
- Market performance – total returns, volatility, correlations
- Replication strategies – stratified sampling vs. full replication
- Tracking Error – deviation from the performance of the underlying
- Issues connected with leveraged ETFs

MODULE THREE – EQUITY BASED ETFs

Knowledge

On completion of this module, the successful participant will be able to:

- ★ Describe the size and scope of equity ETs available to global investors
- ★ Explain the overall framework for sector-based equity products – industry, style, geography
- ★ Understand the benefits to investors for targeted access to specific sectors
- ★ Describe the rationale and mechanism behind leveraged equity-based ETFs
- ★ Describe the rationale and mechanism behind inverse equity-based ETFs
- ★ Identify the major inverse and leveraged ETFs available to equity investors
- ★ Explain asset allocation strategies that are widely used by asset managers that use ETFs

Skills

This module will call for the successful participant to:

- Describe the diversity of equity-based ETFs that can be used by asset managers and individual investors
- Identify and analyse the special tracking error issues behind inverse and leveraged ETFs
- Explain the constant leverage trap and how this impacts tracking
- Explain the rationale and mechanics of ETFs that are based on smart beta strategies
- Explain the demise of ETFs that implemented short volatility strategies

Unit Content

Global Equity Indices

- Explanation of the logic and classification of equity indices
- MSCI equity index products
- Review the key US and European index products
- Review of the key ETFs that track emerging market indices
- Review of the key ETFs that track frontier market indices



CASE STUDY

Examine the significance of SPY as the most widely traded financial instrument in US equity markets

Sector Index Products

- Overall framework for sector-based products – industry, style, geography
- Benefits to investors for targeted access to specific sectors

Leveraged and Inverse Equity ETF Products

- The rationale for inverse ETFs – facilitates shorting of securities
- Claims made by ETF sponsors regarding such products

- Leveraging mechanics for equity-based ETFs
- The constant leverage trap – how does this impact tracking?
- Review of the major inverse and leveraged ETFs available to equity investors



CASE STUDY

Review the tracking behaviour of some of the main inverse and leveraged ETFs base on US equity markets

Equity Investment Style ETFs

- Review of asset allocation strategies that are widely used by asset managers
- Value style versus growth style
- Diversification styles – geographical and sector diversity
- Essentials of performance attribution analysis
- ETFs which are based on smart beta strategies



CASE STUDY

Examination of ETFs that implement short volatility strategies including a detailed analysis of the demise of the Credit Suisse fund – XIV.

MODULE FOUR – FIXED INCOME AND MISCELLANEOUS ETFs

Knowledge

On completion of this module, the successful participant will be able to:

- ★ Differentiate between different kinds of fixed income ETFs based on the credit quality of the underlying constituents
- ★ Describe the various ETFs that track sovereign bonds in developed and EM economies
- ★ Provide an explanation and examples of a bond index
- ★ Describe the concerns within the market place regarding liquidity of ETFs that are based on underlying high yield debt instruments
- ★ Describe how to US Treasury based ETFs to trade the US government bond yield curve

Skills

This module will call for the successful participant to:

- Explain the nature of total return as applicable to the fixed income asset class
- Explain how bond-based ETFs have different behaviour to actual bonds
- Contrast between sovereign based bond ETFs and corporate based bond ETFs
- Describe how to implement a forex hedge with an ETF that tracks a G10 currency

Unit Content

Total Return Fixed Income Products

- Nature of the yield curve – term structure of interest rates
- Total return characteristics – coupon plus capital gain/loss
- Review of US Treasury ETFs
- Special case of zero coupon fixed income instruments
- Explanation of how bond-based ETFs have different behaviour to actual bonds

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COURSE PROGRAMME



CASE STUDY

Using US Treasury based ETFs to trade the US government bond yield curve

Credit Quality Products

- Distinguish between investment grade and sub-investment grade debt instruments
- Explanation of credit quality and credit risk within the fixed income universe
- Contrast between sovereign based bond ETFs and corporate based bond ETFs
- Review of ETFs which track investment grade corporate bond indices
- Review of ETFs which track high yield corporate bond indices



CASE STUDY

Liquidity issues with ETFs that are based on underlying high yield debt instruments

Examination of the Features and Performance of HYG and JNK Commodity and Currency ETFs

- Overview of the nature of FX markets and different investment vehicles
- Overview of the nature of the commodity futures market
- Review of ETFs which track foreign currencies – how they are constructed
- Review of ETFs which track commodities – synthetic replication



CASE STUDY

Use case for forex hedging with an ETF that tracks a G10 currency

MODULE FIVE – USAGE AND RISKS OF ETFs IN PORTFOLIO MANAGEMENT

Knowledge

On completion of this module, the successful participant will be able to:

- ★ Distinguish between active and passive investment management
- ★ Examine the philosophy advocated by index tracking e.g. Vanguard's Bogle
- ★ Contrast the fees typically applied for active management
- ★ Explain the logic behind smart beta – risk factor asset allocation models
- ★ Examination of the performance of various widely used smart beta ETFs
- ★ Describe the regulatory risk to ETFs as policy makers focus on liquidity risk of structured products in contemporary capital markets

Skills

This module will call for the successful participant to:

- Describe the performance of various widely used smart beta ETFs
- Identify and explain ETFs which implement hedge fund strategies

- Identify risks for ETFs based on market capacity issues – especially the underlying liquidity of ETF constituents
- Explain the liquidity risks with ETFs that focus on emerging and frontier markets

Unit Content

Active Versus Passive Investment

- Distinguish between active and passive investment management
- Examine the philosophy advocated by index tracking e.g. Vanguard's Bogle
- Contrast the fees typically applied for active management
- Using ETFs for diversification within an actively managed portfolio
- Redemption gates and liquidity constraints within hedge funds



CASE STUDY

Review of historical performance statistics for returns from active and passive fund managers

Smart Beta Strategies

- Explanation of fundamentals of CAPM, risk and reward and beta
- Review of the logic behind smart beta – risk factor asset allocation models
- Examination of the performance of various widely used smart beta ETFs
- Crowding and herding issues with smart beta strategies
- Are the promises provided by smart beta ETF sponsors warranted?



CASE STUDY

Examination of the model and performance of Vanguard Dividend Appreciation ETF - VIG

Implementing Global Macro Strategies With ETFs

- ETFs which implement hedge fund strategies
- Merger arbitrage strategies
- Long/Short strategies
- Beta neutral strategies
- Managed futures

Special Risks with ETFs

- Market capacity issues – especially the underlying liquidity of ETF constituents
- Liquidity risks with assets in emerging and frontier markets
- Regulatory risk as policy makers focus on liquidity risk of structured products
- Transparency risk with structured products e.g. MiFID II
- Capital controls in frontier markets



CASE STUDY

Examination of the model and performance of iShares MSCI Frontier 100 ETF - FM

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CPD Certified:

IFF is recognised by the CPD Certification Service and have been approved to award CPD points towards professional development certifications. Attendance at this course will earn you 40 CPD points.

A SELECTION OF COURSES IN THE IFF PORTFOLIO



See the website for full details www.iff-training.com



I enjoyed this course very much and learned so much. Clive uses his amazing knowledge and years of experience very well to give interesting & relevant examples - what a brilliant trainer. Very responsive to questions, too

IFF is the learning partner of

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