

Liquidity Explained

Liquidity Overview

The major benefit of an Exchange Traded Product (ETP) is that it provides access to very liquid underlying markets and the ETPs own liquidity reflects this.

The key liquidity characteristics of a Boost ETP are;

- similar to an Exchange Traded Fund (ETF) and trades like an equity share
- tracks the most liquid markets
- open-ended and reflects the underlying market liquidity
- trading size and spread is determined by the underlying indices
- ability to create and redeem daily to meet demand
- traded on Exchange through a brokerage account
- open MM and AP model, fully independent from a bank

Liquidity of Boost ETPs

Investors often assume that ETP liquidity is derived from ETP trading volumes. Even if they are perceived to be “thinly” traded, ETPs can still be highly liquid. Their liquidity is derived from the underlying index / market. ETPs are open-ended and arbitrageable, which ensures the underlying liquidity is passed through to the ETP. Boost ETPs track highly liquid underlyings and indices, across multiple asset classes, and as a result will also be highly liquid.

Primary & Secondary Markets / Creation & Redemption Process

Boost ETPs work the same way as an Exchange Traded Fund (ETF).

Boost ETPs are listed on an Exchange and as a result are traded and settled exactly the same as an equity share. However, unlike an equity share, where liquidity and price is determined by the demand of a fixed number of shares, the number of ETPs in issue can be increased or decreased to match demand.

ETPs have primary and secondary market activities. The primary market allows Boost ETPs to be created and redeemed (Creation and Redemption Process) according to demand. In the secondary market, Boost ETPs are traded on an Exchange where official market makers (MMs) can sell or buy ETPs to or from investors without impacting the price of the ETPs.

Boost ETPs are open-ended which provides a very efficient primary market to maintain liquidity on the Exchange. Authorised Participants (APs) are able to create and redeem each day to meet demand in the secondary market. This ensures that even thinly traded ETPs remain liquid.

Authorised Participants (APs)

An AP is the only party who can officially create and redeem ETPs with Boost. Typically APs are either MMs or large global investment banks. Since Boost is independent it operates an open AP model and is working to add all major ETF market players as APs. APs will create and redeem to meet investor demand to provide an efficient liquidity model. They typically trade with other MMs or large financial companies who are not APs.

Market Makers (MMs)

Boost has an open MM model. Multiple MMs will quote prices in Boost products, who are world class trading firms specialising in trading similar products such as ETFs, ETCs and ETNs. The MMs use sophisticated electronic pricing which take all the relevant pricing components of a Boost ETP, and the underlying index, and send real-time prices to the relevant Exchange. Since ETPs are arbitrageable, if the ETP price deviates from the value of the underlying index, the arbitrage mechanism minimises any price premiums / discounts. This ensures that the pricing of Boost ETPs remain efficient and reflect the underlying indices being

Efficient Execution

- Small size - Small sized trades are executed on the Exchange, with MMs providing bid and offer spreads to ETP investors. Boost ETPs will be most liquid during the same trading hours as the underlying index which allows for tighter trading spreads.
- OTC or Agreed Pricing - APs and MMs can execute larger size (+\$1m) trades over-the-counter (OTC) instead of trading at the prices and limits quoted on screen. Trading OTC allows counterparties to agree the size and price of the order in the best interest of its client.
- “NAV”/End of Day trades - Most APs and MMs will facilitate investors to buy or sell at end of day, or commonly known as “NAV” trades. These trades allow an investor to receive a transparent price with lower costs. This means the AP/MM will charge a smaller basis point fee, with no bid-offer spread, as commission for such a trade reflects a less risky trade to them. The price passed through to the investor is essentially the price that the AP receives.
- VWAPs and similar institutional order types – APs and MMs can do most of the same order types common in the equity markets such as Volume Weighted Average Pricing (VWAP).

Execution Help

If you would like to discuss any aspect of the primary or secondary markets for Boost ETPs, please contact the team at capitalmarkets@boostetp.com, or +44 (0)20 3824 6020.



About us

BOOST ETP, a **WisdomTree Company**, is an award winning Exchange Traded Products ETP provider and one of few providers of specialised ETPs in the European market, and is the first to focus on Short and Leveraged ETPs. BOOST's offering targets sophisticated investors including day traders, stock brokers, wealth managers, high frequency traders and institutional investment managers.

WisdomTree Investments, Inc. is a New York-based exchange-traded fund ("ETF") sponsor and asset manager. WisdomTree offers ETFs across Equities, Fixed Income, Currency Income and Alternatives asset classes, and is currently the world's sixth largest ETF issuer. To learn more about parent company WisdomTree Investments, Inc., visit the Investor Relations (<http://ir.wisdomtree.com/>) website.

BOOST ETP's key features include:

- **Innovative and nimble** - **BOOST** aims to be a leader in innovation, as evidenced by the ETPs issued, and the product development and market research behind the products
 - **Focused and specialised** - **BOOST's** strategy differs from the existing ETP issuers by not focusing on being everything to everyone
 - **Educational** - **BOOST** focuses on providing all the educational and thought leadership tools needed by investors
- **Independence** - **BOOST** is independent from any investment bank, swap provider, market maker, trustee or custodian
 - **Best of breed** – **BOOST's** founders have over 25 years of experience in the ETP market. With this experience, plus the wealth of experience provided by **BOOST's** world class service providers, investors are able to enjoy efficient products with liquidity, strong counterparty risk management and relatively low costs
 - **Transparency** – **BOOST** discloses all fees, collateral holdings and details on its website each day

BOOST ETP is well positioned to bring something new to the European market at both the ETP product range and investor service levels. The company brings a fresh, investor centric approach to all aspects of its operations including sales, marketing, research, and product development.

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The value of an investment in ETPs may go down as well as up and past performance is not a reliable indicator of future performance. An investment in ETPs is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

ETPs offering daily leveraged or daily short exposures ("**Leveraged ETPs**") are products which feature specific risks that prospective investors should understand before investing in them. Higher volatility of the underlying indices and holding periods longer than a day may have an adverse impact on the performance of Leveraged ETPs. As such, Leveraged ETPs are suitable for institutional and retail investors who are financially sophisticated, wish to take a short term view on the underlying indices and can understand the risks of investing in Leveraged ETPs. Investors should refer to the section entitled "Risk Factors" and "Economic Overview of the ETP Securities" in the Prospectus for further details of these and other risks associated with an investment in Leveraged ETPs and consult their financial advisors as needed. Neither WisdomTree Europe Ltd. nor the Issuer has assessed the suitability of any Leveraged ETPs for investors other than the relevant Authorised Participants.

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