

# Exchange Traded Notes (ETNs): Old-School Priorities in the Brave New World

*Investors are always at the heart of financial product innovation.*

LONDON, UK, UNITED KINGDOM, August 2, 2018 /EINPresswire.com/ -- Investors are always at the heart of financial product innovation. The explosion of investment vehicles to express views across the entire spectrum of global assets has been the true story of our modern era, much more so than the philosophical underpinnings of the passive index-linked investment products that ushered in the current asset-allocation environment.

Kate Allen at the FT says “Investors’ confidence in the global economic upswing is fading.....” (FT Jun 26), and also navigating the regulatory environment has become more urgent since MiFID II was finally implemented, which has completely altered the trading of the over the counter (OTC) bond markets and the role of client reporting in the regulatory process. So still the search for reliable good yield products continues.

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That’s a concept very similar to “ring fencing,”

*EvCorp*

Into this brave new world, Exchange Traded Notes (ETNs) have become an increasingly important vehicle and asset-allocation tool for those professional or eligible counterparty investors seeking superior risk-adjusted

return and enhanced down-side protection. ETNs are an intelligent, low-risk product with all the traditional qualities of a corporate bond, providing better down-side protection, that also incorporate a listing and live quotation on the Frankfurt Stock Exchange, thus meeting the requirements of the recent MiFID II regulations. See also the [Investopedia Definition here](#).

Of course not all ETNs are created equal. In fact, any of you that took the opportunity to connect to the above link can see that “ETNs” are quite broadly defined. Savvy investors are now evaluating the advantages of specific “breeds” of ETNs which have been developed by implementing multiple layers of client feedback, with step-by-step development processes to build an “organic” structure that incorporates robust functionality.

Any qualified investor can go onto the FSE and buy or sell as little as €1,000 of an [ETN](#) with a specialist market maker that is required to keep a vigil on trading activity. And running in parallel with the FSE listing, ETNs also trade just like a traditional corporate bond with OTC settlement via Clearstream. So ETNs offers a “best of both worlds” trading structure, good for individual investors and institutions alike. And that’s the key requirement for MiFID II compliance, which came into effect on January 3rd, 2018. ETN instruments are designed to provide equal treatment



The future.....

for all investors, buyers or sellers of €1,000 up to €50 million.

ETNs also provide investors with superior down-side protection vis-à-vis corporate bonds because their structure creates a direct claim on the segregated assets of the underlying company that sits at the heart of the ETN issue. And ETNs are administered by a chosen trustee within the scope of the Luxembourg Securitization Law of 2004.

So how does it work? At the heart of the ETN is a convertible note, which ETN holders also own as a backed-in element of their investment. Behind the product, this convertible note acts as the prime engine of the ETN and serves two functions. First, it provides the mechanism for cash flows from a dividend to move up to the ETN holder to service the annual coupon. And second, in event of missed coupon or principle payment, the convertible note gives the ETN holders the statutory right to “convert” into full ownership of the “investment target” company of the ETN, and subsequently 100% of the assets that were purchased or financed by the capital raise.



..... of Exchange Traded Notes (ETN's |)....



**EvCORP**  
CAPITAL

.... is here.

That’s a concept very similar to “ring fencing,” which means that a separate pool of assets is held apart from all others in order to provide down-side protection to an investor.

This entire ETN down-side protection process is controlled by our choice of trustee, which under “Lux Law” is an independent “Societe Anonyme,” or SA company, that will administer compliance within the strict terms of the convertible note. During the lifetime of the security, this trustee will act in the ETN holders benefit and follow the legal, pre-determined process in the event of default so that worst case, ETN holders should end up owning the entire investment target company and all its segregated assets. Thus, ETNs work particularly well for real-estate and other target investment companies that carry the collateral of the hard-assets purchased or financed from the capital raise. And whilst the ETN product provides this hard-shell of protection, there is no substituting for the need for a secure, successful investment to provide capital for a well-vetted company.

One such company which does this well is [EvCorp](#) Asset Management Inc., a manager of Canadian real estate assets, with the dual goal of maximizing value from existing cash-flowing assets as well as the active development of a pipeline of new assets. Evcorp was incorporated to administer private equity for real estate projects and operates within the Everest Group of Companies.

Everest Group has set out to solve some of the inefficiencies within the commercial real estate market. The Group created an online platform which acts as a way for commercial mortgage brokers and lenders to connect within the CRE space. The platform has further developed into

an ecosystem for developers to obtain debt, equity financing and matching development projects with institutional buyers by using state of the art artificial intelligence and blockchain technologies.

EvCorp are also now raising €50 million EUR through private placement of an Exchange Traded Note (ETN) with a high yield of 8% coupon and 5-year maturity to enhance 6 current and pipelined assets, primarily in student housing developments, with a present valuation of €95million to over €510million once fully developed, leveraging the expertise of its parent company, Everest Group, which has specialized in commercial development throughout Canada and more recently in the USA.

So to summarise? Good returns still available in uncertain global markets? Tick. Investment asset-backed, or convertible? Tick. Investment fixed rate and fixed exit? Tick.

Is it any wonder the rise and rise of the ETN continues?

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