THREE HORIZONS CAPITAL · RESEARCH

Leverage Is a Trade, Not a Holding.

$130.5bn sits in the 20 largest leveraged and inverse ETFs. We set each one against its unlevered counterpart, and against the same leverage reset monthly or quarterly instead of daily. Whether leverage is worth it depends on what you are asking, and above all on how long you hold it.

0.99% vs 0.28%

Average expense ratio of the 20 leveraged and inverse ETFs against their nine unlevered counterparts: a cost paid in every market

10 of 16 to 7 of 15

Long funds where the daily reset beat both a monthly and a quarterly reset, over 12 months and then over 24 months

−94.5% vs wiped out

A −3x semiconductor short over 12 months: the daily-reset fund survived; the same position reset monthly or quarterly went to zero

THE FINDING IN ONE LINE

Leverage costs more in every market; on the long side its daily reset is a bet that your holding period trends, and on the short side it is insurance against ruin. It earns its place as a timed trade, not as a holding.

Three Horizons Capital, Portfolio Analytics. Top 20 leveraged and inverse ETFs by assets and their unlevered counterparts; returns over roughly 12 and 24 months to 16 October 2026.

01 $130.5bn, used like a trade

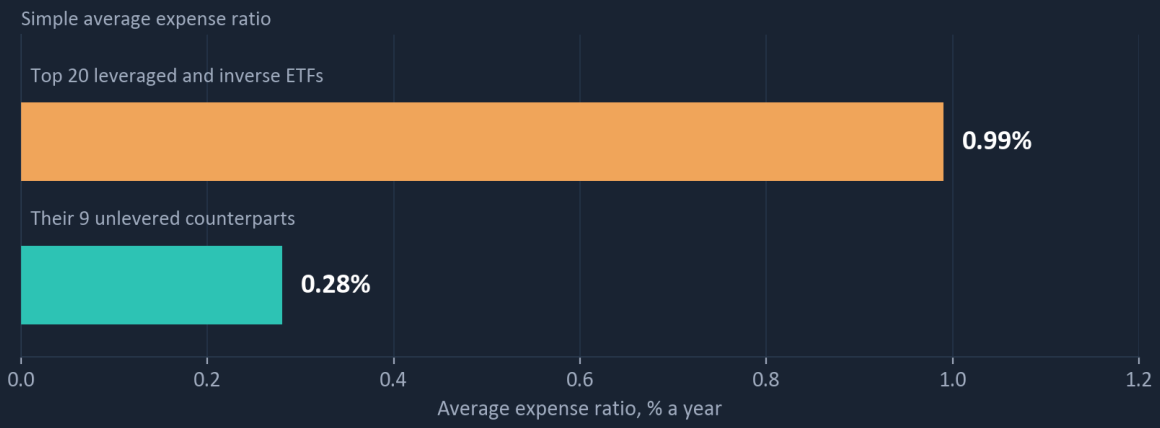
The 20 largest leveraged and inverse ETFs hold $130.5bn. Their nine unlevered counterparts, the plain index funds tracking the same or the nearest benchmark, hold $1.60tn, roughly 12 times as much. The leveraged sleeve is concentrated in Nasdaq-100, S&P 500 and semiconductor products, and three of the 20 are 2x versions of a single stock.

The money moves like trading capital. Over 12 months the leveraged sleeve saw net outflows of about $9.15bn, yet in the latest month it took in about $4.12bn. That is tactical, short-duration use, not buy-and-hold allocation. The question is whether the tool repays what it costs for the way it is used.

02 The cost is certain

On cost alone, leverage loses. The 20 leveraged and inverse ETFs charge an average expense ratio of 0.99% a year, against 0.28% for their unlevered counterparts: roughly three to four times as much. All 17 of the products with a fund counterpart charge more than it; the other three are compared with a single stock, which carries no fund fee. Unlike everything else in this paper, that gap does not depend on the market's path. It is paid in rising, falling and sideways markets alike.

Leverage costs about three to four times as much to hold, every year, in every market



Source: 3HC portfolio analytics; top 20 leveraged and inverse ETFs by assets, data to 16 Oct 2026.

03 How we tested it

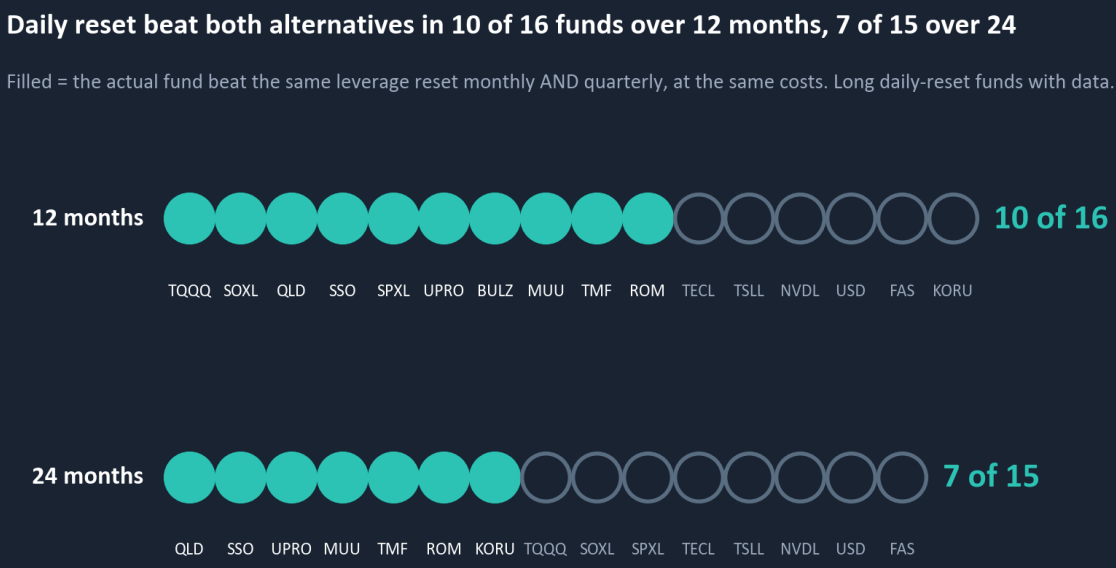
For each fund we compared three things over roughly 12 and 24 months to 16 October 2026:

- **The actual fund's return,** after its own costs: what a holder really got.
- **The unlevered counterpart's return.** For the three single-stock funds, the counterpart is the stock itself.
- **Two modelled positions at the same leverage and the same costs,** built from the counterpart's own returns: one reset monthly, one reset quarterly. Each period's return is multiplied by the fund's leverage, the fund's own expense ratio and a financing cost are deducted, and the periods are chained together.

The modelled positions isolate one question: would resetting less often, at the same leverage and the same cost, have done better or worse than the fund's daily reset? Financing is set at 4.35% a year on the borrowed exposure, roughly one-month SOFR of 3.89% plus a spread of about 45bp. That is a stated assumption, not an observed price. A modelled position that would fall to zero within a period is held at a total loss for the rest of the window, as a real position would be closed out.

04 Over 12 months, the daily reset mostly won

In a broadly rising and often sharply trending year, the actual daily-reset fund beat both the monthly and the quarterly reset in 10 of the 16 long funds with valid data. A daily reset adds exposure as a trend runs, so a clean trend rewards it.



Source: 3HC portfolio analytics; top 20 leveraged and inverse ETFs by assets, data to 16 Oct 2026.

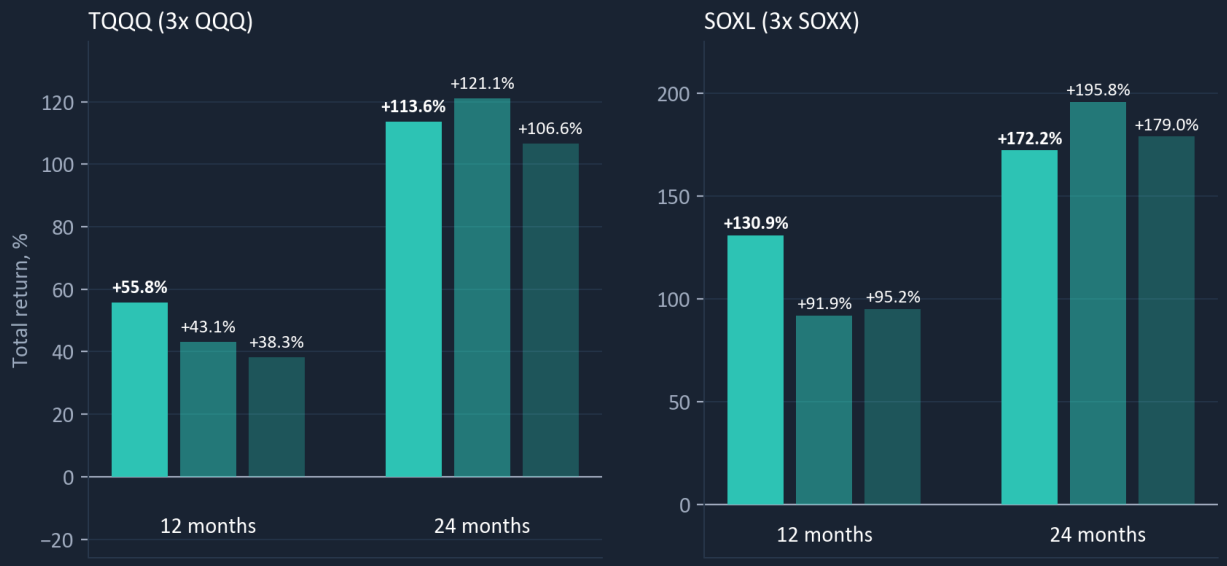
"Beat" can mean lost less. The 3x long Treasury fund fell 34.9% over the year, against 41.9% and 44.1% for the monthly and quarterly resets. The six funds where the daily reset lost either had a large move inside a single month or quarter, which a less frequent reset captured in one piece, or a falling, choppy underlying where daily volatility decay outweighed any trend.

05 Over 24 months, the edge became a coin toss

Stretch the same test to 24 months and the daily reset wins in only 7 of 15 funds. The two largest products in the universe flip. TQQQ, 3x the Nasdaq-100, beat both alternatives over 12 months (+55.8% against +43.1% and +38.3%) but trailed the monthly reset over 24 months (+113.6% against +121.1%). SOXL, 3x semiconductors, did the same: +130.9% against +91.9% and +95.2% over 12 months, then +172.2% against +195.8% and +179.0% over 24.

The two largest funds beat both alternatives over 12 months, then trailed the monthly reset over 24

Bars left to right in each window: actual fund (solid), monthly reset, quarterly reset; same leverage and costs



Source: 3HC portfolio analytics; top 20 leveraged and inverse ETFs by assets, data to 16 Oct 2026.

The daily reset's advantage in a trend is real, but it is not a fixed property of the product. It depends on which slice of the market's path the holding period happens to cover, and that cannot be known in advance.

> **THE POINT FOR A HOLDER**
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> Choosing a daily-reset fund over a monthly or quarterly alternative is an implicit call on how cleanly the next 12 to 24 months will trend. It is not the purchase of a reliable compounding premium.

06 Monthly or quarterly: the path decides

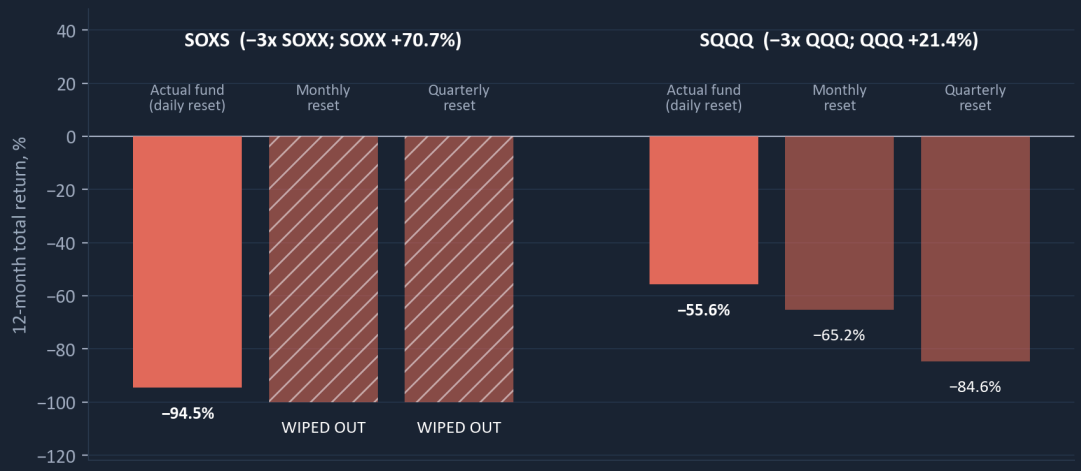
Holding leverage fixed, a monthly reset beat a quarterly reset in 12 of 16 long funds over 12 months and 13 of 15 over 24 months: resetting more often usually captures more of a sustained trend. The exception shows why no rule holds. For the 3x South Korea fund, the quarterly reset returned +104.7% over 12 months, against +26.9% for the monthly reset and +71.8% for the actual fund, because the market's biggest move fell inside a single calendar quarter. The winning frequency is whichever happens to line up with the largest moves.

07 On the short side, the daily reset is a parachute

For the two −3x inverse funds the question changes from which earns more to which survives. Against a semiconductor index that rose 70.7% over 12 months, both the monthly and quarterly −3x positions were wiped out. The actual daily-reset SOXS survived, down 94.5% over 12 months and 97.5% over 24: badly hurt, but not at zero, because a daily reset limits each loss to one day's move. Put simply, $100 shorted at −3x through the daily fund became $5.50 over 12 months; the same $100 reset monthly or quarterly became $0.

Against a rally, the less-frequent resets of a −3x semiconductor short were wiped out; the daily fund survived

Hatched = position fell to zero and is held at a total loss. 12 months to 16 Oct 2026.



Source: 3HC portfolio analytics; top 20 leveraged and inverse ETFs by assets, data to 16 Oct 2026.

SQQQ, −3x the Nasdaq-100, never hit zero, but the ranking tells the same story: −55.6% for the actual fund against −65.2% for the monthly reset and −84.6% for the quarterly over 12 months, and −80.3% against −85.5% and −94.9% over 24. The longer a position goes unreset, the more room an adverse move has to compound. On the short side, daily reset is insurance against ruin, paid for through the same volatility decay that erodes long-side gains.

08 The full scoreboard

FUND	LEVERAGE	AGAINST	FEE	UNDERLYING	ACTUAL FUND	MONTHLY RESET	QUARTERLY RESET
TQQQ	+3x	QQQ	0.82%	+21.4%	+55.8%	+43.1%	+38.3%
SOXL	+3x	SOXX	0.75%	+70.7%	+130.9%	+91.9%	+95.2%
QLD	+2x	QQQ	0.95%	+21.4%	+42.2%	+33.5%	+31.2%
SSO	+2x	SPY	0.84%	+15.5%	+33.0%	+24.2%	+22.9%
SPXL	+3x	SPY	0.84%	+15.5%	+36.6%	+32.8%	+29.9%
UPRO	+3x	SPY	0.88%	+15.5%	+40.4%	+32.7%	+29.8%
TECL	+3x	XLK	0.87%	+28.0%	+49.7%	+49.8%	+40.1%
SOXS	−3x	SOXX	1.00%	+70.7%	−94.5%	Wiped out	Wiped out
TSLL	+2x	TSLA	0.83%	−17.3%	−53.7%	−47.2%	−42.3%
BULZ	+3x	FNGS	0.95%	+19.3%	+71.0%	+27.9%	+23.6%
NVDL	+2x	NVDA	1.05%	+18.1%	+4.8%	+21.8%	+25.2%
MUU	+2x	MU	1.01%	+334.4%	+880.0%	+665.0%	+655.4%
FNGU	+3x	FNGS	0.95%	n/c	n/c	n/c	n/c
USD	+2x	SOXX	0.94%	+70.7%	+72.4%	+109.8%	+98.8%
PFFA	about +1.5x	PFF	2.11%	−7.8%	−10.7%	−15.8%	−16.3%
FAS	+3x	XLF	0.88%	+7.3%	+0.3%	+4.4%	+2.0%
SQQQ	−3x	QQQ	0.94%	+21.4%	−55.6%	−65.2%	−84.6%
TMF	+3x	TLT	0.90%	−12.4%	−34.9%	−41.9%	−44.1%
ROM	+2x	XLK	0.93%	+28.0%	+57.8%	+42.6%	+38.0%
KORU	+3x	EWY	1.32%	+72.3%	+71.8%	+26.9%	+104.7%

12 months to 16 October 2026, total return. Wiped out = the modelled position fell to zero and is held at a total loss. n/c = not computed. Source: 3HC portfolio analytics.

FUND	UNDERLYING	ACTUAL FUND	MONTHLY RESET	QUARTERLY RESET
TQQQ	+48.3%	+113.6%	+121.1%	+106.6%
SOXL	+117.0%	+172.2%	+195.8%	+179.0%
QLD	+48.3%	+89.0%	+84.6%	+79.3%
SSO	+31.1%	+60.6%	+49.5%	+48.1%
SPXL	+31.1%	+64.8%	+68.2%	+65.4%
UPRO	+31.1%	+73.6%	+68.0%	+65.3%
TECL	+58.8%	+107.6%	+134.3%	+104.3%
SOXS	+117.0%	−97.5%	Wiped out	Wiped out
TSLL	+60.3%	−8.1%	+25.5%	−1.5%
BULZ	n/c	n/c	n/c	n/c
NVDL	+58.2%	+28.7%	+84.8%	+76.8%
MUU	+708.9%	+1,928.1%	+1,720.0%	+1,642.5%
FNGU	n/c	n/c	n/c	n/c
USD	+117.0%	+152.0%	+201.1%	+178.3%
PFFA	−13.7%	−16.9%	−27.1%	−27.7%
FAS	+16.9%	+6.0%	+14.6%	+20.1%
SQQQ	+48.3%	−80.3%	−85.5%	−94.9%
TMF	−16.0%	−47.1%	−55.3%	−56.7%
ROM	+58.8%	+112.0%	+101.1%	+90.0%
KORU	+138.2%	+242.3%	+136.7%	+196.2%

24 months to 16 October 2026, total return. Same conventions as above. Source: 3HC portfolio analytics.

The table also shows what leverage does in both directions. In a rising market it multiplied returns: TQQQ returned +113.6% over 24 months against +48.3% for the Nasdaq-100 fund it tracks. When the underlying fell, it multiplied the loss: the 2x Tesla fund lost 53.7% over 12 months while Tesla fell 17.3%.

09 What this means for a portfolio

Is leverage worth it? There are three answers, and none of them is a flat yes or no.

- **On cost: no.** Roughly three to four times the fee, in every market. This is the one result that does not depend on the path.
- **On the long side: only if your holding period trends.** The daily reset won 10 of 16 over 12 months and 7 of 15 over 24. It is a bet on the window, not a structural edge.
- **On the short side: yes, as insurance.** Daily reset kept a −3x short alive where less frequent resets went to zero.

For anyone holding or offering these products, that points to a few disciplines:

- **Set the holding period before the position.** Treat a leveraged ETF as a trade with an exit date, sized for its fee, not as a strategic allocation.
- **Judge it against the right alternative.** The question is not only "leveraged or not" but how often the leverage resets, and over what window.
- **Watch what clients actually hold, and for how long.** A product built for days and weeks behaves differently when it is held for years.

10 What we measured

- **Universe:** the 20 largest leveraged and inverse ETFs and ETNs by computed assets (NAV times shares outstanding, 15 to 16 October 2026), each matched to its nearest unlevered counterpart. Three pairs (BULZ and FNGS, USD and SOXX, PFFA and PFF) are proxy rather than exact matches. TSLL, NVDL and MUU are compared with the underlying stock, which carries no fund fee.
- **Returns:** actual fund returns after the fund's own costs, over roughly 12 and 24 months (252 and 504 trading days) to 16 October 2026.
- **Modelled resets:** the counterpart's return bucketed into calendar months or quarters, multiplied by the fund's leverage, less the fund's own expense ratio and a 4.35% a year financing cost on exposure beyond 1x, chained geometrically. A position that would fall to zero within a period is held at a total loss (for a −3x position, a rally of more than about 33% in one period).
- **Exclusions and cleaning:** FNGU is not computed (about 54% of expected trading days missing between July and October 2026); BULZ's 24-month figures are withheld (inception on the 24-month boundary). Implausible daily prints were neutralised before any return was computed. PFFA is actively managed with about 1.5x structural leverage, not a daily reset, so it is shown but left out of the reset counts. MUU's 24-month figure is close to its full history since launch in October 2024.
- Past performance is not indicative of future results. Leveraged and inverse ETFs are complex products that can lose most or all of their value. This paper is research, not investment advice, and is not a recommendation to buy or sell any product.

> **IF THIS IS USEFUL**
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> This read joins fund returns, fees, assets and flows with a model of how each product's leverage resets, on one platform. If you build model portfolios, run a wealth platform that offers leveraged products, or manage them, and want the same holding-period view of your shelf, talk to us at threehorizonscapital.com.