Bank
Banque
Banca
CLER

Structured products with participation

This document contains information about the properties of structured products with participation and informs you about potential benefits and risks of this class of products. These principles can support you in your investment decisions. Please contact your Client Advisor if you would like further information or have any questions.

General Information

Structured products are debt securities with a value comprised of different components. They usually have pre-defined terms. Their underlying assets can be bonds, stocks, indices, currencies, and commodities, as well as derivatives of the named investment categories.

Structured products with participation This type allows participation in the value development of one or multiple underlying assets. The term is usually between one and five years. However, there are products without a term limitation. A structured product with participation may have conditional capital protection up to a percentage of the nominal value. The conditional capital protection applies only at maturity. Products traded during the term can certainly be traded at lower prices. If a pre-defined barrier is undershot, the capital protection is lost. Multiple underlying assets allow higher bonus payments or lower barriers. At the same time, they are higher risk.

Types of structured products with participation

Tracker certificates follow the price development of the underlying assets one to one. The investor can count on rising prices (bull) or sinking prices (bull). The loss of risk at payout is equivalent to the risk of a direct investment in the underlying assets.

Outperformance certificates are designed with a disproportionate profit sharing in the development of the underlying assets. The potential loss corresponds to that of the underlying assets.

Bonus certificates follow, in the event of positive price development, the underlying assets one to one. A conditional capital protection in the amount of the so-called bonus level is built in. If a pre-defined barrier is not reached during the term, the minimum repayment corresponds to the strike (bonus level). If the barrier is reached (knock-in), the product converts into a tracker certificate. The risk of loss is equivalent to the risk of a direct investment in the underlying assets.

Bonus outperformance certificates have, in the case of positive development of the underlying assets, a disproportionate profit sharing. A conditional capital protection in the amount of the so-called bonus level is built in. If a pre-defined barrier is not reached during the term, the minimum repayment corresponds to the strike (bonus level). If the barrier is reached (knock-in), the product converts into an outperformance certificate. The potential loss corresponds to the risk of loss of the underlying assets.

Twin-win certificates follow, in the event of positive development of the underlying assets, the base value above a threshold value (strike) one to one. Price losses in the underlying assets are converted to a pre-defined barrier in gains, as long as the barrier is not reached during the term. If the barrier is reached (knock-in), the product converts into a tracker certificate. The risk of loss is equivalent to the risk of a direct investment in the underlying assets.

Potential benefits

Possibility of conditional capital protection: Some participation products (bonus certificates) have conditional capital protection. If a pre-defined barrier is not reached during the term or is undershot, the capital protection applies.

Disproportionate participation: Outperformance certificates participate disproportionately in price gains of the underlying assets.

Investment in hard-to-access markets: Investments can be made in investment classes or markets that are difficult for private investors to access.

901 0173 VP70 2.21

Bank
Banque
Banca
CLER

Potential risks

Risk of loss: The risk of loss corresponds usually to the risk of the underlying assets. In the event of unfavourable price development, a partial or total loss may result. Some products with participation relate to multiple underlying assets and call for the investor to receive at maturity the security with the worst value development. Whether it be physical delivery or in cash.

Credit risk: The credit risk may occur in case of insolvency of the issuer and lead to a partial or total loss of the invested capital. If the credit rating of an issuer deteriorates during the term of the product, the secondary market price of the product may decrease. This may also result in a loss in case of a sale before the end of the term.

Market risk: The value of the investment may decrease during the term due to market price fluctuations.

Liquidity risk: The investor bears the risk that the investment must be held until the end of the term in an illiquid market or sold before maturity at an unfavourable price.

Foreign currency risk: If the financial instruments or the underlying assets are listed in a different currency from the local currency of the investor, there is a risk that fluctuations in the exchange rate will decrease the value of the investment from the investor's perspective. It is possible that the price gains of an investment result in a total loss for the investor due to exchange rate fluctuations. Exchange rates can fluctuate substantially.

901 0173 VP70 2.21