



**Robin Varghese**

Executive Director - Wealth Management

Robin is a seasoned private banker with over 18 years of experience in wealth management, investment advisory and financial planning. He holds a Masters in Management Studies(MMS) from Welingkar Institute of Management(Mumbai). He brings deep expertise in implementing tailored wealth strategies, portfolio management, asset allocation and estate planning for HNIs. His previous experiences include Standard Chartered Bank, Bank of Singapore and First Abu Dhabi Bank.

Sonell has 18+ years of experience in Financial markets across UAE and India. She has worked with 3CCA (EAM), Credit Suisse, Citibank, First Abu Dhabi Bank, ICICI Bank and Karvy Institutional Broking. She is a certified Chartered Financial Analyst (CFA) from CFA Institute, US. She is also a certified Financial Risk Manager (FRM) from GARP Institute, US and has completed her MBA (Finance) from ICFAI Hyderabad, India. She is skilled in diverse Asset classes, Capital Markets, Financial Planning and Risk Management. She has an attention to detail and enjoys curating financial solutions for the clients.



**Sonell Kanyal**

Head of Investment advisory



**WEALTH BEYOND BORDERS: UNLOCKING THE WORLD OF GLOBAL WEALTH**

# THE WORLD'S TOP 40 FINANCIAL CENTERS

As of March 2025

GFCI 37 Rating

700

770



## 1 New York City, USA

- World's largest capital markets (NYSE, NASDAQ)
- Home to major investment banks
- Global center for corporate finance and M&A
- Leading in asset management, hedge funds, and private equity

## 2 London, UK

- Global hub for foreign exchange (FX) trading
- Base for many international banks and fintechs
- Strong expertise in insurance and reinsurance
- Historical bridge between US, EU, and Asia markets

## 3 Hong Kong

- Access point to Mainland China capital markets
- Major center for equity listings and IPOs
- One of top destination for private banking and asset management

## 4 Singapore

- Gateway to Southeast Asia and India
- Leading in wealth management, family offices, and fintech
- Rising green finance and digital assets hub

## 5 San Francisco, US

- Silicon Valley's financial gateway
- leader in fintech, venture capital, and technology-driven financial services
- pivotal for digital finance innovation

## Additional Notables on the Rise

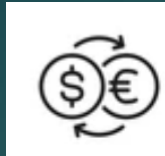
- DIFC and ADGM in UAE, Busan in South Korea, Casablanca Finance city in Morocco, Seoul in S Korea, Doha & Riyadh in GCC, Gift City in India and Kigali in Rwanda.

Thought



: Do Indian Investors have accessibility to these GFCIs?





## Forex

- Daily Trading Volume: ~\$7.5 trillion (BIS 2022)
- USD involved in ~88% of all FX transactions
- Top FX Centers: London (38%), New York (17%), Singapore (9%)
- 24-hour market, 5 days a week
- Products: Spot, Forwards, Swaps, Options, NDFs
- Driven by institutional investors, trade flows, and algorithmic trading
- Foundation of global trade, investing & risk management



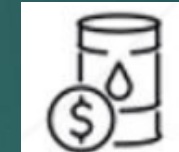
## Fixed Income

- Global Market Size: ~\$135–\$140 trillion (2024–2025)
- US: ~\$55 trillion (Treasury, Agencies, MBS, Corporates)
- Euro Area: ~\$30 trillion+ (Govt. Bonds, Corporates)
- China: ~\$21 trillion (Sovereign, Policy Banks)
- Japan: ~\$11 trillion (JGBs, Municipals)
- Emerging Markets: ~\$12–15 trillion
- Types: Sovereign, Corporate, Municipal, MBS/ABS, Green Bonds



## Equities

- Global Market Size: \$110–115 trillion
- US: Highly developed IPO, secondary offering and private equity markets, high-growth sectors: Tech, AI, Biotech, Green Energy, High trading volumes, Diverse Investor Base
- EU: Fragmented Structure with multiple exchanges, More exposure to industrials, financials, consumer goods, and energy, less tech, dividend-paying, value-oriented companies, Heavier institutional presence
- China: Market Segmentation (A shares), Hongkong (H shares), Access Restrictions for A shares, high retail participation, major sectors Financials, industrials, consumer and Tech, Valuation Gaps, ESG & Transparency Issues
- Japan Strong in industrials, automotive, electronics, robotics, and export-oriented businesses, Cash-Rich Companies, Valuation Appeal



## Commodities

- Global Market Size: \$15–20 trillion USD annual trading volume
- Energy commodities (especially crude oil and gas) largest market share
- Metals markets, led by gold and copper, also represent a significant portion
- Futures and derivatives markets are much larger in notional value than spot physical markets, driven by hedging and speculation.

### Region wise

- Middle East: Major oil production and export hub.
- US :Leader in agricultural commodities and energy production.
- China: Largest consumer of commodities; rapidly growing exchange market
- Europe: Strong metals & energy markets, growing renewables impact.

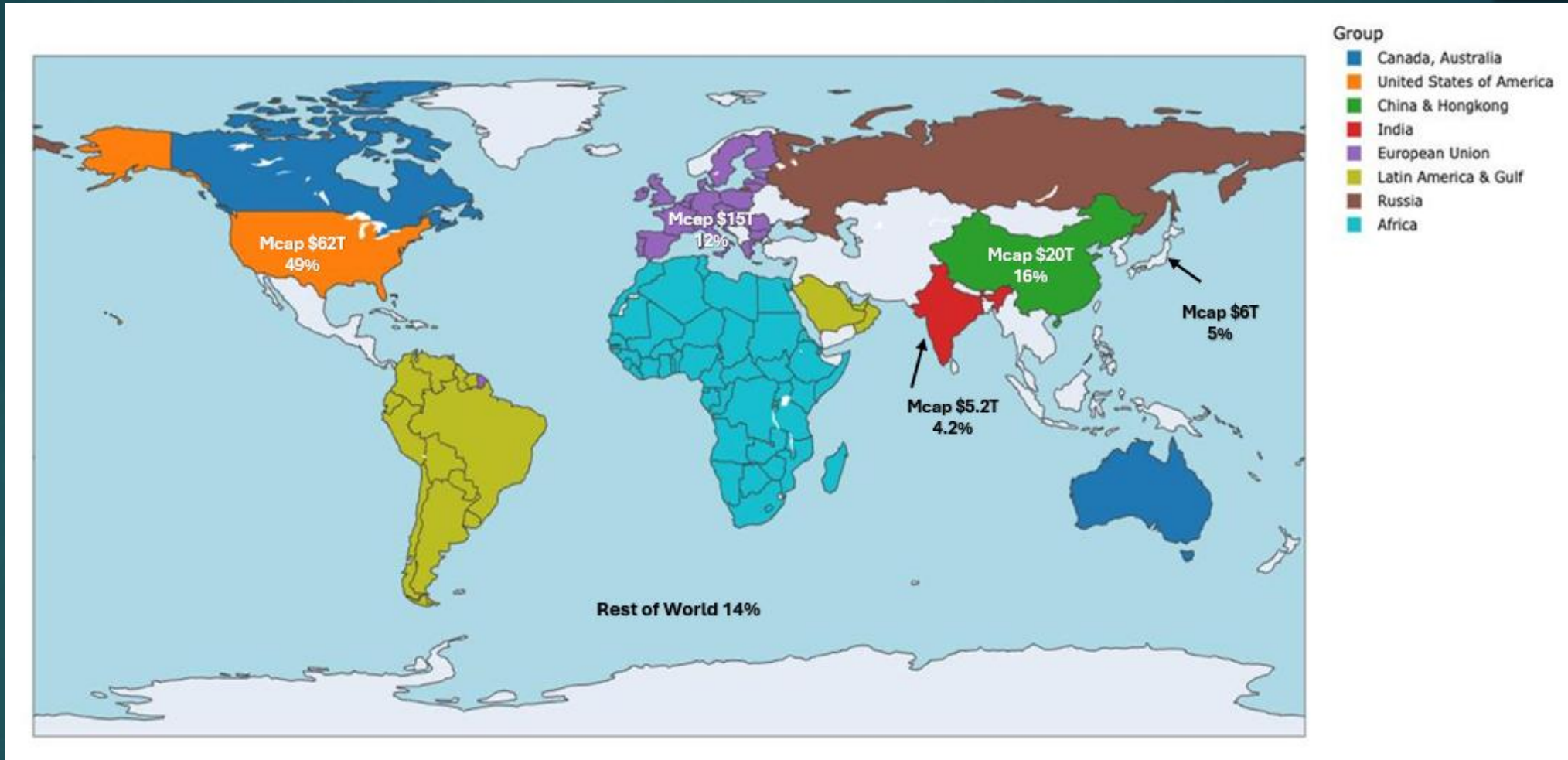
## Thoughts



- Are Indian investors missing participating in some of the largest asset classes
- Should Indian investors consider allocation to asset classes other than Equities to diversify portfolio risks

# Global Equity Market capitalization

\$124–128 trillion as of early 2025



U.S. continues to dominate global equity capital markets, holding nearly as much as all other regions combined.

Thought 🤔: Are Indian investors investing in only 4% of what's available?"

## 5-Year Performance of Global Indices (as of 01-Jul-2025)

Index	01-Jul-20	01-Jul-25	Cumulative Returns	CAGR
Nifty 50	10323.8	25517	147%	19.84%
NASDAQ 100	10905.88	23065.47	111%	16.16%
S&P 500	3271.12	6204.95	90%	13.66%
EURO STOXX 50	3174.32	5303.24	67%	10.81%
FTSE 100	5897.76	8760.96	49%	8.23%

Price returns in local currency terms

Indian Markets have outperformed Global markets in INR terms over the past 5 years; however, INR has depreciated by 16% against USD in 5 years making NASDAQ and Nifty 50 returns comparable. Nifty 50 has an average volatility of 22% vs 16% average volatility for NASDAQ.

INR has depreciated by 28% against GBP and 23% against the EUR in past 5 years.

### Thoughts 🤔

- Are Global Financial markets offering better risk adjusted returns ?
- Should Indian investors consider reducing country-specific risks through geographical diversification ?
- Should Indian investors consider investing in Global Financial Market to hedge against INR depreciation ?



### Space Economy & Defense Tech

Satellite communications, commercial space travel, Aerospace defense.

Key regions: US, EU

Companies: SpaceX (private), Lockheed Martin, Raytheon

### Artificial Intelligence & Automation

Focus on machine learning, robotics, and intelligent software across industries.

Key regions: US, China, South Korea  
Companies: Nvidia, Microsoft, AMD, Salesforce, TSM

### Green Energy & Climate Transition

Renewable energy, electric vehicles, carbon capture, ESG-related investments.

Key regions: Europe, US, China  
Companies: Tesla, Enphase, Vestas

### Digital Entertainment & Gaming

Streaming, gaming platforms, e-sports, immersive AR/VR.

Key regions: US, South Korea, Japan

Companies: Netflix, Tencent, Nintendo, Unity

### Emerging Market Consumers

Growth of the middle class in Asia, Africa, and LATAM.

Key regions: India, China, Brazil, Indonesia

Companies: Alibaba, Reliance, Mercado Libre, Unilever

### Fintech & Digital Payments

Disruption of banking, mobile wallets, blockchain-based finance.

Key regions: US, India, UK, Southeast Asia

Companies: PayPal, Adyen, Block, Nubank

### Cybersecurity

Rising global need for data protection, network security, and cyber defense.

Key regions: US, Israel  
Companies: Palo Alto Networks, CrowdStrike, Zscaler, Okta, Cisco, Fortinet

### Reshoring & Supply Chain Realignment

Localization of manufacturing, logistics tech, industrial automation..

Key regions: US, Mexico, Southeast Asia

Companies: ABB, Rockwell Automation, Foxconn

### Digital Infrastructure

5G, data centers, fiber networks, satellite broadband, cloud computing

Key regions: US, China, India  
Companies: American Tower, Vertiv Equinix, AWS, Digital Realty Trust, Arista Network

## Top Global Equity Themes

**Thought** 🤖 : Are Indian Investors missing on capturing the dominant Global Equity themes



## Product diversity

### Forex

#### India

Spot, Forwards, Futures , options

Futures : Pairs traded USD/INR, EUR/INR, GBP/INR, Yen/INR

Options: USD/INR

Cross currency derivates : Pairs traded EUR/USD, GBP/USD, USD/JPY

Structured Product :

- Dual Currency Deposits (DCD)
- Range accruals

#### Global

USD, EUR, GBP, CHF, AUD, SGD, CAD, HKD, JPY, NOK, NZD, SEK, ZAR

Spot, Forwards, Futures, Options, CFDs (contract for difference, leverage)

wide variety of currency pairs available

Structured Product :

- Dual Currency Deposits (DCD)
- Range Accrual Notes
- Accumulators/Decumulators
- Target Redemption Forward (TRF)
- FX Barrier Options
- Quanto Structures
- Digital coupon /Barrier notes

### Equities

#### India

Indian Public Equities

ETFs

Mutual Funds

Alternative Investment Funds (AIFs)

Futures & options- Mostly on Index and few stocks

Structured Products

- Index linked Capital Protected structures

#### Global

Public Equities

ETFs, Mutual Funds

Hedge Funds, Private Equity Funds, Venture Capital Funds

Futures & options- both exchange traded and OTC

Structured Products

- Capital Protected structures
- Reverse Convertibles
- Auto callable Reverse convertibles
- Phoenix/Memory Notes
- Participation Notes
- Bonus Notes
- Range accrual
- Accumulator/ Decumulator
- Twin win

### Fixed Income

#### India

Government Securities (G secs)

Corporate Bonds

Bank & Post office Deposits

Public Provident Fund (PPF)

National Pension System (NPS)

Mutual Funds

#### Global

Bank Deposits

Fiduciary Deposits

Sovereign Bonds/Sukuks

Municipal Bonds

Corporate Bonds/Sukuks

Mutual Funds

Private Credit Funds

Structured Products

- Structured deposits
- Range accrual Notes
- Credit Linked Notes
- Steepeners/Inverse Floaters
- Step-Up Notes
- Reverse convertibles

### Commodities

#### India

Gold, Silver, Crude Oil, Natural Gas, Cotton, Chana, Guar

Spot, Futures, Options

ETFs, Mutual Funds

Sovereign Gold Bonds (SGBs)

Structured products

- Capital-Protected Notes on Gold
- Dual-Currency Notes with Gold
- Commodity Index Notes

#### Global

Gold, Silver, Platinum, Palladium, copper, corn, wheat, coffee, Crude Oil, Natural Gas

Spot, futures, options, CFDs

OTC options

ETFs, Exchange-Traded Commodities (ETCs)

Hedge Funds

Structured Products

- Capital Protected structures
- Digital Notes
- Dual Currency Notes
- Reverse Convertibles
- Auto callable Reverse convertibles
- Participation Notes
- Range accrual
- Accumulator/ Decumulator
- Target Redemption Forward (TRF)
- Twin win

**Thought**  : Are Indian investors receiving limited bespoke product offerings



# Structured Products

A **Structured product** is a hybrid investment instrument that derives its return from the performance of an underlying asset, index, or rate, using a combination of a debt instrument and derivative components (such as options or swaps). It is typically designed to offer capital protection, enhanced returns, or to customize payoff profiles under specific market conditions.

Underlying assets can include

- Equity indices (e.g. Nifty 50, S&P 500)
- Individual stocks (Apple, Infosys)
- Interest rates (e.g. SOFR, CMS)
- Commodities (e.g. Gold, Oil)
- FX pairs (e.g. USD/INR, EUR/USD)
- Baskets or custom themes (e.g. AI, ESG)

## Pros

- Customizable Payoff: Tailored to suit market views (bullish, bearish, neutral)
- Capital Protection: Some structures offer 100% principal protection if held to maturity, while others can provide conditional soft capital protection
- Enhanced Yield: Higher returns than traditional FDs or bonds via derivative overlays
- Market Access: Exposure to global equities, bonds, commodities, FX, and interest rates
- Diversification: Add non-traditional strategies to a portfolio
- Thematic Plays: Can be linked to ESG, AI, Datacenters, pharma, China tech, etc.
- Low Volatility Option: Payoff structures can perform in flat or sideways markets

## Cons

- Complexity: Payoff formulas can be difficult to understand for non-experts
- Limited Liquidity: Often not listed or tradable before maturity
- Issuer/Counterparty Risk: Dependent on the creditworthiness of the issuing bank or NBFC or Broker
- Capped Upside: Participation is often limited or conditional
- Early Exit Penalties: May incur significant cost or value erosion if exited early

## Structured Deposits

**Investor Objective:** To earn a fixed income higher than traditional deposits over a fixed term while preserving capital. Client is comfortable with the credit risk of the issuer.

A **structured deposit** is a combination of a deposit and an investment product, wherein the return is dependent on the performance of some underlying financial instrument unlike in case of fixed deposits where the **return** is fixed and not at risk. Structured Deposits provide potentially higher returns compared to traditional fixed deposits and at maturity return 100% of the initial investment amount to the investor subject to the issuer's credit risk and financial risks. These deposits are not covered by deposit insurance schemes.

e.g. 3.3% 1Month structured deposit with daily liquidity

### Pros

Potential for higher returns than traditional deposits via market-linked returns.

Allows clients to diversify by taking exposure to assets like stocks, Forex, commodities, or indices.

Principal is often protected (if held to maturity).

### Cons

- Limited liquidity. Early withdrawal may result in loss of returns or even part of principal.
- Returns are not fixed, depend on market conditions; you may get very low or no returns.
- Complexity, structure can be difficult to fully understand for non-experts.
- Many structured deposits aren't insured by deposit guarantee schemes.
- Counterparty risk: Investor relies on the issuer to honor obligations

## Range Accruals Deposit (underlying exposure to USD interest rates: SOFR, CMS)

**Investor Objective:** : To earn income potentially higher than term deposits over a fixed term while preserving capital. Client is comfortable with the credit risk of the issuer.

A **range accrual deposit** is a structured deposit whose interest depends on whether a specified market rate (such as LIBOR, SOFR, or FX rate) stays within a pre-defined range during the deposit period. It provides investors with the potential to earn above-average returns by linking its coupon to the performance of an underlying interest rate index (USD SOFR, CMS). This strategy aims to benefit from stability or low volatility in the underlying interest rate index and issuer credit worthiness. If the index value stays within a specified range, the investor receives the coupon rate, or the investor earns nothing. Its returns are maximized if the reference index stays within the investor's defined range and no credit event has occurred on the issuer. At maturity 100% of the initial investment is returned to the investor subject to the issuer's credit risk and financial risks.

e.g. 4.75% 3Yr Callable Range Accrual Note on USD SOFR, SOFR range (0%-5%), non-callable for 1 yr.

The investor will earn a fixed daily coupon as per 4.75% p.a. for the number of days USD SOFR remains within the 0%-5% range. If on any given day SOFR lies outside the range, the investor loses the coupon for that day. The investor does not accrue coupons for the number of days USD SOFR is outside the range. If USD SOFR comes back in the 0%-5% range the investor starts to accrue the coupon again. The coupon is accrued daily and is generally paid on a quarterly / annual basis.

### Pros

Potential for Higher Yields if market stays within range.

Customizable, investor can select preferred range, reference rate, and tenor.

Usually principal-protected (if held to maturity, though this depends on product terms).

Flexibility, other than interest rate indices it can also be linked to Forex, or commodities.

### Cons

Uncertain Interest Returns, returns depends on market staying within the defined range, can drop sharply in volatile markets.

Complexity: Structure can be hard to understand for novice investors.

Low liquidity, often hard to sell before maturity; may face significant discounts. Capital is not protected if withdrawn prematurely.

Market risk, value fluctuates based on market performance.

Counterparty risk: Investor relies on the issuer to honor obligations.



## Credit Linked Notes

**Investor Objective:** : To earn income potentially higher than term deposits and bonds while preserving capital. Client is comfortable with the credit risk of the issuer.

**Credit Linked Note** is an investment product with returns linked to the creditworthiness of a reference entity. CLN combines elements of a traditional bond with an embedded credit default swap (CDS) on a specific reference entity or a basket of entities. It provides investors with the potential to earn above-average returns by undertaking the credit risk of a reference entity in addition to the credit risk of the issuer of the structured product. Its returns are maximized and 100% of the initial capital is returned when there is no credit event on either the reference entity or the issuer. Credit Events include default, bankruptcy, restructuring, etc.

e.g. 5% 5Yr Credit Linked Note on Zurich Insurance, Primary Obligor: Zurich Insurance Co.

The investor will earn a fixed coupon as per 5% p.a. as long as there is no credit event on either the Primary Obligor (Zurich Insurance) nor the issuer.

### Pros

- Potential for Higher Yields, attractive income compared to traditional bonds or deposits
- Customizable, can be structured to suit specific risk appetite or market view, tenor.
- Targeted credit exposure. Client can gain specific exposure to chosen companies or sovereigns.
- Can be used as a diversification tool to diversify credit risk within a broader portfolio.

### Cons

- Credit Event Risk, default or restructuring could lead to partial or total loss of principal.
- Complexity: Structure can be hard to understand for novice investors. Requires deep understanding of credit derivatives & structured products.
- Counterparty risk: Investor relies on the issuer to honor obligations even without a credit event on primary obligor.
- Low liquidity, often hard to sell before maturity; may face significant discounts. Capital is not protected if withdrawn prematurely,
- Market risk, value fluctuates based on market performance

## Equity Linked Capital Protected Performance Note (ELCPN)

**Investor Objective:** : To participate in equity market performance while preserving capital.

**Equity Linked Capital Protected Performance Note (ELCPN)** is a structured product designed to offer principal protection while providing potential upsides linked to the performance of an equity or index or a basket of equities. While the downside risk is limited (principal protection), the upsides are usually capped (cap rate) or limited by a lower participation rate (e.g. participation in 80% of upside). These products generally have a long tenor of 3yrs-7yrs.

e.g. 5Y Capital protected note on S&P 500 and MSCI Emerging Markets Index, 80% participation on average performance of the two indices, performance capped at 40%.

The note calculates the average performance of both indices over 5 years. Investor return = 80% of that average, subject to a maximum of 40%. Even if the combined index performance exceeds the cap, the return is limited to 40%. Principal is protected if held to maturity.

Scenario	S&P 500 Return	MSCI EM Return	Avg Return	Payout Calculation	Total Payout (At Maturity)
1	50%	30%	40%	$80\% \times 40\% = 32\%$	$100\% + 32\% = 132\%$
2	80%	60%	70%	$80\% \times 70\% = 56\% \rightarrow$ <b>Capped at 40%</b>	$100\% + 40\% = 140\%$
3	10%	-5%	2.50%	$80\% \times 2.5\% = 2\%$	$100\% + 2\% = 102\%$
4	-20%	-15%	-17.50%	<b>No return, only capital back</b>	100%

### Pros

- Capital protection at maturity.
- Opportunity to participate in equity market upside.
- Suitable for risk-averse investors who seek growth but want downside protection.

### Cons

- Limited upside potential (due to capped returns or lower participation rate)
- Complexity: Structure can be hard to understand for novice investors.
- Low liquidity, often hard to sell before maturity as secondary market is limited. May face significant discounts, capital is not protected if withdrawn prematurely.
- Counterparty risk, Investor relies on the issuer to honor obligations.
- Market risk, value fluctuate based on market performance.

## Auto callable Reverse convertible on Equities with Guaranteed Coupon

**Investor Objective:** : To earn yield from underlying Equities exposure, the client is comfortable to receive delivery of the worst performing underlying.

**Auto callable Reverse convertible on Equities with Guaranteed Coupon** is a structured product that pays a guaranteed fixed coupon (interest) during its life, regardless of equity performance. It may terminate early if auto call conditions are met. It is not fully capital protected, at maturity principal maybe returned in full or investor may receive delivery of worst performing shares, if the worst performing stock trades below the strike price. Settlement can be physical or cash settlement.

### Product Features

Worst of	Apple, Tesla
Maturity	24 Months (Subject to Early Redemption)
Indicative Coupon *	11.00%
Coupon Type	Guaranteed
Coupon Frequency	Monthly
Geared Put Strike**	67.0%
Knock In Barrier (European)	57.0%
Auto call Level	100%, Stepdown 1% per month
Auto call Frequency	Monthly
Non call Period	2 Months, 1st call end of 3M
Investment Currency	USD

\* Final Coupon to be communicated at the time of the trade.

\*\* At maturity If the Worst Performing Underlying is at or below the European Knock in Barrier, the investor will receive Delivery of the Worst Performing Underlying at Strike price; fractions are not accumulated and are paid out in cash.

### Product Features

Investor is taking exposure to Apple, Tesla stocks.

- The investor receives a guaranteed coupon of 0.9167% (11% p.a.) as long as the structure remains live.
- If both underlying are trading above initial levels on Auto call observation date, structure will be terminated early, investor will receive the capital back together with last monthly coupon. No further coupons will be payable. Auto call observations are held monthly with first observation at the end of 3 months
- Redemption at maturity, if no auto call has occurred.
- Scenario 1- If both underlying are trading above European Barrier (57%)- client receives 100% of initial capital, no capital loss. Client would have earned 22% coupon income over the 2 years hence net return is 22%.
- Scenario 2- If the worst performing stock trades at or below 57% of initial levels, the client will receive delivery of the worst performing stock at 67% of initial levels.

e.g. Tesla is the worst performing stock at maturity and is trading at 50% of initial levels. At maturity, the client will receive delivery of Tesla stocks for worth 74% (=50/67) of initial capital and would incur approx. 26% capital loss. The client would have still earned 22% coupon income over the 2 years; hence net loss will be -4%.

### Pros

- Investor can earn a regular guaranteed income from Equities exposure.
- Investor has a soft capital protection against adverse market movements.
- Investor can generally take exposure to the underlying at a favorable price below current market price.

### Cons

- Investor is exposed to the performance of worst performing stock in the basket.
- Investor is exposed to Structured product issuer risk.
- The product has low liquidity and hence investor may find it difficult to sell the product prior to maturity.
- Market and volatility risk associated with Equities.
- Counterparty risk, Investor relies on the issuer to honor obligations.



## Equity Linked Bonus Note

**Investor Objective:** To earn attractive bonus coupon or to participate in equity performance, the client is comfortable to receive delivery of the worst performing of the underlying Equities.

**Equity Linked Bonus Note** is a structured product designed to provide potential for attractive coupon/bonus payments, and conditional soft capital protection. They are not fully capital-protected but offer an enhanced fixed or conditional bonus linked to an equity or equity index or basket of equities. Settlement can be physical or cash settlement.

### Product Features

Worst of	Advanced Micro Devices, Nvidia
Maturity	24 Months
Indicative Bonus Coupon *	25% (flat)
Coupon Type	Conditional
Coupon Frequency	At Maturity
Put Strike**	100.00%
Knock In Barrier (European)	70.00%
Investment Currency	USD

\* Final Bonus Coupon to be communicated at the time of the trade.

\*\* At maturity If the Worst Performing Underlying is at or below the European Knock In Barrier (70%), the investor will receive Delivery of the Worst Performing Underlying at Strike price (100%); fractions are not accumulated and are paid out in

### Pros

- Potentially higher returns than traditional bonds or deposits.
- Attractive bonus coupons if market remains stable or moderately bullish
- Typically, shorter-term investment horizon.

### Cons

- Conditional capital protection, Capital protection only applies if barrier is not breached
- High downside risk if the market declines significantly
- No dividends from the underlying equity.
- Illiquidity and complexity.
- Counterparty Risk

### Product Features

- Investor is taking exposure to AMD and Nvidia stocks.
- The investor receives a Bonus coupon of 25% flat if no Barrier event has occurred.
- Barrier event: If both underlying are trading above the European Knock in barrier (70%) at maturity no barrier event is deemed to have occurred. If any of the underlying is trading at or below the European Knock in barrier (70%) a barrier event would have occurred, and the investor will incur a capital loss.

### Redemption at maturity

- Scenario 1- No barrier event has occurred, and both Underlying trade above the Bonus Level, the investor will receive 100% of capital + 25% Bonus coupon + 100% Participation in the positive performance of the Worst Performing Underlying from the Bonus Level.
- Scenario 2- No barrier event has occurred, and the Worst Performing Underlying closes at or below the Bonus Level, the investor will receive 100% of capital + 25% bonus coupon.
- Scenario 3-Barrier event has occurred; the investor will **not receive** the Bonus coupon; capital loss will incur. The capital will be reduced by 1% for each 1% negative performance of the Worst Performing Underlying

FINAL LEVEL OF THE WORSTPERFORMING UNDERLYING	FINAL REDEMPTION
160%	160%
130%	130%
120%	125%
110%	125%
100%	125%
70%	70%
40%	40%

## Accumulator

**Investor Objective:** To take exposure to an underlying at a favorable price below current market price.

**Accumulators** are structured derivative contracts wherein the investor agrees to buy equities/currencies/commodities at predetermined prices (strike price) typically below the current market price over time. Settlement happens daily, weekly, or monthly. Settlement can be physical or cash settlement.

**An accumulator** allows the investor to accumulate (buy) a certain number of shares (or Forex or commodity) at a predetermined strike price over a set period. The investor agrees to buy a fixed quantity of shares periodically at a fixed price (strike price) that's typically below market price and decided at inception. Investor benefits if the stock price stays above strike (he is buying below market price potentially locking in profits). If price falls significantly below strike, the investor is forced to keep buying, potentially at large losses. There's often a knock-out clause: if price reaches a certain high level, the contract terminates early (profit lock-in). Strike price is usually 10%-15% below spot at trade start, and Knock-out level is typically 15-30% above spot price. The tenor is typically short 3m to 12m.

e.g. 6M accumulator of Apple, Strike USD 190 (current price USD 215), accumulation quantity 1000 shares/month. Knock out level USD 250.

Scenario 1: Stock stays between USD 190-USD 250, investor buys 1,000 shares/month at USD 190 — potentially profitable.

Scenario 2: Stock drops to USD 180, investor must keep buying 1,000 shares/month at USD 190, incurring losses.

Scenario 3: Stock rises above USD 250, contract terminates early; profit is capped.

### Pros

- Investor can generally take exposure to the underlying at a favorable price below current market price.
- Suitable for bullish or range-bound market view.
- Allows gradual accumulation over time.
- Short tenor 3m-12M.

### Cons

- High downside risk, investor is forced to keep buying even if price crashes below strike price.
- Losses can be significant if the underlying asset declines steeply.
- No flexibility, investor is contractually obligated to buy at strike price.
- Exposure can be leveraged (accumulating large amounts over time) leading to significant losses.
- Liquidity risk; difficult to unwind before maturity.
- Counterparty risk, Investor relies on the issuer to honor obligations.

## Decumulator

**Investor Objective:** To sell an underlying at a favorable price above current market price.

**Decumulators** are structured derivative contracts wherein the investor agrees to sell equities/currencies/commodities periodically at a fixed price (strike price), typically above the current market price. Settlement happens daily, weekly, or monthly. It is used by investors who wish to gradually exit positions at favorable prices. Investor benefits if the stock price stays below strike (he is selling above market price potentially locking in profits). If price rises significantly above the strike, investor misses out on upside (forced to sell at lower price). There's often a knock-out clause: if the price reaches a certain low level, the contract terminates early (investor may be stuck with unsold shares).

e.g. 6M decumulator on Apple, Strike USD240 (current price USD 215), decumulation Quantity: 1,000 shares/month. Knock out level USD 180.

Scenario 1: Stock stays between USD 210-USD 240, investor sells 1,000 shares/month at USD 240 — potentially profitable.

Scenario 2: Stock rises to USD 260, investor must keep selling 1,000 shares/month at USD 240, misses large upsides.

Scenario 3: Stock drops below USD 180, contract terminates early; investor may be left with unsold shares.

### Pros

- Potential to sell above current market price at inception.
- Allows gradual exit from a position at favorable (strike) price
- Suitable for investors seeking to lock in gains on shares.
- Useful for managing large shareholdings over time.
- Helps smooth out volatility impacts via staggered sales.
- Short tenor 3m-2yrs.

### Cons

- Limited upside — forced to sell at strike, even if market rallies significantly.
- Opportunity loss if underlying price rises sharply above strike price.
- No flexibility, investor is contractually obligated to sell at strike price.
- May be subject to early knock-out if underlying drops sharply thus ending sales early, investor maybe left with unsold shares.
- May forgo dividends on sold shares, depending on contract terms.
- Exposure can be leveraged (selling large amounts over time)
- Designed for those who already own the shares, no naked exposure.
- Liquidity risk; difficult to unwind before maturity.
- Counterparty risk, Investor relies on the issuer to honor obligations.



## Target Redemption Forward (TARF)

**Investor Objective:** To hedge currency exposure, enhance returns or to accrue profit over time.

**TARF** is a forward contract that allows an investor to exchange one currency for another at a predetermined rate (strike price) that is typically, more favorable than the spot or the vanilla forward rate. The contract usually has multiple expiry dates and aims to automatically terminate ("knock out") once a pre-set profit target is reached. Settlement type is cash settlement.

e.g. U.S.-based company exporting to Europe, earns EUR and needs to convert EUR into USD to cover USD cost.

Monthly inflows EUR 1Mn (Notional ), Tenor 12 months (monthly settlement), Strike Rate 1.185 EUR/USD market rate 1.175  
Target Redemption \$ 120,000 cumulative gain, knock in 1.95, Leverage 2x

Every month, client sells EUR and receives USD at 1.185, which is better than the current market rate of 1.175

gain in 1<sup>st</sup> month =  $\text{EUR}1\text{M} \times (1.185 - 1.175) = +\$10,000$ . spot @ 1.175

gain in 2<sup>nd</sup> month =  $\text{EUR}1\text{M} \times (1.185 - 1.170) = +\$15,000$ . spot @ 1.170

loss in 3<sup>rd</sup> month =  $\text{EUR } 1\text{M} \times (1.185 - 1.9) = -\$5000$

When cumulative profit reaches \$120,000, the TARF automatically redeems (knocks out).

Loss if knock in triggered =  $\text{EUR } 2\text{M} \times (1.85 - 1.2) = -\$30,000$ .

Scenario 1 : If the spot rate moves favorably consistently the contract will terminate early when the cumulative profit of \$ 120,000 is reached.

Scenario 2: If the spot rate moves favorably for a few periods and then moves unfavorably, the company will have benefited from the improved rate for those favorable periods but will also be locked into the unfavorable rate for the remaining periods. The contract terminates early when the cumulative profit of \$ 120,000 is reached else the company continues to sell EUR 1M at 1.185 until the contract matures.

Scenario 3: If the spot rate consistently moves against the company but remains below knock in barrier, the company will continue to sell EUR 1M at 1.185 for all observations, until the contract matures incurring losses.

Scenario 4: If the spot rate consistently moves against the company and crosses the knock in barrier, the company will have to sell double the quantity of EUR i.e. EUR 2M at 1.185 for all observations, until the contract matures, thus magnifying the losses.

### Pros

- Enhanced FX forward rate vs vanilla forwards
- Early redemption means hedging can end sooner
- Popular for hedging recurring flows

### Cons

- Complex payout structure.
- Can result in losses or increased delivery amounts if Knock in barrier included
- Mark-to-market volatility
- Counterparty risk, Investor relies on the issuer to honor obligations.

# Thankyou

Sonell **Kanyal**, ( CFA FRM )

HEAD OF INVESTMENT ADVISORY

+971 55 978 8584

sonell.kanyal@nuqiwealth.me

www.nuqiwealth.com