

# Structured Products

## What are Structured Products?

Structured Products are essentially Non Convertible Debentures

- Debentures are debt instruments issued by corporate to raise money

But the **COUPON** of these Debentures is not fixed as it is linked to an Index

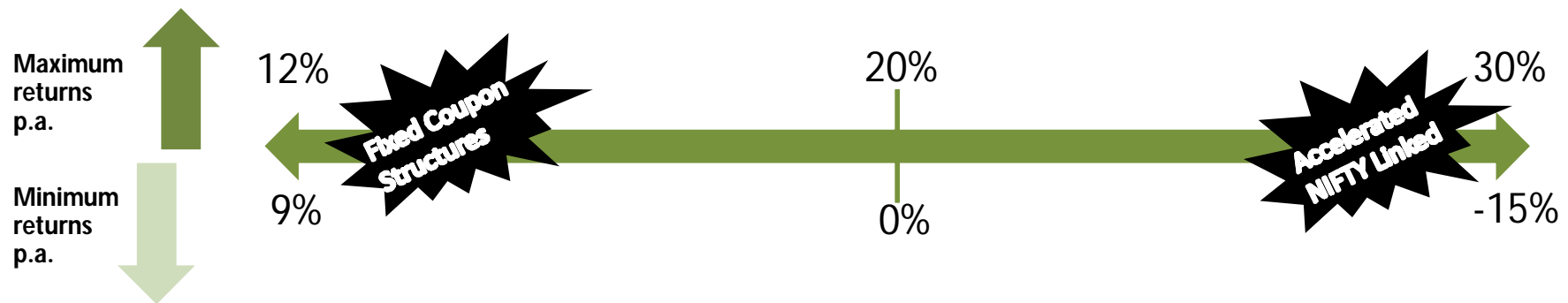
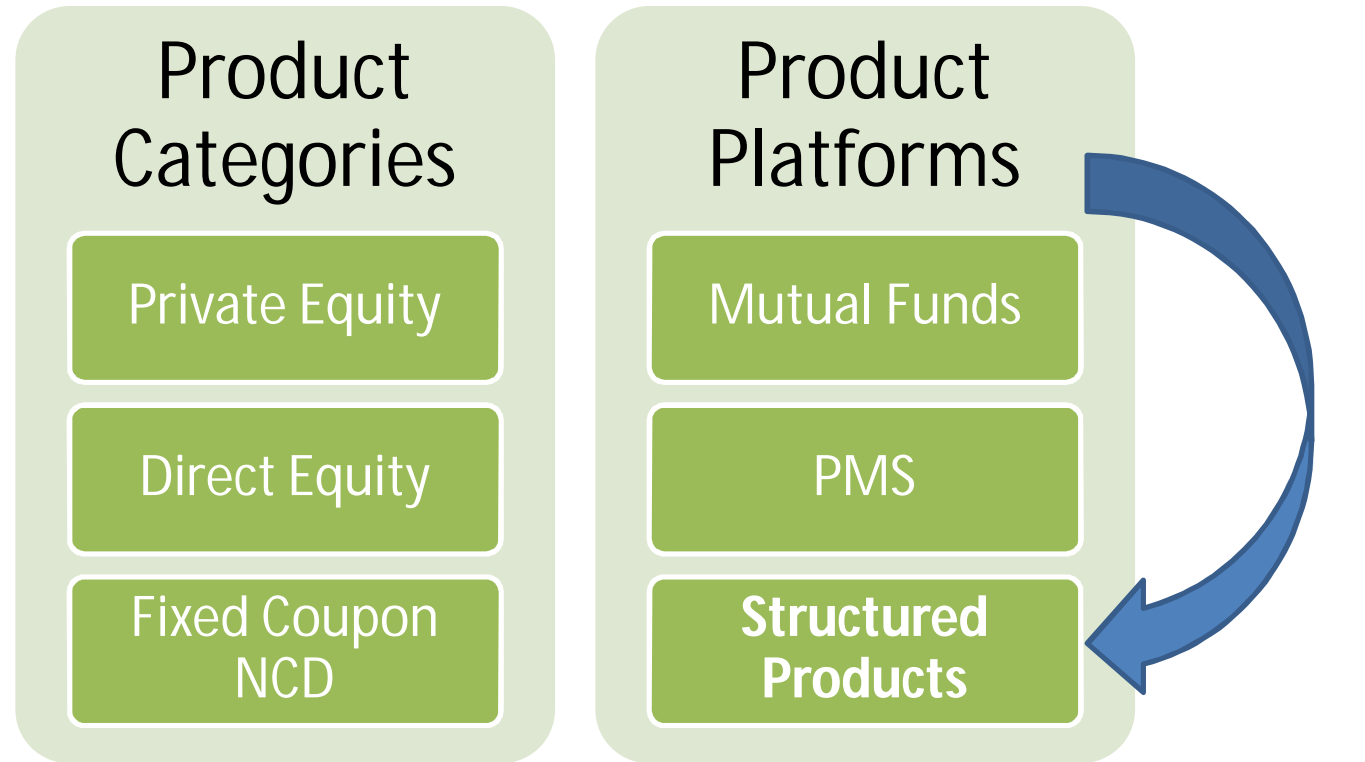
SPs carry the same risk as Debentures while assuring a **customized predefined payoff**

- i.e. Credit Risk, Reinvestment Risk (due to fixed tenure), etc

### Typical SPs payoff for a 3.5yrs tenor

Nifty Performance	Fixed Coupon NCDs	Debt SP	Moderate Equity SP	Aggressive Equity SP
<b>-30%</b>	35%	0%	-30%	-45%
0%	35%	60%	0%	-15%
<b>30%</b>	35%	60%	80%	95%

# Structured Product is a Platform to design Debt and Equity like Products



## Why Structured Products ?

Predefined  
Payoffs

Probability  
Maximiser

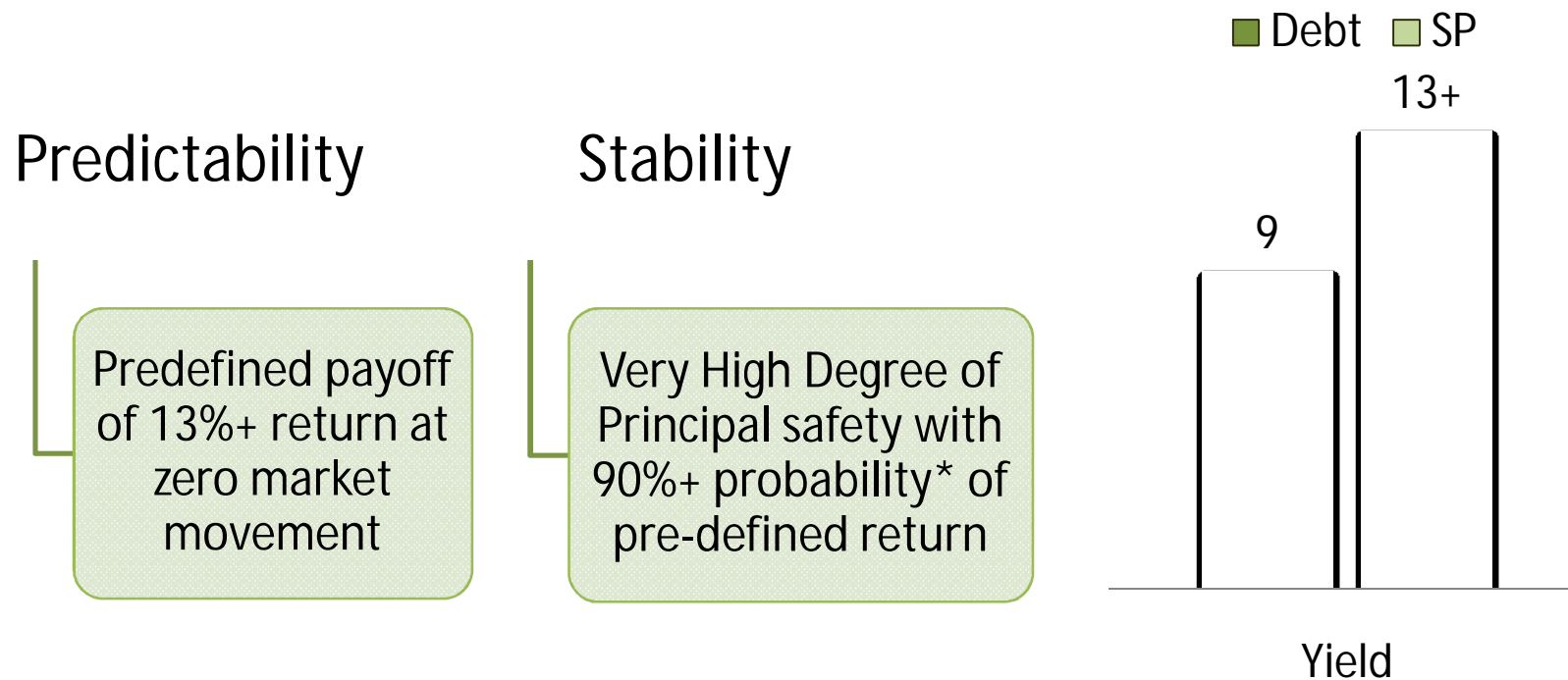
Plan B to your  
portfolio

Mechanical  
Strategy ( Very  
Low Human  
Intervention )

Diversification

## Why Debt Structured Products?

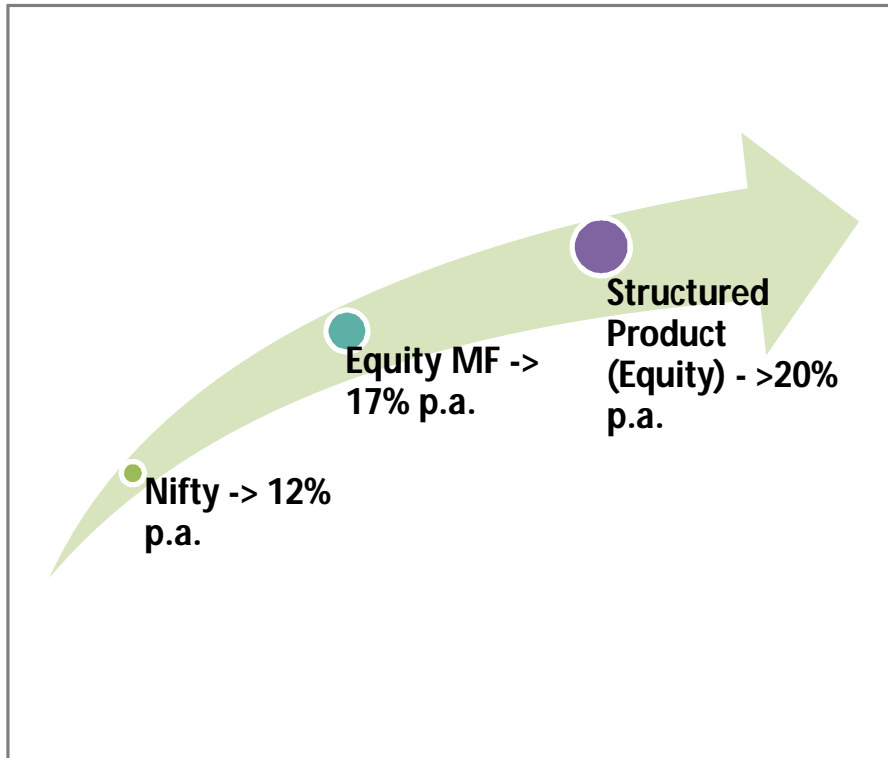
To increase my Debt yield from 9% to 13%+ while retaining high degree of Stability and Predictability.



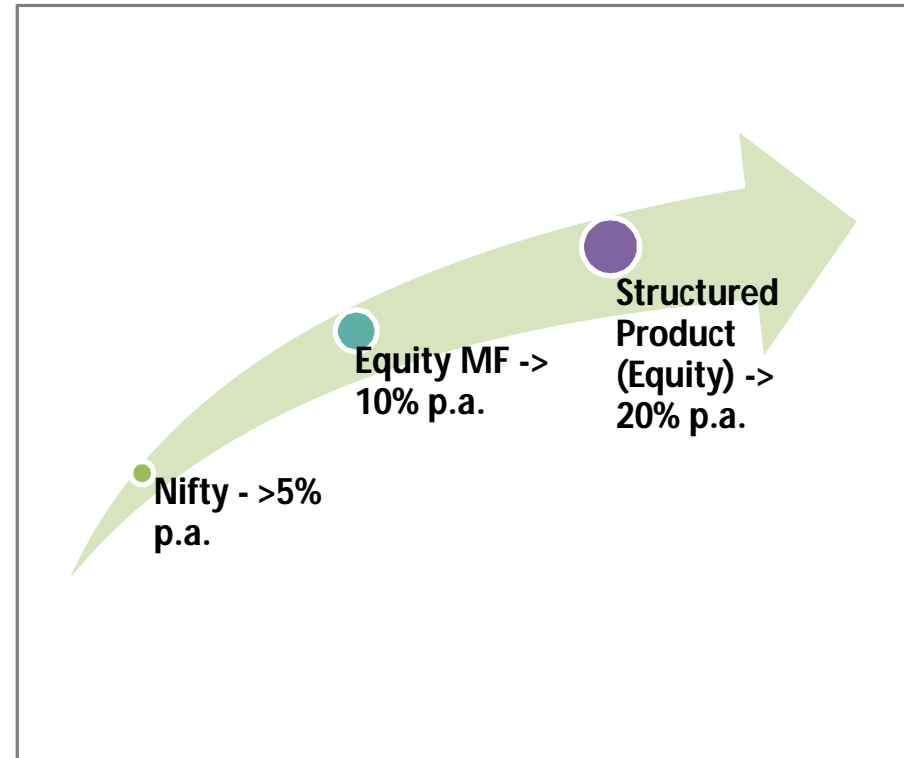
\* Probability is based on back testing 3yr rolling NIFTY Performance from Dec 2002 to Dec 2012

## Why Equity Structured Products ?

### Scenario I – NIFTY Performance@12% p.a.



### Scenario II – NIFTY Performance@5%p.a.



**Structured products can deliver desired returns even when there is **subdued** movement in the equity market**

\*Equity mutual funds will have an alpha of 5% p.a. over Nifty

## Performance of Anand Rathi Structured Products

Investment Date	Structured Product - Debt	SP Exit IRR	*Debt MF IRR as on 31-Dec-15
9-Jan-14	Nifty Magnifier - 7	16.2%	9.1%
3-Jan-13	Protected Call - 1	15.0%	8.9%
7-Jan-13	Protected Call - 2	15.2%	8.8%
9-Jan-13	Protected Call - 3	15.1%	8.8%
23-Jan-13	Protected Call - 4	15.3%	8.8%
28-Jan-13	Protected Call - 5	15.3%	8.8%
30-Jan-13	Protected Call - 6	15.3%	8.8%
	<b>^Weighted Average</b>	<b>15.3%</b>	<b>8.8%</b>

Investment Date	Structured Product - Equity	SP Exit IRR	NIFTY IRR as on 31-Dec-15
2-May-13	Multibagger - 2	10.3%	11.1%
5-Feb-13	Nifty Accelerator - 1	22.0%	10.4%
28-Mar-13	Nifty Accelerat. - 11	7.6%	11.7%
22-Feb-13	Nifty Accelerator - 3	19.9%	11.3%
21-Feb-13	Nifty Accelerator - 4	22.0%	11.3%
18-Feb-13	Nifty Accelerator - 5	20.3%	11.0%
21-Feb-13	Nifty Enhancer - 10	13.3%	11.3%
3-Jan-13	Nifty Enhancer - 7	12.0%	9.8%
18-Jan-13	Nifty Enhancer - 8	11.5%	9.6%
29-Jan-13	Nifty Enhancer - 9	11.6%	9.8%
23-Apr-13	Nifty Maximizer - 1	21.1%	12.2%
	<b>^Weighted Average</b>	<b>17.1%</b>	<b>10.7%</b>

\*Equal weightages to Kotak Bond-STP, Sundaram Select Debt-STAP, UTI ST Income Fund

^ weighted average of the absolute amount of investment in each structured product

# SP can deliver 60% returns in Flat market? PRODUCT CONSTRUCT

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## How can a SP deliver 60% returns in flat market

- It's the simplest form of Wrapping across any Investment vehicle
- Lets understand the payoff and the input to yield that payoff

### Protected Call – 60% Flat Market Coupon

- Underlying : Nifty
- Tenor : 3 Years
- Coupon : 60%
- Decay Multiple: 2X
- Payoff :  $\text{Max}(-100\%, \text{Min}(\text{Coupon}, \text{Coupon} + \text{DM} * \text{NP}))$

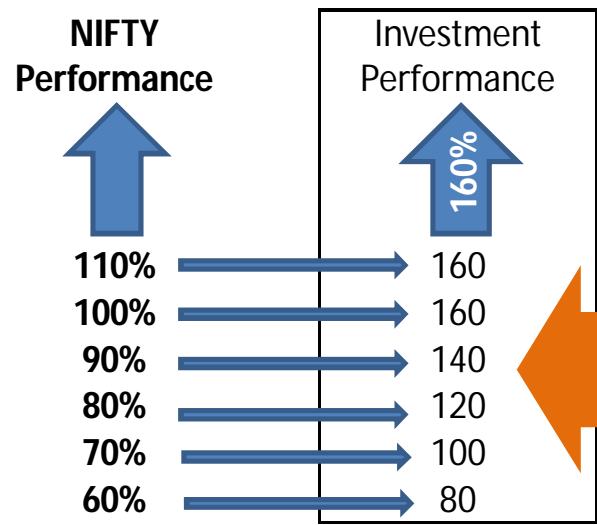
**Product Output**

- If Final NIFTY  $\geq$  Initial NIFTY
  - Principal + 60% Coupon
- If Final NIFTY  $<$  Initial NIFTY
  - Principal + 60% Coupon - 2 X NITY Performance

**Product Input**

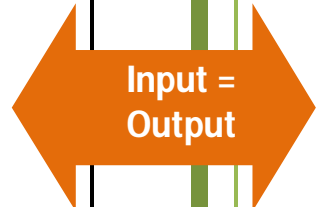
- Step 1** • Invest 100 in FD@11% --> 136
- Step 2** • Sell Insurance on NIFTY (Put option) for Rs.9
- Step 3** • Sell 2<sup>nd</sup> Insurance on NIFTY (Put option) for Rs.9
- Step 4** • Invest the 2X9 = Rs.18 in FD@11% --> 24

**Payoff Output**



**Payoff Input**

Investment Performance	Initial Investment to Treasury 100@11%	Sell Put & Receive Rs.9	Sell Put & Receive Rs.9	Put Premium to Treasury 9 + 9 = 18@11%	NIFTY perf.
160	136	+	-	+	110%
160	136	+	-	+	100%
140	136	+	-10	+	90%
120	136	+	-20	+	80%
100	136	+	-30	+	70%
80	136	+	-40	+	60%



Forum is open for Discussion

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# THANK YOU

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