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Leonteq: Structured Products for the Vietnam Wealth Management Market

Vietnam's wealth management industry is at an earlier stage of development even than its youthful capital markets. However, Swiss structured products expert Leonteq Securities, believes that Vietnam's expanding ranks of wealthy private investors can now consider these solutions, which are growing in prominence in Asia's broader wealth management community.

BURKHARDT ACKNOWLEDGED that Vietnam is at an early stage in the development of its financial markets and its wealth management industry, but he explained that structured products (SPs) are now widely used by many high-net-worth individuals (HNWIs) across the Asia Pacific region and have proven to be effective. "The universe of SPs is rather wide, the product is very flexible, and we can structure them based on underlying assets in which the clients feel comfortable."

He also explained that Leonteq does not sell directly to HNWIs,



[Xavier Burkhardt](#)
Leonteq

but instead works closely and harmoniously with the wealth management community, who then promote these products to their clients.

“My mission is to ensure that the wealth management firms in the region understand these products, and how we can collaborate. Our SPs are modelled precisely for the clients need, and not based on any Leonteq’s market views.”

Leonteq does, however, suggest regular trading ideas based on third party research. “We help the investors to implement their investment ideas,” Burkhardt elucidated, “and to optimise and identify which combination works for them, but they are the ones telling us their objectives and then we create a tailored product, even for a small trade size.”

Regarding the size of transactions, Burkhardt explained that SPs are not solely the province of ultra-HNWIs. “We have developed our platform so that your clients can invest upwards of USD200,000,” he told the audience. “These are excellent solutions for a wide range of HNWI, whereas in the past the SP market was really only available to institutional investors.”

Allaying the (natural) concerns

There are, Burkhardt remarked, always some understandable concerns amongst those not familiar with the SP market that the products are too expensive, too complex, insufficiently transparent, or too illiquid.

“Actually,” he explained, “SPs do not need to be overly complex structures, as we can structure

these in ways that are relatively easy to understand and that will help clients optimise their risk-return profile, meaning that they will reduce downside risk and/or improve upside potential. They are also cost-effective and liquid as Leonteq provides daily liquidity on the secondary market. Finally, we make sure that the whole process from start to finish is fully transparent and compliant.”

Leonteq projects global expertise for Asia’s HNWI

Leonteq is listed on the Stock Exchange in Switzerland, having been founded over 10 years ago and having evolved into a leading provider of investment solutions. Leonteq has around 450 employees globally in 11 offices. In Asia, the firm operates through its regional hub in Singapore with an onshore office in Hong Kong and Japan.

The firm has built up a very considerable expertise and reputation for creating products for financial institutions, mostly private banks, securities houses, who distribute them to their wealthy clients. Leonteq also creates SPs tailored for institutional clients such as the asset managers or insurance companies, for their own investment purposes.

“We issued more than 26,000 products last year,” Burkhardt told the audience. “So, we are one of the largest global issuers of structured products. We pride ourselves on outstanding technology, so we can create these customised SPs more efficiently. Leonteq has invested USD 0.5 bn in technology over the last decade to build a state-of-the-art platform and remain at the very pinnacle of the market.”

SPs – created in the image of the clients

Burkhardt then reiterated that all the SPs are created to express views that the end clients wish to express. He explained that there are many different structures available but briefly touched on how SPs can be defined in three categories.

The first category is the capital protection SP; this is typically created on low volatile underlying assets, such as fixed income or balanced funds. It allows the investor to participate simply in the fund performance with a full capital protection.

The second SP would be classified as a yield enhancement product. It is usually used on volatile underlyings, such as equities, indices and commodities. “Investors will receive a fixed guaranteed coupon/yield, this is the upside, while combining a partial downside protection,” Burkhardt explained.

The third category is the participation product. It allows the investor to achieve more upside with the same downside risk inherent to underlying asset; or the same upside with less downside exposure. These products are usually equity replacement ideas.

To conclude, he reiterated the bespoke nature of their products. “The SPs and any other products we at Leonteq create must work for our valued clients. If not, those clients will lose out and we will lose our clients’ confidence in us and in the SPs. We rely on repeat clients, we have around 1000 customers worldwide and a loyal customer base. This must be a win-win scenario for everyone involved.” ■