

Use of Structured Investment Solutions in Increasingly Volatile Markets

David Meier, Director of Investment Solutions Sales at Swiss-based Leonteq Securities, gave an introductory presentation at the Malaysia Wealth Management Forum highlighting the appeals of structured products as an ideal diversification tool, especially during the increasingly uncertain market conditions.

[Link to Article on website](#)
[Link to Event Homepage](#)
[Link to Content Summary page](#)
[Link to Photos](#)
[Link to Video Highlights](#)

Executive summary

Structured products can help high net worth investors protect capital and participate in the upside potential of assets or markets. Swiss-based Leonteq Securities, which is expanding its markets in Asia, gave a presentation at the Hubbis Malaysia Wealth Management Forum in early July to highlight the appeal of structured products (SPs), especially in more changeable market conditions.

David Meier, Director of Investment Solutions Sales for Leonteq, told delegates how SPs can help investors cope with changing market conditions, as they can be tailored to suit their market outlooks.

As Leonteq is expanding its market coverage across the Asia-Pacific region, Meier focused his presentation on introducing the firm and the concept of SPs, as well as highlighting how SPs can be designed in ways that will help clients optimise their risk/return profile, thereby allowing for reduced downside risk or improved upside potential.

SPs are created from a combination of securities and derivatives packaged in a single-product. SPs are therefore tailor-made solutions that can be created in various asset class, such as equities, indices, mutual funds and ETFs, interest rates, foreign exchange (FX), commodities, hybrid instruments or other underlying assets.

Meier explained that in market conditions that are increasingly volatile in 2018, SPs can be ideal diversifying instruments to enhance and/or protect investor wealth.

L EONTEQ AG IS A SWISS COMPANY active in the finance and technology sector with a focus on the structured products segment. Based on proprietary, high-powered, modern technology, the company offers products and services related to derivative investment products and predominantly covers the capital protection, yield enhancement and participation product classes. Leonteq acts as both a direct issuer of its own products and a guarantor for clients, as well as a partner to other financial institutions.

Structured products are financial products, which are built (packaged) by using other existing financial products, such as a single security, a basket of securities, indices, commodities, debt issuances and/or foreign currencies and derivatives. In partnership with banks, for example, Leonteq produces structured investment products using its technology platform, which are then issued by the banks which act as guarantors for the buyers.

Automation and lower cost per SP

Very high levels of automation lead to competitive cost per issued product, as well as allowing for small ticket sizes. Leonteq is independent from any major financial group, it is listed on the SIX Swiss Exchange and operates from ten offices across Europe and Asia.

“Clients can work with us to design products with their own risk-return preferences,” Meier explained. “They can work with us to facilitate highly customised payoff objectives adapted to individual market expectation, with long and short positions and leverage effects built in if required.”



DAVID MEIER
Leonteq Securities

Meier recalled the early days of Leonteq amidst the onset of the global financial crisis and then its aftermath. “From the outset, we focused determinedly on the creation of an IT infrastructure from the ground up; this allows us to straight-through efficiently automate all the processes from front to back, allowing us a faster time to market, and lower issuance costs. This, in turn, means we can tailor-make a product for each individual client, instead of just taking a product from the shelf.”

Global potential but local risk

Meier explained that Leonteq works with the major Malaysian banks to ensure that the structure is such that the end-investor is taking local Malaysian bank risk that they can easily assess, rather

than Leonteq or another risk.

“We then structure products that are essentially in three groups - low, moderate and higher-risk, depending on the outlook perspective of the end investors,” he elucidated. “The beauty of the end structure is that we can customise it according to the risk tolerance and market outlook for each individual client.”

This, Meier explained, means that a client with a low-risk tolerance is likely to opt for structures with capital protection but that allows him to participate modestly in any upside. If the client has a moderate risk proclivity, the investor is likely to prefer a more conditional capital protection, at the end receiving his outlay back plus a yield as long as there is not a significant event in the markets. If very bullish, the investor might

opt for less capital protection, and possibly some leverage.

SPs - transparent, investor-friendly

Meier then told the audience that structured products are not designed to be a win-win for the issuers and distributors, at the expense of the investors. “That,” he stated, “is not how structured products work. When an investor enters a structured product with us, we are fully hedged, so our interests are aligned.”

Liquid and tradeable

He also debunked the misconception that an investor is trapped in a structured product for its duration, whether that is short-term, or for example three years. “We diligently provide a liquid secondary market that allows an investor to take profits or cut out with mitigated losses. And the performance of the products can be achieved and realised at any time during their lifetime, structured products are

not designed to perform only at or near maturity.”

Leonteq’s global expansion strategy focuses on continued organic or geographical growth. “We aim to achieve this through the sale of our own products as an issuer, the full exploitation of our partners’ issuing capacity with products created on our platform, and a growing number of partner institutions in the banking and insurance sector,” Meier concluded. “Asia is a very important market for us.” ■

