

UOBKayHian

INTRODUCTION:

FIXED COUPON NOTE



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Disclaimer

The investment products mentioned in the information herein are sophisticated investment products that carry significant risks and are not suitable for persons who do not comprehend the product or are risk averse. They are subject to investment risks, including market risk, credit risk, liquidity risk and the possible loss of the principal amount invested. The information contained herein does not purport to identify all of the risks (direct or indirect) or other material considerations which may be associated with any person entering into the transaction. Prior to entering into the transaction, any person in receipt of the information should have determined, without reliance upon UOB Kay Hian Pte Ltd ("UOBKH") or its affiliates, the economic risks and merits, as well as the financial, legal, tax, accounting or other material characterizations and consequences of the transaction and that the person is able to assume these risks. The person should consider carefully and exercise caution in making any trading decision whether or not he has received advice from any financial adviser.

PRODUCT DESCRIPTION

Fixed Coupon Note (FCN) is a product that allows investor to:

- Select 1 or more stocks that they are prepared to invest in at a discount to the market price on trade date;
- Where the investment price is a predetermined price commonly known as **strike price**.
- Receive a predetermined **monthly coupon** until the product hits the **knock-out level** or reaches its maturity.
- Receive the worst-performing stock (WPS) at a predetermined strike price which is at a discount to the market price on trade date.

FCN payout is determined on its observation dates where the investor gets exposed to:

- **Early Redemption / Knock-out** (Outcome 1)
- **Non-Early Redemption** (Outcome 2)
- **Worst-Performing Stock** (Outcome 3)

■ STRIKE PRICE

The predetermined purchase price at which the issuer will deliver the worst-performing stock to the investor when the WPS stock price is below the strike price.

■ OBSERVATION DATE

Predetermined date(s) where the stocks' closing price(s) on observation date is/are compared to the knock-out level, knock-in level, strike level, if applicable.

■ MONTHLY COUPON

The monthly guaranteed return that an investor gets from the FCN.

■ KNOCK-OUT LEVEL

The predetermined price which when exceeded on any observation date will result in the FCN terminating before maturity.

■ TENOR

The length of time that the product is valid for.

INVESTMENT OUTCOMES

OUTCOME

1

- Occurs when **all of the underlying stocks** close at or above their knock-out levels on **ANY of the observation date(s)**, causing an Early Redemption Event.
- Investor receives:
 - 100% of the invested amount
 - Monthly guaranteed coupon payout till the observation date where the knock-out level is triggered

OUTCOME

2

- Occurs when **all of the underlying stocks** close below their knock-out level on **ALL observation dates** and closes at or above its strike price(s) on the final observation date.
- Investor receives:
 - 100% of the invested amount
 - Monthly guaranteed coupon payout till maturity

OUTCOME

3

- Occurs when **either one of the stocks** closes below its strike price on the **FINAL observation date**, with no Early Redemption Event.
- Investor receives:
 - Monthly guaranteed coupon payout till maturity
 - Worst-performing stock purchased at the strike price
- Investors will incur a paper loss in the investment at maturity of the FCN.

OUTCOME 1

LET US ASSUME THAT AN INVESTOR INVESTS **\$100,000** TO PURCHASE A **FCN**



Invested Amount:
\$100,000



Maturity:
6 Months

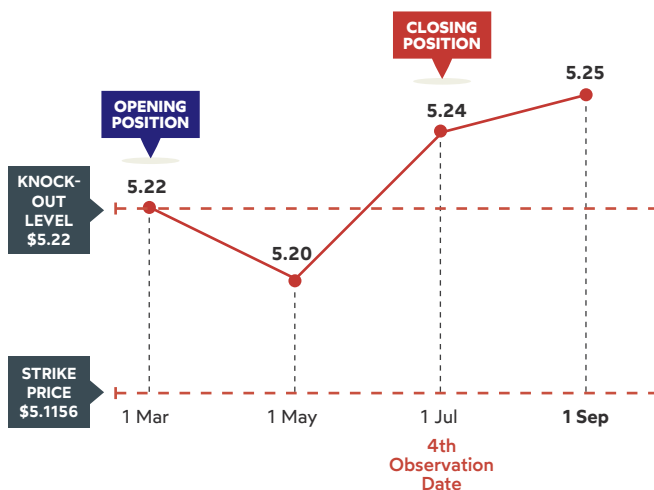


Observation Date Frequency:
Monthly

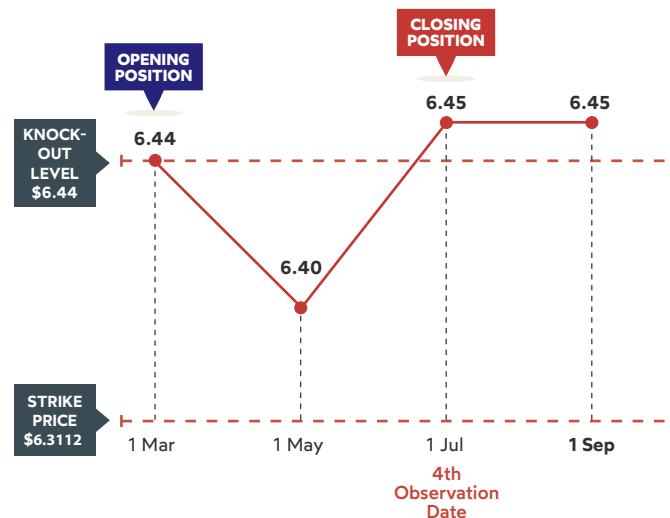


Coupon:
12%

STOCK A



STOCK B



Worst Performer	Gain of Worst Performer (Closing Position Price/ Opening Position Price) -1	Is Worst Performer at or above strike price?
Stock B	$(\$6.45 / \$6.44) - 1 = 0.155\%$	Yes

An Early Redemption Event occurred on the 4th observation date as both Stock prices of A & B are above the knock-out level.

WHAT DOES THE INVESTOR RECEIVE AT THE END OF THE INVESTMENT?


Monthly Guaranteed Coupon Interest Rate = Annual Coupon Interest Rate ÷ 12 Months
= $12\% \div 12 = 1\%$

Pro-Rated Coupon Payout in Total = $1\% \times 4$ Months
= 4%


Total Amount Investor Receives = Invested Amount + Pro-Rated Coupon Payout
= $\$100,000 + (4\% \times \$100,000)$
= \$104,000

OUTCOME 2

LET US ASSUME THAT AN INVESTOR INVESTS **\$100,000** TO PURCHASE A **FCN**

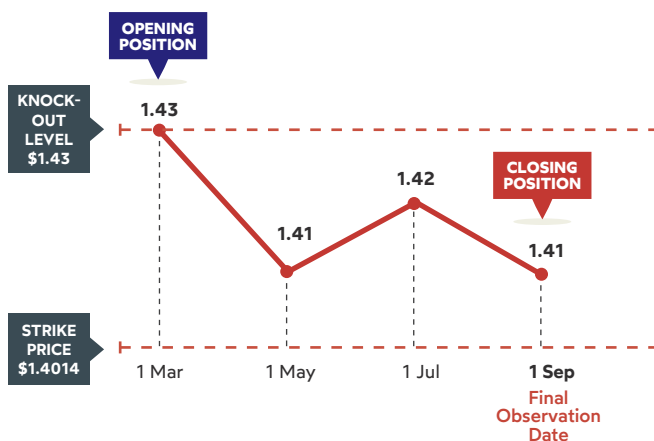
 Invested Amount:
\$100,000

 Maturity:
6 Months

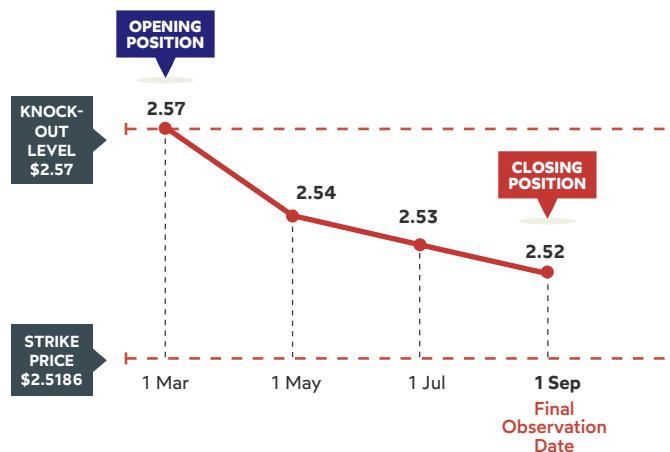
 Observation Date Frequency:
Monthly

 Coupon:
12%

STOCK C



STOCK D



Worst Performer	Gain of Worst Performer (Closing Position Price/ Opening Position Price) - 1	Is Worst Performer at or above strike price?
Stock D	$(\$2.52 / \$2.57) - 1 = -1.95\%$	Yes

No early redemption event, FCN matures after 6 months.

WHAT DOES THE INVESTOR RECEIVE AT THE END OF THE INVESTMENT?

Monthly Guaranteed Coupon Interest Rate = Annual Coupon Interest Rate ÷ 12 Months
= $12\% \div 12 = 1\%$

Coupon Payout in Total = $1\% \times 6 \text{ Months} = 6\%$

Total Amount Investor Receives = Invested Amount + Coupon Payout
= $\$100,000 + (6\% \times \$100,000)$
= **\$106,000**

OUTCOME 3

LET US ASSUME THAT AN INVESTOR INVESTS **\$100,000** TO PURCHASE A **FCN**



Invested Amount:
\$100,000



Maturity:
6 Months

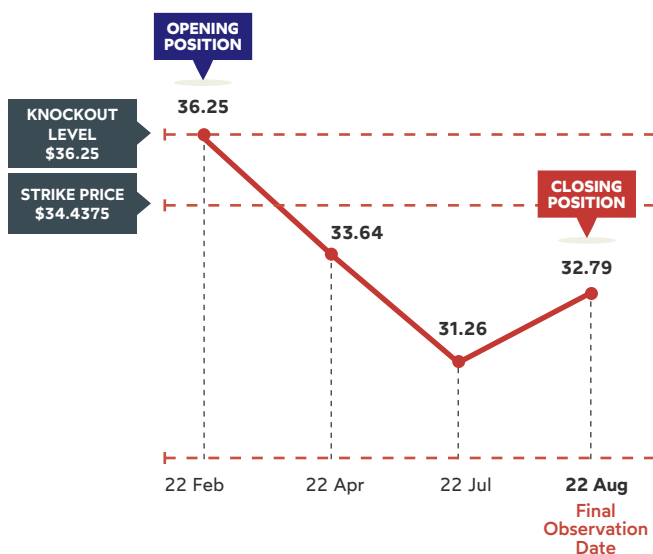


Observation Date Frequency:
Monthly

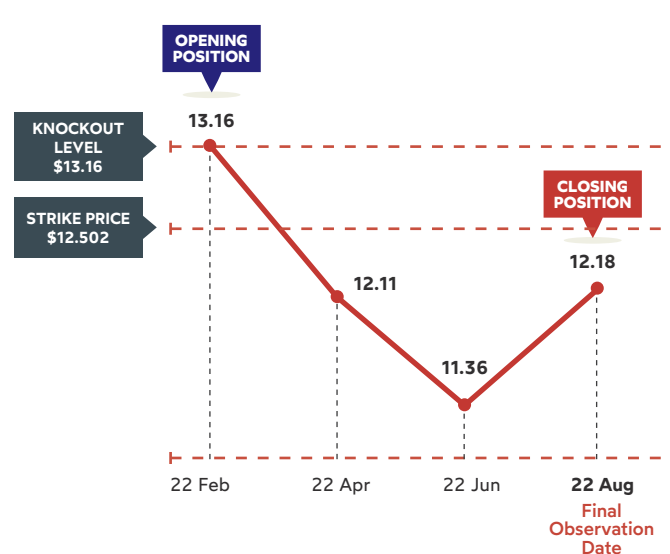


Coupon:
12%

STOCK E



STOCK F



Worst Performer	Gain of Worst Performer (Closing Position Price/ Opening Position Price) - 1	Is Worst Performer at or above strike price?
Stock E	$(\$32.79/\$36.25) - 1 = -9.54\%$	No

Investor will earn 6 months of guaranteed coupon and receive the worst-performing stock at strike price at maturity. No Early Redemption Event.

WHAT DOES THE INVESTOR RECEIVE AT THE END OF THE INVESTMENT?

Monthly Guaranteed Coupon Interest Rate = Annual Coupon Interest Rate ÷ 12 Months
 = $12\% \div 12 = 1\%$

Coupon Payout in Total = $1\% \times 6 \text{ Months} = 6\%$

Total number of shares/cash the investor receives = Stock E (WPS) + Coupon Payout
 = (Invested Amount ÷ Strike Price) + Coupon Payout
 = $(\$100,000 \div \$34.4375) + (\$100,000 \times 6\%)$
 = (2,903 Units of Stock E + 0.81 Units of Stock E in Cash) + \$6,000

BENEFITS & RISKS

BENEFITS

- Wide selection of underlying securities for the FCN.
- Opportunity to purchase underlying stocks at a discount.
- Regular income stream from the monthly guaranteed coupons.

RISKS

- Potential Losses of up to 100% of Capital Invested
- Opportunity Cost
- Liquidity Risk
- Issuer's Credit Risk

ADDITIONAL INFORMATION

■ WHAT IS OPENING POSITION / TRADE DATE?

Opening Position is when you enter the FCN on the Trade Date where all trade parameters are confirmed and observation starts.

■ WHAT IS ISSUE DATE?

It is typically 2 weeks after the trade date whereby settlement between UOB Kay Hian and the issuer takes place.

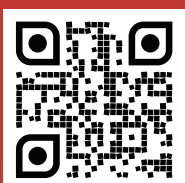
■ WHAT IS CLOSING POSITION / OBSERVATION DATE?

Closing Position occurs on the final observation date where the outcome of the FCN will be determined.

■ WHAT IS MATURITY DATE?

It is the date when investors receives cash / stocks as the settlement of the FCN. The processing of the settlement takes about 5 business days from the final observation date.

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