# Autocallable Notes

**Alternative Structured Investment Products for High-Yield Seeking Investors**

Designed to reward investors with enhanced returns and protection of capital, the Autocallable Note is a dynamic and promising addition to the portfolios of risk-aware and high net-worth individuals.


**2020**

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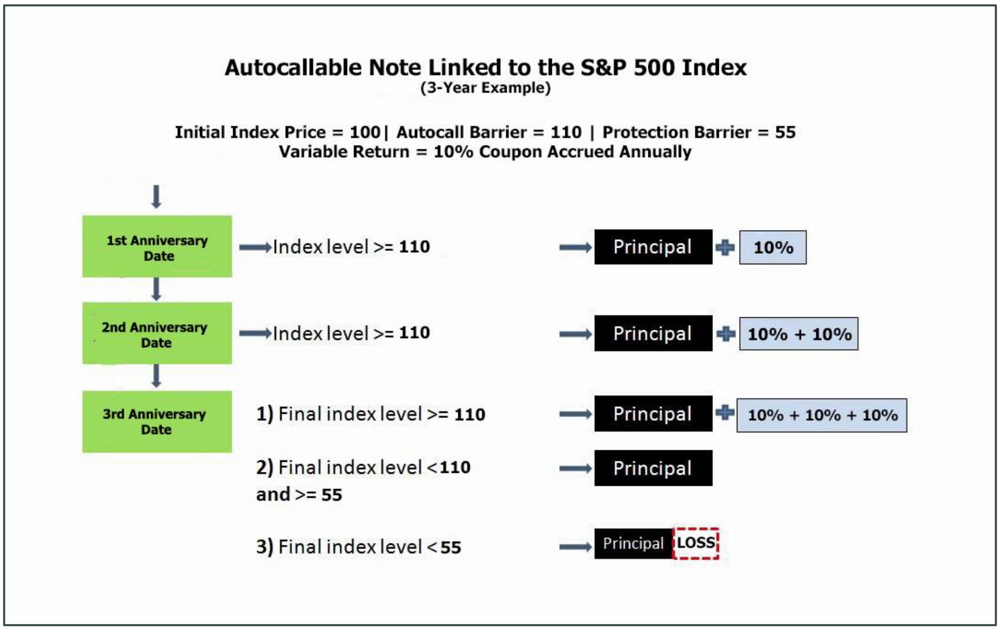
# Investment Product Description:

Autocallable Notes offer investors the opportunity to avail of enhanced returns and capital protections in return for an increased exposure to risk, relative to traditional vanilla instruments. Based on an underlying asset, the structured investment product pays out a coupon and ceases to exist if the underlying asset is above a pre-defined level – *the autocallable barrier* – on a particular date. If the underlying asset does not breach this barrier, capital protection is provided for the investor **above** a defined lower barrier – *the protection barrier* – in the case of negative market conditions. If the index falls below this level, the investor will take full participation in the index's performance at maturity, thus exposing the investor to the potential of significant capital losses. This mechanism of action is illustrated below for a 3-Year Autocallable Note.





## Product Profile:

- Automatically redeemed prior to maturity if the autocall barrier is breached at a given date.
- Enhanced coupon awarded to investors upon breach of barrier.
- Capital protection available.
- Medium-term investment horizon.

## Investor Profile:

- Seeking a high-yield enhancing strategy, relative to traditional products.
- Willingness to forego coupon payments in the event of negative index performance.
- Bullish market outlook.

# Product Risks:

## Market:

- Although an investor's capital is protected above the lower protection barrier, if this barrier is breached the investor receives the index's performance, thus adding the potential for significant downside risk.
- Price volatility of the underlying market and asset should also be considered, which significantly impacts the price of the product.

## Credit:

- Like many forms of investments, the investor must bear the risk that the issuing financial institution may not be credit-worthy upon maturity.
- In this case, the auto-callable note may have realised a significant gain over its life-time, but the investor will fail to profit if the institution cannot honour its obligations.

## Liquidity:

- In contrast to the high liquidity of underlying indices, auto-callable notes are seldom traded on the secondary market after issuance. Investors will therefore be forced to hold until maturity, or alternatively accept a discounted buy-back price from the issuer if the market begins to move against their favour.

## Taxation:

- Structured notes are deemed payment of debt instruments. Therefore, while the product may not have matured, investors will still be responsible for paying annual taxes until maturity.
- Additionally, upon maturity, the product will be treated as ordinary income, and not a capital gain/loss.

# Payoffs in Varying Market Environments:

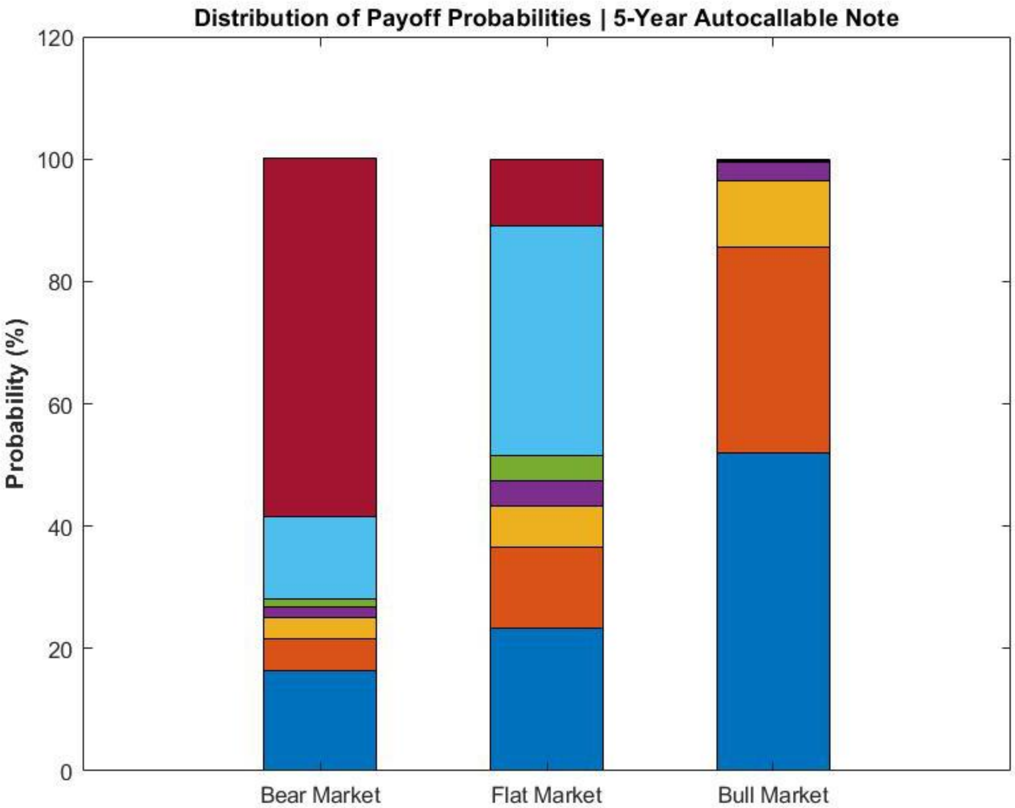
To assess the payoffs investors can expect to receive in varying market conditions, three historical periods of the S&P 500 Index have been selected to represent a Bear Market (-10%), Flat Market (0%) and Bull Market (+10%). Volatility and drift terms have been extracted from price data in order to simulate 1000 possible price paths for each market scenario, through a Monte Carlo Simulation.

The product performs exceptionally in bull market conditions, indicating a **0%** probability for the investor to incur a capital loss, with a total probability of **99.8%** that the product will be autocalled prior to maturity, thus availing of at least one enhanced coupon. Total capital protection is expected in bull market conditions.

In a flat market, investors can expect a healthy mix of risk and return. An investor will bear an expected exposure of **10.9%** to capital loss, with a total probability of **48.5%** that the product will not be autocalled. Despite this, the there is still a **51.5%** probability that the product will be autocalled, with an investor likely to see their capital protected **89.1%** of the time.

In bear market conditions, the investor is exposed to a greater degree of risk, as is to be expected in a period of negative returns. The risk of lost capital is increased, with a total probability of **58.6%**. During bear market conditions, an investor could expect the product to be autocalled **28.14%** of the time, with a **41.54%** probability that their capital will remain protected to maturity.

As such, this high-yield structured investment product is a promising addition to the portfolio of a high net-worth, risk-tolerant, and liquid investor. Enhanced coupons and capital protection are an attractive feature for bullish investors willing to weather the risk of market volatility.




| Market Scenario | Bear | Flat | Bull |
|---|---|---|---|
| Auto-Called Year 1 | 16.4 % | 23.3 % | 51.9 % |
| Auto-Called Year 2 | 5.1 % | 13.3 % | 33.8 % |
| Auto-Called Year 3 | 3.6 % | 6.7 % | 10.8 % |
| Auto-Called Year 4 | 1.7 % | 4.1 % | 3.0 % |
| Auto-Called Year 5 | 1.34 % | 4.1 % | 0.3 % |
| Not Auto-Called \| Capital Protected | 13.4 % | 37.6 % | 0.2 % |
| Not Auto-Called \| Capital Loss | 58.6 % | 10.9 % | 0 % |