

# Structured Securities Proposal and Risk Mitigation Report

## 1. Structured Note Proposal - Moderate Risk Strategy

[Yes] Product Summary:

- Fixed Return: 2% guaranteed interest
- Upside Participation: 60% of gains above initial coffee price (Strike = \$200)
- Downside Risk: Protected; never below 2% return

Quantitative Method:

- Monte Carlo Simulation with 10,000 paths of coffee price evolution using Geometric Brownian Motion
- Final payoff:  $\text{Return} = 2\% + 60\% \times \max(\text{Coffee Price} - 200, 0) / 200$

Key Metrics:

- Estimated Price: \$0.0849
- Mean Return: 8.49%
- Risk (Std. Dev.): 6.50%
- 95% Payoff Range: 2.00% - 39.19%

Risk Mitigation:

- Guaranteed floor return reduces loss exposure.
- Suitable for investors wanting upside with capital preservation.

## 2. ETF Investment Proposal - Diversification Strategy

[Yes] Product Summary:

- Passively tracks coffee futures prices
- Offers full exposure with minimal fees
- Higher daily liquidity and transparency

Quantitative Method:

- Simulated ETF returns = Coffee return + small tracking noise (1%)
- Returns calculated over same 10,000 price paths

# Structured Securities Proposal and Risk Mitigation Report

Key Metrics:

- Mean Return: ~3.45%
- Risk (Std. Dev.): ~13.02%
- Tracking Error: ~1.00%

Risk Mitigation:

- Diversifies market exposure with broader liquidity
- Risk fully tied to market movements (no protection floor)
- Cost-effective for longer-term holdings

### 3. Comparative Summary

Feature	Structured Note	Coffee ETF
Capital Protection	[Yes] (2% min)	[No]
Upside Potential	Moderate (capped by alpha)	High (full exposure)
Complexity	Moderate	Low
Liquidity	Low (held to maturity)	High (traded daily)
Risk (Std. Dev.)	Lower (~6.5%)	Higher (~13%)
Target Client	Moderate risk takers	Diversification seekers

### 4. Recommendation

For clients seeking stability with selective upside, the Structured Note provides better capital protection and smoother returns.

For clients seeking market-driven diversification and higher liquidity, the ETF offers a more flexible but riskier alternative.

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