

Factsheet

Reverse Convertible

Product Description and Functionality

A Reverse Convertible (RC) is based on one or more underlyings and pays a guaranteed coupon. When an RC reaches maturity, the nominal value is paid back in full if the closing prices of the underlyings are above the strike. Otherwise, the worst-performing underlying is delivered, whereby the cost price is equal to the strike. In this case, this would result in a discount compared to the starting level.

Softcall and Autocall

Definition of Softcall: If a Reverse Convertible comes with a Softcall function, the issuer of the product is able to, but does not have to, early redeem the nominal value (in full) plus a pro rata coupon on predetermined observation dates.

Definition of Autocall: If a Reverse Convertible comes with an Autocall function, the issuer of the product is obliged to early redeem the nominal value (in full) including a pro rata coupon on predetermined observation dates, provided that the product's underlyings close above the predefined Autocall trigger.

Advantages

- The coupon is guaranteed and is paid out independently of the performance of the underlying
- No barrier
- Monitoring only at maturity
- Limited capital protection up to the strike

Risks

- Issuer risk
- No guaranteed capital protection
- The maximum yield is limited to the coupon and no dividends are paid out



Features

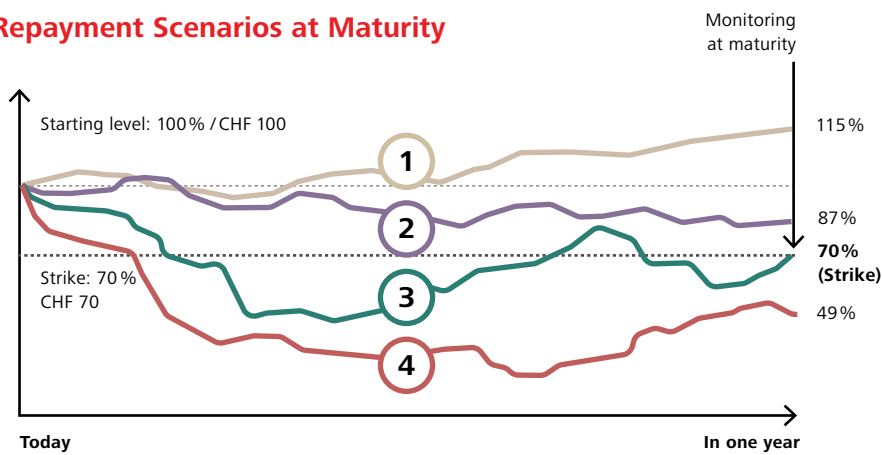
- The guaranteed coupon is paid out independently of the performance of the underlying
- The product has no barrier
- Lower risk of loss compared to a direct investment in the underlying
- Multiple underlyings ("worst-of") allow for higher coupons or lower strikes, but come with a higher level of risk
- Maximum earnings are limited (Coupons)



Market Expectations

- Sideways-trending or slightly rising underlying
- Declining volatility
- Closing price quoted above the strike

Repayment Scenarios at Maturity



Background

The investor invests CHF 100,000 in an RC with a term of one year, a strike of 70% and a coupon of 8%. The underlying is "equity A" and fixed at a price of CHF 100. The denomination (value of the structured product at issue) is CHF 1,000.

- 1** The underlying closes above the strike.
Repayment: CHF 108,000 (nominal + coupon). A direct investment would have been more profitable (+15% versus +8% coupon).
- 2** The underlying closes above the strike.
Repayment: CHF 108,000 (nominal + coupon). The investment in the RC is more profitable (+8% versus -13%).
- 3** The underlying closes at maturity at the strike at 70% (= CHF 70). Conversion of the nominal into equity A.
Repayment: Equivalent value of CHF 108,000 (CHF 100,000 in shares + 8% coupon). The investment in the RC is considerably more profitable (+8% versus -30%).
- 4** The underlying closes at maturity below the strike at 49% (= CHF 49). Conversion of nominal into equity A. Exercise ratio: denomination / strike = 14.285.
Repayment: Shares worth 70% plus the coupon (= 78%). Investment in the RC led to a significantly lower loss (-22%) compared to a direct investment (-51%).

Repayment Calculation (using the example of scenario 4)

Calculation of the number of securities

Denomination / strike = CHF 1,000 / 70
 = conversion ratio of 14.285.

For every CHF 1,000, the investor receives 14 equities plus 0.285 shares in cash (converted at the closing price at maturity).

Calculation of the final value of the product without the coupon:

Final value / strike = 49% / 70% = 70%.

Redemption Table at Maturity

Product example	Reverse Convertible
Underlying	Equity A
Currency	CHF
Term	1 year
Strike	70%
Coupon	8% p.a.

Final value of underlying	Final value of product plus coupon	Number of equities delivered per certificate
120%	108%	None
110%	108%	None
100%	108%	None
90%	108%	None
80%	108%	None
70%	108%	14.29
60%	93.71%	14.29
50%	79.43%	14.29
40%	65.14%	14.29
30%	50.86%	14.29
20%	36.57%	14.29
10%	22.29%	14.29
0%	8%	14.29

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