

Currency Solutions

Adapting to your needs



Fresh from the lab Top trades July 2014



Featured in this edition

- Trade & Investment ideas at a glance
- Review of currency solutions performance
- India – we believe in it
- The case for Africa – invest with partial capital protection

1) Review of currency solutions performance – thumbs up!

- Out of 17 recommendations 76% returned a positive performance
- Securitised trades delivered a positive performance of 2.74% since late 2013
- The OTC derivative portfolio recommendations generated a positive PnL of USD 112'451

2) Positive on India – Benefit from a stable or slightly strengthening Rupee versus USD

- Quarterly Autocall Note with an at-the-money-spot autocall trigger and maximum tenure of 3 years
- If the Rupee stays on the same level or has appreciated against the USD on a quarterly observation date the note will redeem early
- Potential Coupon of 10% p.a.
- Conditional capital protection at maturity

3) Invest in selected African countries – participate in a growth story with partial capital protection

- Gain access to Africa's growth story whilst enjoying a partial capital protection of 92% of initial \$ investment
- 100% upside exposure in an equally weighted currency selection, investing in African countries (Uganda, Nigeria, Kenya, Mozambique)
- Should all four underlyings stay on the same levels as today, the note will redeem at around 105%
- The proposed tenor is 1.5 years

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Currency solutions performance

Trade ideas achieved overall positive performance, adding value to your portfolio

- **Securitized** recommendations **returned 2.74%** so far
- **OTC derivative** recommendations generated an **aggregate cash p/l of USD 112'451**

- All currency solutions split into two product types due to different performance tracking
 - Securitized trades (fully funded certificates, notes)
 - Expressed in percentage terms like a bond/index underlying
 - Performance measured in an index, based at 100 at end of October 2013
 - OTC derivative trades (option premiums, collateral based)
 - Expressed in option premiums
 - Performance measured in cash profit/loss per trade, then aggregated over all recommendations

See next slide for trade by trade review

Currency solutions – at one glance

Overview of ACT Currency Solutions trade ideas - as of 20 June 2014

Out of 17 recommendations 76% returned a positive performance (either closed positions or mark-to-market valuations)

Performance of securitised recommendations **2.74%**

Aggregate cash p/l of otc derivative recommendations \$ **112'451.30**

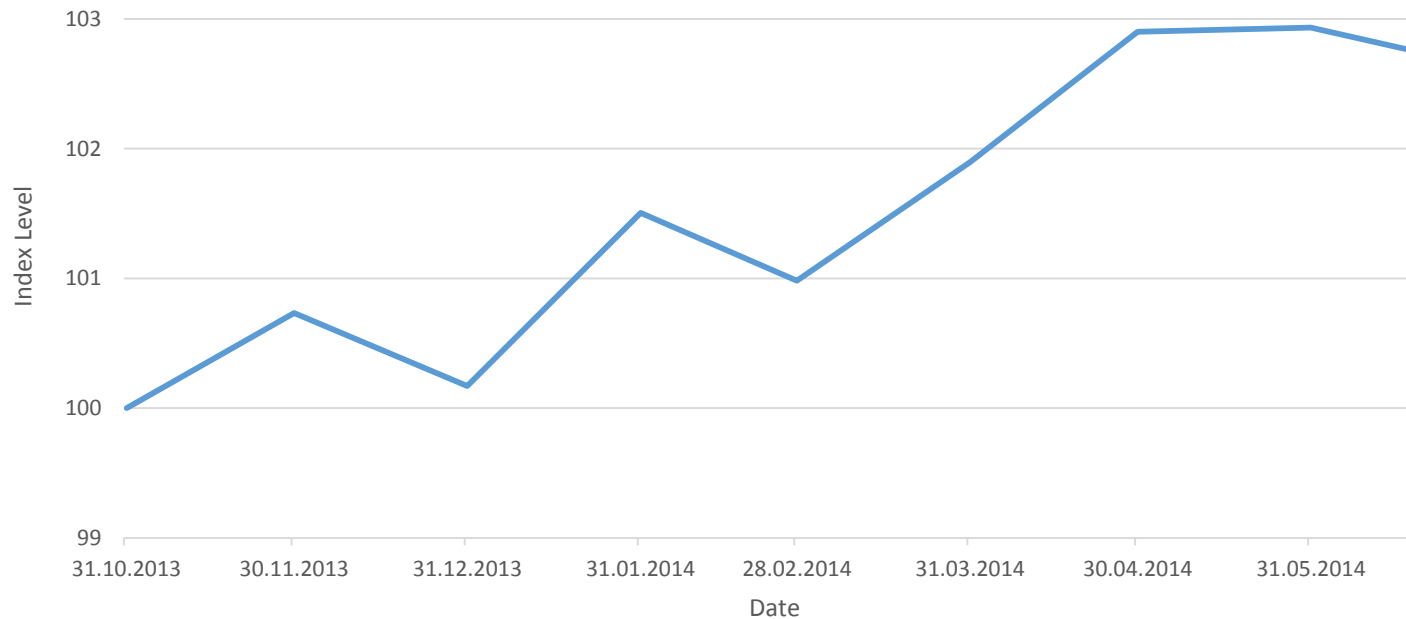
| Trade Idea Summary | Launched | Expiry | Opening Price | Current Price | Closing Price | Return | Comments | Cash p/l in USD |
|---|----------|----------|-----------------|-----------------|---------------|---------------|--|-----------------|
| Securitized recommendations | | | | | | | | |
| ACT Alpha Strategy | Oct 13 | Open-end | 152.93 | 157.63 | | 3.07% | Yearly return 2013 9.31 %, 2012 14.93%, 2011 23.45 % | |
| USDJPY sideways 96 - 106, Capital Protected Note | Nov 13 | May 14 | 100.00% | Expired | 102.50% | 2.50% | | |
| Africa-5-Basket Index Certificate | Nov 13 | Nov 14 | 100.00% | 98.75% | | -1.25% | | |
| Long Gold/Silver Ratio | Nov 13 | Open-end | 61.20 | 62.93 | 63.90 | 4.41% | Target Level 68, Stopped out at 63.90 | |
| Selective EM strength - Basket PHP, MXN, PLN | Mar14 | Mar 16 | 100.00% | 101.10% | | 1.10% | | |
| Africa-4-Basket Index Certificate | Mar14 | Mar 15 | 100.00% | 100.90% | | 0.90% | | |
| CHFRUB Rebound Digital Plus Certificate | Mar14 | Mar 15 | 100.00% | 105.50% | | 5.50% | | |
| USDBRL Autocall Note, quarterly obs with 2.27 trigger | Apr 14 | Apr 15 | 100.00% | 100.50% | | 0.50% | 6% Autocall Coupon (24% p.a.) | |
| OTC derivative recommendations | | | | | | | | |
| Tail risk hedge AUDUSD 0.7250 Strike One Touch | Nov 13 | Aug 14 | 9.75% of payout | 0.50% of payout | | -95% | Tail hedge not needed, gain on underlying assets | \$ -9'250.00 |
| Tail risk hedge NZDUSD 0.6275 Strike One Touch | Nov 13 | Aug 14 | 9.00% of payout | 0.40% of payout | | -95% | Tail hedge not needed, gain on underlying assets | \$ -8'600.00 |
| Distressed EM - Long TRY vs USD (Call resp. Callspread) | Mar14 | Sep 14 | 2.10% | Closed Apr 14 | 4.60% | 119% | Early close to take profit | \$ 50'000.00 |
| Distressed EM - Long RUB vs USD (Call resp. Callspread) | Mar14 | Sep 14 | 1.75% | Closed Apr 14 | 2.90% | 66% | Early close to take profit | \$ 23'000.00 |
| Distressed EM - Long INR vs USD (Call resp. Callspread) | Mar14 | Sep 14 | 1.65% | Closed Apr 14 | 1.96% | 19% | Early close to take profit | \$ 6'200.00 |
| Distressed EM - Long BRL vs USD (Call resp Callspread) | Mar14 | Sep 14 | 1.90% | Closed Apr 14 | 4.30% | 126% | Early close to take profit | \$ 48'000.00 |
| USDCHF Short 2-week Knock Out Option Strike 0.8750 | Apr 14 | Apr 14 | 0.25% | Knocked Out | Knocked Out | 0.25% | 6.44% p.a. return in DCI* terms | \$ 2'500.00 |
| AUDUSD Short 2-week Vanilla Option Strike 0.9430 | May 14 | May 14 | 0.19% | Expired | Expired | 0.19% | 7.45% p.a. return in DCI* terms | \$ 1'900.00 |
| Relative Value Trade CNH vs CNY Fwd 1 month points | May 14 | Jun 14 | 675 | 750 | | -11% | | \$ -1'298.70 |

* DCI = Dual Currency Investment

Notionals on otc derivative recommendations: USD 100'000 for payout options, USD 1'000'000 for vanilla and other exotic options. Notional on securitized recommendations USD 1'000'000

Currency solutions performance

Performance index securitised products
ACT Currency Solutions



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Top trade 1 – Autocall Note on USDINR exchange rate

| | |
|-------------------------|--|
| Underlying Index: | USDINR exchange rate |
| Tenor/Denomination: | 3 years USD |
| Autocall Coupon: | 10% p.a. (indicative) |
| Autocall Trigger: | 100% of initial index value, observed quarterly |
| European Kick in (EKI): | 130% of initial index value, observed at maturity in case of no early redemption |
| Issue Price: | 98.50% |
| Issuer: | Morgan Stanley (or similar) |

This investment solution has the following payoff characteristics:

- If on any **quarterly** observation date the **USDINR exchange rate fixes at or below the Autocall Trigger** you receive **100% of the initial investment plus the Autocall Coupon**

Payoff examples

- USDINR closes below the Autocall Trigger after 6 months. In this case you will receive a redemption of 105% (which is 100% of the initial investment plus the 10% p.a. pro rata coupon)
- USDINR closes below the Autocall Trigger after 18 months. In this case you will receive a redemption of 115% (which is 100% of the initial investment plus the 10% p.a. pro rata coupon)
- If no **early redemption has occurred**, you receive at maturity one of the following payoffs:
 - 130% of the initial investment if the USDINR exchange rate closes below the Autocall Trigger
 - 100% of the initial investment if the USDINR exchange rate closes below the European Kick in level
 - If the USDINR exchange rate closes above the European Kick in level, an amount according to the following formula (capital loss)

$$\text{Initial investment} \times \left(1 + \left(\frac{\text{initial USDINR} - \text{final USDINR}}{\text{initial USDINR}} \right) \right)$$

Many factors now supporting our positive view for the Indian Rupee

- Most decisive election results for many years
 - Modi's victory is the first time in three decades that a single party won a parliament majority
- Speed of likely reforms picking up
 - Infrastructure development (railways, ports, fibre optic grid, etc)
 - Agriculture (boost productivity, national agriculture market)
 - Fiscal consolidation (reduce subsidies, goods&services tax)
- Expected GDP growth for 2014 around 5.1%, and 6.0%-6.3% for 2015
- Foreign portfolio inflows
- One risk to the view is a potential oil shock due to tensions in the middle east, however this is clearly not a scenario we expect for the foreseeable future

Sources: World bank, Bloomberg, IMF, ACT, HSBC, Barclays, Nomura

India – we believe in it

Historical spot graph of USDINR exchange rate and barrier level



Source: Bloomberg, ACT

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Top trade 2 – Capital Protected Note on selected African currencies

| | |
|---------------------|---|
| Underlying Index: | Equally weighted currency composition; short USD vs. long UGX, NGN, KES, MZN* |
| Tenor: | 18 months |
| Denomination: | USD |
| Participation: | 100% |
| Capital Protection: | 92% of initial investment (at maturity) |
| Issue Price: | 99.00% |
| Issuer: | Standard Bank (or similar) |

- This investment offers the investor the following:
 - Access to a growing market in an easy and tradable manner
 - Diversification within Africa (geographic, export base, policy)
 - Currency exposure achieved through a series of long vanilla options rather than basket option, due to liquidity and to avoid performance drawdowns due to potential single currency corrections
 - Low correlation and beta to other markets
 - Limited downside risk due to partial capital protection at maturity
 - Should the underlying currencies trade unchanged to today's levels at maturity the redemption amount is around 105% of initial investment

*Uganda, Nigeria, Kenya, Mozambique

Participate in the growth of a vast continent...

- The IMF expects a growth of 6% for sub-Saharan Africa in 2014, the World Bank 5.2% in 2014 and 5.4% in 2015.
- South-south (between EM countries) trade is expected to grow to 40% of world trade, up from 18% today
- China-Africa has the potential to become a bigger trade corridor than Europe-Africa
- GDP per capita rises will increase the importance of local investors such as life insurances, pension schemes and mutual funds, leading to better liquidity and lower transaction costs
- Commodities – potential new discoveries of oil and gas in Africa to support growth
- Most countries are in a good shape with regards to demographics and will not experience a rapid ageing for the years to come
- Urbanisation – big impact on commodities due to higher consumption, middle class will grow
- Robust domestic demand, investment in natural resources and infrastructure

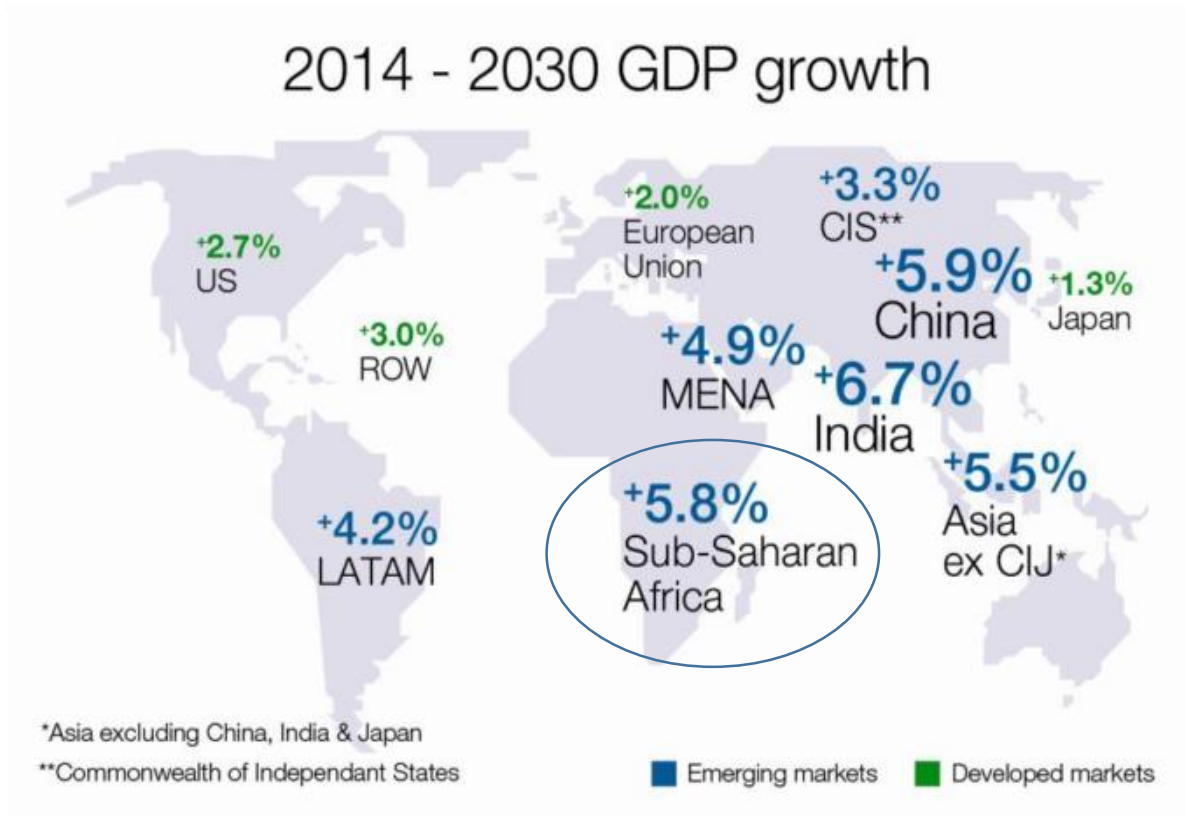
Sources: Regional economic outlook Sub-Saharan Africa. IMF October 2013,

Africa's Pulse. World Bank April 2014

Standard Bank, Standard Chartered, ACT

The case for Africa

Participate in the future of a vast continent...growth projections



Source: Standard Chartered Research

The case for Africa

Form your own opinion...emerging market vs african frontier performance



Source: Standard Bank Research

EM10: INR, HUF, PLN, IDR, ILS, MXN, BRL, RUB, TRY, ZAR

AF10: BWP, EGP, GHS, KES, NGN, MUR, UGX, TZS, ZMW, ZAR

Participate in the growth of a vast continent...but some risks persist

- Risks
 - Large commodity shocks leading to a slowdown in growth
 - Country-specific problems such as political events or weather related issues
 - Widening current account deficits, largely financed with foreign direct investment
 - Limited liquidity due to the size of the financial markets
 - Increasing correlation with other markets

Sources: Regional economic outlook Sub-Saharan Africa. IMF October 2013, Standard Bank, Standard Chartered, ACT

Andre Meyer

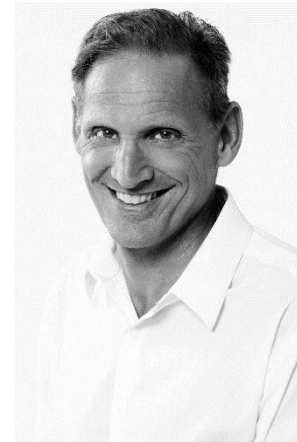
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Alex Norking, Patrick Haberstock, Thomas Walcher, Felipe Pillar and Andre Chamoun.

Our seven team members are FX professionals having joined from leading banks such as Citi Bank, Credit Suisse, UBS and Saxo Bank. Together they offer you more than 60 years of accumulated FX experience.

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Who we are

- Currency and precious metals specialist based in Zurich, founded in 1992

What we offer

- Absolute Return Strategies
- FX Prime Execution
- Currency Solutions
- Hedge Fund Incubation

What we aim for

- Customized currency solutions
- Superior return enhancement & risk reduction
- Best Price Execution

Disclaimer

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