

# Cap Floor Floater

## What is a Cap Floor Floater (“CFF”)?

A Cap Floor Floater is a structured product providing investors an opportunity to receive enhanced periodic guaranteed coupons by sacrificing upside return beyond the Cap Rate but enjoying higher minimum return secured by the Floor Rate. The underlying asset is typically reference to an interest rate.

## Key Features

- Periodic coupons will be paid during the product cycle, usually on a quarterly basis. Coupon rate is determined prior to each coupon payment date, which is subject to a range from minimum coupon (Floor Rate) and maximum coupon (Cap Rate).
- The underlying asset can be a benchmark interest rate from G10 countries such as SOFR rate.
- The product is designed to provide 100% principal protection if an investor holds it until maturity date.
- Issuer callability feature is normally incorporated in the product. If Issuer exercises its call right, the product will be early redeemed with 100% principal back plus last periodic coupon payment.

## Payoff Illustration

*Investor should note that the below example is prepared for illustrative purposes only and do not constitute an offer or solicitation of any investment.*

Sample Product Terms	
Notional amount	\$1,000,000
Tenor	3 years
Issuer callability	Non-call 1 year, then quarterly issuer call at par
Currency	USD
Underlying asset (Reference Rate)	USD 1-year SOFR Rate
Coupon	Min [Cap Rate, Max (Floor Rate, USD 1-year SOFR Rate)] p.a., quarterly payable, fixing in arrears
Cap Rate (Maximum Coupon)	5%
Floor Rate (Minimum Coupon)	3%

# Cap Floor Floater

## Scenario 1: Early Termination by the Issuer

Assuming the issuer decided to call back the product at par after 15 months (i.e. on the 5<sup>th</sup> fixing date)

### Coupon Payment:

As the product is early terminated by the issuer, no further coupons will be paid after the 5<sup>th</sup> coupon payment date.

Observation Period	Reference Rate vs. Cap Rate & Floor Rate	Reference Rate p.a.	Coupon p.a.	Coupon Amount paid on the Coupon Payment Date
1	Reference Rate < Floor Rate	2%	3%	= 3% p.a. / 4 x \$1,000,000 = \$7,500
2	Reference Rate = Floor Rate	3%	3%	= 3% p.a. / 4 x \$1,000,000 = \$7,500
3	Cap Rate > Reference Rate > Floor Rate	4%	4%	= 4% p.a. / 4 x \$1,000,000 = \$10,000
4	Reference Rate = Cap Rate	5%	5%	= 5% p.a. / 4 x \$1,000,000 = \$12,500
5	Reference Rate > Cap Rate	6%	5%	= 5% p.a. / 4 x \$1,000,000 = \$12,500

Total coupons received = \$7,500 + \$7,500 + \$10,000 + \$12,500 + \$12,500 = \$50,000

### Early Redemption Amount:

CFF is early called back by the issuer, and the investor receives full notional amount of USD 1,000,000.

## Scenario 2: Scheduled Redemption

### Coupon Payment:

The investor will receive periodic coupons subject to Cap Rate and Floor Rate on a quarterly basis until maturity date.

### Redemption Amount:

CFF will be redeemed at par, and the investor receives full notional amount of USD 1,000,000.

## Scenario 3: Worst Case Scenario

Under the worst-case scenario, the investor may lose all of his/her initial invested amount in the event of the issuer's default.

# Cap Floor Floater

## Disclosure of Risk Factors

CFF may involve some or all of the following risks:

- Issuer's credit risk
- Market risk
- Interest rate risk
- Foreign exchange risk
- Reinvestment risk
- Liquidity risk
- Limited secondary market

### Structured Product Disclaimer

Structured products contain embedded derivatives. Investment involves risk. Past performance is not a guarantee of future results. The price of structured products may move up or down and may become valueless. Losses may be incurred as well as profits made as a result of buying and selling structured products. Do not invest in structured products unless you fully understand and are willing to assume the risks associated with derivatives. This document does not disclose all the investment risks of structured products. You should carefully consider whether all the information mentioned herein is appropriate for you in view of your investment objective and experience. You should not make any investment decision in any structured products based on this document alone and should seek independent investment advice as appropriate before making any investment decision.

### Important Disclaimer

Goldhorse Capital Management (HK) Limited ("Goldhorse") is licensed for Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities by the Securities and Futures Commission of Hong Kong ("SFC") with Central Entity No. BDR769.

All the information contained herein are as of the date indicated unless otherwise noted and are intended for reference only, which is solely for the private and personal use of Goldhorse's clients that are Institutional Professional Investors according to their regulatory jurisdiction of residence. This document does not consider any particular investment objectives or experience, financial positions or specific requirements of any recipients, and shall not be construed or constituted as a solicitation for making any opinion, offer or invitation to buy or sell any investment products.

Goldhorse believes that the information contained herein is accurate as of the date of publication, and no representation or warranty, expressed or implied is made to the accuracy, completeness, or correctness of the contents herein. Any research or analytic information for the preparation of the above content is obtained by Goldhorse from sources believed to be reliable as of the date of this document. The views, recommendations, suggestions, or opinions expressed herein are not necessarily those of Goldhorse, which are subject to change at any time without prior notice, and Goldhorse has no obligations to provide update on such information or opinions. Forecasts (if any) provided are not necessarily indicative of the future or likely performance and actual events may differ from those assumed. Any opinion, prediction or forecast is subject to change without warning. Goldhorse does not assume or accept any responsibility in respect of any error or omission of the information of this document, including any direct or indirect liability or losses incurred by third parties.

Goldhorse owns all copyright, patent, intellectual, and other property rights in the content (including but not limited to news research, quotations, other related data or information, texts, graphs, links and voices) contained herein with the exception of third party materials which are available in the public domain. Without any prior consent of Goldhorse, this document shall not be copied, reproduced, distributed, or published to any person or entity and any jurisdiction or country where such distribution or publishing would be contrary to any law or regulation thereof.

If there is any inconsistency or ambiguity between the English version and the Chinese version of this document, the English version shall prevail.

\* "Institutional Professional Investors" is defined in paragraphs (a) to (i) of the definition of professional investor in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).