恒生銀行
HANG SENG BANK

Equity Linked Investments: Basic concepts – Video Transcript

Equity Linked Investments, also known as ELI, are investments where the returns are linked to the performance of stock(s). Here are the basics to get started with ELI.

1. Relationship between potential return for investors and the performance of the linked stocks
ELI are investment products with a holding period, for example, 6 months. At subscription, investors can fix a reference price, also known as "strike price" for the linked stock(s). It is usually set as a percentage of the initial spot price.
(Frame displays remarks: "Initial spot price is the official closing price or the market spot price of the linked stock(s) agreed on the start date of an ELI")
For example, if the initial spot price of the linked stock is $100, and the strike price is set as 90%, the strike price will be $90. At maturity, if the closing price of the linked stock is equal to or above the strike price, investors will generally receive the investment amount as well as a potential return, which is the predetermined interest return, in cash.
(Frame displays remarks: "Taking bull ELI, a common ELI as an example. Terms and conditions stated in the offering document applies.)
In contrast, if the closing price is below the strike price at maturity, apart from receiving the potential return in cash, investors will also be obligated to buy the linked stock at the strike price with the investment amount, and to pay the respective costs.

2. Receiving stocks at strike price
Investors can fix the strike price based on their understanding and views of the linked stock(s). Referring to the previous example, if the stock price doesn't go in the direction as investors predicted and the closing price is below the strike price at maturity, investors will receive the stock at strike price which is above the market price. If the sum of the market value of the linked stock and the potential return is lower than the investment amount, investors would suffer a loss.

3. Understanding your risk tolerance, investment view and objective
There are various kinds of ELI in the market. Some can be customized to meet your investment needs. Investors should first understand and assess their risk tolerance, taking into account their financial situation, investment experience, return objective, investment period, and their views on individual stock before selecting an appropriate ELI.

Apart from the above features, there are other variations in ELI. Visit this website to learn more.
(Frame displays "hangseng.com/eli").

Disclaimer:

The contents of this video do not constitute any offer, invitation or recommendation to any person to purchase any ELIs described herein. The contents of this video have not been reviewed by the Securities and Futures Commission of Hong Kong or any regulatory authority in Hong Kong.