

# Structured Products Disclosures

## About Structured Products

The typology of structured products discussed in this document represents some of the most usual families of structured products and product features that Mora Capital Management LLC (“Adviser”) and Mora Capital Securities LLC (“Broker-Dealer”) engage in in the ordinary course of business. The Broker-Dealer is an affiliate of the Adviser, and both of them may be collectively referred to hereinafter as “Mora”. The purpose of this document is to disclose to potential investors in structured products some of the most salient features, risks and costs associated with investments in this type of products.

Structured products are investments which provide a return based on the performance of one or more underlying or reference assets. These assets can cover the equity, index, fund, interest rate, credit, currency, commodity, or property markets. The payoff and level of capital at risk can be pre-defined. Payoff profiles can be designed to take advantage of rising, falling or range bound markets, and delivered in a way that can be tailored to the needs of investors.

Many Structured products pay either a firm or contingent interest or coupon rate substantially above the prevailing market rate. Structured products also frequently cap or limit the upside participation in the reference or underlying asset, particularly if some principal protection is offered or if the security offers an above-market rate of interest. Structured products, which are typically issued by banks or their affiliates, have a fixed maturity. Some, but not all, may be listed on a national securities exchange. However, even those structured products that are listed on a national securities exchange are very thinly traded. Unless otherwise specified, the structured products made available by Mora from time to time are not listed on any organized exchange. Structured products typically have two components—a note and one or more derivatives.

Some structured products have the potential to mature early. In the event that the issuer of a structured product fails to pay an early redemption, if any, or a final redemption amount, all capital may be lost. For those structured products that have knock-in events or barriers, if such events occur, capital invested will be at risk; and if they occur at pre-specified observation dates before maturity, coupons and early redemptions may be foregone. For all intents and purposes, investors should consider structured products as essentially less liquid instruments and riskier than conventional debt instruments.

In addition, unless otherwise expressly stated in writing, structured products offered by Mora are not, and will not be, registered under the United States Securities Act of 1933 as amended (the “Securities Act”), and may not be offered or sold to or for the account or benefit of US persons except in accordance with Regulation S of the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. It is possible that Mora or one of its affiliates or agents may have interests, relationships and/or arrangements that give rise to conflicts of interest in relation to any investors that purchase structured products from Mora.

Depending on their type, nature and terms, structured products can involve high fees, which are not immediately apparent to the investor. Typically, structured products are issued in the primary market at par, but the Broker-Dealer can obtain them at a lower cost. The difference between the issue price and the cost can be up to 3.0%. In the case of purchases of structured products by clients of the Adviser, this difference would be in addition to any investment advisory fees paid on the value of the client’s account or portfolio.

## Capital Protection Note (CPN)

Capital protection notes typically combine a zero-coupon bond with an option or other derivative product whose payoff is linked to an underlying asset, such as an equities index or basket of indices. The investor is guaranteed the return of some or all principal at a set maturity date—typically ranging up to ten years from issuance— and also is entitled to participate in a return that is linked to a specified change in the value of the underlying asset (FINRA Regulatory Notice 09-73)

### Main characteristics

- Minimum redemption at expiry equivalent to the capital protection
- Capital protection is defined as a percentage of the nominal (e.g., 100%)
- Capital protection refers to the nominal only, and not to the purchase price
- Value of the product may fall below the capital protection during its lifetime
- Participation in underlying price increase above the strike
- Coupon payment possible

### Usual product variations

- Capital Protection Note with Barrier
  - Redemption at expiry equivalent to capital protection if upper barrier is breached
  - Possibility of rebate payment once barrier is breached
  - Limited profit opportunity
- Capital Protection “Twin Win” Note
  - Redemption at expiry equivalent to capital protection if upper barrier is breached
  - Possibility of rebate payment once barrier is breached
  - Limited profit opportunity
- Capital Protection Note with Coupon
  - The coupon amount is dependent on the performance of the underlying
  - Periodic coupon payment is expected
  - Limited profit opportunity

### Market expectation

- Rising underlying
- Rising volatility
- Sharply falling underlying possible
- Underlying is not going to touch or breach the barrier during product lifetime (Capital Protection Note with Barrier)
- Slightly rising or slightly falling underlying (“Twin Win” Note)

When CPNs may be Suitable	When CPNs may NOT be Suitable
Investor fully understands the risks inherent to Structured Notes, including the risk of loss of the entire initial investment	Investor does not fully understand the risks inherent to Structured Notes, including the risk of loss of the entire initial investment
The investor has the willingness to make an investment that may have the same or less downside risk as an investment in the Underlying	Investor requires an investment designed to provide a full return of principal at maturity
Investor believes it is highly probable that the lowest performing Underlying will be equal to or greater than the level of the Knock-In Event on the final Valuation Date	Investor is not willing to make an investment that may have the same downside risk as an investment in the Underlying.
Investor is willing to invest in a product whose loss is limited to the capital protection as defined as a percentage of the nominal (e.g. 100%), regardless of any potential appreciation of the Underlying.	Investor is NOT willing to invest in a product whose loss is limited to the capital protection as defined as a percentage of the nominal (e.g. 100%), regardless of any potential appreciation of the Underlying.
Investor can tolerate fluctuations in the price of Structured Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying	Investor seeks an investment that participates in the full appreciation in the price of the Underlying or that has unlimited return potential.
Investor is willing to invest in a product for which there is little or no secondary market	Investor cannot tolerate fluctuations in the price of Structured Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying
Investor does not seek guaranteed current income from Structured Notes and is willing to forgo any dividends paid on the Underlying	Investor is unwilling to invest in Structured Notes or similar products whose returns are limited, such as the upper or lower barrier during product lifetime
Investor is willing to invest in securities that may be called early and is otherwise willing to hold them to maturity	Investor seeks guaranteed current income or prefers to receive any dividends paid on the Underlying
Investor is willing to assume the credit risk of the Issuer and/or the Guarantor, if any	Investor is unwilling to take the credit risk of the Issuer and/or the Guarantor

## Reverse Convertible (RC)

A reverse convertible is a structured product that generally consists of a high-yield, short-term note of the issuer that is linked to the performance of an unrelated reference asset—often a single stock but sometimes a basket of stocks, an index or some other asset. The product works like a package of financial instruments that typically has two components: (1) A debt instrument (usually a note and often called the "wrapper") that pays an above-market coupon (on a monthly or quarterly basis); and (2) A derivative, in the form of a put option, that gives the issuer the right to repay principal to the investor in the form of a set amount of the underlying asset, rather than cash, if the price of the underlying asset dips below a predetermined price (often referred to as the "knock-in" level).

When you purchase a reverse convertible, you're getting a yield-enhanced bond. You do not own, and do not get to participate in any upside appreciation of, the underlying asset. Instead, in exchange for higher coupon payments during the life of the note, you effectively give the issuer a put option on the underlying asset. You are betting that the value of the underlying asset will remain stable or go up, while the issuer is betting that the price will fall. In the typical best-case scenario, if the value of the underlying asset stays above the knock-in level or even rises, you can receive a high coupon for the life of the investment and the return of your full principal in cash. In the worst case, if the value of the underlying asset drops below the knock-in level, the issuer can pay back your principal in the form of the depreciated asset—which means you can wind up losing some, or even all, of your principal (offset only partially by the monthly or quarterly interest payments you received and the ownership of shares in the devaluated asset). (FINRA Investor Alert Reverse Convertibles: Complex Investment Vehicles)

### Main characteristics

- The coupon is being paid regardless of the performance of the underlying instrument
- Limited profit opportunity (cap)
- If the underlying is above the strike or if the barrier has not been touched, the investor receives the maximum redemption amount (cap)
- Touching the barrier results in an underlying delivery and/or cash settlement
- Multiple underlyings (worst of) enable more attractive product conditions, but with higher risk

### Usual product variations

- Conditional Coupon Barrier Reverse Convertible
  - Coupon payment depends on conditions
- Auto-Call Barrier Reverse Convertible
  - If, on an observation day, the price of the underlying is either on or above (bull), or, on or below (bear) a previously defined barrier («autocall trigger»), the product is redeemed prior to maturity

### Market expectation

- Rising underlying
- Underlying moving sideways or slightly rising
- Falling volatility
- Underlying will not breach barrier during product lifetime (American Barrier) or at maturity (European Barrier)

When RCs may be Suitable	When RCs may NOT be Suitable
Investor fully understands the risks inherent to Structured Notes, including the risk of loss of the entire initial investment	Investor does not fully understand the risks inherent to Structured Notes, including the risk of loss of the entire initial investment
The investor has the willingness to make an investment that may have the same downside risk as an investment in the Underlying	Investor requires an investment designed to provide a full return of principal at maturity
Investor believes it is highly probable that the lowest performing Underlying will be equal to or greater than the level of the Knock-In Event on the final Valuation Date	Investor is not willing to make an investment that may have the same downside risk as an investment in the Underlying.
Investor is willing to invest in a product whose return is limited to the rate derived from the applicable Fixed or Contingent Coupon, regardless of any potential appreciation of the Underlying.	Investor believes the price of the lowest performing Underlying will decline below the level of the Knock-In Event on the final Valuation Date.
Investor can tolerate fluctuations in the price of Structured Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying	Investor seeks an investment that participates in the full appreciation in the price of the Underlying or that has unlimited return potential.
Investor is willing to invest in a product for which there is little or no secondary market	Investor cannot tolerate fluctuations in the price of Structured Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying
Investor does not seek guaranteed current income from Structured Notes and is willing to forgo any dividends paid on the Underlying	Investor is unwilling to invest in Structured Notes or similar products whose returns are contingent and limited, such as the Contingent Coupon and the Early Redemption Amount
Investor is willing to invest in securities that may be called early and is otherwise willing to hold them to maturity	Investor seeks guaranteed current income or prefers to receive any dividends paid on the Underlying
Investor is willing to assume the credit risk of the Issuer and/or the Guarantor, if any	Investor is unwilling to take the credit risk of the Issuer and/or the Guarantor

## Participation Notes (PN)

Participation Notes are derivative instruments linked to financial instruments which usually include equities, market indices, ETFs, interest rates, currencies, or a combination of these. Investors can enjoy a potential capital gain in case their market anticipation on the underlying financial instrument is correct. Participation Notes are usually issued by a financial institution. Therefore, investors are exposed to the issuer's credit risk and the risks of the underlying financial instrument.

### Main characteristics

- Participation in performance of the underlying
- Reflects underlying price moves 1:1 (adjusted by conversion ratio and any related fees)
- Underlying can be managed dynamically
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### Usual product variations

- Outperformance Certificate
  - Disproportionate participation (outperformance) in positive performance above the strike
  - Reflects underlying price moves 1:1 when below the strike
- Bonus Certificate
  - Minimum redemption is equal to the nominal provided the barrier has not been breached
  - If the barrier is breached, the product changes into a Tracker Certificate
  - With greater risk, multiple underlyings (worst-of) allow for a higher bonus level or lower barrier
- Twin Win Certificate
  - Profits possible with rising and falling underlying
  - Falling underlying price converts into profit up to the barrier
  - Minimum redemption is equal to the nominal provided the barrier has not been breached
  - If the barrier is breached, the product changes into a Tracker Certificate
  - With higher risk levels, multiple underlyings (worst-of) allow for a higher bonus level or lower barrier

### Market expectation

- Rising underlying
- Underlying moving sideways rising
- Underlying will not breach barrier during product lifetime (American Barrier) or at maturity (European Barrier)

When PNs may be Suitable	When PNs may NOT be Suitable
Investor fully understands the risks inherent to Structured Notes, including the risk of loss of the entire initial investment	Investor does not fully understand the risks inherent to Structured Notes, including the risk of loss of the entire initial investment
The investor has the willingness to make an investment that may have the same downside risk as an investment in the Underlying	Investor requires an investment designed to provide a full return of principal at maturity
Investor believes it is highly probable that the lowest performing Underlying will be equal to or greater than the level of the Knock-In Event on the final Valuation Date	Investor is not willing to make an investment that may have the same downside risk as an investment in the Underlying.
Investor can tolerate fluctuations in the price of Structured Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying	Investor believes the price of the lowest performing Underlying will decline below the level of the Knock-In Event on the final Valuation Date.
Investor is willing to invest in a product for which there is little or no secondary market	Investor cannot tolerate fluctuations in the price of Structured Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying
Investor does not seek guaranteed current income from Structured Notes and is willing to forgo any dividends paid on the Underlying	Investor seeks guaranteed current income or prefers to receive any dividends paid on the Underlying
Investor is willing to assume the credit risk of the Issuer and/or the Guarantor, if any	Investor is unwilling to take the credit risk of the Issuer and/or the Guarantor

## Credit Linked Notes (CLN)

For investment products with additional credit risk, third-party bonds (corporate or government bonds) with similar maturities are used. This additional risk enables the issuer to offer more favorable terms. At the same time, the investor is thus given the opportunity to spread the default risk among various debtors (diversification). Compared to other product categories, it is particularly important to observe not only the performance of the underlying instrument but also the creditworthiness of the reference debtor. An investment in such products is recommended if premature default of the reference debtor is considered extremely unlikely.

Credit linked note falls into the asset class of credit derivatives or structured products and is therefore also referred to as a synthetic corporate bond, which makes the credit risk of a selected debtor "investible". The investor acts as an insurer for which he receives a periodic premium (coupon payment). In return, the investor bears the risk of a credit event which, if it occurs, can jeopardize further coupon payments and the repayment of all or part of the principal. The solvency of the reference debtor is therefore decisive. In contrast to an equity investment, repayment is not affected by market volatility or the influence of bad news - as long as no credit event occurs.

### Main characteristics

- If a so-called credit event does not occur, the note holder receives profitable coupon payments, which are usually higher than government or corporate bonds with a comparable level of risk.
- At the end of the term, the principal amount of the credit-linked note is paid at par. If a credit event occurs, the credit-linked note is repaid ahead of schedule; the obligations of the respective debtor (bonds or loans) are deducted from the face value at the residual value, or the value of the reference obligations is determined and paid.
- If the underlying is above the strike at maturity or if the barrier has not been touched, the investor receives the maximum redemption amount (cap)
- For linear credit-linked notes, coupon and principal payments are based on the number of debtors that have had credit events.
- Each occurrence of a credit event reduces the principal and coupon payments.

### Usual product variations

- Conditional Capital Protection Note with additional credit risk
  - Rising underlying; Sharply falling underlying possible
  - No credit event of the reference entity. The product value can fall below conditional capital protection during its lifetime, among other things due to negative assessment of reference issuer creditworthiness
  - Conditional capital protection only applies to the nominal and not the purchase price
  - Participation in performance of the underlying, provided a reference entity credit event has not occurred

### Market expectation

- Rising or sideways underlying
- No underlying credit events in single issuer or basket of issuers
- Falling defaults

When CLNs may be Suitable	When CLNs may NOT be Suitable
Investor fully understands the risks inherent to Structured Notes, including the risk of loss of the entire initial investment	Investor does not fully understand the risks inherent to Structured Notes, including the risk of loss of the entire initial investment
The investor has the willingness to make an investment that may have the same downside risk as an investment in a bond of the Underlying reference entity (ies)	Investor requires an investment designed to provide a full return of principal at maturity
Investor can tolerate fluctuations in the price of Structured Notes prior to maturity that may be similar to or exceed the downside price fluctuations of a bond of the Underlying reference entity (ies)	Investor is not willing to make an investment that may have the same downside risk as an investment in a bond of the Underlying reference entity (ies)
Investor is willing to invest in a product for which there is little or no secondary market	Investor cannot tolerate fluctuations in the price of Structured Notes prior to maturity that may be similar to or exceed the downside price fluctuations of a bond of the Underlying reference entity (ies)
Investor is willing to assume the credit risk of the Issuer and/or the Guarantor, if any, as well as the extra credit risk of the reference entity (ies)	Investor is unwilling to take the credit risk of the Issuer and/or the Guarantor, or the extra credit risk of the reference entity (ies)