NAB Dual Currency Investments

In the world of investment, we’re always looking for ways to optimise returns.

NAB Dual Currency Investments, or DCIs, are short term currency referenced investments issued by NAB. DCIs can offer you, the investor, the possibility of generating an enhanced income return, referred to as the yield, by referencing your investment to an underlying currency.

DCIs can give you the flexibility to customise the risk and return of your investment. You select: The investment currency and exchange currency that your DCI references; The term, between 1 week and 1 year; and, the conversion rate at which your original investment amount is to be placed at Foreign Exchange risk at maturity, referred to as the Strike Price.

So how does it work? Let’s look at an example. Rosa has two hundred thousand U.S. dollars in a Foreign Currency Account earning no interest and receives payments from overseas in foreign currency.

She wants to know other ways she may be able to improve her returns. She has plans to convert some of these U.S. dollars into Australian Dollars sometime in the future.

Let’s assume the current market exchange rate is 75 cents.Rosa decides to take out a Dual Currency Investment, investing one hundred thousand U.S. dollars (the Investment Currency) with:

Australian Dollars as the exchange currency, a term of 60 days, she selects a strike price of 74 cents, which results in a yield of 5% per annum.

In 60 days at maturity, there are two possible outcomes for Rosa depending on the market. In scenario 1, the DCI matures with the market rate being above the strike rate of 74 cents. Rosa will receive both the principal and yield in U.S. Dollars, being $100,833.33 U.S. dollars.

In scenario 2, the DCI matures with the market rate being at or below the strike rate of 74 cents. If the market rate at maturity had fallen to 72 cents, Rosa will receive the yield in U.S. dollars and her principal will be returned in Australian Dollars after conversion at the pre-agreed strike rate of 74 cents.

In this scenario, Rosa’s $100,000 U.S. dollars would be converted to Australian Dollars at the strike rate of 74 cents, being $135,135.14 Australian Dollars.

Rosa would still receive the yield of $833.33 U.S. dollars. If Rosa then chooses to convert her AUD back into USD at the prevailing market rate of 72 cents, Rosa would incur a loss of principal of $2,702.70, which is the difference between the strike rate of 74 cents and the market rate at maturity of 72 cents.

However, Rosa was always intending to convert to Australian Dollars, so she is comfortable in accepting this risk. Please be aware, regardless of the market exchange rate at maturity, the investment yield will always be paid on maturity and in the Investment currency.

Dual Currency Investments are available in a range of currencies for Wholesale Investors. There is a minimum investment of $100,000 Australian Dollars or equivalent, and terms range from one week up to one year in duration.

It’s important to understand that foreign currency exchange rates fluctuate, and a dual currency investment is not a substitute for a traditional term-based deposit. And like any investment, please read the Product Information Statement and speak with your independent investment adviser before making a decision.

To find out more, speak to your NAB Markets specialist or Private Banker.

NAB. More than Money.