

Derivatives

Invested Thinking: Wealth Strategies by Turicum

3.5 minute read

Introduction

Derivatives are financial instruments that derive their value from an underlying asset, such as equities, bonds, commodities, or currencies. While they may appear complex, their role in asset management is simple: derivatives can be used either to speculate on market movements or to hedge against them.

At Turicum Private Bank, we view derivatives as advanced tools that, when used appropriately, can enhance portfolio returns or manage downside risk. They are not suitable for all investors. However, for those investors with the right objectives and risk appetite, they can play a valuable role in achieving the desired financial goals.

Options

Options grant the holder the right, but not the obligation, to buy or sell an underlying asset at a specified price within a set timeframe or on a set date. They offer flexibility and can be used to protect portfolios against downside risks or to capture potential gains.

Portfolio role: Options can serve as a risk management mechanism, protecting portfolios from potential losses. They may also be applied to seek capital appreciation or additional income through strategies such as covered calls.



Futures



Futures are agreements to buy or sell an asset at a predetermined price on a future date. Unlike options, futures impose an obligation to complete the transaction. They are widely used by institutional investors to hedge against price fluctuations in volatile markets such as commodities, currencies, and interest rates.

Portfolio role: Futures can help manage volatility by locking in prices, potentially reducing uncertainty. However, they also carry risks, as losses can be magnified if markets move in the opposite direction.

Speculating and hedging

Derivatives can be used for speculation, where investors seek to profit from market movements, or for hedging, where the primary aim is to protect portfolios from adverse changes in value. At Turicum, the focus is firmly on hedging and risk management, with derivatives applied to support portfolio resilience rather than to chase short-term gains.

Portfolio role: When integrated responsibly, derivatives can provide clients with greater control over risk exposure, adding a protective layer to long-term investment strategies.



Turicum's approach to derivatives

At Turicum Private Bank, derivatives are considered within the broader context of each client's objectives and investment strategy. We ensure their use is aligned with client needs, risk tolerance, and regulatory suitability.

Our approach is disciplined and transparent, with a focus on enhancing portfolio stability, not complexity.

Conclusion

Derivatives are powerful financial instruments that require careful application. At Turicum Private Bank, we apply them selectively, using options and futures to hedge risk and strengthen client portfolios.

Our goal is to ensure derivatives serve as a stabilising force, supporting stable and secure long-term wealth planning.

For a detailed breakdown of the benefits and risks associated with these investment options, please refer to [Turicum's Products & Services Booklet](#).

Let's build your tailored investment strategy together.

Get in Touch →