What are Structured Investments?

DEFINING STRUCTURED INVESTMENTS

Structured investments are financial instruments that enable investors to pursue a specific objective or express a market view. They combine a debt security, such as a bond or a certificate of deposit, with one or more derivative instruments linked to an underlier, or reference asset, such as an index, ETF, or stock. Structured investments are primarily used to manage risk or increase income or return potential in a portfolio.

CHOOSING AN INVESTMENT

The power of structured investments is in the flexibility of their design, offering solutions across the risk-return spectrum. With an objective in mind, an investment can be shaped to meet specific investor needs.

PAYMENT TYPE

Structured investments enable investors to participate in the potential growth of an underlying index or asset. Market-linked growth products typically offer a single payment at maturity, while market-linked income products offer potential periodic coupons.

PROTECTION

Structured investments may offer full protection of principal, or partial protection in exchange for higher potential returns.

TERM

Structured investments have investment terms starting at six months, but generally range from one to five years. Terms can be fixed or callable, with the possibility of early redemption.

UNDERLIER

Structured investment returns are linked to the performance of a reference asset, allowing investors to gain exposure to a specific index, sector, or asset class, while mitigating downside risk.

HYPOTHETICAL STRUCTURED INVESTMENT TRADE

Objective: An investor seeks the potential growth and diversification that may come with international equity exposure. She is optimistic about emerging markets specifically and comfortable with equity risk. However, she would appreciate some downside protection should those markets experience a slight to moderate decline.

Potential Solution: A four-year market-linked growth note with 20% barrier protection and 1.5x upside participation tied to the MSCI EM Index.

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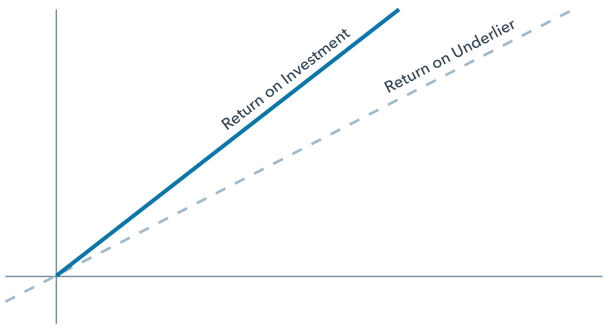
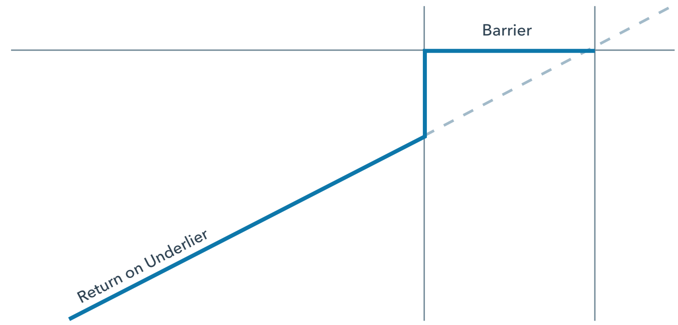
1.5x Upside Participation



At maturity, the investor would receive a return that is 1.5x any gains in the index, uncapped, on a price return basis.

20% Barrier Protection



At maturity, the barrier would absorb the first 20% of any losses in the index but after that, protection would disappear, and losses would be 1:1 from the index's initial level.

The visuals included are hypothetical examples. They do not reflect any specific structured investment, and are solely intended to help illustrate how different payment and protection methods work.

BENEFITS

- Structured investments allow investors to gain leveraged upside participation and/or yield enhancement potential, while maintaining a degree of downside principal protection.
- With varying levels and types of downside protection, structured investments can be customized to an investor's risk tolerance and mitigate risk in a portfolio.
- Structured investments provide exposure to the returns of a sector, asset class, or strategy that may be difficult for investors to gain access to directly, or too volatile to include in the portfolio as a direct investment.
- The power of structured investments is in the flexibility of their design, offering solutions across the risk-return spectrum. There's one for almost any market outlook or investment objective.

KEY RISK CONSIDERATIONS

Key risk considerations may include, but are not limited to, the following:

- **Contingent Upside:** Return and/or income payments are dependent on the performance of the underlier and not guaranteed, and may be either levered or limited depending on the terms of the structured investment.
- **Downside Exposure:** Structured investments can offer full, partial, or no protection of principal. Depending on the terms of the structured investment, an investor may have downside exposure.
- **Fees:** Fees and costs are usually embedded in the price of the structured investment. The price an investor may receive if sold before maturity may be negatively impacted by the embedded fees and costs.
- **Liquidity Risk:** Structured investments are buy-and-hold investments, which means that investors must hold the note until maturity in order to receive the specified investment return and protection. While issuing firms or dealers may be willing to buy back a structured investment before maturity, they may do so at a discount to statement value and are under no legal obligation to provide liquidity.
- **Credit Risk:** Similiar to corporate bonds, structured investment holders are exposed to the credit risk of the issuer and must be comfortable with the issuer's creditworthiness throughout the life of the trade.
- **Underlier Risk:** Investors should understand the unique set of risks of the structured investment underlier.

IMPORTANT INFORMATION

STRUCTURED INVESTMENTS ARE CONSIDERED COMPLEX PRODUCTS AND MAY NOT BE SUITABLE FOR ALL INVESTORS.

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