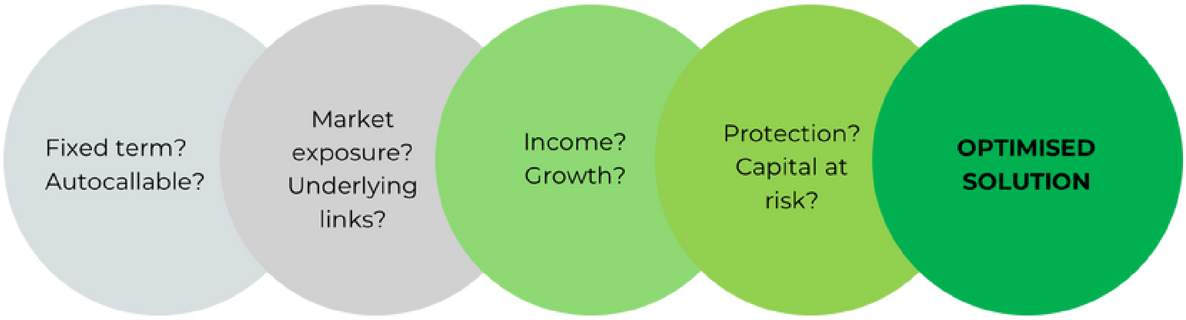
Benefits of Structured Products

Flexibility Of Structured Products

The key strength of structured products is that they can be tailored to suit pretty much any investment objective and take account of any investment scenarios that might play out in the wider market. They can deliver growth when markets fall, income when interest rates are low and precise amounts of capital protection at times when it is required.

A structured product will have a defined objective – it may be for income, growth, capital protection or any combination thereof. As a fixed term investment, there will be a target date for that objective to be met. The returns offered for any structured product will reflect the risk/reward strategy which in itself will reflect the client's risk profile.



There are a number of long established, well proven structures which form the bulk of the structured product market.

- **Classic Autocalls** deliver considerable growth and often return capital before the end of their fixed term.
- One of the advantages of a typical autocall structure is the repeated opportunity it gives for early maturity. Over a 6-year term with 11 observation points, the product only needs the underlying(s) to be at or above the autocall trigger (typically 100%) once. This means even in times of high volatility, there is still a high probability that on any one of the eleven observation dates the product will autocall and deliver all accumulated coupons along with the return of capital.
- **Income** products can pay regular high-level coupons across a fixed term.
- **Capital Protected** products offer the potential for higher returns than traditional bonds whilst mitigating the level of capital at risk.

With customisable features, structured products can be designed to reflect each investor's unique approach to risk and return. Many structured products include a European-style barrier which is the level at which capital is protected. If we take an example of the European barrier being at 60%, then what this means is that if the underlying asset is at or above 60% at maturity, the investor's capital is fully returned. In contrast, a direct investment in the asset would result in a 40% loss, but structured products are designed to avoid – or at least significantly mitigate – this downside risk.

Diversification

Structured products are a valuable tool to add diversification into a portfolio as they provide a level of reliability to the portfolio returns and, due to the asymmetric payoff profiles, they can be less correlated to the traditional assets. This means that, if the markets are flat or falling, structured products may significantly reduce the downside risks and improve the risk/return ratio of portfolios.