Laddering Structured Notes

Structured Note Basics

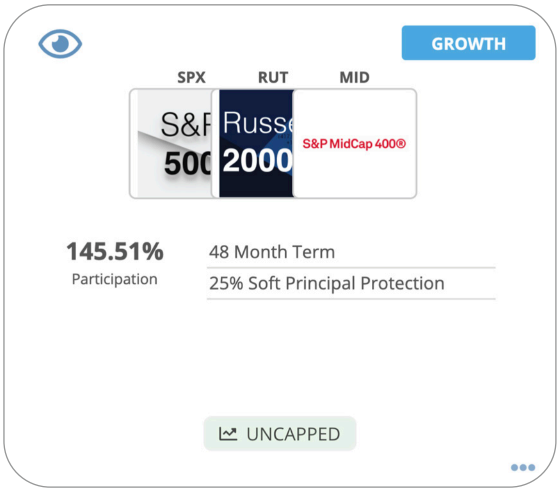
Structured notes are issued by global banks whose returns are based on underlying assets like an index, stock, group of stocks, commodity or foreign currency. Structured notes include two components, a bond component and an options package and can vary in term lengths.

There's also the level of return, or yield, that investors seek when using structured notes. Most structured notes also include a level of protection that partially protects the investor from price declines in the underlying.

By laddering, investors can align their structured note allocation across different terms and maturities. This approach minimizes risk of exposure to a single maturity date.

Benefits of Laddering

Investors often use structured notes to enhance their core equity allocation. Structured notes can participate in an asset's positive returns while also adding principal protection in case of down markets.



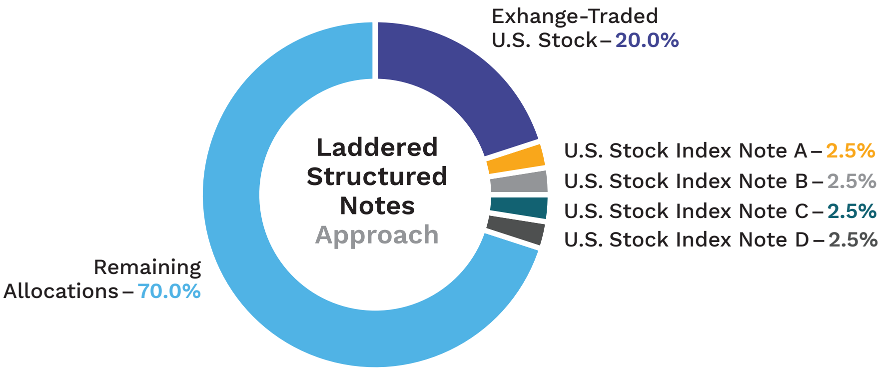
Laddering is when investors buy structured notes with different maturity dates. This helps investors limit exposure to one maturity date, while also diversifying reinvestment risk when rolling into new structured notes.

Structured notes are designed to be held to maturity, which is when the enhanced performance terms are realized. The timing of a note's maturity can be impactful. Investors often manage this by dividing their structured note allocation across multiple notes that have mutiple maturity dates over time. This "laddered" approach makes it less likely for the structured note exposure to depend on one maturity date.

Below is a simple hypothetical example:

Example Approach

- **Start** with 30% in US Stocks
- **Re-allocate** 1/3 of the US Stocks with structured notes
- **Diversify** the structured note allocation across four maturity dates
- **Upon maturity,** you can roll the cash proceeds into new notes



continues on back >

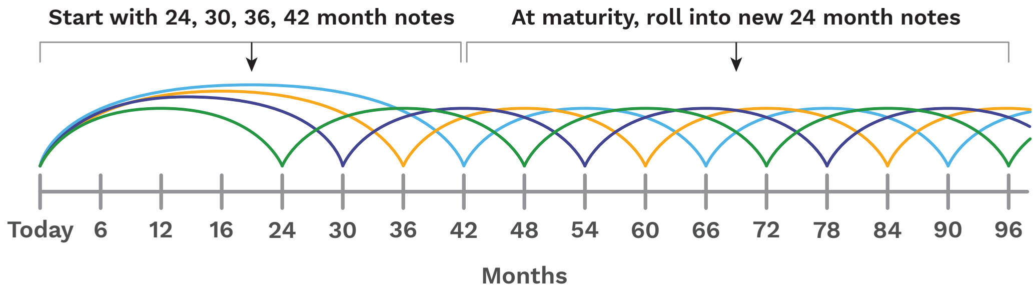
Structured notes are considered complex products and may not be suitable for some investors.

Example Approach continued

Investors can plan for this exposure longer-term, subject to the credit risk of the issuing bank.

The ladder example below begins by simultaneously investing in four notes that mature in 24, 30, 36, and 42 months. When each note matures, invest the proceeds into a new 24 month note. The end result is a maturity payment every six months, smoothing out the effects of market cycles and volatility.

Investing in Four Notes That Mature in 24, 30, 36, and 42 Months



Structured notes allow for customization and flexibility. When each note matures, you can update the variables of the note, like the underlying assets or the protection level, to match your evolving market outlook. That way, your structured note allocation stays in-line with risk preferences with regular updates at each maturity date.

To learn more about structured note implementation and how Halo Investing's global award-winning technology can facilitate your note-building efforts, schedule a time with our team at www.haloInvesting.com.