



INTRODUCTION TO STRUCTURED PRODUCTS

As markets react in real-time to headline news and social media, investors remain apprehensive about investment returns in the near term. Structured products may provide investors a way to diversify their portfolio and participate in select areas of the market and address a particular investment objective.

This introduction to structured products discusses certain characteristics and selected associated risks as well as the potential roles these investments can play in portfolio allocations.



Structured products have complex features and may not be suitable for all investors. They are sold through financial professionals and investors should consult an accounting, legal, and/or tax professional before investing.

What is a Structured Product?

Considered hybrid securities, structured products are an obligation of an issuer or issuing bank that have a defined outcome based on the performance of an underlying reference asset or group of assets, commonly referred to as the “underlier.”

When issued in the primary market, structured products are often sold in increments of \$1,000. They are available for a specified period of time, allowing advisors to submit indications of interest – or “IOIs” – during the order period. On the defined trade date, investors typically receive an allocation amount equal to their IOI.

In many cases, the issuer or issuing bank maintains a secondary market; however, there is no obligation to do so. For that reason, structured products should be considered buy-and-hold investments with potentially limited liquidity.

Structured products can be issued in the form of a Certificate of Deposit (CD) or a note.

MARKET-LINKED CDs

Like traditional CDs, Market-Linked CDs (or MLCDs) are FDIC-insured¹, up to applicable limits, and provide investors with full protection of the principal investment if held to maturity. However, unlike traditional CDs, MLCDs offer the potential to participation in the upside performance of an underlying reference asset. The amount of upside participation can vary based on the individual terms of the CD and may also be capped.

MLCDs only guarantee full return of principal at maturity, subject to the creditworthiness of the issuer, or FDIC limits if applicable. If an investor sells their investment prior to maturity, they may experience a loss. It is important to understand the individual terms of each offering and review the offering documents carefully before investing.

STRUCTURED NOTES

Also referred to as Market-Linked Notes (MLNs), structured notes allow investors the opportunity to participate in the potential upside performance of an underlier, while also providing the possibility for some degree of downside protection. There are multiple types of structured notes with varying degrees of risk and investor suitability profiles. From full principal protection to 100% principal at risk, it is important to understand the individual terms of each offering and review the prospectus carefully before investing.

Structured notes should be considered buy-and-hold investments and are subject to the credit worthiness of the issuer.

As with most investments, there is a trade-off between the amount of positive participation and downside risk. Generally, the higher the upside potential, the greater the risk of losing principal. Conversely, an investor may need to forgo upside return for greater the downside protection.

¹An MLCD represents a bank deposit obligation and amounts of the initial principal investment and any accrued interest of the CD are FDIC-insured up to \$250,000 per depositor, if held to maturity. FDIC deposit insurance coverage limits are based on the total of all deposits an account holder (or holders) has at each FDIC-insured bank. Additional information, including applicable limits, is available on the FDIC public website at www.fdic.gov.

Investors should carefully review all offering documents for complete details regarding the terms of the investment, including participation, principal protection, and associated risks.

Select Characteristics of Structured Products

While structured products can be issued with a wide array of terms, there are four main characteristics investors should be familiar with. As previously discussed, structured products can have complex features and various associated risks. It is important to review all offering documents carefully prior to investing. A more detailed discussion of potential risks is provided later in the brochure.

OBJECTIVE



UNDERLIER



PARTICIPATION



PRINCIPAL PROTECTION*



**The amount of principal protection will vary by product and can range from full protection to zero protection with full principal at risk.*



Objective

Structured products are typically designed with the objective of growth, income or capital protection. Whether or not a particular investment is right for you depends on your personal financial goals, risk appetite, and market perspective.

GROWTH

Growth products are designed to provide investors with the potential for a one-time payment higher than the original investment at maturity, based on the performance of the underlying reference asset. To determine the return, they compare the initial reference level of the underlier – which is the performance at or near the issuance date – with the final reference level, which is the performance of the underlier at or near the termination date.

It is possible for growth products to have a call feature which means they can be redeemed at par prior to the maturity date. Growth products with a call feature (also referred to as Review Notes) generally provide a premium payment in addition to the initial principal investment if called.

INCOME

Income products offer investors the opportunity to earn enhanced income in the form periodic coupon payments based on the performance of the underlier. Coupon payments are made on the coupon observation date, as defined in the offering documents, often occurring either monthly, quarterly, or semi-annually.

Coupons are generally either “fixed,” meaning they are paid regardless of the performance of the underlier, or “contingent,” meaning they are paid, or not paid, based on the performance of the underlier as determined on the coupon observation date. It is possible investors will not receive any coupon payments over the life of the investment.

CAPITAL PROTECTION

Structured products with a primary objective of capital protection are designed to be redeemed at par (original principal value of the CD or note) regardless of any negative performance of the underlying reference asset. Depending on the structure of the investment, principal-protected products may provide the opportunity to participate in some gains generated from the performance of the underlying asset; however, upside participation is generally limited, in exchange for the capital-protection feature, and may also be capped.

Capital-protected products are intended to be held to maturity and only guarantee full return of principal at maturity, subject to the creditworthiness of the issuer. If an investor sells their investment prior to maturity, they may receive a return less than their original investment.



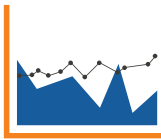
Underlying Reference Asset

As previously discussed, structured products provide a return based on the performance of an underlying reference asset. Common underliers include indices, equities, commodities, interest rates, and currencies. There are three common types of underliers; however, there may be others depending on the terms of the individual offering.

	SINGLE NAME	BASKET OF SECURITIES	WORST-PERFORMING (OR WORST-OF) BASKET
Description	The underlier is comprised of a single asset, such as a stock or index.	The underlier is comprised of a basket of securities, which is commonly equally weighted; however, weightings can vary as defined in the offering documents.	The underlier is comprised of a basket of securities, but only the performance of the worst-performing asset is considered on the observation date.
Example	S&P 500 Index	50% - S&P 500 Index 50% - Russell 2000 Index	Worst-of S&P 500 Index, NASDAQ-100 Index, & Russell 2000 Index
Pros	<ul style="list-style-type: none">• Attractive for investors with a well-defined view on the underlier.• Potential hedge to existing holding or allocation.	<ul style="list-style-type: none">• May be suitable for more risk-averse investors.• Allows investors to potentially capitalize on a specific sector or thematic view.	<ul style="list-style-type: none">• Higher potential return.
Cons	<ul style="list-style-type: none">• Limited diversification and higher associated risk.	<ul style="list-style-type: none">• Market risk of investing in a single sector or theme.	<ul style="list-style-type: none">• Higher risk: all underlying assets must perform well to achieve investment objective.

It is important for investors to understand that owning a structured product is not the same as owning the underlying reference asset. Investors will not participate in any price appreciation of the underlier, nor will they receive any dividend payments generated from the underlying investment.

Investors should carefully review all offering documents for complete details regarding the terms of the investment, including participation, principal protection, and associated risks.



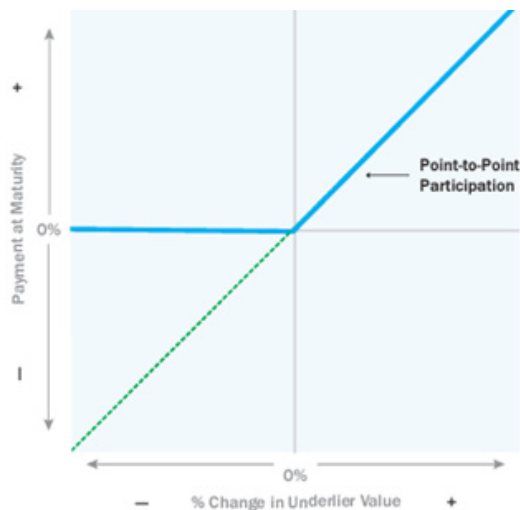
Participation

At maturity, if the performance of the underlier is positive, the investor will generally receive a positive return based on the terms of the offering. The amount of upside participation will vary by product. Additionally, the return can be “capped,” which will limit the amount of return the investor can receive at maturity.

Below are common types of upside participation at maturity.

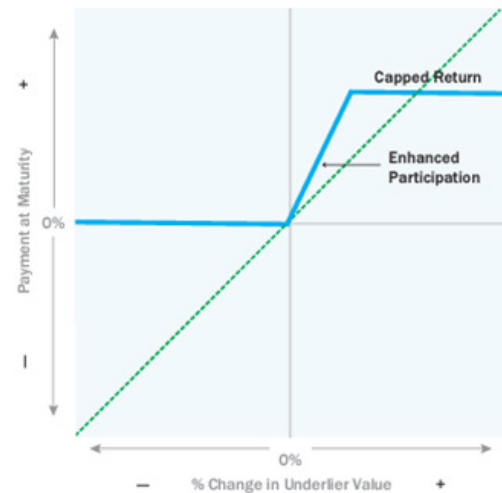
POINT-TO-POINT

Investor experiences 100% or 1-to-1 upside participation in the underlier.



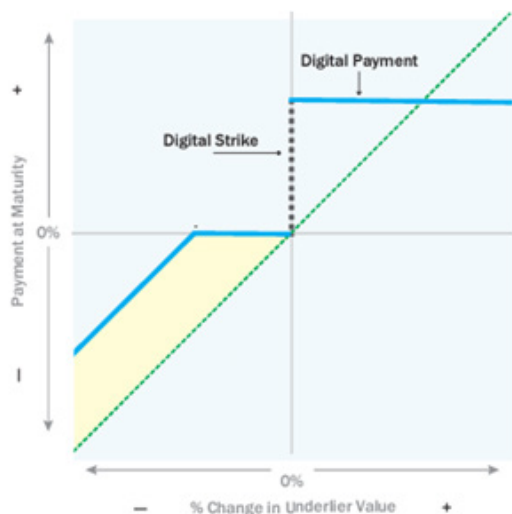
ENHANCED

Investor experiences greater than 100% or 1-to-1 upside participation in the underlier (for example 1.2x or 120%).



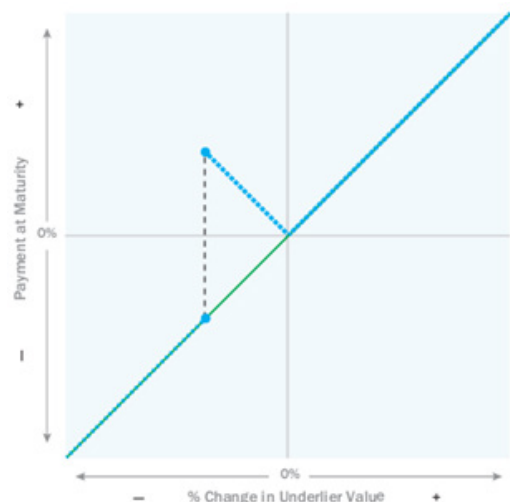
DIGITAL PAYMENT

Investor experiences a one-time, fixed payment (“digital payment”) if the performance of the underlier is at or above a defined level at maturity.



DUAL DIRECTIONAL

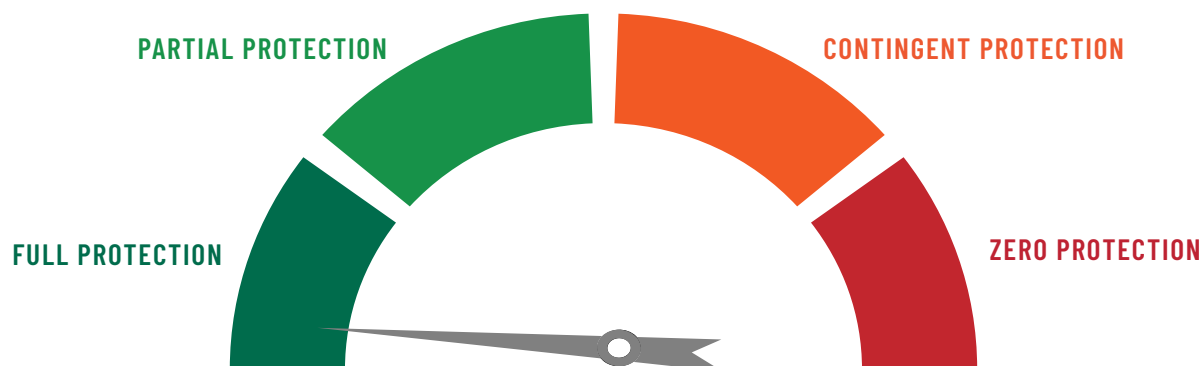
Investors have the potential for a defined amount of absolute return if the performance of the under is negative to a defined level.





Principal Protection

Structured products generally offer varying degrees of principal protection ranging from full protection to zero protection. As discussed, structured products are intended to be held to maturity and any payments at maturity are subject to the creditworthiness of the issuer. If an investor sells their investment prior to maturity, they may receive a return less than their original investment.



FULL PROTECTION – If the performance of the underlier is negative, the note is redeemed at par and the investor receives their full principal investment at maturity.

PARTIAL PROTECTION – A defined amount of the principal investment is redeemed at maturity, regardless of any decline in the underlier.

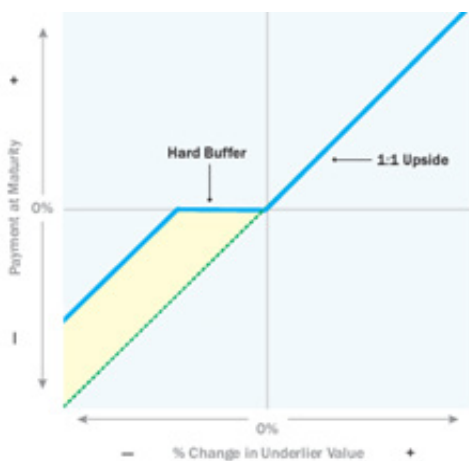
CONTINGENT PROTECTION – A form of partial principal protection that defines an amount of negative performance that principal will be returned, beyond which the investor will experience a loss. The two most common types of contingent protection are buffers and barriers.

ZERO PROTECTION – Sometimes referred to as “delta-one” products. The investor is exposed to full loss of principal proportionate to the decline in the investment, meaning 100% of the principal is at risk.

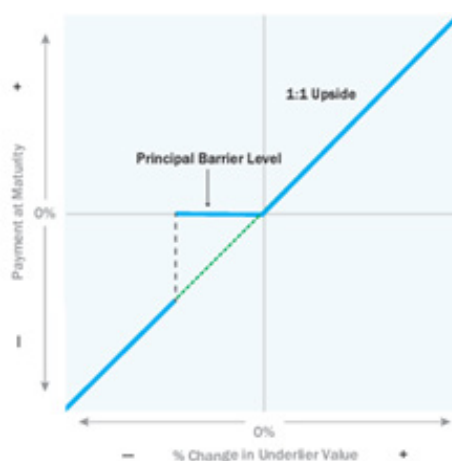


More about buffers and barriers...

BUFFER – The note will absorb, or “buffer,” some of the downside performance up to a stated percent. At maturity, if the negative performance is within the defined buffer level, the note will be redeemed at par. If the negative performance is below the hard buffer level, the investor experiences a 1-to-1 decline in their investment beyond the buffered amount, resulting in loss of principal.



BARRIER – The note will provide a defined amount of downside barrier protection, below which the investor experiences full 1-to-1 loss proportionate to the decline in the underlier. This is defined as the “principal barrier” level in the terms on the note. If the negative performance is within the principal barrier level, the note will be redeemed at par. If the negative performance is below the principal barrier level, the investor experiences a 1-to-1 decline in their investment, with 100% of principal at risk.



How Structured Products Fit into Portfolios

Just like stocks or bonds, structured products can play an important role in creating a diversified portfolio allocation strategy. Particularly during times of political and global uncertainty, structured products offer an attractive and flexible alternative that can complement traditional investment strategies.

Structured products can be custom-built to achieve specific terms, allowing investors to express a market view to complement an investment objective, achieve market exposure, take advantage of a market view, or hedge a portfolio position. They may be appropriate for investors seeking a measured amount of risk in return for a payout structure that suits their investment objectives.



Investors should carefully review all offering documents for complete details regarding the terms of the investment, including participation, principal protection, and associated risks.

Associated Risks

Structured products have complex features and may not be suitable for all investors. They are sold only by prospectus and investors should read the prospectus and pricing supplement carefully before investing as they contain a detailed explanation of the risks, tax treatment, and other relevant information about the investment. The tax treatment of structured products varies depending on the offering and can be uncertain in some cases. Structured products are sold through financial professionals and investors should consult accounting, legal, and/or tax professional before investing.

Selected risks associated with certain structured products include, but are not limited to:

Call risk. Early redemption of the structured product prior to the scheduled maturity can adversely affect an investor's return. An investor may be unable to reinvest the proceeds at a similar return if this occurs.

Creditworthiness of the issuer. Structured products are unsecured obligation of the issuer and therefore are subject to the risk of default. The issuer's creditworthiness is an important consideration when evaluating any structured products. Additionally, while MLCDs are FDIC-insured for principal and interest up to applicable limits, the issuer's creditworthiness is an important consideration, particularly for MLCD investments above the FDIC insurance limits.

Fees. Structured products are subject to fees and costs, which may include amounts payable to your financial professional, structured and development costs, and offering expenses.

Liquidity risk. Typically, the issuer will maintain a secondary market; however, there is no obligation to do so. There may be little to no secondary market available.

Market risk. Volatility and other market forces, such as interest rate fluctuations and inflation, can affect the value of the underlying asset, which can affect return. Historical performance of the underlying asset is no guarantee of future performance.

Participation risk. Some structured products limit participation in any appreciation of the underlying asset, capping potential return.

Potential loss of principal. Investors will not participate in any price appreciation of the underlying asset nor will they receive dividend payments generated by the underlier. Returns may be limited and investors can lose some or all their initial investment.

The information contained herein is not intended to be a complete description of the terms, risks, and benefits associated with any specific structured product offering. The content is for informational purposes only and does not pertain to any security product or service and is not an offer or solicitation of an offer to buy or sell any security product or service. Unless otherwise stated, all information and opinion contained in this publication was produced by Advisors Asset Management, Inc. (AAM) and other sources believed by AAM to be accurate and reliable. Due to rapidly changing market conditions and the complexity of investment decisions, supplemental information and other sources may be required to make informed investment decisions based on your individual investment objectives and suitability specifications.

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