



**Specialists in Wealth Management**

**Guide to Structured Investment Products**

**From Global Investment Banks**

[www.imperiumcapital.com](http://www.imperiumcapital.com)

# What are Structured Investment Products?



- A legally binding contract between an investor and an investment bank
- The investor lends money to the investment bank for a fixed or variable term (usually 1-6 years)
- The terms of the contract are fixed, and clearly state the returns which the investor receives
- In most cases, the contracts are related to the performance of specific securities, such as stocks, indices, or mutual funds



# Why use Structured Investment Products?



- Generate relatively high returns in all market conditions
  - Higher returns than equity dividends
- Significantly reduce risk exposure
  - Protect against falls in share prices
- Fully customisable to suit different investment strategies
  - Suitable for bullish or bearish outlook
- Diversify across investment types whilst retaining liquidity
  - Low minimum investment amounts make it easy to diversify



# Example of a Structured Investment



- An investor wants exposure to major world stock exchanges – FTSE, S&P, and ASX
- The investor could invest directly in the indices, and receive 100% of the upside if they rise, or 100% of the downside if they fall
- Instead, the investor buys a structured investment from a global investment bank with the following features:
  - Fixed return of 10% per year for 5 years
  - Full capital guarantee from the issuing bank, as long as the indices don't fall more than 50%
  - If they fall more than 50%, the investor receives the same return as they would have received if they invested into the indices directly
  - If the indices fall up to 50%, or stay flat, or rise, the investor receives their initial investment back, plus their 10% interest per year
  - The investor return is fixed at 10%, so if markets rise more than 10%, the investor doesn't receive any extra return
- In this example, the investor has removed downside risk, in exchange for capping upside risk – and has also secured a guaranteed return of 10% per year

# Variables of a Structured Investment



- The investment contract contains a number of variables which can then be fixed to achieve the risk, return, and exposure the investor wants
- Potential variables include:
  - Duration
  - Interest coupon amount
  - Underwriting investment bank
  - Currency
  - Underlying stocks/indices/funds
  - Early redemption options
  - Trigger conditions
- Every variable has an impact on the other contract elements – for example, increasing the duration may increase the interest coupon amount
- Whilst the contracts can be simple or highly complex, Imperium Capital can help you structure the contract which is best for you

# Recent Examples of Contract Options



**All the examples on this page have been negotiated by us for clients within the last year  
(Not all in the same contract):**



- Early redemption after 9 months if the underlying securities have risen – plus full payment of the agreed interest coupon
- 50% return over 3 years, based on US blue-chip equities
- Full capital guarantee, regardless of underlying performance
- Quarterly income of 3% per quarter (12% per year)
- Full upside performance of a mutual fund, and full protection against downside
- 22% guaranteed annual income, even if markets are flat
- 100% gearing – double the upside performance of underlying stocks

# Risks of a Structured Investment



- The main risk is the credit risk of the issuing investment bank – as this is a contract between an investor and an investment bank, if the investment bank goes bankrupt, investor capital could be at risk
- Other risks are dependent on the terms of the contract, which can be chosen by the investor
- For example, if an investor chooses to have an interest coupon dependent on the performance of an underlying stock price, the performance of that stock will have a direct impact on whether or not an interest coupon is paid
- The best way to minimise risk is to build a diversified portfolio of structured investments, spreading the risk across different investment banks, and ensuring that the overall portfolio is balanced to ensure financial gains in all circumstances

# Participating Investment Banks



- Below are a selection of underwriting investment banks which we regularly work with:





# How to structure an investment

- Most investors start by looking at what is available from investment banks ‘off the shelf’
- This can then be customised to better fit an investor’s preferences
- In many cases, Imperium Capital can negotiate better contractual terms than are publicly promoted directly by the investment banks
- Because there are literally millions of potential options, it is highly recommended that you discuss your requirements with one of our Authorised Wealth Managers



# How to invest in Structured Products



- Most investment banks will allow funds to be sent directly to them, but they all have very strict anti-money laundering (AML) and know-your-customer (KYC) rules to follow, which often result in a large amount of documentary evidence to be provided
- This can slow up the investment process, as the process will need to be followed every time a structured product is bought
- Imperium Capital recommends using the Custodian Life Exclusive Investment Bond (EIB), which offers strong investor protection, full confidentiality, and segregated client accounts – and makes investing into all structured investment products easy, quick, and tax-free
- To find out more about this investment holding structure, please contact us and/or read the relevant product brochure

**CUSTODIAN LIFE.**

# The role of Imperium Capital



- Full help and assistance with:
  - Understanding structured investments
  - Creating bespoke structured investments
  - Purchasing the investments
  - Making withdrawals
  - General help & support
- Imperium Capital staff available for contact by:
  - Telephone
  - Email
  - In person
- Email us at [client.services@imperiumcapital.com](mailto:client.services@imperiumcapital.com)





end of presentation

We look forward to welcoming you

as a new client of Imperium Capital

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