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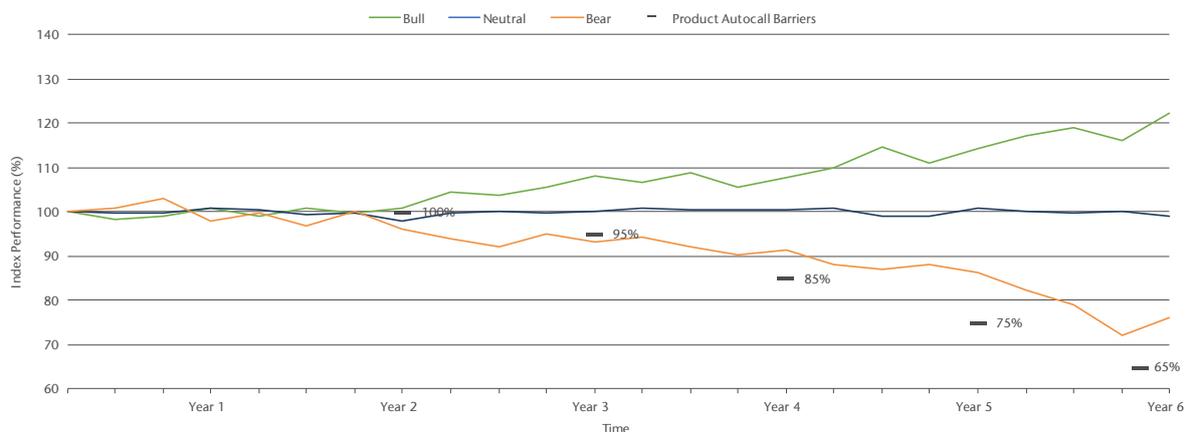
## Meteor Insight: Enhanced Defensive Products

The UK retail structured product market is characterised predominantly by “kick-out” products, which allow fixed term products the potential to mature early if certain conditions are met.

The most common kick-out condition is if a product’s underlying reference asset, on any anniversary, is at or above the level it was at the product’s inception. Kick-out products also often come with a capital protection feature that allows the reference asset to fall by a certain amount without the investor losing money. Kick-out products have historically provided good value for money to investors who wanted to participate in equity markets but had a preference for a degree of capital protection that direct exposure could not provide.

Today, investors are becoming increasingly savvy and varied in their tastes. Meteor has seen an increase in the demand for “defensive” products that provide positive returns, even in a falling market. Uncertainty caused by current political and economic conditions has left many risk averse investors hesitant to part with their money. Simultaneously, investors are struggling to find yield in a cash market where interest rates are at an all-time low.

The graph below shows how Meteor’s Enhanced Step Down product range aims to cater to an increasingly cautious investor base. These products provide equity-like exposure with significantly enhanced potential yields compared to traditional high-street deposits, whilst still providing a level of protection against equity falls.



### Scenarios

- ✓ In a rising equity market, both equity investors and structured product investors reap investment rewards. Equity returns are positive and dividends are likely to be plentiful. Structured products meet their kick-out conditions easily and provide their specified returns.
- ✓ In a flat equity market, equity investors won't gain or lose much and may still benefit from ongoing dividends, depending on what they invest in. Structured product investors are still likely to benefit in most cases as kick-out conditions will still be met in vanilla style products.
- ✓ In bear markets, equity investors are likely to lose out. The frequency of dividends might even be cut down, reducing returns even further. Many structured products will suffer, as they need to meet their kick-out conditions to be able to make a return. They are, however, still protected against market falls to a certain level. Enhanced Step Down products however, aim to address this issue by loosening the conditions for each subsequent kick-out observation. In the graphed example above, the condition for kick-out reduces each year. At the final observation, 6 years on, the underlying asset could have fallen by 35% and an investment return over an investor's initial capital outlay could still be payable.

If you are interested in finding out more about defensive structured product strategies, contact our Business Development team today at [info@meteoram.com](mailto:info@meteoram.com).