# GLOSSARY OF TERMS FOR MANAGED PORTFOLIOS

## STRUCTURED PRODUCT "TYPES" AND "SHAPES"

There are lots of different sorts of structured products. Issuers and investors are endlessly inventive, and have devised a huge range of different products. In order to be able to categorise products we divide all products into different types and shapes. These categories allow investors to recognise the sort of product that they are looking at. However, inevitably some products will straddle the dividing lines in which case they can be categorised using the dominant feature. Our definitions are very similar to the EUSIPA categories (www.eusipa.org/governance/categorisation), but more suited to the types of products used in the UK

### Type

We divide all shapes into three "types":

- Participation; products where the investment return is variable and depends on the change in the level of the underlying
- Target Return; products where the investment return is a fixed amount that will be paid if certain conditions are met
- Income; products that offer a number of payments through the life of the product

### Shape

A "Shape" is a particular type of structured product. All shapes can be defined as a combination of three elements:

- The investment return; what positive return might an investor receive, and how is this calculated
- The income return; what regular (or irregular) coupon may the investor receive through the life of the product and how is this calculated
- The capital return; what is the final capital value, is the maturity value equal to the issue price or may it be reduced. If the maturity value can be reduced, how is the maturity value calculated. Where the maturity value is equal to the initial issue price we use the prefix "protected". When the maturity value may be less than the issue price we use the prefix "enhanced"

EUSIPA separates out protected products from those where capital is at risk. We see protected products as a sub type, and can see protected income / target return / participation products alongside enhanced versions. EUSIPA would bundle Enhanced Target Return and Enhanced Income together as "yield enhancement". In the UK this co-mingling of products where the return may be subject to either income tax or capital gains tax is inappropriate given the very different tax treatment of these different products. Finally EUSIPA has a category of leveraged products. In the UK warrants, mini-futures, CFD's, binary options and similar investments are trading instruments and not investments. In our categorisation they would be at an extreme end of each income / target return / participation type of product.

## PARTICIPATION

### Tracker

- Investment return is linked to the performance of the underlying asset / strategy / relative performance
- Products may offer leveraged or unleveraged participation
- The maximum return may be capped
- There may be a minimum return if the performance of the underlying exceeds a set level (Bonus Note)
- Participation range may start from the initial index level or a higher or lower level
- Products with leveraged participation are typically referred to as Supertracker
- Enhanced or protected

### Twin Win

- Exposure to both the positive and negative return of the underlying
- Typically the downside participation is subject to a knock-out with rebate (see Shark Fin below)
- Enhanced or protected

### Shark Fin

- Exposure to performance up/down to a trigger level
- If performance exceeds the trigger, the investment return is equal to a rebate level. The rebate level may be positive or zero.
- Enhanced or protected

### Cliquet

- Investment return is the sum of the performance of the underlying in each sub period
- Sub period returns may be capped (local cap)
- Sup period returns may be negative, and they may have a lower limit (local floor)
- Overall returns may be capped on the upside (global cap) and losses may be limited (global floor)
- Enhanced or protected

### Himalaya / Jade

- Performance is linked to a basket of underlying assets
- Positive performance of each asset can be capped (local cap)
- Negative performance of each asset can be floored (local floor)
- Assets may be removed from the basket periodically
- Asset performance may be set at a defined level if a performance threshold is reached

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## TARGET RETURN

### Synthetic Zero / Digital

- Fixed investment return paid at maturity if the underlying assets meet minimum performance targets (trigger)
- Trigger be set independently of any barrier level
- A single product can have multiple pay-offs / trigger levels
- Enhanced or protected

### Autocall

- Product will mature early if the underlying assets meet minimum performance targets (trigger)
- The performance threshold is normally that all of the underlying assets have to be equal to, or greater than, the trigger level. The performance threshold may reference the average performance of the assets, or the performance of the X worst.
- Early maturity dates are typically spread evenly through the investment term
- First maturity date may be delayed, so the first trigger date for a product with annual early maturity dates may be at the end of the second year
- Trigger levels may be the same or may decline over time. Products with declining trigger levels are typically referred to as “Defensive”
- There may be multiple triggers with different investment returns
- Investment return at each possible early maturity date is pre-defined
- Typically, the investment return increases linearly with each period, but products may have an investment return that increases at a different rate, or which is fixed for the whole period
- Enhanced or protected

## INCOME

### Reverse Convertible

- Regular coupon paid over the term of the product
- Coupon may be fixed, or conditional on the underlying closing above a set level
- Memory coupon will pay some or all of the missed coupons if the coupon payment barrier is subsequently satisified
- Enhanced or protected

### Phoenix

- Regular coupon paid over the term of the product
- Coupon may be fixed, or conditional on the underlying closing above a set level
- Autocall of underlying assets exceed a set threshold
- Coupon and Autocall frequency may be the same or different
- Enhanced or protected

### Accrual

- Regular coupon paid over the term of the product
- Coupon is variable and will depend on how often the underlying assets have closed within a set range for that period
- No-Touch feature will mean that there is no coupon paid if the underlying closes outside the range
- Observation daily / weekly / monthly / end of period or bespoke schedule
- Enhanced or protected