

WHAT IS A STRUCTURED PRODUCT WITHOUT 100% CAPITAL PROTECTION ON THE EXPIRY DATE?

Just like a bond, a structured product without 100% capital protection has a fixed term. Unlike a structured product with 100% capital protection, this product offers less than 100% capital protection — or even no capital protection at all — on the predetermined final expiry date.

A structured product without 100% capital protection is a combination of different financial instruments, such as options and bonds. Derivatives, such as options, are generally used to achieve a greater return. Bonds are used to achieve the minimum objective (e.g. repayment of 90% of the initial investment on the predetermined final expiry date).

With this type of structured product, you combine a target on the final expiry date (e.g. 90% capital protection) with financial market volatility without making a direct investment. Structured products offer considerable flexibility and diversity.

Structured products differ from one another owing to their return mechanism, their underlying assets (basket of equities, stock exchange indices, commodities, etc.) or the form of their profit (fixed and/or variable coupons, increase in value granted on the expiry date). We therefore recommend that you always look at the strategy adopted for the structured product.

Structured products without 100% capital protection can be divided into three investment categories: bonds, funds and branch 23 insurance. (You can find more information on each individual product in the specific information sheets.) One difference compared with these individual products is that structured products always have a fixed term and a specific objective (e.g. 90% capital protection on the final expiry date).

When new **structured bonds** are issued, you can subscribe to them on the primary market for a specific period at a fixed price. Buying structured bonds after the issue period or selling them before the expiry date is possible on the secondary market. In that case, the purchase or sale price is determined by the price of the structured bond, less costs.

The second category of structured products without 100% capital protection is **fixed funds**, which offer less than 100% capital protection on the predetermined final expiry date.

Finally, there are **branch 23 insurance policies** without 100% capital protection. They offer you the same benefits as standard branch 23 insurance combined with partial protection of your capital on the final expiry date.

Features

The features depend on the type of structured product in which you are investing. You will find all the features in the information sheets. Please find below a summary of the features that specifically depend on the structured nature of the product.

Term: structured products always have a fixed term. In this way, you know how long you will have to go without your money at the time of purchase.

Partial capital protection: you often benefit from partial protection of your capital (e.g. 90%) on the expiry date. This means that you will recoup at least a predetermined portion of your capital on the expiry date.

This type of (partial) protection can also affect your return. As for all investments, the following also applies here: the lower the risk, the lower the return. In addition, any capital protection only applies on the maturity date of the structured product. This protection does not apply if you withdraw before the proposed date.

Risks

The risks depend on the type of structured product in which you are investing. You will find all the risks in the relevant information sheets. Please find below a summary of the risks that specifically depend on the structured nature of the product.



Currency risk: a structured product in a foreign currency also exposes you to a currency risk against the euro. Whenever you buy or sell such a fund, your euros are converted to the foreign currency (or back). The amount in euro that you receive in the event of sale can be more or less than the amount that you originally invested owing to the exchange rate.

Liquidity risk: we use the word 'liquidity' to express how easy it is to buy and sell an investment product. The risk is substantial here because there is not always a market for trading structured products. If you want to withdraw early, you might receive an amount that is more or less than the actual value of your product.

Credit risk: any (partial) capital protection on the expiry date depends on the creditworthiness of the party that undertakes to repay the capital on the final expiry date. In the case of structured bonds, the issuer and any guarantor are important. In the case of branch 23 financial insurance, you should always check which party undertakes to repay the capital on the final expiry date: there is usually no guarantee for this. Similarly, there is usually no guarantee on the final expiry date for fixed funds.

Performance risk: the capital at maturity may be partially protected, but the return is uncertain. This is because it is always dependent on the evolution of the underlying assets. Don't let yourself be dazzled by attractive conditions (e.g. coupons). There is no guarantee that a return will be paid out. This is why you should pay sufficient attention to the underlying products that will determine the return.

Risk arising from the grouping of two or more financial instruments: the risks inherent in each product can be individually reinforced by the risks inherent in the other products with which they are combined. The ultimate risk may therefore be greater than that for each individual product.

Costs and taxes

When you buy a structured product, it is in your best interest to take the costs and taxes that you will have to pay into account. This is because they will affect the return on your investment. Please find below a summary of the costs and taxes that specifically depend on the structured nature of the product. You will find all the risks in the relevant information sheets.

COSTS

Management fees: unlike standard bonds, you also pay a management fee for structured bonds. This fee also applies to structured funds and branch 23 insurance. You can find more information in the information sheet for the basic category.

Exit fees: unlike most traditional funds, exit fees are also frequently payable in the case of fixed funds. These fees are payable to the fund. This means that existing shareholders are protected in the event of a substantial outflow.

Do you want to find out more about structured products?

Read our *Financial instruments information sheet* on our website at www.bnpparibasfortis.be. Some sections of this document were taken from www.wikifin.be.

