

## Triathlon University: Structured Notes 201

Thank you for the overwhelming response to the recent posts on Structured Notes. This article should clarify most of your questions. They are a valuable piece of our investment strategy, as they can offer investors more rewards for less risk than the underlying asset. Let's breakdown June's EURO STOXX 50 index note.

The note's value is dependent on the performance of EURO STOXX 50 (symbol SX5E). The note has a maturity of five years, and the final value of the note is determined by the difference between the index's final value and its initial value.

The typical investment profile in the market is linear. A 10% move higher equates to a 10% increase in value, and a 50% decline would translate into a 50% loss in value. The profit and loss profile of the SX5E note is not linear. It offers protection against losses, called buffers. The participation ratio can enhance gains. These terms can make the note a very attractive investment.

### Protection/Buffer

The 40% hard buffer on this note means that SX5E can be down as much as 40% on maturity date, and the note will return 100% of its initial value. If SX5E is down more than 40%, the note will return the principal minus the loss that is greater than 40%. The note's maximum loss based on the index's move is 60%, while an investment in the index can lose 100%. See table.

### Participation Ratio /Enhanced Gains

If SX5E is greater on the maturity date than on the initial date, then the note will pay a return of 1.75, (the participation ratio) times the gain in the index. For example, if the index appreciates by 20%, the note will pay the principal plus 35% (20% times 1.75). See table.

### Performance

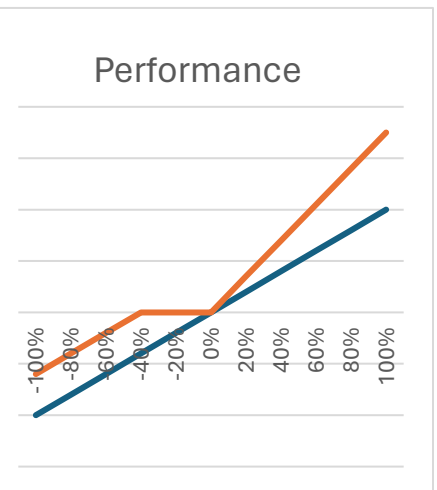
The graph below demonstrates the appeal of structured notes. The orange line represents the performance of the SX5E note and it is higher or equal to the performance of the index at every level.

Structured notes do have risks that are not associated

with the movement in the index. For optimal performance it is best to hold the note until maturity. The note can be sold prior to maturity, and the selling price will not reflect its intrinsic value. This note is underwritten by a bank, bankruptcy and bailouts will affect the ability for the bank to pay proceeds. Structured notes are not appropriate for every investor.

Triathlon Partners' goal is to engage, educate and empower. We hope this article provides clarity on the product. Contact us to learn more about structured notes. Elevate and escalate your financial education.

SX5E	Note
100%	175%
80%	140%
60%	105%
40%	70%
20%	35%
0%	0%
-20%	0%
-40%	0%
-60%	-20%
-80%	-40%
-100%	-60%



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