



# Rate-Linked Structured Notes

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Principal Protected Income Strategies\*

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\* Any return of principal, as well as interest and gains generated are subject to the credit risk of the issuer and terms of the offering documents. There is no guarantee of return above principal. Any applicable downside protection will be realized only at maturity.

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# Are Rate-Linked Notes right for you?

Rate-Linked Notes are designed for investors who want to:

**Seize** opportunities for enhanced yield<sup>1</sup>

**Protect** against principal losses<sup>2</sup>

**Complement** fixed income portfolio strategies<sup>1</sup>

**Diversify** income streams

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<sup>1</sup> The issuer of a callable note may redeem the note at their discretion on any redemption date as specified in the offering document. If the note is called, it is possible that investors may be unable to invest in another note with similar or better terms and risk forgoing future coupon payments. For more details please refer to the Risks section at the end of this brochure.

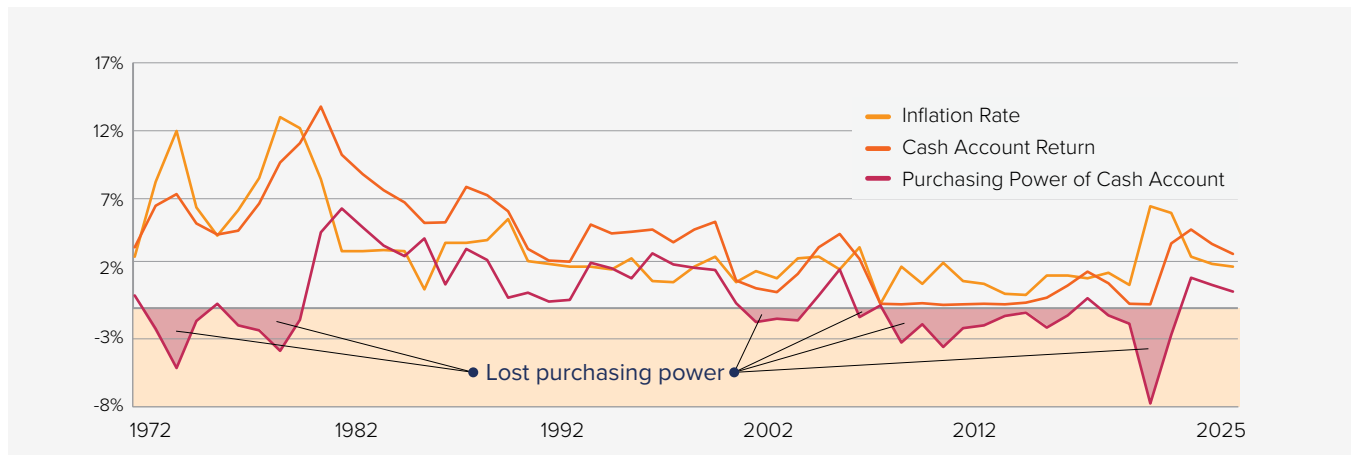
<sup>2</sup> Subject to the credit risk of the issuer.

# Solutions for diversifying income streams

Rate-Linked Notes are part of a fixed income portfolio strategy and often issued by well-known financial institutions. If held to maturity, they will return your principal investment, subject to the credit risk of the issuer, plus coupon payments as outlined in the offering documents. They can be purchased as new issues priced at par, or face value,<sup>3</sup> in \$1,000 increments. Various coupon structures and call features may be customized according to your goals and market view, helping you diversify the income streams of your investment portfolio.

## Protecting purchasing power

There are times when inflation will erode the purchasing power of traditional cash accounts. Rate-Linked Notes, which can have competitive coupon rates, can be a useful tool in your portfolio to stay ahead of inflation.<sup>4</sup>



Source: Bloomberg LP Data is for the time period December 1972 to December 2025. The Cash Account return is represented by 3-month Treasuries observed at the end of each calendar year. The inflation rate is represented by the US BLS CPI All Urban NSA, a measure of the Consumer Price Index (CPI). Purchasing power of the Cash Account is determined by subtracting the Inflation Rate from the Cash Account Return. Past performance is no guarantee of future results.

<sup>3</sup> Alternative purchase prices may apply to certain client accounts.

<sup>4</sup> There is no guarantee the investment return in Rate-Linked Notes will exceed current or future rates of inflation.

# You have choices

Rate-Linked Notes give investors a wide variety of options to manage time horizon, principal protection, and different income needs. To find the right Rate-Linked Notes for your portfolio, you should ask yourself some important questions.



## Callable vs Non-callable

**Are you willing to give the issuer the right to call your note in exchange for potentially higher coupons?**

Many Rate-Linked Notes are callable, which means the issuing company may, at their discretion, redeem, or call, notes at 100% of face value at predetermined times, prior to maturity. This adds reinvestment risk, prior to maturity. For that risk, coupon payments may be higher than those for non-callable notes of the same issuer, and tenor.



## Principal Protection

**What degree of protection are you seeking?**

The majority of products are designed to return 100% of the face value of the notes at maturity or call, subject to the credit risk of the issuer. It is possible to purchase Rate-Linked Notes that are only partially or not principal protected.



## Coupon Payments

**What is your desired type of income payout?**

Rate-Linked Notes pay coupons at predetermined intervals—monthly, quarterly, semi-annually, or annually with fixed, floating, or stepped-up rates.

**Fixed rate notes** pay the same rate throughout the life of the note, while **step-up notes** pay at a rate that increases at a predetermined schedule.

**Floating rate notes** pay coupons that are tied to an underlying reference rate such as CMS (Constant Maturity Swaps), SOFR (Secured Overnight Financing Rate),<sup>5</sup> or the CPI (Consumer Price Index), to name a few. Floating rate notes can simply pay the underlying reference rate or the reference rate plus a spread, and can be subject to coupon caps and/or floors.



## Maturity and Length of Call Protection

**What is your time horizon and your desired level of call protection?**

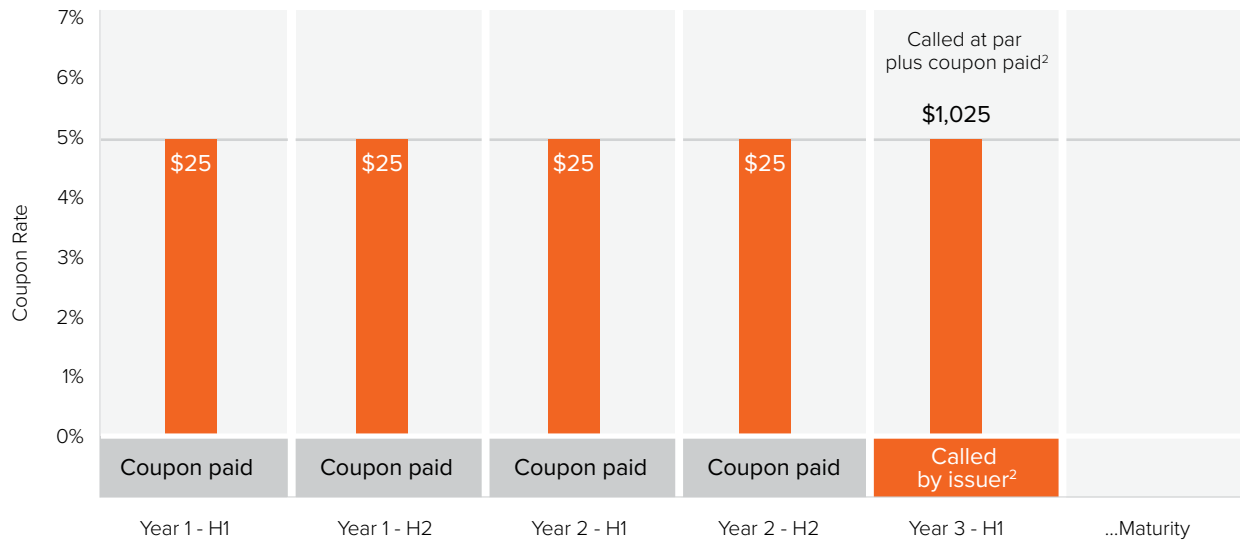
Rate-Linked Notes can be customized to fit your investment time horizon and willingness to see your investment called by the issuer at par. Maturities typically can be anywhere from 1 year to 30 years with call protection anywhere from 3 months to 10 years or more.

<sup>5</sup> The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. A Constant Maturity Swap (CMS) is a type of interest rate swap that allows the buyer to set the duration of the swap's received flow. CMSs are exposed to changes in long-term interest rate movements, which can be used for hedging or as a bet on the direction of rates.

# Rate-Linked Notes Payout Structures

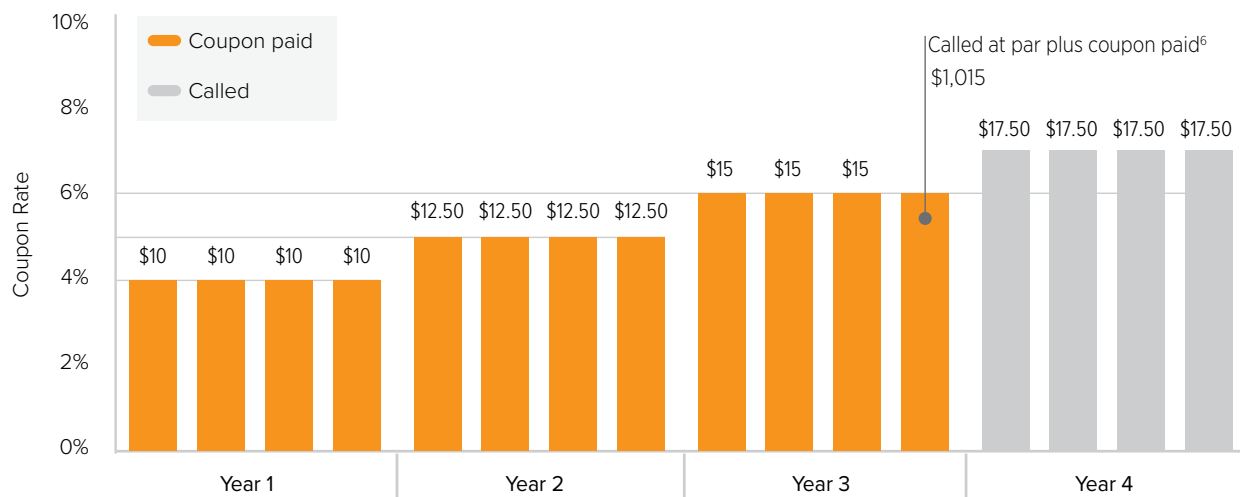
**Fixed Rate Callable Notes** pay the same level of interest over the Notes' duration, subject to the credit risk of the issuer.

## Hypothetical fixed rate callable note payout on \$1,000 investment



**Step Up Callable Notes** pay a rate of interest that increases, or “steps up” at predetermined dates in the future. Like Fixed Rate Callable Notes, these notes come with a call option that allows the issuer to redeem the note prior to its maturity.

## Hypothetical step up callable notes payout on \$1,000 investment



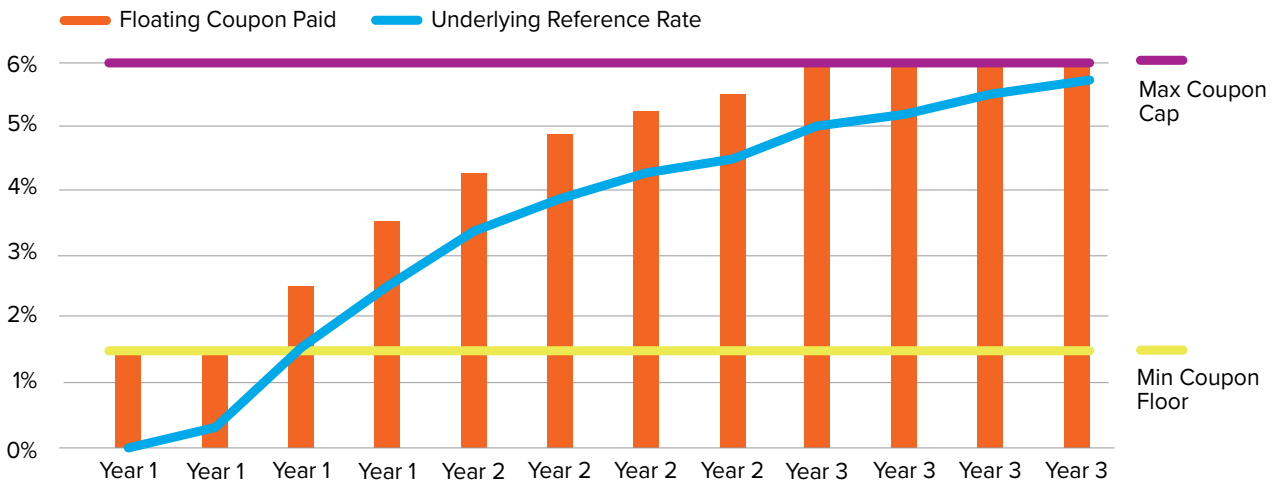
<sup>2</sup> Subject to the credit risk of the issuer.

<sup>6</sup> Subject to the credit risk of the issuer and terms of the offering documents, which could include participation rates, interim caps, and various risks.

# Rate-Linked Notes Payout Structures (continued)

**Floating Rate Notes** pay a variable interest rate reflective of the movement of the underlying reference rate, subject to caps and/or floors as outlined in the offering documents. If the reference rate drops below the coupon floor, the investor would receive a coupon equal to the coupon floor. If the reference rate rises above the cap, the investor receives the agreed upon maximum coupon or cap and not the full reference rate.

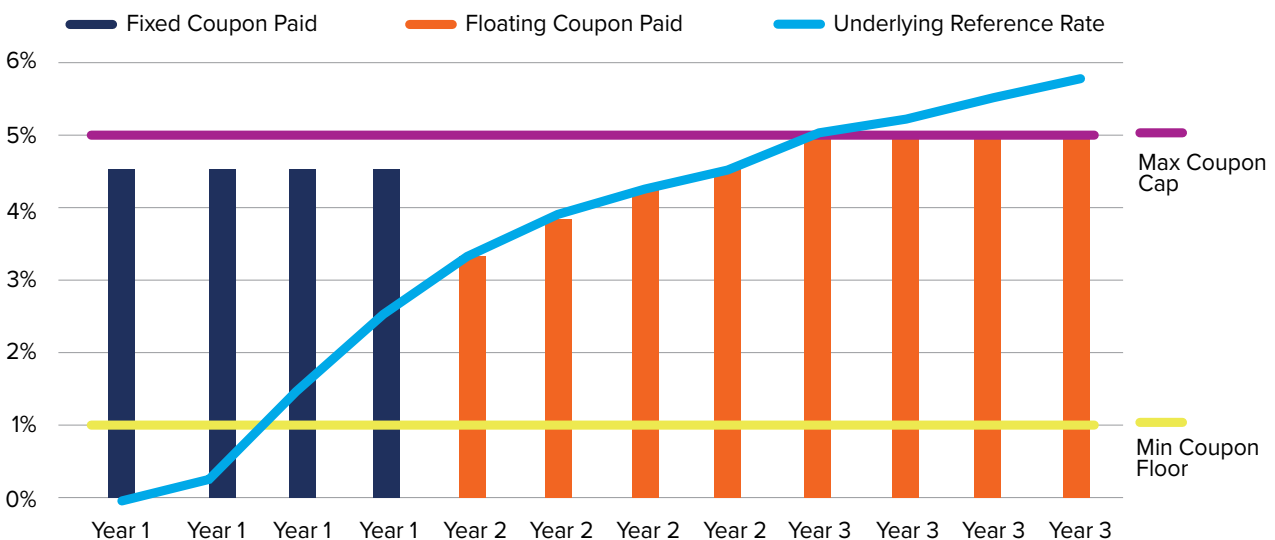
## Hypothetical Floating Rate Note Payout\*



\*Reference rate + 1.00%, subject to 1.50% floor and 6.00% cap

**Fixed to Floating Rate Notes** pay a fixed rate of interest for a predetermined amount of time followed by variable interest rate reflective of the movement of the underlying reference rate, subject to caps and/or floors as outlined in the offering documents. If the reference rate drops below the coupon floor, the investor would receive a coupon equal to the coupon floor. If the reference rate rises above the cap, the investor receives the agreed upon maximum coupon or cap and not the full reference rate.

## Hypothetical Fixed to Floating Rate Note Payout\*



\*4.50% fixed for 1 year, then Reference rate flat subject to 1.00% floor and 5.00% cap

# What you should know before investing in Rate-Linked Notes

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Speak with your financial professional about the risks and suitability of Rate-Linked Notes in your portfolio.

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## **Reinvestment risk**

Many Rate-Linked Notes have call provisions, which means they can be redeemed, or paid off, at the issuer's discretion, or subject to the terms of the notes, prior to maturity. Typically, an issuer will call a Rate-Linked Note when interest rates fall, potentially leaving investors unable to reinvest in alternative notes with similar or better terms.

## **Credit risk**

As unsecured debt, Rate-Linked Notes are subject to the credit risk of the issuer. If the issuer defaults on its obligations, some or all of your coupon payments and principal could be at risk. Additionally, changes to an issuer's credit quality may generally affect the secondary market value of Rate-Linked Notes.

## **Interest rate risk**

When interest rates rise, bond prices typically fall; when interest rates decline, bond prices usually rise. Changes in interest rates may reduce or increase the market value of Rate-Linked Notes. The longer the maturity of Notes, the greater the impact that changing interest rates can have on their price.

## **Liquidity risk**

Rate-Linked Notes are designed as buy-and-hold investments. While many broker-dealers maintain an active secondary market that may allow the option to resell these notes at prevailing market rates, there is no assurance that a secondary market will be maintained. If you sell Rate-Linked Notes prior to maturity, you may receive more or less than your original investment. To understand the specific terms that may impact the performance of a particular Rate-Linked Note, you should review the relevant offering documents.

## **Tax implications**

If purchased at par and when held to maturity, Rate-Linked Notes typically incur no capital gain or loss on the original investment. Coupon payments are typically taxed as ordinary interest income. Tax consequences of Rate-Linked Notes features may depend on the particular terms of your note. Before purchasing Rate-Linked Notes, please consult with your tax advisor. You should also read the applicable tax risk disclosures in the offering documents when considering the purchase of Rate-Linked Notes.

## **Fees**

Rate-Linked Notes are subject to fees and costs that may vary, including commissions paid to your financial professional, structuring and development costs, and offering expenses. Any sales prior to maturity may be reduced by some or all associated fees and costs, which are detailed in the offering documents.



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