



StructuredProductReview.com

Annual Performance Review 2022

A comprehensive review of structured product performance covering all intermediary distributed products that matured in 2017-2021



Welcome to our 2022 review, which provides a thorough overview of the retail structured product sector covering the maturities that occurred in 2021 and the preceding four years.

We are happy to reflect on another positive year for the sector with many investors again being rewarded well for time in the market, despite their investment timing often being otherwise less than optimal. Experienced advisers know that attempting to time the market or predict the extent of short-term direction is a futile exercise. Whilst most structured investments cap the potential return they can achieve, such caps are at a more than acceptable level for most and being defined at outset, are highly unlikely to disappoint. The mainstay of the UK retail market is capital at risk autocall / kick-out contracts linked solely to the FTSE 100 Index and as with previous years, these certainly have not disappointed.

Those that predicted the pandemic and corresponding market fall will no doubt have been keeping their powder dry, holding only cash for a number of years and then invested it all right at the bottom of the 2020 market fall to benefit from the recovery. In the real world however, we know that this did not happen. We all expect equities to outperform cash over the medium to long-term but equally we know that we don't know how long that might be, or to what extent. Where investing long in the market produces gains correlated with said market, realisable at any time, autocalls reward for time in the market, even if the market does not perform well. The last few years have demonstrated this point exceptionally well and this will continue to be the case in the coming years, unless the markets suffer a long-term depression.

The average closing level of the FTSE 100 in 2020 was 6,276

with the market fall meaning that potential maturities of autocalls after Q1 were deferred until later observations. While no one would object to a market that always went in one, positive direction, holders of autocalls have the benefit of knowing that falls deferring a maturity mean that on the eventual recovery, provided it occurs before the final observation date, they will be very well rewarded. These rewards can arise even if the market / underlying to which the investment is linked improves only marginally over the term.

In 2021 the average closing level of the FTSE 100 was somewhat higher at 7,002.53 and the market uplift, particularly in the second half of the year, meant that four times as many autocalls matured than in the year before. Q1 was the worst performing quarter of 2021, with an average annualised return from all structured investments and deposits of 5.11% over an average term of 4 years. However, in contrast to the previous year, Q2, Q3 and Q4 saw an uplift in both the number of maturities and returns, with average annualised returns of 6.23%, 6.59% and 6.44% respectively, over shorter durations. This gave a year end average annual return from all 529 maturities of 6.2% over an average term of 3.4 years.

In most cases these maturities had been in force for three, or four years with the coupons accumulating for each year maturity was deferred. Many maturing plans were defensive and step-down contracts where the underlying index was still below the respective initial index level, albeit not by more than the step-down level of, for example 5%.

For context, the average closing level of the FTSE 100 in 2018 when many of these investments began was 7,362.89. Until such time as the market has enjoyed a complete and sustained recovery for most of a year,



there will be autocalls acquired at the previous market highs that continue to defer maturity. Provided the recovery completes before the final observation date for these contracts, which for most is at least three years away, they will mature with substantial total returns compared to the underlying index.

For many years we at Lowes have been consistent in our advocacy of an extended maximum investment term for new issue autocall structured products. The benefit achieved is deferring the potential capital loss determination date and increasing the potential for it to never be reached by having an increased number of potential maturity dates with the total return increasing for each year it takes. It is comforting to note that in the five years preceding the pandemic the number of autocalls with maximum durations of more than 6 years grew from nil to 84% of all new issues. These extended terms may ultimately prove unnecessary but they certainly provide peace of mind.

Disappointingly, the latter half of 2021 witnessed a sharp increase in the issuance of autocall plans with shorter maximum investment terms, particularly those with five-year terms. We hope that no situation arises whereby short term autocalls are caught by adverse conditions to loss-making effect but our view is that this re-introduction of five-year maximum duration autocalls is an unwelcome shift, at odds with the best interests of the sector and investors.

Like any investment, structured products don't guarantee a positive return and beyond deposit even the most vanilla structured investments could give rise to losses in very adverse circumstances. In 2021 some higher risk plans linked to baskets of shares, or more than one index paid the price on the risk reward scale, as did several

of the less simple deposit-based contracts. Whilst by design no deposit made a loss, 31 matured returning only original capital because at the end of their defined terms the parameters for gains were not met. None of these were single index linked autocalls. Nine capital at risk plans matured with the same no gain, no loss outcome and six gave rise to a loss but again, none of these were single index linked autocalls but rather more risky trades.

With inflation and savings rates where they have been, the 'safe haven' of a bank accounts has simply guaranteed losses on cash holdings in real terms to the extent that perceivably taking no risk at all has proven to be to be a very risky strategy. Year after year, UK retail structured products have proven themselves to be a viable complement to more traditional market exposed investments to help provide a hedge against inflation and real returns. Whilst there will always be higher risk investments that produce a wide range of returns including losses, when it comes to sensibly constructed, longer potential duration, single index linked autocall contracts, we know that defined returns nature of these investments will not disappoint other than in very extreme circumstances.

All of us here at Lowes and StructuredProductReview.com hope that you find the analysis this review provides thoroughly informative. If you would like to discuss any aspect of this review or structured products generally, please don't hesitate to get in touch.



Headline Data

Structured Products Maturities	2021	2020	2019	2018	2017	5 year average
Number of product maturities	529	235	334	385	662	429
Number of products producing positive returns	483	163	315	362	621	389
Number of products returning capital only	40	56	15	23	36	34
Number of products which lost capital	6	16	4	0	5	6
Average duration / term (years)	3.39	4.78	3.81	3.77	3.65	3.76

All Plans Average Annualised Returns	2021	2020	2019	2018	2017	5 year average
All products	6.20%	3.52%	5.73%	6.35%	7.04%	6.12%
Upper quartile	9.34%	8.59%	8.95%	9.27%	10.89%	9.66%
Lower quartile	2.56%	-3.09%	1.81%	2.91%	2.69%	1.93%

2021 Key Takeaways

- 529 plans matured in 2021, representing more than double the number of maturities than in 2020 (235), and exactly 100 more than the five-year average.
- 91.3% of all products maturing in 2021 generated positive returns for investors, outperforming the five-year average of 90.68%.
- 7.56% (40) maturities returned capital only, 31 of these were deposit-based contracts. Whilst the five-year average illustrates a lesser number of capital only maturities, the percentage relevant to total maturities was greater than in 2021 alone.
- Consistent with the five-year average, six maturing plans realised a loss in 2021, all of which were linked to baskets of individual shares listed on the FTSE 100 Index.
- Once again every capital at risk autocalls linked solely to FTSE 100 that matured in the year did so positively. The average annualised return was 7.23% over an average duration of 2.47 years. The upper quartile returned 9.70% per annum and the lower quartile 5.45%.
- The 459-maturing capital-at-risk plans collectively produced an annualised return of 6.82%, up 2.6% from 2020 and 0.21% below from the five-year average, over an average duration of 3.19 years. The upper quartile returned 9.57% per year, whereas the lower quartile returned 4.23% per year.
- Consistent with the previous four years, the FTSE 100 Index in isolation was the most prevalent underlying measurement utilised, accounting for 62% of all maturities.
- 273 of capital-at-risk maturities were linked solely to the FTSE 100 and these produced an average annualised return of 7.01% over an average duration of 2.88 years. This average annualised return is the largest since 2018, but remains 0.13% below the five-year average. The upper quartile returned 9.57% per year, whereas the lower quartile returned 5.02% per year..
- The 55 deposit-based products linked solely to the FTSE 100 Index collectively produced an average annualised return of 5.58% over an average duration of 4.48 years, compared to a five-year average 4.29% over 5.13 years. The upper quartile returned 5.1% per year, whereas the lower quartile returned capital only.

Notes

Lowes' database is maintained with details of all structured products launched in the UK that are promoted through Independent Financial Advisers and other wealth managers. It does not include private placement trades or, products distributed solely through closed or, restricted channels.

5 year averages are calculated from all products over a 5 year period. Please note that 5 year averages for 'Number of' have been rounded to the nearest whole number and therefore the constituent parts may not equal the sum of maturities. Where 5 year average figures are quoted for duration and annualised returns, they are calculated using weighted average values.

Past performance is not a guide to future performance. Investments of this nature carry risks to your capital.



Analysis and Annualised Performance 2021

Structured Product Maturities	By Product Type											
	Capital at Risk						Deposits and Capital Protected					
	2021	2020	2019	2018	2017	5 year average	2021	2020	2019	2018	2017	5 year average
All products												
Number of product maturities	459	173	243	270	522	333	70	62	91	115	140	96
Number of products producing positive returns	444	133	236	268	508	318	39	30	79	94	113	71
Number of products returning capital only	9	24	3	2	9	9	31	32	12	21	27	25
Number of products which lost capital	6	16	4	0	5	5	0	0	0	0	0	0
Average duration / term (years)	3.19	4.53	3.32	2.96	3.17	3.30	4.69	5.49	5.13	5.67	5.40	5.32
Average annualised return												
All products	6.82%	4.22%	6.74%	7.55%	8.02%	7.03%	2.13%	1.55%	3.05%	3.53%	3.40%	2.94%
Upper quartile	9.57%	9.22%	9.38%	9.66%	11.33%	10.07%	4.87%	4.01%	5.07%	5.63%	6.32%	5.40%
Lower quartile	4.23%	-4.01%	3.81%	5.62%	4.89%	3.75%	0.00%	0.00%	0.55%	0.52%	0.18%	0.28%
FTSE 100 Index Only												
Number of product maturities	273	86	160	192	313	205	55	32	60	68	70	57
Number of products producing positive returns	272	77	160	192	313	203	35	17	60	68	70	50
Number of products returning capital only	1	9	0	0	0	2	20	15	0	0	0	7
Number of products which lost capital	0	0	0	0	0	0	0	0	0	0	0	0
Average duration / term (years)	2.88	4.24	3.36	3.00	3.41	3.25	4.48	5.35	4.87	5.58	5.32	5.13
Average annualised return												
All products	7.01%	5.68%	6.81%	7.45%	7.64%	7.14%	2.58%	1.82%	3.81%	4.57%	4.54%	3.71%
Upper quartile	9.57%	8.48%	8.99%	9.52%	10.13%	9.55%	5.10%	4.17%	5.19%	5.77%	6.04%	5.41%
Lower quartile	5.02%	2.43%	5.03%	5.70%	5.75%	5.15%	0.00%	0.00%	2.30%	3.42%	2.70%	1.96%
Non-FTSE 100 Index Only												
Number of product maturities	186	87	83	78	209	129	15	30	31	47	70	39
Number of products producing positive returns	172	56	76	76	195	115	4	13	19	26	43	21
Number of products returning capital only	8	15	3	2	9	7	11	17	12	21	27	18
Number of products which lost capital	6	16	4	0	5	6	0	0	0	0	0	0
Average duration / term (years)	3.65	4.82	3.24	2.85	2.82	3.39	5.47	5.64	5.65	5.80	5.47	5.61
Average annualised return												
All products	6.54%	2.78%	6.59%	7.82%	8.58%	6.86%	0.50%	1.27%	1.58%	2.03%	2.27%	1.81%
Upper quartile	9.48%	9.85%	10.04%	9.96%	12.68%	10.70%	1.88%	3.70%	4.22%	4.94%	6.24%	4.87%
Lower quartile	3.14%	-8.29%	1.69%	5.52%	3.86%	1.93%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



Analysis and Annualised Performance by Product Shape - Autocall/Kick-Out Products

Structured Product Maturities	By Product Type											
	Capital at Risk						Deposits and Capital Protected					
	2021	2020	2019	2018	2017	5 year average	2021	2020	2019	2018	2017	5 year average
All products												
Number of product maturities	395	87	158	187	365	238	5	10	19	12	10	11
Number of products producing positive returns	386	67	152	185	351	228	4	1	15	8	9	7
Number of products returning capital only	8	13	3	2	9	7	1	9	4	4	1	4
Number of products which lost capital	1	7	3	0	5	3	0	0	0	0	0	0
Average duration / term (years)	2.90	3.18	2.35	2.18	2.51	2.62	3.60	5.71	3.63	3.67	3.20	3.93
Average annualised return												
All products	7.07%	4.47%	7.16%	7.88%	8.23%	7.37%	3.99%	0.29%	2.94%	2.77%	4.41%	2.79%
Upper quartile	9.69%	9.84%	9.90%	9.72%	11.57%	10.31%	5.67%	0.97%	4.12%	4.38%	5.64%	4.02%
Lower quartile	4.88%	-5.17%	4.00%	6.18%	4.90%	4.24%	0.00%	0.00%	0.54%	0.00%	2.79%	0.68%
FTSE 100 Index Only												
Number of product maturities	227	40	97	128	187	136	4	1	15	8	8	7
Number of products producing positive returns	227	40	97	128	187	136	4	1	15	8	8	7
Number of products returning capital only	0	0	0	0	0	0	0	0	0	0	0	0
Number of products which lost capital	0	0	0	0	0	0	0	0	0	0	0	0
Average duration / term (years)	2.47	2.33	2.15	2.15	2.31	2.31	3.00	3.00	3.00	3.00	3.00	3.00
Average annualised return												
All products	7.23%	7.31%	7.41%	7.71%	7.62%	7.46%	4.99%	2.91%	3.72%	4.16%	4.67%	4.15%
Upper quartile	9.70%	9.59%	9.48%	9.40%	9.36%	9.51%	5.67%	-	4.13%	4.42%	5.10%	4.47%
Lower quartile	5.45%	5.71%	5.71%	6.32%	6.23%	5.88%	4.31%	-	2.97%	3.85%	4.19%	3.50%
Non-FTSE 100 Index Only												
Number of product maturities	168	47	61	59	178	103	1	9	4	4	2	4
Number of products producing positive returns	159	27	55	57	164	92	0	0	0	0	1	0
Number of products returning capital only	8	13	3	2	9	7	1	9	4	4	1	4
Number of products which lost capital	1	7	3	0	5	3	0	0	0	0	0	0
Average duration / term (years)	3.49	3.91	2.66	2.24	2.72	3.02	6.01	6.01	6.00	5.00	4.00	5.61
Average annualised return												
All products	6.85%	2.06%	6.76%	8.26%	8.87%	7.26%	0.00%	0.00%	0.00%	0.00%	3.36%	0.34%
Upper quartile	9.56%	10.04%	10.64%	10.29%	13.03%	11.02%	-	0.00%	0.00%	0.00%	-	0.00%
Lower quartile	4.16%	-10.31%	1.13%	6.15%	3.94%	2.63%	-	0.00%	0.00%	0.00%	-	0.00%



Analysis and Annualised Performance by Product Shape - Growth Products

Structured Product Maturities	By Product Type											
	Capital at Risk						Deposits and Capital Protected					
	2021	2020	2019	2018	2017	5 year average	2021	2020	2019	2018	2017	5 year average
All products												
Number of product maturities	21	40	24	30	70	37	53	44	51	92	124	73
Number of products producing positive returns	20	28	24	30	70	34	25	21	51	76	98	54
Number of products returning capital only	1	11	0	0	0	2	28	23	0	16	26	19
Number of products which lost capital	0	1	0	0	0	0	0	0	0	0	0	0
Average duration / term (years)	6.01	5.92	5.63	5.71	5.13	5.56	4.61	5.35	5.34	5.89	5.55	5.45
Average annualised return												
All products	7.56%	3.98%	6.60%	8.05%	8.90%	7.25%	1.75%	1.38%	3.15%	3.68%	3.22%	2.89%
Upper quartile	9.76%	9.82%	8.51%	10.95%	11.94%	10.63%	4.72%	3.85%	5.09%	5.81%	6.35%	5.50%
Lower quartile	3.70%	-2.41%	4.79%	5.50%	5.66%	3.55%	0.00%	0.00%	1.27%	0.73%	0.08%	0.39%
FTSE 100 Index Only												
Number of product maturities	18	23	20	29	66	31	41	23	33	52	56	41
Number of products producing positive returns	17	14	20	29	66	29	21	8	33	52	56	34
Number of products returning capital only	1	9	0	0	0	2	20	15	0	0	0	7
Number of products which lost capital	0	0	0	0	0	0	0	0	0	0	0	0
Average duration / term (years)	6.01	5.90	5.55	5.70	5.08	5.48	4.40	5.22	5.31	5.91	5.60	5.35
Average annualised return												
All products	7.23%	3.27%	6.59%	8.05%	9.16%	7.53%	2.08%	0.99%	3.59%	4.71%	4.41%	3.50%
Upper quartile	9.38%	7.39%	8.67%	11.19%	12.02%	10.45%	5.07%	3.53%	5.33%	5.93%	6.13%	5.45%
Lower quartile	3.70%	0.00%	4.68%	5.33%	6.25%	4.66%	0.00%	0.00%	1.83%	3.49%	2.45%	1.85%
Non-FTSE 100 Index Only												
Number of product maturities	3	17	4	1	4	6	12	21	18	40	68	32
Number of products producing positive returns	3	14	4	1	4	5	4	13	18	24	42	20
Number of products returning capital only	0	2	0	0	0	0	8	8	0	16	26	12
Number of products which lost capital	0	1	0	0	0	0	0	0	0	0	0	0
Average duration / term (years)	6.01	5.95	6.00	6.00	5.88	5.96	5.34	5.48	5.39	5.87	5.52	5.57
Average annualised return												
All products	9.55%	4.94%	6.68%	7.94%	4.71%	5.73%	0.63%	1.81%	2.35%	2.35%	2.24%	2.10%
Upper quartile	10.49%	11.10%	7.55%	-	8.14%	9.76%	2.18%	3.94%	4.39%	5.14%	6.21%	5.13%
Lower quartile	8.91%	-5.17%	5.34%	-	2.64%	-1.01%	0.00%	0.00%	0.70%	0.00%	0.00%	0.08%



Analysis and Annualised Performance by Product Shape - Income Products

Structured Product Maturities	By Product Type											
	Capital at Risk						Deposits and Capital Protected					
	2021	2020	2019	2018	2017	5 year average	2021	2020	2019	2018	2017	5 year average
All products												
Number of product maturities	43	46	61	53	87	58	12	8	21	11	6	12
Number of products producing positive returns	38	38	60	53	87	55	10	8	13	10	6	9
Number of products returning capital only	0	0	0	0	0	0	2	0	8	1	0	2
Number of products which lost capital	5	8	1	0	0	3	0	0	0	0	0	0
Average duration / term (years)	4.46	5.87	4.92	4.14	4.38	4.70	5.51	6.01	6.00	6.00	5.85	5.88
Average annualised return												
All products	4.14%	3.96%	5.69%	6.11%	6.41%	5.48%	3.05%	4.06%	2.90%	3.08%	5.53%	3.40%
Upper quartile	6.10%	6.81%	7.37%	7.24%	7.65%	7.15%	4.38%	4.47%	5.70%	4.91%	5.98%	5.14%
Lower quartile	0.87%	-1.34%	3.68%	5.13%	5.29%	3.22%	0.65%	3.56%	0.00%	0.44%	5.17%	1.24%
FTSE 100 Index Only												
Number of product maturities	28	23	43	35	60	38	10	8	12	8	6	9
Number of products producing positive returns	28	23	43	35	60	38	10	8	12	8	6	9
Number of products returning capital only	0	0	0	0	0	0	0	0	0	0	0	0
Number of products which lost capital	0	0	0	0	0	0	0	0	0	0	0	0
Average duration / term (years)	4.21	5.90	5.05	3.87	5.01	4.80	5.40	6.01	6.00	6.00	5.85	5.85
Average annualised return												
All products	5.07%	5.25%	5.56%	5.98%	6.05%	5.68%	3.65%	4.06%	4.51%	4.07%	5.85%	4.34%
Upper quartile	5.93%	5.84%	6.73%	6.96%	6.94%	6.61%	4.38%	4.47%	5.72%	5.13%	5.98%	5.12%
Lower quartile	4.39%	4.79%	4.49%	5.00%	5.21%	4.83%	2.84%	3.56%	3.70%	2.96%	5.17%	3.55%
Non-FTSE 100 Index Only												
Number of product maturities	15	23	18	18	27	20	2	0	9	3	0	3
Number of products producing positive returns	10	15	17	18	27	17	0	-	1	2	-	1
Number of products returning capital only	0	0	0	0	0	0	2	-	8	1	-	4
Number of products which lost capital	5	8	1	0	0	3	0	-	0	0	-	0
Average duration / term (years)	4.92	5.85	4.61	4.64	2.99	4.51	6.01	-	6.00	6.00	-	6.00
Average annualised return												
All products	2.40%	2.67%	5.98%	6.37%	7.22%	5.10%	0.00%	-	0.75%	0.44%	-	0.58%
Upper quartile	6.19%	7.09%	8.02%	7.63%	8.17%	7.51%	-	-	3.37%	-	-	2.71%
Lower quartile	-2.88%	-5.67%	2.63%	5.45%	6.11%	1.35%	-	-	0.00%	-	-	0.00%



About Structured Product Review & Structured Products

StructuredProductReview.com is a dedicated research service conceived, created, developed and maintained to help Professional Advisers engage with the structured products sector and to aid in the identification of providers and products that may be suitable for their clients.

The service was conceived and is maintained by Lowes Financial Management (Lowes). For over two decades Lowes has played a significant role in helping to shape the UK retail structured product sector by championing good product development and governance with a focus on investor outcomes.

In addition to provider/product information and tools specifically designed to assist in researching and advising on structured products, StructuredProductReview.com aims to provide the deepest and most comprehensive one-stop source of information and education available for the IFA market. It provides access to thousands of historic articles and research pieces and an archive of every intermediary distributed retail structured product issued to the market this century.

Lowes expertise in the structured product sector is widely acknowledged. The company has played a significant role in helping to educate the wider adviser community about the sector, whilst helping to shape it for better investor outcomes. This it has done by championing good product design and governance and warning against some of the less desirable, historic sector additions.

StructuredProductReview.com is a trading style of Lowes Financial Management and is authorised and regulated by the Financial Conduct Authority.



Contact

Telephone: **0191 287 8716**

Email: **enquiry@StructuredProductReview.com**

Web: **StructuredProductReview.com**

StructuredProductReview.com
Fernwood House
Clayton Road
Jesmond
Newcastle Upon Tyne
NE2 1TL

