



ISC

# Structured Strategies

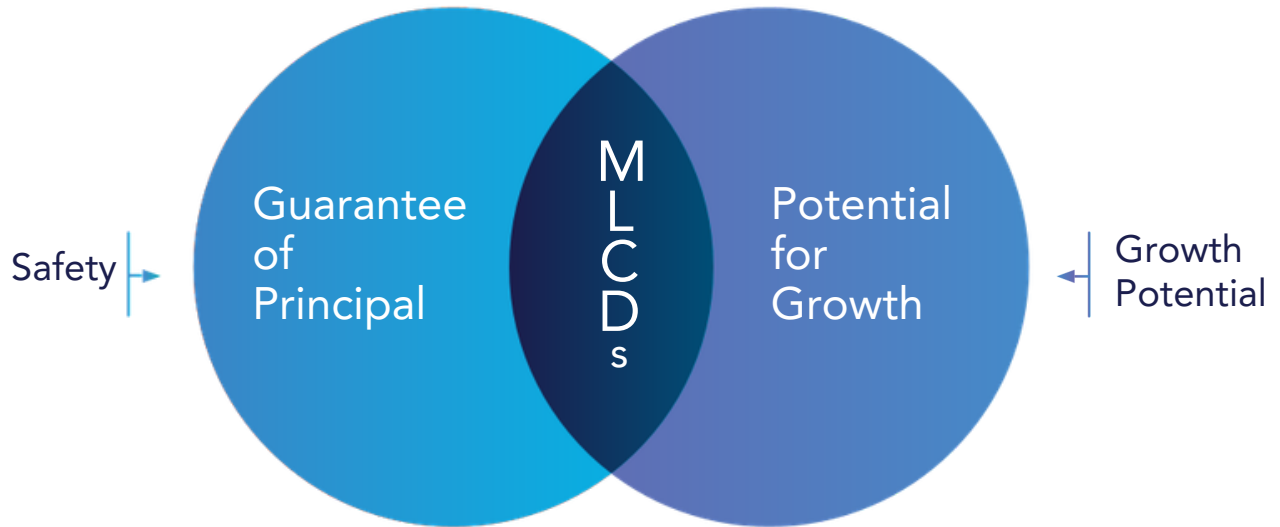
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Market-Linked CDs

- 01 Are you prepared for **UNEXPECTED VOLATILITY** in the market?
- 02 Can your portfolio withstand a **SUDDEN DOWNTURN** in the market?
- 03 Are you concerned about the **IMPACT OF INFLATION** on your portfolio?

In a low interest rate environment, traditional fixed income strategies barely outpace inflation — low rates of returns can leave financial goals out of reach. Equity investments bring market ups and downs that can cause investor anxiety. For an investor looking for a higher upside potential and protection from unexpected losses in the equity markets, a Market-Linked CD (MLCD) may be a good alternative to a higher risk equity investment.

Market-Linked CDs are complex investments and may not be appropriate for all investors as they can be highly customized and present unique risks. Market-Linked CDs are not for investors who: do not understand the risks of being exposed to various underlying assets, such as equities, commodities, interest rates or foreign exchange rates; do not understand complex pay-out structure and the risks of losses; do not understand volatility, option premium and interest rates, and how they interact; rely on current yield; investors should fully review the applicable offering documents or prospectus to fully understand the risks involved with purchasing a market-linked CD.



FDIC Insured up to \$250k\*  
 Guaranteed No Loss of Principal\*  
 No Upfront Sales Charges  
 Wealth Preservation



Upside Potential of the Market  
 Recovery Strategy  
 Multiple Investment Options  
 Diversification

MLCDs can be used as a hedge against inflation because there is a stronger protection against decreases in purchasing power when a return is linked to an underlying asset and not a fixed rate of return.

\*Market Linked CDs are FDIC insured up to the FDIC limits backed by the full faith and credit of the U.S. Government if held to maturity. FDIC insurance is up to \$250,000 per depositor, per FDIC insured bank, per ownership category. For more information see: <https://www.fdic.gov/deposit/deposits/faq.html>

# There are two Primary Types of MLCD Strategies: Growth and Income

A **growth** MLCD focuses on a capital appreciation strategy. This appreciation can be captured through an accelerated participation rate, that multiplies the return of the underlying asset paid at the end of the term.

An **income** MLCD has coupon payments tied to the performance of the underlying asset or in some cases may pay a minimum guaranteed coupon payment. Coupon payments linked to the performance of the underlying asset(s) could generate an income stream higher than traditional fixed income investments.

Potential uses of an MLCD for investors with different risk tolerances:



**DID YOU KNOW:** Market-Linked CDs have FDIC insurance. The Federal Deposit Insurance Corporation (FDIC) is an independent agency backed by the full faith and credit of the United States government. The FDIC offers protection to cover standard deposits in the event an issuer fails or goes bankrupt and insures losses in an individual account up to \$250,000\*.



In the event of death, MLCD may have a survivorship option element that allows the designated beneficiary to sell back the MLCDs at the principal amount.

Market-Linked CDs may be treated as a **“contingent payment debt instrument”** for U.S. Federal taxation. This means that an investor will pay annual incomes taxes on a comparable yield from a coupon paying debt instrument. This is also known as Original Issue Discount (OID).

Other MLCDs, may be considered a **“variable rate debt instrument”**. The interest paid on these products will be taxed as ordinary interest income unlike a capital gain realized from stock investment.

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# Things to Consider When Investing in a MLCD:

**CREDIT RISK** — risk associated with the issuer defaulting on the bond and any amount above the FDIC insured limit.

**TAXATION IMPLICATIONS** — Please consult a tax professional on the treatment of these products, as ISC does not provide tax advice.

**LIQUIDITY RISK** — MLCDs do not have a traditional secondary market and are designed to be held to maturity; therefore, these products should be considered illiquid when purchased. However, if an MLCD is sold back to the issuer prior to maturity, the amount received may be less than the principal amount due to market factors and the time to maturity.

**MARKET RISK** — MLCDs are linked to the performance of an underlying asset. If the underlying asset does not go up, then the MLCD may not generate a return.

**EARLY WITHDRAWAL PENALTY RISK** — If MLCDs are sold back to the issuer early, principal can be lost as these investments are designed to be held to maturity.

**PERFORMANCE RISK** — MLCDs offer potential for greater upside, but there is no guarantee that the investment will outperform the risk-free rate of the return. Some MLCDs may be subject to a maximum return (cap risk) or limit upside participation on the performance of the underlying asset.

**REINVESTMENT RISK** — if a product is auto called or redeemed early, there is no guarantee that the investor may be able to reinvest the cash flow into another investment with a comparable return or product with similar level of risk.

**CALL RISK** — Some MLCDs can be callable, which means the product can be redeemed earlier by the issuer prior to the scheduled maturity and would be subject to reinvestment risk.

**FEES AND COSTS** — MLCDs have distribution fees and offering expenses, as well as development costs that should be evaluated when making an investment. Please review the offering documents for the fees and costs.

# Disclosures

Securities offered through Institutional Securities Corporation, member FINRA/SIPC.  
3500 Oak Lawn Ave., Suite 400, Dallas, TX 75219.

While market-linked CDs with principal protection have the potential to outperform the total fixed interest payments that would be paid on typical bonds, CDs or money market accounts, these products could also under-perform these investments and could earn no return for the entire term of the MLCD, even if held to maturity. The terms and structures of Market-Linked CDs also can be more complex than traditional bonds, CDs or money market accounts making them more difficult for investors to evaluate.

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