Structured Notes, a potential portfolio enhancer

Seeking to achieve a contingent level of expected returns with downside protection

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Structured notes are outcome-based investments



~$3T market with most major banks active participants

Globally, the structured notes market is estimated to be ~$3T. Structured notes are issued by banks such as Barclays and JP Morgan.



Hybrid Security

Issued as a debt instrument, with coupons that are subject to performance of an underlying security, typically a single stock or basket of stocks



Fixed coupon and principal protection

Income structured notes pay a set yield on a predetermined schedule, while providing a level of downside protection, subject to certain performance criteria being met

Source: Morningstar. Market size estimate as of May 2020.

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Structured notes have four main components



Underlying

Performance of a note generally tracks performance of an underlying asset - either a single stock, group of stocks or index.



Maturity

The time period over which a structured note is expected to be held.



Protection

The amount an investor is protected against price declines of the underlying asset without exposing themselves to principal or coupon loss



Coupon

The annual income an investor receives (paid quarterly), subject to performance of the underlying stock being met

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An illustrative example

Consider the following structured note with features as described below:



Underlying

- Performance of a single stock Mastercard
- Measured by performance relative to the strike price



Maturity

- 18 months (6 quarterly observation periods)



Protection

- 25% downside

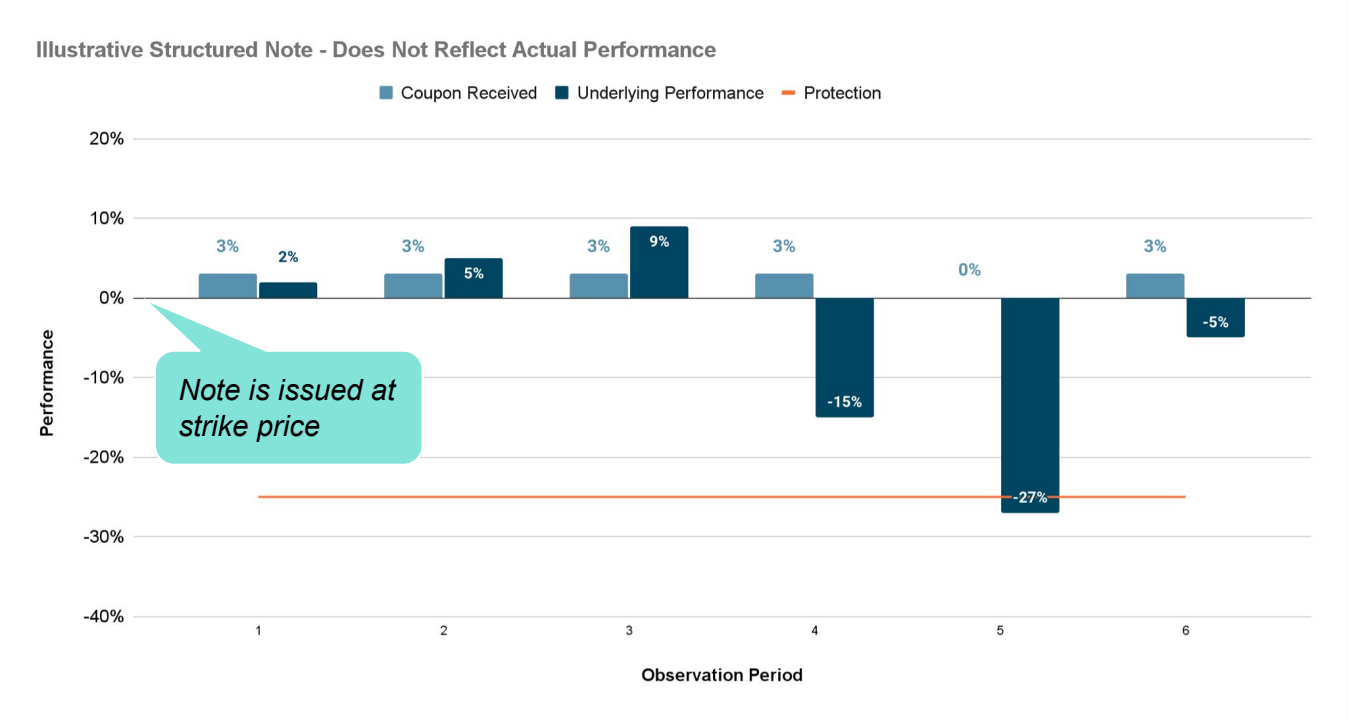


Coupon

- 12% coupon, (3% paid quarterly when criteria are met)

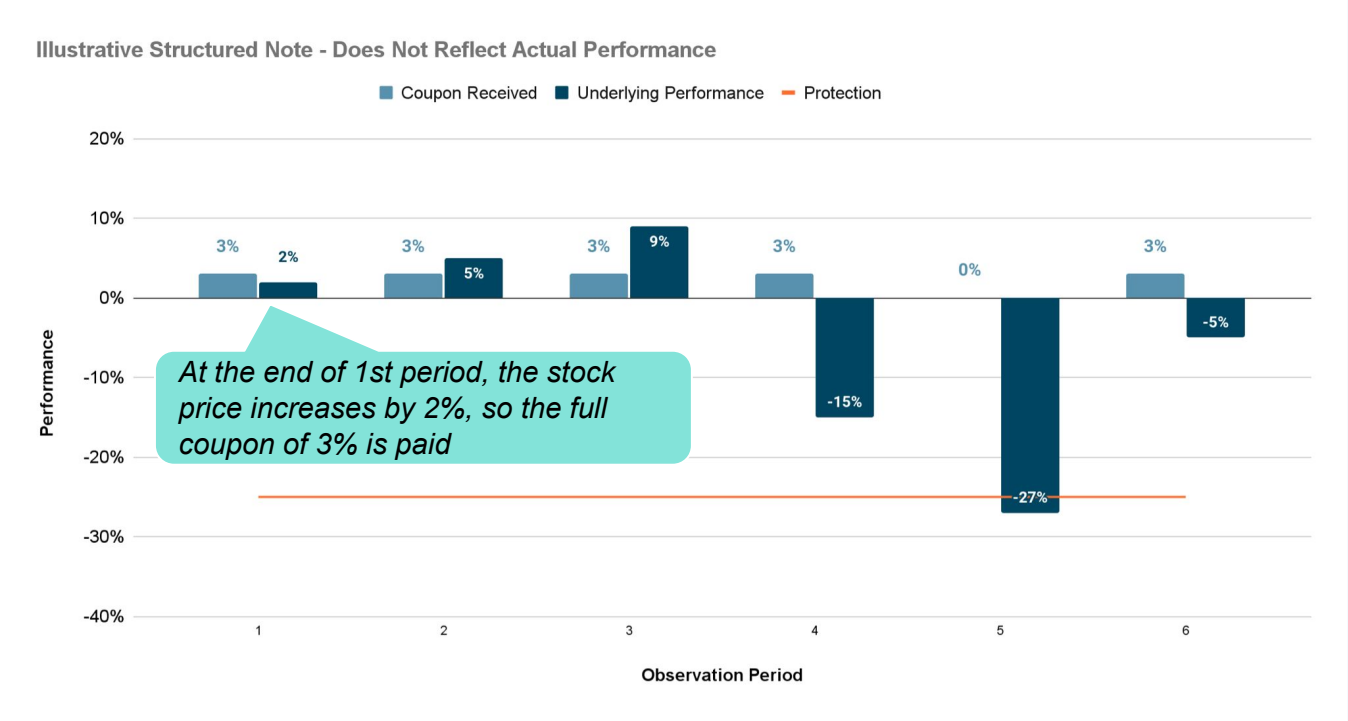
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Structured Note of Mastercard



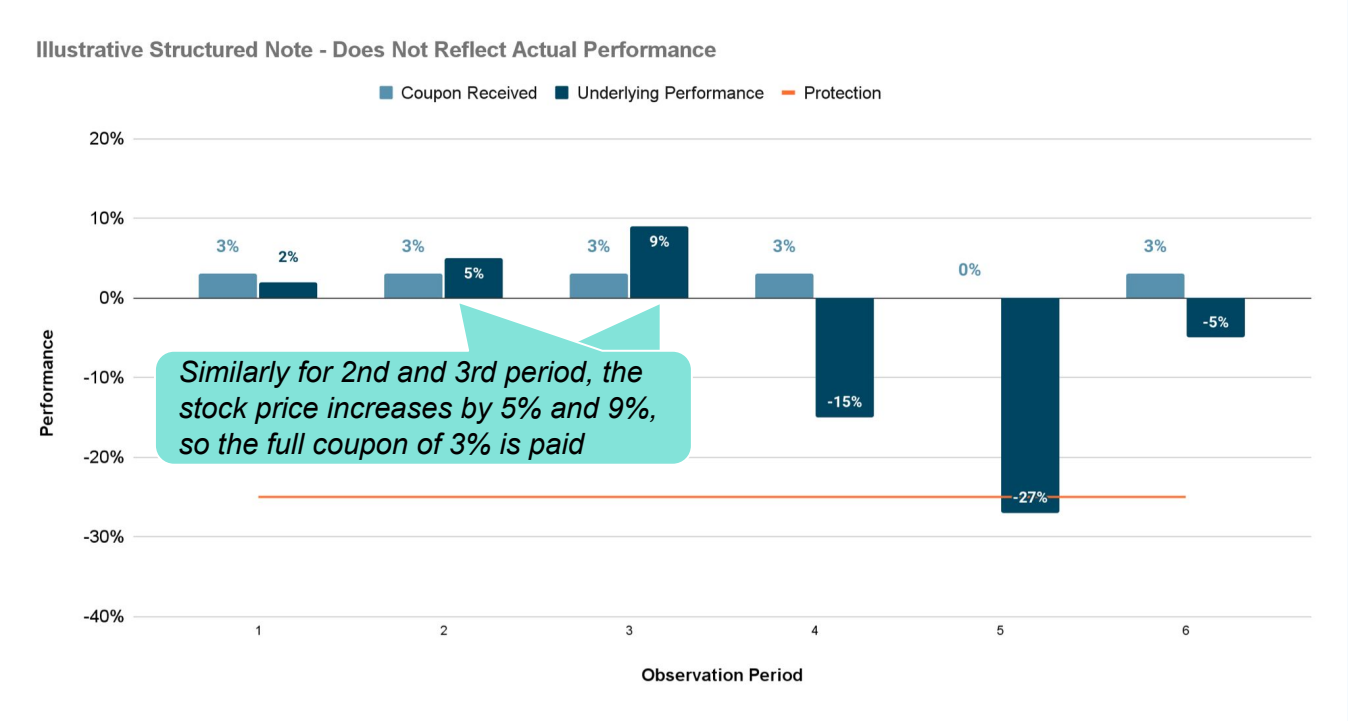
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Structured Note of Mastercard



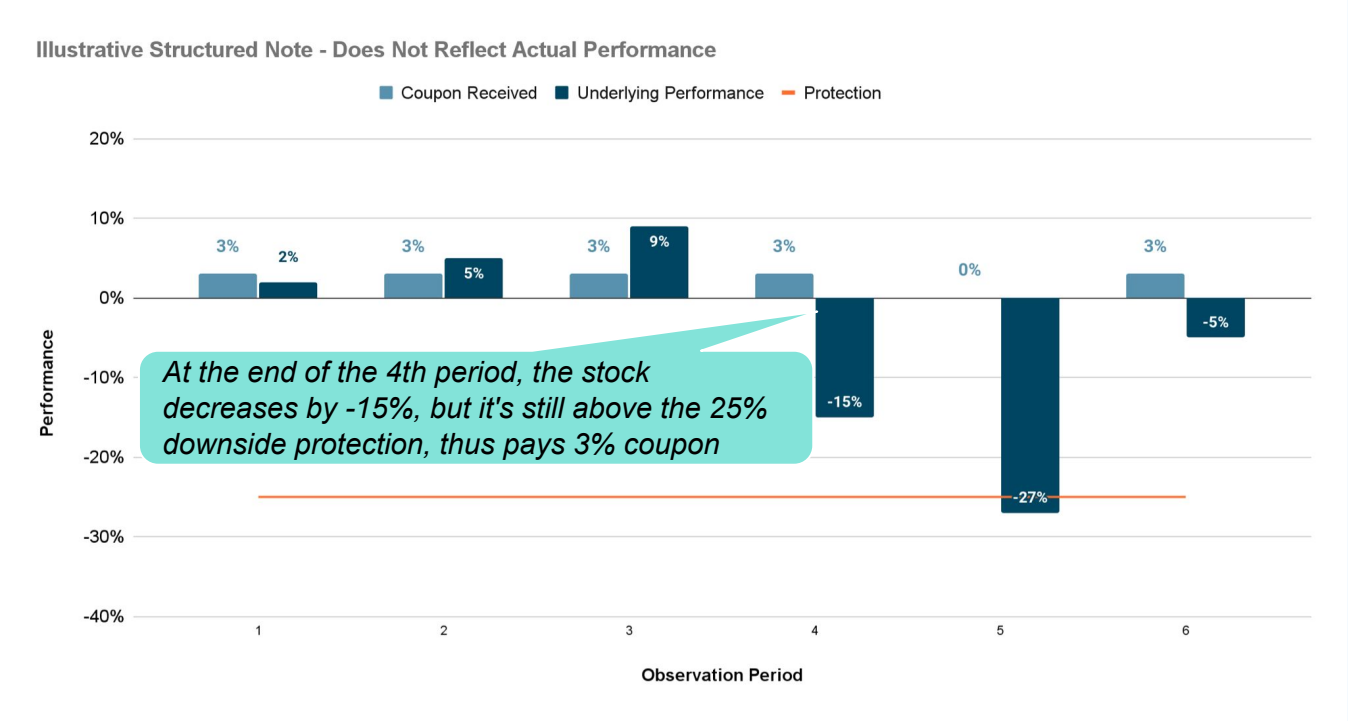
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Structured Note of Mastercard



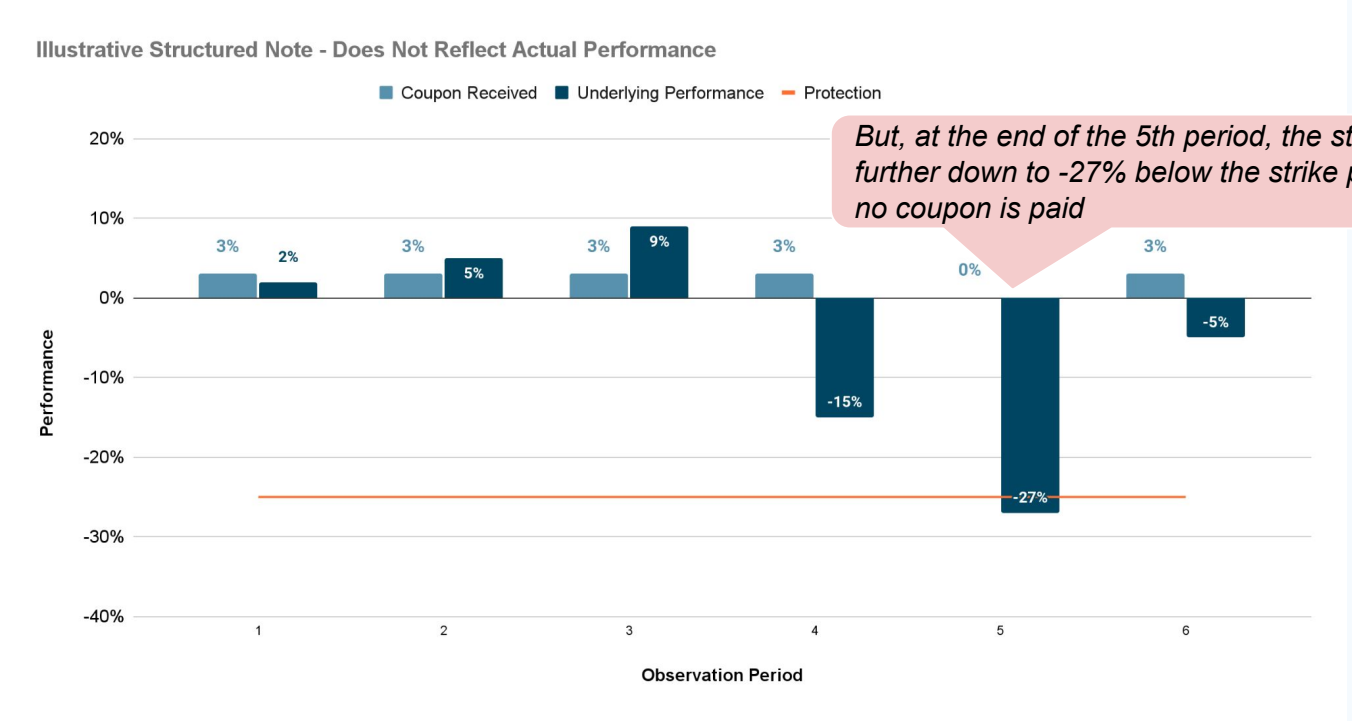
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Structured Note of Mastercard



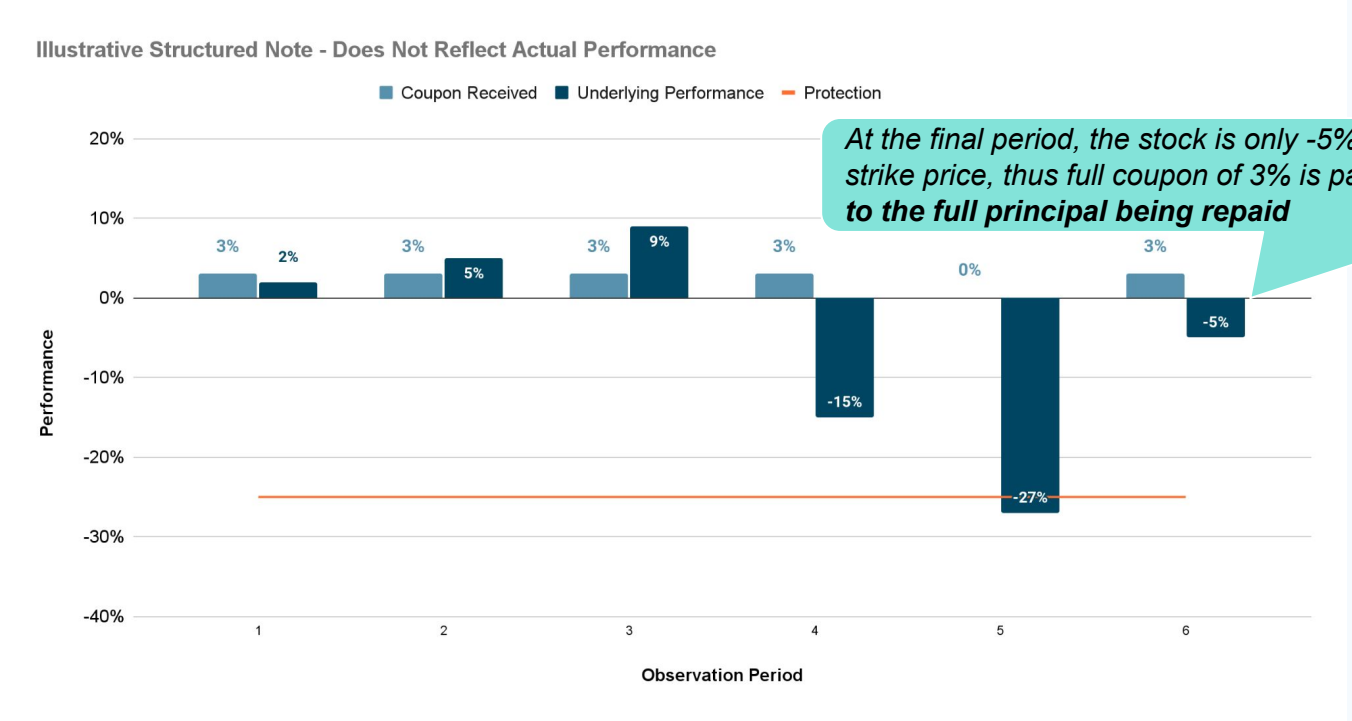
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Structured Note of Mastercard



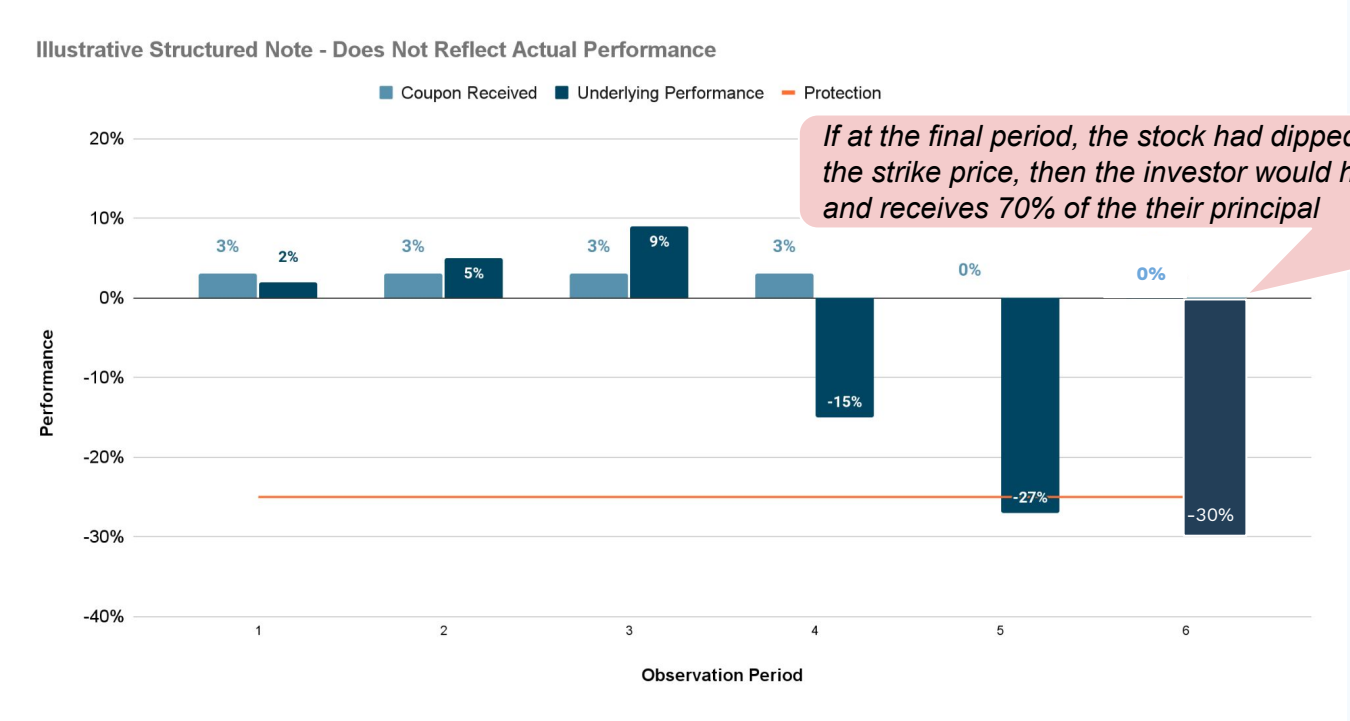
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Structured Note of Mastercard



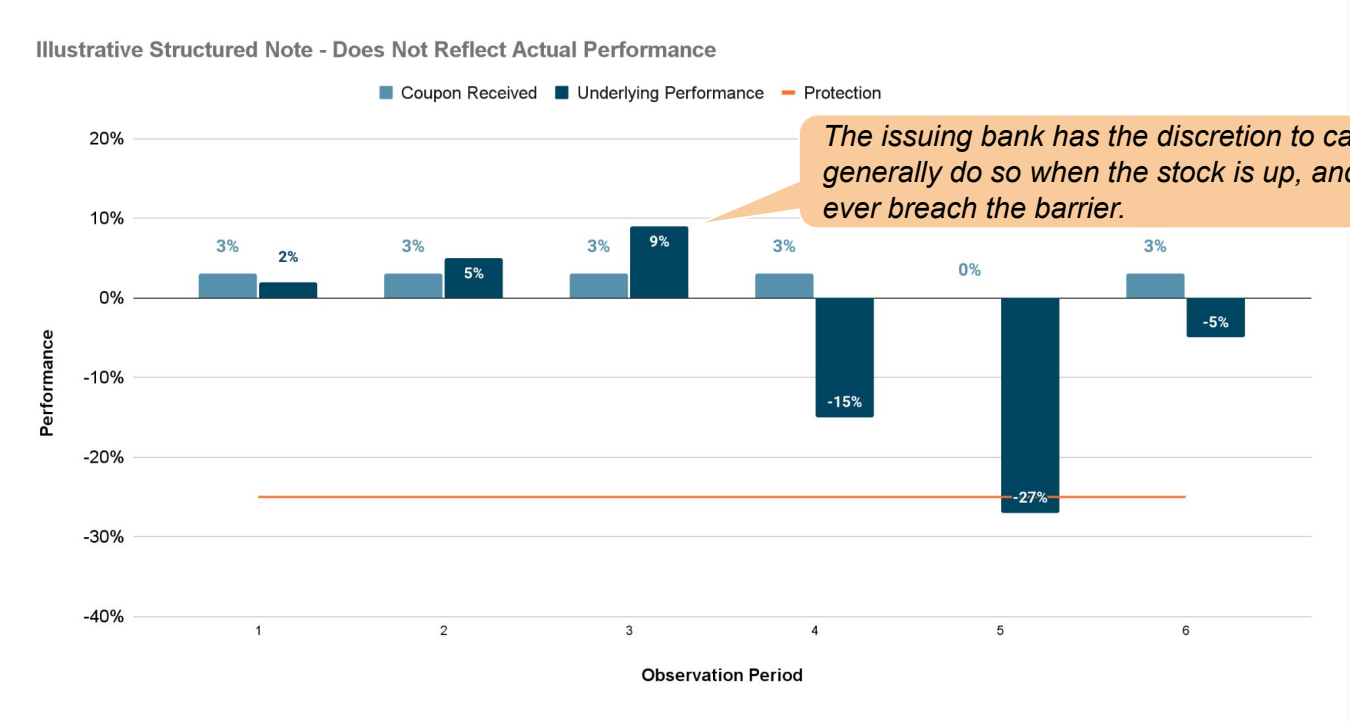
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Structured Note of Mastercard (Alternate Scenario I - Downside)



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Structured Note of Mastercard (Alternate Scenario II - Call)

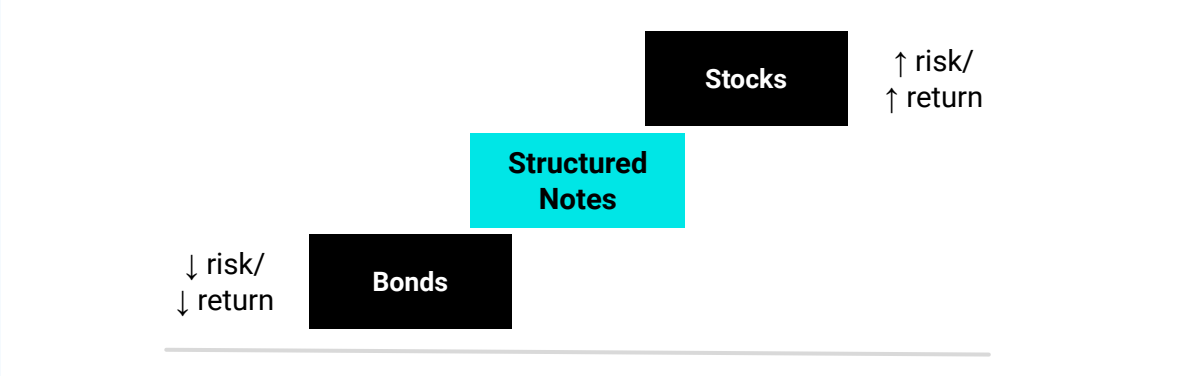


The issuing bank has the discretion to call the note. They generally do so when the stock is up, and they don't think it will ever breach the barrier.

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Potential Benefits of Structured Notes

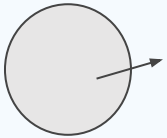
- Predefined outcomes
- Help protect against losses, while also providing a target level of income.
- Improve the risk/return profile of your overall portfolio.
- Typically funded from the equity portion of one's portfolio



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Creating A More Efficient Portfolio

Portfolio 1



100% Mastercard stock

Portfolio 2

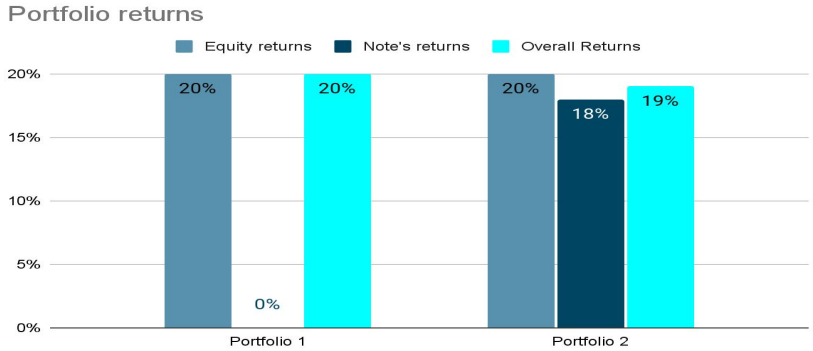
50% Mastercard Structured Note



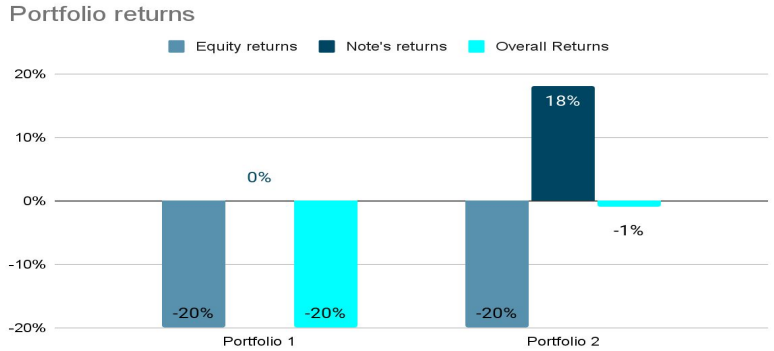
50% Mastercard stock

Same note design as previous hypothetical: 12% coupon, 25% downside protection, 18 months

Scenario 1: Mastercard Stock Increases 20% after 18 months



Scenario 2: Mastercard Stock Decreases 20% after 18 months



Illustrative Performance - Does not reflect actual performance

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How Yieldstreet trying is improving the structured notes experience

Increased Transparency

Note selection will have a predetermined process and eligible securities must meet certain criteria

Customized Structured Notes

Variety of notes linked to the performance of multiple investment thematics that commonly feature in portfolios

Access to Structured Notes at Lower Mins

Previously over $250K was needed to access the structured note product. Yieldstreet makes it possible for a fraction of the cost

Portfolio Management & Analytics

Track the performance, maturity and underlying returns of your structured notes portfolio on the Yieldstreet site

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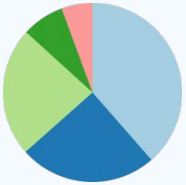
Yieldstreet's Product helps improves an individual Structured Notes offering

Multiple notes in a single investment

3 - 10 Notes

Target Yields between 7 to 12%

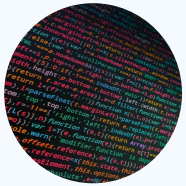
Four Themes



Diversified



ESG



Technology



Consumer

Reinvestment feature

2 yr maturity of each note

If a note gets called in the first year, then the principal may be reinvested in another note

2 yr + 1 yr term of each offering

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Yieldstreet's transparent note selection

Shortlisting stocks

Transparent process that requires each underlying stock to meet certain fundamental and technical characteristics in an attempt to reduce the likelihood of significant price decline

Selecting the notes

Underlying notes must provide at least 25% downside protection, quarterly coupons > 5% on an annualized basis, and have a 2-year term

Post-screening parameters

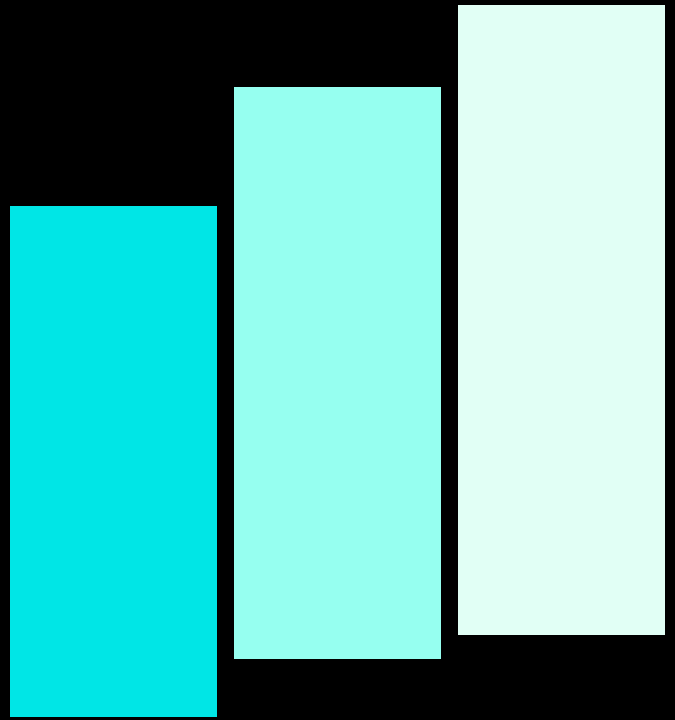
Underlying notes will also meet post screening parameters including issuer diversification and sub industry concentration requirements

Note Issuer Diversification

Underlying notes will be purchased from an approved list of major issuers including Goldman Sachs, Morgan Stanley, JP Morgan, Citi, Bank of America & others

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