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A Guide to Retail Structured Products

2023 Edition

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Important information

The guide does not constitute personal advice, but rather is to highlight areas you might like to discuss with your adviser or investigate further on your own.

The value of investment may go down as well as up, investments of this nature carry risk to your capital and any potential income is not guaranteed. Past performance is not necessarily a guide to future performance.

The information relating to taxation is intended to be general in nature and may vary from your own circumstances.

Taxation rules and benefits may change at any time and over time. You should seek advice from your financial or tax adviser if you are unsure of the tax treatment of the investment at any stage.

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Introduction

The investment universe can be very daunting, with many ways to invest to ensure that your savings perform and match your needs and requirements, whilst accepting an element of risk to help you on your journey. As Independent Financial Advisers we look across all investment markets to develop an understanding of what is good, or maybe what is less good, as we seek to deliver attractive returns for our clients commensurate with their chosen risk appetite.

Leaving aside the vastness of the what is 'out there' to invest in, if there was one area that we at Lowes pride ourselves in, it is around the understanding and knowledge of the structured product sector, having invested the time and effort over more than two decades to become one of the sector's leading commentators.

2022 represented another unprecedented period for investors and the public more generally, the tragic events unfolding in Ukraine, post-pandemic supply chain issues, the energy shock, surge in inflation and the merry-go-round at Downing Street all helped create a particularly volatile year for the FTSE 100 Index and wider markets. However, we are happy to reflect on another positive year for the sector, and an uplift from 2021. In 2022, 634 plans matured returning an average annualised return of 6.45% over an average term of 3.24 years – an increase of 0.25% from 2021. Of considerable note is that of the 634 maturities in 2022, 624 (98.4%) returned gains for investors. The remaining ten (1.6%) were deposit-based plans which did not expose capital to risk of loss and simply returned the original investment.

Few other investment sectors could boast the same over that same period. The unique selling point of structured products is that whilst their returns may be driven by the performance of major stockmarket indices, the relationship is not necessarily direct, meaning that it is possible to make a return when other, more correlated investments are not. Furthermore, any potential return is almost certainly pre-defined within known market parameters; you will know if the stockmarket does X, you will get Y and so on; few other investments operate in such a transparent manner.

Structured products have been around in one form or another for over forty years, and whilst there has been some negative commentary around certain specific, unfortunate events, we at Lowes consider the sector to be in good health and consistently demonstrating a positive impact on our clients' portfolios.

However, it would be remiss of us not to mention perhaps two recent events, albeit both happening over ten years ago, which marked out the sector for comment. The first would have been the failure of Keydata Investment Services in 2009, which at the time was a leading provider of structured products, however their failure was the result of activities they conducted away from what we would consider to be within the structured product arena. Unfortunately, the headline writers of the day didn't quite capture this and structured products became tainted by association. It is worth adding that even though Keydata failed, their structured products which were in force at the time, continued and ultimately produced excellent results.

The other failure was of course Lehman Brothers a year earlier, and whilst their footprint in the UK structured product market was very small, it did result in some investors suffering substantial losses, such an event is commonly known as counterparty failure.

There have been no failures since. Regulation has certainly tightened and protection improved. Since December 2021 interest rates have risen from historic lows in rapid succession and with continued equity market uncertainty, there is little doubt that structured products continued to stay relevant, have performed well and are a worthy consideration for any client portfolio.

So welcome to the 2023 update to our guide to structured products, we hope you will find it interesting and informative.

[1]Lowes Structured Product Annual Review 2023

What is a structured product?

We have great debate within Lowes about whether the term should be structured product or structured investment; one argument put forward is that they are repeatedly manufactured opportunities creating effectively an assembly line of products, others have a more holistic view, and would argue that all are fundamentally investment driven opportunities with a decision making process no different to any other you would make within your portfolio. We aren't wedded to any one and even here we interchange them, but the important point is that we are talking about the same type of investment construct. We would argue that the most important word is 'structured' and what it is trying to convey.

An appropriate starting point would be to consider an investment, say in one of the many FTSE 100 tracker funds, which by their very name seek to follow the fortunes of the FTSE 100 Index, comprising the weighted average of the UK's top quoted companies by value or market capitalisation.

Should you invest in one such fund, your investment will typically rise and fall with changes in the level of the Index. Over time you will also receive income (sometimes automatically reinvested) from the fund, which represents the dividends received from the companies comprising the Index, reduced by investment management and other fees.

With modern investment techniques, it is now possible to re-shape the above correlated outcome to the performance of the FTSE 100 Index, and align it more to an investor's investment view, appetite for risk, or to a particular desired investment outcome. This is where the structured part of the investment now comes into play.

Protecting capital but creating some upside potential

Simply put, a structured product can be designed to protect all the investment downside and to give an element of return should the reference asset, such as the FTSE 100 Index, show positive performance. All the structuring to the return profile occurs under-the-bonnet, and you, as a potential investor, often only see the resultant potential benefits, being in this case, no downside risk to your capital and a return should the Index perform favourably; that return could be as percentage of the Index performance, or as a fixed return.

Comparing again to your investment in the above tracker, there is a cost to pay for your investment not being exposed to any downside risk and this is paid for through a reduction in any potential upside return, removal of dividends, or through a combination of both. It is entirely reasonable to accept you can't get all the upside return if you aren't able to accept all of the downside risk as well; if you seek to 'insure' the downside risk in some shape of form, then it comes at a cost, but that cost is effectively taken through a reduced potential return.

Also, it is common that the potential returns advertised already allow for the product providers manufacturing, marketing and management costs.

Any advice cost you agree with your adviser would be in addition to these implicit fees.

Going back many years, it was common to see capital protected structures providing potential upside in the growth of an Index, but for a number of reasons they fell out of favour, particularly as persistent market conditions, low interest rates made them difficult to construct or manufacture. One great determinant of advertised coupons or interest offered by structured investments is the current interest rate. For a structured deposit the lower the current interest rate will limit the conditional upside or annual return that a product can offer, if the index is above its starting level.

Most investors will hold cash in the form of bank deposits, some cash is likely to be held in term-based accounts or, bonds and offer a fixed rate of interest. Perhaps the link to structured products isn't immediately obvious but by taking out a fixed rate bond, you are effectively exchanging a variable interest rate return to one that is now fixed in nature and will not vary over a set period. You would invest in the fixed rate bond if your view on future interest rates was such that it was better to hold the fixed rate than to remain with a variable rate product that can rise or fall over the same corresponding period.

Your mortgage also works by the same logic, you fix your mortgage interest rate if you think it will be beneficial to do so; implicitly perhaps, but again you are taking a view on the future direction of interest rates and making the informed decision that it is better to fix your rate over a period to what could happen should your mortgage interest be calculated using a standard variable rate.

These actions are a little different to what happens with a structured product; rather than exchanging one form of interest for another, you are swapping out interest you would otherwise earn for a return that is based on some measure of stockmarket performance; your capital is protected but your return is now based on some other measure.

This neatly brings us back to the advertised potential interest mentioned above therefore has risk attached to it since it may or may not be paid as it is conditional upon the performance of the FTSE 100 Index. You have to form a view on the attractiveness of this – hopefully as part of a wider investment strategy and with the help of your adviser – as to whether the potential reward you could earn by swapping to a conditional interest rate from a fixed-rate deposit, is commensurate to the risk you are assuming, i.e. it may not be paid. In this scenario you are putting at risk the interest you would otherwise earn but not your original deposit.

Protecting the protected capital and more

Standing behind any investment is a financial institution and it is important to understand what legal protections are in place in the unlikely event of their failure. By failure we mean the institution itself and as such it is no longer able to provide you with the service to which you contracted. This is quite removed from what one would consider investment risk being the manifestation of a poor outcome in relation to pure investment performance.

The risk here is called counterparty risk and to understand what protections you have should such an event occur it is important to understand how a product has been constructed and by whom. Should you have invested via a deposit it is highly likely that your investment will have the benefit of protection under the Financial Services Compensation Scheme (FSCS) meaning that in the event of failure of the bank providing the deposit, you should get your money back (subject to a compensation cap- see below). With most deposits you invest in directly with a named bank, others via an independent product provider who has sourced the deposit from the bank; in both cases you should be protected from a bank failure, but do read the small print.

Today, it would be unusual to see capital protected structured products being offered in any other form than as deposits and in that rare event please do read the small print as FSCS would not apply (hence the rarity). Having said that we have in the past seen the release of a structured deposit within an insurance product and while the deposit compensation arrangements would not apply, those relating to long-term insurance business – typically life and pension contracts – may well, but not in relation to the investment element of the product, i.e. the deposit. In summary, it's a tricky navigation through the available fall back protections and when it comes to an advice process that leads to a recommendation of a capital protected investment, we at Lowes would almost always choose the deposit format alternatives (should they exist).

Financial Services Compensation Scheme (FSCS) provides a safety net if a financial institution fails to meet its deposit obligations to you, you should receive compensation of the full amount up to £85,000 per person (so if the deposit is held jointly, the compensation amount is then capped at £170,000). There are several other arrangements depending upon the characteristics of a particular investment and not all types are covered, more information can be found at FSCS.org.uk. The FSCS is funded by a levy on all financial services firms authorised by the Financial Conduct Authority.

Example of a structured product in deposit form

Goldman Sachs International offering a 7 year bond, available 26th May 2023 to 21st June 2023.

Return is equal to the rise in the FTSE Custom 100 Synthetic 3.5% Fixed Dividend Index (FTSE CSDI) on 26th May 2030, capped at 50%.

In essence there are only two possible return outcomes, No return or a return equal to the rise in the Index; capital would be returned in full. However, in the event of failure by Goldman Sachs International, this deposit would be eligible for protection under the FSCS (subject to compensation cap limits).

Putting capital at risk

There is nothing particularly different about putting your capital at risk when you make an investment in a structured product, we all do it when it comes to investing, regardless of what it may be in relation to, e.g. a share or property purchase, lending within a peer-to-peer arrangement etc; so continuing to use the label 'capital-at-risk' seems more of a throw back to the days when almost all structured investments were capital protected and perhaps it was a convenient way to differentiate a key risk or consideration.

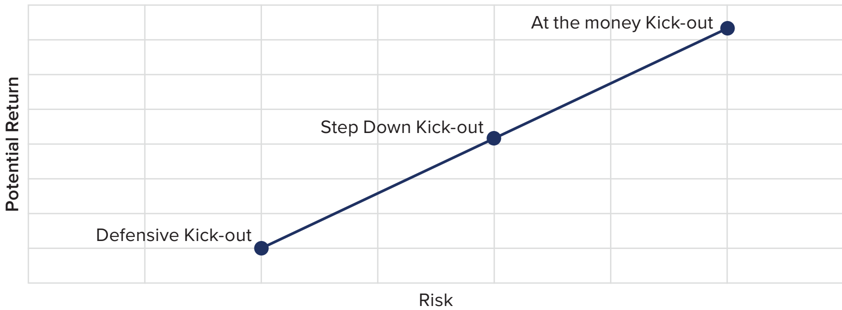
One feature that is prevalent within putting capital at risk, is that your capital only becomes at risk when the reference asset underperforms to a level that then triggers a situation where a loss may then occur at maturity but until that point the capital may have been considered 'protected'. Within the retail investment space, it is common for the buffer before capital becomes at risk to be very high, perhaps being as high as being equal to a 50% fall in index performance over the duration of the investment. Extrapolating from the earlier example when introducing capital protection, clearly the greater the buffer to trigger a potential capital loss, the lesser the upside potential in comparison to an investment without a buffer. This is exactly the same type of exchange that occurred earlier when discussing the capital protected trade off, where in exchange for having capital protection you had lesser potential upside, here you have taken it one stage further by introducing some element of risk to capital, which on a comparative basis will enhance the relative upside over a capital protected product but still less than if no investment protection was provided at all.


70.111
44.870
20.556
12.002

What's in a name?

Oddly, quite a lot! All structured product participants have tended to name their products in a manner that closely aligns with the potential benefits of the product they are promoting to investors. Look around provider websites and you will see a proliferation of title words such as 'defensive', 'kick-out', 'step down', 'enhanced', in the name of each investment offering. But what are they trying to convey?

To answer this we have to return to the above risk/reward trade off and to appreciate that with their respective product suites, providers are trying to cater to the many varied needs of investors; one size does not fit all due to differing circumstances, needs and attitudes to risk. A good example of this investor profiling is best highlighted in three very similar products from one provider all with the common core features to all three offerings: 8 year maximum term, annual kick-out observations and 60% end of term barrier.



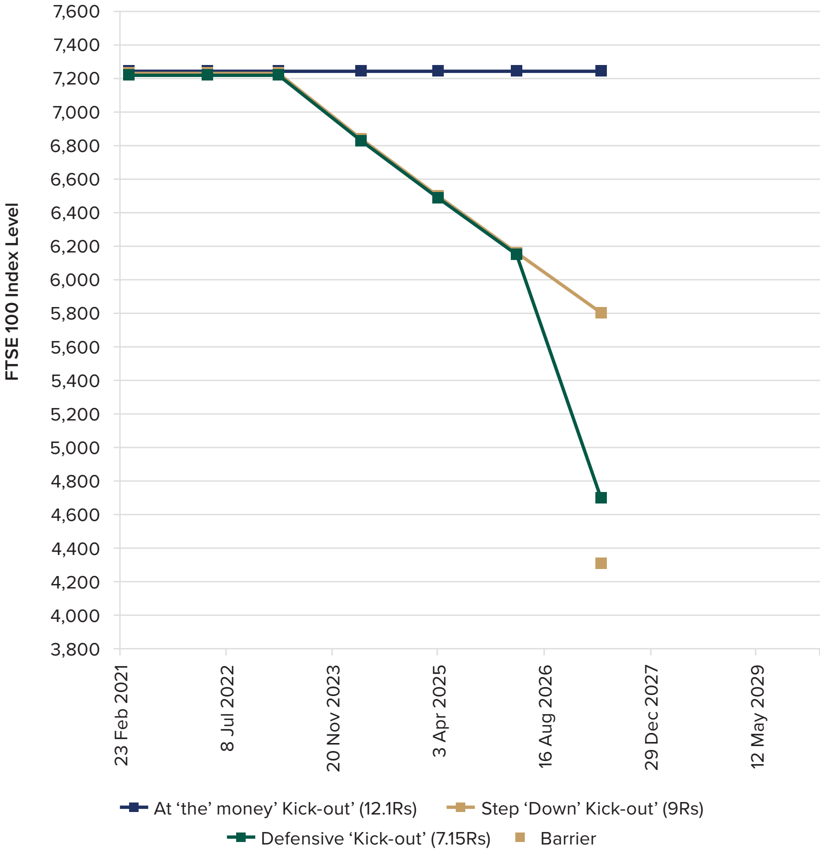
Focusing now on the potential investment returns, starting with what could be considered the most risky of the three, 'the Kick-out', which offers the potential return equal to 12.1% per annum, as an example, payable on maturity; a maturity event being determined by the level of the FTSE 100 Index on each anniversary, starting with the second being at or above where it started, if it does not mature on an anniversary it will be observed again at the following anniversary and so-on until the eighth.

Should this performance condition required to deliver a successful payoff look to be too ambitious then perhaps 'the Step Down Kick-out' with a lower risk/reward profile, with an improved opportunity for a successful outcome, might be more appropriate? This offers a potential return equal to 9.0% per annum, as an example, payable on maturity; with the maturity condition again being determined by the level of the FTSE 100 Index on each anniversary, starting as above, with the second when it will mature if the FTSE 100 Index is at or above where it started, if it does not mature on an anniversary it will be assessed on the same criterion at each following anniversary until the fifth, thereafter the required maturity level then will reduce by 5% of the starting level on each anniversary thereafter.

This feature reduces the FTSE 100 Index level for a successful return to be set at a level equal to above 80% of where it started on the final maturity date.

Finally, the third version, 'the Defensive Kick-out', which on a relative basis again seeks to improve the likelihood of a successful outcome. This is the same as 'the Step Down Kickout', in all regards except for two differentiating features, one a condition, one a benefit; should the product continue until its eighth anniversary, the return condition is tested against 65% of the starting level of the Index rather than 80% and as a result the potential return falls from 9.0% per annum to 7.15% per annum, as an example.

Plan early maturity trigger levels and barrier level



In the above graph, we plot the payoff profiles of all three options, assuming a FTSE 100 Index starting level of 7,200.

Investors would receive original capital only if all early maturity trigger points were missed and on the final observation date, the closing index level was above the barrier.

If any option missed all the early maturity trigger points and closed below the barrier level on the final observation date, capital will be lost, normally on a one for one basis.

Some providers also offer the risk/reward conundrum in a different way, often by introducing a second reference asset such as the S&P 500 or Euro Stoxx 50 index. Here the return will be referenced to the poorer performing index of the two; relative to an investment referencing one index only, this introduces greater risk of a return event not occurring and therefore you should look to be compensated for taking on this additional risk via a greater potential return.


43.79
70.74
2.26
24.40
65.31
60.38
40.71
2.64
96.04
59.66
39.95
11.84
88.32
70.64
68.16
7.21
38.12
21.80
23.46
78.88
65.31
40.73
54.63
83.83

Counterparty risk

As capital is at risk in the above types of investment it is not possible to contract on a deposit basis, and typically what investors purchase is corporate debt in the form of a listed security, almost always from a major bank. Looking at one provider's Spring 2023 offerings, they have investments where the debt security that investors will buy comes from entities such as Morgan Stanley & Co. International, Goldman Sachs International, HSBC Bank plc and Société Générale. An important point here is that you contract with a provider who then invests your money in corporate debt, the provider in effect offers a broking, administration and safe custody service and you become the beneficial owner of debt security. Effectively this is an IOU issued by the bank. If the provider fails you are unlikely to lose your investment value because you still own the security and it will have been held in safe custody as is required by regulation, equally any cash balances heading your way will also have been protected in a client designated bank account (FSCS protected).

However, it would be safe to say that you could experience some inconvenience until any new administration arrangements are put in place or indeed until the existing arrangement is wound down.

By far the most significant risk for an investor is the Lehman Brothers scenario, where a bank itself fails, and you just become any one of many creditors to the bank with little, or low, prospect of receiving full value of your investment.

There is no equivalence here to the arrangements offered by the FSCS, so you should be comfortable taking such a risk and doing so for the likely full duration of the investment.

To help in your assessment of such counterparties, your adviser is the first port of call, but you should also be familiar with the output from rating agencies such as Moody's, Standard and Poor's and Fitch, who all regularly assess the financial well-being of banks and regularly review and publish their assessment of risk attaching to each bank's ability to service their debt.

It is with this funding and also from deposits that then allows the banks to lend out to businesses and individuals and to earn a positive return over than being paid to service the debt and deposits. One aspect to bear in mind is that not all debt securities rank equally for settlement in the event of a credit event but typically the banks issue their most senior debt for products such as structured investments.

The rating scale issued to banks by each of the agencies is effectively operates like a report card - a mark plus some comment or observation about the outlook - which for Standard and Poor's, Moody's and Fitch are shown below.

Moody's	Standard & Poor's	Fitch Ratings	Rating Description
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High Grade
Aa2	AA	AA	
Aa3	AA-	AA	
A1	A+	A+	Upper Medium Grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower Medium Grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment Grade/Speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	High Speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC+	Extremely Speculative
Caa2	CCC	CCC	
Caa3	CCC-	CCC-	
Ca	CC	CC	
	C	C	Default Imminent
C	RD	DDD	In Default
/	SD	DD	
/	D	D	

How can counterparty risk be mitigated?

It is very common to find that providers take no steps to mitigate counterparty risk because they are comfortable with the creditworthiness of the institution issuing the debt and have with an institution's credit, packaged into what they consider to be an attractive product offering.

Regardless of this, it is for you to decide the attractiveness of the offer and one would hope that you would seek advice in the matter, but ultimately you must be comfortable that the institution to whom you are effectively lending money, is of sound quality. As mentioned above, that institution could be any one of several banks such as Morgan Stanley & Co. International, Goldman Sachs International, HSBC Bank plc, Société Générale, etc.

Further, it may be that you are already have investments with a particular institution and feel that you have enough credit exposure to them or perhaps just want a little more certainty in around the downside of a credit event, however unlikely. To mitigate this some institutions offer a further level security against them failing to meet their obligations, called collateralisation. One common method is for the institution to put assets they own and of equivalent value to your investment, into a collective pool. These assets are then held in safe custody and removed from the institution. If the institution subsequently fails, your investment with the institution would finish immediately, but these separately held assets would then be sold and distributed to you as compensation for the failure of the institution. It should be stressed that in the unlikely event of calling upon the assets held in custody, the actual process of settling could take some time to resolve and some degree of patience is likely to be required.

Can structured investments provide me with an income?

Yes, they can. The desirable feature of an income producing investment is to ensure that it delivers a known and regular income stream. If capital protection is also a desired outcome, then the obvious starting point would surely just be a deposit from a bank or building society, even with rates becoming more attractive. However, with rates on offer being consistently below inflation. Is a better return possible through an investment on a structured product?

Possibly, through one of three routes:

- Introduce an element of conditionality on the income stream, basically you take risk of receiving your income stream to a greater or lesser extent
- Accept some risk to your capital, thus freeing up part of your investment outcome to enhance the income stream
- A combination of both.

Conditional income, return of capital

Receive 3.25% p.a. for 5 years providing the FTSE 100 Index is higher than 75% of its starting level on each annual anniversary date. On maturity you will receive the return of your initial investment.

Fixed income, capital at risk

Receive 4.25% p.a. for 5 years but if at maturity the FTSE 100 Index finishes lower than 60% of its starting level, the return of your initial investment will be reduced by 1% for every 1% fall in the FTSE 100.

Arguably, when you introduce an element of conditionality to the income stream, it could then fail to provide known and regular income flows. Therefore, if income is the overriding priority, consideration for investing in an investment that offers conditional income, should only be done as part of a wider portfolio investment strategy. Clearly, if you invested in an income producing fund then that too could be considered subject to some element of conditionality. However, the income produced may vary but it does tend to be fairly stable, even increasing with the right investment focus, but it shouldn't be considered conditional or even binary in nature. Your adviser can help you achieve the correct balance to ensure that you will be able to meet your income needs.

Achieving diversification

It is a familiar adage that to manage risk successfully you need to have a diverse portfolio. This means that you aren't overly exposed to the fortunes on any one particular investment in helping you achieve your investment goal and if one investment should underperform then you will have others to fall back on.

Yet as we touched on earlier, most structured products are additionally reliant on a counterparty providing the investment return, meaning that their investment is exposed to one institution's ability to pay. A well planned portfolio will seek to minimise this risk within the structured product element by investing over a few different counterparties; known as counterparty diversification. Although, there will be a number of potentially suitable investments available that could complement each other in meeting the portfolio strategy, many investors will struggle to diversify efficiently, not so much because they can't meet investment minimums, but more likely due to the administration and cost burden of doing so.

A recent and welcome innovation to the sector has been the development of fund-based propositions seeking to take all the benefits of the structured investments and add more into a one-stop investment.

There are a variety of advantages that the fund framework brings. Firstly, it should provide more consistent returns than say single or small collection of individual structured products portfolio because there is a dedicated investment manager using their expertise to take advantage of differing market conditions and opportunities to effect investments within the fund. Further, whereas many structured products are wholly exposed to the creditworthiness of one single counterparty, a fund mitigates counterparty risk through diversification, enforced by regulation, often utilising UK Government issued gilts to mitigate such risks. A fund also has daily pricing and liquidity, meaning both new investments and withdrawals can be made with much greater efficiency than is often the case with retail focused structured products, and with the loss of the so-called 'offer period' you no longer have to worry about investing well ahead of when your investment level becomes known. It should lead to a better investor journey.

Structured products are alchemy then?

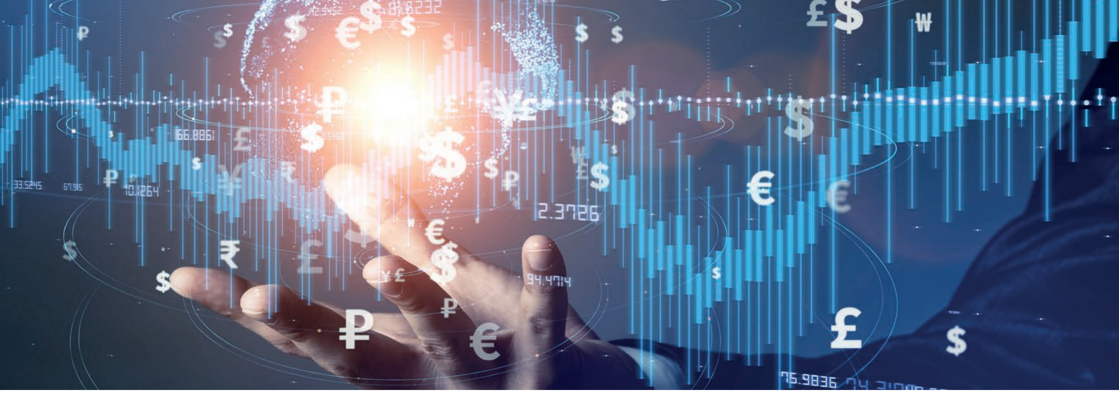
No single investments should constitute a substantial proportion of a portfolio. It is key that diversification over a whole range of possible solutions and potential outcomes are considered as part of a well balanced portfolio; structured products or investments could, and in our view, should feature in any selection process.

Whilst the examples shown earlier proved how structured products can be used to shape a particular risk/reward scenario, it should be stressed that the starting points we use came from either end of the risk spectrum; for the investor who wants to de-risk their investments, the starting point was the index linked tracker, which was then deconstructed to add investment protection and other return features; equally the cautious investor looking to take on more risk started with a fixed rate bond, and that was then deconstructed to add risk and therefore potentially greater reward. There is no magic, no black box of tricks, just the exchanging of risk for reward.

Lowes ‘Preferred’ status

Lowes has been reviewing the structured product market for over two decades and our database now extends to over 9,000 individual products. While we research details of every new product, identifying which products are ‘Preferred’ following our research and cross-referencing them against other structured investments available at the date of review and ones we would usually expect to utilise in the course of our day-to-day role of advising our clients for use within a diversified portfolio.

However, structured investments not marked as ‘Preferred’ may well be more appropriate or suitable for clients depending upon their specific needs and requirements. It must be appreciated that it is very possible that none of the investments featured on the review site are suitable and so the ‘Preferred’ status or lack of it should not be construed as advice or a recommendation to invest.



Understanding the impact of tax

Being able to assess a future tax liability on forthcoming investment returns based on prediction, can be a somewhat vague task. One of the benefits of investing in structured products today is that for the vast majority the payout at maturity is pre-defined, as are the possible maturity dates. It is this definitive feature that has made them such a popular investment for investors and their advisers. However, one downside to bear in mind that investors will automatically receive their money back on these pre-defined maturity dates or at the end of the term, whether this suits their tax planning needs or not. For most it won't matter particularly as they will be able to make use of their capital gains annual exempt amount equal to £6,000 for tax year 2023/24 or be invested in a tax-advantaged product wrapper such as an Individual Savings Account (ISA) or Self-Invested Personal Pension (SIPP). However with the annual capital gains exemption amount to fall further to £3,000 for the 2024/25 tax year, thought must be taken into account with the increasingly stringent rules. Remember that the allowance relates to gains only across all investments realised in a particular tax year and that any realised or carried forward losses could also be offset against gains made during the tax year. It is the losses that are first applied against gains before using the annual exempt amount.

Gains which exceed the annual exempt amount will normally be taxed at the prevailing rate: 10% for basic-rate taxpayers and 20% for higher-rate taxpayers in the 2023/24 tax year.

Income payments will be subject to income tax at the investor's highest marginal rate normally via self-assessment, which should be declared to HMRC.

Deposit-based plans are also subject to income tax at the investor's highest marginal rate, again via self-assessment, which should also be declared to HMRC. Interest will normally be paid gross or with no basic rate tax deducted but investors should check this with their provider.

One favourable nuance with regard to the fund-based version is that investments realised within the underlying fund portfolio do not give rise to any capital gains tax liability; a benefit that cannot be achieved by an investor holding the investment directly. It is only when investors come to sell down their holding in the fund that capital gains tax may be applicable, possibly mitigated as mentioned above.

The tax treatment of investments depends on the individual circumstances of each client and may be subject to change in the future. It is recommended that your seek advice if you are at all unclear on your tax obligations.

How to invest

Structured product investing - typically offered by dedicated providers such as MB Structured Investments, Walker Crips, Mariana Capital and Meteor Asset Management who all offer an administration and custody service for each structured product you may effect with them but typically only accept investments via regulated intermediaries and IFAs.

There are several ways to invest in structured products:

Direct investment - This is an investment held outside of a tax efficient shelter such as an ISA or a SIPP. Any returns may incur a tax liability.

ISA - Investments held within ISAs are not liable for Capital Gains Tax or Income Tax and are therefore one of the most tax efficient ways to invest. The annual subscription limit for ISAs is currently £20,000. ISAs held in respect of previous tax years, including in some instances this year's allowance, may also be transferred in cash to a new ISA provider, although exit charges may be applied by the current ISA provider. Your new ISA provider would take care of the transfer process on your behalf.

Junior ISA (JISA) - not all providers offer this product wrapper but where they do, only children under 18 and living in the UK are eligible. The annual subscription limit for JISAs is currently £9,000. An advantage with the JISA is that anyone can contribute to the JISA for the ultimate benefit of the child, subject of course to gifting rules in the case of such gifts being exempt from tax.

SIPP - Many structured investment products can be held in this type of pension arrangement, subject to the rules of the pension provider. SIPPs, like ISAs, are a tax efficient way to invest money towards retirement goals. There may be an additional charge to hold your structured product within your SIPP arrangement, also information on the performance of your investment might be limited.

Fund based investing - should you wish to invest via a fund, then the first thing to do is open an account with an investment platform which is often an online service. Through this service you, or your adviser, will be able to:

- choose which funds you wish to invest in,
- buy, hold and sell those funds when required, and
- monitor their performance.

There is no single best investment platform as each offers different levels of fees and service typically based on the size of your portfolio. Also, not all the funds you may wish to invest in may be available through your chosen platform and you should check first as to the breadth of your choice and that it matches your requirements; your adviser will be able to assist you should you be unclear.

How to disinvest

Structured products are designed to be held for their full terms, or until the occurrence of an early maturity event. However, it is possible to surrender a structured product holding before it matures. To surrender a structured product holding, investors should contact the product provider who will provide an indication of the product's current value. An early surrender could still give rise to a positive return, but investors will usually have to pay an early surrender charge (the exact amount varies between providers) which will erode returns. This process of disinvestment can take between one and two weeks and the value could change over this period from that previously quoted.

With a fund-based investment it is a much easier process and you should instruct your investment platform provider or adviser that you wish to realise all or part of your investment.

Structured product performance - the proof in the pudding

Through our review service - StructuredProductReview.com - we analysed the 634 structured products that matured in 2022 and found that 98.4% of all products generated positive returns for investors, with no single plan maturing with a loss. The ten plans that matured returning capital only were deposit-based plans, none of which exposed investors to loss of capital. Lowes' own list of 'Preferred' plans matured with more gains, with 97 'Preferred' products delivering an average annualised return of 7.91%. The table below gives a high level summary of our findings.

All Products	Structured Products Maturities 2022	Lowes 'Preferred' Plans
634	Number of Product Maturities	97
624	Number of Products Generating Positive Returns	97
10	Number of Products that Returned Capital Only	0
0	Number of Products that Lost capital	0
3.24	Average duration / term (years)	3.66
	Average Annualised Returns	
6.89%	All Capital-at-Risk Products	8.35%
9.15%	Upper Quartile	10.87%
4.98%	Lower Quartile	6.52%
3.41%	All Deposit Products	4.80%
4.99%	Upper Quartile	5.62%
1.20%	Lower Quartile	4.22%
6.45%	All Products	7.91%
8.97%	Upper Quartile	10.66%
3.99%	Lower Quartile	5.52%

Source: Lowes Structured Products Annual Review 2023

Much more information on our individual product review service and on our Annual Performance Review can be found Lowes.co.uk/SPReview2023

About Lowes Financial Management

Lowes is one of the longest standing Independent Financial Advisers in the UK. We have been providing sound Independent Financial Advice to our clients and their families for generations. As one of the largest privately owned IFAs in the North-East, we have been forging successful long term relationships with clients for over 50 years.

The keystone upon which Lowes and its clients have prospered is our personal approach to financial planning, enabling us to help clients with their goals to build and ultimately protect their wealth.

Lowes has approximately £1bn assets under management and 95% of clients rated our investment advice as 'Good' or 'Very Good' in our most recent biennial client satisfaction survey. Over 90 people work for the firm in some capacity. As well as providing investment management, Lowes can advise on inheritance tax planning, pensions, long term care and other general financial planning issues. A combined wealth of experience and industry knowledge ensures clients receive financial advice that is tailored to their personal needs and expectations.

Lowes provides a bespoke and model investment portfolio service and we pride ourselves on being an 'Independent' Financial Adviser. This means we look across the whole investment space into alternatives, alongside traditional investments, to deliver attractive returns for clients, taking the appropriate level of risk. The investment process is not driven by external set asset allocation, but by the investment team's own fund selection and asset parameters. Our long history in investments means that we have experienced different economic styles and recognise the importance of protecting client's money.

Our expertise in the field of financial planning has led to being acknowledged in industry awards over the years, something which we are justly proud of.

LOWES
PERSONAL FINANCES
CARED FOR PERSONALLY

Say hello...

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