UWEALTH

GUIDE TO UNDERSTANDING ASSET CLASSES :

NON-PRINCIPAL-PROTECTED STRUCTURED PRODUCTS

U Wealth : Your partner in mastering financial instruments.

We want you to feel comfortable making suitable investment decisions based on knowledge of the opportunities and risks of given financial instruments.

SEPTEMBER 2026

FINANCIAL INSTRUMENTS: OPPORTUNITIES AND RISKS

The higher the complexity of a financial instrument, the higher its potential risk – but the higher, too, the opportunities for returns.

WHAT ARE STRUCTURED PRODUCTS?

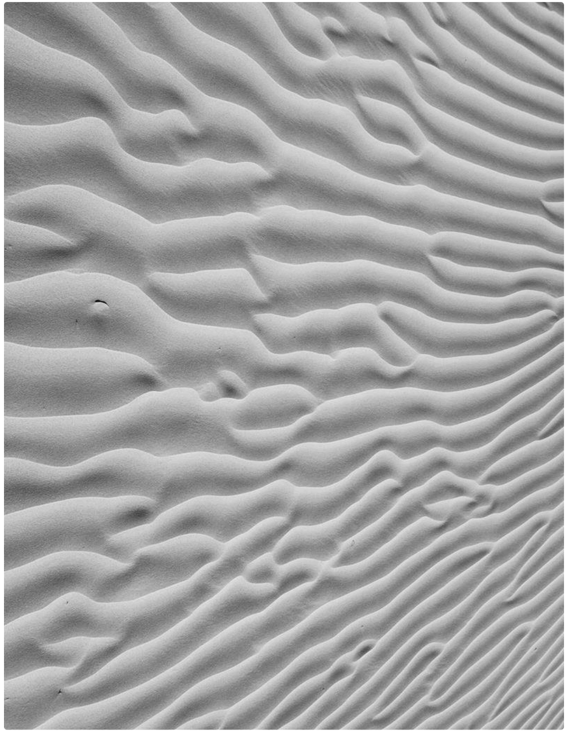
Structured products are **synthetic investment products** that usually **combine two or more financial instruments**, one of them often being an **option**.

The purpose is to **tailor the risk properties**, which cannot be found in standard financial instruments, in order **to suit the specific market expectations** and investment objectives of investors.

Structured products can give access to markets not easily covered by other financial instruments.

Structured products are **available for a range of risk categories.**

This document focuses on **non-principal protected structured products** such as yield enhancement or participation products. Additional explanatory material is available for principal protected products as well as for leveraged products.



In case of ETP, product could also consist of only one Digital Asset as underlying which is not classified as a financial instrument.

ADVANTAGES/DISADVANTAGES

Advantages

Can be **used to reduce risk** by adding them to an existing portfolio. They provide

- capital protection
- volatility reduction.

They **cater to market expectations** not easily met by other instruments, e.g. sideways movements of markets or low-yield market environments.

They can offer **yield enhancement.**

They have the potential for **enhanced returns.**

There is a **broad range** of assets available.

They are **tailored** to investors' expectations.

Disadvantages

Returns are not easily predictable.

There can be **price uncertainty**.

Because they are tailored, the market may be **less liquid.**

Structured products are in most cases unsecured debt, and the credit quality of the issuer **(issuer risk)** needs to be considered.

Structured products may be **difficult to understand,** depending on the product.

The advantages and disadvantages of structured products are highly product-specific.

IMPORTANT RISKS TO CONSIDER

Important risks	
	▪ **The choice and quality of the issuer are important.** – Structured products expose the issuer of the product, not the issuer of the underlying, to risks. – Structured products are very specific instruments; such liquidity may be less than with other products and depends on the issuer's market making. ▪ Structured products often include option characteristics: the **price** of the product **does not move in a linear way** due to varying pricing factors. Thus, **the pay-off profile may only be reached at maturity**. ▪ If the product is quoted in a different currency, the additional **currency risk** needs to be considered. Specific structured products may hedge this risk (quanto). ▪ Each structured product has its own risk characteristics and suitability for individual market expectations. It may enhance or limit the market risks to which the underlying asset is subject. The following product categories are important.

Product category	Risk	Short description
Capital protection	Less risk	A product that guarantees a limitation of the risk of total loss under certain conditions.
Yield enhancement		A product that combines a fixed income product with an option.
Participation	More risk	A product that usually carries the full risks of the underlying with/without contingent capital protection.
Leverage		Products that make use of leverage effects to maximise possible returns at the risk of total loss.
Leverage with knock-out		Products that make use of leverage effects to maximise possible returns at the risk of total loss.

A structured product is an individual contract with the issuer of the product. Please refer to the product disclosure statements for detailed information on the rights, obligations, and risks involved in a specific investment.

WHAT TO EXPECT FROM STRUCTURED PRODUCTS

Investment horizon

- Short term
- Medium term
- Long term

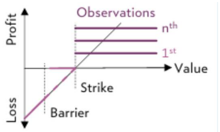
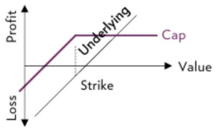
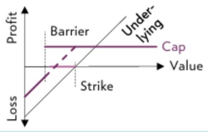
Income expectation

- Capital gain
- Regular interest
- Irregular dividends

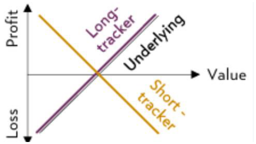
Market expectation

Different product categories cater to different market expectations. See following pages for further details.

IMPORTANT TO KNOW BEFORE INVESTING IN YIELD OPTIMISATION

Class	Discount certificate	Express certificate	Barrier reverse convertible
Maximum gain	Discount given at issue	Coupon paid	Coupon paid
Maximum loss	Total loss of capital invested	Total loss of capital invested	Total loss of capital invested
Profit/loss	 ▪ Issue price at a substantial discount to strike ▪ Delivery of underlying if value is below strike at maturity ▪ If the value is above strike at maturity, delivery of strike price in cash	 The following possibilities arise on every observation date: ▪ Early redemption of nominal plus coupon if underlying is above strike ▪ Delivery of underlying if underlying is below barrier ▪ Nominal preserved above barrier	 ▪ Coupon is paid independent of value of the underlying ▪ If value above strike, then nominal and coupon are paid ▪ If an underlying touches barrier, then physical delivery is possible ▪ Nominal preserved above barrier
Expectations	Decreasing volatility in sideways or slightly increasing tendencies	▪ Sideways or slightly increasing tendencies ▪ No decrease beneath barrier	▪ Decreasing volatility in sideways or slightly increasing tendencies ▪ No decrease beneath barrier
Specific risks	When below strike, the certificate reflects the market risks of the underlying asset.	If the value of the underlying assets falls below the barrier, the loss can theoretically be as high as the capital invested, with the exception of any coupon payment that took place. The price of the product may fall already if the underlying value drops near the barrier without touching it.	
Comments	▪ In some cases, capital protection may be combined with other certificates, e.g. express certificates. ▪ The underlying may be one or several assets, each with an individual barrier. Such products may deliver the worst performance only if any of the assets touches its barrier and closes below strike at maturity. ▪ Depending on the product type, barriers are either observed continuously or on certain days (American/European option component).		

IMPORTANT TO KNOW BEFORE INVESTING IN PARTICIPATION PRODUCTS

<table>
<tr><th>Class</th><th>Tracker certificates</th><th>Outperformance certificates</th><th>Bonus certificates</th></tr>
<tr><td>Maximum gain</td><td>Reflect performance of underlying asset</td><td>Performance of underlying asset multiplied by participation</td><td>Total loss of capital invested</td></tr>
<tr><td>Maximum loss</td><td>Total loss of capital invested</td><td>Total loss of capital invested</td><td></td></tr>
<tr><td>Profit/loss</td><td>


- Participation in the performance of an underlying
- Can be short or long trackers
- Usually uses a basket of underlying
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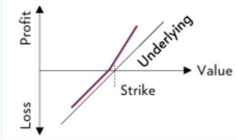

Participation in the performance of the underlying. Example: a call-based certificate:

- 1:1 below strike
- Over-proportional above strike
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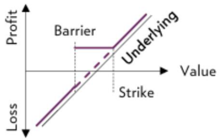

- Participation in the performance of the underlying
- Redemption of nominal when above barrier
- Below barrier and above strike, the product is a tracker certificate
</td></tr>
<tr><td>Expectations</td><td>For either rising or decreasing values of underlying(s)</td><td>Rising volatility value of underlying</td><td>Sideways or increasing tendencies of underlying, but no decrease towards barrier</td></tr>
<tr><td>Specific risks</td><td>Risks reflect the market risks of the underlying(s)</td><td colspan="2">Certificates include options. The price of the certificate may therefore react in a non-linear way to price changes of the underlying asset.</td></tr>
<tr><td>Comments</td><td colspan="3">Certificates with several assets as underlyings bear risks that differ from those that a mutual fund is exposed to. The aim of the structured product is not necessarily diversification but to track and participate in the (very specific) assets selected. The investor participates intentionally in the specific risks of the underlyings. Additionally, unlike mutual funds, certificates are not secured debt.</td></tr>
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A CLOSER LOOK AT YIELD ENHANCEMENT & PARTICIPATION PRODUCTS

COMMON FEATURES CONCERNING RISK EXPOSURE

The specific risks of structured products have to be evaluated in detail on a product-by-product basis.
Nevertheless, structured products have some **common features** as far as their risk exposure is concerned.

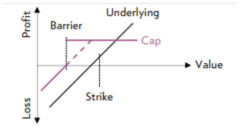
- Investing in structured products is **not the same as investing directly in the underlying assets** involved. While a structured product inherits the risk exposure of its underlying (specifically its market risks), the combination adds new features (opportunities as well as risks).
- In many cases, structured products include an option component. This results in **non-linear pricing behaviour**.
- Structured products are **tailored by an issuer.** They constitute a debt obligation of the issuer and are not preferred debt. Hence, the investor is exposed to the **credit risk of the issuer**.
- The increased complexity may cause the **liquidity risk to be higher** than with other, more standardised investment products.
- Costs/fees are usually calculated in the structured product's issue price. The **cost transparency** for the investor **is therefore not always as clear** as with other investment products (e.g. funds).
- If the product itself, or one of its underlyings, is quoted in a different currency, the **currency risk** needs to be considered. Specific structured products may hedge the currency risk ('**quanto**').
- The time to maturity has to be evaluated carefully for structured products.
  - **Maturity** varies highly and depends on the product's features.
  - Certain products may reach their pay-off profile only at maturity or on specific dates. Although the product is liquid, its pricing behaviour before maturity may not be linear like at maturity (e.g. capital protection is only valid at maturity, not before).
- Legally, structured products constitute individual contracts with the issuer. A very wide range of structured products is available. It is beyond the scope of this educational material to describe all their aspects. It is therefore important to refer to the product disclosure documents (terms and conditions) for detailed characteristics and risk disclosure.

(1) Structured products are not funds and are therefore not subject to the regulations on collective investment schemes.

YIELD OPTIMISATION PRODUCTS (1/2) EXAMPLES

Yield optimisation – barrier reverse convertible

Pay-off profile



Properties at issue

Nominal = CHF 1,000
Maturity = one year
Coupon = 11% per annum

Underlying is a basket of three shares

	Share 1	Share 2	Share 3
Currency	CHF	CHF	CHF
Strike	50.4	97.8	33.24
Knock-in	32.73	63.57	21.60
Ratio	19.84	10.23	30.08

Redemption scenarios at maturity

Scenario 1 – No asset touched barrier at all
Lowest quotation: 44.59 – 68.90 – 25.20
Closing price: 56.35 – 69.40 – 35.50
Redemption of nominal: CHF 1,000
Coupon payment: CHF 110
Total redemption: CHF 1,110

Scenario 2 – Barrier event occurred, but closing prices are all above strike
Lowest quotation: 44.59 – 56.55 – 25.20
Closing price: 62.66 – 103.74 – 35.95
Redemption of nominal: CHF 1,000
Coupon payment: CHF 110
Total redemption: CHF 1,110

Scenario 3 – Barrier event occurred and at least one closing price is below strike
Lowest quotation: 44.59 – 56.55 – 25.20
Closing price: 56.35 – 69.40 – 33.00
Redemption of worst performer (Delivery of share 2): 10 × 69.40
Cash settlement for fraction with share 2 (0.23 shares × 69.40): CHF 16
Coupon payment: CHF 110
Total redemption: CHF 820

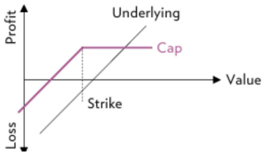
Remarks:

- The coupon paid is independent of the performance of underlying asset
- Usually the worst performer is delivered. See Scenario 3: the barrier was touched but the performance of Share 2 is highly negative (-32.9%) compared with Share 2 in this example.
- Pay-off profile is only reached at maturity. Before maturity, the product may behave in a non-linear way.

YIELD OPTIMISATION PRODUCTS (2/2) EXAMPLES

Yield optimisation – reverse convertible on foreign exchange

Pay-off profile



Properties at issue

Underlying	Foreign currency / home currency
Spot price	0.9532 (XYZ/CHF)
Strike price	0.9532 (XYZ/CHF)
Coupon	20% per annum
Maturity	1 month
Minimum investment	CHF 250,000

Redemption scenarios at maturity

Scenario 1 – Exchange rate > strike price (home currency is weaker)
Nominal amount and coupon paid back in home currency
(e.g. conversion rate at maturity is 0.981)
Redemption = CHF 250,000 + CHF 4,167 = CHF 254,167

Scenario 2 – Exchange rate < strike price (home currency is stronger)
Nominal amount and coupon are paid in conversion currency converted at strike!
Redemption = (CHF 250,000 + CHF 4,167) / 0.9532 = XYZ 266,646
The current value at maturity of this redemption amount in CHF
(e.g. conversion rate at maturity is 0.92)
Redemption = XYZ 266,646 × 0.92 = CHF 245,314.32

Remarks:

- Reverse convertibles on foreign exchange are usually over-the-counter traded instruments
- Reverse convertibles with underlying shares are traded on secondary markets working price, home.
- The coupon payment is independent of the performance of underlying.
- The investor is exposed to market risks of the underlying asset case above currency risk may be high; therefore scenario analysis is important.
- Reverse convertibles on foreign exchange cannot be sold prior to maturity so are not secondary market instruments.
- Liquidity is therefore very limited.

PARTICIPATION PRODUCTS EXAMPLES

Participation – tracker certificate (long)

Pay-off profile

Properties at issue

Issue price	CHF 99 (99%)	Participation	100 %
Initial value	CHF 100	Maturity	1 year

Underlying is a basket of four shares

	Ref. price [CHF]	Weight in basket	No. of shares
Share 1	22,365	0.25	1.12
Share 2	384,585	0.15	0.039
Share 3	33,353	0.30	0.90
Share 4	76,465	0.30	0.39

Redemption scenarios at maturity

Scenario 1

Closing prices	No. of shares	Redemption value
Share 1 – 23.25	Share 1 – 1.12	Share 1 – 25.99
Share 2 – 375.23	Share 2 - 0.039	Share 2 - 14.64
Share 3 – 34.22	Share 3 – 0.90	Share 3 – 30.78
Share 4 – 79.35	Share 4 – 0.39	Share 4 – 31.17

Total redemption value 102.54

Calculation method

Total value of basket is calculated as:
Σ (closing price × no. of shares per basket)

Remarks:
The investor directly participates in the performance of underlying asset.
Participation may be more or less than 100%, depending on specific product.
Risk is linked to market risk by the investor to the market risks of the underlying asset as a whole.
Currency risk emerges in those cases where product currency not home currency of investor, when individual underlying quoted in currency different from the product's currency. Some products hedge the currency risk ('quanto').

A CLOSER LOOK AT EXCHANGE TRADED PRODUCTS (ETP)

WHAT ARE ETP?

ETP are a **sub-category of structured products** and hence are technically considered as structured products but can also have many elements of fund similar instruments

The main difference is that ETP are listed and traded on exchanges while structured products are mostly traded on primary markets

ETP can be benchmarked to various investments categories, such as commodities, currencies, stocks, bonds or digital assets

	STRUCTURED PRODUCT (SP)	EXCHANGE TRADED PRODUCT (ETP)
LEGAL STRUCTURE	▪ Often unsecured debt obligations of financial institutions	▪ Legally ETPs are non-interest bearing notes (structured products) ▪ Usually set up via Special Purpose Vehicle (SPV)
OWNERSHIP OF UNDERLYING ASSET?	▪ Debt contract promises return linked to underlying asset; but ▪ SP may be hedged (1:1) or not ▪ Can trade at premium/discount to NAV and has counterparty risk	▪ Debt contract promises return linked to underlying asset ▪ ETP are typically 100% collateralized
TRADING	▪ Mostly primary markets (subscription and redemption at NAV) ▪ Secondary trading possible: Issuer makes OTC market	▪ Market making via Authorized Participants ▪ Analogous to ETF: Trading difference minimized

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