



StructuredProductReview.com

Annual Performance Review 2021

A comprehensive review of structured product performance covering all intermediary distributed products that matured in 2016-2020



SPR Annual Review Introduction

Welcome to our 2021 review, which provides a comprehensive overview of the performance of the UK retail structured products that matured throughout the whirlwind that was 2020 and the preceding four years.

Coronavirus and its worldwide socioeconomic impacts were colossal, and as such 2020 proved to be truly unprecedented. Whilst the exceptional performances the sector witnessed over recent years was unlikely to be repeated at a time of such market turmoil, 2020 turned out to be another successful, inflation-busting year for structured products.

The UK stockmarket entered Q1 2020 on the back of a post-general election rally, though was quickly pulled back down to Earth as February witnessed the worst week for stock markets since the Global Financial Crisis and March suffered the single largest daily drop in the FTSE 100 Index since the 'Black Monday' crash in 1987.

Whilst Q1 encompassed the market downturn that would be felt throughout the year, it remained the sector's best performing quarter in 2020 with 108 plans maturing, producing an average annualised return of 5.7% across an average term of approximately three and a half years. 100 of the 108 maturities in Q1 achieved a positive return for investors, with three realising a loss and the remaining five returning original capital in full.



Unfortunately, despite the relatively strong start to the year, the pandemic induced fall was reflected in the maturity performances for 2020's remaining quarters. Q2, Q3 and Q4 produced average annualised returns of 0.72%, 1.6% and 2.44% respectively.

These averages were impacted by a reduced number of autocall product maturities occurring throughout the year, with the latter three quarters collectively producing 127 maturities – just 19 more than in Q1 alone. Most auto-call / kick-out maturities were deferred until later years, where the potential return will be greater. Given a degree of market recovery we can look forward these contracts kicking out in the coming years, with some exceptional returns.

Fewer autocall maturities meant that products maturing at the end of their fixed terms had a greater impact on the averages than might have otherwise been the case. Given that most underlying's spent much of the year lower than where they were five and six years earlier, the average maturity performance figures were understandably depressed.

That said, there were several cases of positive maturities despite ultimately falling markets. For example, an Investec plan matured in October with a 66% gain, despite the FTSE being more than 5% down over the six-year term. A similar plan from Morgan Stanley that matured in April did not fare so well, retuning just original capital because the FTSE fell more than 16% over its 6-year term.



The Morgan Stanley plan was not alone, with almost a quarter of all 2020 maturities giving the same, no loss, no gain result. This is of course a function of them protecting capital from market falls over the term, so a good result, nonetheless.

Throughout the year, sixteen plans matured at a loss, but these were inherently riskier share or commodity linked plans, many of which had been forecast to mature with losses in 2020 for several years – albeit the market fall made matters worse.

Of the sixteen loss-making plans, the worst wasn't share-linked. Meteor's Crude Oil Kick Out Supertracker Plan March 2015 derived its performance from S&P GSCI Crude Oil Excess Return, an index composed entirely of crude oil futures contracts, tracking the performance of the single commodity. This plan matured in April and realised a capital loss of 74.89%, being an annualised loss of 24.12% over 5 years.

At the other end of the performance table, the best performing maturity was also a share linked plan; the Hilbert 3 Stock Defensive Autocall Issue 1 matured after just six months returning 10.075%. On the opposite side of the risk spectrum, the best performing structured deposit was the Investec FTSE 100 Target Income Deposit Plan 8 which matured at the end of its six-year term having paid deposit interest of 5% each year.

All told, from the 235 plans that matured in 2020, the average annualised return was 3.52% over an average term of 4.78 years. Though comfortably beating inflation, the sector's average annualised returns in 2020 were lower than in recent years, as a consequence of the market crash and resultant auto-call maturity deferrals. To provide comparison, in this review we have included maturity data from the preceding five years, dating back to 2016, and also show the weighted average annualised returns for the five years.

In 2020 Lowes Financial Management published the Review of the Decade: 2010-2019, a review compiling extensive research into the significant positive steps the UK structured products industry made in the last decade. One of the sector evolutions highlighted was the move to longer maximum potential terms for autocalls, providing a degree of 'Black Swan' protection we hoped would never be needed. As it turned out, it was, and as such the longer durations have provided much welcome peace of mind. If markets take several years to recover, that simple innovation could catapult many future structured product maturities to the top of many investment performance tables – only time will tell. Since the correction, banks have had less appetite for such longer duration autocalls but this will hopefully be less relevant for plans striking in post-correction markets.

All of us here at 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	Headline Data					
	2020	2019	2018	2017	2016	5 year average
Number of product maturities	235	334	385	662	435	410
Number of products producing positive returns	163	315	362	621	388	370
Number of products returning capital only	56	15	23	36	38	34
Number of products which lost capital	16	4	0	5	9	7
Average duration / term (years)	4.78	3.81	3.77	3.65	4.28	3.96
All Plans Average Annualised Returns						
All products	3.52%	5.73%	6.35%	7.04%	5.51%	5.97%
Upper quartile	8.59%	8.95%	9.27%	10.89%	9.54%	9.72%
Lower quartile	-3.09%	1.81%	2.91%	2.69%	0.48%	1.46%

2020 Key Takeaways

- 69.36% of all products maturing in 2020 generated positive returns for investors, with 23.83% returning capital only and 6.81% (sixteen plans) returning a loss.
- Sixteen maturing plans realised a capital loss in 2020, more than double the five-year sector average. Fifteen of these were share-linked plans and the sixteenth was linked to the price of oil.
- 56 returned original capital only but in doing so protected from the market fall.
- The 173 maturing capital-at-risk plans collectively produced an average annualised return of 4.22%, the lowest average return in the five year sample, over an average duration of 4.53 years. The upper quartile returned 9.22% per year, whereas the lower quartile returned -4.1% per year.
- Consistent with the previous four years, the FTSE 100 Index in isolation was the most prevalent underlying measurement utilised, accounting for 50.21% of all maturities.
- 86 of capital at risk maturities were linked solely to the FTSE 100 and these produced an average annualised return of 5.68% over an average duration of 4.24 years. The upper quartile returned 8.48% per year, whereas the lower quartile returned 2.43% per year, again representing the lowest average annual returns in the five year sample.
- The 32 capital 'protected' and deposit-based products linked solely to the FTSE 100 collectively produced an average annualised return of 1.82% over an average duration of 5.35 years, compared to a five year average 3.97% over 5.26 years. The upper quartile returned 4.17% per year, whereas the lower quartile returned 0% per year; the only time the lower quartile value has been 0.00% in the five year period.

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 2020

Structured Product Maturities	By Product Type											
	Capital at Risk						Deposits and Capital Protected					
	2020	2019	2018	2017	2016	5 year average	2020	2019	2018	2017	2016	5 year average
All products												
Number of product maturities	173	243	270	522	287	299	62	91	115	140	148	111
Number of products producing positive returns	133	236	268	508	271	283	30	79	94	113	117	87
Number of products returning capital only	24	3	2	9	7	9	32	12	21	27	31	25
Number of products which lost capital	16	4	0	5	9	7	0	0	0	0	0	0
Average duration / term (years)	4.53	3.32	2.96	3.17	3.79	3.43	5.49	5.13	5.67	5.40	5.23	5.38
Average annualised return												
All products	4.22%	6.74%	7.55%	8.02%	6.63%	7.02%	1.55%	3.05%	3.53%	3.40%	3.32%	3.14%
Upper quartile	9.22%	9.38%	9.66%	11.33%	10.31%	10.27%	4.01%	5.07%	5.63%	6.32%	6.16%	5.67%
Lower quartile	-4.01%	3.81%	5.62%	4.89%	2.11%	3.28%	0.00%	0.55%	0.52%	0.18%	0.06%	0.26%
FTSE 100 Index Only												
Number of product maturities	86	160	192	313	209	192	32	60	68	70	101	66
Number of products producing positive returns	77	160	192	313	207	190	17	60	68	70	97	62
Number of products returning capital only	9	0	0	0	2	2	15	0	0	0	4	4
Number of products which lost capital	0	0	0	0	0	0	0	0	0	0	0	0
Average duration / term (years)	4.24	3.36	3.00	3.41	4.01	3.52	5.35	4.87	5.58	5.32	5.19	5.26
Average annualised return												
All products	5.68%	6.81%	7.45%	7.64%	6.82%	7.11%	1.82%	3.81%	4.57%	4.54%	3.94%	3.97%
Upper quartile	8.48%	8.99%	9.52%	10.13%	9.53%	9.54%	4.17%	5.19%	5.77%	6.04%	5.87%	5.60%
Lower quartile	2.43%	5.03%	5.70%	5.75%	4.23%	4.99%	0.00%	2.30%	3.42%	2.70%	1.52%	2.15%
Non-FTSE 100 Index Only												
Number of product maturities	87	83	78	209	78	107	30	31	47	70	47	45
Number of products producing positive returns	56	76	76	195	64	93	13	19	26	43	20	24
Number of products returning capital only	15	3	2	9	5	7	17	12	21	27	27	21
Number of products which lost capital	16	4	0	5	9	7	0	0	0	0	0	0
Average duration / term (years)	4.82	3.24	2.85	2.82	3.22	3.27	5.64	5.65	5.80	5.47	5.30	5.55
Average annualised return												
All products	2.78%	6.59%	7.82%	8.58%	6.13%	6.86%	1.27%	1.58%	2.03%	2.27%	1.97%	1.93%
Upper quartile	9.85%	10.04%	9.96%	12.68%	11.77%	11.28%	3.70%	4.22%	4.94%	6.24%	6.76%	5.46%
Lower quartile	-8.29%	1.69%	5.52%	3.86%	-3.38%	0.73%	0.00%	0.00%	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					
	2020	2019	2018	2017	2016	5 year average	2020	2019	2018	2017	2016	5 year average
All products												
Number of product maturities	40	24	30	70	82	49	44	51	92	124	133	89
Number of products producing positive returns	28	24	30	70	77	46	21	51	76	98	102	70
Number of products returning capital only	11	0	0	0	1	2	23	0	16	26	31	19
Number of products which lost capital	1	0	0	0	4	1	0	0	0	0	0	0
Average duration / term (years)	5.92	5.63	5.71	5.13	5.07	5.36	5.35	5.34	5.89	5.55	5.27	5.49
Average annualised return												
All products	3.98%	6.60%	8.05%	8.90%	6.46%	6.96%	1.38%	3.15%	3.68%	3.22%	3.22%	3.12%
Upper quartile	9.82%	8.51%	10.95%	11.94%	10.61%	10.70%	3.85%	5.09%	5.81%	6.35%	6.27%	5.82%
Lower quartile	-2.41%	4.79%	5.50%	5.66%	1.32%	2.80%	0.00%	1.27%	0.73%	0.08%	0.00%	0.32%
FTSE 100 Index Only												
Number of product maturities	23	20	29	66	74	42	23	33	52	56	86	50
Number of products producing positive returns	14	20	29	66	73	40	8	33	52	56	82	46
Number of products returning capital only	9	0	0	0	1	2	15	0	0	0	4	4
Number of products which lost capital	0	0	0	0	0	0	0	0	0	0	0	0
Average duration / term (years)	5.90	5.55	5.70	5.08	5.03	5.28	5.22	5.31	5.91	5.60	5.25	5.47
Average annualised return												
All products	3.27%	6.59%	8.05%	9.16%	7.06%	7.39%	0.99%	3.59%	4.71%	4.41%	3.91%	3.88%
Upper quartile	7.39%	8.67%	11.19%	12.02%	10.74%	10.64%	3.53%	5.33%	5.93%	6.13%	5.95%	5.47%
Lower quartile	0.00%	4.68%	5.33%	6.25%	2.89%	4.13%	0.00%	1.83%	3.49%	2.45%	1.32%	1.97%
Non-FTSE 100 Index Only												
Number of product maturities	17	4	1	4	8	7	21	18	40	68	47	39
Number of products producing positive returns	14	4	1	4	4	5	13	18	24	42	20	23
Number of products returning capital only	2	0	0	0	0	0	8	0	16	26	27	15
Number of products which lost capital	1	0	0	0	4	1	0	0	0	0	0	0
Average duration / term (years)	5.95	6.00	6.00	5.88	5.51	5.85	5.48	5.39	5.87	5.52	5.30	5.52
Average annualised return												
All products	4.94%	6.68%	7.94%	4.71%	0.91%	4.26%	1.81%	2.35%	2.35%	2.24%	1.97%	2.16%
Upper quartile	11.10%	7.55%	-	8.14%	2.96%	8.09%	3.94%	4.39%	5.14%	6.21%	6.76%	5.71%
Lower quartile	-5.17%	5.34%	-	2.64%	-1.02%	-1.89%	0.00%	0.70%	0.00%	0.00%	0.00%	0.06%



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

Structured Product Maturities	By Product Type											
	Capital at Risk						Deposits and Capital Protected					
	2020	2019	2018	2017	2016	5 year average	2020	2019	2018	2017	2016	5 year average
All products												
Number of product maturities	87	158	187	365	149	189	10	19	12	10	3	11
Number of products producing positive returns	67	152	185	351	138	179	1	15	8	9	3	7
Number of products returning capital only	13	3	2	9	6	7	9	4	4	1	0	4
Number of products which lost capital	7	3	0	5	5	4	0	0	0	0	0	0
Average duration / term (years)	3.18	2.35	2.18	2.51	2.59	2.08	5.71	3.63	3.67	3.20	3.00	3.91
Average annualised return												
All products	4.47%	7.16%	7.88%	8.23%	6.98%	7.44%	0.29%	2.94%	2.77%	4.41%	4.23%	2.76%
Upper quartile	9.84%	9.90%	9.72%	11.57%	10.72%	10.63%	0.97%	4.12%	4.38%	5.64%	-	3.65%
Lower quartile	-5.17%	4.00%	6.18%	4.90%	2.04%	3.63%	0.00%	0.54%	0.00%	2.79%	-	0.71%
FTSE 100 Index Only												
Number of product maturities	40	97	128	187	85	107	1	15	8	8	3	7
Number of products producing positive returns	40	97	128	187	84	107	1	15	8	8	3	7
Number of products returning capital only	0	0	0	0	1	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)	2.33	2.15	2.15	2.31	2.38	2.26	3.00	3.00	3.00	3.00	3.00	3.00
Average annualised return												
All products	7.31%	7.41%	7.71%	7.62%	7.17%	7.51%	2.91%	3.72%	4.16%	4.67%	4.23%	4.06%
Upper quartile	9.59%	9.48%	9.40%	9.36%	8.78%	9.32%	-	4.13%	4.42%	5.10%	-	3.95%
Lower quartile	5.71%	5.71%	6.32%	6.23%	5.78%	6.05%	-	2.97%	3.85%	4.19%	-	3.11%
Non-FTSE 100 Index Only												
Number of product maturities	47	61	59	178	64	82	9	4	4	2	0	4
Number of products producing positive returns	27	55	57	164	54	71	0	0	0	1	-	0
Number of products returning capital only	13	3	2	9	5	6	9	4	4	1	-	4
Number of products which lost capital	7	3	0	5	5	4	0	0	0	0	-	0
Average duration / term (years)	3.91	2.66	2.24	2.72	2.88	2.80	6.01	6.00	5.00	4.00	-	5.73
Average annualised return												
All products	2.06%	6.76%	8.26%	8.87%	6.73%	7.35%	0.00%	0.00%	0.00%	3.36%	-	0.35%
Upper quartile	10.04%	10.64%	10.29%	13.03%	12.23%	11.81%	0.00%	0.00%	0.00%	-	-	0.00%
Lower quartile	-10.31%	1.13%	6.15%	3.94%	-2.62%	1.18%	0.00%	0.00%	0.00%	-	-	0.00%



Analysis and Annualised Performance by Product Shape - Income Products

Structured Product Maturities	By Product Type											
	Capital at Risk						Deposits and Capital Protected					
	2020	2019	2018	2017	2016	5 year average	2020	2019	2018	2017	2016	5 year average
All products												
Number of product maturities	46	61	53	87	56	61	8	21	11	6	12	12
Number of products producing positive returns	38	60	53	87	56	59	8	13	10	6	12	10
Number of products returning capital only	0	0	0	0	0	0	0	8	1	0	0	2
Number of products which lost capital	8	1	0	0	0	2	0	0	0	0	0	0
Average duration / term (years)	5.87	4.92	4.14	4.38	5.11	4.81	6.01	6.00	6.00	5.85	5.34	5.85
Average annualised return												
All products	3.96%	5.69%	6.11%	6.41%	5.96%	5.76%	4.06%	2.90%	3.08%	5.53%	4.13%	3.62%
Upper quartile	6.81%	7.37%	7.24%	7.65%	6.92%	7.26%	4.47%	5.70%	4.91%	5.98%	5.25%	5.32%
Lower quartile	-1.34%	3.68%	5.13%	5.29%	5.21%	3.92%	3.56%	0.00%	0.44%	5.17%	3.43%	1.82%
FTSE 100 Index Only												
Number of product maturities	23	43	35	60	50	42	8	12	8	6	12	9
Number of products producing positive returns	23	43	35	60	50	42	8	12	8	6	12	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)	5.90	5.05	3.87	5.01	5.27	4.99	6.01	6.00	6.00	5.85	5.34	5.81
Average annualised return												
All products	5.25%	5.56%	5.98%	6.05%	5.87%	5.81%	4.06%	4.51%	4.07%	5.53%	4.13%	4.39%
Upper quartile	5.84%	6.73%	6.96%	6.94%	6.60%	6.70%	4.47%	5.72%	5.13%	5.98%	5.25%	5.31%
Lower quartile	4.79%	4.49%	5.00%	5.21%	5.24%	4.99%	3.56%	3.70%	2.96%	5.17%	3.43%	3.05%
Non-FTSE 100 Index Only												
Number of product maturities	23	18	18	27	6	18	0	9	3	0	0	2
Number of products producing positive returns	15	17	18	27	6	17	-	1	2	-	-	1
Number of products returning capital only	0	0	0	0	0	0	-	8	1	-	-	2
Number of products which lost capital	8	1	0	0	0	2	-	0	0	-	-	0
Average duration / term (years)	5.85	4.61	4.64	2.99	3.80	4.40	-	6.00	6.00	-	-	6.00
Average annualised return												
All products	2.67%	5.98%	6.37%	7.22%	6.66%	5.64%	-	0.75%	0.44%	-	-	0.67%
Upper quartile	7.09%	8.02%	7.63%	8.17%	7.98%	7.75%	-	3.37%	-	-	-	2.53%
Lower quartile	-5.67%	2.63%	5.45%	6.11%	5.18%	2.29%	-	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.

In addition to provider/product information, tools, services specifically designed to assist in researching and advising on structured products and providing independent expert input alongside the views of and contributions from the advisory community itself, StructuredProductReview.com aims to provide the deepest and most comprehensive one-stop source of information and education available for the IFA market. It amalgamates the best that the structured product industry and its providers themselves make available.

StructuredProductReview.com was conceived and is maintained by Lowes Financial Management (Lowes). For almost 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.

Lowes expertise in the structured product sector is widely acknowledged. Lowes have been evaluating all new entries to the retail market for more than twenty years, during which time they have played a significant role in helping to educate the wider adviser community about the sector, whilst helping to shape it for better investor outcomes, 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

