



# GRADIENT INVESTMENTS DESIGNED INCOME PORTFOLIO

## QUARTERLY PAYMENT OFFERINGS

A Parameter Series portfolio offering, the objective of the Gradient Investments Designed Income Portfolio is to create recurring income for investors. Investors in the Designed Income Portfolio generate recurring income through cash coupon payments. These coupon payments are subject to a pre-defined set of parameters intended to provide a stated income objective while also setting a pre-defined level of principal protection at maturity.

### STRUCTURED NOTES

The Gradient Designed Income Portfolio invests clients in structured notes to provide a pre-determined and defined range of outcomes. Structured Notes are:

- Issued by financial institutions
- Backed by the credit of the underwriter
- Subject to potential investment loss
- Linked to the performance of a reference asset/index
- Typically issued with a fixed maturity date
- Not actively traded on security exchanges

Source: [https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_structurednotes#:~:text=What%20are%20Structured%20Notes%3F,%2C%20and%20For%20foreign%20currencies.](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_structurednotes#:~:text=What%20are%20Structured%20Notes%3F,%2C%20and%20For%20foreign%20currencies.)

The Gradient Investments Designed Income Portfolio utilizes structured notes to provide a stated coupon yield. Annualized coupon yield will be dependent on a number of parameters, including:

- Index or indices used
- Length to maturity
- Call features
- Level and type of protection
- Coupon contingencies
- Payment frequency

The Designed Income Portfolio is built for investors who want a recurring income stream based on a pre-defined set of parameters. Offerings in the Designed Income Portfolio will typically provide higher income compared to traditional bonds but will carry incremental risks including potential loss of principal at maturity. Coupon payments will be contingent on the performance of the pre-determined index, or indices, used. Gradient Investments will offer notes that state the annualized coupon yield while clearly defining the contingencies around coupon payments and principal protection levels at maturity.

### EXAMPLE OF A DESIGNED INCOME OFFERING

Below is a hypothetical scenario of parameters for a Designed Income offering:

|                  |              |                   |                       |
|------------------|--------------|-------------------|-----------------------|
| Index            | S&P 500      | Principal Barrier | 25% principal barrier |
| Maturity         | 3 years      | Coupon Barrier    | 25% coupon barrier    |
| Call Provision   | Non-callable | Underwriter       | Competitive Bid       |
| Coupon Frequency | Quarterly    | Coupon            | 5% annualized         |

Determination of Coupon Payments:

- Coupons are paid periodically in cash according to the payment frequency
- A coupon barrier is the level at which coupons will be paid (at or above the level) or forfeited (below the level).
- Coupon payments are **forfeited** if the value of the index is below the coupon barrier level on the payment date
- **Each coupon payment is an independent event.** Payments are made or forfeited each payment date based upon the pre-defined parameters

Determination of Return of Principal at maturity:

- A principal buffer or barrier is the level at which full principal will be returned (at or above the level) or begin to participate in loss (below the level).
- If the index value **ends below** the buffer or barrier level:
  - **Buffer offering:** the investor participates one for one in loss beyond the buffer level
  - **Barrier offering:** the investor experiences the full amount of performance loss of the index

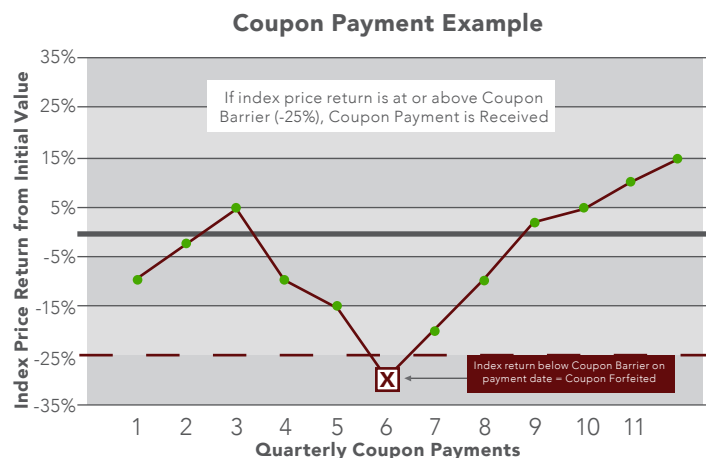
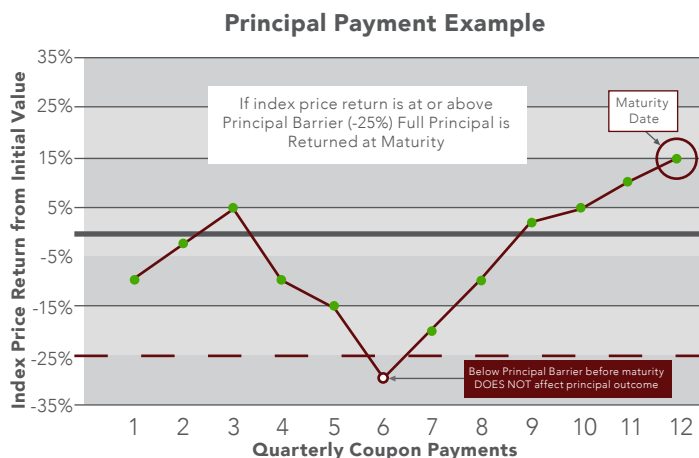
Call features: The Designed Income Portfolio offerings may be called prior to maturity.

- This can be automatic (auto callable) or at the discretion of the underwriter (underwriter callable)
- Offerings can be called on coupon payment dates after a pre-determined period
- **If called, investors are paid the current cash coupon and full principal is returned**

Upon either maturity or an offering being called, proceeds will go to cash and placed in the investor account. Proceeds will NOT be automatically reinvested as market conditions are subject to change.

|                  |              |
|------------------|--------------|
| Index            | S&P 500      |
| Maturity         | 3 years      |
| Call Provision   | Non-callable |
| Coupon Frequency | Quarterly    |

|                   |                       |
|-------------------|-----------------------|
| Principal Barrier | 25% principal barrier |
| Coupon Barrier    | 25% coupon barrier    |
| underwriter       | Competitive Bid       |
| Coupon            | 5% Annualized         |



For illustration purposes only. Illustration returns are gross of all advisor and investment management fees. Terms and outcomes subject to change.

These numbers are not meant to predict your individual results which could be better or worse. Investing involves risk including the possible loss of principal, and past performance is no guarantee of future returns. This information should not be used as the sole basis for making an investment decision.

## RISKS

The Designed Income Portfolio offerings carry three types of risk to the investor. These are:

- Coupon payment risk: the potential for loss of cash payments due to index values falling below pre-determined levels
- Principal return risk: At maturity only, the risk of principal loss may occur due to index values falling below pre-determined levels
- Underwriter credit risk: Offerings are backed by the credit of the issuing financial institution. Failure to satisfy contractual obligations could lead to loss of principal

## SUMMARY

The Gradient Investments Designed Income Portfolio has the objective of delivering a recurring income stream. These portfolio offerings are issued by investment grade underwriters who are some of the world's largest financial institutions. Cash coupons are paid periodically based upon pre-determined parameters and taxed as ordinary income in taxable accounts. Portfolio offerings are constructed as a point to point solution but can be liquidated intra-period if necessary. Offerings that mature (or are called) will return principal based on pre-determined criteria and will be paid in cash and placed in the investor account.

Please consult your independent investment advisor before making any investment decisions. The information herein is for informational purposes only and should not be used as the sole basis for making an investment decision. Investing involves risk including the potential loss of principal. For more information, please request a copy of Gradient Investments' ADV Part 2A. Gradient Investments, LLC is an SEC Registered Investment Advisor.

978198 2024-02-22 GI