Financial Products

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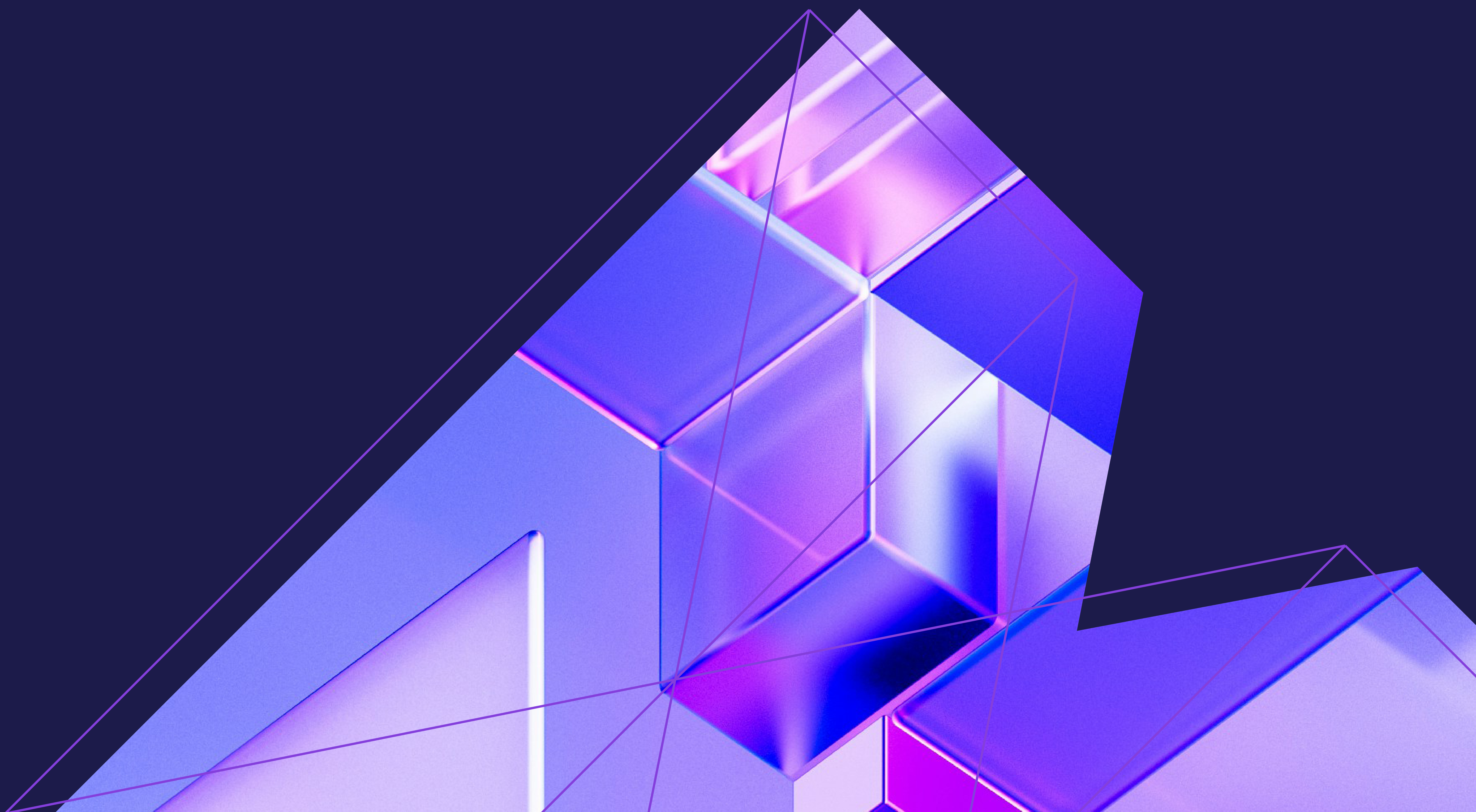
Structured Products, Unstructured

13. Dispersion Notes



What are they?

A Dispersion Note is a structured product where returns depend on how differently the components of a basket perform relative to each other.

Instead of focusing on whether markets go up or down, dispersion notes are designed to benefit when individual stocks move away from the average performance of the basket.

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Why use them?

Exposure to dispersion, not direction

Returns are driven by differences in performance between stocks, rather than overall market direction.

Diversification of risk factors

Adds exposure to correlation dynamics, which behave differently from traditional equity risk.

Works across market conditions

Can perform in both rising and falling markets, provided dispersion is sufficiently high.

Access to relative value opportunities

Captures the spread between outperformers and underperformers within a basket.

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How do they work?

At maturity:

Each stock's performance is compared to the basket average, and the resulting differences are measured.

If dispersion exceeds a predefined level (strike) →
The investor receives a positive payoff, based on the magnitude of that dispersion.

If dispersion remains below this level →
The investor receives no payoff.

The return depends on how much stocks diverge from each other, not how the overall market performs.

Dispersion Notes

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Illustrative example

Dispersion Note on Apple, Microsoft, Nvidia

Currency	USD
Issuer	Marex Financial (S&P BBB)
Maturity	18 Months
Underlyings	Apple (AAPL), Microsoft (MSFT), Nvidia (NVDA)
Strike Level	20%

Scenarios at maturity:

- Apple: +27%
- Microsoft: −15%
- Nvidia: +6%

→ Differences vs basket average = 14% dispersion

Dispersion below strike:
→ Investor receives 0% (no return)

- Apple: +35%
- Microsoft: −27%
- Nvidia: +15%

→ Differences vs basket average = 23% dispersion

Dispersion exceeds strike:
→ Investor receives a 3% return

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Points to consider

Correlation risk
Returns depend on how similarly stocks move relative to each other

Threshold dependency
Dispersion must exceed a predefined level for any payoff to occur

No guaranteed return
Low or moderate dispersion may result in zero payout

No dividends
Returns are based on price movements only

Complex payoff structure
Less intuitive than traditional directional products

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In summary

A way to earn returns driven by relative performance

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Glossary

Dispersion
The degree to which individual stock returns differ from the basket average

Correlation
A measure of how closely assets move together

Strike Level
The minimum level of dispersion required to generate a payoff

Basket Performance
The average return of all underlying stocks

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