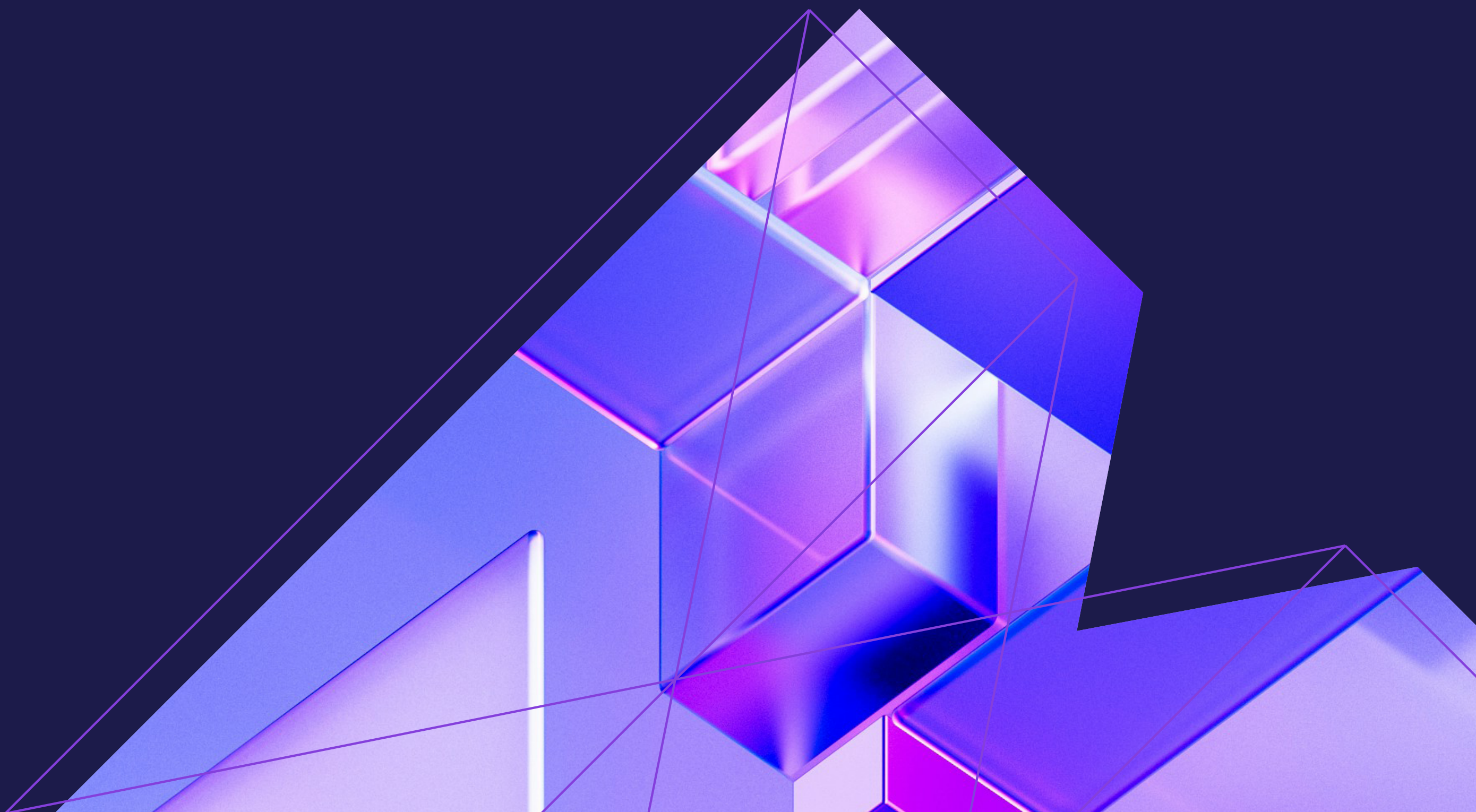


Structured Products, Unstructured

12. Fixed Rate Notes



What are they?

A Fixed Rate Note is a structured product that pays a predefined, fixed coupon over the life of the investment, regardless of market performance.

In economic terms, it is similar to a bond issued by a financial institution, where investors lend capital to the issuer in exchange for fixed interest payments and repayment of principal at maturity — subject to issuer credit risk.

Why use them?

Predictable income

Provides fixed, known cash flows throughout the investment term.

Yield enhancement

Coupons may be higher than government bonds, reflecting issuer credit risk.

Simplicity and transparency

No dependence on equity or market performance — returns are contractually defined.

Portfolio stabilisation

Can provide steady income and reduce overall portfolio volatility

How do they work?

During the life of the note:

At each coupon date →

the investor receives a fixed interest payment, calculated as a percentage of the denomination.

At maturity:

→ the investor receives full capital repayment, provided the issuer remains solvent.

The value of the note during its life may fluctuate with interest rates and credit spreads.

Illustrative example

Fixed Rate Note - Marex Financial as Issuer

Currency	USD
Issuer	Marex Financial (S&P BBB)
Maturity	3 years
Denomination	USD 1,000
Coupon Frequency	Annual
Coupon Level	5% p.a.

At each payment date (annually):

→ Investor receives a USD 50 coupon per denomination

At maturity:

If the issuer remains solvent throughout:

→ Investor receives a USD 50 coupon

→ Investor receives USD 1,000 (denomination) back

If the issuer defaults before maturity:

→ Investor may receive reduced or no capital, depending on recovery

Points to consider

Issuer credit risk

Repayment of coupons and principal depends on the issuer's financial strength.

Coupon uncertainty in default

Coupon payments may stop if the issuer defaults before maturity.

Interest rate risk

If market interest rates rise, the value of the note may fall before maturity.

Credit spread risk

Changes in perceived issuer risk can affect pricing in the secondary market.

No market upside participation

Returns are fixed and do not benefit from equity or market gains.

In summary



A way to earn predictable returns with credit risk

Glossary

Coupon Rate

The fixed interest paid to the investor, expressed as a percentage of the denomination.

Denomination

The face value of the note used to calculate all coupon payments and the final repayment amount.

Issuer

The entity responsible for making coupon and principal payments. Investors are exposed to the issuer's credit risk.

Credit Risk

The risk that the issuer may fail to meet its payment obligations, which could result in reduced or no repayment.

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