Statement Values

Understanding Market-Linked Certificates of Deposit

Market-Linked Certificates of Deposit are considered complex investments and may not be suitable for all investors, so its important to review the relevant offering documents.

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The pricing of a Market-Linked Certificate of Deposit differs from that of traditional investments on your brokerage statement. The value reported will fluctuate and may be less than the initial amount invested, so it is important to understand how the value of a Market-Linked CD will be reported on your statement at various times during which you hold the investment.

What causes my statement value to fluctuate?

Market-Linked CDs are complex investments and are intended to be held until maturity. Prior to the investment's maturity, the value reported on your statement will reflect an estimate of the current market value of the Market-Linked CD, less fees. It does not reflect either the principal or the potential interest you would receive if you held the Market-Linked CD to maturity. Factors impacting your statement value include, but are not limited to:

Credit rating of the issuer – Any adverse changes to the credit rating of the issuer could negatively impact the value of your Market-Linked CD.

Fees – This could include all costs associated with administration and distribution of the product as well as financial professional commissions.

Interest rates – Your statement value may also reflect moves in interest rates. For example, the value could increase if interest rates go down or decrease if interest rates go up.

Underlying asset performance – The Market-Linked CD pays a return based upon on the performance of an underlying asset as detailed in your offering documents. There is no guarantee of return above principal.

Time to maturity – The longer the time to maturity, the more sensitive the value of your Market-Linked CD is to factors such as performance, interest rates, issuer credit rating, and volatility.

Market volatility – Since Market-Linked CDs are linked to the performance of an underlying asset, to the extent that market volatility increases, your statement value may be adversely impacted.

Understanding statements for Market-Linked CDs

The value reflected on your statement will fluctuate and can be affected by various factors. Please refer to your offering documents for the specific instruments you own. The examples that follow highlight how the statement value of the Market-Linked CD may look at various points in the investing lifecycle.[1]

INITIAL STATEMENT

Holding	Initial deposit	Minimum value at maturity	Current value
BANK ISSUER MLCD WITH INTEREST AT MATURITY LINKED TO EQUITY INDEX ISSUE DATE: LAST MONTH **MATURITY: IN 7 YEARS**	$100,000	$100,000	**$95,000**

Why is the value of my Market-Linked CD less than what I deposited?

Estimated value and costs: You may see the value reported on your initial statement as being lower than the amount invested due to incurred fees such as financial professional commissions and issuing and distribution fees.

Time to maturity: Generally, the longer the time to maturity, the bigger the impact of the price swing in either direction. As a Market-Linked CD gets closer to its maturity date, there is less fluctuation in its pricing.

It is important to understand that the values reflected on your statement throughout the life of the Market-Linked CD are not necessarily what you will receive if held to maturity. Instead, the value is intended to be an estimate of the current market value and what you might expect to receive if the Market-Linked CD is sold at the time the statement price is reported. Also, there may not be a liquid secondary market for the Market-Linked CD, and the value of the investment may be worth less than the principal amount if sold prior to maturity. Market-Linked CDs are buy and hold products and intended to be held until maturity.

1 These hypothetical illustrations are for informational and educational purposes only.

INTERIM STATEMENT – UNDERLYING ASSET VALUE DOWN

Holding	Initial deposit	Minimum value at maturity	Current value
BANK ISSUER MLCD WITH INTEREST AT MATURITY LINKED TO EQUITY INDEX ISSUE DATE: 3.5 YEARS AGO **MATURITY: IN 3.5 YEARS**	$100,000	$100,000	**$89,000**

INTERIM STATEMENT – UNDERLYING ASSET VALUE UP

Holding	Initial deposit	Minimum value at maturity	Current value
BANK ISSUER MLCD WITH INTEREST AT MATURITY LINKED TO EQUITY INDEX ISSUE DATE: 3.5 YEARS AGO **MATURITY: IN 3.5 YEARS**	$100,000	$100,000	**$127,000**

What does this mean for my return at maturity?

Market-Linked CDs are intended to be held until maturity, and your returns at maturity are dependent upon the type of CD you invested in and the terms outlined in the specific offering documents. While the statement value reflects an estimate of the current market value of the CD, it does not affect your return at maturity and should not be considered an exact evaluation of what you will receive at maturity. If the underlying asset has a negative return at maturity, the Market-Linked CD will return the full principal amount, subject to the credit risk of the issuer. Market-Linked CDs are FDIC-insured in the event of issuer insolvency, up to the applicable limits.

If you have any questions regarding the value of the Market-Linked CD on your statement, **speak with your financial professional** and review the relevant offering documents.

What you should know before investing in Market-Linked CDs

Call risk
Some Market-Linked CDs (MLCDs) are callable or redeemable, solely at the option of the issuer. The issuer is not obligated to redeem a callable CD, and will typically call an MLCD when it is most advantageous for them to do so. If the MLCD is called, it is possible that you may be unable to reinvest in an MLCD with similar or better terms.

Credit risk
Any investment above the FDIC allowable limit is subject to the credit risk of the issuer, as are any market-linked returns.

FDIC insurance
MLCDs are FDIC-insured in the event of issuer insolvency, up to the applicable limits of $250,000 per account ownership category and for each account owner and each of their beneficiaries. Any investment that exceeds the FDIC limit is subject to the credit risk of the issuer. If the issuer has guaranteed the return of principal, the FDIC will cover both the principal and any accrued interest, up to the applicable insurance limit. However, if interest is only credited at maturity and the issuer were to become insolvent prior to the maturity of the CD, no interest would be insured. InspereX[SM] only partners with bank issuers of MLCDs that are insured with the FDIC. While there is no maximum limit on the amount that you can invest in MLCDs, FDIC insurance only covers MLCDs up to the maximum insurance limits.

Fees
MLCDs are subject to fees and costs, including commission paid to your financial professional, structuring and development costs, and offering expenses. There are also trading costs, including costs to hedge the product. Any sales prior to maturity will be reduced by all associated fees and costs, which are detailed in the offering documents. MLCDs, when held to maturity, will return the initial principal, subject to the credit risk of the issuer, regardless of fees.

Liquidity risk
MLCDs are intended to be held until maturity and there is no formal secondary market for the product, which makes early redemptions difficult and subject to a variety of market-related factors. In the event that you are able to redeem MLCDs prior to maturity, the redemption proceeds may be less than the amount you invested due to fluctuations in the underlying assets and other market-related factors. FDIC insurance does not protect against losses if MLCDs are sold or redeemed prior to maturity.

Market risk
MLCDs are linked to the performance of specified underlying assets. The return on MLCDs can be adversely impacted if the underlying asset performs poorly. At maturity, poor performance of the underlying asset could result in no return above the principal amount.

Performance risk
The MLCD pays a return based upon the performance of an underlying asset as outlined in the offering documents. These terms could include interim caps, averaging, and rates of participation in the underlying asset. MLCDs do not pay dividends. If dividends are declared on the underlying asset, they will be excluded when calculating the performance of the MLCD. There are a variety of factors that may influence the performance of the underlying asset such as volatility, interest rate moves, and time to maturity. Additionally, potential fees charged on the underlying asset may reduce or eliminate any positive return in that underlying asset, thereby reducing the return on the MLCD.

Tax implications
MLCDs may be treated as a “contingent debt instrument” for federal income tax purposes if they are held in a non-qualified account. While an MLCD may not pay interest until maturity, if at all, you may be required to include your charged interest amount each year as income for federal income tax purposes. For specific terms, please refer to the offering documents or consult a tax professional.

Volatility
Volatility refers to the amount of uncertainty or risk in an investment’s value, and the size of changes in that value. Higher volatility indicates that the price of the investment has the potential to change dramatically over a short period of time, in either direction. Volatility, the degree of positive and negative swings in the index, may increase or decrease. Uncertainty in the market can have a negative effect on statement values.

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