

Listening and learning

After the seismic market shocks in 2008 and early 2009, structured products have remained widespread in the media focus. As summer holidays come to an end and schools reopen, we consider the lessons learned and what is on the curriculum for the year ahead

Back to basics

The global malaise that has depressed financial markets over the past 18 months has affected structured investments in a mixed way. Economic uncertainty and low deposit returns may have bolstered volumes but, at the same time, Lehman Brothers' collapse has triggered big questions about counterparty risk. The appropriateness and suitability of 'complex' investments for mainstream investors has been hotly debated. Quite rightly, acronyms and jargon that long created the illusion of understanding are being demystified, and product manufacturers, distributors and rating agencies are being scrutinised. *Product categorisation, accompanied by clear and accessible product information, will help investors to make clear choices.*

The widespread attention that structured products have experienced has ignited curiosity in these investments. With more responsive wrappers and issuance vehicles that enable the investor to tailor their credit exposure coming to the market, product manufacturers are keen to react to this heightened interest. The clear and comprehensive product information that is accompanying these developments enables investors to realise the unique benefits structured products can offer.

Offering access to global markets across a range of asset classes, structured investments can enhance portfolio performance while managing risk. Investors are able to lock in attractive yields, particularly compared to the low deposit returns currently available. Capital-protected investments may help cautious investors to preserve wealth; and leveraged investments may optimise portfolio allocation. *Educating investors on how to potentially attain enhanced returns and giving them a comprehensive understanding of risk and return empowers them to control their investment decisions.*



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Regulatory developments may go some way in improving the quality of advice and resources given to investors and is a step in the right direction. *Product manufacturers who are responsive to investor demand for products and information will support and drive the structured investment industry.*

The new curriculum

As traditional asset allocation strategies (Markowitz included) have been tested, structured products may further consolidate their position

as a useful tool for investors. *The liquidity offered by structured products whose providers endeavour to provide secondary markets and renewed commitments to transparency will, of course, help.*

Ultimately, manufacturers of structured investments need to work with distribution networks to educate and inform clients of the benefits and the risks inherent within structured products. This partnership will help satisfy the organic demand for change from investors. Innovative payoffs may return but, ultimately, the need for clear and transparent communication, whatever the underlying or structure, will be the driver of trust, and thus the driver of sales. A consistent quality service – across all asset classes – will satisfy investors' appetite for choice.

Citi remains committed to a quality service and our specialists are responsive to dynamic market conditions. Within our dedicated retail structured products platform, an interactive website – www.citifirst.com – features educational tools, resources and simulation models to clearly explain our products.

Whatever the market conditions ahead, CitiFirst will offer and maintain a partnership with our clients.

CitiFirst – putting the customer first

Citi and CitiFirst

CitiFirst is Citi's full-service model for structured investment solutions. Our investments can be designed to suit all levels of risk appetite across the full range of asset classes, utilising various issuance solutions and product wrappers, to satisfy any investment objective. To learn more about CitiFirst, log-on to www.citifirst.com. This exclusive website offers access to CitiFirst products, analytics and educational resources (requiring log-in).

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