Bridging the Risk Gap between Stocks and Bonds

Jason Barsema, Co-Founder and President

HALO

Company Overview

HALO INVESTING

- Founded in 2015 by Biju Kulathakal and Jason Barsema, Halo Investing is the first **multi-issuer technology platform** for protective investment strategies.
- Based in **Chicago**, with offices in Zurich, Dubai and Singapore.
- Halo Investing gives financial advisors, wealth managers and RIA's access to **structured notes**, buffered ETFs, and annuities.
- Halo has created an ecosystem that fuels innovation, **transparency and efficiency** to all stakeholders in the value chain.
- By delivering the **best pricing and execution** to the clients it serves, Halo is changing the world of investing by democratizing the protective investment marketplace.
- Halo is considered one of **the leading global FinTech companies**, most recently being chosen as winner of the 2020 Red Herring Top 100 and named on Fast Company's 2021 list of Most Innovative Companies.

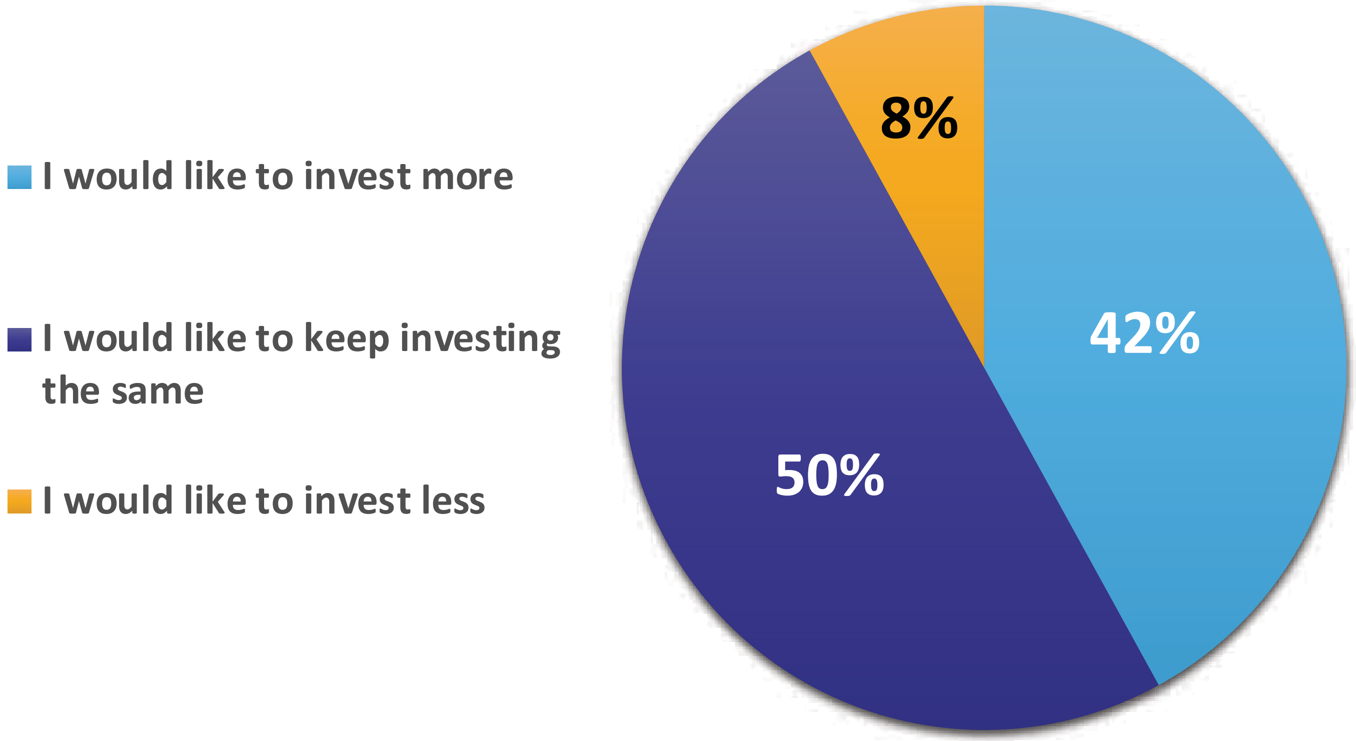
90%

of respondents said it was important to protect their retirement savings from volatility.

According to a September 2020 Kiplinger's/Alliance for Lifetime Income survey

While most retail investors are risk averse, they are also interested in investing more

This presents an opportunity for investments that provide flexible risk/return options:



Source: Morning Consult 2020 Retail Investor Report

Investing Challenges

1

Fixed income continues to generate low yields

Interest rates will likely stay lower, for longer

2

Stocks hold higher risk and standard deviation

Protecting savings from volatility near retirement is important

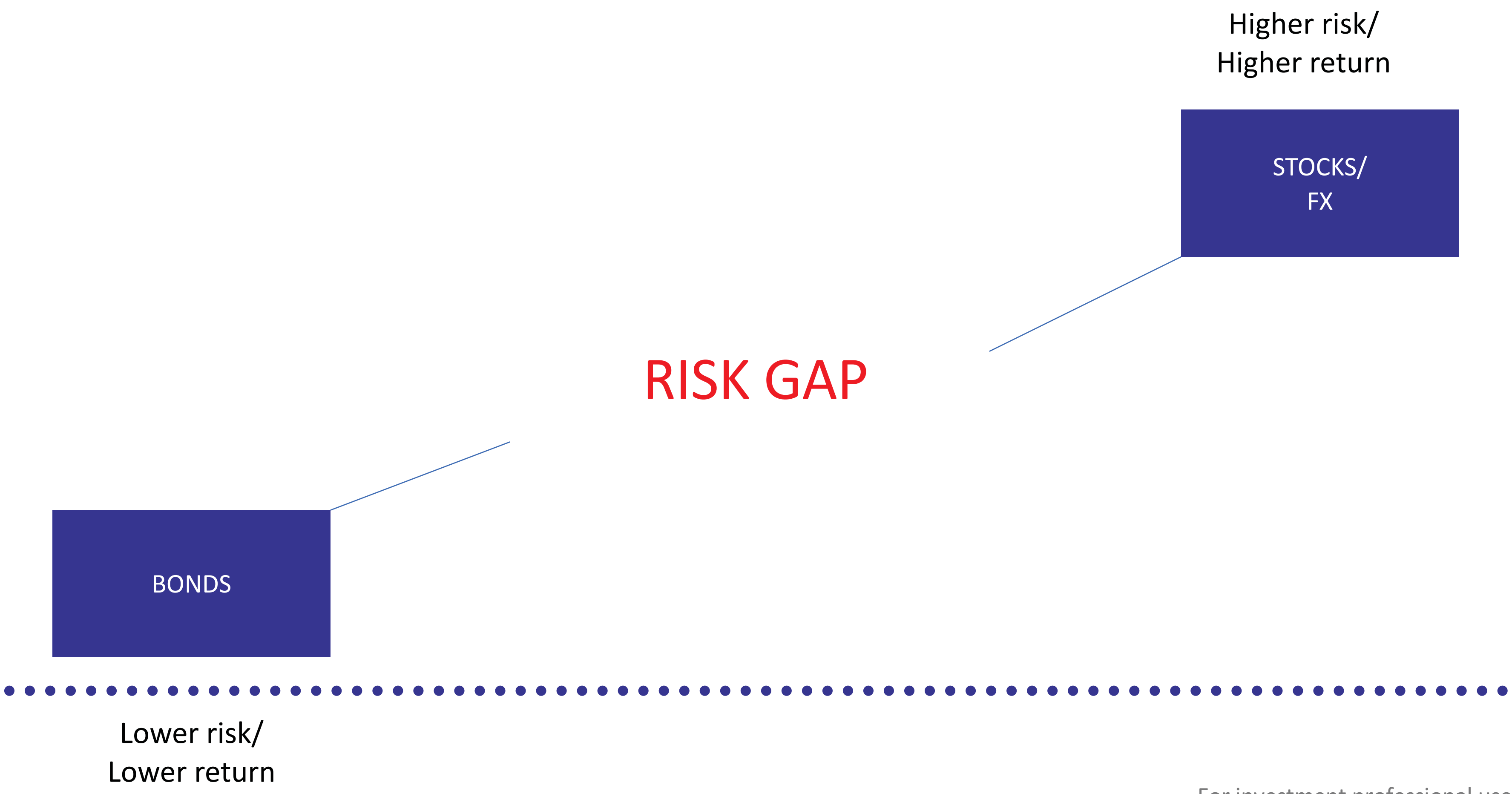
3

Diversification has its limits during volatile times

Correlation increases during down markets

There has been a massive "risk gap" that's been created

Saving for retirement is one of the biggest financial challenges facing investors globally.
Most have access to stocks and bonds, **but nothing in between.**



What do structured notes do?

GROWTH
with
PROTECTION

INCOME
with
PROTECTION

Reduce Risk

Reposition a portion of equity exposure:

- Maintain upside potential
- Establish downside protection

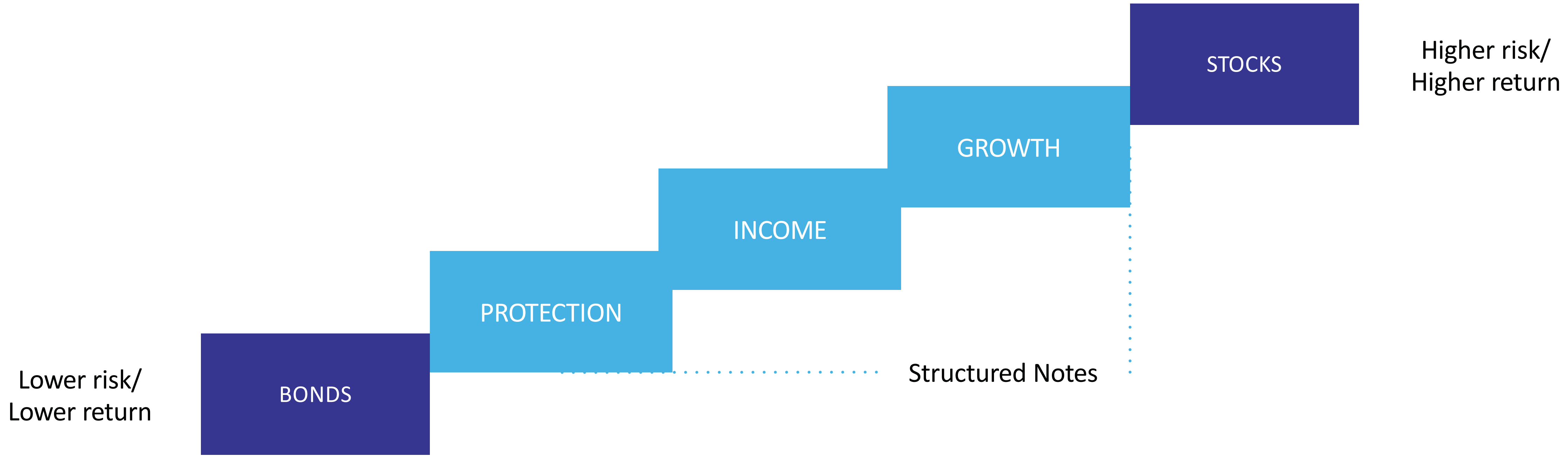
Increase Yield

Reposition a portion of a balanced portfolio:

- Establish higher income
- Preserve risk targets

Where do Structured Notes fit

Structured notes can bridge the risk gap between stocks and bonds.



The Market for Structured Notes

$3 TRILLION GLOBAL MARKET

Structured Notes originated in Europe in the 1970's. Each year, only about $80 billion is issued in the US compared to nearly $400B in Europe and $500B in Asia.

INEFFICIENT FOR INVESTORS & ISSUERS

Until the 1990s, the issuance process was calling a trade desk. The early 2000's improved with single-issuer platforms.

Today, multi-issuer platforms are making banks compete to win bids improving the market through efficiency, transparency and better pricing.

But don’t structured notes have a bad reputation?

BEFORE:

- Slow and inefficient market
- Lack of transparency
- High fees and investment minimums

TODAY WITH HALO:

- Instant, competitive pricing
- Customizable terms. Pre-trade analytics, post-trade management
- Transparent fees and investment minimums as low as $1,000

Structured notes are outcome-based investments with downside protection.

They can help protect against losses, while also providing a target level of returns.

Zero-Coupon Bond + Options Package

Includes downside protection, while still participating in the upside of the market

Issued by Major Banks

Most of the largest global banks are the top issuers of structured notes

Every Structured Note Has Four Main Pieces

Underlying

Notes are linked to the price return of stocks, bonds, commodity, indexes and others

Maturity

Usually a range of 6 months to 20 years, the lifespan of investment

Protection

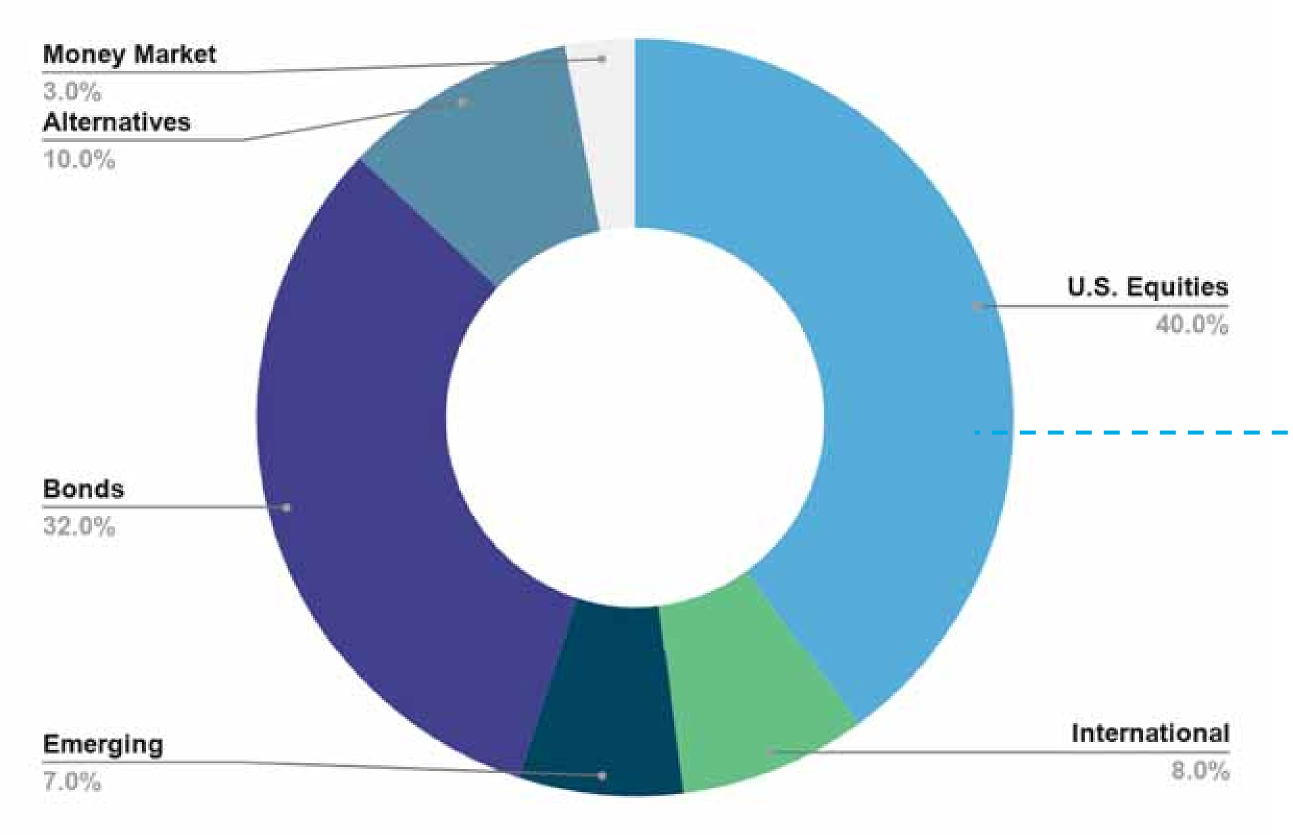
Based on the level, an investor is partially protected from the underlyings price declines

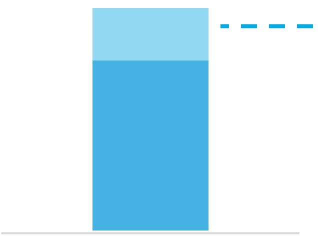
Payoff

Investor receives this preset, expected return at maturity

Diversification with Structured Notes

By selecting a portfolio allocation where downside protection or upside is desired, structured notes can help improve the risk/return profile.

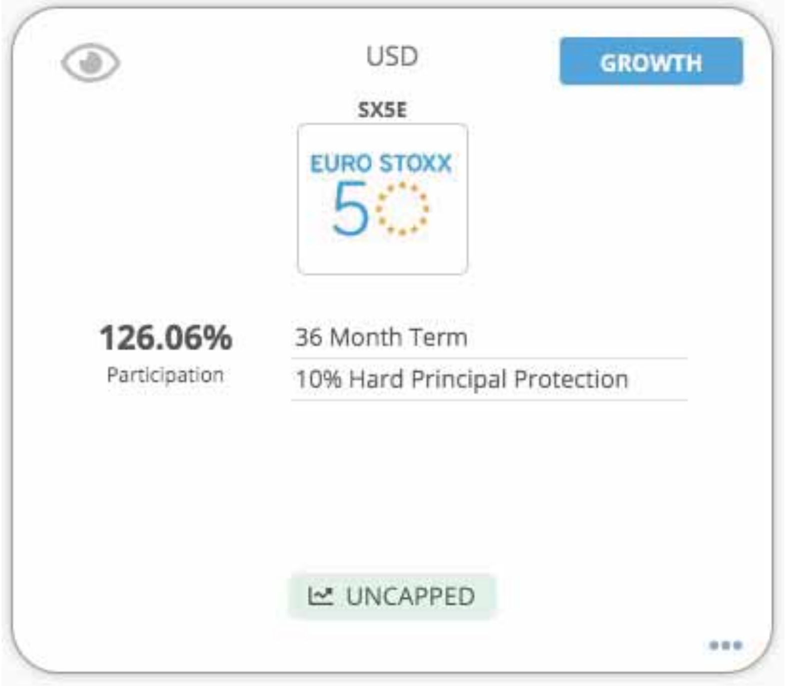




U.S. Equities 30%
Structured Note 10%

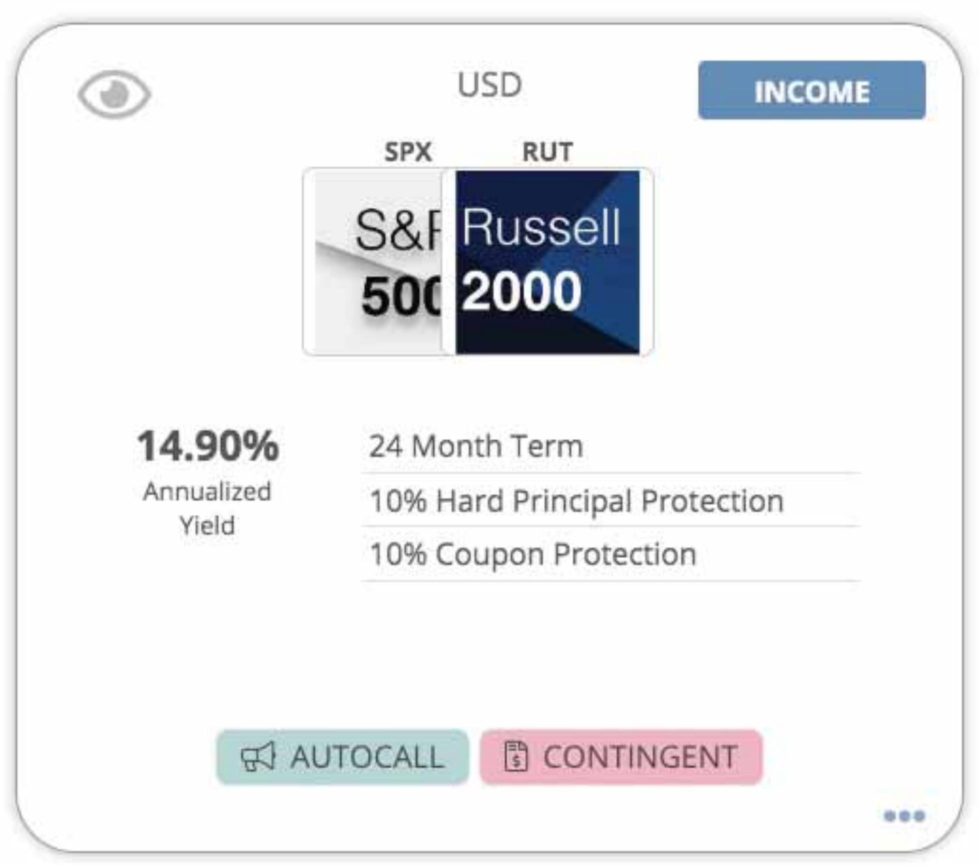
Advisors can use Notes for enhanced upside

By selecting any portfolio holding where downside protection is desired, Structured Notes can improve the risk/return profile.



Advisors can also use Notes for income enhancement

Income-oriented Structured Notes can offer a fixed-return, paid out as a coupon.



Main Types of Structured Notes

Growth Notes

Growth notes are generally used when an investor wants to participate in the upside of the underlying asset(s), while maintaining downside protection.

Income Notes

Income notes can be used when an investor wants to target a specific level of yield with structured notes, and still have downside protection.

Uncapped Growth Note

Enhanced core equity with principal protection and upside potential

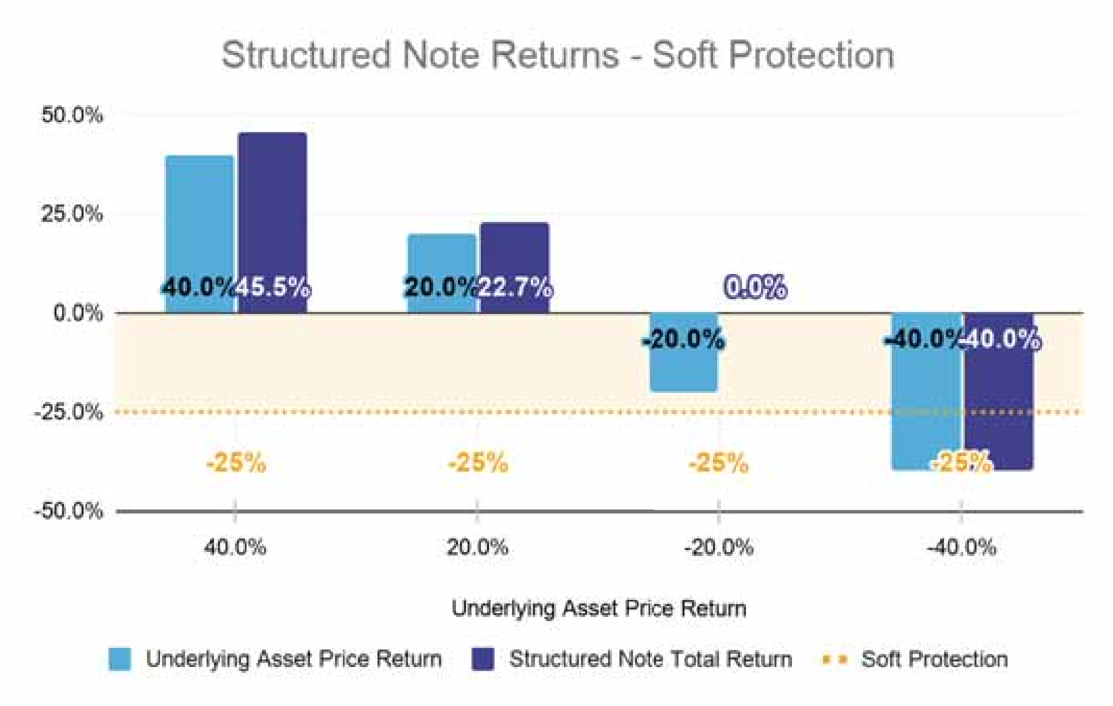
This note offers a balance between protection and upside.

Return/Yield: 113.44% Participation

Underlying: SPX

Maturity: 36 Months

Protection: 25% Soft Protection



Capped Growth Note

Core equity structured note example with a max return level, can provide increased protection on the downside and participation on the upside

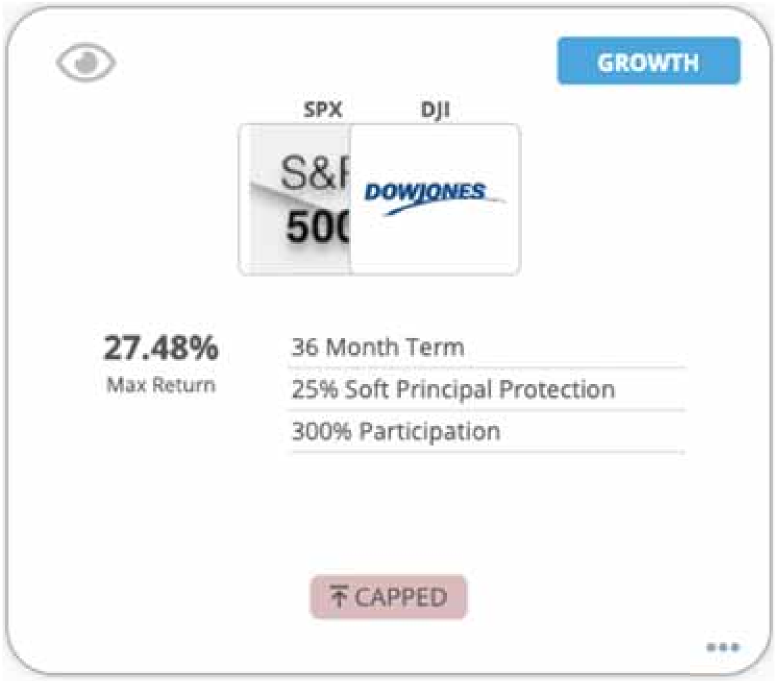
Although this note type has a cap on upside returns, it can provide meaningful returns in moderate to flat markets from the 300% participation.

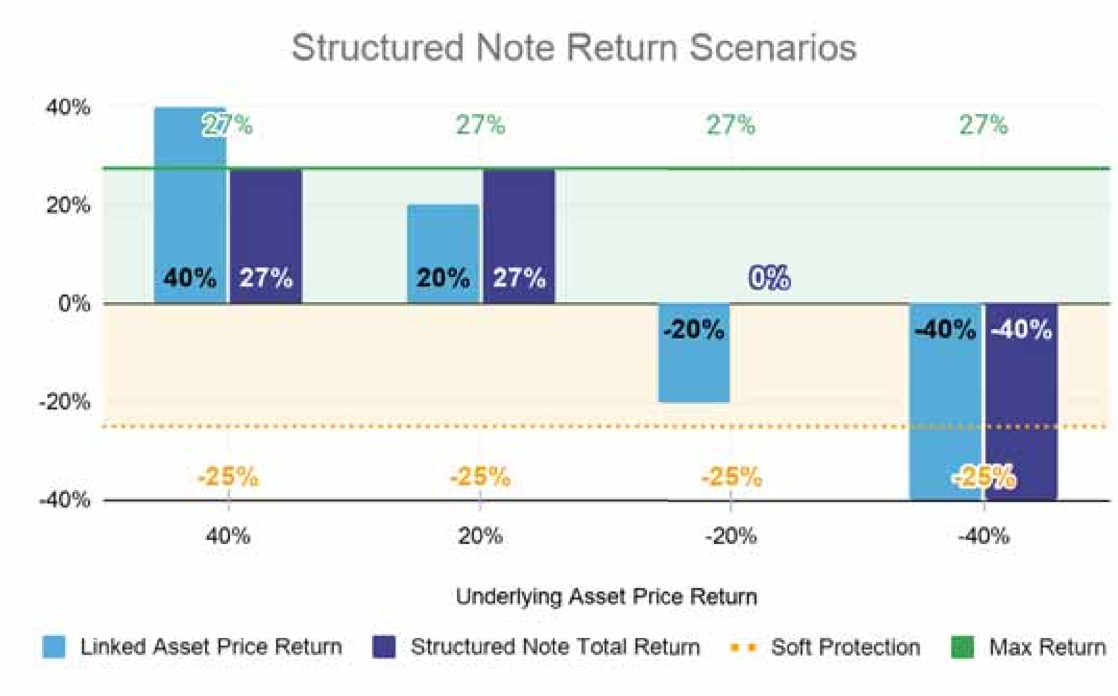
Return/Yield: 300% Participation, 27.48% Max Return

Maturity: 36 Months

Underlying: SPX DJI

Protection: 25% Soft Protection





Structured Notes Can Protect Against Losses

Over the past 30 years, the 5 year rolling returns of the S&P 500 Index was negative 28% of the time.

However, if you add a protection level of 25%, the probability of that downside is reduced to 2%. And if the protection level is at 35%, the probability of breach is close to zero..

				INDEX GAINS						INDEX LOSSES					
Year	Total Observations	Total Gains	Total Losses	0% to 10%	10% to 20%	20% to 30%	30% to 40%	40% to 50%	>50%	0% to -10%	-10% to -20%	-20% to -30%	-30% to -40%	-40% to -50%	< -50%
1	348	277	71	93	109	54	17	3	1	30	19	14	6	2	0
	100.0%	*79.6%*	*20.4%*	*26.7%*	*31.3%*	*15.5%*	*4.9%*	*0.9%*	*0.3%*	*8.6%*	*5.5%*	*4.0%*	*1.7%*	*0.6%*	*0.0%*
3	324	255	69	18	18	49	54	45	71	15	14	20	17	3	0
	100.0%	*78.7%*	*21.3%*	*5.6%*	*5.6%*	*15.1%*	*16.7%*	*13.9%*	*21.9%*	*4.6%*	*4.3%*	*6.2%*	*5.2%*	*0.9%*	*0.0%*
5	300	217	83	17	8	11	7	12	162	38	38	6	1	0	0
	100.0%	*72.3%*	*27.7%*	*5.7%*	*2.7%*	*3.7%*	*2.3%*	*4.0%*	*54.0%*	*12.7%*	*12.7%*	*2.0%*	*0.3%*	*0.0%*	*0.0%*
7	276	259	17	32	39	27	18	11	132	10	2	3	2	0	0
	100.0%	*93.8%*	*6.2%*	*11.6%*	*14.1%*	*9.8%*	*6.5%*	*4.0%*	*47.8%*	*3.6%*	*0.7%*	*1.1%*	*0.7%*	*0.0%*	*0.0%*
10	240	212	28	9	6	8	2	1	186	2	6	14	5	1	0
	100.0%	*88.3%*	*11.7%*	*3.8%*	*2.5%*	*3.3%*	*0.8%*	*0.4%*	*77.5%*	*0.8%*	*2.5%*	*5.8%*	*2.1%*	*0.4%*	*0.0%*

Source: Bloomberg, data from 1/1/1990 to 12/31/2019. Percentage gains and losses are based on the closing price of the S&P 500® Index on a rolling 12-month basis and do not include dividends. The table is for illustrative purposes only. The S&P 500® Index is an unmanaged group of securities and is generally considered to be representative of the U.S. stock market. An investment cannot be made directly in an index. Past performance is no guarantee of future results.

Halo is using technology to simplify Structured Notes

Halo's platform is designed to increase transaction volume by saving time and increasing distribution opportunities—built on a scalable platform with industry-leading technology guided by these principles:

Automation

Halo connects issuers directly to clients in one central platform with easy to access Advisor tools

Personalization

On Halo, Advisors can find product solutions tailored to their clients' needs

Accessibility

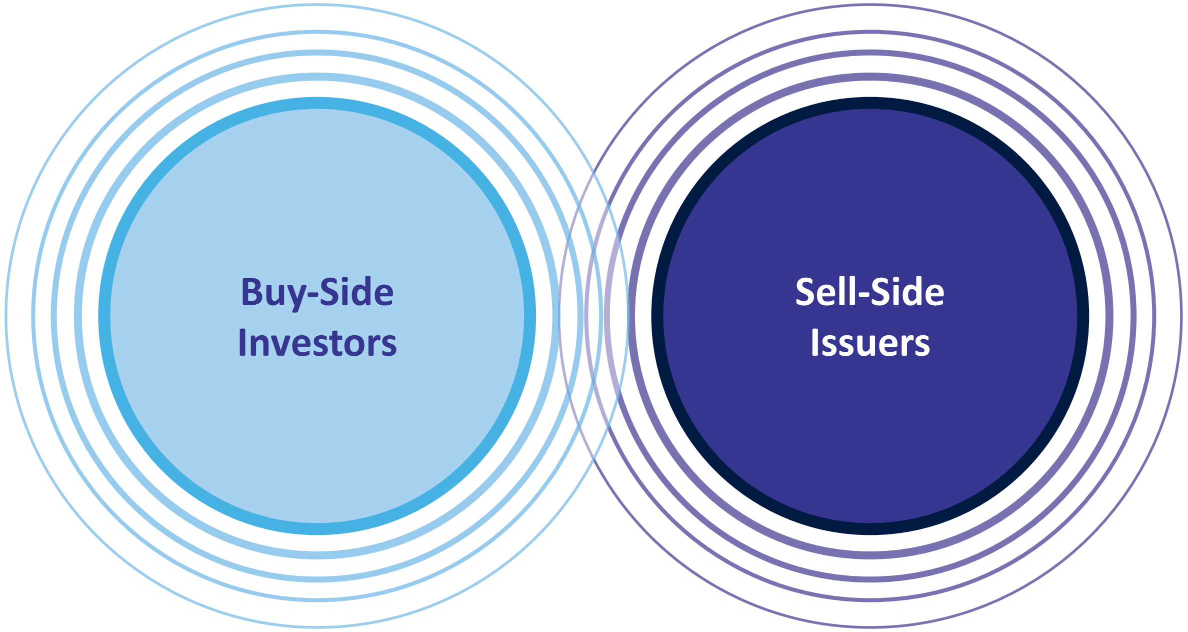
Halo simplifies structured note concepts to broaden usage among Advisors who have never used protective investing before

Halo is redefining the market for structured notes

A DIGITAL PLATFORM TO FIND & MANAGE STRUCTURED NOTES FOR CLIENTS

HALO'S MARKETPLACE:

- Access to leading global banks
- Custom Investment Options
- Full Education Suite
- Lower Fees & Inv. Minimums
- Pre-trade analytics
- Post-trade lifecycle management



Price and execute within minutes - not days

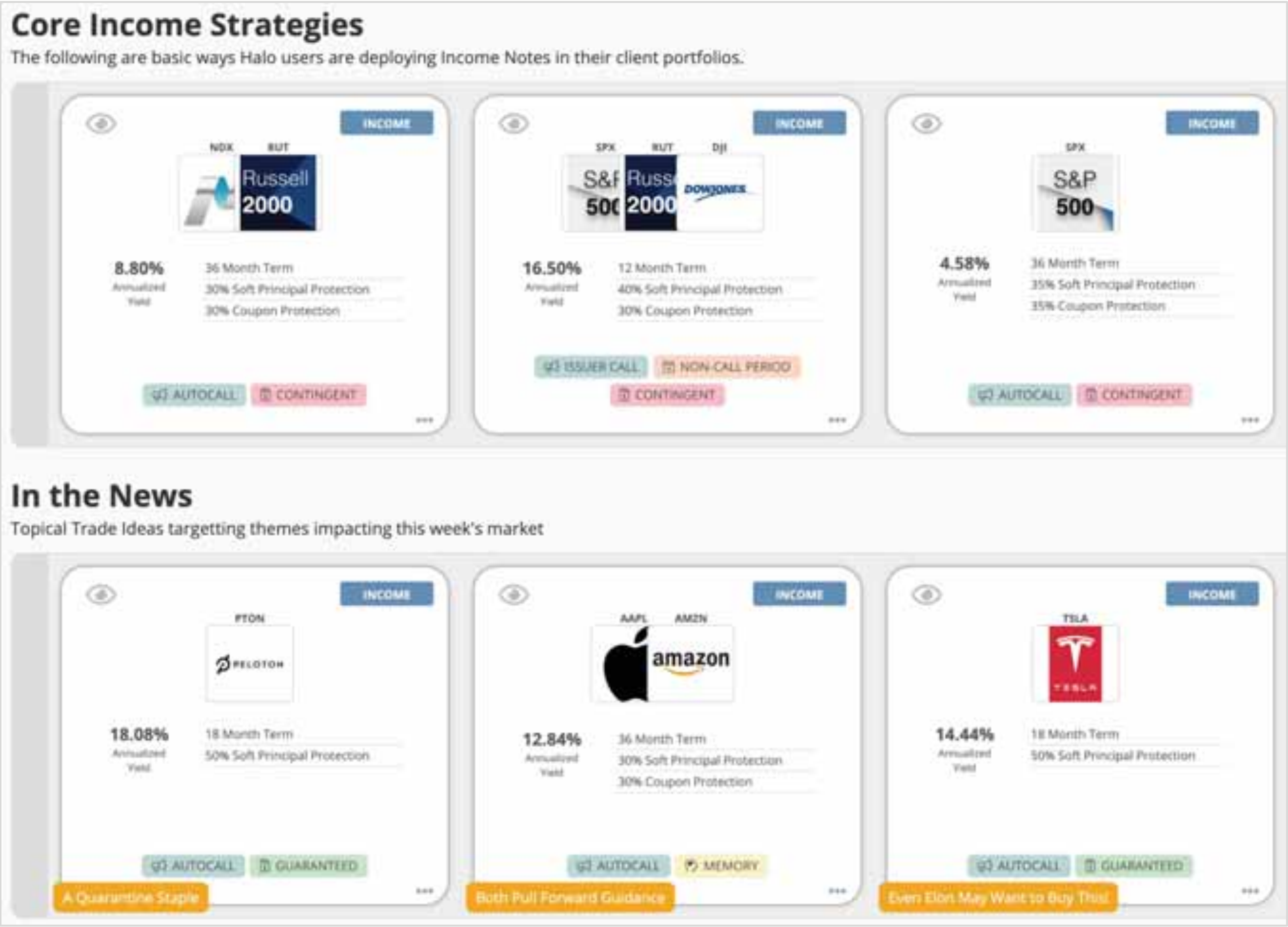
Price and quote custom structured notes from the leading global issuers at the click of a button.

Lower Fees, Lower Minimums, Better Terms

- Competitive auction process
- Transparent transaction fees
- Choose the winning bid from leading banks

Access to A Global Marketplace

- Evaluate credit quality of multiple banks
- Diversify issuer counterparty risk
- Access Preliminary & Final Prospectus



Post-Trade Monitoring

Enhance client service with data on current and historical portfolio holdings, risk analytics and custom alerts.

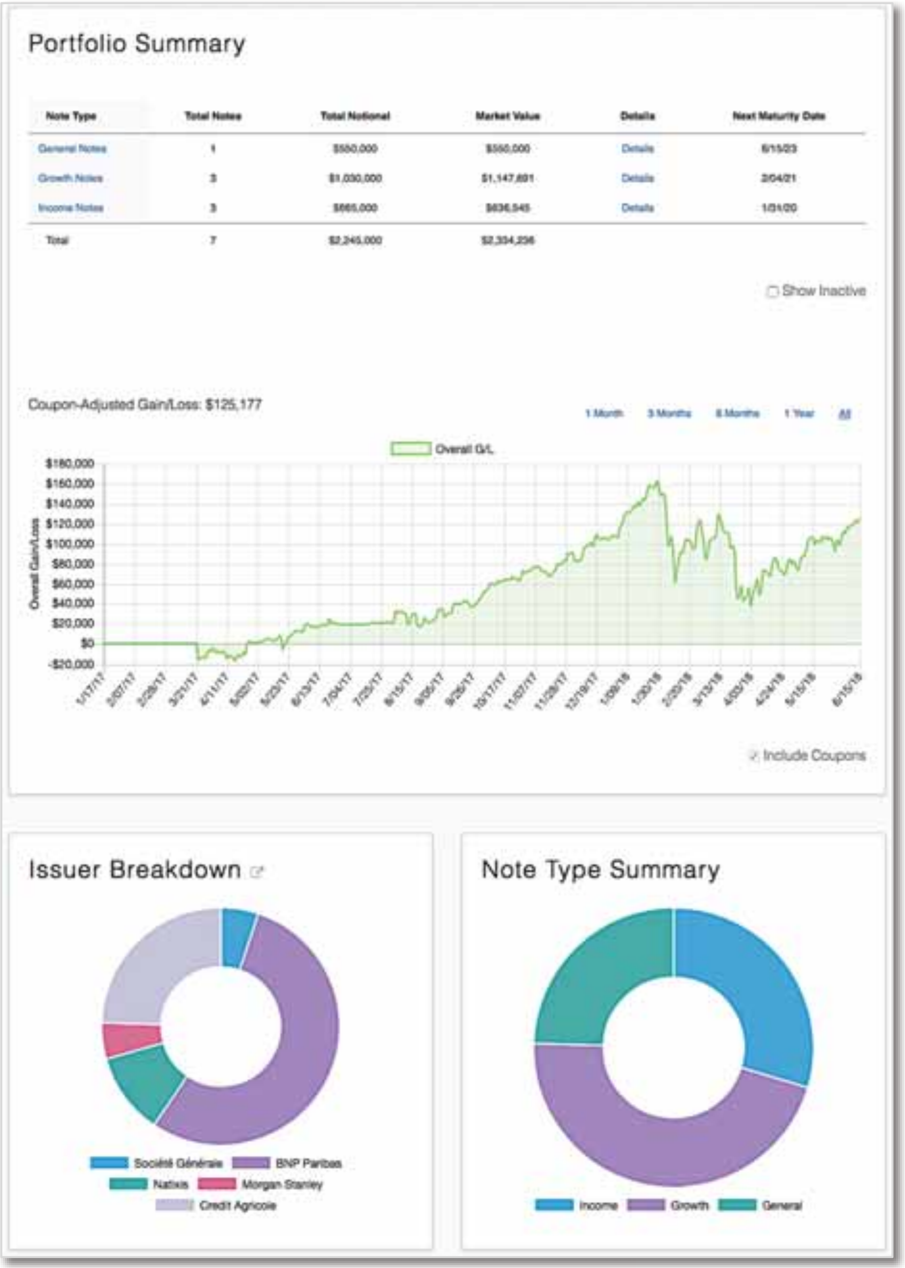
Stay on top of coupon payments, call dates and maturities

See full portfolio holdings in real-time

Breakdown portfolios by Issuer & Note Type

Create alerts tailored to individual holdings

- Buffers, barriers, caps
- Optimum roll periods
- Email and platform alerts



How Halo Can Help

01	**Custom Recommendations and Proposals**	• Consultative approach based on investing objectives • Personalized solutions based on risk tolerance
02	**Extensive Educational Content**	• Structured notes education modules & videos • Video tutorials of the platform • Definitions and glossary • Client facing marketing materials
03	**Platform Features**	• Auctions to deliver the most competitive pricing • Secondary market for selling structured notes
04	**Innovation Based on Your Needs**	• Calendars • Noteflix • Portfolio Analytics

Key Takeaways

Consider structured notes as an **outcome-based, protective investment solution**

Structured notes are **not just for** the ultra-wealthy or private banks anymore

Technology makes it easier than ever to find and manage structured notes

How You Can Reach Us

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HALO

Disclosures

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- Investing involves risk. Past performance is not indicative of future results.
- Nothing herein should be considered as an investment recommendation or advice. All investment decisions should be made by an experienced investment professional.

What are Structured Notes?

Structured notes are securities Issued by financial institutions whose returns are based on, among other things, equity indexes, a single equity security, a basket of equity securities, interest rates, commodities, and/or foreign currencies. Thus, your return is "linked" to the performance of a reference asset or index. Structured notes have a fixed maturity and include two components–a bond component and an embedded derivative. Financial institutions typically design and issue structured notes, and broker-dealers sell them to individual investors. Some common types of structured notes sold to individual investors include: principal protected notes, reverse convertible notes, enhanced participation or leveraged notes, and hybrid notes that combine multiple characteristics.

Risks and Other Considerations with Structured Notes Complexity

You and your broker should take time to fully understand the manner in which your return on a structured note is calculated. You should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees.

Market risk

Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause you to lose some, or all, of your principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, or market volatility.

Issuance Price and Note Value

The price you will pay for a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.

Liquidity

Your ability to trade or sell structured notes in a secondary market is often very limited as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on security exchanges. As a result, the only potential buyer for your structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. You should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

Daily Pricing

The pricing accuracy is questionable because most structured notes never trade after issuance. Prices are usually calculated by a matrix, which is very different than net asset value. Matrix pricing is essentially a best-guess approach by the issuer.

Tax Considerations

The tax treatment of structured notes is complicated and, in some cases, uncertain. Before purchasing any structured note, you may wish to consult with a tax advisor. You also should read the applicable tax risk disclosures in the prospectuses and other offering documents of any structured note you are considering purchasing.

Payoff Structure

Structured notes may have complicated payoff structures that can make it difficult for you to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses for you. You should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with your broker. For example, the payoff on structured notes can depend on:

Participation rates

Some structured notes provide a minimum payoff of the principal invested plus an additional payoff to you based on multiplying any increase in the reference asset or index by a fixed percentage. This percentage is often called the participation rate. A participation rate determines how much of the increase in the reference asset or index will be paid to investors of the structured note. For example, if the participation rate is 50 percent, and the reference asset or index increased 20 percent, then the return paid to you would be 10 percent (which is 50 percent of 20 percent).

Capped Maximum Returns

Some structured notes may provide payments linked to a reference asset or index with a leveraged or enhanced participation rate, but only up to a capped, maximum amount. Once the maximum payoff level is reached, you do not participate in any additional increases in the reference asset or index. For example, a note may provide the investor 100% of all funds invested at the end of two years, plus an enhancement of any rise in the performance of the S&P 500 up to 20%. If the performance of the S&P 500 increases 25% in those two years, you only receive a return of 20%.

Knock-In Feature

If the reference asset or index falls below a pre-specified level during the term of the note, you may lose some or all of your principal investment at maturity and also could lose coupon payments scheduled throughout the term of the note. This pre-specified level may be called a barrier, trigger, or knock-in. When this level is breached, the payout return changes on the note. For example, if the reference asset or index falls below the knock-in level and its value is lower than on the date of issuance, instead of receiving a return of your principal, you may instead receive an amount that reflects the decline in value of the reference asset or index. For certain types of structured notes, you may actually receive the reference asset that has declined in value during the term of the note.

Credit Risk

Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

Call Risk

Some structured notes have “call provisions” that allow the issuer, at its sole discretion, to redeem the note before it matures at a price that may be above, below or equal to the face value of the structured note. If the issuer “calls” the structured note, investors may not be able to reinvest their money at the same rate of return provided by the structured note that the issuer redeemed.

Additional Considerations Before Investing in Structured Notes

Before investing in any structured note, do your research and ask your Sentinus-Halo investment professional:

- Fees and other costs associated with the investment.
- Cost premium above an issuer’s estimated value of a structured note investor will be paying for the structured note and its relevance to the investment decision.
- Structured notes may not be a suitable investment for you. You should review your investment objectives, tolerance for risk and costs with your broker or financial adviser before you consider investing in a structured note.
- Alternative products that may be available that provide investment exposure to similar assets, indices or strategies. Carefully consider what might be a suitable investment for you, and whether there are better alternatives to the structured note you are considering, both from a return, fee, and risk perspective. Structured notes are meant are illiquid typically held to maturity. Investors could lose a significant portion of their investment if principal is needed prior to maturity.
- Understand applicable call features to ensure you understand what can trigger the call and the earliest date that the structured note may be called and if so, potential returns can be negatively impacted or capped.
- Consult with a tax advisor to understand the consequences of any particular structured note, including imputed interest and any foreign tax consequences.
- Purchasing a structured note does not guarantee positive returns. The reference asset or index might not increase in value—or even if it does, there may be conditions that limit your returns.
- Be sure to understand the financial condition of the issuer and read its disclosures as carefully as you would for any other investment.
- Many structured notes are complex is it is important to review disclosure materials and discuss all aspects of the investment with your financial professional.

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