What is defined outcome investing?

**Investing with confidence** | Defined outcome investing offers a flexible approach that modifies a passive investment’s risk/return profile in order to achieve a predetermined outcome in a predetermined time period – an opportunity for higher return potential while enabling an investor to have greater control in limiting losses. In short, it allows an investor to customize their investment around a defined set of parameters (the outcome).

**Benefits**

- **Aligned with an investor’s goals** | Investments that are aligned with an investor’s specific investment objectives or market outlook

- **Customizable** | Select the desired equity market exposure (e.g. domestic, international, emerging markets) and customize according to risk tolerance and investment time horizon; defined maturity dates can also align with tailored goals, market views, and liquidity needs

- **Downside protection** | Predetermined degrees of downside protection ranging from full, partial or none at all

- **Fiduciary approach** | Full transparency on fees and holdings, no early redemption penalties or charges
What is defined outcome investing? (cont.)

Target investor

- The client profile is diverse, ranging from investors who put a high degree of importance on capital preservation (but who still appreciate the need to be invested in the market) to investors saving for a life event (like retirement or college savings).

- Alternatively, the growth features could make it an ideal strategy for investors who have a bullish market orientation and who are seeking to capture more upside to the market.
Why defined outcome investing makes sense today

Developing a plan and sticking to it has proven to be the best recipe to achieve one’s long-term investment goals, but this can prove difficult in today’s uncertain market environment. With market risks and changing outlooks, investors are often tempted to make changes to their investment mix too frequently, which can jeopardize long-term goals. At the same time, an increasing number of investors are using passive investments, such as exchange-traded funds (ETFs), to build diversified portfolios. However, an ETF portfolio provides a level of diversification that only goes so far.

**Portfolio-in-action | Volatility management**

Defined investing strategies can be an effective tool for managing portfolio risk, especially during volatile markets. Within portfolios, investors may use preservation strategies to dampen market volatility and insulate against potential market drawdowns. Consequently, when integrating them into a portfolio they may allow for the overall portfolio risk to be decreased, while not sacrificing return attributes, and therefore potentially enhancing the overall risk-return profile.
UITs: The vehicle to drive defined outcomes

There are a number of ways to approach defined outcome investing, all of which may provide benefits to investors. We believe the most effective way is through Unit Investment Trusts, or UITs.

A UIT is an investment vehicle comprised of securities with a scheduled maturity date that offers exposure to an underlying index. It is a 40 Act registered vehicle like mutual funds and ETFs.

Benefits

• Portfolio is professionally selected and structured, but the underlying asset is passive so there is no manager risk or rebalancing necessary

• Full transparency of fees and asset holdings; investors know what they own

• Daily liquidity at NAV (similar to a mutual fund)
UIT characteristics may create additional value for advisors...

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ease of ownership</strong></td>
<td>• Alternative replication would require derivatives expertise, several customized transactions and a substantial time or capital commitment</td>
</tr>
</tbody>
</table>
| **Enhanced passive strategy** | • Tied to an ETF, offering a diversified passive investment  
• OCC listed options provide the potential for enhanced results versus a direct investment |
| **Daily liquidity**      | • Units can be created or redeemed on any business day at the NAV, which is simply the current market value of the underlying portfolio securities |
| **Transparency**         | • Holdings are fixed, so investors always know what they own  
• Daily NAV widely disseminated and marking statements daily                                      |
| **Defined term**         | • The fixed term helps align the investment with investor’s specific goals and views                                                      |
...and may provide efficient mechanics to drive expansion

Tax efficiency
- Tax reporting itemized on annual 1099s
- Generally, capital treatment on gains & losses (short or long) - investors should generally realize capital asset tax treatment upon sale or at termination; long-term gains should generally apply when invested for longer than one year*

Elimination of credit risk
- Assets in the funds do not contain corporate credit exposure, so credit risk and issuer concentration risk are eliminated

Robust operational framework
- Assets are custodied at a set financial institution
- Post-trade, most of the operational exposure resides within the financial institution (cash flows, books and records, redemptions, etc.)

Attractive fees
- Competitively priced with easy to understand fee structure

*Investors should consult their tax advisors and refer to the appropriate prospectus, as an investor’s specific situation will dictate its tax treatment. Highlighted examples above are shown for illustrative purposes only and may not apply to all UITs.
# UITs: Similar but different

<table>
<thead>
<tr>
<th></th>
<th>UITs</th>
<th>Mutual Funds</th>
<th>ETFs</th>
<th>Structured Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio management</td>
<td>Passive &amp; static</td>
<td>Active</td>
<td>Passive</td>
<td>N/A</td>
</tr>
<tr>
<td>Fiduciary standard</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
</tr>
<tr>
<td>Term</td>
<td>Defined maturity</td>
<td>Perpetual</td>
<td>Perpetual</td>
<td>Defined maturity</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Daily at NAV (creations + redemptions)</td>
<td>Daily at NAV (creations + redemptions)</td>
<td>Intraday &amp; daily at NAV (creations + redemptions)</td>
<td>Secondary market provided by issuing bank</td>
</tr>
<tr>
<td>Disclosure of holdings</td>
<td>Daily¹</td>
<td>Quarterly</td>
<td>Daily</td>
<td>N/A</td>
</tr>
<tr>
<td>Market risk</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Issuer credit risk</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Publicly available NAVs</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

¹ Unit trust holdings remain fixed for the life of the fund and are disclosed at inception
UITs: A timeline for investors

<table>
<thead>
<tr>
<th>Preliminary Offering Period</th>
<th>Initial Offering Day</th>
<th>Primary Offering Period</th>
<th>Trust Life</th>
<th>Trust Termination Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 30 days</td>
<td>One day</td>
<td>Varies per fund: 90 days or more</td>
<td>Varies by fund</td>
<td></td>
</tr>
</tbody>
</table>

- An upcoming fund is announced and indications of interest are accepted
- Preliminary fact sheet with indicative terms is offered to potential investors

- The primary offering period starts. Shares become available for investment
  - All terms are set
  - Units are issued at approximately $10 each

- Units of the trust become available to investors
  - Investors can buy and sell units at the daily public offering
  - Daily pricing available via published quotes

- Units can no longer be offered to new investors
  - Existing holders can sell units at the daily closing NAV
  - Daily pricing available via published quotes

- The unit investment trust is dissolved and the proceeds from the value of the options assets are paid to unit holders
  - Settlement takes place two days after termination date
Three primary outcomes

Strategies that seek to offer a range of downside protection or enhanced growth opportunities — all designed to align with an investor’s specific investment goals.

- **Preservation Strategies**
  Market exposure with compelling downside protection

- **Buffered Strategies**
  Market exposure with insulation from a specified amount of first losses

- **Growth Strategies**
  Enhanced market exposure with no downside protection

All strategies are offered under a fiduciary framework, provide full transparency on fees and holdings, contain no corporate credit risk, provide capital asset tax treatment, and have daily liquidity at net asset value (NAV).
Preservation strategies

Seeks to deliver an ETF's positive price appreciation up to a capped amount, and partially protect the initial investment by defining a maximum loss.

Target investor: Comfortable giving up upside in exchange for downside protection.

Hypothetical defined outcome investment with 95% capital preservation

This illustrates a hypothetical investment in a UIT with objective of limited upside participation along with downside protection. This chart is purely hypothetical and for illustrative purposes only. Returns assume investment is held until maturity. Past performance is not indicative of future results. An investment cannot be made directly in an index.
Buffered strategies

Seeks to deliver an ETF’s positive price appreciation, while also providing protection against an initial loss, up to a defined amount

Target investor: Bullish on US large-cap equities for the next 2 years, but are interested in protection against a near-term pullback

Hypothetical defined outcome investment with 20% buffer

This illustrates a hypothetical investment in a UIT with the objective of full upside participation along with downside protection to a specific amount. The above is purely hypothetical and for illustrative purposes only. Returns assume investment is held until maturity. Past performance is not indicative of future results.
Growth strategies

Seeks to outperform an ETF in a modestly positive price return environment, up to a maximum return

Target investor: Seeking enhanced returns in markets expected to be modestly positive

Hypothetical defined outcome investment with enhanced market upside potential capped at 18% and one-to-one* downside participation

This illustrates a hypothetical investment in a UIT with the objective of limited upside participation and outperformance in the medium term, as well as participation on the downside. Returns assume investment is held until maturity. This chart is purely hypothetical and for illustrative purposes only. Past performance is not indicative of future results. An investment cannot be made directly in an index.

*One-to-one downside participation is characterized by participating in matched frequency and/or magnitude of capital losses. There is no capped amount or buffer.
## Risk considerations

### UIT potential risks

<table>
<thead>
<tr>
<th>Category</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund format risks</strong></td>
<td>• UIT needs to be held for entire term to meet its objective</td>
</tr>
<tr>
<td></td>
<td>• Transaction costs and fees apply</td>
</tr>
<tr>
<td><strong>Investment strategy risks</strong></td>
<td>• Depending on the structure, a UIT may have full risk of loss</td>
</tr>
<tr>
<td></td>
<td>• Downside protection (if applicable) and/or enhanced upside participation only applies at maturity</td>
</tr>
<tr>
<td></td>
<td>• Gain or loss on a UIT may be subject to a capped upside and downside limit based on the value of a benchmark</td>
</tr>
<tr>
<td><strong>Portfolio asset risks</strong></td>
<td>• Security prices will fluctuate. The value of investments may fall over time</td>
</tr>
<tr>
<td></td>
<td>• The UIT’s ability to meet its objective depends on its guarantor, the Options Clearing Corporation’s ability to meet its obligations</td>
</tr>
<tr>
<td></td>
<td>• Fund holders do not have control, voting rights or rights to receive cash dividends or other distributions</td>
</tr>
<tr>
<td></td>
<td>• There is no guarantee that a liquid secondary trading market will exist for the desired options</td>
</tr>
</tbody>
</table>
Disclosure

Past performance is not indicative of future results.

A unit investment trust (UIT) is a professionally selected pooled investment vehicle in which a portfolio of securities is selected by the sponsor and deposited into the trust for a specified period of time. Generally, a UIT portfolio is not actively traded and follows a buy and hold strategy. A UIT is registered with the SEC as a Registered Investment Company (RIC) or Grantor trust. Trusts are categorized into these two different structures, based on the underlying holdings, for tax purposes. Consult your financial advisor for primary differences between these two structures. The portfolio will generally remain fixed until the termination of the trust, usually ranging from 13 months to five years. Some UITs, composed of fixed income securities, may have longer maturities depending on the underlying securities. As the underlying bonds in the portfolio mature or are called in early, principal is returned to the investor. Although the securities within the trust generally remain fixed and are not managed, the sponsor may remove a security from the trust under limited circumstances. These situations are outlined in the prospectus.

The portfolio is designed to follow an investment objective over a specified time period, although there is no guarantee that the objective will be met. UITs are created by a trust sponsor who enters into an agreement with a trustee. When the trust is created, several investment terms are set forth, such as the trust objective, what securities are placed in the trust, when the trust will end, what fees and expenses will be charged, etc. A full accounting of the terms of the trust will be listed in the prospectus. Some UITs follow rules-based stock selection strategies, which have hypothetical performance records dating back over several decades; this information can help investors decide if the investment strategy might be appropriate for their objectives and goals. Keep in mind that hypothetical performance, like any past performance, does not guarantee future results, which will differ from actual past performance.

The popularity of unit investment trusts results from many investor benefits and features including professional selection, diversification, daily pricing and redemption, and ease of purchase. Investors should note that diversification does not ensure a profit or guarantee against a loss. While past performance is not indicative of future results, a UIT’s long-term performance record is also likely to be factored into the selection criteria. Your financial advisor will help you compare and review UITs in light of your investment objectives and risk tolerances. Since UITs have a fixed time horizon, investors at termination can elect to use the proceeds of the terminating trust to purchase a new UIT or the proceeds will be credited into the investor’s account at the net asset value. Prior to the trust’s termination, investors may sell/redeem their UIT shares at the NAV less any deferred sales charges, if applicable. Selling UITs prior to maturity may increase the annualized costs. The proceeds from the sale will be credited to the investor’s account two business days after the sale (T+2). Also, under limited circumstances, certain trusts allow investors to elect to receive their pro-rata shares in-kind, but this may create a taxable event.

UIT sponsors generally offer successive “series” of each UIT, giving you an option of reinvesting in the same objective or strategy with an updated portfolio of securities.
For more information

800-624-6782
morethaninvesting.com

"New York Life Investments" is both a service mark, and the common trade name, of certain investment advisors affiliated with New York Life Insurance Company. New York Life Investments, an indirect subsidiary of New York Life Insurance Company, New York, NY 10010, provides investment advisory products and services. Securities distributed by NYLIFE Distributors LLC, 30 Hudson Street, Jersey City, NJ 07302, a wholly owned subsidiary of New York Life Insurance Company. NYLIFE Distributors LLC is a Member of FINRA/SIPC.