

STRUCTURED INCOME

An equity-linked strategies primer

YOUR BRIGHT
FUTURE

OUR INVESTMENT
EXPERTISE



UNDERSTANDING STRUCTURED INCOME

The rise of equity-linked strategies in an ETF format

Equity-linked notes (ELNs) have long been a staple of the structured income market, seeking to offer investors the ability to earn higher income by taking on defined market risk. Until recently, however, accessing these strategies required complex, one-off transactions with limited transparency.

The Janus Henderson Structured Income ETF series is designed to change that. By packaging equity-linked instruments payoffs inside actively managed ETFs, Janus Henderson delivers a professional, scalable, and transparent way for investors to pursue enhanced income potential.

At Janus Henderson, we apply a disciplined, research-driven approach to structured income strategies, designed to help investors pursue yield and mitigate risk more effectively.

Structured Income ETFs: At a glance



What it is:

A next-generation approach to structured income investing



Why it matters:

Designed for higher income potential, mitigate risk, and ETF simplicity



Who it's for:

Advisors and investors seeking differentiated income streams without operational complexity

What are structured income strategies?

Structured income strategies are designed to reshape the trade-off between risk and return. By incorporating derivative-based payoffs, they allow investors to seek higher income potential while mitigating risk in a clearly defined manner.

Structured products are debt securities whose returns depend on the performance of an underlying asset—such as a stock, basket, or index. These instruments often embed options that tailor income and downside exposure. Equity-linked notes (ELNs) are among the most widely used, providing defined income streams linked to equity markets.

In essence, structured income strategies bridge the gap between bonds and equities, offering a disciplined and differentiated way to pursue yield while providing additional diversification alongside traditional income sources.

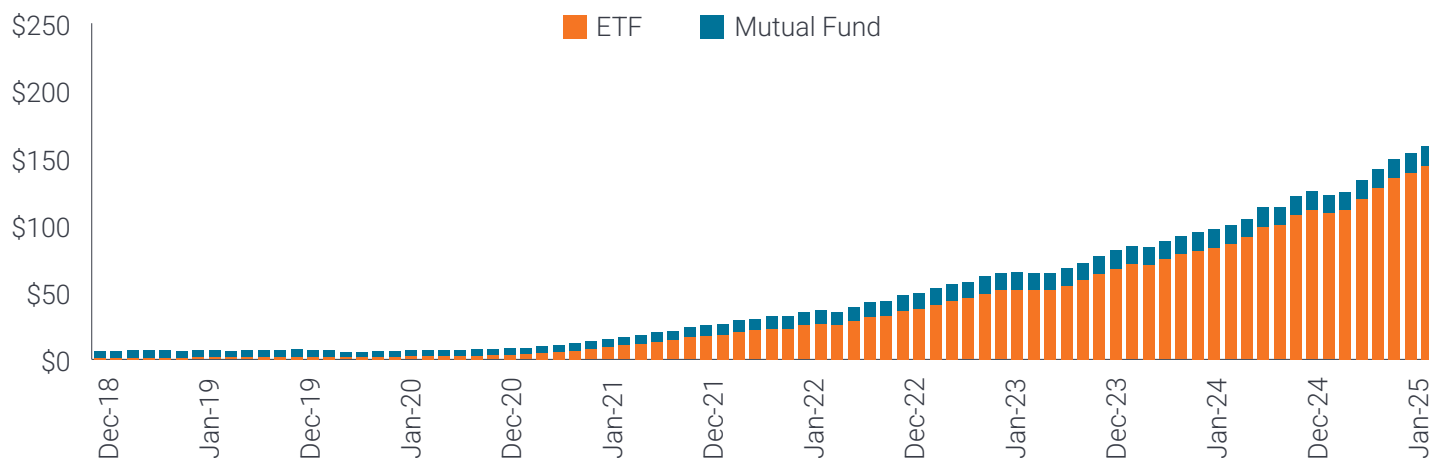


Key takeaway: Structured income strategies provide enhanced income potential by taking on well-defined market and volatility risk.

A growing market opportunity

The structured income market continues to expand as investors seek yield in an evolving rate environment. Annual issuance of U.S. structured products now exceeds \$200 billion, roughly half of which consists of autocallables. Meanwhile, derivative income ETFs—notably covered-call funds—have attracted billions in assets since 2020. The next frontier is equity-linked income ETFs, which leverage active management to build portfolios of more sophisticated equity-linked income strategies within an ETF wrapper.

Growth of derivative income market (\$B)



Source: Morningstar Direct, as of October 21, 2025

U.S. structured note issuance (\$B)



Source: Morningstar Direct, as of October 21, 2025

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

Understanding equity-linked notes (ELNs)

An equity-linked note combines features of both fixed income and equity exposure. Broadly, ELNs fall into two categories: Defined Outcome, which seeks to balance potential upside capture with some downside buffer, and Defined Income, which is designed to deliver regular, enhanced coupon payments based on the performance of an underlying stock, basket, or index.

Here, we focus on Defined Income structures. In these notes, investors may receive income and return of principal as long as the underlying asset stays within specified ranges. If the underlying breaches a predefined downside level, investors may experience losses.

Common formats include:

Autocallables, which tend to pay higher coupons but may be redeemed early by the issuer if the underlying rises above a set level may also suffer losses if a pre-defined downside barrier is breached.

Stability notes, which potentially pay income for insuring against rare, sharp daily declines, offering more stable mark-to-market behavior.

Reverse convertibles, which can deliver high yield in exchange for bearing potential downside in a specific stock or basket.

An autocallable note pays coupons—and returns principal at maturity—based on whether the cumulative return of the underlying since the note's inception is above or below the barrier. In contrast, a stability note's coupon and principal payments are determined by the underlying's single-day performance.

If the barrier is breached on a given observation day (daily for stability notes and typically monthly or quarterly for autocallable notes), the investor forfeits the coupon payment and may also face principal losses (realized daily for stability notes or at maturity for autocallables).

As illustrated in the below charts, both autocallable notes and stability notes forego upside participation in exchange for two benefits:

- Potentially enhanced coupons (red dashed line), and
- Downside buffer up to a predefined barrier (horizontal portion of orange line)

Hypothetical example of an equity-linked autocallable note

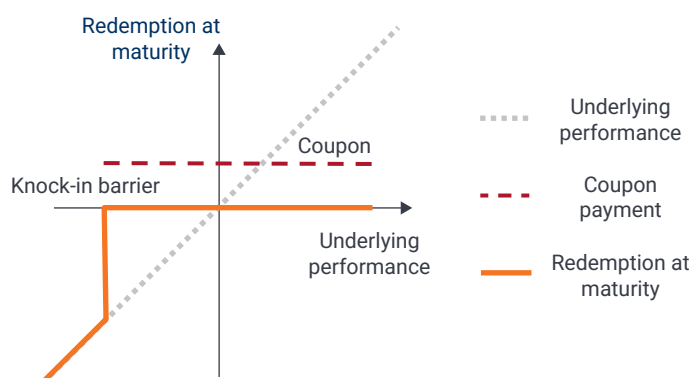
Autocallable notes

- Monthly or quarterly observations for coupon payment
- Coupon and principal (at maturity) based on cumulative return since note inception
- Wide range of underlyings—single stock, indices, etc.
- Coupons tailored to fit investor needs

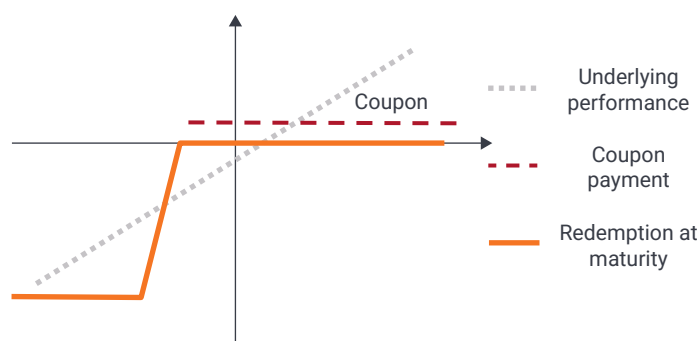
Stability notes

- Daily observations for coupon payment
- Returns aren't cumulative; one-day observation, then reset
- Coupon accrues each day barrier isn't hit
- Competitive with potentially higher-yielding public fixed income

Autocallable redemption profile at maturity



Stability redemption profile at maturity



Hypothetical examples are for illustrative purposes only and do not represent the returns of any particular investment.

The challenges of managing traditional ELNs

Although ELNs are a core tool for income generation among sophisticated investors, they come with meaningful drawbacks for advisors and clients who manage the securities directly.

Traditional ELNs are typically purchased as one-off trades, not as part of a coordinated portfolio strategy. Advisors must monitor each note's maturity, call schedule, and credit exposure—an operationally burdensome process that makes it difficult to scale or maintain transparency.

Moreover, individual notes can carry embedded commissions that reduce effective yield. The result is often a patchwork of positions that are time-consuming to manage and hard to explain to clients.

Understanding the risks of ELNs

Like all investments, ELNs involve trade-offs. The higher coupons they offer compensate investors for taking on certain risks:

Market risk: Sustained downturns can lead to equity-like losses.

Volatility exposure: ELNs may lag during periods of rising volatility.

Reinvestment risk: Early redemptions, or "autocalls," in strong markets can reduce future income potential.

Credit risk: ELNs are obligations of issuing banks; diversification mitigates—but does not eliminate—this exposure.

Tax treatment: Income is generally taxed as ordinary income.

Liquidity, Valuation, and Derivative risks are also significant factors for ELNs. Please see the last page for important information on risks.

The Janus Henderson difference

Janus Henderson's Structured Income ETFs represent a new way to access structured income—bringing institutional expertise, diversification, and transparency to investors and advisors through an actively managed, exchange-traded vehicle.

Janus Henderson offers two strategies: a **Moderate Income approach seeking greater downside risk mitigation**, and a **High Income approach with higher equity sensitivity**.

Our Diversified Alternatives team applies a quantitative framework that aims to balance yield, volatility, correlation, and credit risk. Portfolios typically include:

- Diversified exposure to 15-30 underlying positions (e.g. single stocks, indices) across different types of notes and staggering maturities, providing layers of diversification in an effort to mitigate the risk and income over time.
- Open-architecture sourcing of issuers across several counterparties, seeks to offer competitive, institutional-grade pricing.
- Continuous oversight to keep exposures “always on,” intended to remove the need for constant reinvestment.

In short: Janus Henderson's Structured Income ETFs repackage a complex, transaction-heavy product set into a liquid, transparent, and professionally managed approach for income-seeking investors.

Diversified investing expertise



David Elms

- Head of Diversified Alternatives
- Portfolio Manager
- 34 years of financial experience



Natasha Sibley, CFA

- Portfolio Manager
- 16 years of financial experience



Jamie Sandells, PhD

- Portfolio Manager
- 12 years of financial experience

Glossary

Autocallable: A note that may be automatically redeemed if the underlying asset rises above a preset level.

Barrier: A price threshold that affects coupon payments or principal protection.

Stability note: A note that pays income unless the underlying experiences a one-day drop beyond a set limit.

Swap: A derivative contract used to replicate ELN-like returns across multiple counterparties.

Credit default swap (CDS): A derivative used to hedge against issuer default risk.

Strike: A fixed, predetermined price at which an option holder can buy or sell an underlying security before the contract expires.

Tenor: The remaining length of time until a financial contract expires, matures, or requires the final repayment of principal.

Conditional coupon: A feature of structured products where interest payments are not guaranteed, but are instead paid only if the underlying asset's price remains above a specific, pre-defined barrier on designated observation dates.

Reverse convertibles: A structured income product that offers elevated coupons in exchange for downside risk – potentially returning underlying shares instead of full principal if a barrier is breached.

Call schedule: A predefined set of dates when the issuer can redeem a security early – exercising its right to call before maturity.

Covered call: An options strategy where an investor sells a call on an asset they own – generating income while limiting upside beyond the strike.

Coupon: The interest paid on a bond or structured product – usually stated as an annualized percentage of notional.

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OBJECTIVES: Janus Henderson Equity Linked High Income ETF and Janus Henderson Equity Linked Moderate Income ETF seek high current income.

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Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Alternative investments include, but are not limited to, commodities, real estate, currencies, hedging strategies, futures, structured products, and other securities intended to be less correlated to the market. They are typically subject to increased risk and are not suitable for all investors.

Autocallable instruments limit upside because payouts may cease once an autocall occurs, resulting in missed future income opportunities and reinvestment at potentially less favorable levels. Barrier events can suspend income or reduce principal if predefined levels are breached. Depending on the terms, investors may receive no further coupons and may experience partial or total loss of principal following adverse market movements.

Derivatives can be more volatile and sensitive to economic or market changes than other investments, which could result in losses exceeding the original investment and magnified by leverage.

Equity linked notes (ELNs) are structured obligations whose value is derived from an equity or equity index. ELNs may be difficult to value or sell, may lack active secondary markets, and may not fully participate in equity market gains. Because ELNs are unsecured obligations of issuing banks or broker dealers, investors are exposed to issuer credit risk and may experience losses if the issuer becomes unable or unwilling to meet its obligations. Many ELNs contain call features that can terminate future coupon payments and require reinvestment at less favorable terms.

Equity securities are subject to risks including market risk. Returns will fluctuate in response to issuer, political and economic developments.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

Foreign securities are subject to currency fluctuations, political and economic uncertainty, increased volatility and lower liquidity, all of which are magnified in emerging markets.

Forward Foreign Currency Contracts Risk. Forward foreign currency transactions are subject to significant volatility and market fluctuations that could result in

substantial losses. These transactions, used for hedging and speculative purposes, also expose the Fund(s) to interest rate risks.

Options (calls and puts) involve risks. Option trading can be speculative in nature and carries a substantial risk of loss.

Reference assets, such as equity indices, single securities, or multi asset baskets, can be highly volatile and may not behave as expected. Adverse movements may reduce or eliminate potential income and can result in significant losses. Performance may diverge from broad market behavior due to index construction, volatility controls, concentration, or methodology changes.

Stability instruments rely on formulas that adjust payouts when daily market movements breach defined stability levels, which can lead to reduced income or early redemption at values below the amount invested. These instruments do not guarantee principal and may expose investors to amplified losses if leveraged components are triggered. Payoff structures may limit participation in market gains while increasing sensitivity to significant drawdowns.

Swap agreements are derivative contracts that provide synthetic exposure to a reference asset or index and may introduce counterparty default risk, valuation uncertainty, and leverage effects. Returns may differ from the reference exposure due to fees, collateral requirements, or imperfect correlation. Swap exposures may be less liquid or more volatile during periods of market stress.

Equity Linked Instruments (ELNs) are structured debt instruments that combine aspects of fixed-income investments with potential returns that are tied to the performance of an underlying equity asset, such as a single stock, a basket of stocks, or an equity index. Unlike a bond with a fixed interest rate, an ELN can have a payout at its maturity that is variable, depending on the performance of the underlying asset.

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