

THE STELLAR PERFORMANCE OF CANADIAN STRUCTURED PRODUCTS

In recent years, Canadian structured products have demonstrated remarkable growth and resilience, outpacing traditional investment vehicles and even the performance of the TSX. The impressive annualized returns and increasing market share indicate that structured products are becoming a key component in diversified investment portfolios. As 2024 unfolds, the sector continues to thrive, fueled by innovation, investor demand, and evolving market dynamics.

OUTPERFORMING FIXED INCOME INVESTMENTS

The numbers speak for themselves. According to SPi, part of WSD, annualized returns for structured products have consistently improved:

	2022	2023	2024
Annualized return by expiry date	8.52%	8.76%	10.86%

Source: SPi

When compared to traditional Guaranteed Investment Certificates (GICs), which posted an annualized return of just 3.53%, structured products—especially Principal at Risk Notes—demonstrated superior performance, returning 11.85% annually. Even Principal Protected Notes (PPNs) delivered a solid 8.71%, further establishing structured products as a compelling alternative for investors seeking both security and growth.

PRINCIPAL AT RISK VS. PRINCIPAL PROTECTED NOTES

A closer look at the performance of different structured products reveals key insights. Principal at Risk Notes, which offer higher return potential in exchange for increased exposure to market fluctuations, delivered exceptional annualized performance. Among them, Autocallable Notes (fixed and contingent) provided an 8.41% return, while Booster Notes led the category with an outstanding 17.23%.

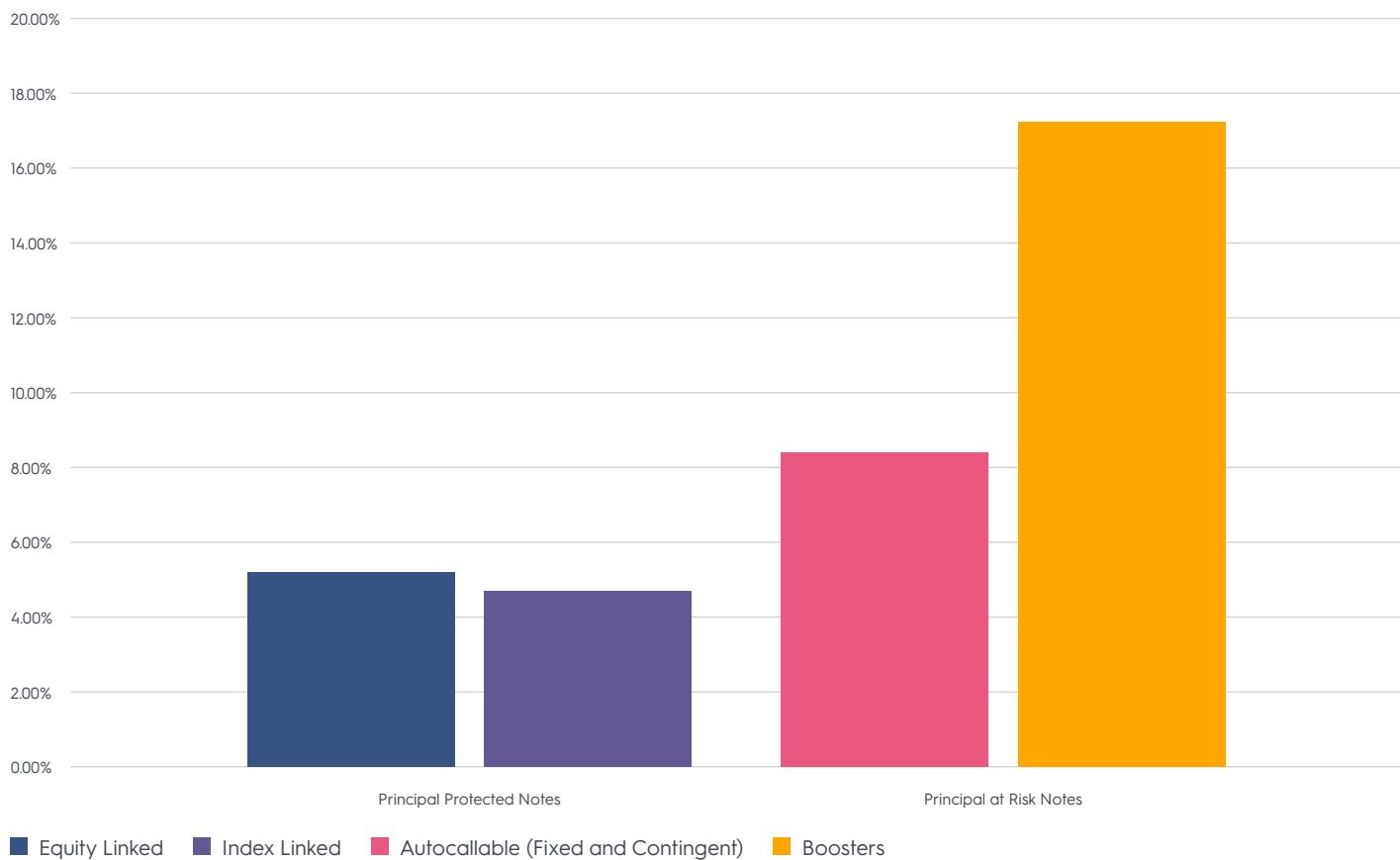
On the other hand, Principal Protected Notes (PPNs), which provide capital security, posted more moderate but stable returns, with Equity-Linked Notes yielding 5.20% and Index-Linked Notes returning 4.69%. This divergence highlights a crucial investment choice: while riskier structures like Boosters present compelling return potential, Autocallable Notes continue to deliver the reliable income that many Canadian investors seek. The growing interest in structured products suggests that investors are willing to explore tailored strategies that balance risk and reward.

THE ROAD AHEAD: A SUSTAINABLE FUTURE?

With structured products delivering strong returns and gaining widespread adoption, the question remains—can this momentum be sustained? The market's growth trajectory suggests a promising future, but regulatory developments, interest rate trends, and investor sentiment will play crucial roles in shaping the landscape.

Furthermore, ongoing innovations in structured note design, increased transparency, and improved liquidity could further enhance their appeal. As financial institutions refine their offerings, structured products may become even more accessible to a broader range of investors. If 2024 is any indication, structured products in Canada are poised to remain a formidable force, offering both institutional and retail investors an alternative avenue to navigate market uncertainties and optimize returns.

As the investment landscape evolves, one thing is clear: structured products are no longer just a niche market—they are a mainstream strategy that continues to outperform expectations and provide valuable opportunities for investors seeking enhanced performance and portfolio diversification.

AVERAGE ANNUALIZED PERFORMANCE OF STRUCTURED PRODUCTS IN CANADA 2024

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