

Gradient Investments Designed Income Portfolio

Customized Offerings for Structured
Income

The information herein is for informational purposes only and should not be used as the sole basis for making an investment decision. Investing involves risk including the potential loss of principal. Please consult your independent investment advisor before making any investment decisions.

Gradient Investments, LLC (GI) is a third-party money manager offering fee-only investment management through independent Registered Investment Advisory firms. For more information, please visit us at www.gradientinvestments.com or request a copy of Gradient Investments' ADV Part 2A. Please consult your independent investment advisor or GI regarding your specific goals and objectives before investing.



Portfolio Methodology

OBJECTIVE

Recurring Income Based
on a Pre-defined set of
Parameters

EXECUTION

A Portfolio Containing
Structured Notes With
Defined Maturities

What Is A Structured Note



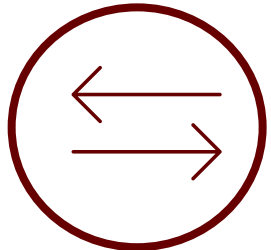
Issued by financial institutions
(backed by the credit of the underwriter)



Returns are “linked” to a specified asset or index



Fixed maturity date

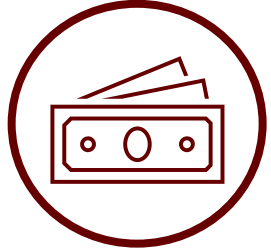


Not actively traded on public security exchanges

Why Invest In A Buffered Index Product



Recurring income based on pre-determined parameters



Premium income over traditional bonds



Invest for shorter time horizons



Moderate growth investment objective

Designed Income Structure

Terminology	Purpose
Market Exposure	Return is based on the <u>price return</u> of a specific index
Coupon Yield	Annualized yield of income
Principal Buffer	If index performance below buffer at maturity, buffered level of loss
Principal Barrier	If index performance below barrier at maturity, full amount of index loss
Payment Frequency	Number of coupon payments per year
Coupon Barrier	Barrier level to pay stated coupon rate
Maturity	Date issue matures, proceeds to cash

Setting the Parameters

Gradient Investments sets the initial parameters of the note

- Index (or indices) used
- Level and type of principal protection
- Payment frequency
- Call features (if applicable)
- Coupon contingencies (if applicable)
- Outcome period (maturity date)

Underwriter calculates the annualized yield

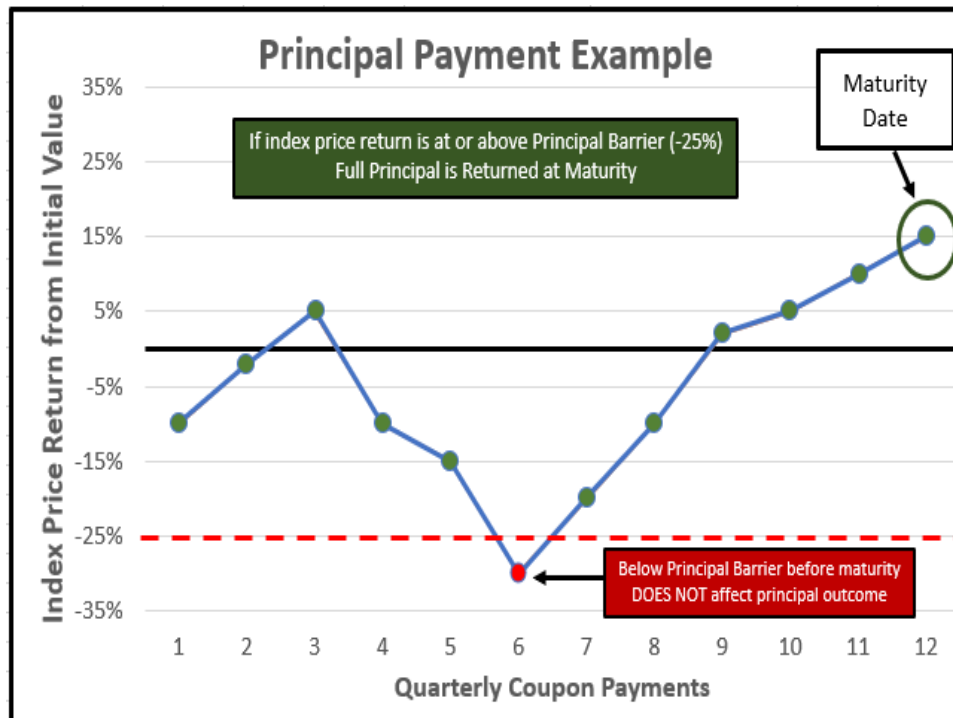
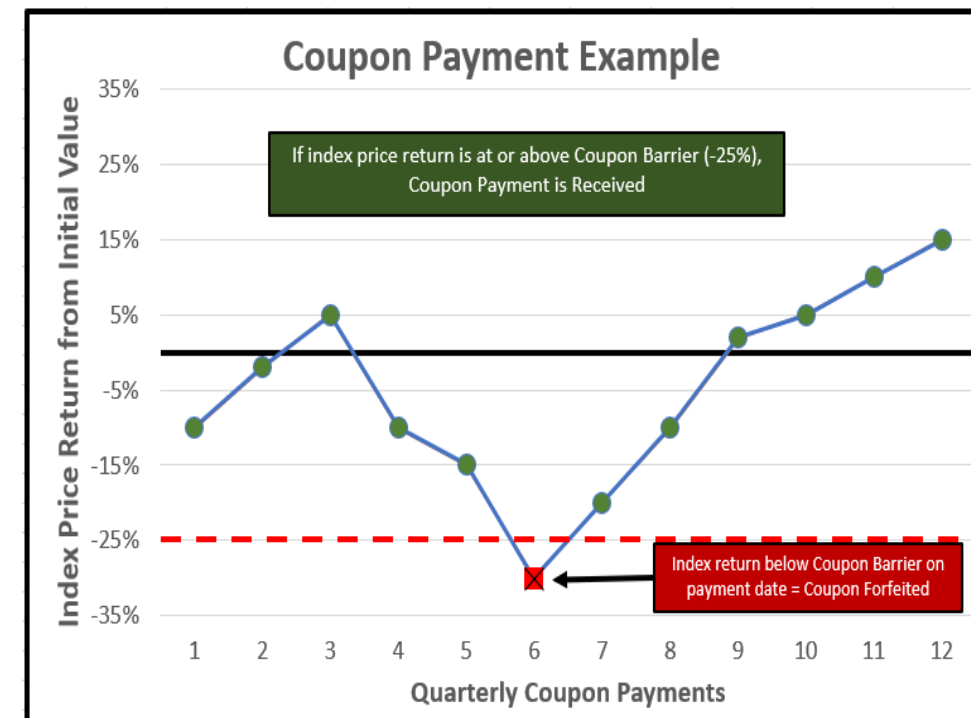
- Will vary based on note terms and current market conditions

Gradient Investments selects underwriter via competitive bid

- Bids solicited from multiple underwriters
- Must be an investment grade financial institution

Designed Income Example

Index	S&P 500	Principal Barrier	25% principal barrier
Maturity	3 years	Coupon Barrier	25% coupon barrier
Call Provision	Non-callable	Underwriter	Competitive Bid
Coupon Frequency	Quarterly	Coupon	5% annualized



For illustration purposes only. Illustration returns are gross of all Advisor and Investment Management fees. Terms and outcomes subject to change. These numbers are not meant to predict your individual results which could be better or worse. Investing involves risk including the possible loss of principle, and past performance is not guarantee of future returns. This information should not be used as the sole basis for making an investment decision.

Protection: Buffers versus Barriers

Buffers and Barriers

Both offer pre-defined levels of protection

Principal outcomes are finalized at maturity only

If index is at or above the pre-defined level, barriers and buffers return full principal

Buffers offer greater downside protection below the pre-defined protection level

Barriers experience the full decline of the index if falls below protection level

All else equal: Barriers offer higher coupon rates compared to buffers

Buffer	Example	Barrier
25% principal buffer	At Maturity Only	25% principal barrier
Full principal returned	Index ends at or above -25%	Full principal returned
Buffer participates in loss 1 for 1 after protection level	Index ends below -25%	Barrier participates in FULL index loss
Buffer principal loss: -5%	Example: Index ends -30%	Barrier principal loss: -30%
Buffer principal loss: -15%	Example: Index ends -40%	Barrier principal loss: -40%

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Structured Notes Offer Liquidity

Structured notes are priced daily:

- Daily pricing at Net Asset Value (NAV) by the underwriter

Intra-period NAV prices:

- May not directly correlate with the price return of the index
- Tend to lag index returns on the upside
- Tend to directionally match the index on the downside
- The closer to maturity, the more index and note returns will match

Intra-period liquidations are completed at NAV minus a custodial fee of \$ 1 per unit (\$10 minimum, \$250 maximum)

Points to Consider

Structured notes have a fixed maturity date

- Structured notes are designed to be held point to point
- Intra-period pricing may not directly correlate with index price return

Structured notes may have call features

- Notes may be called prior to the stated maturity date
- Notes may be called at any payment date after the pre-selected timeframe
- If a note is called, full principal is returned in cash and the note expires

Structured notes can lose money

- A buffer offers a pre-determined level of downside protection
- If index returns are below the buffer, the investment is subject to principal loss
- A barrier offers a pre-determined level of downside protection
- If index returns are below the barrier, the investment is subject to the full extent of the decline of the index.

What Happens At Maturity

- Gradient investments will notify advisors of the upcoming note maturity
- The structured note pays out cash proceeds
- Clients can use proceeds for the next Gradient investments structured offering

NOTE

Investors will not be automatically reinvested in the next Gradient Investments Structured Note offering. Clients must determine the appropriate action.

SUMMARY

Designed Income Portfolio

- Pre-determined parameters designed for recurring income
- Offers premium income to traditional bonds
- Defined maturity date
- Based on the price return of a specific index or indices
- Coupon payments are taxed at ordinary income rates in taxable accounts

Structured Notes

- Built as a point-to-point solution with a fixed maturity date
- Backed by the credit of investment grade financial institutions
- Not traded on public security exchanges

Portfolio Model:

- 95% note / 5% cash (based on 3-year maturity)
- Longer maturities may require higher initial cash balances

Account Minimum: \$25,000