

Autocallable notes and ETFs: a framework for financial advisors

This paper provides a working framework for evaluating autocallable notes and the ETF vehicles built around them. It is written for financial advisors who encounter these products in client conversations and need a durable mental model of how they are constructed, priced, and best used. The paper prioritizes conceptual clarity over technical depth, while introducing the terminology and structural distinctions that appear consistently across issuer term sheets and fund documentation.

The material is organized in five parts: an overview of the structured note market (Part I), the mechanics of the autocallable structure itself (Part II), the drivers of coupon pricing (Part III), the reference index categories that account for the majority of issuance (Part IV), and the ETF wrapper along with the due diligence framework relevant to any specific vehicle (Part V).

PART I: The Structured note market

Structured notes: an overview

A structured note is a senior unsecured debt obligation issued by a financial institution whose payoff is contractually linked to the performance of one or more reference assets. Rather than paying a predetermined coupon like a conventional bond, a structured note delivers a return defined at issuance by a payoff formula tied to an equity index, a single security, a basket, or another underlying reference.

Structurally, every note combines two components:

A funding leg. The investor's capital effectively finances the issuing bank, and the position ranks as senior unsecured debt on the issuer's balance sheet.

An embedded derivative. An options-based overlay reshapes the payoff to deliver a specific return profile at maturity or on defined observation dates.

This construction introduces two distinct risks, which advisors should evaluate independently:

Market risk. The performance of the reference asset drives the note's economic outcome.

Issuer credit risk. The investor's coupon and repayment of principal depend on the continued solvency of the issuing institution. A structured note is not an investment in the underlying reference asset; it is a claim on the issuer whose value is linked to that asset.

Structured notes are not a new instrument. Global issuance runs into the trillions of dollars, and major banks have refined these products for decades across European, Asian, and North American markets.

The three payoff profiles

Institutional taxonomy generally organizes structured notes into three broad categories, each targeting a different investor objective:

Income. Designed to deliver enhanced yield relative to comparable fixed income in exchange for defined equity market risk. Coupons are typically contingent on the reference asset remaining above a predefined threshold.

Growth. Designed to deliver participation in the upside of a reference asset, often with leverage, a cap, or both. Downside exposure may be full, buffered, or partially protected depending on the structure.

Protection. Designed to preserve principal, either fully or partially, subject to issuer creditworthiness. Upside participation is generally reduced or capped in exchange for the principal guarantee.

These categories are not mutually exclusive; many structures blend elements of all three. One design has emerged as the dominant global format: the autocallable yield note.

Anatomy of an autocallable term sheet

Every structured note is governed by a term sheet that specifies its economic terms. While formats vary by issuer, six components appear consistently and, once understood, allow an advisor to evaluate substantially any note in the market:

Notional amount and tenor. The invested principal and the note's scheduled maturity.

Underlier(s) (or reference asset(s)). The security, index, or basket to which payoff is linked.

Coupon rate and payment frequency. The size and cadence of any income distributions.

Observation dates and call schedule. The dates on which coupons are evaluated and, where applicable, the call feature may be triggered.

Barrier levels and barrier type. The thresholds governing coupon payment and principal repayment, together with whether they are observed continuously or only at maturity.

Issuer and counterparty. The entity issuing the note and any hedging or reference counterparties involved in delivering the payoff.

Once an advisor can speak to these six components of a given structured note, the term sheet is, in effect, understood. Everything else in the document elaborates on these same six ideas.

PART II: Autocallable income notes

Origins and market context

Autocallable notes first appeared in European markets in the early 2000s, developed in response to a prolonged low-interest rate environment in which traditional fixed income was failing to deliver adequate yield for many investors. The structure spread globally through the following decade and today represents the largest income category within the structured note market.

Issuer perspective

The autocallable is a carefully engineered transaction. The dealer hedges to manage its exposure, and the coupon delivered to the investor represents the economic byproduct of that hedging activity rather than an arbitrary yield decision.

Investor perspective

The autocallable aims to deliver enhanced income in exchange for two concessions: acceptance of defined downside risk in the event of a substantial decline in the reference asset, and acceptance of reinvestment risk, since the note may be redeemed by the issuer well before its stated maturity. When properly understood and used, this trade-off can serve both sides.

Core mechanics: the three barriers

Autocallable notes rely on three barriers, each governing a different feature of the payoff. All are defined relative to the reference asset's initial level:

Coupon barrier

The threshold the reference must equal or exceed on an observation date for the contingent coupon to be paid. A shallower barrier (e.g., 90% of par) leaves less cushion and generally supports a higher coupon; a deeper barrier (e.g., 60% of par) provides more cushion but generally supports a lower coupon.

Call barrier

The threshold at or above which the note is automatically redeemed on an observation date, following any stated non-call period. This level is most commonly set at 100%, meaning the reference must be trading flat or positive relative to its initial level for the call to trigger.

Principal barrier (or maturity barrier)

The threshold observed at final maturity, below which principal repayment is reduced pro rata with the decline in the reference asset. As with the coupon barrier, shallower levels support higher coupons and deeper levels support greater principal protection.

Each note's term sheet specifies these levels explicitly. The coupon and principal barriers may be set at the same level or calibrated independently. Some notes employ "step-down" barriers, which increases the likelihood of a note being called early and decreases the probability of missing a scheduled coupon or losing principal.

Observation dates and the non-call period

The issuer evaluates the reference asset against these barriers on a defined observation schedule, most commonly monthly or quarterly. Two features of this schedule warrant attention:

Observation frequency. More frequent observations increase the number of opportunities for coupon distribution but reduce the annualized coupon achievable, since a more frequent cadence of observations increases the probability at least some contingent coupons are paid. Less frequent observations typically support higher coupons.

Non-call period. Most notes include an initial period, commonly the first quarter or first year, during which the note cannot be automatically redeemed regardless of reference asset performance. Contingent coupons remain payable during this period, but the call feature is deactivated.

The coupon decision

On each observation date, the issuer determines whether the contingent coupon is payable:

- If the reference asset is at or above the coupon barrier, the coupon is paid as scheduled.
- If the reference asset is below the coupon barrier, the coupon for that period is not paid.

This contingent payment structure is a defining characteristic. Unlike a conventional bond that continues paying interest through market cycles, an autocallable note can suspend income entirely for one or multiple periods while remaining outstanding. The contingent payment mechanism is a core feature that increases the autocallable coupon rate relative to other instruments.

The call decision

Following the non-call period, on each observation date the issuer also evaluates the call condition:

- If the reference asset is at or above the call barrier, the note is automatically redeemed. The investor receives principal at par plus the coupon for that period, and the note terminates – potentially years before scheduled maturity.
- If the reference asset is below the call barrier, the note remains outstanding to the next observation date.

Is being called good or bad for the investor?

The answer depends on perspective. Early redemption typically occurs only in a rising market and returns full principal alongside the earned coupon. At the same time, it terminates an enhanced-yield position with little advance notice, forcing the investor to reinvest into a market environment that may no longer support comparable coupons. This tension is the essence of reinvestment risk in the category. Volatility-targeted underlying reference assets can alleviate much of the reinvestment risk by stabilizing the volatility component of the autocallable coupon rate.

Outcomes at maturity

If the note is never called and reaches its final observation date, the following outcomes apply:

- If the reference asset is at or above the principal barrier (and the coupon barrier), principal is returned in full (along with any final coupon).
- If the reference asset is below the principal barrier, principal is reduced pro rata with the decline in the reference asset.

The combination of these features – contingent coupons, an early redemption mechanism, and downside exposure below a defined threshold – defines the autocallable's distinctive economic profile and separates it from most other structured products.

PART III: Coupon drivers

The framework

The coupon an issuer can offer on an autocallable note is not set at the issuer's discretion; it reflects the value of the note's embedded derivative (barrier put option) and the interest rate the buyer earns by effectively lending money to the issuer. In a simplified framework, the coupon can be understood as a function of six variables:

Barrier levels (moneyness). The barrier levels relative to the initial value of the reference asset is the primary driver of yield. A structure that requires a more substantial decline before principal is impaired or scheduled coupon payments are halted supports a lower coupon; a structure with less cushion supports a higher coupon.

Tenor (time to maturity). Longer-dated structures generally support higher annualized coupons, but there could be some variation depending on the shape of the yield curve and the funding term structure.

Interest rates. Higher risk-free rates generally support higher coupons across the category, driven by the higher baseline interest that must be demanded for providing capital to the issuer.

Volatility. Higher implied volatility increases the premium received from the barrier put option embedded within the autocallable, which flows directly through to a higher coupon. In volatility-targeted underlying reference assets, the volatility is stabilized which produces consistent premium levels.

Dividends (or synthetic dividends/decrements).

Since underlying reference assets are typically equity price return indices, single stocks, or futures-based indices, dividends will reduce the value of the reference asset and marginally increase barrier breach probability. Investors must be compensated for the downward drift in the reference asset – the higher the dividend, the higher the coupon rate.

Implied correlation. Some autocallable notes utilize worst-of baskets as the underlying reference asset, where the barriers are triggered by the worst performer in the basket. When correlations are low, the probability of at least one of the indices or securities in the basket breaching the barrier is high, so coupons must be higher. Even when correlations are high, the probability of at least one of the indices or securities in the basket breaching the barrier is strictly higher than the probability of a single basket constituent breaching the barrier alone, so there is generally always some positive impact to the coupon rate. There is no free lunch and worst-of notes tend to have higher rates of principal impairment and missed coupons.

Modeling note

In practice, issuers rely on sophisticated pricing models for autocallables including trinomial trees and Monte Carlo simulations. This is because autocallables are highly path-dependent structures and cannot be valued properly using Black-Scholes, which assumes a lognormal distribution of asset prices.

The most important variable

Among the many inputs to coupon pricing, the choice of reference asset typically drives the largest observable difference across notes. A note referencing a single stock, a worst-of basket, or an equity futures index have widely varying hedging considerations, availability of liquid hedge instruments, and capacity constraints. Issuers may lower the coupons of some notes relative to other less risky notes solely depending on the complexity of the hedging profile.

- Issuers price implied correlation at a premium to realized correlation for worst-of notes to protect themselves against correlation jump risk. Issuers may also utilize techniques such as barrier bends, particularly for single stock autocallables, to protect themselves against sudden changes in option delta and potential issues sourcing hedge liquidity.
- Other risks and capacity limitations faced by issuers are stochastic volatility forecasting error, dividend risk, and funding. Recent financial engineering innovations leading to the development of futures-based decrement indices with volatility targets have mitigated many of the risks faced by dealers, resulting in better pricing power and coupon pass-through for note buyers. The volatility targeting mechanism eliminates the need for complex stochastic volatility modeling and the equity index futures-based underlying removes dividend risk and funding considerations.

PART IV: Reference assets

Single stock

Description

- A single-stock autocallable references the price of one specific equity security. Equity securities generally have much higher volatility levels than indices due to concentration risk and idiosyncratic risk, which increases the coupon and correspondingly the underlying risk profile.

Benefits

- Because individual equities are typically far more volatile than diversified indices, single-stock autocallables can potentially deliver among the highest coupons in the category.

- For an investor with genuine conviction in a specific issuer, the structure provides income-oriented exposure to that view with downside protection.

Limitations

- Concentration risk is direct and undiluted; the note's outcome depends entirely on one company's performance, without the smoothing effect a diversified index or basket provides.
- Idiosyncratic events – earnings surprises, regulatory actions, product failures – can drive the underlying through its barrier in a market environment that otherwise remains stable.
- Coupon levels on newly issued notes referencing the same security can fluctuate meaningfully as volatility and borrow costs shift around company-specific events.
- Single stocks and single stock options may not maintain adequate liquidity profiles in adverse market scenarios to facilitate frictionless hedging by issuers, which introduces capacity constraints.
- Single stocks, particularly those that are hard-to-borrow, are expensive and/or difficult to fund, which can significantly impede an issuer's ability to add capacity.

Illustrative outcome

- Consider a hypothetical five-year note with a one-year non-call period and coupon and principal barriers both set 30% below the initial stock price. Because the underlying is more volatile than a broad index, the coupon may be several percentage points higher annualized than a comparable broad-based index structure. In a favorable, steady market, coupons are paid and the note is likely to be called at an early observation date. In a sharp company-specific decline unrelated to broader market conditions, coupons may be missed even while the market as a whole remains stable, and principal may be impaired at maturity if the underlying does not recover above its barrier – an outcome a diversified structure would not experience under the same market conditions.

Single broad-based index

Description

- A single broad-based index autocallable references one widely followed benchmark such as the S&P 500, Nasdaq-100, Russell 2000, Eurostoxx 50, Nikkei 225, or Hang Seng. Broad-based index autocallables may employ decrements, especially in Europe, to alleviate dividend risk faced by issuers and potentially increase coupons.

Benefits

- Conceptually the most straightforward reference type in the category. Both advisors and clients are typically familiar with the reference index, simplifying explanation.
- Broad diversification within the index itself produces lower volatility and correspondingly more predictable coupon and barrier behavior.

Limitations

- The lower volatility that supports the more stable behavior also constrains the coupon; single-broad-index notes generally offer much lower yields than worst-of, QIS, or single-stock alternatives.
- Broad market drawdowns remain a full exposure risk, with no engineered defensive mechanism to soften the impact of a severe, market-wide decline.
- Because volatility is unmanaged, the coupon a newly issued note can offer will shift with the broader market volatility environment at the time of issuance.

Illustrative outcome

- Consider a hypothetical five-year note with a one-year non-call period and coupon and principal barriers both set 30% below the initial stock price. Because the underlying is a broad-based index and broad-based indices rarely suffer drawdowns in excess of 30% (and almost never over a rolling five-year period), the coupons will be much lower than the other strategies given the lower probability of loss. In most market environments, the notes will experience very low realized volatility and enjoy stable, regular coupon payments. In sharp downturns, the notes may exhibit very high volatility levels relative to their modest yield pickup over traditional fixed income assets.

Worst-of basket

Description

- Worst-of notes reference a basket of two or more broad-based indices or single stocks. The most commonly issued worst-of note is a worst-of S&P 500, Nasdaq-100, and Russell 2000. The defining mechanic is that all coupon and principal outcomes are determined by the single worst-performing index in the basket on each observation date.
- Correlation among basket constituents becomes a critical structural factor. When correlations are low, the probability that at least one asset materially lags the others and breaches the barrier rises, significantly increasing the worst-of collective coupon rate relative to any of the basket constituent coupons individually. The opposite is true when correlations are high, although the worst-of should generally have a marginally higher collective coupon than the individual basket members alone even when correlation is close to one.

Benefits

- Higher coupons than individual single assets, reflecting the additional premium generated by the worst-of feature.
- Easily explainable payoff profile, with much of the embedded complexity and risks hard to conceptualize.

Limitations

- One lagging index is sufficient to suspend coupons or breach the principal barrier, even when the other benchmarks perform well.
- Complicated hedging dynamics and high balance sheet usage limit capacity and may result in pricing deterioration as issuers approach risk limits.
- Structurally higher barrier breach probabilities result in more frequently skipped coupon payments, potentially resulting in a poor experience as realized coupons trail the headline number.
- Higher coupons may not indicate a superior risk-adjusted return proposition; worst-of structures have highly concentrated downside risk exposure and historical principal impairment events have been severe for tenors less than three years.

Illustrative outcome

- Consider a hypothetical 18-month structure with a three-month non-call period and coupon and principal barriers set 30% below each index's initial level, observed against the worst-performing of the three basket constituents. In a broadly rising market where all three indices perform similarly, the note behaves much like a single broad-based index note, paying its higher coupon and likely being called early. In a period of market rotation – for instance, a small-cap benchmark lagging materially behind large-cap and growth-oriented indices – the outcome is governed entirely by the lagging index. Should that index breach the barrier at final maturity, principal is impaired based on its performance alone, regardless of the returns generated by the other benchmarks in the basket.

QIS (Quantitative Investment Strategy) index

Description

- A QIS index is a rules-based index purpose-built to enhance structured product payoffs. Common QIS index features for autocallable strategies include volatility targeting and decrements.
- Volatility targeting. The index dynamically adjusts its exposure to an underlying asset based on implied or realized volatility, increasing exposure when markets are calm and deleveraging when markets are turbulent. Implied volatility target mechanisms can provide substantial barrier defense in risk-off environments due to the highly reactive and forward-looking nature of implied volatility. During shock scenarios, some implied volatility target QIS indices can reduce exposure below one, exhibiting lower downside volatility than single broad-based index autocallables even with much higher coupon levels.
- The decrement (synthetic dividend). A daily index deduction, typically expressed as an annualized figure between roughly 2% and 6%, is embedded in the index's calculation. This lowers the index's risk-neutral forward price and effectively pushes the embedded options closer to the at-the-money forward, increasing the premium available to fund the coupon. The decrement marginally increases barrier breach probability.

- Together, these features are designed to deliver a more consistent coupon environment across market cycles than a vanilla benchmark, whose option premiums fluctuate directly with prevailing conditions.

Benefits

- More stable coupon rates across market environments relative to an index or worst-of basket, since the volatility-targeting mechanism is designed to stabilize option premiums rather than allow it to fluctuate with market conditions.
- The decrement mechanic enhances the coupon in a linear, probabilistic manner rather than relying solely on riskier underlying exposure (as in single-stock) or a riskier structural feature (as in worst-of).
- The volatility-targeting mechanism provides a more consistent volatility profile at the note level relative to single-stock or worst-of notes, which exhibit high volatility of volatility (very high volatility near barriers, modest volatility away from barriers).

Limitations

- Construction methodology is more complex and less immediately intuitive than a well-known benchmark. Index specifications and underlying mechanics vary widely across issuers. Direct comparison requires active investigation, not surface-level assumptions.
- Because QIS indices adjust exposure to their linked-index dynamically, behavior over time is nonlinear and not directly deducible from linked-index performance.
- Effective due diligence can require time and sophistication – some indices utilize realized volatility target mechanisms rather than implied volatility and can exhibit much higher leverage ratios and underperformance in V-shaped markets.

Illustrative outcome

- Consider a hypothetical five-year note with a one-year non-call period, a 35% volatility target, a 6% annual decrement, and coupon and principal barriers set 40% below the initial index level. In a calm, steadily rising market, the volatility-targeting mechanism increases exposure to capture upside, the decrement continues to enhance the coupon, and the note is likely to pay coupons consistently and be called early once the non-call period ends.

In a sharp market downturn, volatility targeting reduces exposure as volatility spikes, which can help such structures defend their barriers better than a vanilla index would in the same environment. In a regime of low realized volatility, the volatility target can amplify losses relative to a static exposure.

PART V: The Autocallable ETF wrapper

Rationale for the ETF format

Everything discussed to this point has concerned individual autocallable notes purchased directly from an issuing bank. More recently, a fund-based alternative has emerged: the autocallable ETF. This development sits within a broader industry trend toward structured ETFs – a category first popularized by buffered ETFs, now extended into income strategies.

Advantages of the ETF wrapper

Continuous access. Individual notes are typically issued in defined windows and often carry meaningful minimum investment thresholds. ETFs trade continuously on exchange in any size, without an issuance-window constraint.

Daily liquidity. Individual notes are generally designed to be held to call or maturity; secondary market sales are often difficult or executed at unfavorable pricing. ETFs trade throughout the day on exchange, with pricing intended to reflect the fund's underlying value.

Built-in laddering and diversification. A well-constructed ETF continuously ladders exposure across multiple underlying positions with staggered maturities. Two consequences follow: (i) principal loss exposure is diffused across many positions rather than concentrated in a single note, and (ii) distribution behavior is generally smoother than a single note's payment schedule. An investor buying into a laddered autocallable ETF today gains immediate, blended exposure to the fund's full existing book of positions; not a fresh, single starting point.

Reduced reinvestment risk. The fund itself handles rolling matured and called positions into new exposure, continuously and without advisor intervention, mitigating cash drag.

Potential tax efficiency (issuer-dependent). Certain ETF issuers have historically classified a substantial portion of distributions as return of capital, which generally defers taxation and provides substantially higher after-tax income relative to distributions taxed as ordinary income. This treatment is not universal; some ETF issuers pay distributions taxed as ordinary income or short-term capital gains, comparable to individual notes. This warrants direct confirmation for any specific fund.

Potential counterparty risk mitigation (issuer-dependent). An individual note carries direct, unsecured credit exposure to a single issuing bank, with no available mitigation. Most ETF issuers trade unfunded total return swaps referencing autocallable notes or an autocallable index, limiting counterparty credit exposure to the swap mark-to-market. Generally, since ETFs are regulated as Registered Investment Companies under the Investment Company Act of 1940, the swaps are fully collateralized with collateral held off the counterparty's balance sheet in a segregated asset account, mitigating substantially all of the credit risk.

Operational simplicity. ETFs are easily tradeable and can be accessed seamlessly from any brokerage account. Contrasted with structured notes, which are bespoke instruments and must be shopped around and sourced from issuers each time they are called or mature, the buy-and-hold nature of the ETF frees up advisor mindshare to focus on value-add activities and allows advisors to spend more time with clients.

Model eligibility. Individual notes with defined maturity dates and constant early redemptions are not well suited for home office model placement, despite the clear use case of notes as a differentiated source of income. By holding multiple notes and providing evergreen exposure, ETFs can bridge the gap and potentially generate significant diversified risk-adjusted return in income models, replacing traditional factors such as credit and duration risk with measured equity market risk.

Trade-offs relative to individual note

No defined maturity. An individual note has a fixed final observation date; an ETF is designed to operate indefinitely, continuously rolling its underlying positions.

Variable distribution rate. An individual note's coupon is fixed and stated at issuance; an ETF's distribution rate can fluctuate over time as underlying positions turn over and the market environment evolves.

Potential upside dispersion. Given the concentrated time (or "pin") risk in individual notes, an individual note may be issued into a particularly favorable or unfavorable market environment. A laddered ETF averages across a range of vintages, helping to smooth the peaks and troughs; individual notes retain the opportunity for stronger absolute outcomes when timing is favorable, and vice versa.

Other differences in investor experience

Mark-to-market pricing and intraday volatility.

ETF NAVs (and therefore market prices, through the price-arbitrage mechanism) fluctuate throughout the trading day, reflecting the changing valuation of the underlying swaps and derivatives. Clients are exposed to the real-time fluctuations in the value of their ETF, whereas they may be shielded from the true market values of their individual note positions at points in time prior to early redemption or maturity.

Tax reporting. ETFs generally offer simpler tax reporting than a portfolio of individual notes, since fund distributions consolidate what would otherwise be multiple income and principal events across multiple instruments.

Due diligence framework

The following categories vary meaningfully across issuers and funds. None can be assumed based on the ETF wrapper alone; each merits direct inquiry when evaluating any specific autocallable ETF.

Portfolio construction

- What shareholder protections has the manager negotiated into the swap contract?
- What type of collateral does the manager hold and what does it yield relative to the swap financing?
- What is the tax treatment of distributions? Is it dependent on market environment?

- For QIS-based funds: what is the volatility target, and what is the decrement level? Are there hidden transaction costs that penalize shareholders? What is the average leverage ratio? Is there a minimum leverage ratio that prevents the fund from deleveraging in high volatility periods? What is the realized volatility of the reference index relative to its target? Are there intraday rebalances or trend-following signals that can make it difficult for ETF market-makers to value the fund?
- For worst-of funds: which specific assets comprise the basket? How risky are they? How correlated are they historically? What is the average tenor of the autocallable notes in the fund and what are the modeled historical principal impairment and coupon loss rates?
- For single-stock funds: which specific stocks is the fund exposed to? What is the universe of stocks that the manager can choose from? Will future single-stock exposures be similar to the current exposures or can they materially differ in riskiness and sector weightings? How does the manager evaluate the single-stock autocallables for liquidity and capacity before adding them to the portfolio?

Transparency

- How does the fund report its underlying holdings to investors?
- How are position rolls disclosed over time?
- How, specifically, is the fund's NAV calculated on a daily basis? If there is no independent third party valuation agent (for funds utilizing an autocallable index approach), how are the autocallable holdings being valued on a daily basis?
- Is there a bid/ask spread being charged on swap upsizes and downsizes that is being passed on to shareholders via persistent NAV premiums? How should investors think about their actual experienced coupon rate if they cannot purchase shares at NAV?
- Does the issuer offer access to transparent data on the underlying index, including its full construction methodology?

- Can the term sheets of the individual notes underlying the fund's performance be reviewed?
- Does the issuer provide standalone historical performance data for the index behind the ETF, independent of the fund's own track record?

Operational mechanics

Laddering. How does the fund stagger maturities across its multiple internal autocallable positions? Laddering frequency and depth vary meaningfully across the market: some QIS-referenced funds ladder on a weekly basis with dozens of active positions at any given time, while other structures accumulate fewer active positions even when laddered. Not every fund achieves the same depth of diversification.

Roll mechanics. What happens when a position matures or is called? How quickly and on what terms does the fund re-establish new exposure?

NAV pricing. How does daily NAV reflect mark-to-market pricing on the underlying OTC instruments?

Liquidity management. What buffer of safer, liquid assets (collateral, Treasuries, cash) does the fund hold to support day-to-day operations and the swap arrangements underpinning the strategy?

Counterparty concentration. How concentrated or diversified are the fund's swap counterparty relationships? Is a backup counterparty arrangement in place should the primary counterparty be unable to perform?

- This paper is intended for financial professionals as an educational overview. It does not constitute investment advice, a recommendation, or an offer to buy or sell any security. Any specific product referenced herein should be evaluated on the basis of its own offering documents.

To learn more about our suite of autocallable ETFs, visit calamos.com/capabilities/autocallable.

Before investing, carefully consider the Fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-866-363-9219. Read it carefully before investing.

Autocallable Structure Risk. The Fund's returns are correlated to the performance of a synthetic portfolio of autocallable notes tracked by the Laddered Autocall Index.

Autocallable notes have specific structural features:

Contingent Income Risk. Coupon payments from the Autocalls are not guaranteed and will not be made if the Underlying Index falls below the Coupon Barrier on observation dates. This means the Fund may generate significantly less income than anticipated during market downturns.

Early Redemption Risk. Autocalls in the Portfolio may be called before their scheduled maturity if the Underlying Reference Index reaches or exceeds the Autocall Barrier on observation dates. This automatic early redemption could force reinvestment of that portion of the portfolio at lower rates if market yields have declined.

Barrier Risk. If the Underlying Reference Index falls below the Protection Level Barrier at the maturity of an Autocall in the Portfolio, that portion of the Portfolio will be fully exposed to the negative performance of the Underlying Reference Index from its initial level. This conditional protection creates a binary outcome that can result in sudden, significant losses if barriers are breached.

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