Case Study: Bespoke Structured Notes and Defined Outcomes for a Family Office Portfolio

October 21, 2026 | Connor Hickey, CFA & Travis Army, CFA

The Marsden family has a net worth of a billion dollars and a highly profitable operating business they still own and run. They moved $200 million of their liquid portfolio out of plain stocks and bonds and into an actively managed portfolio of income and growth structured notes. The family already carries one large undefined risk in the business. The structured note portfolios were built to balance that risk with outcomes the family knows in advance. Built around protection, they let the family earn income and participate in market upside without adding a second one.

This is an illustrative composite built from how The Invictus Collective designs note portfolios for families and institutions. The Marsden family is fictional; no actual client, allocation, return or term is described.

The family and the problem

Marsden Industries is the growth engine: the majority of the family's wealth, concentrated, illiquid and tied to the real economy. Beside it sits about $500 million of liquid capital held across a holding company, trusts and personal accounts, invested the way most large liquid pools are invested: about 60% public equity, 30% bonds, 10% cash. The business funds the family's spending, so the liquid book has one job: grow responsibly and never be a forced seller.

It was not built for that job.

- **The equity sleeve took 100% of the downside for 100% of the upside, with nothing in between.** In a 2022-type year it fell with everything else, at exactly the moment the business was under the most pressure. Two undefined risks, one economy.
- **The bond sleeve earned 4 to 5%, and all of it depended on rates.** It offered no participation in the equity volatility the family was already paying for on the other side of the portfolio.
- **The timing made both problems worse.** Equity valuations were rich by almost any measure, with index returns concentrated in a handful of names, which compresses the upside the family was paying full price for and widens the downside. And the stock-bond correlation that turned positive in 2022 has not gone back: the bond sleeve was no longer reliably hedging the equity sleeve, so a 60/40 book was closer to one bet than two.
- **The family had bought structured notes before, one at a time.** A handful of trades from a bank's private wealth desk, each bought when a banker called, each sitting in the account with no relationship to the others. Add-ons, ad hoc, chosen off a shelf. Each one also carried its own fee, built into the price of the note, with no way to see it and no portfolio around it to justify it. The family was paying full retail on every trade for something that was never managed as a whole.

The question the Marsdens had never been asked: Why take whatever the market gives, when your size lets you decide what you are paid and where you are protected?

What a structured note is: the questions nobody asks out loud

The family had not known there was a third option beyond naked equity and rate exposure. Education came first; the solution came after. These are the questions the family asked once it understood there was something to ask about.

What is a structured note? A bond issued by a bank whose payoff is tied to something else, usually a stock index. Instead of a fixed coupon, the bond's terms spell out a formula: how much you earn if the index goes up, what you lose if it goes down, and when you get your money back. It is one security with its own CUSIP that sits in the family's custodial account like any other bond. There are no options, derivatives, margin or counterparty agreements inside it or attached to it; the family owns a senior note of the bank with a payoff written into its terms, and how the bank chooses to hedge that promise in its own book is the bank's business, not the family's.

Who do I actually own it from? The bank. A note is an unsecured promise from the issuer, which is why the program spreads notes across several investment-grade banks and caps each one. If the index does what the note says, the bank pays; if the bank fails, you are a creditor like any other bondholder.

Where does the yield or the protection come from? From the terms the family agrees to. A 10% coupon is payment for agreeing to take the loss if an index finishes more than 50% below where it started. A buffer is paid for by giving up the index's dividends along the way. Nothing is free; the terms simply state the price in advance, in the bond itself, rather than through any derivative the family has to hold or manage.

Buffer versus barrier? Both protect against a decline, but in different ways. A buffer takes the first part of any loss for you. With a 20% buffer, the first 20% of a decline is covered and you only lose what goes beyond it. A barrier protects you in full as long as the index stays above a set level at maturity. With a 50% barrier, the index can fall up to half and you get all of your principal back. If it falls further than that, the protection goes away and you take the full loss. Buffers cost more because they always pay out, so the growth notes use them. Barriers cost less because they rarely get hit, so the income notes use them, which is part of why those notes can pay a higher coupon. The Marsdens' income notes are written with a 50% barrier.

Can I sell it before maturity? Yes, to the issuing bank, which quotes a daily bid. The market is thin and the price in the middle of the term can sit below par even when the final payoff looks fine, so notes are bought to be held and reported both ways: what they are worth today and what they pay at maturity.

Is this a fund, a hedge fund or an annuity? None of those, and not an options strategy either. Each note is a single security that sits in the family's own brokerage account, on the family's own statement, with no lockup, no fund wrapper, no insurance company and no derivatives in between.

What does it cost? Bought off a bank's shelf, a note carries a distribution fee built into its price. Bought through a competitive bid, the family pays par, keeps the terms the winning bank offered, and pays a management fee on the sleeve that is disclosed and the same regardless of which bank wins.

How is it taxed? Growth notes are generally structured as prepaid forward contracts, so a gain on a note held more than a year is taxed as long-term capital gain at maturity, with no annual phantom income along the way. Contingent coupons on income notes are ordinary income, the same as the bond interest they replaced. The family's CPA reviews the tax treatment of every structure before purchase.

The solution: a $200 million actively managed note portfolio

The Invictus Collective carved $200 million, 40% of the liquid book, into two sleeves, replacing naked equity beta and low-yielding, rate-sensitive bonds that were no longer providing the diversification or downside protection they once did.

Sleeve	Size	Funded from	What it does	Representative terms
Income notes	$120M	Bonds and public equity	Cash flow funded by equity volatility, not rates	Laddered 3-year income notes on a basket of major indices; ~10% annual coupon paid quarterly while the worst index is above 50% of its start; 50% barrier observed at maturity only
Growth notes	$80M	Public equity	Equity exposure with a hard floor and enhanced upside	Laddered 3-year S&P 500 buffered notes; 20% hard buffer; 120% participation in gains, no cap

The remaining $300 million stayed simple: an index core, a short bond ladder and a cash reserve.

An intentional portfolio of notes, not an add-on. Any bank can sell a family a single note, and one note is one bet: one entry point, one maturity, one issuer, one set of terms. The benefit comes from running an institutional-grade portfolio of them. It works in five steps that repeat.

Step	What happens
1. Set the terms	The family and The Invictus Collective agree on the job each sleeve has to do and write the terms to match: index, length, protection level, coupon or participation
2. Banks compete	The Invictus Collective's capital markets desk puts 18 investment-grade global banks in competition on those terms at the same time. The best price wins; no single bank is best every day, and competition is what keeps pricing tight and honest
3. Build the ladder	The allocation is split into tranches bought over time from different banks, so no single day's market level, interest rate or bank decides the result
4. Keep it rolling	As notes mature, principal and income come back on a schedule and the desk times each reinvestment: adding notes when volatility spikes and coupons are richer, or after a decline when new notes start from a lower base
5. Manage the portfolio	The notes are the holdings, but the portfolio is actively managed. The Invictus Collective sets the entry points, caps exposure to any one bank across the whole book, and decides when and how to reinvest, the way a bond manager runs a bond portfolio rather than buying a handful of bonds and waiting

Issuer exposure is managed across the whole book, not per trade. No note carries a markup; notes are bought at par and The Invictus Collective is paid a management fee on the sleeve and nothing else.

The Invictus Collective has issued over $1.2 billion in structured notes across its client portfolios. The Marsden family office did not hire derivatives staff, negotiate ISDAs or build bank relationships; it added a sleeve to its existing custody account and received one report.

Outcome

The family traded undefined exposure for defined exposure on 40% of its liquid book. Nothing else moved.

	Before	After
Income on $120M	4% from bonds, set by rates	10% from income notes, paid while indices stay above half their starting level
First 20% of an equity decline on $80M	Family absorbs it	Family is protected by the structured note allocation
Equity upside on $80M	100% of the index	120% of the index, no cap
What the family knows in advance	Nothing	Exactly where it earns, where it is protected and where it loses
Tax on the equity sleeve	Dividends taxed every year, gains on sale	No annual income; gain taxed as long-term capital gain at maturity
Who sets the terms	The market	The family, with 18 banks bidding to deliver them

Why this works for families and institutions, and how The Invictus Collective does it

Notes solved the Marsden family's problem because they are the one public-market instrument where the client writes the payoff. It is the same bespoke access the family already enjoys in its business and its direct deals, applied to the liquid

portfolio that had none. The business pays when the business works; a defined-outcome sleeve can pay when the market goes up, sideways or down. A family of this size should own both. A hedge fund sells you its strategy; an ETF sells you a fixed exposure; a note lets a family say "we want the first 20% of losses covered, we'll give up the dividends, and we want it in a three-year wrapper" and have 18 banks compete to deliver exactly that. Once a family has seen that, the question shifts from whether to use notes to which parts of the portfolio should be defined outcomes.

What The Invictus Collective brings to a family or institution that wants to run a program like this:

- **Origination, not distribution.** The Invictus Collective designs the structure with the client, writes the term sheet and runs the bank auction. The client is the buyer, not the audience for a product the bank already built.
- **Bespoke terms at institutional size.** Tickets of $5 to $25 million per structure unlock terms a $500K retail note cannot: deeper buffers, higher participation, higher coupons and custom baskets.
- **No markup economics.** The Invictus Collective is paid a management fee on the sleeve, disclosed in its Form ADV. Notes are acquired at par with no concession retained, so there is no incentive to favor an issuer, a structure or a trade count.
- **A program, not a trade.** Laddering, issuer limits and scheduled reinvestment are set up once and run continuously, with hold-to-maturity reporting the family can govern against.
- **Scale without a build.** A family office or RIA can run this through an SMA managed by The Invictus Collective without hiring derivatives staff, negotiating ISDAs or building its own bank relationships.

The same framework scales down to a $20 million allocation inside a $100 million family and up to a corporate plan or insurance balance sheet that wants defined-outcome equity exposure. Only the ticket sizes and governance thresholds change.

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Forward-looking statements. Statements about future market conditions, interest rates, volatility, or investor demand are opinions and are not guarantees. Actual results may differ materially.

Past performance and risk. Past performance does not guarantee future results. All investing involves risk, including the possible loss of principal. No investment strategy, including diversification or asset allocation, can ensure a profit or protect against loss.

Structured note risks. Structured notes are unsecured debt obligations of the issuing bank and are subject to the issuer's credit risk; if the issuer defaults, investors may lose some or all of their principal. Structured notes are not FDIC insured. Buffers, barriers, caps, participation rates and coupons are set at issuance and vary with market conditions. Contingent coupons are paid only if specified conditions are met and may not be paid. If the underlying falls below a barrier at maturity, losses may match the underlying one-for-one; a barrier is not a buffer. Protection generally applies only at maturity, and interim market values may be below par and may differ materially from the payoff at maturity. Notes forgo dividends, may be called early, creating reinvestment risk, and may have limited secondary liquidity; any issuer bid may be below the original price. Notes linked to the worst performer of several indices carry additional risk. Notes include embedded fees and hedging costs.

Tax considerations. Tax treatment of structured notes varies by structure and may be uncertain. Growth notes are generally structured as prepaid forward contracts and contingent coupons are generally ordinary income, but treatment depends on the specific structure and the investor's circumstances and should be confirmed with a tax advisor. The Invictus Collective does not provide tax or legal advice.

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