INSTITUTIONAL REPORT

Off the Shelf: what to establish before you compare a listed product

A sequel to our seven-step selection process. Three checks that now sit inside the shelf screen, worked through one fully-disclosed product: what it holds, which of its yield figures is a standardised measure, and what its fee actually compares to.

Three Horizons Capital | 20 August 2026 | Fund data as at 19 August 2026 | For professional and qualified investors | No individual fund, provider or issuer is named

3 yields
published for one fund, measuring three different things. Only one of them can be a replication target

45bp
overlay fee premium over plain equity beta on a consistent wrapper basis, against 25bp if the wrappers are mixed

3 legs
of options sit under a product whose name describes a single metal, and every one of them is disclosed

On 12 August we published the order of operations for choosing a structured product: name the payoff shape, choose the wrapper, then screen the listed shelf before accepting that anything bespoke is necessary. We described that shelf screen as a gate. **Run it on a real product and it is not a gate. It is where the work moved to.**

THE SEVEN STEPS, AS PUBLISHED

1	2	3	4	5	6	7
Decompose the payoff	Screen the listed shelf	Engineer the build	Stress the barrier	Verify tax character	Monitor the outcome period	Route back to a note

Step two is the one this report expands. The process in full is at threehorizonscapital.com/insights/how-to-choose-a-structured-product

What prompted it. An adviser was shown a newly launched gold income fund and asked whether a client should buy it or build the same exposure more cheaply. The fund itself is a private-placement vehicle we hold no data on, so the work runs on the public listed comparable operating the same strategy. Every figure below can be checked independently.

1 Two of the four listed-route advantages survive intact

The earlier report gave the listed route four advantages over a bank note: no issuer-credit line item, daily liquidity, disclosed holdings, and a fee under one per cent. **Two hold exactly.** The option legs are exchange-cleared and the collateral is Treasury bills, so no bank balance sheet stands behind the payoff, and daily liquidity holds. **The other**

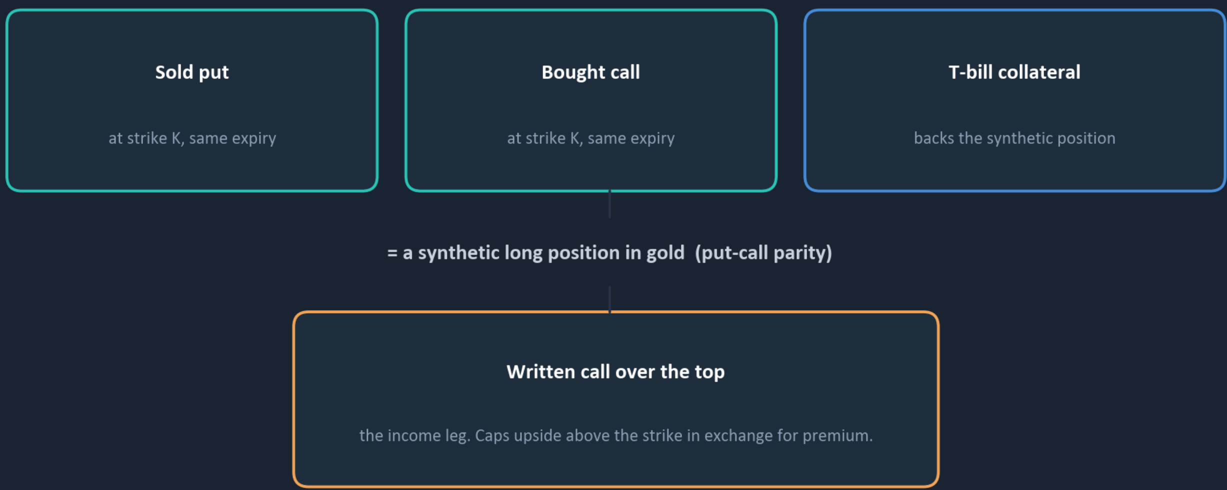
two hold as written and mislead as used, and a fifth dimension the earlier report had no reason to examine turned out to matter most.

2 "Disclosed holdings" is true. What is disclosed is not gold.

The long exposure is assembled rather than held. A sold put and a bought call at the same strike and expiry combine, by put-call parity, into a synthetic long position collateralised with Treasury bills. The income overlay is a third leg written against that synthetic position. EXTERNAL

What you own when you own a gold income fund

The long exposure is assembled, not held. Three option legs on Treasury collateral.



The exposure is assembled from options and Treasury collateral rather than from bullion, and the construction is disclosed in the published methodology. A minimum of three option legs, plus the discipline to reset strikes as the position moves.

Construction as described in the sponsor's published methodology, cross-checked against independent trade press and against portfolio holdings data on the Three Horizons Capital data platform as at 8 August 2026.

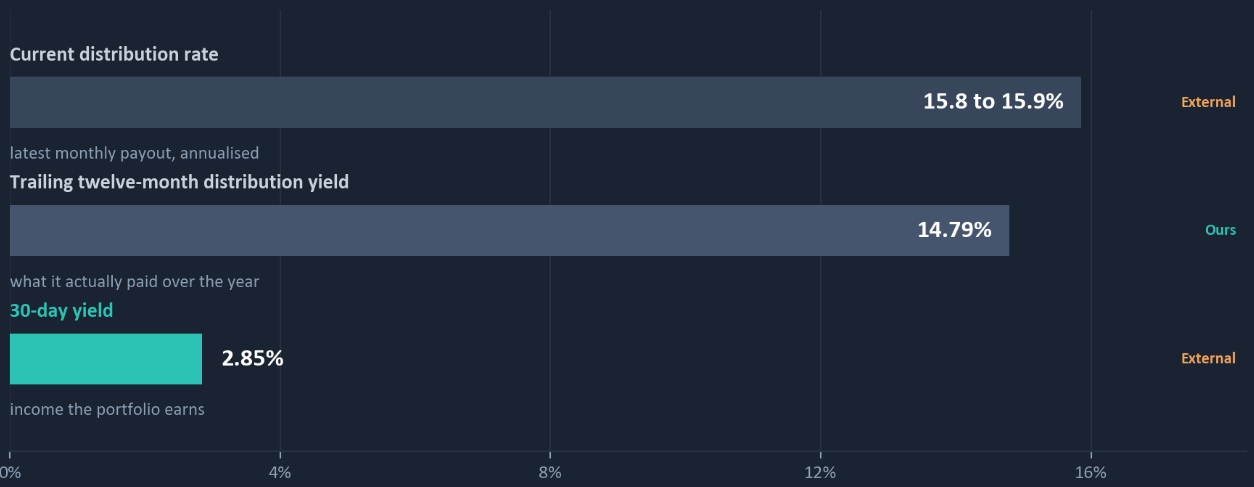
> **So what.** An allocator who bought this to hold gold owns a derivative structure whose economics track gold. Defensible, and different. It changes the collateral profile, the capital efficiency, the behaviour in a dislocation, and what the client believes is in the account.

3 Three yields are published. They answer three questions.

The current distribution rate, the latest monthly distribution annualised against current net asset value, is around 15.8 to 15.9 per cent. EXTERNAL The trailing twelve-month distribution yield, the sum of what it actually paid, is 14.79 per cent. OURS The 30-day yield, the standardised measure of the rate at which the portfolio generates income, is around 2.85 per cent. EXTERNAL

Three yields, one fund, three different questions

Two measure what the fund pays out. One measures what it earns. Only the third can be a replication target.



A distribution rate measures cash sent to the holder. A 30-day yield measures income earned by the portfolio. All three are correct and all three are published. Sizing a replication to either payout figure means underwriting to a number that is not sustainable option income.

Payout rates sponsor-published. Trailing figure ours, unrefreshed since 3 August.

The current distribution rate and the 30-day yield are sponsor-published, cross-checked against independent trade press and re-confirmed 19 August 2026. The trailing twelve-month figure is from our platform and has not refreshed since 3 August, so we report it as last known rather than live. The three carry different as-of dates.

This is standard, disclosed practice for aggressive monthly-income overlay funds. All three are calculated correctly and all three are published. The difficulty is that they measure different things. A distribution rate measures cash sent to the holder. A 30-day yield measures income earned by the portfolio.

> **So what.** An adviser who sizes a replication to match 15.8 per cent is underwriting to a number that is not sustainable option income. There are two ways to hit it: take materially more risk than the packaged product takes, or return the client capital and describe it as yield. **The honest target is the 2.85 per cent order of magnitude.**

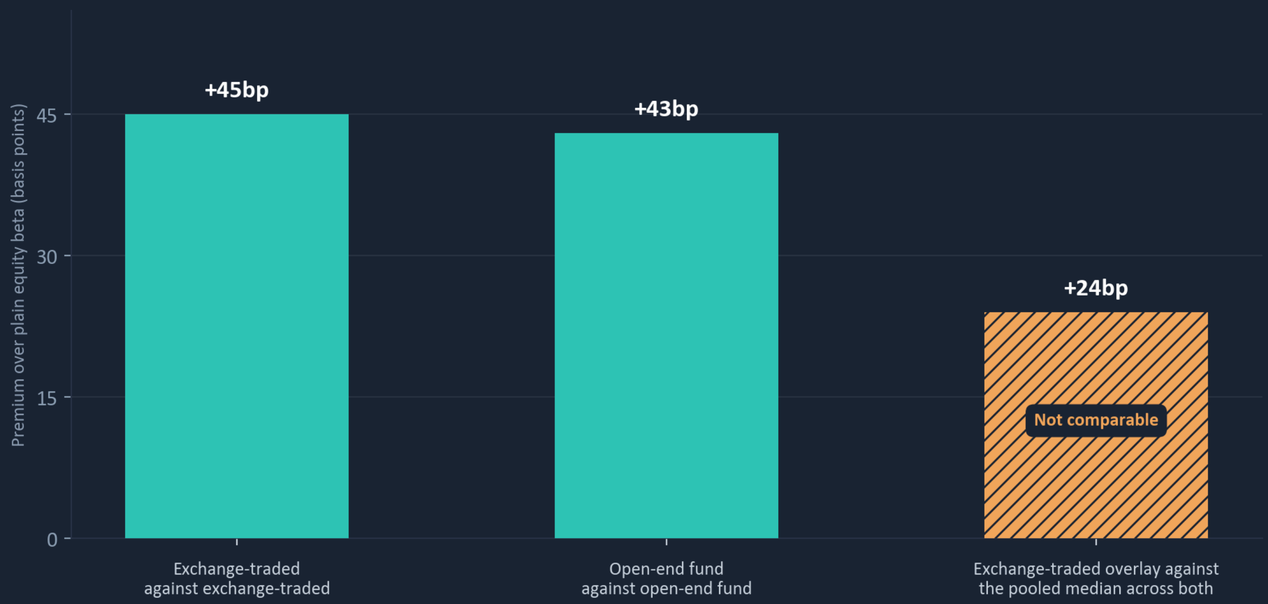
4 "A fee under one per cent" is true. The comparison it invites is not.

The earlier report described the listed wrapper's cost as disclosed, in a range of 0.25 to 1.33 per cent, against a note's cost being embedded and not itemised. That contrast holds and remains the strongest practical argument for the listed route. **What it did not examine, because the question there was note against fund rather than fund against fund, is whether those disclosed numbers are comparable to each other.** Frequently they are not.

Options-overlay categories are almost entirely exchange-traded. Plain equity beta is not: it is roughly 44 per cent exchange-traded and 56 per cent open-end, **and the two halves price at 0.30 per cent against 0.79 per cent.** OURS That is a gap of 49 basis points inside the baseline itself, before any overlay has been priced.

The overlay premium is about 45bp on either consistent basis, and 24bp only if you mix them

Median expense ratio, one row per strategy, US-domiciled. The pooled figure is the median of the combined population.



Overlay categories are almost entirely exchange-traded. Plain equity beta is roughly 44 per cent exchange-traded and 56 per cent open-end, and the two halves price at 0.30 per cent against 0.79 per cent. The median of the combined population is 0.53 per cent and describes neither half.

Median expense ratio, one row per strategy, US-domiciled, as at 19 August 2026, from the Three Horizons Capital data platform. Overlay category fee levels are as published in our earlier report on structured products; the baseline and the resulting premium are new here.

BASIS	PLAIN EQUITY BETA	INCOME OVERLAY	DEFINED OUTCOME	PREMIUM
Exchange-traded against exchange-traded	0.30%	0.75%	0.79%	+45 to +49bp
Open-end against open-end	0.79%	1.22%	n/a	+43bp
Overlay against a pooled median	0.53%	0.75%	0.79%	+22 to +26bp

Every figure in the table is a median at strategy grain, including the pooled baseline, which is the median of the combined population rather than an average of the two sub-medians weighted by fund count. On the same population that weighted average is 0.58 per cent. We publish the pooled median because it is what an adviser gets by taking the category as a whole, which is the comparison this section is about.

The premium is about 45 basis points on either consistent basis, and about 24 only if you mix them. One of those baselines is half-populated with funds the overlay category cannot be bought instead of.

The same trap, visible in a single row

While assembling the comparison the fee feed returned an impossible reading: one large physical gold fund showed a fee of 0.00 per cent on its own row, and its ticker was shared by an unrelated European gold-miners fund carrying 0.55 per cent. OURS Two different funds, one ticker, one figure that cannot be right. We excluded both and are saying so here, rather than publishing a table that looked clean.

Where the comparison is clean, the gap is wide

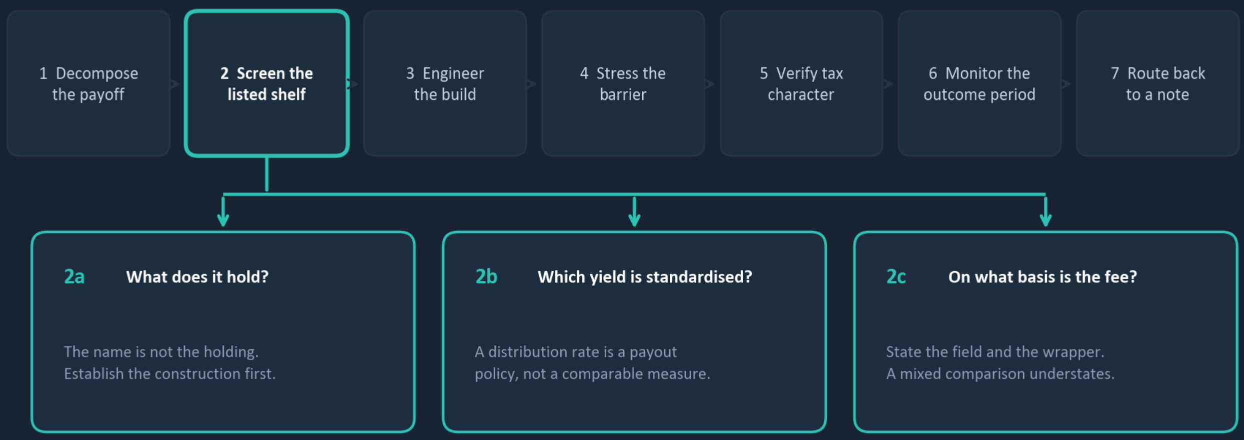
The bespoke commodity case is unambiguous, because it is one wrapper type and one field throughout: the overlay product charges 0.99 per cent against 0.25 per cent and 0.17 per cent for physical bullion exposure, a gap of 74 to 82 basis points. OURS That is what the wrapper premium looks like when nothing is mixed.

5 So the shelf screen grows three checks

Before a shelf product can be compared to a build, three questions have to be answered, in order. **What does it hold**, because the name is not the holding. **Which of its yield figures is a standardised measure**, because a distribution rate is a payout policy and cannot be a replication target. **On what basis is the fee recorded**, because a comparison spanning wrapper types will understate the premium unless the basis is stated.

Step two is where the work moved to

The seven-step selection process, with the three checks that now sit inside the shelf screen.



The seven-step selection process as published, with the three checks that now sit inside the shelf screen. Revised 20 August 2026.

Each is answerable from documents the reader already has, and each takes minutes. **What has not changed:** steps two and seven remain the gates, the route logic is undisturbed, and the decision reverses completely wherever the wrapper carries an attribute a listed-options replication cannot reproduce at any price. A Sharia-compliant structure using Murabaha or Wakala contracts, a contractual principal floor, or embedded issuer credit. In each of those the cost comparison is not close; it is irrelevant.

> **The conclusion.** The earlier report ended on the note: the cost is not absent, it is unquoted. This one ends on the listed route, and it is the less comfortable of the two. **The cost is quoted, the holdings are disclosed and the yield is published, and all three still have to be read.** Disclosure and comprehension are not the same thing.

WHAT WE COULD NOT ESTABLISH

Two of the three yield figures are not ours. The current distribution rate and the 30-day yield are sponsor-published and cross-checked against independent trade press. Only the trailing twelve-month figure comes from our platform, and that field has not refreshed since 3 August.

We hold no data on the fund that prompted the question. It is a private-placement vehicle with no public fund-data coverage.

We cannot price a replication. Our catalog holds no current gold-options implied-volatility or skew data, so the conclusion that replication wins at sufficient scale is directional rather than priced.

Expense ratio and management fee are different constructs. The premium range rests on two independently constructed bases landing between 43 and 49 basis points, rather than on either basis alone. Every fee figure quoted is a median at strategy grain, and the pooled baseline is the median of the combined population rather than a weighted average of the two sub-medians.

One regional question is excluded rather than answered. Our sources disagree on the direction of European demand for the overlay categories over the same window.

If you are being shown one of these, send us the fact sheet.

Our earlier report asked for term sheets, and that stands. This one asks for something easier. If a product is already on the shelf and someone is proposing it, send the fact sheet and we will run the three checks against it: what it holds, which of its yield figures is standardised, and what its fee actually compares to. If the answer is that it is the right instrument at a fair price, that is what we will tell you.

Three Horizons Capital, 20 August 2026. Fund counts, category fee levels, wrapper-type splits, the trailing twelve-month distribution yield and the gold fee comparison are derived from the Three Horizons Capital data platform as at 19 August 2026, with portfolio holdings data as at 8 August 2026; one physical comparator carries a 14 August extraction. Overlay category fee levels are as published in our earlier report on structured products, dated 11 August 2026 and published 12 August 2026, from fund data as at 6 August 2026. The current distribution rate and the 30-day yield are sponsor-published figures cross-checked against independent trade press and re-confirmed 19 August 2026; they are not derived from our data. Morningstar category is used as the classification construct. No individual fund, provider or issuer is named.