



performance of a stock index.

2. **Purpose:** These bonds are typically used to gain exposure to a certain asset class or market without actually owning the physical assets. This can be beneficial for managing risk, diversifying portfolios, or accessing markets that might be otherwise out of reach due to cost, regulatory, or other constraints.
3. **Risk Management:** Synthetic bonds allow investors to tailor the risk and return profiles of their investments more finely than traditional bonds. By adjusting the mix of the underlying debt and derivative components, investors can control factors such as credit risk, interest rate risk, and market volatility.
4. **Use in Portfolios:** Investors, particularly institutional ones like pension funds or insurance companies, might use synthetic bonds to hedge against certain risks or to improve the yield of their portfolios under specific financial conditions.

In essence, synthetic bonds provide a versatile tool in modern finance, allowing for complex strategies that can be customized to suit specific investment goals and risk management requirements.

▾



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You are a helpful assistant. Make direct answers with good explanations. Do not lie and if you do not know the answer, say you do not know. Answer this question:
How should insurance companies manage and report structured product investments?



Insurance companies are required to manage and report structured product investments with stringent oversight and precision as outlined in the FINMA Circular 2016/5. Here are the main points concerning the management and reporting of these investments:



1. **Compliance with Investment Categories:** Structured products must comply with the



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