

## ABSTRACT

### CHARACTERISTICS AND PRICING MODEL OF TARGETED INCOME STRATEGIC TOTAL RETURN SECURITIES (TISTRs)

The Targeted Income Strategic Total Return Securities (TISTRs) represent a new form of equity-linked structured notes that have become the focus of much attention lately as a new financial innovation. The paper derives a general pricing model for the TISTRs, studies the factors that may impact the TISTRs' performance, examines the investment performance of the TISTRs and a set of standard asset classes (the S&P 500 total return, the BXM Index and 1-year T-bill) over the period from 1990 to 2006, and simulates the TISTRs' strategy using geometric Brownian motion approach. In conclusion, the TISTRs' strategy can offer investors an opportunity to potentially earn a risk-adjusted return while having current income.

Lijie Zhu  
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