BROKER SOLUTIONS

100% CAPITAL PROTECTED

4 Year 100% Capital Secure Swiss Bond

Investment Rationale

1. Key Investment Risk & Return Considerations

The table below describes the key Investment Risk and Investment Return characteristics that Financial Brokers should consider when recommending this Bond to retail investor clients:

Feature	Description
Investment Theme	Switzerland Equities Benchmark Equity Index SMI Index (SMI Index)
Rationale for Theme	SMI Index is a Benchmark Index of Swiss Equities Indices provide a broad, passive exposure to the largest companies in a particular region or sector (Swiss Equities in this case).
Return Potential	Negative: 0% Positive: 18.65% Maximum Return: 18.65%
Investment Risk Level	Low
SRI	2
Hard Capital Protection	100%
Investment Term	4 Years (Medium)
Unique Features	High potential return of 18.65% if Index is at or above its initial level at the Final Valuation Date
Product Compromises	**Opportunity Cost:** Investment Returns could be higher if no Capital Protection feature applied. **4 Year Term:** Bond is designed to be held for the full 4 year term.
Liquidity	Yes
Taxation	Income Tax for Personal Investors Exempt for Pension & Post Retirement Schemes

2. Investment Rationale in more detail

The investment rationale for investing in the Bond and in this Index can be summarised as follows:-

1. **Capital Protection:**

   100% Capital Protection at Maturity.

2. **Potential Jump Coupon of 18.65%:**

   18.65% Return if the Index is at or above its initial level at the Final Valuation Date.

3. **Investing in Switzerland**

4. **Equities as a Long Term Investment and the Swiss SMI Index**

Investment in Switzerland

- Switzerland has one of the highest levels of per capita GDP in the world. Its strong economic performance is largely driven by the services sector. The European Union is Switzerland's main trading partner.
- Switzerland is one of the top 10 economies by GDP per capita ranking (USD 92,000 in 2022).
- Approximately 74% of Swiss GDP is generated by the services sector and 25% by industry. The agricultural sector contributes less than 1%.
- The EU is Switzerland's main trading partner. Around 67% of Swiss imports are from the EU, while 50% of Swiss exports are to EU countries.
- The vast majority of Swiss businesses (over 99%) are SMEs employing fewer than 250 staff.
- Switzerland has maintained a low level of public debt relative to other countries even during the COVID-19 crisis. At the start of 2021, gross government debt (before deduction of financial assets) stood at approximately CHF 100 billion, representing 15% of GDP.
- Switzerland has one of the lowest rates of VAT in Europe. VAT at a rate of 8.1% is payable on most goods and services. A reduced rate of 3.8% is levied on accommodation services, while 2.6% applies to everyday items.
- Switzerland spends approximately CHF 23 billion on research and development (R&D) annually, which equates to around 3% of GDP. The private sector contributes over two thirds of this amount.
- The currency of Switzerland is the Swiss franc. The franc is divided into 100 centimes. The currency code for the Swiss franc is CHF.

Source: (https://www.eda.admin.ch/aboutswitzerland/en/home/wirtschaft/uebersicht/wirtschaft---fakten-und-zahlen.html)

A long term overweight exposure to Swiss Equities in a global portfolio has the potential to increase return and reduce risk. That is because of the high value creation nature of the Swiss equity market. Short term, the market trades at a slight discount to the similarly value creating US market, and so represents an alternative or adjunct for investors looking for value creation.

- recent interest rate cut by the Swiss National Bank is helpful to Swiss companies.
- The sectoral mix within the market has the potential benefit of enhanced exposure to the Healthcare sector

Swiss equities should be considered in any equity portfolio as a risk/return enhancing allocation, as well as a source of diversification over the medium to long term.

Source: https://www.ubp.com/en/newsroom/swiss-equities-back-on-the-radar

Equities as a Long Term Investment and the SMI Index

Although investing in equities (shares) involves a degree of investment risk and there will be volatile periods along the way, in the long term, equities tend to outperform other assets like bonds, property, cash etc. By adopting a medium term approach, equity investors can mitigate the risks and short term volatility associated with stock market investment while benefiting from the long term capital growth potential that stock markets can provide.

Stock Market Indices provide a broad representative portfolio of investments in multiple companies or shares. Indexes are often used as benchmarks to gauge the movement and performance of market segments or geographic regions. Investors generally use Indexes as a basis for diverse or passive investing. The Swiss SMI Index comprises the largest 20 company shares in Switzerland.

The blue-chip index SMI is the most important equity index in Switzerland and comprises the 20 largest stocks from the SPI. The SMI covers approximately 75% of the total capitalization of the Swiss equity market. It is free-float-adjusted, which means that only the tradable portion of the shares is considered in the index. A capping of the weights (quarterly to 18% in each case and ad-hoc if the limits are breached) ensures that no two components exceed a weighting of 20%. This makes the SMI fully compliant with the ESMA UCITS guidelines and it can be used as a benchmark index for the Swiss equity market in the European Union.

Because the SMI represents the Swiss equity market, it is used as an underlying index for many financial products such as options, futures, structured products and exchange traded funds.

Source: https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/indices/equity-indices/smi.html
Index Fact Sheet: https://indexdata.six-group.com/download/factsheets/six-factsheet-stat-smi-en.pdf

Warning: The Swiss SMI Index (SMI Index) is a Price Return Index. Dividends or income distributed by the Index constituents will not be re-invested in this Index nor distributed to investors.

Index Top 10 Holdings

	Mcap (Mio CHF)[3]	Weight
NESTLE N	212,996.59	18.27%
NOVARTIS N	182,528.45	15.66%
ROCHE GS	154,985.33	13.29%
UBS GROUP N	78,437.22	6.73%
ABB LTD N	72,570.98	6.22%
RICHEMONT N	68,756.75	5.90%
ZURISH INSURANCE N	65,011.23	5.58%
SIKA N	42,254.20	3.62%
HOLCIM N	41,831.77	3.59%
ALCON N	38,008.855	3.26%
TOTAL	957,381.36	82.12%

Source: https://indexdata.six-group.com/download/factsheets/six-factsheet-stat-smi-en.pdf (30 April 2024)

Index Past Performance

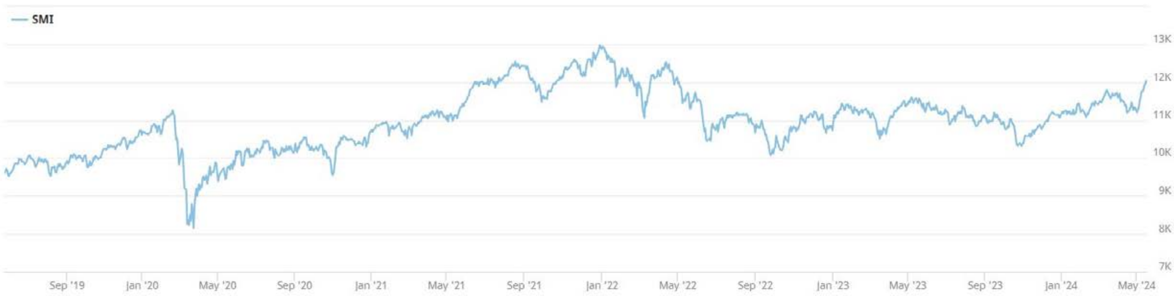
The Index has had an annualised return of 5.25%% over the last 15 years as follows:

	YTD	3 Mths	1 Yr	3 Yrs	7 Yrs	15 yrs
Return						
SMI	1.11%	-1.59%	-1.53%	0.72%	3.56%	5.25%

Warning: Past Performance is not a reliable guide to future performance.

Index Past Performance Chart

This chart illustrates the performance of the Index over the last 5 years:



Source: https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/indices/index-explorer/index-details.CH0009980894CHF9.html#/chart (23 Mat 2019 21 May 2024)

3. Investment Return Scenarios

The table below describes the indicative performance of Bond in sample, positive, negative and neutral investment scenarios at Maturity at the end of the 5 year term:

Index Basket Return	-40%	-30%	-20%	-5%	0%	+10%	+20%	+30%	+40%
Bond Return	0%	0%	0%	0%	+18.65%	+18.65%	+18.65%	+18.65%	+18.65%

Warning: These figures are estimates only. They are not a reliable guide to the future performance of your investment.

4. Warnings

Warning: The value of your investment may go down as well as up.

Warning: Deductions for costs and charges are not made uniformly throughout the life of the product, but are loaded disproportionately onto the early period. If an investor sells the Bond prior to the end of the 4 year term, the practice of front-end loading will impact on the amount of money that the investor receives. The investor may not get back the full amount they invested or the Capital Protected amount if sold prior to maturity.

Warning: This document is intended for Financial Broker firms only and is not suitable for potential Investors. This document should be read in conjunction with the product Brochure where a full list of warnings is provided.

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