BROKER SOLUTIONS

CAPITAL AT RISK

5 Year Swiss Market Kick Out 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	Swiss Equity Index SMI Index
Rationale for Theme	SMI Index is the most recognised Benchmark Index of Swiss shares. Indices provide a broad, passive exposure to the largest companies in a particular region (Switzerland in this case).
Potential Return	4.6% after 1 year. If the Index is above its initial level after 1 year, the Bond will mature early, investors will receive back their initial investment and a return of 4.6%. If not, but the Index is above its initial level after 18 months, the Bond will mature early, investors will receive back their initial investment and a return of 6.9%. This process continues every 6 months with the return increasing by 2.3% for each period passed until the return condition is met (i.e. Index is above its initial level) or until the Final Valuation Date.
Investment Risk Level	Medium to High
SRI	5
Soft Capital Protection	Investors will receive their capital back unless the Index is below 70% of its initial level on the Final Valuation Date. If the Index has fallen by 30% or more at the Final Valuation Date, investors will receive the performance of the Index at Maturity, no matter how much it has fallen.
Investment Term	4 Years (Medium)
Unique Features	**Kick Out:** The Bond has the potential to Mature Early after 1 year and every 6 months thereafter with a return of 4.6% per year as a result of any positive performance from the underlying Index. **Memory Feature:** If any potential Early Maturity and potential coupon return is missed, it can be caught up at a subsequent potential Early Maturity date if the return condition is met i.e. Index is above its initial level.

Product Compromises	**Soft Capital Protection:** Investors can lose some or all of the amount invested. **Opportunity Cost:** Capital Returns or Investment Income could be higher if the Bond had no Soft Capital Protection feature. Capital Returns or Investment Income could be higher if invested in a concentrated portfolio of shares or risky assets rather than an Index. Returns are capped at 4.6% per year and Bond return is capped at 23%. Capital Returns could be higher if invested without a performance cap or with unlimited investment returns.

Liquidity	Yes
Taxation	Capital Gains Tax (CGT) in the case of Personal and Company 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. **Soft Capital Protection Feature:** Investors benefit from a Soft Capital Protection feature provided by Citigroup Global Markets Limited. Capital is Protected unless the Index has fallen by 30% or more at Maturity.

2. **Kick Out Feature:** Potential Return of 4.6% after 1 year. If the Index is above its initial level, investors will receive back their initial capital and a return of 4.6%. If not, but the Index is above its initial levels after 18 months, investors will receive back their initial capital and a return of 6.9%. This process continues every 6 months (with the return increasing by 2.3%) until the Index is above its initial level or until Maturity.

3. **Investing in Switzerland**

4. **Investing in equities as a Long Term Investment and investing in 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 cuts 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

NESTLE N	218,290.21	17.51%
NOVARTIS N	196,642.46	15.77%
ROCHE GS	175,289.39	14.06%
UBS GROUP N	85,482.67	6.86%
ABB LTD N	79,636.94	6.39%
RICHEMONT N	75,395.89	6.05%
ZURISH INSURANCE N	70,119.04	5.62%
HOLCIM N	43,154.26	3.46%
SIKA N	41,275.27	3.31%
ALCON N	40,085.93	3.22%
TOTAL	1,025,372.06	82.24%

Source: https://indexdata.six-group.com/download/factsheets/six-factsheet-stat-smi-en.pdf (28 June 2024)

Index Past Performance

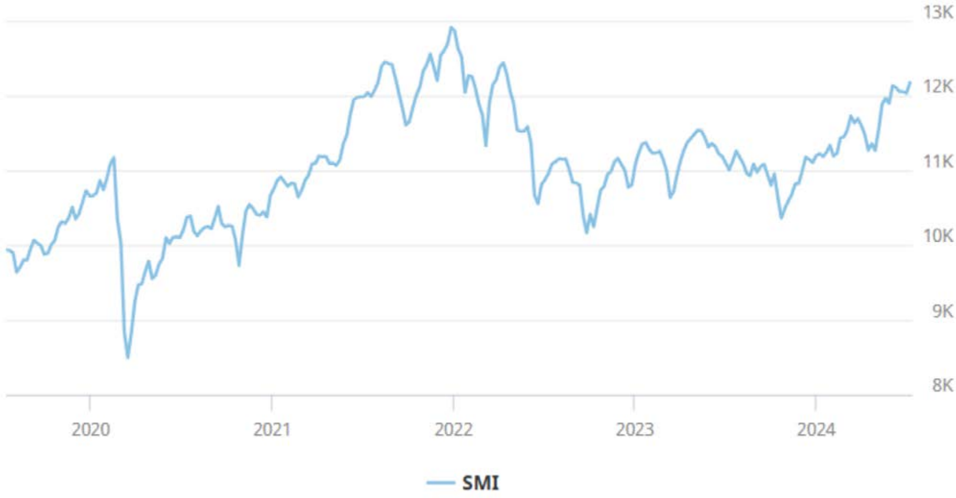
The Index has had an annualised return of 5.49% over the last 15 years as follows:

	YTD	3 Mths	1 Yr	3 Yrs	7 Yrs	15 yrs
Return						
SMI	7.69%	2.25%	7.25%	-0.04%	4.06%	5.49%

Source: https://indexdata.six-group.com/download/factsheets/six-factsheet-stat-smi-en.pdf (28 June 2024)

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 (15 July 2019 to 12 July 2024)

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

Product Back Testing

We conducted back testing of this Bond between July 2005 and July 2024. Please contact your Financial Broker for details or for more information.

Financial Brokers can access Back Testing information in the Broker Training Guide.

Warning: Investors should not consider this product back test illustration or previous product results as an indication of the potential for, or likelihood of, positive outcomes or investment gains in the future.

Limited Usefulness of Past Performance and Back Testing

Past Performance and Back Testing are useful for information purposes only. The analysis of the past performance of any investment asset(s) or the back testing of any investment product is purely academic and has no bearing on, or provides limited benefit in the assessment of the future performance potential of the investment asset(s) or the investment product in question. The future performance of any investment asset(s) or investment product depends solely on future events and circumstances that cannot be known in advance and that are not necessarily informed by or influenced by what has happened in the past, more recently or otherwise.

Warning: Past Performance and Simulated Past Performance are not a reliable guide to future performance.

Warning: Product Back Testing is not a reliable guide to future performance.

Key Information Document (KID) Product Performance Scenarios

Market developments in the future cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns. Actual returns could be lower.

Recommended holding period: Until the product is called or matures. This may be different in each scenario and is indicated in the table.			
Example Investment: EUR 10,000.00			
Scenarios		**If you exit after 1 Year**	**If you exit at call or maturity**
Minimum	There is no minimum guaranteed return. You could lose some or all of your investment.		
Stress	What you might get back after costs Average return each year	EUR 5,185 -48.15%	EUR 4,057 -16.49%
Unfavourable	What you might get back after costs Average return each year	EUR 7,147 -28.53%	EUR 5,615 -10.89%
Moderate	What you might get back after costs Average return each year		EUR 10,460 -4.60%
Favourable	What you might get back after costs Average return each year	EUR 9,664 -3.36%	EUR 11,150 4.45%

This table shows the money you could get back over the next 5 years under different scenarios, assuming that you invest €10,000.

The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products.

The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product.

The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

Warning: Performance Scenarios are not a reliable guide to future performance.

3. Warnings

Warning: If you invest in the Bond you may lose some or all of the money you invest.

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

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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