

# Nippon Bonus Builder Bond

## FINANCIAL BROKER TRAINING GUIDE

This is marketing material.

- Investment in Nikkei 225 Index
- 4 Year Term
- New Bonus Builder Feature
- Potential Bonus of 6.9% each year
- Potential for return in rising and falling market conditions
- Access to Capital During the Term
- Summary Risk Indicator 5

**Warning: This Bond is not Capital Protected.**  
If you invest in this Bond you can lose some or all of the money you invest.

**Warning: This document is a Training Guide for Financial Broker firms and should not be provided to any potential investors.**

SEPTEMBER 2024

# 1. Summary of Key Features

- The Nippon Bonus Builder Bond (the Bond) is an innovative new Investment Solution designed for investors who wish to invest in a Structured Retail Product that offers **attractive potential investment returns** linked to the performance of a benchmark Japanese Equity Index. The Bond is suitable as part of the process of constructing a genuinely diversified investment portfolio.
- The **Underlying Investment** of the Bond is the **Nikkei 225 Index** (the Index).
- Investors in the Bond have their **Capital at Risk**. This means that you may lose some or all of the capital invested in this Bond. Broker Solutions considers the Bond to have a **Summary Risk Indicator of 5** on its risk scale.



- The Bond has **Full Capital at Risk**. There is **no Capital Protection feature**. For example, if the value of the Index has fallen by 30% or more at the Final Valuation Date, investors will lose 1% for every 1% decline in the value of the Index (i.e. investors will lose 30% of their investment).
- **Bonus Builder Feature: Potential 6.9% bonus each year** if the Index is above its initial level at the end of each year. The potential bonuses are rolled up and paid at Maturity.
- **Memory Feature:** If any potential bonus is missed, it can be caught up if the conditional return level (above initial level) is exceeded at the end of any subsequent year.
- Investors will receive **100% Participation in any negative performance of the Index** on the Final Valuation Date.
- The Term is **4 years**.
- The **Maximum Investment Return is 27.6%**.
- The Bond will be **listed on the Luxembourg Stock Exchange**.
- **Daily liquidity** will be provided to investors that wish to sell the Bond prior to maturity under normal market conditions and at the discretion of BNP Paribas Financial markets SNC.
- The **Minimum Investment** in the Bond is **€30,000**.
- The **Closing Date for applications is 30 October 2024** (or earlier if fully subscribed).
- **Taxation:** We understand that the return will be subject to **Capital Gains Tax (CGT) in the case of Personal and Company Investors**. We understand that any returns are **exempt from taxation in the case of Pension and Post Retirement Investors**.

Warning: All of the terms outlined in this document are indicative and subject to change. The final terms will not be known until 8 November 2024. Your Financial Broker will confirm the final terms in the Confirmation Certificate issued shortly after the Issue Date on 15 November 2024. If the terms of the Bond have changed significantly on 8 November 2024, your Financial Broker will contact you again requesting a new instruction to proceed with the investment.

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

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 3 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.

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## 2. Description of the Nippon Bonus Builder Bond

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

- **Bonus Builder Feature:** Potential 6.9% bonus each year if the Index is at or above 90% of its initial level at the end of each year. If the Index has risen or fallen by up to -10% at the end of each year, the bonus of 6.9% is payable. The potential bonuses are rolled up and paid at Maturity.
- **Memory Feature:** If any potential bonus is missed, it can be caught up if the conditional return level (at or above 90% of initial level) is exceeded at the end of any subsequent year.
- **Investing in Japan**
- **Investing in equities as a Long Term Investment and investing in the Nikkei 225 Index**

### Investing in Japan

#### Background

Investors from Warren Buffett to Chinese retail investors have recently turned their attention to Japan. Not only do Japanese equities provide high value with room to grow, but they are also based in a geopolitical sweet spot.

Japanese equities offer quality large caps, the market is highly liquid, and with recent share buy-backs investor perceptions are changing. Additionally, corporate reform remains a powerful force for unlocking value in the Japanese stock market.

#### Recent and Upcoming

Many institutional investors increased exposure to Japan in 2023, foreseeing a transformative wave driven by corporate reform, Japan's evolving role as a 'China alternative', and greater retail investor participation. Since 2023, Japanese equities have hit all-time highs, with the first two of these dynamics materialising. And while the influx of Japanese retail investor flows is still pending, this will soon be facilitated by the revamped tax-advantaged Nippon Individual Savings Account (NISA) programme, which is set to bring a significant amount of retail funds into the market.

#### What makes Japan attractive to investors?

After 34 years, Japan's stock market has hit new highs and is set to continue on its growth trajectory, but what makes it so attractive and why now?

##### 1. Corporate reform

Corporate reform has gained significant momentum since 15 February 2024, with regulators showing that 54% of companies have disclosed initiatives to reduce the cost of capital and enhance valuations (as at 31 January 2024). These endeavours are poised to unlock latent value embedded within Japanese equities. The strong investment case for Japan is also reflected in the record number of private equity deals (according to Bain & Company) and a record number of share buy-backs, with the number of companies announcing buy-backs exceeding 1,000 in 2023, for the second year in a row. Share splits are increasingly common with fiscal year 2023 announcements coming in at 60% higher than the previous year. This lowers the investment quantum for retail investors to participate in the stock market.

##### 2. Foreign investors are still underweight

Starting from Warren Buffett's Berkshire Hathaway in 2019 to Chinese retail investors looking for an alternative to their market this year, there is plenty of flow into Japanese equities. Still, our analysts point out that foreign investors as a group now hold USD 100 billion (as at 31 December 2023) more than they did 10 years ago. As a result, plenty of global investor flows can still find their way into a reformed corporate Japan.

##### 3. Deep market breadth and quality

Japan's market has the largest average daily trading volume in Asia after China's onshore market, surpassing even Hong Kong. Its depth and breadth could attract more significant international funds, potentially closing the gap with the leading Chinese exchanges. In addition, investors can find leading quality companies in Japan that have global platforms and products.

#### 4. A tourist destination

Japan's tourism numbers are rapidly approaching pre-pandemic levels, with nearly 2.7 million visitors in January 2024. Increased international flights and a temporarily weak currency are making travel to Japan more affordable. The country has also seen an increase in visitors from the US, Europe, Australia, and the Middle East, offsetting the decline in Chinese tourists.

#### 5. A geopolitical sweet spot

Japan seems to be in a sweet spot in what is likely to be a protracted period of tension between the US and China. At the same time, Japanese companies are in many cases leaders and shapers of their industries and are therefore likely to be in demand from both China and the US.

#### Interest rates and the Japanese yen

Monetary normalisation in Japan, coinciding with interest rate cuts in the Western world, are likely to lead to a stronger JPY. A rise in the JPY makes equities more valuable to non-JPY investors, potentially providing an additional source of performance for foreign investors. Moreover, in more than half of the years in which the JPY has appreciated over the past half-century, Japanese equities have ended the year higher. This shows that even though over 20% of Japan's GDP comes from exports, and a stronger JPY makes exports less competitive globally, global investors need not necessarily fear a stronger JPY. Zooming out, even if the yen did appreciate, we expect it to do so gradually and still be very competitive compared to the start of 2022 when the yen was at 114 vs the US Dollar.

#### What does this mean for investors?

There are a number of opportunities in Japanese equities, which, beyond their cyclical nature, are now supported by the winds of change in the corporate landscape. This should lead to higher profitability and better valuation after a long period of stagnation. All this should add up as a magnet for further inflows from domestic and international investors alike who are in search of alternatives to Chinese assets.

Source: <https://www.juliusbaer.com/en/insights/market-insights/market-outlook/five-reasons-japan-is-increasingly-attractive-for-investors/>

#### Equities as a Long Term Investment and the Nikkei 225 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 Nikkei 225 Index is a benchmark Index of Japanese shares.

The Nikkei Stock Average, the Nikkei 225 Index, is used around the globe as the premier index of Japanese stocks. More than 70 years have passed since the commencement of its calculation, which represents the history of Japanese economy after the World War II. Because of the prominent nature of the index, many financial products linked to the Nikkei 225 have been created and are traded worldwide while the index has been sufficiently used as the indicator of the movement of Japanese stock markets. The Nikkei 225 is a price weighted equity index, which consists of 225 stocks in the Prime Market of the Tokyo Stock Exchange.

Source: <https://indexes.nikkei.co.jp/en/nkave/index/profile?idx=nk225>  
Index Fact Sheet: <https://indexes.nikkei.co.jp/en/nkave/index/profile?idx=nk225> (August 2024)

**Warning: The 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

Company	Code	Sector	Weight (%)
FAST RETAILING., LTD.	9983	Consumer Goods	11.84
TOKYO ELETRON LTD.	8035	Technology	6.55
ADVANTEST CORP.	6857	Technology	4.49
SOFTBANK GROUP CORP.	9984	Technology	4.27
SHIN-ETSU CHEMICAL CO., LTD.	4063	Materials	2.72
TDK CORP.	6762	Technology	2.50
KDDI CORP.	9433	Technology	2.49
RECRUIT HOLDINGS CO., LTD.	6098	Consumer Goods	2.30
CHUGAI PHARMACEUTICAL CO., LTD.	4519	Technology	1.87
TERUMO CORP.	4543	Technology	1.82

Source: <https://indexes.nikkei.co.jp/en/nkave/index/profile?idx=nk225> (August 2024)

### Index Past Performance

The Index has performed as follows in 2019, 2020, 2021, 2022, 2023 and in 2024 to date as follows:

Return	Annual Return (%)					
	2019	2020	2021	2022	2023	YTD
Nikkei 225	18.20	16.01	4.91	-9.37	28.24	15.49

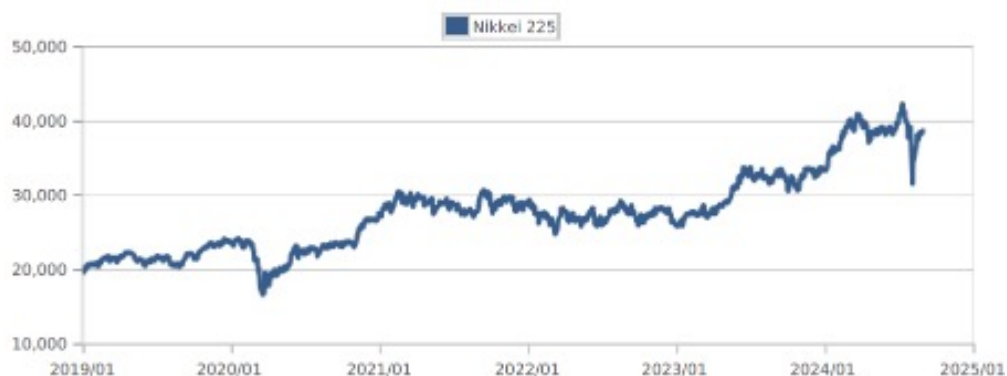
The Index has had an annualised returns of 13.3% over the last 5 years. This table outlines the Index's annualised returns over the last 1, 3 and 5 years:

	1 year	3 years	5 years
Nikkei 225	18.48	11.22	13.30

Source: <https://indexes.nikkei.co.jp/en/nkave/index/profile?idx=nk225> (August 2024)

### Index Past Performance Chart

This chart illustrates the performance of the Index over the last 5 years and 8 months:



Source: <https://indexes.nikkei.co.jp/en/nkave/index/profile?idx=nk225> (August 2024)

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

## Product Back Testing

We back tested 1,288 4 year periods solely between 9 September 2015 and 8 September 2024. A summary of the back testing results are as follows:

<b>Worst Return</b>	+26.26%
<b>Best Return</b>	+27.60%
<b>Average Return</b>	+27.50%
<b>Number of times investors received back Negative returns</b>	0 (0%) of all 4 year periods tested
<b>Number of times investors received back 0% returns</b>	0 (0%) of all 4 year periods tested
<b>Number of times investors received Positive returns</b>	1,283 (100%) of all 4 year periods tested

Source: Bloomberg, BNP Paribas (September 2024)

## Important Considerations

This back test data set includes numerous overlapping 4 year periods between 9 September 2015 and 8 September 2024.

The back testing of this product over all 1,288 4 year periods during the testing period illustrates just 884 negative periods or negative outcomes where investors lost some or all of their capital. Investors should not consider this product back test illustration or previous product performance results as an indication of the potential for, or likelihood of positive outcomes or investment gains in the future. Past Performance and Product Back Test are not reliable guides to future performance which depends solely on future events.

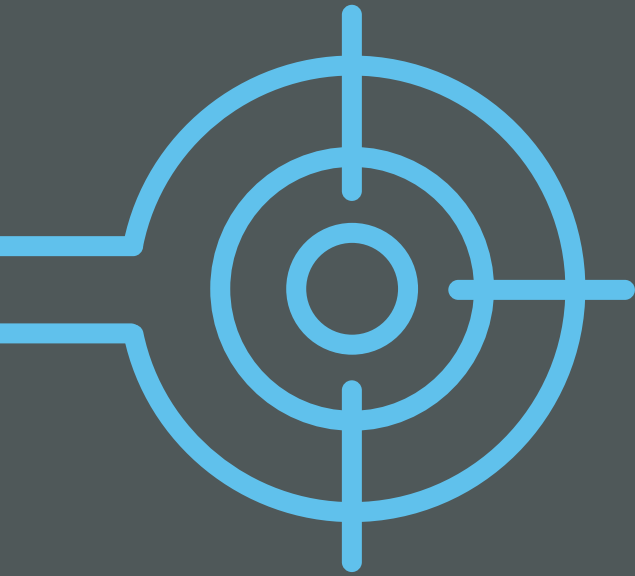
**Warning: Investors should not consider this product back test illustration or previous product results as an indication of the potential for, or likelihood of, positive outcomes or investment gains in the future.**

## 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.**



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