BROKER SOLUTIONS

Nippon Bonus Builder 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	Japanese Equities Benchmark IndexNikkei 225 Index (NKY Index)
Rationale for Theme	Nikkei 225 Index is the most recognised Benchmark Index of Japanese shares. Indices provide a broad, passive exposure to the largest companies in a particular region (Japan in this case).
Potential Bonuses	Potential 6.9% bonus each year if the Index is at or above 90% ofits 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 (at or above 90% of initial level) is exceeded at the end of any subsequent year.
Investment Risk Level	Medium
SRI	5
Capital Protection	None. This Bond is Full Capital at Risk If the Index has fallen at the Final Valuation Date, investors will lose 1% for every 1% decline in the value of the Index on the Final Valuation Date.
Investment Term	4 Years (Medium)
Unique Features	Bonus Builder: 6.9% bonus if Index is at or above 90% of its initial level each year. Memory Feature: If any potential bonus is missed, it can be caught up.
Product Compromises	**No Capital Protection:** Investors can lose some or all of the amount invested. **Opportunity Cost:** Capital Returns or Investment Income could be higher if invested in a concentrated portfolio of shares or risky assets rather than an Index. Bonuses capped at 6.9% per year and Bond return is capped at 27.6%. 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:-

- **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 225Index

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:

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

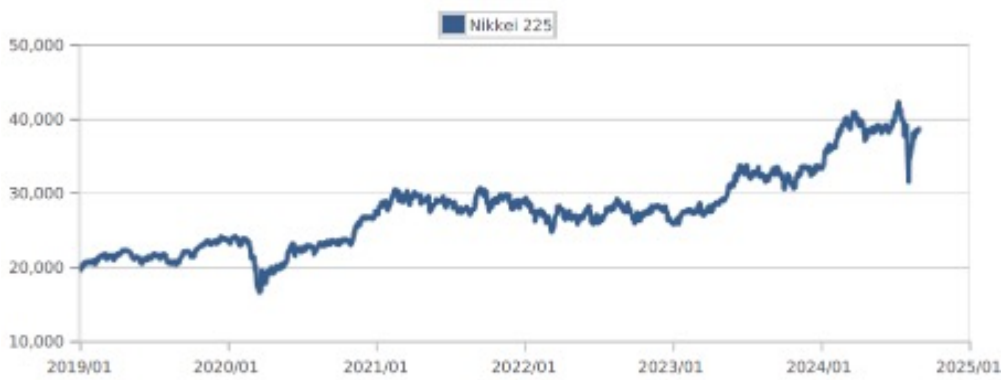
The Index has had an annualised returns of 13.3% over the last 5 years. This table outlines the Index's annualised returns over the last 1, 3 and 5 years:

	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 conducted back testing of this Bond between September 2015 and September 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 - 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: 15 November 2028			
Example Investment: EUR 10,000.00			
Scenarios		**If you exit after 1 Year**	**If you exit at maturity**
Minimum	EUR 10,000. The return is only guaranteed if you hold the product to maturity.		
Stress	What you might get back after costs Average return each year	EUR1,784 -82.16%	EUR 2,558 -28.88%
Unfavourable	What you might get back after costs Average return each year	EUR 7,168 -28/32%	EUR 5,754 -12.91%
Moderate	What you might get back after costs Average return each year	EUR 10.210 2.1%	EUR 12,760 6.28%
Favourable	What you might get back after costs Average return each year	EUR 11,113 11.13%	EUR 12,760 6.28%

This table shows the money you could get back over the next 4 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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