

3 Year 7.15% Annual Distribution Bond

Investment Rationale

1. Key Investment Risk & Return Considerations

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

Feature	Description
Investment Theme	European Bank Shares Sector Index: EuroStoxx Banks Index
Rationale for Theme	EuroStoxx Banks Index represents the 50 largest banks in the Eurozone countries. Indices provide a broad, passive exposure to the largest companies in a particular region or sector (Eurozone banks in this case).
Fixed Annual Return	Investors will receive a Fixed Annual Return of 7.15% at the end of each year, regardless to performance.
Investment Risk Level	Medium to High
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	3 Years (Medium)
Unique Features	<i>Fixed Annual Return of 7.15% paid out each year regardless to the performance</i> of the underlying Index. Attractive 3 Year investment erm.
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 a stock market Index.
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

High Fixed Annual Return

A Fixed Return of 7.15% paid out at the end of each year, regardless to investment performance.

This Fixed Annual Return of 7.15% compares favourably with other sources of income including deposit rates, bond yields, property yields and other fixed income rates.

A Fixed Annual return of 7.15% is an attractive Income source for retired investors and other investors whose primary investment objective is income.

The Bond has a Medium to High risk score of SRI 5.

Equities as a long term investment

Although investing in equities 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 (Eurozone banks in this case) or geographic regions. Investors generally use indexes as a basis for diverse or passive investing. The EuroStoxx Banks Index is an Index of Eurozone bank shares.

EuroStoxx Banks Index

The EuroStoxx Banks Index is an Index of the 50 largest bank stocks in the Eurozone.

The Stoxx Supersector Indices track supersectors of the relevant benchmark index. There are 20 supersectors according to the Industry Classification Benchmark (ICB) and companies are categorised according to their primary source of revenue. One of the supersectors identified by Stoxx is Banks.

Source: <https://stoxx.com/index/sx7e/> (31 December 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.
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Index Top 10 Holdings

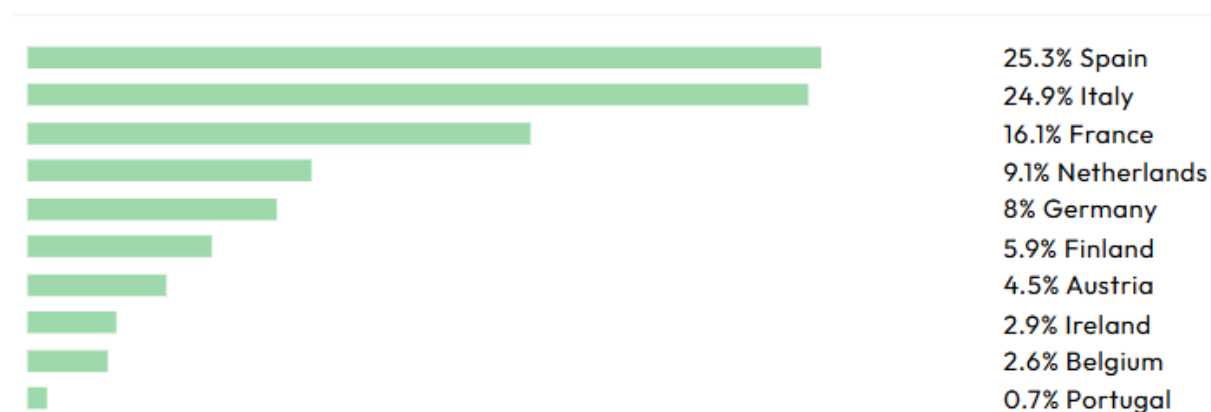
The top 10 holdings in the Index are as follows:

Company	Supersector	Country	Weight
BCO SANTANDER	Banks	Spain	11.114%
BNP PARIBAS	Banks	France	10.158%
UNICREDIT	Banks	Italy	9.603%
INTESA SANPAOLO	Banks	Italy	9.075%
BCO BILBAO VIZCAYA ARGENTARIA	Banks	Spain	8.752%
ING GRP	Banks	Netherlands	7.861%
NORDEA BANK	Banks	Finland	5.914%
DEUTSCHE BANK	Banks	Germany	5.333%
GRP SOCIETE GENERALE	Banks	France	3.492%
CAIXABANK	Banks	Spain	3.034%

Source: <https://stox.com/index/sx7e/?factsheet=true> (31 December2024)

Country Weighting

The country weightings in the Index are as follows:



Source: <https://stox.com/index/sx7e/?factsheet=true> (31 December2024)

Index Past Performance

The Index has had an annualised return of 8.7% over the last 5 years. This table outlines the Index's annualised returns over the last 1, 3 and 5 years:

1Y	3Y	5Y
23.7	13.5	8.7

Source: <https://stox.com/index/sx7e/?factsheet=true> (31 December2024)

Index Past Performance Chart

This chart illustrates the performance of the Index over the past 3 years:



Source: <https://stox.com/index/sx7e/?factsheet=true> (17 January 2022 to 15 January 2025)

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

3. Sample Return Illustration

The Bond pays a Fixed Annual Return of 7.15% at the end of each year regardless to the performance of the Index.

The table below illustrates the Fixed Annual Returns paid at the end of years 1, 2 and 3 assuming an initial investment amount of €100,000:

Period	Fixed Return	Payment Date
Year 1	€7,150.00	23 March 2026
Year 2	€7,150.00	22 March 2027
Year 3	€7,150.00	21 March 2028
Total	€21,450.00	

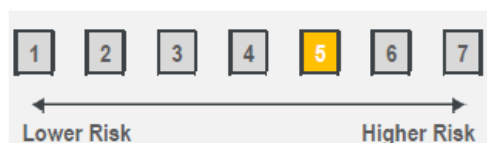
Warning: If you invest in this Bond you may lose some or all of the money you invest.

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

4. Summary Risk Indicator

The Summary Risk Indicator (SRI) is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because Morgan Stanley is not able to pay the Investor. The risk indicator assumes the product is held until maturity.

We have classified this product as 5 out of 7, which is a medium to high risk class:



5. 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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