

TEMPO

STRUCTURED PRODUCTS

AN ALPHA REAL CAPITAL GROUP COMPANY

- FTSE 100 FDEW -
FTSE 100 FIXED DIVIDEND EQUAL WEIGHT INDEX

FOR PROFESSIONAL ADVISER USE ONLY
- NOT FOR USE WITH CLIENTS -

KEY ALPHA STATISTICS:

(as at 30.06.17)

£2.4bn+

AUM and capital
commitments

100+

Professional team

10

Platforms

5

International
offices

4

Core business
areas

Alpha Real Capital LLP is an international co-investing fund management group.

Established in 2005, and headquartered in London, Alpha comprises an international network of offices in the UK, Europe and Asia. A 100+ strong professional team, combining experience and expertise with research, analysis and market knowledge, operates through 10 platforms, across diversified investment markets, offering listed and unlisted property vehicles, open and closed-ended property vehicles, and UK and international funds, products and wealth management services. Alpha engages with institutional investors, family offices, wealth managers and professional advisers / IFAs, as well as UHNW, HNW and private investors.

TIME Investments is the authorised wealth management and investment services arm of Alpha. TIME specialises in ground rent and other 'long income' property funds (having acquired the real estate asset management business of Close Brothers Group in 2011), Inheritance Tax Services, including Business Relief (BR), and investment services, including Enterprise Investment Schemes (EIS).

Tempo Structured Products is a new Alpha platform, with four areas of focus: i) Retail: focusing on straightforward, lower risk structured products, for distribution through TIME Investments to UK Professional Advisers (IFAs and wealth managers); ii) Institutions / Pension funds: working with institutions / pension fund consultants, to develop 'smart structured products' (fusing structured, passive and smart beta strategies together); iii) HNW / UHNW / Family Offices: working with Alpha contacts to design bespoke structured product solutions for Family Offices, UHNW and HNW Individuals; iv) Strategic Alliances: partnering with other institutions, offering our expertise and issuer relationships as a specialist structured products unit, for the benefit of their clients and customers.

- **A brief introduction to and overview of smart beta:**
 - effective and efficient alternatives and complements to both traditional passive and active fund management
 - global AUM growth has been exponential
 - founded on academic evidence and real world investor interests
- **The dominant rules / factors that have emerged**
- **An overview of equal weighting: straightforward attributes and merits**
- **So, where do structured products come in:**
 - there are some things that passive, smart beta and active fund management can't do
 - that structured products can do: and do 'by contract'
- **The FTSE 100 FDEW:**
 - a FTSE Russell index
 - developed to provide the potential for improved structured product pricing and terms
 - diversification potential as an alternative and complement to FTSE 100

- **Smart beta is based upon custom indices, that have a rules-driven, factor-based approach in their methodology**
- **Smart beta seeks to provide alternatives and complements to indices measured by 'traditional' methodology, such as market capitalisation, with the aim of:**
 - presenting effective and efficient alternatives to both traditional passive and active fund management
- **Sometimes referred to as enhanced passive, smart beta blurs the lines between passive and active fund management, offering a 'third way'**

- **Key reasons for the surge in smart beta interest and use include:**
 - **passive / beta perspective:** academic support for and adviser / investor acceptance of passive investing, and the ascent of its use, coupled with the understanding that market capitalisation indices embed some issues that are potential limitations / flaws;
 - **active / alpha perspective:** academic and real world evidence and understanding of problems accessing alpha reliably and cheaply through active fund management;
 - **cost and delivery perspective:** the adviser / investor drive for cost effective, delivery efficient, reliable investment propositions, not least when considering the current and anticipated challenging investment environment

- **Growth in the use of smart beta has been global, driven by different providers operating in different markets, working with different investor types:**
 - ranging from sovereign wealth funds, institutional investors, pension funds, to retail investors

Global smart beta AUM growth has been exponential ...

The rise of smart beta in the retail space has been most evident in the US

However, in Europe institutional investors are outpacing their US counterparts

Three quarters of institutional investors see smart beta as a viable alternative to 'traditional' passive index strategies

Two thirds of institutional investors see smart beta as a viable alternative to active fund management

42% of institutional asset owners have smart beta allocations in their portfolios

A further 24% state that they expect to add smart beta in the future

Global smart beta AUM growth has been exponential ...

Global smart beta AUM surpassed \$1tn in December 2017*

BlackRock and Vanguard dominate smart beta, each with \$100bln + AUM**

AUM increased by c.30% per year and more than 207% over the last 5 years***

AUM growth makes smart beta the fastest-growing section of the asset management universe***

Smart beta index growth is outpacing non-smart beta passive funds AUM, which have risen 121%, to \$6.8tn, over the same 5 year period***

Active funds AUM have grown 35%, to \$26tn, over the same 5 year period***

- **Extensive (more than 60 years) academic research underpins the evolution and ascent of passive investing:**

- > Modern Portfolio Theory:**

- Harry Markowitz (1952)
 - ... diversify portfolios across equities, bonds, commodities

- > Capital Asset Pricing Model:**

- Jack Treynor (1961/62), William Sharpe (1964), John Lintner (1965), Jan Mossin (1966)
 - ... two types of risk: specific risk (company specific) / market risk (market specific)
 - ... beta is a measure of market risk

- > Efficient Market Hypothesis:**

- Eugene Fama (1970)
 - ... markets are efficient
 - ... everything is in the price: all potential influences
 - ... the only thing that can move prices is unknown information
 - ... consistently beating markets is impossible

- **Academic evidence also supports the foundations underpinning smart beta, including recognition of dynamics (issues / limitations / flaws) that are inherent in market capitalisation weighted indices:**
 - market capitalisation indices tend to highly concentrate / over-weight a small number of mega-cap stocks and sectors ... more than many investors understand
 - market capitalisation underweight smaller capitalisation stocks, including those entering the index that are experiencing strong growth and price momentum; including as a result of being bought by passive funds due to their entry to the index;
 - market capitalisation indices also tend to buy high and sell low, literally as a rule (buying stocks increasing in price / market capitalisation and selling stocks decreasing in price / market capitalisation)
... and that is the opposite of one of the most basic principles and aims of investing
- **It should also be understood that market capitalisation weighting is a rule / factor-based approach:**
 - it just happened to become the generally accepted approach: and until recently was unquestioned and unchallenged
 - but imagine if equal weighting had preceded market capitalisation, such that market capitalisation was subsequently considered a 'smart beta' factor?
 - it's interesting to consider why market capitalisation indices should be the benchmark against which other rules and factor-based indices are judged ... and to question whether that makes sense

- Smart beta as a generic term refers to an enormous number of strategy possibilities: as many as 300 rules / factors have been identified
- While many of the smart beta factors may be considered technical and therefore specialist, a number of mainstream factors / rules have emerged:

DIVIDENDS

constituent stocks selected on the basis of high dividends, stability and growth of dividends, etc.

EQUAL WEIGHT / SIZE

the same constituent stocks as the market capitalisation index: but equally weighted

STYLE

constituent stocks selected on the basis of style characteristics such as 'value' / 'growth'

MOMENTUM

constituent stocks selected on the basis of strong recent / current (3-12 mths) performance

VOLATILITY

constituent stocks selected on the basis of low historical volatility / beta

QUALITY

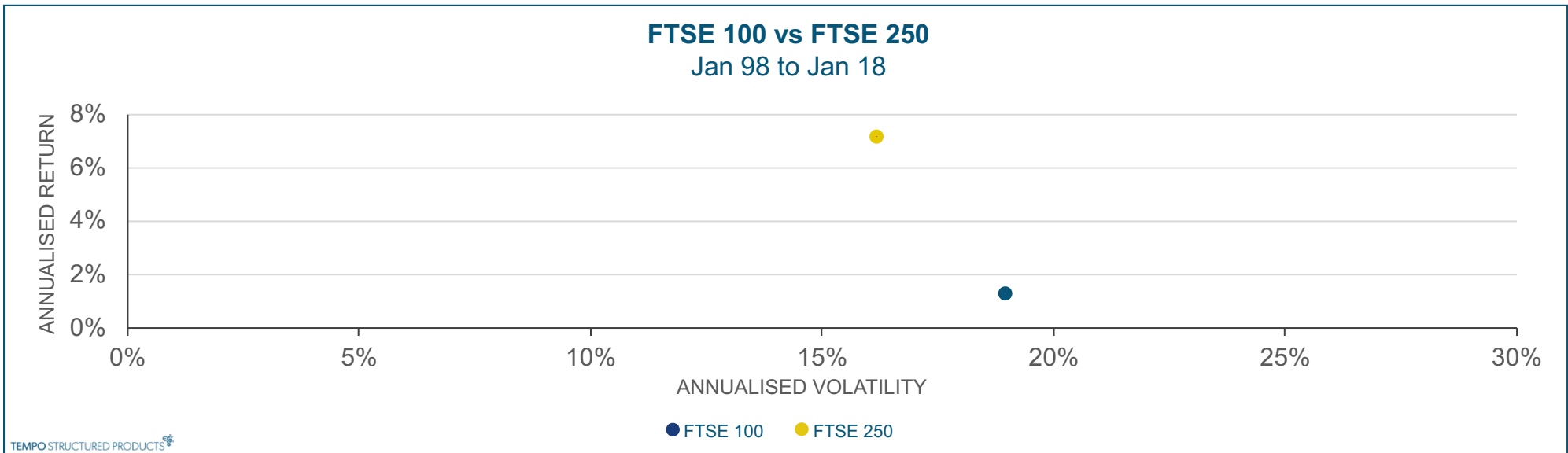
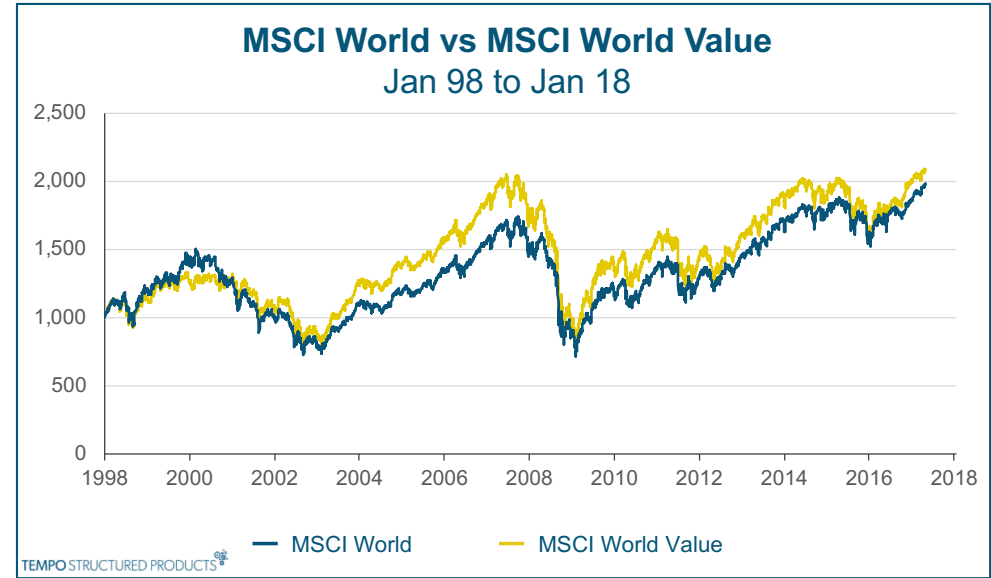
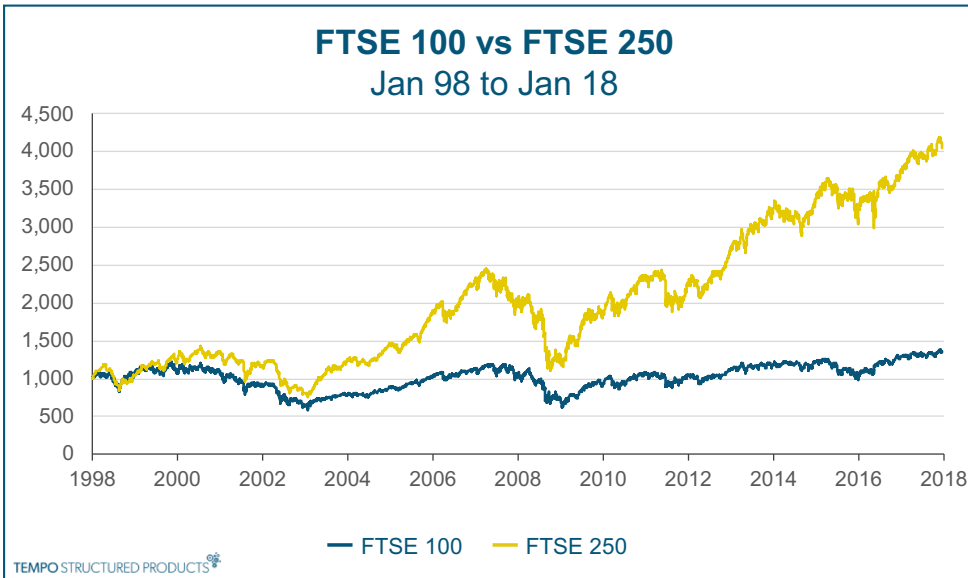
constituent stocks selected on the basis of strong balance sheets, profit margin, etc.

- **Equal weighting is a straightforward smart beta alternative to market capitalisation weighting**
- **There are a number of attributes, merits and potential benefits:**
 - the same constituent stocks as the market capitalisation weighted index are typically used, with the same periodic adjustment for stocks entering / exiting the index (e.g. quarterly for the FTSE 100)
 - however, there is increased diversification at stock and sector level, including less (no!) mega cap bias and overweight, and on the flip side there is more weighting to smaller companies
 - ... concentration risk at stock, sector and dividend level in the FTSE 100, is a recognised concern
 - ... as at 29 December 2017: the top 10 stocks made up 44.5% of the FTSE 100 (and the top 5 were 29%)*
 - periodic rebalancing to maintain equal weighting imposes an automatic buy low / sell high rule the index
 - ... in contrast to market capitalisation weighting, which does the opposite
- **Equal weighting captures both size and (to a lesser degree) value factors, which are academically identified as drivers of long-term historical outperformance:**
 - Academic research re size factor: Rolf Banz (1980); Donald Keim (1982); Fama & French (1992)
 - Academic research re value factor: Basu (1977); Rosenberg, Reid & Lanstein (1985); De Bondt & Thaler (1987); Fama & French (1992)
- **Equal weight options are now available on many mainstream indices, via mainstream index providers:**
 - FTSE; S&P, MSCI; STOXX

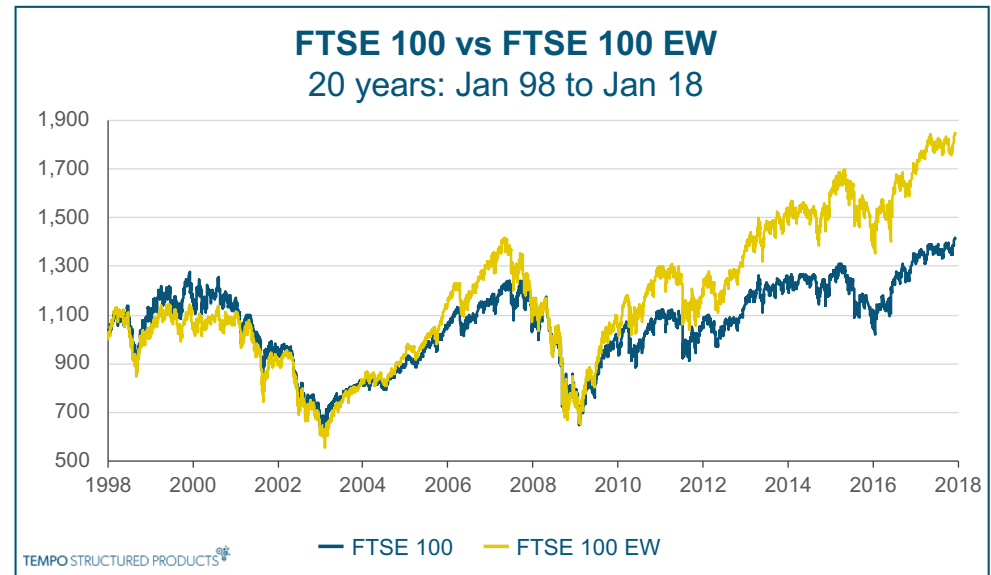
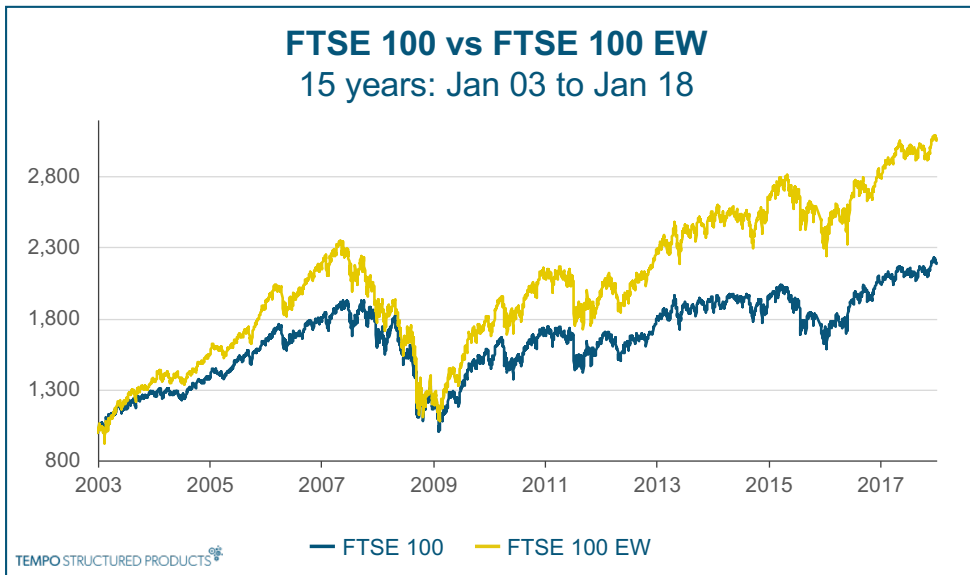
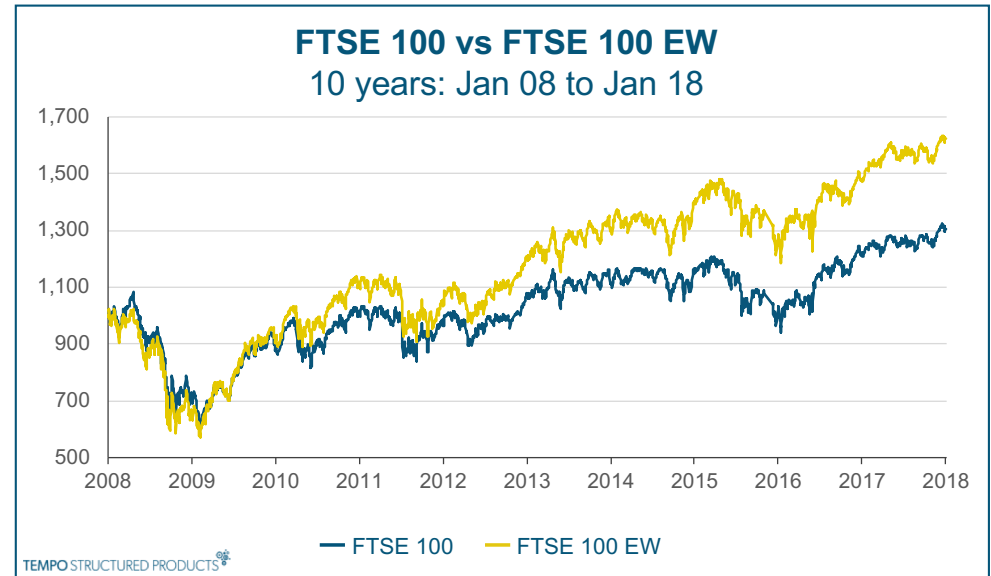
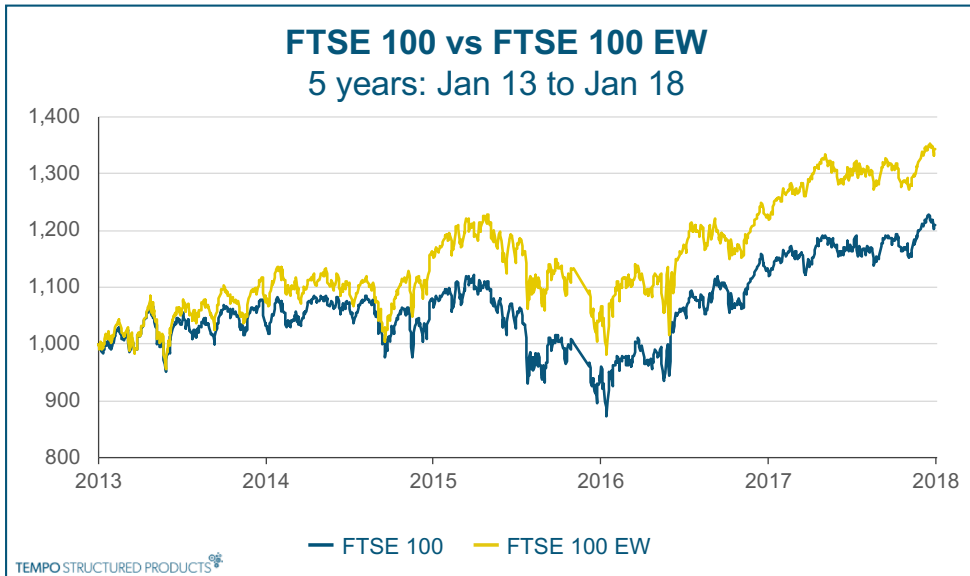
* FTSE Russell 29/12/2017. Past performance is not a reliable indicator of or guide to future performance and should not be relied upon, particularly in isolation.

- **Fama-French (1992) observed that two types of stocks outperform the market: smaller companies and value stocks (low price to book, etc.)**
- **Equal weighting can capture the outperformance potential that is associated with both size (smaller companies) and value (attractive fundamentals) factors:**
- **Size factor: equal weighting automatically increases exposure to smaller companies:**
 - the higher return premium is associated with increased risk (less liquidity, information uncertainty, etc.)
 - ... but the smaller constituents of the FTSE 100 are still considered to be large cap stocks
 - ... and historical performance analysis highlights less of a difference in volatility than might be anticipated
- **Value factor: re-balancing imposes a buy low / sell high rule, which captures one of the elements of value:**
 - it is worth highlighting that while rebalancing increases turnover and therefore trading costs in etf's this is not the case in the index itself
 - and structured products calculate performance based upon the index (but do not physically invest in the stocks, so do not suffer turnover costs, or tracking error, as per an etf or mutual fund tracking an index)

Historical performance analysis: size and value factors ...



FTSE 100 vs FTSE 100 equal weight historical performance ...



- **Structured products are typically based upon passive principles, with performance linked to indices:**
 - this is usually the price return index (not accounting for dividends)
 - however structured products can optimise the risk / return profile (in ways that passive funds / etf's can't)
- **Market downside risk (the risk markets go down) can be removed, reduced or at least defined:**
 - depending on the product type and specific features
- **And market upside risk (the risk markets don't go up) can be optimised:**
 - positive returns can generated even if the market / index is flat or falls
 - enhanced participation in index performance can be generated
- **Notably, structured products can present value-adding attributes and merits that passive fund management doesn't / can't provide:**
 - they can enhance passive fund propositions (and enhance enhanced smart beta propositions)
 - and structured products 'do it all by contract'
- **Of course, the trade off is that structured products introduce issuer / counterparty risk:**
 - if the issuing / counterparty bank becomes insolvent, through bankruptcy or a similar event, or fails to be able to meet its obligations, it is likely that investors will receive back significantly less than they invested
 - and the benefits of the payoff (from an upside and downside perspective) need to compensate for the exclusion of dividends: which may depend on the characteristics, objectives and needs of the investor

- **Historically, the UK structured products sector has focused upon the price return FTSE 100**
- **However, some smart beta strategies, based on the FTSE 100, have been emerging, including:**
 - low volatility
 - equal weight
- **Professional adviser interest is evolving as awareness and knowledge of smart beta builds, coupled with the understanding that structured products can enhance the merits of passive and smart beta:**
 - presenting risk / return profiles that active, passive and smart beta funds and etf's cannot
 - offering potential portfolio diversification benefits for investors

FTSE 100 FDEW

FTSE 100 FIXED DIVIDEND EQUAL WEIGHT INDEX

A FTSE RUSSELL INDEX

- **There are some key considerations involved in identifying and selecting smart beta strategies:**
 - **strategy of index:** what is the index designed to achieve and what evidence supports the rationale for utilising a rules-based, passive approach in the specific market or asset class
 - **provider credentials:** mainstream index provider or proprietary / product provider
 - **construction / methodology of index:** how will the index achieve its strategy / objective: is its methodology transparent and simple
 - **rebalancing frequency / turnover:** consider both potential benefits / downsides and costs
 - **track record / back-testing:** and source
 - **license fees**
 - **access and liquidity**
 - **Information and performance availability:** for both professional advisers and investors
 - **future longevity / stability**
- **Let's look at the FTSE 100 Fixed Dividend Equal Weight Index (FTSE 100 FDEW) ...**

- **The FTSE 100 Fixed Dividend Equal Weight Index (FTSE 100 FDEW): launched on 1 Mar 2017:**
 - simulated performance back to 2001 available
- **The FTSE 100 FDEW is a FTSE Russell index (not a proprietary index)**
- **The FTSE 100 FDEW comprises the same 100 stocks as the FTSE 100, with TWO key features in the methodology developed by FTSE Russell:**
 - 1: The index equal weights all stocks (at 1%):**
 - both the size and value factors are captured through equal weighting and rebalancing
 - 2: The index is constructed with a ‘fixed dividend’ feature:**
 - the index is based on a total return index, including all dividends paid by the constituent companies, with a fixed dividend of 50 index points p.a. deducted in the calculation of the index level



The index comprises the same 100 stocks as the FTSE 100. Equal weighting **reduces concentration risk and increases stock and sector diversification, increasing the weighting to smaller stocks.** Re-balancing, to maintain the equal weighting, **imposes a 'buy low / sell high' rule and value element** in the index.

The index is based on a total return index, **including all dividends** paid by the constituent companies. **A fixed dividend of 50 points p.a.** is deducted in the calculation of the index level. This is designed to address problems with hedging dividends, with the aim of **improving structured product terms.**

The index is a **FTSE Russell index** (it is not a proprietary bank index) using **methodology defined by FTSE Russell** and adhering to **FTSE UK Index Series Ground Rules.**

Similarities and differences: FTSE 100 / FTSE 100 FDEW ...

	FTSE 100	FTSE 100 FDEW
Index Provider	FTSE RUSSELL	FTSE RUSSELL
Exchange	LSE	LSE
Bloomberg Ticker	UKX	UKXFDY
Constituent stocks	The 100 largest stocks listed on the LSE, by market capitalisation	The 100 largest stocks listed on the LSE, by market capitalisation
Weighting	Market capitalisation	Equal Weighting
Review	Quarterly	Quarterly
Rebalancing	-	Quarterly
Dividends	Not included in the price return index	Included in the index, with a fixed dividend deduction in the calculation of the index level

FTSE 100 FDEW: comprises all FTSE 100 stocks ...

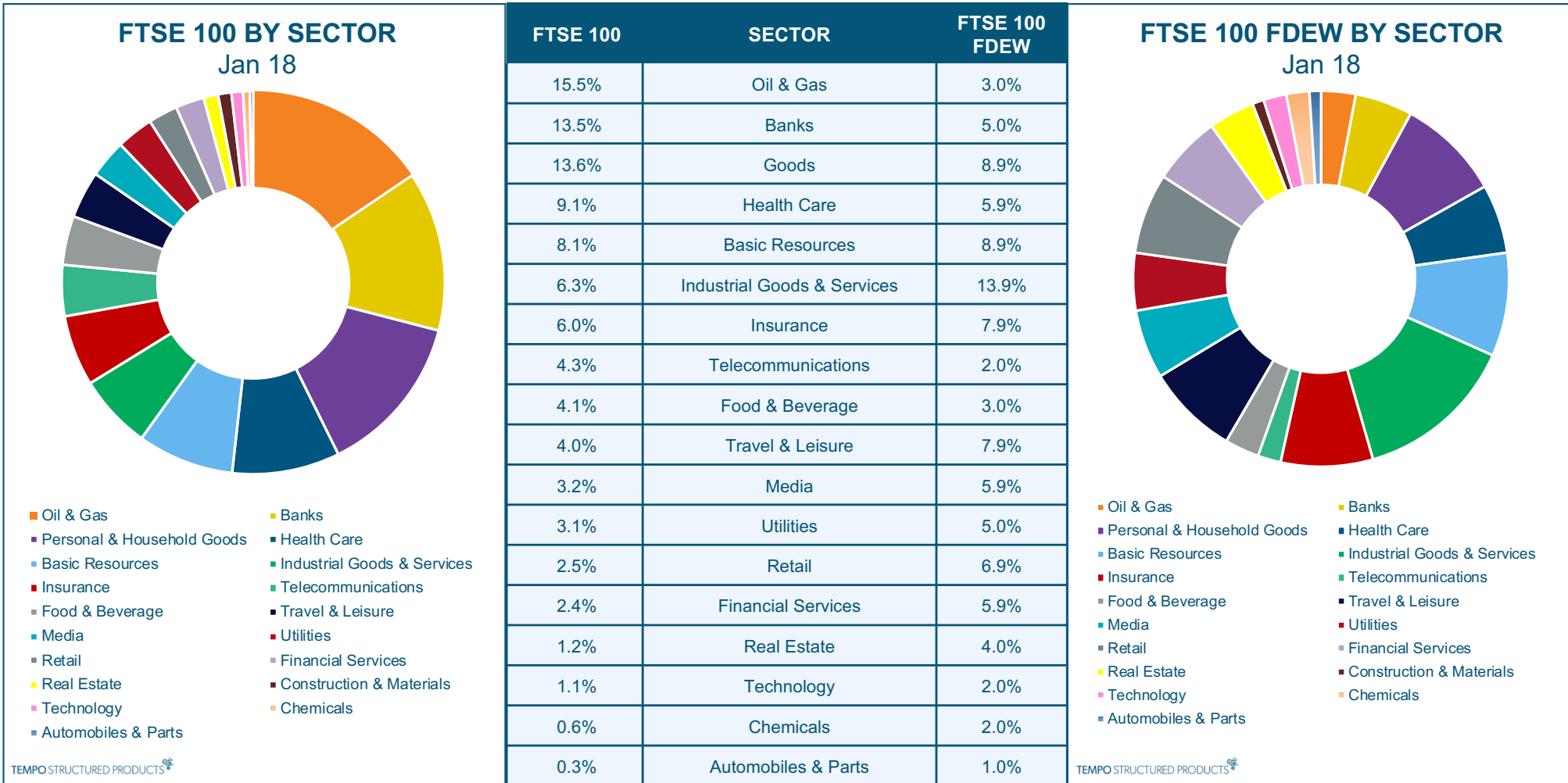
Company	Sector	FTSE 100 Weight
HSBC HOLDINGS PLC	Banks	7.80%
BRITISH AMERICAN TOBACCO PLC	Personal & Household Goods	5.80%
ROYAL DUTCH SHELL PLC-A SHS	Oil & Gas	5.70%
BP PLC	Oil & Gas	5.10%
ROYAL DUTCH SHELL PLC-B SHS	Oil & Gas	4.70%
DIAGEO PLC	Food & Beverage	3.40%
ASTRAZENECA PLC	Health Care	3.30%
GLAXOSMITHKLINE PLC	Health Care	3.20%
VODAFONE GROUP PLC	Telecommunications	3.20%
LLOYDS BANKING GROUP PLC	Banks	2.50%
PRUDENTIAL PLC	Insurance	2.50%
RIO TINTO PLC	Basic Resources	2.40%
UNILEVER PLC	Personal & Household Goods	2.40%
GLENCORE PLC	Basic Resources	2.30%
RECKITT BENCKISER GROUP PLC	Personal & Household Goods	2.20%
SHIRE PLC	Health Care	1.80%
BARCLAYS PLC	Banks	1.70%
BHP BILLITON PLC	Basic Resources	1.60%
IMPERIAL BRANDS PLC	Personal & Household Goods	1.50%
NATIONAL GRID PLC	Utilities	1.50%
COMPASS GROUP PLC	Travel & Leisure	1.30%
BT GROUP PLC	Telecommunications	1.20%
CRH PLC	Construction & Materials	1.10%
STANDARD CHARTERED PLC	Banks	1.10%
AVIVA PLC	Insurance	1.00%

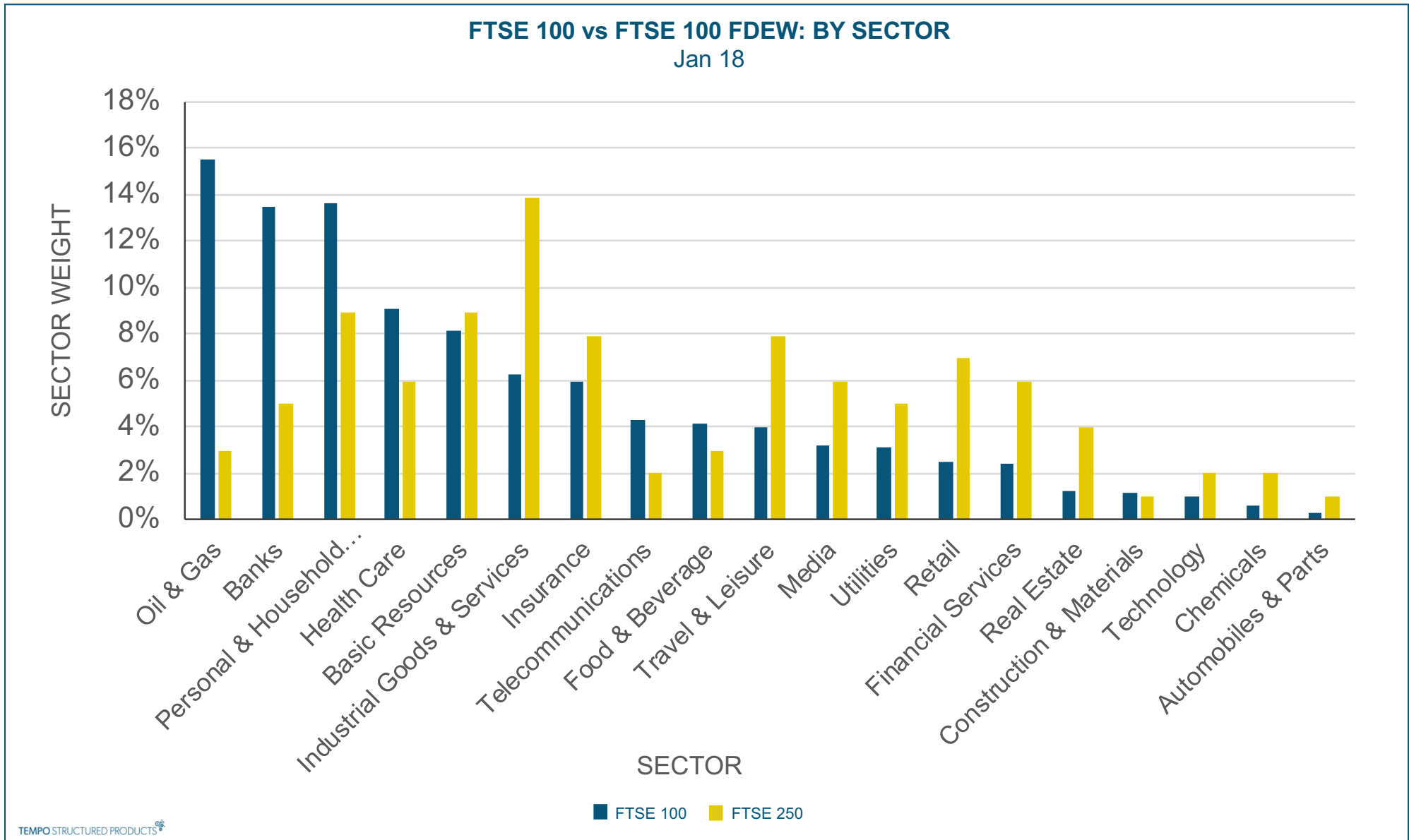
Company	Sector	FTSE 100 Weight
BAE SYSTEMS PLC	Industrial Goods & Services	0.90%
RELX PLC	Media	0.90%
TESCO PLC	Retail	0.90%
ANGLO AMERICAN PLC	Basic Resources	0.80%
EXPERIAN PLC	Industrial Goods & Services	0.80%
LEGAL & GENERAL GROUP PLC	Insurance	0.80%
WPP PLC	Media	0.80%
FERGUSON PLC	Industrial Goods & Services	0.70%
ROLLS-ROYCE HOLDINGS PLC	Industrial Goods & Services	0.70%
SSE PLC	Utilities	0.70%
LONDON STOCK EXCHANGE GROUP	Financial Services	0.60%
OLD MUTUAL PLC	Insurance	0.60%
STANDARD LIFE ABERDEEN PLC	Financial Services	0.60%
SMITH & NEPHEW PLC	Health Care	0.60%
ASSOCIATED BRITISH FOODS PLC	Food & Beverage	0.50%
ASHTREAD GROUP PLC	Industrial Goods & Services	0.50%
INTL CONSOLIDATED AIRLINE-DI	Travel & Leisure	0.50%
INTERCONTINENTAL HOTELS GROUP	Travel & Leisure	0.50%
MICRO FOCUS INTERNATIONAL	Technology	0.50%
ROYAL BANK OF SCOTLAND GROUP	Banks	0.50%
SKY PLC	Media	0.50%
BRITISH LAND CO PLC	Real Estate	0.40%
BUNZL PLC	Industrial Goods & Services	0.40%
BURBERRY GROUP PLC	Personal & Household Goods	0.40%
CARNIVAL PLC	Travel & Leisure	0.40%

FTSE 100 FDEW: comprises all FTSE 100 stocks ...

Company	Sector	FTSE 100 Weight
CENTRICA PLC	Utilities	0.40%
3I GROUP PLC	Financial Services	0.40%
INTERTEK GROUP PLC	Industrial Goods & Services	0.40%
KINGFISHER PLC	Retail	0.40%
LAND SECURITIES GROUP PLC	Real Estate	0.40%
MONDI PLC	Basic Resources	0.40%
PADDY POWER BETFAIR PLC	Travel & Leisure	0.40%
PERSIMMON PLC	Personal & Household Goods	0.40%
RANDGOLD RESOURCES LTD	Basic Resources	0.40%
SAGE GROUP PLC/THE	Technology	0.40%
WHITBREAD PLC	Travel & Leisure	0.40%
BARRATT DEVELOPMENTS PLC	Personal & Household Goods	0.30%
BERKELEY GROUP HOLDINGS/THE	Personal & Household Goods	0.30%
CRODA INTERNATIONAL PLC	Chemicals	0.30%
DCC PLC	Industrial Goods & Services	0.30%
DIRECT LINE INSURANCE GROUP	Insurance	0.30%
GKN PLC	Automobiles & Parts	0.30%
INFORMA PLC	Media	0.30%
ITV PLC	Media	0.30%
JOHNSON MATTHEY PLC	Chemicals	0.30%
MARKS & SPENCER GROUP PLC	Retail	0.30%
NEXT PLC	Retail	0.30%
PEARSON PLC	Media	0.30%
RSA INSURANCE GROUP PLC	Insurance	0.30%
RENTOKIL INITIAL PLC	Industrial Goods & Services	0.30%
SEGRO PLC	Real Estate	0.30%

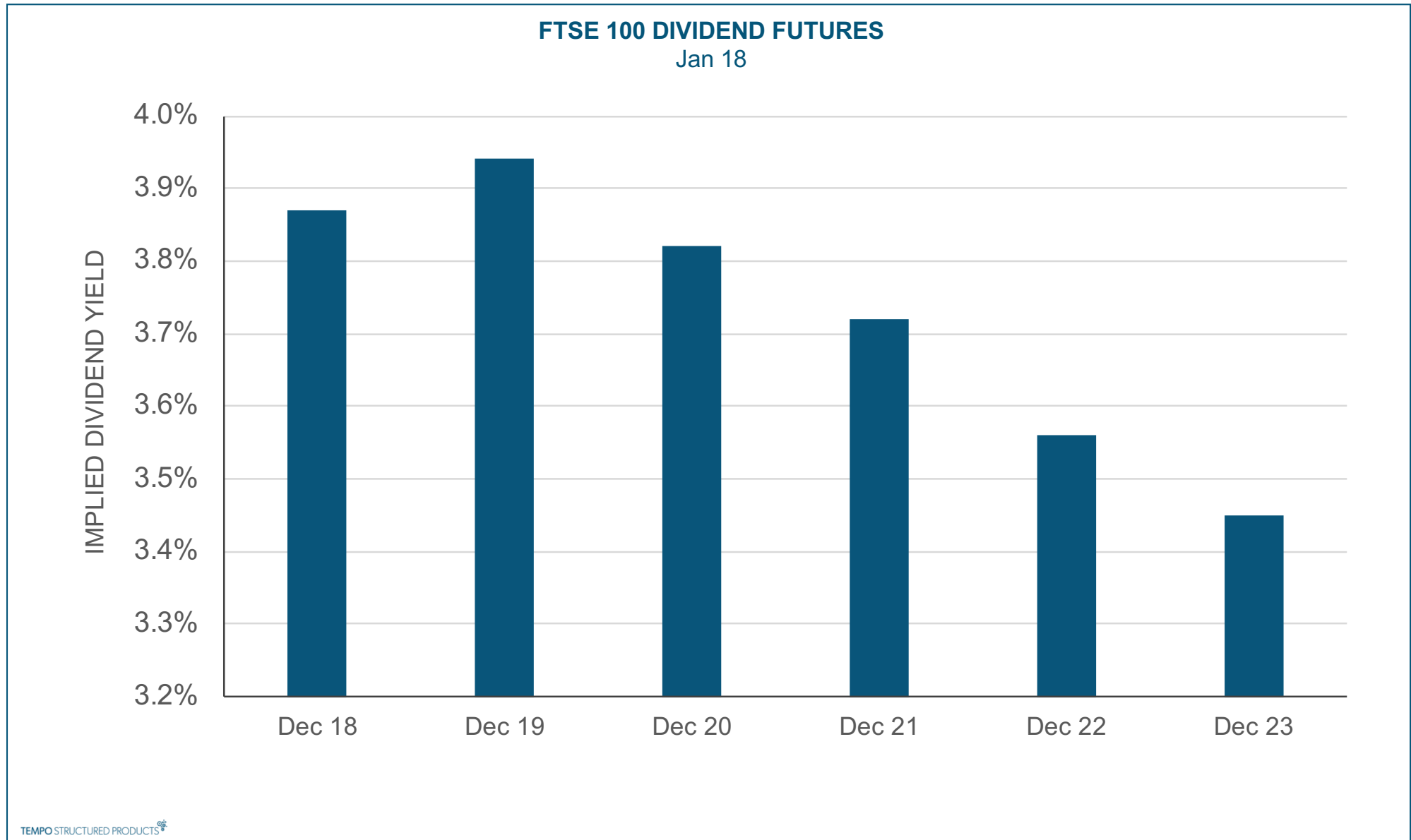
Company	Sector	FTSE 100 Weight
SMURFIT KAPPA GROUP PLC	Industrial Goods & Services	0.30%
DS SMITH PLC	Industrial Goods & Services	0.30%
SMITHS GROUP PLC	Industrial Goods & Services	0.30%
SCOTTISH MORTGAGE INV TR PLC	Financial Services	0.30%
ST JAMES'S PLACE PLC	Insurance	0.30%
SEVERN TRENT PLC	Utilities	0.30%
TUI AG-DI	Travel & Leisure	0.30%
TAYLOR WIMPEY PLC	Personal & Household Goods	0.30%
UNITED UTILITIES GROUP PLC	Utilities	0.30%
ADMIRAL GROUP PLC	Insurance	0.20%
ANTOFAGASTA PLC	Basic Resources	0.20%
COCA-COLA HBC AG-DI	Food & Beverage	0.20%
EASYJET PLC	Travel & Leisure	0.20%
G4S PLC	Industrial Goods & Services	0.20%
HARGREAVES LANSDOWN PLC	Financial Services	0.20%
HALMA PLC	Industrial Goods & Services	0.20%
HAMMERSON PLC	Real Estate	0.20%
JUST EAT PLC	Retail	0.20%
WM MORRISON SUPERMARKETS	Retail	0.20%
SAINSBURY (J) PLC	Retail	0.20%
SCHRODERS PLC	Financial Services	0.20%
EVRAZ PLC	Basic Resources	0.10%
FRESNILLO PLC	Basic Resources	0.10%
MEDICLINIC INTERNATIONAL PLC	Health Care	0.10%
NMC HEALTH PLC	Health Care	0.10%





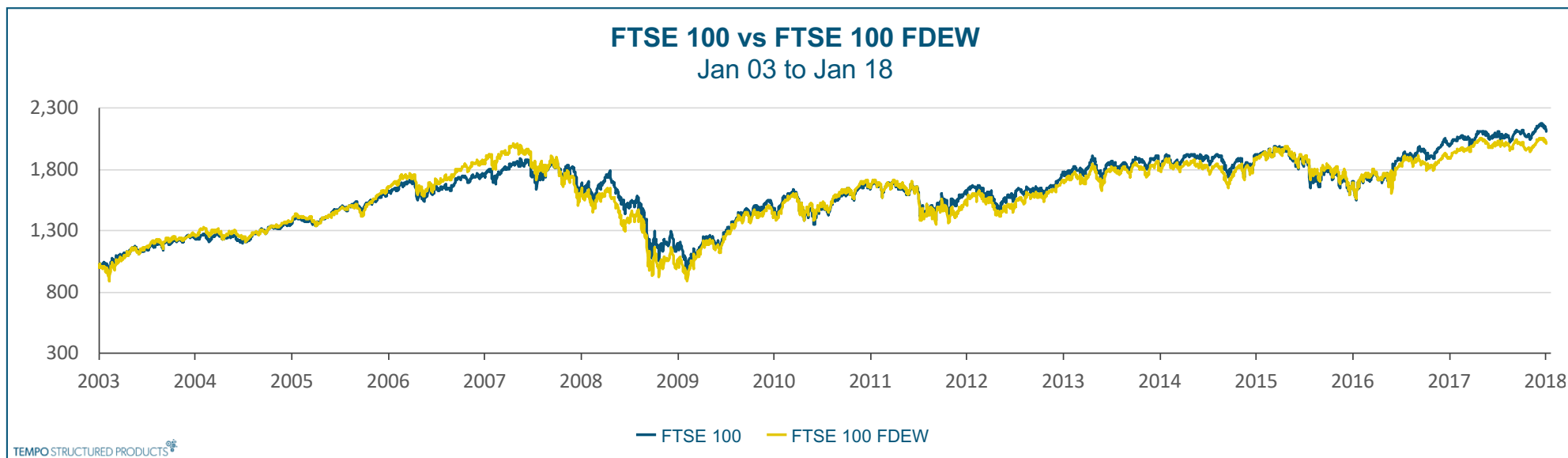
Source: FTSE Russell | Thomson Reuters | ICB sector classifications. 31 Jan 2018

- **The FTSE 100 is a price return index:**
 - dividends paid by the constituent companies are not included in its calculation
- **The FTSE 100 FDEW is based on a total return index:**
 - dividends paid by the constituent companies are included
 - however, a fixed dividend of 50 points per year is deducted in the calculation of its level
- **The fixed dividend approach has been developed by FTSE Russell in order to address an issue that investment banks manufacturing structured products encounter:**
 - when using the price return FTSE 100 investment banks need to hedge the dividends that are not accounted for within the price return index, by purchasing dividend futures in the market
 - however the futures market can price future dividend levels at a discount, particularly in the longer term: which can impact the pricing and terms of structured products linked to the FTSE 100
- **The FTSE 100 FDEW has been developed by FTSE Russell in order to improve the terms of structured products that link to it:**
 - the fixed dividend approach of the FTSE 100 FDEW has been designed to address this issue, removing the uncertainty / variability of dividends and the reduction in the value of future dividends: with the aim of providing the potential for materially improved structured product pricing and terms
 - this may potentially include either (or both) higher returns and / or lower risk



KICK-OUT PRODUCT		
PRODUCT TYPE	Kick-Out	
TERM	10 years	
KICK-OUT FREQUENCY	Annual	
KICK-OUT LEVEL	100% of start level	
BARRIER LEVEL / TYPE	60% of initial level / end of term	
INDEX	FTSE 100	FTSE 100 FDEW
POTENTIAL COUPON	8%	12%

Historical performance analysis ...



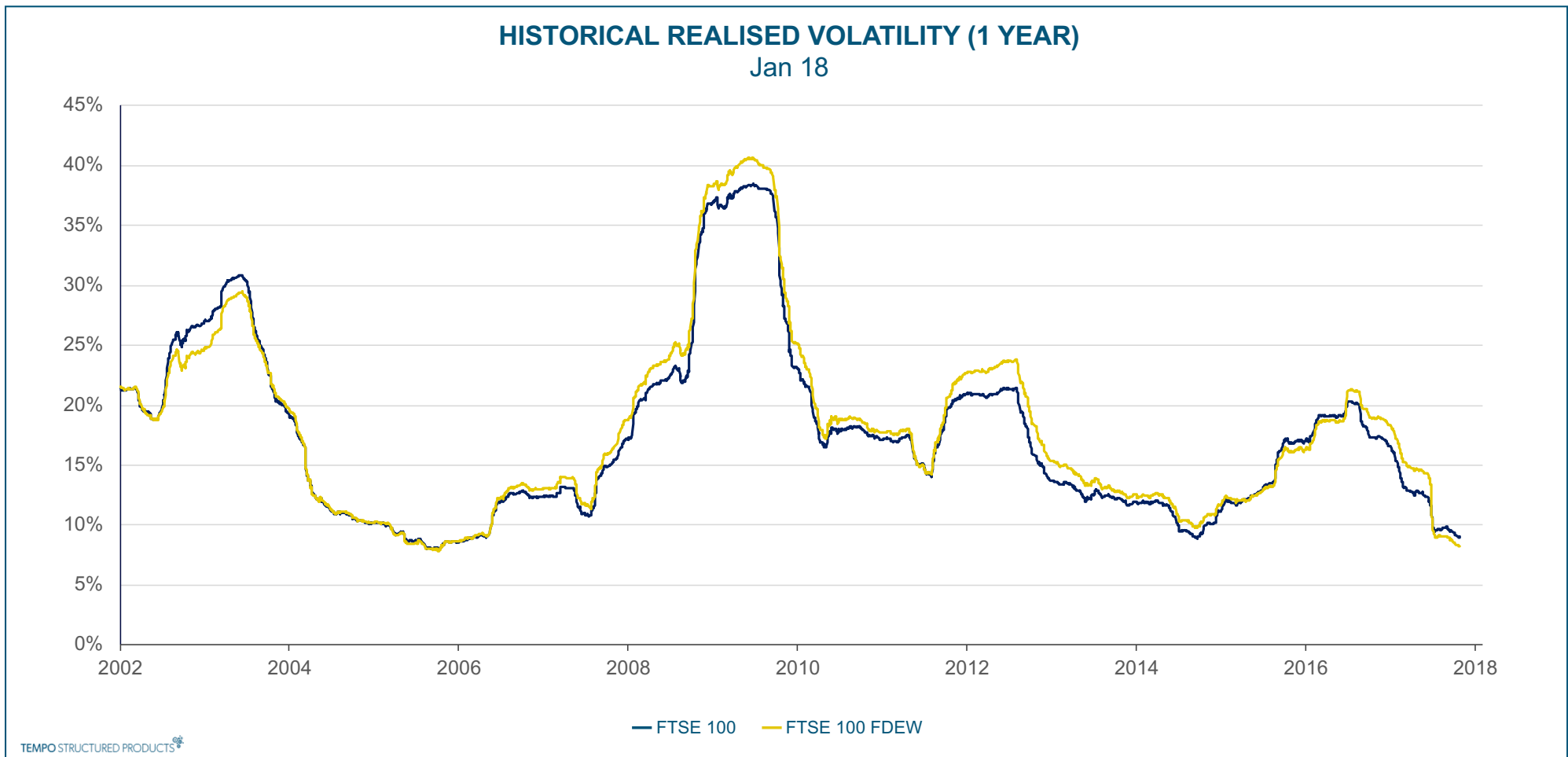
	1 YEAR		3 YEAR		5 YEAR		10 YEAR		15 YEAR	
	CUM	ANN	CUM	ANN	CUM	ANN	CUM	ANN	CUM	ANN
FTSE 100	0.23%	0.23%	6.38%	2.08%	15.27%	2.88%	26.04%	2.34%	101.96%	4.79%
FTSE 100 FDEW	1.54%	1.54%	3.39%	1.12%	13.66%	2.59%	25.70%	2.31%	99.55%	4.71%

	ANNUALISED VOLATILITY				SHARPE RATIO			
	1 YEAR	5 YEARS	10 YEARS	15 YEARS	1 YEAR	5 YEARS	10 YEARS	15 YEARS
FTSE 100	9.47%	13.52%	19.02%	17.62%	0.02	0.21	0.12	0.27
FTSE 100 FDEW	8.71%	13.86%	20.06%	18.53%	0.18	0.19	0.12	0.25

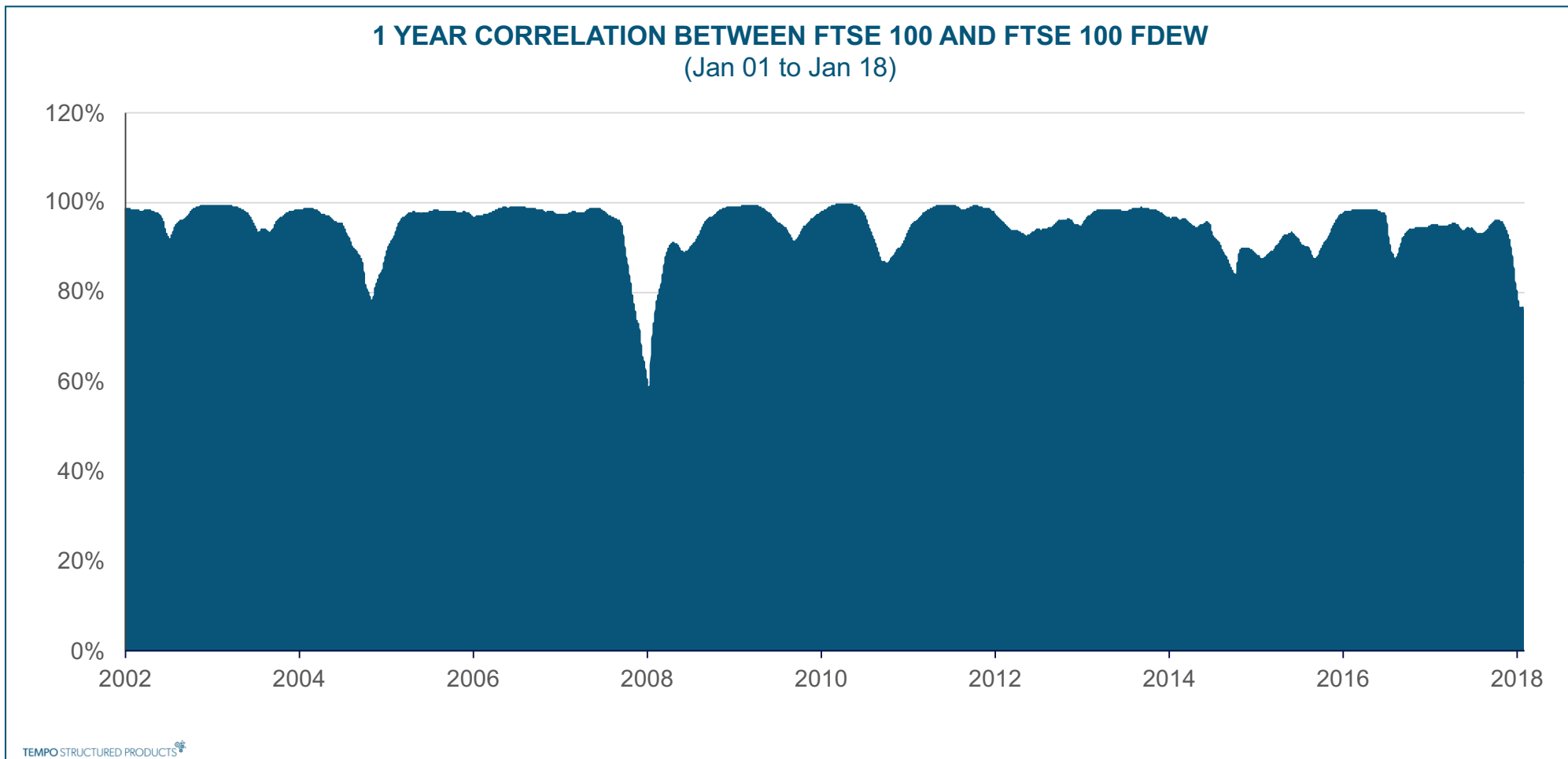
Source: Societe Generale | Bloomberg: Jan 18. Performance data prior to the inception of the FTSE 100 FDEW on 1 Mar 2017 is simulated historical data.

Historical performance analysis ...

PERF. DIFF.	FTSE 100 OUTPERFORMS	PERF	YEAR	PERF	FTSE 100 FDEW OUTPERFORMS	PERF. DIFF.
		-5.11%	2018	-3.63%	2018	+1.48%
		7.63%	2017	7.78%	2017	+0.15%
+6.92%	2016	14.43%	2016	7.51%		
		-4.93%	2015	-2.81%	2015	+2.12%
		-2.71%	2014	-1.02%	2014	+1.69%
+1.83%	2013	14.43%	2013	12.60%		
		5.84%	2012	10.75%	2012	+4.91%
+6.87%	2011	-5.55%	2011	-12.42%		
		9.00%	2010	13.06%	2010	+4.06%
		22.07%	2009	34.25%	2009	+12.18%
+5.59%	2008	-31.33%	2008	-36.92%		
+10.03%	2007	3.80%	2007	-6.23%		
		10.71%	2006	15.70%	2006	+4.99%
		16.71%	2005	17.29%	2005	+0.58%
		7.54%	2004	9.40%	2004	+1.86%
+2.01%	2003	13.62%	2003	11.61%		
+2.11%	2002	-24.48%	2002	-26.59%		
+6.16%	2001	-16.15%	2001	-22.31%		
	8 / 18 YEARS	125.78%	UP	139.95%	10 / 18 YEARS	
		90.26%	DOWN	111.93%		
		35.52%	NET	28.02%		



- **The historical volatility analysis highlights the long term similarity of the two indices**



- **The historical correlation analysis highlights the similarities of the two indices (with only one period of marked widening): but with the FTSE 100 FDEW presenting some diversification potential**

Access the index through FTSE ...

- **The index level and further information can be accessed through the FTSE website:**
 - <https://markets.ft.com/data/indices/tearsheet/summary?s=GPSOC002:FSI>
- **The index can also be accessed via other financial portals, such as Bloomberg and Thomson Reuters**

- **Smart beta is increasingly recognised as an established portfolio component, presenting ‘a third way’ option for advisers / investors, that sits between active and passive funds and products**
- **Smart beta counters some of the limitations / drawbacks of both passive and active investments:**
 - offering diversification benefits for investors, as alternatives and complements to either / both active and passive funds and products
- **Structured products can enhance both passive and smart beta investments:**
 - optimising risk and return in ways that active, passive and smart beta can’t
 - offering diversification benefits for investors, as alternatives and complements to either / both active and passive funds and products
- **Importantly, structured products equate to ‘investing by contract’, removing the process risk that is normally inherent in active, passive and smart beta investments:**
 - structured products instead present counterparty risk, which needs to be understood
 - but portfolio diversification can be improved by considering ‘investment type’, as well as asset class and geography, combining: passive and active fund management, smart beta and structured products
- **The FTSE 100 FDEW, provided by FTSE Russell, is a simple equal weight index, founded upon solid academic and investment evidence, that has been developed in order to improve structured product terms and provide diversification opportunities for professional advisers using structured products with their clients**

- **It should always be understood that:**
 - structured products are not suitable for everyone
 - past performance is not a reliable indicator of or guide to future performance and should not be relied upon, particularly in isolation
 - the value of investments and the income from them can go down as well as up
 - the value of structured products may be affected by the price of their underlying investments
 - capital is at risk and investors could lose some or all of their capital

- **The ‘Important risks’ section of our website highlight the key and other risks of structured products, in addition to explaining important information for Professional Advisers who wish to access the current products area of our website and who may use our structured product plans with their clients:**
 - www.tempo-sp.com/importantrisks

- **Professional Advisers should access and read the relevant plan documents relating to any structured product plan of interest, in particular: the plan brochure; plan application pack, including, the terms and conditions of the plan; and the issuer’s securities prospectus, final terms sheet and key information document (KID), before making a recommendation to their clients.**

- **Professional advisers should not invest in, or advise their clients to invest in, any investment product unless they and their clients understand them, in particular the relevant risks**

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