

TEMPO

STRUCTURED PRODUCTS

AN ALPHA REAL CAPITAL GROUP COMPANY

TEMPO STRUCTURED PRODUCTS GOVERNANCE OVERVIEW: 'DOING THE RIGHT THINGS'

**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 plus 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.

Our view of and approach to governance ...

- **Our philosophy as a business is straightforward: we aim to ‘do the right things - and to do simple well’**
- **Ensuring that robust governance underpins what we do has been key to our business, from its inception / formation: it is at the heart of what we believe in and how we operate**
- **Our aim is to surpass regulatory rules, expectations and guidance, based on recognising that good governance is a core value rather than just a requirement. We wholeheartedly believe that it is:**
 - fundamentally client-centric;
 - best for the wealth managers / advisory firms we work with;
 - best for our business;
 - and an opportunity for us to demonstrate best practice, raise the industry bar, and show how we think structured products could be done ... and should be done
- **We intend to maintain a robust, best practice governance framework and culture, embedded throughout our structured products business, that encompasses:**
 - working closely with internal stakeholders; issuing banks; our administrator and custodian; through to the professional advisers who ‘distribute’ / use our products with their clients
- **We believe that good governance is fundamentally client-centric:**
 - and we are sure that professional advisers share this view ...

Governance: saying it is one thing / meaning it another ...

- **Saying this is one thing, but demonstrating and evidencing we mean what we say is key**
- **We are therefore open and transparent about our approach to governance, which we focus on at three broad levels:**
 - **Business:** what we do, who does it, how we do it, and why
 - **Products:** the conception, design, development, marketing / promotion and management of our products
 - **Distribution:** due diligence and on-going oversight and support of the firms and advisers using our products
- **Our governance processes include various committees, that involve senior management, across all relevant departments, in a consensus-driven oversight and decision making approach.**
- **All of our committees operate with clearly documented Terms of Reference, detailing:**
 - objectives / purpose; attendees; voting members / quorum; inputs; and outputs

Our Product Governance Process ...

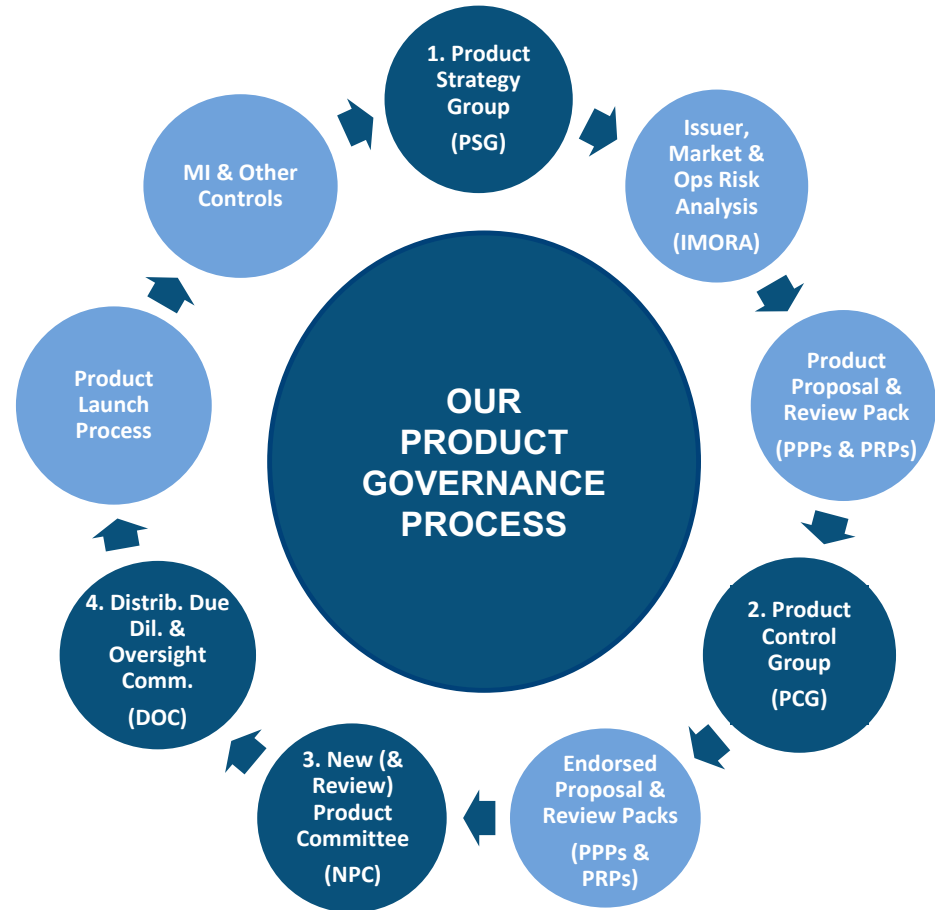
- This page highlights our internal product governance processes, covering product conception, design, development, marketing / promotion and management of products through their lifecycle:

1. Product Strategy Group (PSG)
 The PSG is the starting point of our investment and investor thinking, and includes the identification of potential new product strategies, the review of existing products and any re-issue or change, including target market and distribution channel identification. The PSG oversees Issuer, Market and Operational Risk Analysis (IMORA) and prepares Product Proposal Packs (PPPs) for other Groups / Committees.

2. Product Control Group (PCG)
 Senior management level committee, that assesses PPPs for endorsement (or rejection) to present to the NPC.

3. New Product Committee (NPC)
 A decision making executive committee, that assesses PPPs and ensures that proposed products (and re-issue of products) have been developed in line with our product governance processes and are expected to meet (or have met) the needs of the identified target market, will be (or have been) distributed through appropriate distribution channels and are expected to deliver (or have delivered) appropriate client outcomes.

4. Distributor Due Diligence and Oversight Committee (DOC)
 Distribution due diligence and oversight.



Product Strategy Group (PSG) ...

- **Purpose:** the Product Strategy Group (PSG) is the starting point forum for our investment and investor thinking, the consideration / identification of potential new product strategies, the review of existing products and any re-issue or change, including target markets and associated distribution channels
- **Our business and product thinking starts with consideration of three important factors:**
 - the economic backdrop and investment outlook
 - the characteristics and needs / objectives of clients of professional advisers
 - relevant management information (MI), including from existing products
- **Objective:** with robust understanding of asset and wealth management, financial planning and advice, and expert knowledge of structured products, the PSG's objective is to identify new product strategies, changes to, or other actions, for existing products and to develop and assess (including stress testing and forward modelling) potentially-viable products, changes or actions, for presentation, initially, to the Product Control Group (PCG)
- **Inputs:** economic, investment, asset management and structured product research, target market interests / needs, sector developments, MI on past / present products and distributor feedback/ input
- **Outputs:** Product Proposal Pack (PPP) / Re-Issue Product Proposal Pack (RIPPP) / Post Launch Product Review Pack (PLPRP) / Product Suite Review Pack (PSRP)

- **Purpose:** the PSG undertakes Issuer, Market and Operational Risk Analysis (IMORA) to ensure thorough analysis and assessment of the three most fundamental risks of structured products, with regard to any potential new products that the PSG wishes to propose to the PCG:
 - **Issuer / Counterparty Bank financial strength / credit risk:** including use of our proprietary Tempo Issuer & Counterparty Scorecards ('TICS')
 - **Market risk / barrier levels:** using backward and forward looking stress tests and scenario analysis
 - **Operational risk:** assessing the financial strength / risks we present in our role as Plan Manager, and the strength / risks of our Plan Administration and custody arrangements

- **Our IMORA analysis is at a product specific level, for each product being proposed for launch, also taking into account sector / competitor offerings (and the wider asset management sector), for context**

- **Our IMORA analysis is undertaken with inputs from Alpha Real Capital, Alternative Real Capital and Time Investments**

- **Sample Inputs:** issuer and market fundamentals, third party research / information, competitor analysis

- **Outputs:** details of IMORA are included in the Product Proposal Pack (PPP) / Re-Issue Product Proposal Pack (RIPPP) / Post Launch Product Review Pack (PLPRP) / Product Suite Review Pack (PSRP)

- **The PSG produces Product Proposal Packs (PPP) / Re-Issue Product Proposal Packs (RIPPP) / Post Launch Product Review Packs (PLPRP) / Product Suite Review Packs (PSRP), for presentation to the PCG and subsequently NPC (if endorsed by the PCG), detailing information about a potential product, including its target market, its features, benefits, risks, stress testing (back-testing and forward modelling) and value-for-money assessments**
- **The packs are primarily focussed on whether a proposed product, and its distribution strategy, meets the needs of the identified target market:**
 - the packs do NOT focus on commercial aspects, such as our business plan / business performance, other than including details of product margin, as part of the assessment of the fair value assessment for investors
- **Our governance process requires the PSG to present a PPP / RIPPP / PLPRP / PSRP to the PCG, and subsequently (if endorsed by PCG) NPC, for all new, re-issue and changes to products:**
- **If proposed new, re-issue or changes to products are agreed by the PCG, the PPP / RIPPP / PLPRP / PSRP is endorsed by the PCG for presentation to the NPC**

Product Control Group (PCG) ...

- **Purpose: the purpose of the Product Control Group (PCG) is to assess products proposed for launch, re-issue or change by the PSG, and to endorse (or reject or withhold) proposals for presentation to the New Product Committee (NPC) for launch approval:**
- **The PCG will review and challenge, from an end investor and risk perspective:**
 - the suitability / appropriateness of proposed products for their identified target market
 - the results of stress-testing (back and forward) and value-for-money assessments
 - the PCG also assess whether good governance results have been achieved on existing products
- **The PCG will ensure, from a business, risk and operational perspective, that:**
 - a product and its risks can be appropriately communicated to distributors: and ultimately to end investors
 - a product can be supported by the business, including operational processes and on-going management
 - potential conflicts have been identified, analysed and managed
 - product governance processes have been followed and are in place for future monitoring and review
- **Inputs: Product Proposal Pack (PPP) / Re-Issue Product Proposal Pack (RIPPP) / Post Launch Product Review Pack (PLPRP) / Product Suite Review Pack (PSRP), prepared by the PSG**
- **Output: Minutes, including any decision to endorse (or reject or withhold) proposed new, re-issue or changes to product(s) for presentation to the New Product Committee (NPC)**

New Product Committee (NPC) ...

- **Purpose: the purpose of the New Product Committee (NPC) is to assess products that have been endorsed by the PCG for launch, re-issue or change, and to provide (or withhold) approval for launch, re-issue or change:**
- **The NPC will consider and assess products proposed for launch, re-issue or change to confirm that:**
 - proposed products will meet the needs, characteristics and objectives of an identified target market of end clients and have a risk / reward profile consistent with that target market
 - the identified distribution channel is appropriate
 - proposed products are appropriate within the Group product suite
 - the NPC also identifies whether good governance results have been achieved on existing products
- **The NPC will review the endorsement of the proposal from the PCG and ratify that:**
 - our product governance processes have been followed
 - any conflicts have been identified, analysed and managed appropriately
 - all products that have been launched and will be launched are / will be monitored and reviewed as required
 - the distribution channel will be supported with adequate information and service
- **Inputs: Product Proposal Pack (PPP) / Re-Issue Product Proposal Pack (RIPPP) / Post Launch Product Review Pack (PLPRP) / Product Suite Review Pack (PSRP), recommended by the PCG**
- **Output: Minutes, including any decision to approve - or withhold approval - for product launch, re-issue or change**

- **Purpose:** the purpose of the Distributor Due Diligence and Oversight Committee (DOC) is to ensure robust and effective due diligence and oversight of the distribution of our products through wealth managers and professional advisers to end-investors

- **Objective:** the objective of DOC is to validate and ensure an appropriate level of working knowledge and understanding of structured products and the general integrity of the firms / professional advisers that will have terms of business with us and use of our products with end-investors:
 - and where issues are identified, to oversee appropriate action, proactively and / or remedially

- **Importantly,** the aligned objective of DOC is to focus on how we support wealth managers and professional advisers doing or seeking to do business with us, including product specific and general industry education and training, to help ensure best practice use of our products

- **MiFID II will continue to make such an approach more common, however we believe (and we believe the issuing banks that we work with also believe) that such an approach is clearly best practice now:**
 - and that professional advisers wanting to do things the right way will welcome a provider seeking to do things the right way ... and seeking to identify and block the use of our products by firms / advisers who do not

cont'd...

Distributor Due Diligence and Oversight Committee (DOC): cont'd ... TEMPO STRUCTURED PRODUCTS

- **Inputs: Details of:**

- all wealth managers / professional adviser firms / individual advisers completing our distributor due diligence, and / or submitting applications on behalf of end-investors;
- concerns arising regarding any firm / adviser that require evaluation;
- management information (MI) regarding any breaches of pre-determined governance parameters in respect of patterns in sales, cancellations, surrenders, target market sales success, non-advised / execution only sales, sales to customers too young or too old;
- update details and MI regarding current “Amber / Red Flag” firms / advisers recorded, in respect of any of the above breaches / potential breaches
- minutes of the previous meeting, together with an actions log, complete with updates on previously agreed action points

- **Output: minutes / action points**

Group / Committee member / attendees ...

- **Members of the Product Strategy Group (PSG), Product Control Group (PCG), New Product Committee (NPC) and Distribution Due Diligence and Oversight Committee (DOC) include:**
 - senior management of the Group, with a cross section of experience spanning structured products, fund and asset management, compliance, operations and corporate finance, and sales and marketing

- **Management Information (MI) is reviewed on a monthly basis and used as a key input to the PSG, PCG, NPC and DOC:**
 - it is also used for operational oversight of our Plan Administrator, James Brearley & Sons, which is assessed against agreed KPIs on a monthly basis

- **MI reviewed includes:**
 - Experian Financial Strategy Segments (FSS) and Financial Sophistication Index (FSI) scores
 - business volumes and patterns, including cancellations, withdrawals
 - complaints at product and / or administration and / or adviser levels
 - JBS KPIs
 - Tempo Issuer & Counterparty Scorecards ('TICS') and market levels against barrier level changes
 - secondary market prices

- **Legal Review (LR): on an ad-hoc basis, a legal review of our activities and relevant materials against regulatory rules, expectations and guidance, including consideration of anticipated future requirements, will be undertaken, by our external counsel, Simmons & Simmons, as appropriate**

- **We aim to bring something different to the UK retail structured products sector:**
 - ‘doing the right things - and doing simple well’: redefining structured products for professional advisers, providing a high calibre structured product provider, a carefully considered approach to structured products and a level of support and service that they can be genuinely confident in

- **Ensuring that robust governance underpins what we do has been key to our business, from its inception and is at the heart of what we believe in and how we operate:**
 - our aim is to surpass regulatory requirements and guidance, based on recognising that good governance is a core value rather than just a regulatory requirement

- **We believe that professional advisers should expect no less from any structured product provider that they engage with:**
 - and that they should not accept simple assurances of such processes from providers

- **We transparently share the details of our governance processes and framework, including details of our internal procedures, proprietary tools and systems, with the professional advisers that we engage with:**
 - and to discuss the importance and benefits of issuers, providers and professional advisers being aligned in identifying, understanding and discharging shared and individual regulatory and best-practice responsibilities

Important notice

- **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/important-risks

- **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 key information document (KID), securities prospectus and final terms sheet, 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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