

Tempo Structured Products

FTSE 100 Long Income Plan August 2018




Summary information

Report	4820
Provider	Tempo Structured Products
Issuer	Morgan Stanley
Plan Manager	Tempo Structured Products

Provider contact details:

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Provider page:	Tempo Structured Products

Documents from the product provider

Brochure	
TICS Report	
KID	

Product features

- Total of 5 autocall points
- First autocall point after 5 years and then every year
- Minimum level of 125% required for autocall meaning the underlying has to rise
- Contingent coupons of 5.25% will be paid (approximately 5.25% p.a.) if the relevant underlying asset is at or above the coupon barrier of 60% of its strike level every year
- European barrier of 60%

Key product information

Product type	Income Autocall	ISA Transfer date	03 Aug 2018
Vehicle	Plan	Closing date	17 Aug 2018
Capital	At risk	Strike date	24 Aug 2018
Aim	Income	Final market date	24 Aug 2028
Investment Length	10 years	Report published	26 Jun 2018
Product currency	GBP		
Asset style	Single		
Counterparty	Morgan Stanley		
Underlying Asset	FTSE 100 Index		
Issuer credit rating	S&P BBB+ (BBB band)		
Tax wrapper(s)	Direct investment , ISA , ISA transfer , SIPP/SSAS , Trustees of a trust , Corporate/Commercial , Charities , Offshore bond , Direct Investment (for Joint Accounts)		
Min/Max Investment	Minimum: £5,000. The overall ISA limit is £20,000 for the 2018/2019 tax year		
PRIPs SRI	4		

Product description

Strike	100%	First AC level - return	125 - 100
Zero coupon bond	100%	Num of coupons	10
Downside gearing	100%	Date of first coupon	27 Aug 2019
Barrier	60%	Maximum coupon level	5.25%
Barrier type	European	Coupon barrier	60%
Num of AC points	5	Memory feature	No
Date of first AC point	24 Aug 2023		

Potential Returns:

This product is classified by FVC as an 'Income Autocall'.

This type of product has both contingent income and autocall components. It will pay the annual return of 5.25%, if, on the relevant annual measurement date, the FTSE 100 is at or above the contingent coupon level of 60%. If the FTSE 100 is above the required level on any of the autocall observation dates, the product will mature early, returning the initial investment in addition to any income owed.

If on any annual measurement date, the contingent coupon conditions are not met, no payment will be made for that period.

The full autocall schedule for this product is shown in figure 4.

Capital Repayment:

The product has a European barrier. This means that the barrier is observed at maturity only. The barrier is set at 60% of the strike level and will be breached if the final level of the underlying asset is below 60% of the strike level. If the FTSE 100 finishes below the European barrier of 60% on the final day of the investment some capital is lost.

If the product has not been called on any of the observation dates, the repayment of capital will depend on whether or not the final level of the FTSE 100 is below the barrier level. If the FTSE 100 finishes at or above the barrier level, the investor will be repaid 100% of their initial investment in addition to any income accrued.

If the underlying asset finishes below the 60% barrier, the investor will be paid an amount equal to the final level of the underlying asset, with respect to its strike level. For example, if the final level of the FTSE 100 is 40% of its strike level and therefore the barrier is breached, the investor will be returned 40% of their capital investment.

Figure 1 : Statistics

This figure shows some key statistics of the product and compares them to averages of other open products in the market. Full details of the methodology can be found [here](#)

The overall, price and return scores are expressed on a scale of 0-10 with 10 representing the most favourable. The price score is derived from our estimate of value for money while the return score gives an indication of risk-adjusted return prospects. The overall score is the average of the price and risk scores.

The riskmap is expressed on a scale of 0 to 10, where 0 represents lowest risk and 10 the highest. It is calculated from contributions from market risk and credit risk which are shown separately. The maturity and duration (expected maturity) are also stated.

	This product	All products	All At risk
Overall score	8.21	7.81	7.67
Price score	7.67	7.36	7.13
Return score	8.75	8.26	8.21
Riskmap (0-10 scale)	3.15	3.66	3.93
Market riskmap	2.48	3.35	3.63
Credit riskmap	0.67	0.31	0.29
Maturity	10	7.17	7.43
Duration	7.79	3.93	3.9

Figure 2 : Payoff chart

This chart shows a sample of simulated outcomes of the final underlying value and the product payoff for the structured product to help identify the risk and return prospects of the investment.

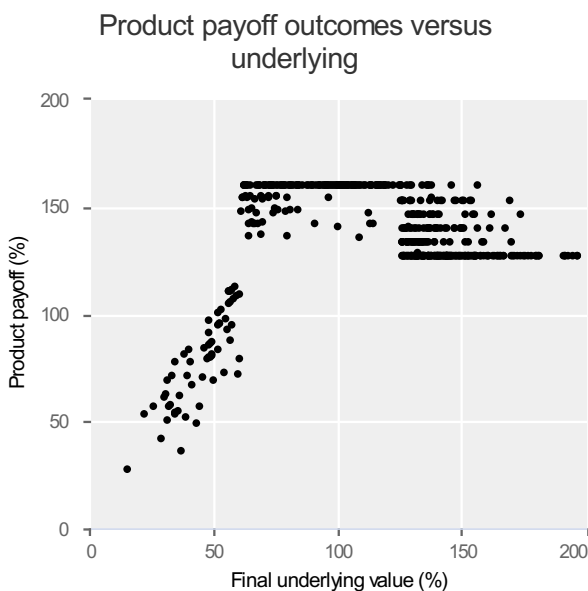
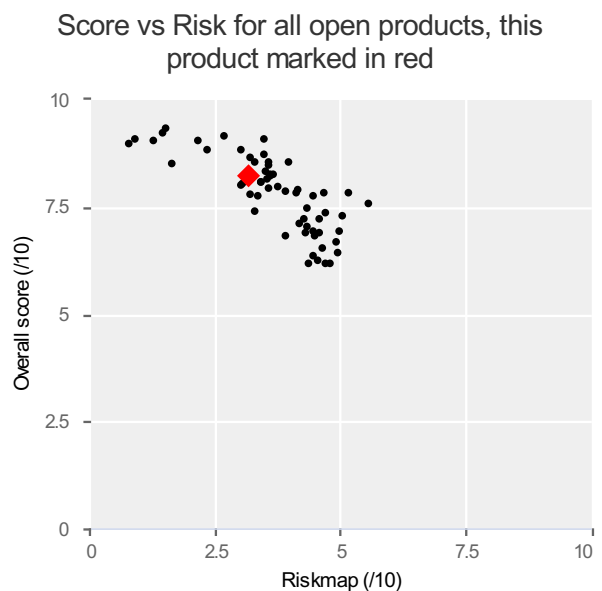


Figure 3 : Comparison chart

This chart plots the riskmap and overall score for all products on report centre, which shows all products listed on this site which are open for investment. The current product is shown with a red marker.



Breakdown of results and outcomes

Figure 4 : Investor results summary

Summary of possible product performances. Calculations from forward looking simulation and 10 year historical backtest (market risk only). This table shows a number of mutually exclusive outcomes of product performance classifications and associated statistics.

Result	Investment length (years)	Average payoff (%)	Simulated probability (%)	Backtested frequency (%)
Autocall on 24 Aug 2023 if at or above 125%	5.00	126.25	30.15	14.16
Autocall on 27 Aug 2024 if at or above 125%	6.00	131.47	9.82	3.48
Autocall on 26 Aug 2025 if at or above 125%	7.00	136.64	6.45	7.75
Autocall on 24 Aug 2026 if at or above 125%	8.00	141.76	4.30	7.40
Autocall on 24 Aug 2027 if at or above 125%	9.00	146.96	3.09	6.17
Full capital return	10.00	150.07	33.77	60.68
Capital loss but total return at or above capital	10.00	103.52	1.17	0.24
Total return loss	10.00	69.64	11.25	0.12

Figure 5 : Prospects for return of capital

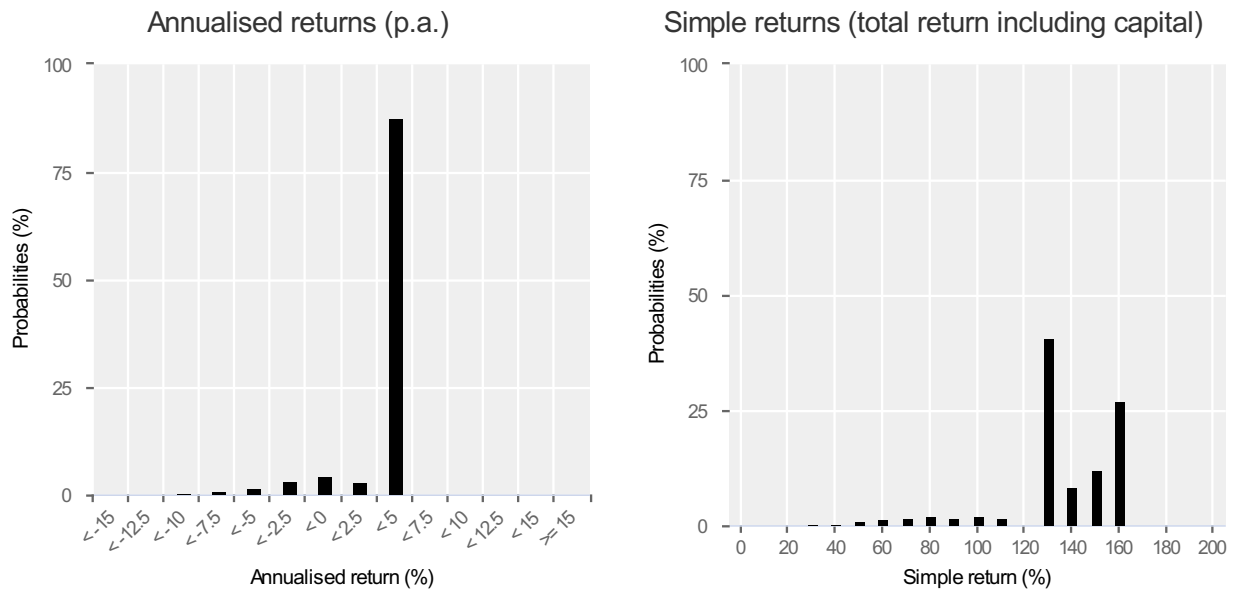
This figure shows prospects for return of capital, calculating whether the return might be greater than, equal to or lower than capital invested. This is measured as probabilities from forward looking simulations and the observed frequencies from a 10 year historical backtest.

Outcome	Simulated probability	Backtested frequency
Return less than capital	9.85	0.00
Return exactly capital	0.00	0.00
Return more than capital	90.15	100.00

Figure 6 : Charts of product outcomes (annualised and simple returns)

Charts of distribution of structured product returns based on forward looking simulation.

These two charts illustrate the probabilities of return. The first chart shows the annualised return of the product in 2.5% buckets. The second chart shows the simple return of the product. Both of these charts are market risk only.



Disclaimer:

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About FVC

Future Value Consultants (FVC) is a research and analytics consultancy, specialising in structured product research, stress testing structured products, independent valuations and index calculation.

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