STRUCTURED PRODUCTS INVESTOR

ISSUE 1

The start of something special...

Welcome to the first edition of Structured Products Investor, our new client newsletter.

We're delighted to have been able to put this together for our clients, with the help of Tempo Structured Products.

We have leading market commentator and Financial Times columnist, David Stevenson contributing input for us.

And this edition also carries an article by Chris Taylor, the Global Head of Tempo Structured Products.

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Dear Clients

Your Photo Here

While you do of course already have access to various news sources, our new newsletter is specifically designed to focus on key investment themes, areas of particular interest, and ideas related to structured products – and to do so in an easy-to-read way, which we hope you'll find engaging and of interest.

We're living in interesting times, that's for sure! Interest rates have been at historic lows for most of the last decade and, despite the small recent rise in the UK, it looks like they could be set to stay low for a long time – which is the key point of this first newsletter. David Stevenson focuses on this in his first editorial comment.

At the same time, we've seen stock markets do well since the global financial crisis, supported and stimulated by unprecedented government policies, including ultra low interest rates and massive 'quantitative easing' - and stock markets have stayed pretty positive, despite the events of the last year or two. In fact, so far, markets seem to have shrugged off worries about Brexit, the election of President Trump and various concerns around the world, such as North Korea, and 'quantitative tightening'.

However, while 2017 was relatively calm, we are inclined to think that now is a time to reflect on the past, to think carefully about the foreseeable future, how portfolios are positioned, and steps that might be prudent to help increase the likelihood of generating positive returns while safeguarding against potential losses.

While David focuses on the 'Lower and slower, for longer' theme, Chris Taylor picks up on one of the key benefits of structured products for investors, highlighting that they are based on contracts, that legally define what investors can expect from their investment - as opposed to other types of investment that may or may not deliver what they promise.

Structured products 'do what they say on the tin', which is one of the fundamental reasons we like them. But, of course, as with all investments, there are risks as well as benefits – so the tins need to be well labelled and the labels must always be read carefully.

We have also included details of Tempo plans that we think may be of interest to you.

We hope you enjoy reading Structured Products Investor. Do please let us have any feedback or thoughts for future editions.

Kind Regards

Your Signature

Name Surname
Job title
[Your Firm]

Lower and slower, for longer...

David Stevenson talks about interest rates and returns on cash

David Stevenson is an experienced investment commentator and writer, writing for a number of leading publications including the Financial Times, Investors Chronicle and Investment Week.

I'm delighted to be kicking off my first investment commentary for clients of [Your Firm]. The theme of my first article is one that's increasingly central to my thinking, which is that pretty much everything could be set to stay 'lower and slower, for longer'!

I'm referring initially to *interest rates and returns on cash* – but in future issues I'll also come on to *bond yields and the returns on corporate and government bonds* (which to my mind now present more risk of capital loss than many investors have cottoned on to) and the *future returns on equity markets* (which I would suggest might be lower in the foreseeable years ahead than in the recent years now behind us).

While it's not the cheeriest of opening columns from me - although hopefully it's not too gloomy either - the fact is that there are some good opportunities out there. And perhaps the main point is that there are many reasons for savvy investors to be thinking about things carefully and positioning their portfolios judiciously.

So, interest rates? Well, they're low! You don't need me to point that out! We have now had a 0.25% increase in the UK and there's talk of interest rates rising further, most obviously in the US, where hikes are already underway, but also here in the UK. Some folk even talk of (or hope for) so-called 'normalisation' of interest rates, by which they mean rates go back towards their long-term averages, of around 5%. But I'd suggest you need to have an enormous bowl of salt by your side when you next hear this view!

It's hard to argue with the view that US interest rates, as determined by the US Federal Reserve, might increase several times more in the next 18 months. But even if that is the case, the sum of minor upticks might only take rates back to around 2.5% - and it's a fair bet that by then the US economy could be close to stalling, with the obvious response to that being lower interest rates!

And here in the UK, any Bank of England policy-maker looking to jack up interest rates is going to have a hard time doing so. BoE govenor Carney says as much himself. Even if we have a year or two of rising rates I think we'd be 'lucky' to get to 2.5%. But with Brexit looming, which brave central banker would want to embark on a drastic set of increases?

> It's time to think outside of how to build alternative sources of income and yield, pronto. It won't be easy but doing so will help your financial future.

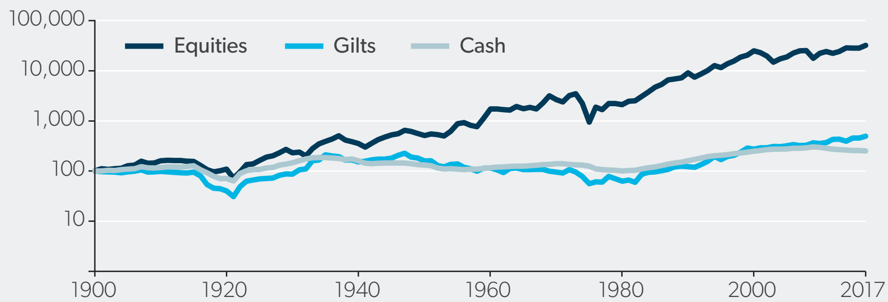
A while ago I spent some time talking to leading banking sector analysts for some global investment banks. NONE of them thought interest rates would get to much above c.2.5% in the next few decades! Phew, that made me draw breath! To be exact, the consensus view was that we wouldn't see rates above 2.5% until 2047. "Too much debt, too little inflation, too dangerous for central banks who've got home owners addicted to low interest rates" was one comment.

In these circumstances, the simple chart below should be a wake-up call for investors. It's taken from the widely read Barclays Equity Gilts Study and shows the relative returns from cash, bonds/Gilts and equities over the last century. A chart can paint a thousand words and this one says 'cash serves many valuable functions… but investment isn't one of them!'

Remember that these numbers were heavily influenced by many decades of interest rates at the long term 'normal', of around 5%. Currently with interest rates up slightly at 0.5% and retail price inflation (RPI) close to 4%, cash is in fact losing you money. It's a destructive asset, wasting away your long-term real returns. And that may be true not just for the next few years but even the next few decades, if we are in a 'new norm' environment of significantly lower interest rates. Even if interest rates in the UK do miraculously rise to 2.5%, you could still be losing money, in real terms, on cash. So it's time to think about alternative sources of income and yield, pronto. It won't be easy, but doing so may help your financial future.

> Cash serves many valuable functions… but investment isn't one of them!

The long term returns of cash, gilts and equities...



Source: Barclays Gilt Equity Yield Study June 2017.

Please note that this article and the views expressed in it are those of the author. These views are current at the time of writing and publishing but may change.

The article does not constitute any form of advice or recommendation.

MON£¥ FA€T$ AT A GLANCE

Interest rate and inflation			At a glance…
UK Interest Base Rate	0.50%		Increased last year from 0.25%, but still low and alternatives to cash still needed.
UK Inflation Rate (RPI)	3.30%		Inflation erodes (already low) returns! Don't ignore the effects of inflation.

Savings rates	Best rate	Provider	At a glance…
Easy access Cash ISA	1.35%	NC Building Society	A low return, below inflation - but with easy access.
1 year Fixed Rate Bond	2.05%	Atom Bank	Better, but still below inflation - and no access within a year.
2 year Fixed Rate Bond	2.20%	Investec	Better, but still below inflation - and no access for two years.
3 year Fixed Rate Bond	2.32%	Masthaven	Better, but still below inflation - and no access for three years.
5 year Fixed Rate Bond	2.67%	Secure Trust Bank	Better, but STILL below inflation - and no access for five years.

Market levels			At a glance…
UK FTSE 100	7,547.85		Fell back in the first 3 months of the year - is a more challenging environment ahead?
US S&P 500	2,726.71		Also fell back at the start of year: may face similar challenges ahead…
UK 10 Year Gilt yield	1.26%		Rising (but still very low) and with well cited risks if inflation and interest rates rise.
Gold	1,242.50		Starting to edge higher, but has been trading in a range ($1,050 - $1,350) for a while now
Brent crude oil	77.40		On a gradual upward trajectory recently.
USD/GBP	1.31		GBP weakness since Brexit referendum benefitted companies exporting and/or with US$ and overseas revenue.
EUR/GBP	1.13		GBP has remained lower vs the euro since Brexit referendum. Not helped by sluggish Brexit negotiations.

Source: Thomson Reuters / Savings Champion. Data as at 30 June 2018.

2-MINUTE STRUCTURED PRODUCTS ROUND-UP

KICK-OUT PRODUCTS

Kick-Out products continued to be the most popular type of structured product, accounting for about two-thirds of all of the products launched for professional advisers, in the UK, in 2017. It's hard not to like a good kick-out product – their popularity reflects the fact that so many mature early successfully, generating solid returns, without requiring any growth in the stock market (and some provide positive returns even if the market falls). But structured products have more to offer advisers and investors than just good kick-out products!

GROWTH PRODUCTS

Growth products only accounted for about 5% of the products launched for advisers in 2017 – perhaps because some professional advisers and investors are so focused on kick-out products. But structured products designed for growth can offer investors some very interesting alternatives to active and passive funds and are well worth considering as part of a diversified portfolio, especially in the current environment. The choice of growth products includes strategies that can generate positive returns from stock markets that do not have to rise, with potential out-performance of the market if it does (albeit sometimes to a cap).

INCOME PRODUCTS

Income products have not been so common currently, only accounting for about 15% of all the products seen in the market over 2017. This is because it is challenging for providers to create pure income products at the moment, due to various factors that affect their pricing. Some income products address this, by providing conditional income at the start of the product term and incorporating a kick-out feature later, typically after 1-2 years. Levels of potential income offered have been around 4% for income products and 6%+ for income/kick-out products.

STRUCTURED DEPOSITS

Structured deposits are the most difficult of all product types for providers to create currently, if the provider is working with strong banks. They account for just over 10% of all the products launched in 2017. There is clear investor interest for 'cash alternatives', when interest rates on 'normal' cash deposits are so low, but it's hard to find many worthwhile structured deposit products at the moment. This may change, over time, so it is worth keeping an eye out for good structured deposits in the future.

Source: Tempo Structured Products / StructuredEdge.com / UK Structured Products Association. Data as at 29 December 2017.

The '2-Minute Structured Products Round-Up' is a general summary only, without detailing all of the features or risks of each product type. Investors should always refer to product literature and carefully consider the full features of any product they are considering, including the risks.

Looking past the obvious...

Chris Taylor talks about the 'contract' benefits of structured products

After a long career in the asset management industry, one thing I've learnt is the importance of looking at things the industry does and looking through the obvious, to find the more interesting aspects, that sometimes flip the obvious on its head.

When it comes to structured products, the most obvious risk is well-known to be the 'counterparty risk', i.e. the risk that the bank behind a product can go bust and cause loss of capital. But rather than add more column inches to stating that advisers and investors should always ensure that they are cognisant of this risk, I'd like to flip the point on its head and talk about what I think is an overlooked point, which is the benefit – as opposed to the risk – of the counterparty behind a structured product!

The basic risk of a structured products is that the counterparty must stay in business – but the benefit is that they also remove or reduce some key risks that many investors naturally want to avoid… but have often been 'educated' to think that they can't.

> The risk of a structured product is that the counterparty must stay in business – the benefit is that they remove or reduce some key risks that many investors want to avoid.

Most specifically, structured products can remove or reduce 'market downside risk', i.e. the risk of markets going down and investors losing capital.

But they can also remove or reduce 'market upside risk', i.e. the risk that markets don't go up and generate the returns investors need.

In addition, structured products remove the 'active fund management risk', i.e. the risk that active fund management just doesn't deliver the performance, or the risk control, that it marketed itself as being capable of providing (noting that the marketing of actively managed funds is actually based on nothing more than 'aims' and 'hopes', not legally binding contracts!).

The fact is that the counterparty banks behind structured products take on risks that exist in other types of investments, such as mutual funds, and turn them on their heads… by contractually defining both market risk and return. And the contracts mean that the process risk falls on the couterparties, not investors.

And that is the eureka point… that structured products equate to 'investing by contract'. And it's an important point.

> … structured products equate to investing by contract.

Investors in structured products basically delegate the investment process and performance risk to a major investment bank, the counterparty, which becomes legally obligated to deliver the terms of the contract at maturity, regardless of their process, unless they are bust.

But this major benefit of structured products is being overlooked by some advisers and investors, because they're only focusing on the obvious points, not the less obvious (although the good news is that an increasing number are slowly cottoning on).

Yes, some 'clever stuff' may be going on behind the scenes of a structured product, in order for the counterparty bank to 'hedge' their legal obligation to deliver the terms of the products they issue, at maturity.

> There are just some things active and passive funds can't do, that structured products do… and do by contract.

But investors are not investing into the the counterparty's clever stuff or process – unlike active fund management, where if a fund's process fails it's the investor who suffers. Investors in structured products are investing in contracts! And the contracts are usually issued by some of the world's strongest financial institutions, who take the process risk of investing away from the investor and own the risk themselves.

Chris Taylor is Global Head of Structured Products at Tempo Structured Products. He has been involved with structured products, and the broader asset management industry, since its earliest days in the UK, in the mid 1990s.

Investors in structured products therefore have a very different consideration to investors in active funds.

The key consideration is the strength of the bank behind the product and whether they will still be in business at maturity? And the fact is that the world's biggest banks like to stay in business - and governments, central banks, regulators, shareholders, deposit holders, employees, etc. also like them to!

> Of course, as with any investment, there are risks that need to be understood with structured products.

There is no such thing as a perfect investment. And, as with any investment, there are risks that need to be understood with structured products. But many investors may find it easier to consider whether a major global bank is likely to stay in business, than what may or may not happen to the stock market.

Pragmatically, a good approach to portfolio construction is to diversify across various types of investments, including funds and products. In other words: the best of active funds; the best of passive funds (pretty much everybody seems to like passive and smart beta these days!); AND the best of structured products… because there are just some things that active and passive funds can't do, that structured products do… and do by contract. It's their major benefit, to my mind.

Product spotlight

Tempo Long Kick-Out Plan: August 2018

What is this plan?

This is a maximum 10 year term product linked to the UK stock market, which offers three options, all of which are designed to generate a fixed level of return on one of the kick-out anniversary dates from the 3rd year.

The potential return of the plan depends on the level of the UK stock market, represented by the FTSE 100 FDEW. We have designed the plan so that if the level of the FTSE 100 FDEW triggers a 'kick-out' on one of the kick-out anniversary dates, the plan will pay the accumulated returns for each year that it has run together with the money invested, and automatically mature at this point.

None of the options need the FTSE 100 FDEW to rise in order for the return to be paid. In addition, all of the options provide a defined level of protection at the end date, if it falls.

OPTION 1	If the FTSE 100 FDEW closes at or above 90% of the start level on one of the kick-out anniversary dates, between year 3 and year 10, the plan will generate a return of 7.3% for each year that the plan has run.
OPTION 2	If the FTSE 100 FDEW closes at or above a reducing percentage of the start level on one of the kick-out anniversary dates (set at 100% of the start level for year 3 and reducing by 5% each year to 65% of the start level on the end date), the plan will generate a return of 6.85% for each year that the plan has run.
OPTION 3	If the FTSE 100 FDEW closes at or above 100% of the start level on one of the kick-out anniversary dates, between year 3 and year 10, the plan will generate a return of 10.75% for each year that the plan has run.

What are the risks of the plan?

Both the potential kick-out returns of the plan and repaying the money invested are linked to the level of the UK stock market – and depend upon the financial stability of the Issuer and Counterparty Bank.

STOCK MARKET RISK

For all of the options, if the FTSE 100 FDEW is below the level needed on all of the kick-out anniversary dates and the end date, no return will be generated. In addition, repaying the money invested will depend on the level of the FTSE 100 FDEW on the end date:

If on the end date the FTSE 100 FDEW closes **at or above 60%** of the start level, money invested will be repaid in full (less any agreed adviser fees and withdrawals).

If on the end date the FTSE 100 FDEW closes more than **40% below** the start level, the amount of money repaid will be reduced by the amount that the FTSE 100 FDEW has fallen. For example, if the FTSE 100 FDEW has fallen by 45%, the repayment of money will be reduced by 45%.

ISSUER RISK

As with most structured products, the plan also depends on the financial stability of the Issuer and Counterparty Bank. Both the potential returns of the plan and money invested are at risk if the Issuer and Counterparty Bank fail during the investment term.

Who has this plan been designed for?

This plan has been designed for professionally advised investors, who are clients of authorised and regulated investment firms, investing as part of a diversified and balanced portfolio. Prospective investors will be interested in the potential to achieve a fixed level of return, that does not require the UK stock market to rise over the next 10 years, and will be able to leave their money invested for up to 10 years. **As with all forms of investment, there are risks involved. This plan does not guarantee to repay the money invested. The potential returns of the plan and repaying the money invested are linked to the level of the FTSE 100 FDEW and also depend on the financial stability of the Issuer and Counterparty Bank. Prospective investors should only consider this plan if they understand and accept the risk of losing some or all of any money invested.**

If you would like to find out more about this plan, please contact us...

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Product spotlight

Tempo Long Growth Accelerator Plan: August 2018

What is this plan?

This is a maximum 10 year plan linked to the UK stock market, offering two investment options, which provide accelerated growth, from a defined percentage of the start level – with an early maturity feature.

The potential returns of the plan depend on the level of the UK stock market, represented by the FTSE 100 FDEW. We have designed the plan to generate an accelerated growth return on the end date, based on the amount that the FTSE 100 FDEW closes above a defined percentage of the start level, up to a maximum potential return. The plan also includes an early maturity feature, which means that it can mature automatically on the 5th anniversary, depending on the level of the FTSE 100 FDEW.

Neither of the plan options need the FTSE 100 FDEW to rise in order to generate positive returns. In addition, both of the options provide a defined level of protection at the end date, if it falls.

	5th anniversary	End date
OPTION 1	On the 5th anniversary, if the FTSE 100 FDEW closes at or above 100% of the start level, the plan will generate a return of 55% and mature early automatically.	On the end date, option 1 will generate a return of 4 times the amount that the FTSE 100 FDEW closes above 70% of the start level, with a maximum potential return of 120%
OPTION 2	On the 5th anniversary, if the FTSE 100 FDEW closes at or above 110% of the start level, the plan will generate a return of 82.50% and mature early automatically.	On the end date, option 2 will generate a return of 6 times the amount that the FTSE 100 FDEW closes above 90% of the start level, with a maximum potential return of 180%

What are the risks of the plan?

Both the potential returns of the plan and repaying the money invested are linked to the level of the UK stock market – and depend upon the financial stability of the Issuer and Counterparty Bank.

STOCK MARKET RISK

For both options, if the FTSE 100 FDEW is below the level needed on the 5th anniversary early maturity will not take place. If the FTSE 100 FDEW is below the level needed on the end date, no return will be generated. In addition, repaying the money invested will depend on the level of the FTSE 100 FDEW on the end date:

If on the end date the FTSE 100 FDEW closes at or above 60% of the start level, money invested will be repaid in full (less any agreed adviser fees and withdrawals).

If on the end date the FTSE 100 FDEW closes below 60% of the start level, the amount of money repaid will be reduced by the amount that the FTSE 100 FDEW has fallen. For example, if the FTSE 100 FDEW has fallen by 45%, the repayment of money will be reduced by 45%.

ISSUER RISK

As with most structured products, the plan also depends on the financial stability of the Issuer and Counterparty Bank. Both the potential returns of the plan and money invested are at risk if the Issuer and Counterparty Bank fail during the investment term.

Who has this plan been designed for?

This plan has been designed for professionally advised investors, who are clients of authorised and regulated investment firms, investing as part of a diversified and balanced portfolio. Prospective investors will want to increase the potential returns of the FTSE 100 FDEW, with returns that are calculated from a defined percentage of the start level, and will be prepared and able to leave their money invested for up to 10 years. **As with all forms of investment, there are risks involved. This plan does not guarantee to repay the money invested. The potential returns of the plan and repaying the money invested are linked to the level of the FTSE 100 FDEW and also depend on the financial stability of the Issuer and Counterparty Bank. Prospective investors should only consider this plan if they understand and accept the risk of losing some or all of any money invested.**

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Product spotlight

Tempo Long Income Plan: August 2018

What is this plan?

This is a maximum 10 year plan, linked to the UK stock market, offering conditional income each year – with an early maturity feature from the end of the 5th year.

The potential for income payments depends on the level of the UK stock market, represented by the FTSE 100. We have designed the plan to generate income each year, if the FTSE 100 is at or above 60% of the start level on each annual income date.

The plan also includes an early maturity feature, which means that it can mature automatically on any annual income date from the end of the 5th year, depending on the level of the FTSE 100.

The plan does not need the FTSE 100 to rise in order to generate income. In addition, it provides a defined level of protection at maturity, if it falls.

ANNUAL INCOME FEATURE

The plan offers potential income of 5.25% each year, which is payable on each annual income date at which the FTSE 100 closes at or above 60% of the start level.

EARLY MATURITY FEATURE

If the FTSE 100 closes at or above 125% of the start level on any annual income date from the end of the 5th year, the plan will mature automatically. Investors will receive the income payment for that year, together with the money invested.

What are the risks of the plan?

Both the potential income payments of the plan and repaying the money invested at maturity are linked to the level of the UK stock market – and depend upon the financial stability of the Issuer and Counterparty Bank.

STOCK MARKET RISK

Income will not be payable on any annual income date at which the FTSE 100 is below 60% of the start level. If the FTSE 100 is below 60% of the start level on each annual income date, no income will be generated. If early maturity does not take place, repaying the money invested will depend on the level of the FTSE 100 on the end date:

- If on the end date the FTSE 100 closes at or above 60% of the start level, money invested will be repaid in full (less any agreed adviser fees and withdrawals).
- If on the end date the FTSE 100 closes below 60% of the start level, the amount of money repaid will be reduced by the amount that the FTSE 100 has fallen. For example, if the FTSE 100 has fallen by 45%, the repayment of money will be reduced by 45%.

ISSUER RISK

As with most structured products, the plan also depends on the financial stability of the Issuer and Counterparty Bank. Both the potential returns of the plan and money invested are at risk if the Issuer and Counterparty Bank fail during the investment term.

Who has this plan been designed for?

This plan has been designed for professionally advised investors, who are clients of authorised and regulated investment firms, investing as part of a diversified and balanced portfolio. Prospective investors will want the potential for income each year, which will be paid if the FTSE 100 is at or above the level needed, and will be prepared and able to leave their money invested for up to 10 years. **As with all forms of investment, there are risks involved. This plan does not guarantee to repay the money invested. The potential income payments and repaying the money invested are linked to the level of the FTSE 100 and also depend on the financial stability of the Issuer and Counterparty Bank. Prospective investors should only consider this plan if they understand and accept the risk of losing some or all of any money invested.**

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Product spotlight

Tempo Long Income Builder Plan: August 2018

What is this plan?

This is a 10 year plan, linked to the UK stock market, offering conditional income that increases each year – with an innovative 'memory' feature.

The potential income payments depend on the level of the UK stock market, represented by the FTSE 100. We have designed the plan to generate an increasing level of income each year, if the FTSE 100 is at or above 80% of the start level on each annual income date.

The plan also includes a memory feature, which means that it is possible for any missed income payments to be paid on a future annual income date, depending on the level of the FTSE 100.

The plan does not need the FTSE 100 to rise in order to generate income payments. In addition, it provides a defined level of protection on the end date, if it falls.

ANNUAL INCOME FEATURE

The plan offers the potential for an increasing level of income each year, which is payable on each annual income date at which the FTSE 100 closes at or above 80% of the start level. The potential income payments start at 4.95% in year 1 and increase by 0.25% each year to 7.2% in year 10.

MEMORY FEATURE

The memory feature means that if an income payment is missed due to the level of the FTSE 100 on an annual income date, the missed payment can potentially be paid on a future annual income date. On the next annual income date at which the FTSE 100 closes at or above 80% of the start level, any missed income payments will be paid, together with the income payment due for that year.

What are the risks of the plan?

Both the potential income payments and repaying the money invested at maturity are linked to the level of the UK stock market – and depend upon the financial stability of the Issuer and Counterparty Bank.

STOCK MARKET RISK

Income will not be payable on any annual income date at which the FTSE 100 is below 80% of the start level (although it might be paid on a later annual income date due to the memory feature). In addition, repaying the money investedwill depend on the level of the FTSE 100 on the end date:

If on the end date the FTSE 100 closes at or above 60% of the start level, money invested will be repaid in full (less any agreed adviser fees and withdrawals).

If on the end date the FTSE 100 closes below 60% of the start level, the amount of money repaid will be reduced by the amount that the FTSE 100 has fallen. For example, if the FTSE 100 has fallen by 45%, the repayment of money will be reduced by 45%.

ISSUER RISK

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Who has this plan been designed for?

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What do we mean by…

Kick-Out products…

Products that are typically designed to offer the potential for a fixed level of return, for each year that a plan runs, with opportunities for automatic early maturity during the term, depending on the level of the stock market on the kick-out dates, and the specified terms of the product.

Income products…

Products that are typically designed to offer either a fixed level of income or alternatively a higher level of conditional income, over a fixed term, that link the repayment of money invested at the end date to the level of the stock market. Some income products also include a kick-out feature.

Growth products…

Products that are typically designed to offer growth potential over a fixed term, usually linked to stock market performance. Strategies may include the potential for a fixed return or alternatively a defined participation rate based on the market performance (that may outperform the market, by contract).

Deposit products…

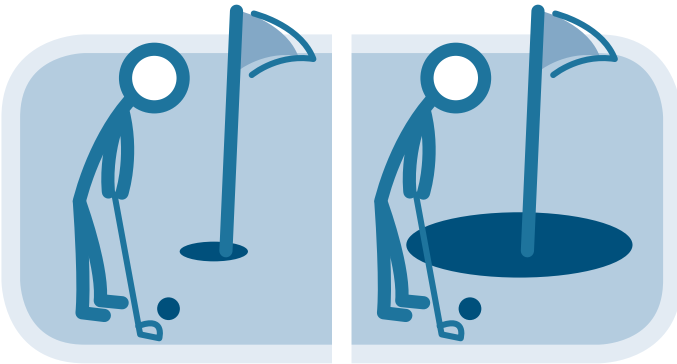
Deposits that are designed to offer an alternative to 'normal' bank and building society deposit accounts, using structuring to offer the potential for higher returns, linked to stock market performance, but with full repayment of capital at the end of the term – and with FSCS protection for eligible investors.

What's the basic principle of a good investment strategy?

To use a golf analogy, investing is about trying to increase the likelihood of getting the investment ball in the investment hole as efficiently as possible (i.e. generating positive returns) and decreasing the likelihood of slicing the ball off to the side, getting stuck in the rough (i.e. suffering losses) and needing several shots to get back on the fairway.

There are investments that are designed to try to help professional advisers and investors 'putt the investment ball' more cleanly and reliably - including structured products. Structured products can help 'change the rules' of investing, by increasing the likelihood of generating positive returns (with products that do not require the market to rise), while decreasing the likelihood of losses being experienced (with products that provide protection from a pre-defined level of risk / loss, should the market fall).

Changing the rules of investing…



The basic purpose of a good investment company and the basic principle of a good investment strategy is to increase the likelihood of generating positive returns for investors while decreasing the likelihood of them experiencing losses.

Don't forget the risks. 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 the underlying investments; capital is at risk and investors could lose some or all of their capital. Investors should always 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 consider the issuer's key information document (KID), securities prospectus and final terms sheet, before making a decision to invest in any plan. Investors should not invest in any investment product unless they understand it, in particular the relevant risks.

LEFT FIELD OBSERVATION:

"An economist is somebody who will tell you tomorrow why the things they told you yesterday didn't happen today!"

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