


TEMPO

STRUCTURED PRODUCTS

PART OF THE ALPHA REAL CAPITAL FAMILY OF COMPANIES

'TICS': THE TEMPO ISSUER AND COUNTERPARTY SCORECARDS
- 'TICS: INTRODUCTION AND OVERVIEW' -

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

Introducing the Alpha Real Capital family of companies ('Alpha') ... TEMPO STRUCTURED PRODUCTS

KEY ALPHA STATISTICS:

(as at 31 Mar 2021)

£4.2bn

AUM

160+

Professional team

4

Core areas

Headquartered in London, Alpha Real Capital was founded in 2005 as an international, co-investing, investment management and wealth management solutions business:

- Alpha Real Capital LLP sits at the heart of the Alpha Real Capital family of companies ('Alpha'), which benefit from materially common ultimate beneficial ownership

A 160+ professional team operates across the UK, Europe and Asia, focusing on 4 core areas: **i)** real estate investment management; **ii)** long income and index-linked income; **iii)** infrastructure, social impact and renewable energy; and **iv)** wealth management solutions

The '*Alpha way*' is to identify specialist teams with expertise in areas of strategic focus and interest and to support these teams to deliver best-in-class investor solutions:

- Alpha teams benefit from centralised resources, including: financial; operational; compliance; research; marketing; business development and capital-raising
- ... and from Alpha's fundamental interest to '*do the right things*'

The '*Alpha DNA*' is evident across the Alpha range of funds, products and services:

- Alpha aims to offer attractive risk / return profile investments for investors, with exemplary support and service for business partners, professional advisers and investors

Alpha engages with institutional investors, professional investors (including family offices, UHNW and HNW private investors) and professionally advised retail investors:

- on the retail side, Alpha operates through TIME Investments and Tempo Structured Products

- This presentation provides our '*TICS: Introduction and overview*' presentation
- Please also see:
 - our '*TICS: Methodology (scoring and weighting)*' presentation
 - a recording of our '*TICS: Workshop*' video webinar presentation for professional advisers is also available:
<https://tempo-sp.com/newsroom/recorded-video-webinars>

- **Tempo Structured Products (*Tempo*) is part of the Alpha Real Capital family of companies (*Alpha*)**
- **We were established over the course of 2016-2018, by a highly experienced team, with substantial investment of time, resources and capital by Alpha:**
 - our aim is to *'redefine structured products'* for professional advisers and their clients, focusing on *'doing the right things - and doing simple well'*
 - we have tried to think through, establish and support a more rigorous, tighter, better - and safer - approach to structured products
 - this includes: a client-centric, best practice approach to governance and compliance, putting investors first; a bar-raising level and calibre of collateral materials, input and support for professional advisers; and a commitment to *'deliberately defensive'* products, in line with the philosophy and approach of Alpha
- **Our aim is to present a high calibre structured product provider, a carefully considered approach to structured products and a level of support and service which professional advisers and their clients can be genuinely confident in:**
 - our aim is to help strengthen professional adviser understanding and working knowledge of structured products, including portfolio construction considerations and regulatory requirements and expectations
 - our approach to client-centric, best practice governance and compliance is designed to help professional advisers strengthen what they do, including their initial and ongoing plan manager due diligence, their product research, and how they document the advice they give to their clients
 - our entire emphasis is on working closely with professional advisers to advance and enhance the value that can be gained from best practice use of structured products, for the benefit of their clients

- **Ensuring that client-centric, best practice governance and compliance is embedded throughout Tempo and is front and centre of all that we do has been key from our inception**
 - our aim is to surpass regulatory requirements and guidance, recognising that good governance is a core value not just a regulatory requirement:

- **We believe that best practice governance and compliance is:**
 - first and foremost, client-centric
 - second, best for the professional adviser firms which we work with
 - third, best for us as a business: an opportunity for us to demonstrate best practice, raise the industry bar, and show how we think structured products can be done and should be done

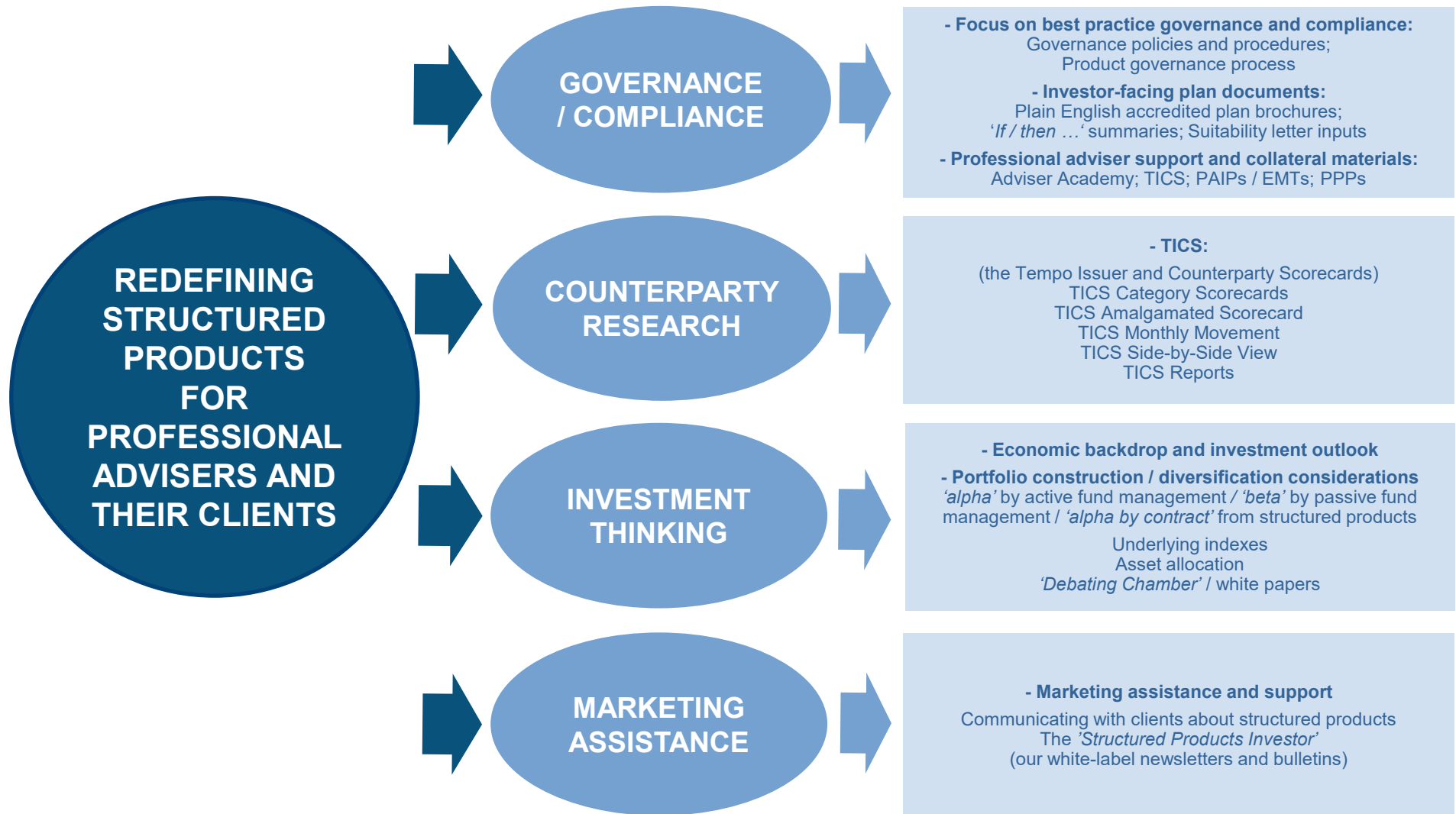
- **We think professional advisers share these views and want to be confident of cultural integrity and client-centric, best practice governance and compliance in the providers they deal with:**
 - noting that achieving best practice process and outcomes for investors and professional advisers requires the parties involved in manufacturing and distribution to work closely together in a joined-up approach

- **Our approach to ‘redefining structured products’ for professional advisers and their clients is focused on ‘doing the right things - and doing simple well’:**
 - we have tried to think through, establish and support a more rigorous, tighter, better - and safer - approach to structured products ...

... better and safer for who?

- **First and foremost, we aim to put investors first:**
 - if we and the professional advisers who use our products together do a good job for investors then everybody (investors, advisers, ourselves, issuers / counterparties, etc.) is in a good place
 - with this in mind, critically, we aim to design fundamentally good investments: which our governance policies and procedures, specifically including our product governance process, are designed to help ensure
 - importantly, as with all forms of investment there are risks involved but we are as clear about the potential risks as we are about the potential returns of our products, for both investors and professional advisers, and we have sought to explain everything using plain English which everyone should be able to understand

- **Second, we have worked exceptionally hard on providing a bar-raising level and calibre of materials, input and support for professional advisers using structured products with their clients:**
 - this is both generally and specifically for each of our products
 - our aim is to help strengthen professional adviser understanding and working knowledge of structured products, including portfolio construction considerations and regulatory requirements and expectations
 - our approach to client-centric, best practice governance and compliance is designed to help professional advisers strengthen what they do, including their initial and ongoing plan manager due diligence, their product research, and how they document the advice they give to their clients



PROD (3.3.11(3)) states that
'... distributors [e.g., professional advisers] should consider the impact that the selection of a manufacturer [e.g., plan managers, who are 'co-manufacturers'] could have on clients, in terms of various factors, including the financial strength of the manufacturer'

PROD (3.2.16 (2)) requires manufacturers to make *'...all appropriate information on our product approval process' available to distributors*

- Focus on best practice governance and compliance:
Governance policies and procedures;
Product governance process

- Investor-facing plan documents:
Plain English accredited plan brochures;
'if / then ...' summaries; Suitability letter inputs

- Professional adviser support and collateral materials:
Adviser Academy; TICS; PAIPs / EMTs; PPPs

- TICS:

(the Tempo Issuer and Counterparty Scorecards)
TICS Category Scorecards
TICS Amalgamated Scorecard
TICS Monthly Movement
TICS Side-by-Side View
TICS Reports

- Economic backdrop and investment outlook

- Portfolio construction / diversification considerations
'alpha' by active fund management / 'beta' by passive fund management / 'alpha by contract' from structured products

Underlying indexes
Asset allocation
'Debating Chamber' / white papers

- Marketing assistance and support

Communicating with clients about structured products
The 'Structured Products Investor'
(white-label newsletters and bulletins)

FCA Retail Product Development and Governance: Structured Product Review, 2012 Thematic Review: *'Firms should carry out sufficient due diligence into the counterparty and not rely solely on credit rating agencies ...' / 'We expect firms to look more broadly than just the credit rating, such as the rating, outlook, credit default swap [CDS] spreads and other market information, as well as 'fundamentals' on the issuer's balance sheet.'*

- **We are an independent plan manager (not a bank issuing its own bonds / securities / products)**
- **We think it's straightforward - and important - to state the obvious:**
 - issuer / counterparty risk is the most fundamental risk of a structured product
 - both the potential returns of a structured product and the repayment of capital usually depend upon the financial stability of the issuer / counterparty throughout the investment term
 - professional advisers and investors should seek to identify structured products which are backed by strong issuers / counterparties: not least as this is a regulatory requirement / expectation for professional advisers

- Professional advisers are expected to undertake robust issuer / counterparty due diligence
- The regulatory expectations are explicit - the following extracts are taken from the FCA *'Retail Product Development and Governance: Structured Product Review, 2012 Thematic Review'*:
 - *“firms should carry out sufficient due diligence into the counterparty and not rely solely on credit rating agencies ...”*
 - *“we expect firms to look more broadly than just the credit rating, such as the rating, outlook, credit default swap (‘CDS’) spreads and other market information, as well as ‘fundamentals’ on the issuer’s balance sheet.”*

- **There are a number of metrics which are widely considered relevant in identifying and assessing the financial strength / credit risk of a prospective issuer / counterparty**

- **We think that the UK retail structured products sector and professional advisers have *'upped their game'* over recent years, since the global financial crisis:**
 - there is reasonable knowledge of and attention paid to credit ratings
 - there is some knowledge and awareness of credit default swap ('CDS') levels
 - and there is some - albeit less - knowledge and consideration of *'fundamentals'* (e.g., Tier 1 capital ratios)

- **But we also think that some complacency may have crept in, over the years: and that more could and should be done by the sector / providers to prompt professional advisers to carefully consider this critical aspect of structured products and to support them in their research and due diligence:**
 - the importance of this aspect of professional adviser research should be considered absolutely key

In the past, support was basic and limited: alphabetical lists ...

Bank / Institution	Region	S&P (LT) Rating	S&P Outlook	Moody's (LT) Rating	Moody's Outlook	Fitch (LT) Rating	Fitch Outlook
ABC	Asia	A	STABLE	WR	STABLE	A	STABLE
Aviva	UK	A	STABLE	A2	STABLE	A+	STABLE
Bank of America	North America	A-	STABLE	A2	STABLE	A+	STABLE
Bank of China	Asia	A	STABLE	A1	STABLE	A	STABLE
Bank of Ireland	Europe	BBB-	NEGATIVE	Baa2	STABLE	BBB	NEGATIVE
Barclays	UK	BBB	STABLE	Baa2	STABLE	A	NEGATIVE
BNP Paribas	Europe	A+	NEGATIVE	Aa3	STABLE	A+	NEGATIVE
BONYM	North America	A	STABLE	A1	STABLE	AA-	STABLE
BPCE Natixis	Europe	A+	NEGATIVE	A1	STABLE	A+	NEGATIVE
CCB	Asia	A	STABLE	A1	STABLE	A	STABLE
Citi	North America	BBB+	STABLE	A3	STABLE	A	NEGATIVE
Credit Agricole	Europe	A+	NEGATIVE	Aa3	STABLE	A+	NEGATIVE
Credit Suisse	Europe	BBB+	STABLE	Baa1	STABLE	A-	STABLE
Danske Bank	Europe	A	STABLE	A3	STABLE	A	NEGATIVE
Deutsche Bank	Europe	BBB+	POSITIVE	A3	STABLE	BBB	POSITIVE
Goldman Sachs	North America	BBB+	STABLE	A2	STABLE	A	NEGATIVE
HSBC	UK	A+	STABLE	A1	STABLE	AA-	NEGATIVE
ICBC	Asia	A	STABLE	A1	STABLE	A	STABLE
ING Bank	Europe	A-	NEGATIVE	Baa1	STABLE	A+	NEGATIVE
Investec Bank plc	UK	NULL	NULL	A1	STABLE	BBB+	NEGATIVE
JP Morgan	North America	A-	STABLE	A2	STABLE	AA-	NEGATIVE
Lloyds	UK	BBB+	NEGATIVE	A3	NEGATIVE	A+	NEGATIVE
Mitsubishi	Asia	A-	STABLE	A1	STABLE	A-	STABLE
Mizuho	Asia	A-	STABLE	A1	STABLE	A-	STABLE
Morgan Stanley	North America	BBB+	STABLE	A1	STABLE	A	STABLE
MSIP	UK	A+	STABLE	A1	POSITIVE	NULL	NULL
Nomura	Asia	BBB+	STABLE	Baa1	STABLE	A-	STABLE
Nordea	Europe	AA-	STABLE	Aa3	STABLE	AA-	NEGATIVE
Prudential	UK	A	STABLE	A2	STABLE	A	NEGATIVE
RBC	North America	AA-	STABLE	A2	STABLE	AA	NEGATIVE
RBS	UK	BBB	NEGATIVE	Baa2	POSITIVE	A	NEGATIVE
Santander	Europe	A	NEGATIVE	A2	STABLE	A-	NEGATIVE
Societe Generale	Europe	A	NEGATIVE	A1	STABLE	A-	STABLE
Standard Chartered	UK	BBB+	STABLE	A2	STABLE	A	NEGATIVE
State Street	North America	A	STABLE	A1	STABLE	AA-	STABLE
Sumitomo	Asia	A-	STABLE	A1	STABLE	A	NEGATIVE
Toronto Dominion	North America	AA-	STABLE	Aa3	STABLE	AA-	NEGATIVE
UBS AG	Europe	A-	STABLE	Aa3	STABLE	A+	NEGATIVE
Unicredit Group	Europe	BBB	NEGATIVE	Baa1	STABLE	BBB-	STABLE
Wells Fargo	North America	BBB+	STABLE	A2	NEGATIVE	A+	NEGATIVE

- **Module 4 of our Professional Adviser Academy explains counterparty research and due diligence, including credit ratings, credit default swaps ('CDS') and fundamentals**
- **'TICS' (the Tempo Issuer and Counterparty Scorecards) provides a bar-raising resource supporting best practice professional adviser issuer / counterparty research and due diligence:**
 - TICS is designed to provoke and support more detailed and objective analysis, consideration and understanding - including comparison - of issuer / counterparty financial strength / credit risk
- **We update and publish TICS each month, producing 9 outputs:**
 - **TICS Category Scorecards:** which identify 27 TICS Factors across 5 TICS Categories
 - **TICS Amalgamated Scorecard:** which combines all of the TICS Factors and TICS Categories
 - **TICS Monthly Movement:** which summarises any significant changes (positive and negative) each month
 - **TICS Side-by-Side View:** which displays the raw data for the main UK retail issuers / counterparties
 - **TICS Reports:** which are provided for the main UK retail issuers / counterparties

- **Our approach as an independent plan manager, able to select and deal with issuers / counterparties without bias, is that we seek to identify and deal with strong issuers / counterparties**
 - *the FT Banker Database identifies approximately 3400 banks globally*
 - *the Financial Stability Board ('FSB') identifies a list of 30 Global Systemically Important Banks ('G-SIBs') each year (usually in November)*
 - *as the name suggests, G-SIBs are fundamentally the more important (usually bigger and stronger) banks, in a country / region / globally*
 - *as a result, they are subject to more stringent regulatory requirements, including higher Tier 1 capital ratios*
 - *it's hard to argue with the rationale of recognising G-SIBs as stronger banking groups*
 - *we therefore deal predominantly with banking groups which are regulatorily identified as G-SIBs or, as a minimum, Domestic Systemically Important Banks ('D-SIBs')*

- **We developed TICS for internal purpose to help analyse, consider, understand - and compare - issuers / counterparties, in order to objectively identify strong issuers / counterparties in our role as an independent plan manager able to select and deal with issuers / counterparties without bias:**
 - a team of analysts worked on the project over 2017
 - TICS covers all 30 G-SIBs, plus a small number of D-SIBs and other issuers of or counterparties to UK retail structured products (including institutions which some issuers credit-link products to)
 - TICS compiles multiple Factors across various Categories pertinent to analysing and considering issuer / counterparty financial strength / credit risk, using a robust methodology, including a scoring system
 - the widely recognised measures and indicators of financial strength / credit risk and scoring system provoke and support more detailed and objective analysis, consideration and understanding - including comparison - of issuers / counterparties

- **In addition to using TICS internally, we publish TICS to provide transparency regarding our internal processes - and to provide a bar-raising resource to support professional advisers in meeting their regulatory research and due diligence responsibilities:**
 - TICS provides professional advisers with access to multiple, widely recognised indicators of financial strength / credit risk, pertinent to assessing and considering financial strength / credit risk, using a robust methodology, including a scoring system, provoking and supporting more detailed and objective analysis, consideration and understanding - including comparison - of issuer / counterparty financial strength / credit risk, supporting best practice professional adviser issuer / counterparty research and due diligence.
 - so, TICS is important
 - professional advisers using TICS should take the time to look at the '*TICS: Introduction and overview*' and '*TICS: Methodology (scoring and weighting)*' presentations.
 - it is important that professional advisers using TICS understand what TICS is: **and what TICS is not**

- TICS covers all 30 G-SIBs, plus a small number of D-SIBs and / or issuers of retail structured products, including a number of institutions that some issuers credit-link their products to
- We update and publish TICS each month, producing 9 outputs:

TICS
1. TICS Category Scorecard - Credit ratings
2. TICS Category Scorecard - CDS
3. TICS Category Scorecard - Fundamentals (balance sheet)
4. TICS Category Scorecard - Fundamentals (market indicators)
5. TICS Category Scorecard - Systemic importance
6. TICS Amalgamated Scorecard
7. TICS Side-by-Side View
8. TICS Reports
9. TICS Monthly Movement

- There are 27 '**TICS Factors**' across 5 '**TICS Category Scorecards**':
 - each of the 27 TICS Factors generate a score, ranging between 1 (best) and 10 (worst)
 - each of the 27 TICS Factors is attributed a weighting, which are combined to produce the 5 TICS Category Scorecards
 - each of the 5 TICS Categories generate a score, ranging between 1 (best) and 10 (worst)

- The **'TICS Amalgamated Scorecard'** combines all of the 27 TICS Factors and 5 TICS Categories:
 - each of the TICS Category Scorecards is attributed a weighting, which are combined to produce the TICS Amalgamated Scorecard
 - the TICS Amalgamated Scorecards is based on a score out of 1,000 (with a low score best and a high score worst)
 - the TICS Amalgamated Scorecard uses colour to identify the quartile position of each issuer / counterparty

TOP QUARTILE	2 ND QUARTILE	3 RD QUARTILE	BOTTOM QUARTILE
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- the colours attributed to each issuer / counterparty in the Amalgamated Scorecard are retained by the issuers / counterparties in the TICS Category Scorecards, making it possible to see at a glance how each issuer / counterparty scores in the TICS Amalgamated Scorecard

- The '*TICS Side-by-Side View*' displays the raw data for the main UK retail structured product issuers / counterparties
- Individual '*TICS Reports*' are provided for each of the main UK retail structured product issuers / counterparties
- The '*TICS Monthly Movement*' summarises any significant changes (positive and negative) in each of the TICS Category Scorecards and the TICS Amalgamated Scorecard each month

- **Please see our ‘*TICS: Methodology (scoring and weighting)*’ presentation for full details and explanation of the TICS methodology, scoring and weighting - the presentation explains:**
 - each of the TICS Factors
 - the scoring system for each TICS Factor
 - the weighting of each TICS Factor within each TICS Category
 - the scoring system for each TICS Category
 - the weighting of each TICS Category within the TICS Amalgamated Scorecard
 - the scoring system for the TICS Amalgamated Scorecard

- **Careful consideration was given to the development of TICS, the TICS Factors and TICS Categories:**
 - including the methodology, scoring and weighting and how the TICS Factors and TICS Categories interlink
 - we would suggest that the TICS scoring is logical and broadly self-selecting: however, we highlight that the TICS methodology, scoring and weighting is based on our views of the metrics and the relative importance of the TICS Factors and TICS Categories in the TICS Category Scorecards and TICS Amalgamated Scorecard
 - it is important that professional advisers using TICS understand what TICS is: **and what TICS is not**

- **We also highlight additional considerations regarding the TICS Factors and TICS Categories that we bear in mind, such as the ‘angle’ and ‘status’:**
 - **‘angle’ refers to the direction in time:** for example, credit ratings are *‘forward-looking’*; CDS levels are prevailing; past volatility of CDS levels or share prices are *‘backward-looking’*; balance sheet fundamentals are *‘historical’* (as at the date of the last set of published report and accounts)
 - **‘status’ refers to facts, views or indicators:** for example, balance sheet fundamentals are *‘facts’*, taken from the financial reports and accounts; credit ratings are simply the *‘views’* of credit rating agencies; and CDS levels may be thought of as an *‘indicator’*, being neither a fact nor a view

- **The data sources for TICS are:**
 - Thomson Reuters
 - FT Banker Database
 - where data is not available via these sources, inputs are requested from the issuers / counterparties

TICS weighting: Category Scorecards and Amalgamated Scorecard **TEMPO** STRUCTURED PRODUCTS

TICS CATEGORY SCORECARD - CREDIT RATINGS						TICS AMALGAMATED SCORECARD 40%
S&P (LT) credit rating	S&P rating outlook	Moody's (LT) credit rating	Moody's rating outlook	Fitch (LT) credit rating	Fitch rating outlook	
33.3%		33.3%		33.3%		

TICS CATEGORY SCORECARD - CDS				TICS AMALGAMATED SCORECARD 15%
5-Yr CDS	1-Yr CDS	Direction of 5-Yr CDS	5-Yr CDS volatility	
60%	15%	15%	10%	

TICS CATEGORY SCORECARD - FUNDAMENTALS (BALANCE SHEET)						TICS AMALGAMATED SCORECARD 30%
Tier 1 capital ratio	Leverage ratio (asset / equity)	Loan-to-deposit ratio	Price-to-book ratio	Tier 1 size (\$Bln)	Total assets (\$Bln)	
40%	15%	15%	15%	10%	5%	

TICS CATEGORY SCORECARD - FUNDAMENTALS (MARKET INDICATORS)					TICS AMALGAMATED SCORECARD 10%
Market capitalisation (\$Bln)	260-Day share price volatility	5-Yr beta	Direction of 1-Yr share price	Consensus analyst views	
40%	15%	15%	15%	15%	

TICS CATEGORY SCORECARD - SYSTEMIC IMPORTANCE						TICS AMALGAMATED SCORECARD 5%
G-SIB status	Additional Tier 1 capital ratio	Total deposits (\$Bln)	Sovereign S&P credit rating	Sovereign S&P rating outlook	Number of employees	
50%	15%	15%	10%	5%	5%	

TICS weighting: Factors and additional considerations ...

	TICS FACTOR	CAT. WEIGHT	AMALG. WEIGHT	ANGLE	STATUS	ADDITIONAL CONSIDERATIONS
CR:F1	S&P RATING	30%	12%	FORWARD	VIEW	Commentators criticising credit rating agencies and their ratings generally highlight that ratings are simply views, which are not infallible, and that ratings are requested by and paid for / bought by the obligor, i.e. the entity being rated. Further, critics point to rating agencies and ratings generally being long-term focused and that they can be slow to react to events. A point frequently made by critics is that rating agencies generally 'missed' the global financial crisis – and some commentators would even suggest that they contributed to it. However, following the global financial crisis, rating agencies have been more tightly regulated.
CR:F2	MOODY'S RATING	30%	12%	FORWARD	VIEW	
CR:F3	FITCH RATING	30%	12%	FORWARD	VIEW	
CR:F5	S&P OUTLOOK	3.3%	1.3%	FORWARD	VIEW	
CR:F6	MOODY'S OUTLOOK	3.3%	1.3%	FORWARD	VIEW	
CR:F6	FITCH OUTLOOK	3.3%	1.3%	FORWARD	VIEW	
CDS:F1	5-YEAR CDS	60%	9%	PREVAILING	INDICATOR	CDS levels are viewed as market indicators, reflecting supply, demand the views of credit risk. Unlike credit ratings, the CDS market participants can be very short-term focused and CDS levels can be very quick to react to events. This can make it sensible to consider both credit ratings and CDS levels, when thinking about issuer / counterparty financial strength / credit risk. We also identify volatility and direction.
CDS:F2	1-YEAR CDS	15%	2.25%	PREVAILING	INDICATOR	
CDS:F3	CDS DIRECTION	15%	2.25%	BACKWARD	INDICATOR	
CDS:F4	CDS VOLATILITY	10%	1.5%	BACKWARD	INDICATOR	
FBS:F1	TIER 1 CAP RATIO	40%	12%	HISTORIC	FACT	Tier 1 capital ratios provide a measure of a bank's 'best' capital.
FBS:F2	LEVERAGE RATIO	15%	4.5%	HISTORIC	FACT	Total assets, divided by total equity, indicates debt level.
FBS:F3	LOAN-TO-DEP RATIO	15%	4.5%	HISTORIC	FACT	The loan-to-deposit ratio can indicate a bank's liquidity.
FBS:F4	PRICE-TO-BOOK	15%	4.5%	HISTORIC	FACT	Price to book measures market capitalisation relative to balance sheet book value.
FBS:F5	TIER 1 CAP SIZE	10%	3%	HISTORIC	FACT	Tier 1 capital size simply provides the amount of Tier 1 capital a bank has.
FBS:F6	TOTAL ASSETS	5%	1.5%	HISTORIC	FACT	Total assets simply provides the amount of a bank's total assets.
FMI:F1	MARKET CAP	40%	4%	PREVAILING	INDICATOR	Market capitalisation is the size of a bank: the number of shares x by their price.
FMI:F2	260-DAY VOLATILITY	15%	1.5%	BACKWARD	INDICATOR	1-yr share price volatility measure: but not indicating direction.
FMI:F3	5-YEAR BETA	15%	1.5%	BACKWARD	INDICATOR	5-yr share price volatility measure, relative to the overall market.
FMI:F4	SHARE PRICE DIR.	15%	1.5%	BACKWARD	INDICATOR	Assessment of the direction of share price movement.
FMI:F5	ANALYST VIEWS	15%	1.5%	FORWARD	VIEW	The consensus views of analysts covering stocks for equity investors.
SI:F1	G-SIB STATUS	50%	2.5%	PREVAILING	FACT	The banking groups considered systemically important, regionally / globally.
SI:F2	ADD. TIER 1 CAP RAT	15%	0.75%	PREVAILING	FACT	G-SIBs are required to hold additional Tier 1 capital, as a ratio.
SI:F3	TOTAL DEPOSITS	15%	0.75%	HISTORIC	FACT	The size of retail deposits reflects scale: may be a factor in systemic importance.
SI:F4	NUMBER OF EMPS	15%	0.75%	HISTORIC	FACT	The number of employees reflects scale: may be a factor in systemic importance.
SI:F5	SOVEREIGN RATING	10%	0.5%	FORWARD	VIEW	Identifying whether banks are based in strong countries / sovereigns (additional consideration of whether sovereigns are likely to / or capable of support is also key).
SI:F6	SOVEREIGN OUTLOOK	5%	0.25%	FORWARD	VIEW	

- **TICS scoring and weighting methodology reflects our views of the relative importance of the factors and categories in assessing and considering issuer / counterparty financial strength / credit risk:**
 - we can support professional advisers who may have different views or want to explore different weightings
 - we can also accommodate / facilitate subjective overlays, which could be used to explore / address concerns which may not otherwise be captured directly in the scoring system - for example:
 - **if an issuer / counterparty doesn't have a credit rating with all 3 credit rating agencies:**
 - ... our methodology does not score this negatively, we simply use the 2 available ratings
 - ... however, a view may be held that not having a rating with all 3 agencies is unusual (conceivably, a rating agency may have indicated a rating level below the level a bank thought would be useful / helpful)
 - ... it would be possible to incorporate a subjective input / scoring overlay to account for this
 - **if there is a concern about a specific country or region:**
 - ... such as whether a specific country might be more or less inclined to / or capable of supporting its banks / bond holders in a crisis
 - ... issuers / counterparties from a specific country / region could be ascribed a subjective score overlay to reflect a particular view, either positively or negatively

- **We publish TICS to provide transparency regarding our internal processes - and to provide a resource to support professional advisers in meeting their regulatory research and due diligence responsibilities:**
 - but it is important that professional advisers using TICS understand what TICS is: **and what TICS is not**

- **What TICS is:**
 - we developed TICS for internal purposes in order to aid us in analysing, assessing, understanding - and comparing - issuers / counterparties, to help us identify strong issuers / counterparties in our role as an independent plan manager able to select and deal with issuers / counterparties without bias
 - TICS compiles multiple Factors across various Categories pertinent to assessing and considering issuer / counterparty financial strength / credit risk, using a robust methodology, including a scoring system
 - the widely recognised measures and indicators of financial strength / credit risk and scoring system provoke and support more detailed and objective analysis, consideration and understanding - including comparison - of issuers / counterparties

- **What TICS is not:**
 - **TICS is *not* independent research or an investment recommendation**
 - we do not provide any warranty regarding the TICS, the data, its methodology, weighting or scoring: and we expressly exclude any liability for any judgement or interpretation based upon or influenced by TICS
 - professional advisers should reach their own judgement of issuer / counterparty financial strength / credit risk
 - while the scoring system within TICS '*ranks*' issuers / counterparties, professional advisers should understand that this is not the intended purpose of TICS: the purpose of TICS is to provoke and support detailed and objective **analysis, consideration and understanding** - including **comparison** - of issuers / counterparties

ANALYSIS,

CONSIDERATION,

AND UNDERSTANDING

... INCLUDING COMPARISON

- **Issuer / counterparty risk is the most fundamental risk of a structured product**
- **We developed TICS for internal purpose to help analyse, consider, understand - and compare - issuers / counterparties, in order to objectively identify strong issuers / counterparties in our role as an independent plan manager able to select and deal with issuers / counterparties without bias:**
 - TICS covers all 30 G-SIBs, plus a small number of D-SIBs and other issuers of or counterparties to UK retail structured products (including institutions which some issuers credit-link products to)
 - TICS compiles multiple Factors across various Categories pertinent to analysing and considering issuer / counterparty financial strength / credit risk, using a robust methodology, including a scoring system
 - TICS is designed to provoke and support more detailed and objective analysis, consideration and understanding - including comparison - of issuer / counterparty financial strength / credit risk
- **Professional advisers are expected to undertake ‘sufficient due diligence’, such as ‘the rating, outlook, CDS and other market information, as well as ‘fundamentals’ on the issuer’s balance sheet’:**
 - we publish TICS to support professional advisers in meeting their regulatory research and due diligence responsibilities
 - we explain TICS clearly, including the scoring and weighting methodology for the TICS Factors, TICS Categories and TICS Amalgamated Scorecard - we highlight what TICS is: **and what TICS is not**
- **Supporting professional adviser research in this aspect of structured products is important:**
 - TICS is part of what we are doing differently to ‘*redefine structured products for professional advisers and their clients*’, focusing on ‘*doing the right things - and doing simple well*’

- **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
 - the potential returns of a structured product and the repayment of money invested in a structured product depend on the financial stability of the issuer and counterparty
 - capital is at risk and investors could lose some or all of their capital

- **The ‘*Important risks*’ section of our website highlights 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/home/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; ‘*if / then ...*’ summary; 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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