


TEMPO

STRUCTURED PRODUCTS

PART OF THE ALPHA REAL CAPITAL FAMILY OF COMPANIES

***'TICS': THE TEMPO ISSUER AND COUNTERPARTY SCORECARDS
- 'TICS: METHODOLOGY (SCORING AND WEIGHTING)' -***

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

- **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 which 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

- **The 1st of the 5 TICS Category Scorecards is Credit ratings**
- **Credit ratings are widely recognised and generally accepted as a primary indicator of an institution's financial strength / credit risk:**
 - this is, of course, their raison d'être
- **However, there are also potential shortcomings to be aware of and consider, including:**
 - credit ratings being long term focused and potentially slow to react to short term events
 - credit ratings are bought by the institution being rated
- **The TICS Category Scorecard - Credit ratings comprises 6 TICS Factors**
- **The TICS Category Scorecard - Credit ratings has a 40% weighting in the TICS Amalgamated Scorecard**

- **The ratings ascribed by all three main credit rating agencies (Standard & Poor’s, Moody’s and Fitch Ratings) are taken into account, with the ratings from all three agencies equally weighted:**
 - where an issuer / counterparty is not rated by an agency, the other ratings are scaled up proportionately (there is no penalty for not having a rating from each agency: this can be addressed with subjective overlay)
- **CR:F1-3: First, we take the long term credit ratings:**
 - each credit rating is attributed a score from 1 to 10, corresponding with the rating scales for investment grade credit ratings used by each agency (AAA to BBB for S&P and Fitch | Aaa to Baa3 for Moody’s):

FACTOR SCORING SYSTEM CR:F1-3 CREDIT RATINGS: LONG TERM CREDIT RATINGS										
LT CREDIT RATING	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
SCORE	1	2	3	4	5	6	7	8	9	10

- **CR:F4-6: Second, we take the outlook:**
 - the rating score is decreased by 0.25, kept the same, or increased by 0.25, to reflect the ascribed outlooks:

FACTOR SCORING SYSTEM CR:F4-6 CREDIT RATINGS: OUTLOOK				
RATING OUTLOOK	POSITIVE		STABLE	NEGATIVE
SCORE	Decrease rating score by 0.25		Rating score unchanged	Increase rating score by 0.25

- **The 2nd of the 5 TICS Category Scorecards is Credit Default Swaps ('CDS')**
- **CDS levels are generally recognised as a relevant, independent metric which reflects the market's view of the financial strength / credit risk of an institution / corporate entity:**
 - CDS levels typically react swiftly to events - potentially pre-empting them
 - unlike credit ratings, CDS levels can be very short term focused: they can therefore be used to complement / counter-check credit ratings, as a secondary factor with differing strengths / weaknesses
 - CDS levels are a function of market supply and demand, meaning that the balance between buyers and sellers affects the prevailing price: this may or may not purely reflect credit risk
- **The TICS Category Scorecard - CDS comprises 4 TICS Factors**
- **The TICS Category Scorecard - CDS has a 15% weight in the TICS Amalgamated Scorecard**

- **CDS:F1 and CDS:F2: Both 5-Yr and 1-Yr CDS levels are taken into account:**
 - a higher CDS level indicates that the market considers an issuer / counterparty to be a higher credit risk, which would therefore be attributed a higher score in the TICS Category Scorecard - CDS
 - the longer term 5-Yr CDS level is given more weighting, reflecting the longer term of structured products

FACTOR SCORING SYSTEM CDS:F1 CDS: 5-YR CDS										
5-YR CDS LEVEL	0-25	25-35	35-50	50-65	65-80	80-100	100-125	125-150	150-175	175+
SCORE	1	2	3	4	5	6	7	8	9	10

FACTOR SCORING SYSTEM CDS:F2 CDS: 1-YR CDS										
1-YR CDS LEVEL	0-5	5-10	10-15	15-20	20-25	25-35	35-50	50-75	75-100	100+
SCORE	1	2	3	4	5	6	7	8	9	10

- CDS:F3 and CDS:F4: In addition to the CDS level, the direction and volatility of the CDS is scored:**
 - direction is assessed by calculating how proportionately close (as a percentage) the prevailing CDS is to its own low over the previous 12 mths: the nearer to the low the better, which is awarded a lower score:

FACTOR SCORING SYSTEM CDS:F3 CDS: 5-YR CDS PROXIMITY TO 12 MTH LOW										
CDS DIRECT'N	0-10%	10-20%	20-30%	30-40%	40-50%	50-60%	60-70%	70-80%	80-90%	90%+
SCORE	1	2	3	4	5	6	7	8	9	10

- the volatility of the 5-year CDS is assessed over the previous 12 months: a less volatile level CDS is deemed indicative of a more stable institution, which is awarded a lower score:

FACTOR SCORING SYSTEM CDS:F4 CDS: 5-YR CDS VOLATILITY										
CDS VOL	1-10	10-20	20-30	30-40	40-50	50-75	75-100	100-125	125-150	150+
SCORE	1	2	3	4	5	6	7	8	9	10

- **The 3rd of the 5 TICS Category Scorecards is Fundamentals (balance sheet)**
- **Identification of balance sheet fundamentals of a prospective issuer / counterparty is a sensible addition - and regulatory expectation - to credit ratings, credit rating outlooks and CDS levels:**
 - as with other factors, there are issues / weaknesses in balance sheets fundamentals to be aware of
 - balance sheet fundamentals are based on audited data, but that data is historic (usually dating back to the date of the last published financial report and accounts): meaning that current metrics could be different
- **The TICS Category Scorecard - Fundamentals (balance sheet) comprises 6 Factors**
- **The TICS Category Scorecard - Fundamentals (balance sheet) has a 30% weighting in the TICS Amalgamated Scorecard**

TICS Scorecard - Fundamentals (balance sheet): scoring / weighting TEMPO STRUCTURED PRODUCTS

- This Category uses data from the latest published financial statements of the issuer / counterparty:
 - **BS:F1: Tier 1 capital ratio:** a higher ratio indicates a potentially more conservative issuer / counterparty, with a stronger financial position and is awarded a lower score:

FACTOR SCORING SYSTEM BS:F1 FUNDAMENTALS (BALANCE SHEET): TIER 1 CAPITAL RATIO										
TIER 1 CAP RATIO	25+	20-25	18-20	16-18	14-16	12-14	10-12	8.5-10	6-8.5	0-6
SCORE	1	2	3	4	5	6	7	8	9	10

- **BS:F2: Leverage ratio:** calculated as total assets divided by total equity, a lower ratio indicates a more conservative / stronger issuer / counterparty financial position and is awarded a lower score:

FACTOR SCORING SYSTEM BS:F2 FUNDAMENTALS (BALANCE SHEET): LEVERAGE RATIO										
LEV'GE RATIO	0-10	10-12	12-15	15-18	18-21	21-25	25-30	30-40	40-50	50+
SCORE	1	2	3	4	5	6	7	8	9	10

- **BS:F3: Loan-to-Deposit ratio:** the loan-to-deposit ratio can reflect a bank's liquidity. Lower than 100 indicates that the bank uses its deposits to make loans. Greater than 100 indicates that the bank borrows funds in the money markets. A low ratio reflects a more liquid institution and is awarded a lower score:

FACTOR SCORING SYSTEM BS:F3 FUNDAMENTALS (BALANCE SHEET): LOAN-TO-DEPOSIT RATIO										
LOAN TO DEP RATIO	0-10	10-20	20-40	40-60	60-80	8-90	90-100	100-125	125-150	150+
SCORE	1	2	3	4	5	6	7	8	9	10

- **BS:F4: Price-to-book ratio:** the P/B ratio is a way to evaluate a stock price but also credit risk. A low P/B ratio means an institution / it's stock price is supported by tangible assets. A high P/B ratio reflects investors future expectations for the institution: a low P/B ratio is therefore awarded a lower score:

FACTOR SCORING SYSTEM BS:F4 FUNDAMENTALS (BALANCE SHEET): PRICE-TO-BOOK RATIO										
PRICE TO BK RATIO	0-25	25-50	50-75	75-100	100-125	125-150	150-175	175-200	200-250	250+
SCORE	1	2	3	4	5	6	7	8	9	10

TICS Scorecard - Fundamentals (balance sheet): scoring / weighting TEMPO STRUCTURED PRODUCTS

- **BS:F5: Tier 1 capital size (\$bln):** The amount of Tier 1 capital reflects the scale of an issuer / counterparty and a potentially stronger financial position and is awarded a lower score:

FACTOR SCORING BS:F5 FUNDAMENTALS (BALANCE SHEET): TIER 1 CAPITAL SIZE (\$bln)										
TIER 1 CAP SIZE	250+	200-250	150-200	125-150	100-125	75-100	50-75	25-50	10-25	0-10
SCORE	1	2	3	4	5	6	7	8	9	10

- **BS:F6: Total assets (\$bln):** the level of total assets indicates the scale of an issuer / counterparty and a potentially stronger financial position and is awarded a lower score:

FACTOR SCORING SYSTEM BS:F6 FUNDAMENTALS (BALANCE SHEET): TOTAL ASSETS (\$bln)										
TOTAL ASSETS	3000+	2000-3000	1500-2000	1000-1500	750-1000	500-750	250-500	150-250	50-150	0-50
SCORE	1	2	3	4	5	6	7	8	9	10

4. TICS Category Scorecard - Fundamentals (market indicators) ...

- **The 4th of the 5 TICS Category Scorecards is Fundamentals (market indicators)**
- **Identification of market capitalisation and share price performance fundamentals provides the markets / equity investor's views of an institution, in addition to balance sheet fundamentals:**
 - this may be considered to be less directly relevant than balance sheet fundamentals, in identifying the financial strength / credit risk of an institution:
 - ... however, analysis of the TICS Category Scorecard: Fundamental (market indicators) highlights an apparent link between market indicators and overall financial strength / credit risk
- **The TICS Category Scorecard - Fundamentals (market indicators) comprises 6 Factors**
- **The TICS Category Scorecard - Fundamentals (market indicators) has a 10% weighting in the TICS Amalgamated Scorecard**

▪ This Category uses the following data:

- **MI:F1: Market Cap (\$bln):** a larger market capitalisation reflects a bigger scale issuer / counterparty, which is awarded a lower score:

FACTOR SCORING SYSTEM MI:F1 MARKET INDICATORS: MARKET CAPITALISATION (\$bln)										
MARKET CAP	250+	200-250	150-200	125-150	100-125	75-100	50-75	25-50	10-25	0-10
SCORE	1	2	3	4	5	6	7	8	9	10

- **MI:F2: 260-Day share price volatility:** lower share price volatility reflects a more stable issuer / counterparty institution, from a market perspective, and is awarded a lower score:

FACTOR SCORING SYSTEM MI:F2 MARKET INDICATORS: 260 DAY SHARE PRICE VOLATILITY										
260D SH. PRICE VOL	0-10	10-20	20-30	30-40	40-50	50-60	60-70	70-80	80-90	90+
SCORE	1	2	3	4	5	6	7	8	9	10

- **MI:F3: 5-Year share price beta:** lower beta reflects a more stable issuer / counterparty institution and is awarded a lower score:

FACTOR SCORING SYSTEM MI:F3 MARKET INDICATORS: 5 YEAR SHARE PRICE BETA										
SH. PRICE BETA	0-0.5	0.5-0.7	0.7-0.9	0.9-1.1	1.1-1.3	1.3-1.5	1.5-1.7	1.7-1.9	1.9-2.0	2.0+
SCORE	1	2	3	4	5	6	7	8	9	10

- **MI:F4: Direction of 1-Year share price:** similar to CDS, the prevailing share price is compared to its high point over the previous 12 months - the closer to the high the better, which is awarded a lower score:

FACTOR SCORING SYSTEM MI:F4 MARKET INDICATORS: SH. PRICE PROXIMITY TO 12MTH HIGH										
SH. PRICE DIRECT'N	90+	80-90	70-80	60-70	50-60	40-50	30-40	20-30	10-20	0-10
SCORE	1	2	3	4	5	6	7	8	9	10

- **MI:F5: Consensus analyst views (buy, hold, sell):** reflect analyst's current views of the future outlook for an institution - a buy is awarded a low score of 1, a hold is neutral at 5, and a sell a high score of 10:

FACTOR SCORING SYSTEM MI:F5 MARKET INDICATORS: CONSENSUS ANALYSTS VIEWS										
CONSENS. AN. VIEWS	BUY			HOLD			SELL			
SCORE	1	2	3	4	5	6	7	8	9	10

5. TICS Category Scorecard - Systemic importance ...

- **The 5th of the 5 TICS Category Scorecards is Systemic importance**
- **A final consideration is the systemic importance of prospective issuers / counterparties:**
 - our view is that it is preferable for an issuer / counterparty to be systemically important: and for the sovereign country in which this is so to be a strong and stable country, with a government which may reasonably be considered to be capable of and regulatorily / politically inclined to support its banks
- **The TICS Category Scorecard - Systemic importance comprises 6 Factors**
- **The TICS Category Scorecard - Systemic importance has a 5% weighting in the TICS Amalgamated Scorecard**

▪ **This Category assesses the following Factors:**

- **SI:F1: G-SIB status:** if an issuer / counterparty is an FSB-designated Global Systemically Important Bank ('G-SIB'), it is awarded a low score of 0 / if it is not a G-SIB, it is awarded a high score of 10:

FACTOR SCORING SYSTEM SI:F1 SYSTEMIC IMPORTANCE: G-SIB STATUS										
G-SIB STATUS	YES									NO
SCORE	1	2	3	4	5	6	7	8	9	10

- **SI:F2: The additional Tier 1 capital ratio required by the FSB:** the greater the additional requirement the more the issuer / counterparty is considered systemically important, which is awarded a lower score:

FACTOR SCORING SYSTEM SI:F2 SYSTEMIC IMPORTANCE: ADDITIONAL TIER 1 CAP REQUIRED										
ADD. TR 1 CAP	BUCKET 5 3.5%		BUCKET 4 2.5%		BUCKET 3 2.0%		BUCKET 2 1.5%			BUCKET 1 1.0%
SCORE	1	2	3	4	5	6	7	8	9	10

- **SI:F3: Total deposits:** an issuer's / counterparty's deposit base, particularly its retail deposit book, is a potential indicator of its systemic importance – a bigger deposit base is awarded a lower score:

FACTOR SCORING SYSTEM SI:F3 SYSTEMIC IMPORTANCE: TOTAL DEPOSITS (\$bln)										
TOTAL DEPOSITS	2000+	1500-2000	1000-1500	750-1000	500-750	400-500	300-400	200-300	100-200	0-100
SCORE	1	2	3	4	5	6	7	8	9	10

- **SI:F4: Sovereign credit rating:** the credit rating of the relevant (ultimate group entity) Sovereign, ascribed by Standard & Poor's, is taken into account:

FACTOR SCORING SYSTEM SI:F4 SYSTEMIC IMPORTANCE: SOVEREIGN S&P CREDIT RATING										
SOVEREIGN S&P RATING	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
SCORE	1	2	3	4	5	6	7	8	9	10

- **SI:F5: Sovereign credit rating outlook:** the credit rating outlook of the relevant (ultimate Group entity) Sovereign, ascribed by Standard & Poor's, is taken into account:

FACTOR SCORING SI:F5 SYSTEMIC IMPORTANCE: SOVEREIGN CREDIT RATING OUTLOOK			
RATING OUTLOOK	POSITIVE	STABLE	NEGATIVE
SCORE	Decrease rating score by 0.25	Rating score unchanged	Increase rating score by 0.25

- **SI:F6: Number of employees:** the total number of employees is taken into account:

FACTOR SCORING SYSTEM SI:F6 SYSTEMIC IMPORTANCE: NOS OF EMPLOYEES										
NOS OF EMPS	250,000 +	200,000-250,000	150,000-200,000	100,000-150,000	75,000-100,000	50,000-75,000	30,000-50,000	20,000-30,000	10,000-20,000	0-10,000
SCORE	1	2	3	4	5	6	7	8	9	10

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	

- **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’*

- **Structured products are not suitable for everyone - in addition to understanding the USPs of structured products, professional advisers also need to understand their risks and limitations:**
 - structured products present counterparty risk, which needs to be understood and accepted: the potential returns of a structured product and the repayment of money invested in a structured product usually depend on the financial stability of the issuer and counterparty throughout the investment term
 - the level of return a structured product generates may be capped and / or less than the level of return generated by direct investment in the stock market or via active or passive funds
 - the terms of structured products can predefine what can be expected at maturity and at certain other dates, such as potential 'kick-out' and early maturity dates: but these terms do not apply during the investment term
 - the value of structured products during the investment term may be affected by various factors: while accessing an investment is usually possible, during normal market conditions, this is not guaranteed
 - 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
 - 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:**
 - 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**

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