

# THE UK RANGE 7 DEPOSIT PLAN 3 SUPPORTING STUDIES

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## HIGHLIGHTS

- Offers investors the chance of either an annual income (the Income Plan), or a Gross Return at Maturity (the Growth Plan).
- Offers two attractive features where investors have the security of a deposit and the ability to link the interest payments to the performance of equities (in this case the FTSE<sup>®</sup> 100 index).
- The range feature means there is the potential for interest payments even when the FTSE<sup>®</sup> 100 falls.
- Compared with a static range feature, the expanding yearly range feature improves the probability of investors receiving an interest payment.
- The deposit feature provides a 'safety net' for more risk averse investors.

## PLAN SUMMARY

- 6 year structured deposit with returns linked to the performance of the FTSE<sup>®</sup> 100 Index.
- Potential interest payment of 7% each year (The Income Plan), or a Gross Return of up to 43.8% at Maturity (The Growth Plan) providing the FTSE<sup>®</sup> 100 remains within the Specified Range.
- Has a yearly range which expands by +/- 2.6% each year:
- Counterparty: SG Hambros Bank Ltd.

|   | YEAR 1 | YEAR 2   | YEAR 3   | YEAR 4   | YEAR 5   | YEAR 6 |
|---|--------|----------|----------|----------|----------|--------|
| SPECIFIED RANGE<br>(MOVEMENT FROM START VALUE)  | +/-12% | +/-14.6% | +/-17.2% | +/-19.8% | +/-22.4% | +/-25% |
| POTENTIAL INTEREST ACCRUED<br>(THE INCOME PLAN) | 7%     | 7%       | 7%       | 7%       | 7%       | 7%     |
| POTENTIAL INTEREST ACCRUED<br>(THE GROWTH PLAN) | 7.3%   | 7.3%     | 7.3%     | 7.3%     | 7.3%     | 7.3%   |

## WHO IS THIS PLAN SUITABLE FOR?

There are various products in the market that provide investment opportunities for investors with bullish or bearish view of the UK stock market.

However for investors who believe that the UK stock market is going to be range bound for the medium term, the UK Range 7 Deposit Plan 3 would be able to bridge the gap. With both an Income version and a Growth version of the Plan available, the UK Range Deposit 7 Plan 3 can appeal to investors with either investment objective.

### The Specified Range



## USES IN A PORTFOLIO

### Capital preservation

Investors focusing on capital preservation may find structured deposits attractive as they offer a stepping stone between equities and cash.

### Interest Accumulation

For those more focused on interest accumulation, the Income Plan may appeal as it offers the potential for interest payments in both rising and falling markets, so long as the FTSE® 100 is within the Specified Range.

### Generate growth

For those wanting to generate growth in their portfolio, the appeal of the Growth Plan may be the potential to generate a Gross Return of up to 43.8% (not compounded) in both rising and falling markets, so long as the FTSE® 100 is within the Specified Range.

### Providing for dependents

This Plan can be invested in jointly by two or more holders. This not only splits the tax liability of the returns between investors but also means that upon the death of a joint holder the ownership of the investment will automatically revert to the remaining joint holder(s).

The Income Plan can be useful for investors looking to provide a potential annual interest payment for their dependents.

## RISKS

The section "Risks" in the Brochure explains the risks in detail, but in summary:

### Counterparty risk

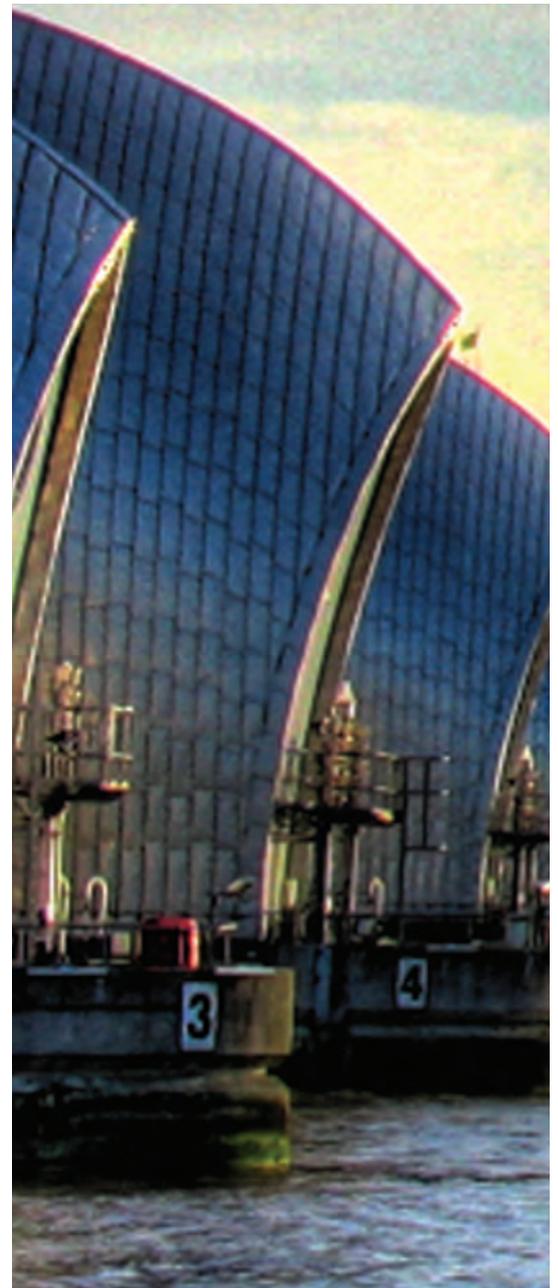
If SG Hambros Bank Ltd fails, investors may lose some or all of their investment capital.

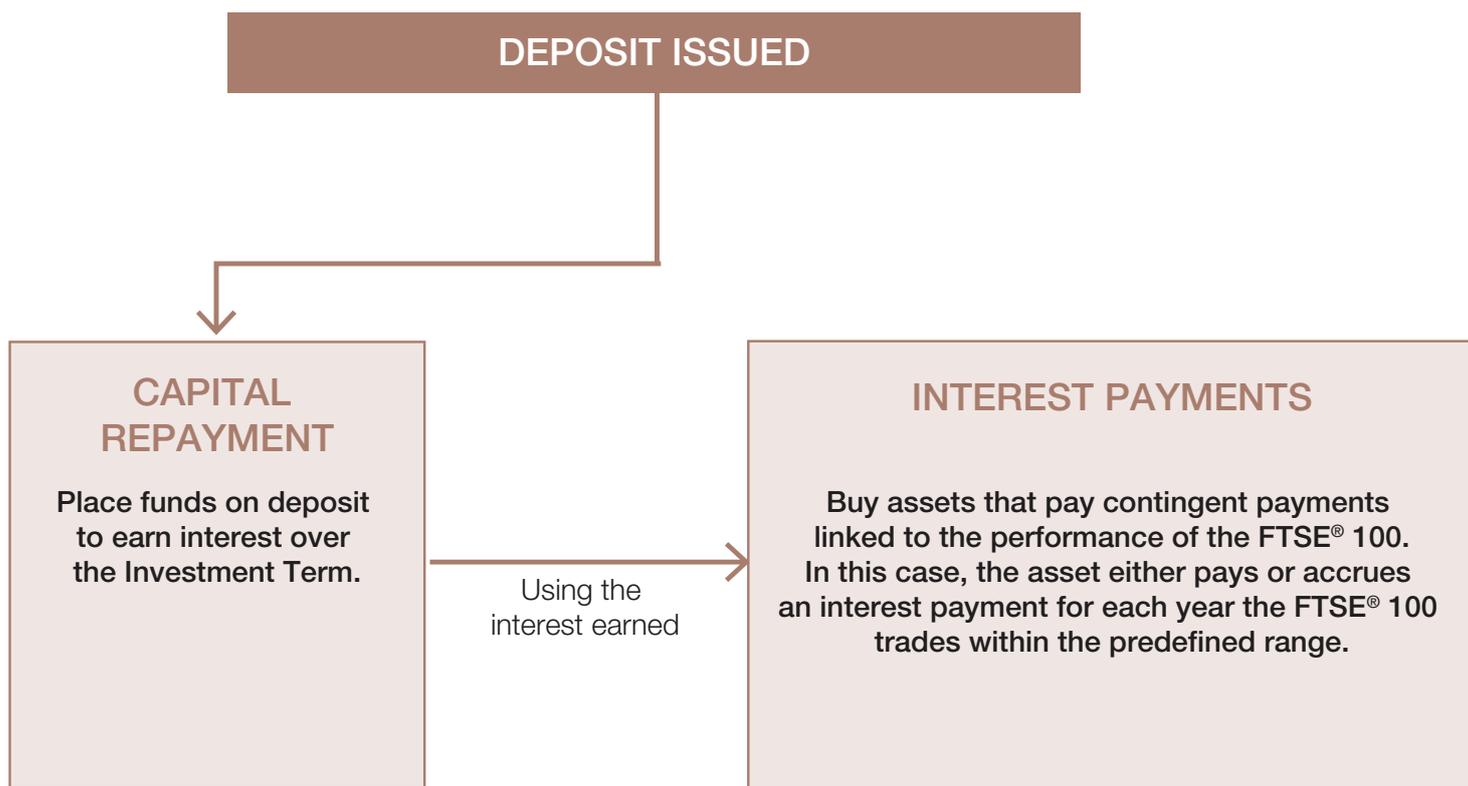
### Investment risk

■ The returns from this Plan are dependent upon the performance of the FTSE® 100 and it remaining within the Specified Range. If the closing value of the FTSE® 100 is outside these parameters on any trading day there will be no interest payment for that year.

### Liquidity risk

■ This Plan is not the same as an instant access bank or building society account where capital is readily available without penalty. Penalties will apply if investors need to redeem their investment before maturity.





PRODUCT VIEWPOINT

**One of the key features of the UK Range 7 Deposit Plan 3 is its expandable yearly range. Why is this element introduced?**

The UK Range 7 Deposit Plan 3 is designed for investors who think that the UK stock market is going to be neither trending up, nor trending down from where we are currently. Investors with this view of the UK stock market should consider the initial range set of +/- 12% of the current value of the FTSE® 100 for the first year to be a reasonable range for the FTSE® 100 to trade within in the first year. The UK Range 7 Deposit Plan 3 is a 6 year investment and we appreciate that markets can be volatile and therefore market views may change. The expandable range feature broadens the probability of the Plan being relevant to the market conditions in later years, directly enhancing the likelihood of investors receiving their interest payments or locking in the Gross Return as the years go by.

**Which type of investor is this Plan targeting?**

As the performance of this Plan is dependent on the FTSE® 100 performance being range bound, the Plan targets investors who hold this market view but are also completely comfortable to not receive any return if the market view is not correct. An example of such an investor could be someone who has exposure to the UK stock market in their portfolio, and position the UK Range 7 Deposit Plan 3 to hedge against stagnant or slight falls in the UK stock market. As the Plan is wrapped up as a deposit, it means that investors have the opportunity of receiving enhanced returns whilst benefitting from the security a deposit can offer.

## HOW THE PLAN WORKS IN 5 SIMPLE STEPS

1. On March 18th 2013 the closing level of the FTSE 100 will be recorded. This is the Initial Index Level, which is used to calculate the Upper and Lower levels of the Specified Range each year.
2. On each of the 6 Annual Coupon Determination Dates, the UK Range 7 Deposit Plan 3 looks at the closing level of the FTSE 100 on every Trading Day that year.
3. If the FTSE 100 has never closed outside of the Specified Range in the preceding year, the UK Range 7 Deposit Plan 3 will award an Annual Coupon for that year; either as an income payment (the Income Plan), or it will be accrued towards the Gross Return which is paid at maturity (the Growth Plan).
4. If during the preceding year the FTSE 100 has closed outside of the Specified Range on any Trading Day, no Annual Coupon will be awarded that year.
5. After 6 years the Plan will mature on the Plan Maturity Date. The Income Plan will return the Initial Deposit and the Annual Coupon for year 6 if it is due. The Growth Plan will return the Initial Deposit and a Gross Return made up of any Annual Coupons which have been accrued during the Investment Term.

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