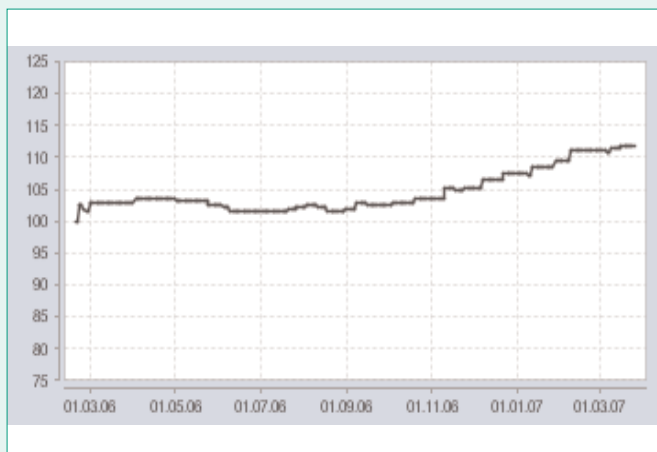


FINANCIAL FIX: PURE ALPHA CERTIFICATES



Certificate's performance graph

Source: Nomura International Plc.

Focus: The Nomura Pure Alpha Certificate's underlying, *Südprojekt Fund Market Neutral DWS, takes a long position in potentially outperforming equity funds versus a short position in the relevant benchmarks. The result of this process is the outperformance of the target fund over its benchmark, which is typically leveraged by a factor of five. The ability to pick the right fund, and to enter and exit it at the right time, are crucial to the generation of alpha - and is achieved by running a proprietary model.

Strengths: The underlying fund's financial advisor, Südprojekt, have a proven track record of over 2 decades in fund research and underlying's manager, DWS, has pedigree; can be used for purposes of portfolio diversification; low cost of subscription; competitive fee structure; provides daily liquidity

Weakness: the certificate's underlying is sensitive to market movements

Opportunities: certificate structure provides access to an underlying hedge fund that has expertise, the ability to identify and invest in some of the best performing equity funds

Threats: although stress tests exist, the underlying's ability to sustain alpha generation in bear markets remains to be proven

Risk Assessment

☐ = low
 ☐ = low/moderate
 ☐ = moderate
 ☐ = moderate to high
 ☐ = high

At the certificate level:

Major risk(s) the certificate is subject to: **Market risk from providing daily liquidity in the certificate despite the underlying only being tradable monthly. Risk is mitigated by a risk premium contained in the bid-offer spread**

Ability to track and control risk posed by Südprojekt Fund Market Neutral DWS underlying fund: ☐☐☐☐☐

Leverage related risk: **not applicable at the certificate level**

At the underlying* level:

Diversification achieved via underlying*: ☐☐☐☐☐

Geographic level: (Euro land, Europe, Germany, US, and potentially Japan): ☐☐☐☐☐

Sector level: (most large-cap equity funds): ☐☐☐☐☐

By market capitalisation: (mostly large-cap equity funds): ☐☐☐☐☐

Time horizons (avg. time invested in a fund): **1-3 months**

Avg. correlation among the various fund constituents: ☐☐☐☐☐

Underlying*'s sensitivity to market risk: ☐☐☐☐☐

Underlying*'s sensitivity to interest rate risk: ☐☐☐☐☐

Underlying*'s sensitivity to currency risk: ☐☐☐☐☐

Underlying*'s leverage (adjustable leverage of the long-short positions is systematically reduced in line with the manager's market outlook): ☐☐☐☐☐

Underlying*'s annual expense ratio, specify (0.46%): ☐☐☐☐☐

Competition related risk faced by underlying: ☐☐☐☐☐ Key man risk: ☐☐☐☐☐

Performance Parameters

☐ =insufficient
 ☐ =adequate
 ☐ = satisfactory
 ☐ = good
 ☐ = outstanding

At Certificate level:

Ability to deliver targeted returns in:

A rising market: ☐☐☐☐☐

Falling market: ☐☐☐☐☐

Sideway trending market ☐☐☐☐☐

Suitability to:

Inclusion in a conservative portfolio: ☐☐☐☐☐

Inclusion in a balance/ aggressive portfolio: ☐☐☐☐☐

At underlying* level

Expertise in identifying the "out performers"

(75% of the fund's monthly performance since inception is positive): ☐☐☐☐☐

Ability to deliver uncorrelated returns = ☐☐☐☐☐

Outlook

☐ upside potential
 ☐ upside to range bound
 ☐ range bound
 ☐ range bound to down
 ☐ downside potential

At certificate level:

Scope for a pure alpha certificate ☐

Barriers to entry in the space: **moderate**

Best case scenario: **all the selected funds in the underlying outperform their benchmarks and this outperformance is leveraged**

Worst case scenario: **majority of the selected funds in the underlying underperform their benchmarks**

Ability to achieve targeted performance:

Between 12-24 months: **high**

Ability to deliver uncorrelated returns: **high**

Investment Insights

At certificate level:

Certificate's targeted annual net return: **9-12%**

Fee: **0.85%pa**

Target audience: **broad based**

Level of complexity at certificate level: **simple**

Traded on: **the Stuttgart Stock Exchange**

Base currency and available in: **EUR**

Liquidity provided: **daily**

To optimise returns, recommended avg. holding period: **min. 12 months**