Tideway Asset Management
Guide to Hybrid Capital

2017
Established in 2009, Tideway Investment Partners LLP is an independent, owner managed firm of asset managers and financial advisers focused on the at retirement market.

**TIDEWAY ASSET MANAGEMENT**

- Managers of regulated Tideway UCITS Funds delivering predictable returns and secure income
- Discretionary managers of bespoke and model portfolios in segregated accounts
- Third party managed funds and individual securities also available

**TIDEWAY WEALTH MANAGEMENT**

- Ongoing wealth, tax and investment planning advice
- Discretionary asset management across pensions, ISA's and general taxable accounts
- Offshore bonds
- Tideway specialist pension advice
- Safeguarded benefits advice for defined benefit transfers and other guaranteed pension plans

**TIDEWAY FOR INTERMEDIARIES**

- End-to-end defined benefit pension transfer service
- DFM service for at retirement investors
- Widely available on leading UK platforms
- Tideway UCITS Funds delivering predictable returns and secure income

**CONTACT DETAILS**

Tideway Investment Partners LLP

83 Victoria Street

London SW1H 0HW

T: 020 3178 5982

E: info@tidewayinvestment.co.uk

More information is available via our websites:

www.tidewayinvestment.co.uk
TIDEWAY ASSET MANAGEMENT

Tideway Asset Management brings decades of experience in the fixed income markets to the task of understanding and investing in Hybrid Capital.

Tideway’s “Guide to Hybrid Capital” is designed to shed light on a market that is not easily accessed by anyone other than full-time fixed income professionals.

We hope that you share our enthusiasm for Hybrid Capital, an asset class that has a long history of delivering positive returns after inflation with a high degree of certainty and with limited risk of ultimate capital loss.

This Guide to Hybrid Capital provides an overview of the market, some detail on the typical features of Hybrids and finally some examples of how Hybrid Capital has performed over time.

Peter Doherty
Managing Partner and Chief Investment Officer

TIDEWAY’S FOUNDING PARTNERS

PETER DOHERTY (ON RIGHT)
MANAGING PARTNER AND CIO

Peter joined Tideway in 2010 to lead the firm’s asset management team and is now the largest shareholder in the business. Peter is the lead portfolio manager of Tideway’s in-house UCITS funds, chairs Tideway’s investment committee and is active in the firm’s business development.

Born in Sheffield, Peter graduated from Oriel College, Oxford with a degree in Engineering and has 30 years’ experience in the fixed income credit markets. He has held senior positions at Goldman Sachs, Bear Stearns, Bank of America, Solent Capital and Markit.

JAMES BAXTER
MANAGING PARTNER

James started Tideway in 2009 and oversees all of Tideway’s advice services. James sits on Tideway’s Investment Committee and is lead author on Tideway’s Guide to Final Salary Transfers. James is regularly quoted in the financial press on pensions and financial planning.

Born in Northampton James graduated from Imperial College, London. He has over 30 years’ experience as a financial adviser and wealth manager and managed his own firm from a start-up in 1989 before selling it in a management buyout in 2008.
WHAT IS HYBRID CAPITAL?

Hybrid Capital is a form of capital that falls between debt and equity. The features of each specific hybrid defines where it sits on the debt/equity spectrum.

<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>TYPICAL FEATURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEBT</td>
<td>• Mandatory repayment of interest and principal</td>
</tr>
<tr>
<td></td>
<td>• Non-payment = “event of default”</td>
</tr>
<tr>
<td></td>
<td>• Dated</td>
</tr>
<tr>
<td></td>
<td>• Fixed principal value</td>
</tr>
<tr>
<td>HYBRID CAPITAL</td>
<td>• Deferral or non-payment of interest is not an &quot;event of default&quot;</td>
</tr>
<tr>
<td></td>
<td>• Possible write down of principal value or conversion into equity</td>
</tr>
<tr>
<td></td>
<td>• Very long dated or undated (perpetual)</td>
</tr>
<tr>
<td></td>
<td>• Fixed capital value prior to any conversion</td>
</tr>
<tr>
<td>EQUITY</td>
<td>• Optional dividends</td>
</tr>
<tr>
<td></td>
<td>• Undated</td>
</tr>
<tr>
<td></td>
<td>• Variable capital value</td>
</tr>
</tbody>
</table>

WHY INVEST IN HYBRID CAPITAL?

HYBRID CAPITAL OFFERS

• A higher return than ordinary debt
• Higher cash flow than common equity dividends
• A return typically well ahead of inflation
• Less volatility than equity investing
• More certainty of future capital value than equity
• Exposure to large, household name, investment grade companies
• Investment in companies with long track records of meeting all obligations
WHO ISSUES HYBRID CAPITAL AND WHY?

Hybrid Capital is issued by the largest Banks, Insurance Companies and Corporations to provide balance sheet flexibility and to allow compliance with regulatory and credit rating agency capital requirements without diluting ordinary shareholders.

Hybrid Capital shares risk with investors primarily through features such as “optional non-payment of interest” or “optional Principal write-down” in certain pre-defined circumstances.

These options mean that at different times the Hybrids behave in part like equity and therefore regulators (e.g. Basel Committee, ECB, and Bank of England) and credit rating agencies (e.g. Moody’s and Standard & Poor’s) allocate “equity credit” on the balance sheet of the issuing company. This allows the issuing company to maintain a given credit rating, meet regulatory capital requirements whilst avoiding dilution for ordinary shareholders.

From the borrower’s perspective, Hybrids usually have tax deductible interest because as a fixed obligation (in the form of interest and principal owed) most are treated as debt in this regard. A fixed obligation is one with a pre-determined principal value and defined dates for repayment.

Effectively Hybrid Capital provides an issuer with a lower cost of equity on an after tax basis.

ISSUING HYBRID CAPITAL INSTEAD OF ORDINARY EQUITY

To strengthen a balance sheet there is no cleaner solution than issuing more common equity. However, whilst it is true that ordinary equity capital is free from repayment obligations, it also lacks tax advantaged status.

Furthermore, “Return on Equity” is a key metric for many investors and if a company has a large common equity base then it may struggle to deliver an adequate return on this capital.

On the balance sheet, Hybrids may be accounted for partially as a debt liability and partially as equity. From an accounting perspective, most Hybrids are treated as debt, whereas Preferred Shares count as equity depending on instrument-specific Terms and Conditions.

THE HYBRID CAPITAL MARKET

The Hybrid Capital market has grown substantially since the financial crisis, in no small part because of the dramatic increase in the amount and quality of capital required by banking regulators across the globe.

In European Insurance, Solvency II came into effect from January 2016 and we can expect more Hybrid Capital to be issued by European insurance companies to meet new balance sheet guidelines.

Guideline numbers put the current size of the £ Hybrid Capital market at over $90 bn. The equivalent €market is well over $220 bn. and the equivalent US $ market is over $300 bn.

By the end of 2017 the Global Hybrid Capital market is expected to be over $600 bn.

<table>
<thead>
<tr>
<th>£ HYBRID INSTRUMENT</th>
<th>MARKET SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ Bank -Tier 2</td>
<td>$29 bn.</td>
</tr>
<tr>
<td>£ Bank -CoCo</td>
<td>$13 bn.</td>
</tr>
<tr>
<td>Insurance -Tier 2</td>
<td>$23 bn.</td>
</tr>
<tr>
<td>Insurance -Tier 1</td>
<td>$12 bn.</td>
</tr>
<tr>
<td>£ Corporate</td>
<td>$13 bn.</td>
</tr>
</tbody>
</table>

Source: Lloyds Bank Capital Markets
The lowest risk Hybrids rank just below ordinary senior debt. Coupons must be paid on time and in full and principal repayment is on a fixed date. However, these bonds rank below senior debt in liquidation or an “Event of Default”, so there is some risk of loss through a lower recovery in the event of bankruptcy. Somewhat higher risk Hybrids provide much more flexibility for the borrower with regard to interest payments, although no borrower misses a payment without seriously impacting its viability and considering a lot of other alternatives first.

**REDEMPTION – “DATED” OR “CALLABLE PERPETUAL”**

Hybrid bonds with a fixed maturity date offer certainty as to when principal will be returned. These are known as “dated” or “bullet” bonds. Non timely repayment of principal for a dated bond is an “Event of Default”. However, many Hybrids are issued as “Callable Perpetual” bonds. Perpetual means that the bonds have no stated maturity date and could, in theory, remain outstanding forever. Perpetual Hybrids are “Callable” meaning that the issuer has the right to repay the bonds (at 100/nominal value) on a given date or series of dates. The rate of interest paid may change at the first call date and, importantly, the regulatory and rating agency equity capital content may also change (diminish).

**NON-PAYMENT**

Non-payment is almost always a decision made by a borrower in response to financial distress. Missing a payment is usually “optional”, but it can occasionally be “mandatory” depending on the terms of the Hybrid. For example certain Hybrids issued in heavily regulated industries such as Banking and Insurance also have clauses (triggers) which can make non-payment of interest a mandatory event i.e. the regulator can prevent payment even if the company would like to make the payment (again most likely at a time of financial distress). Mandatory triggers are usually based on a specific event (e.g. bank regulatory capital threshold or insurance company solvency ratio) and their inclusion imparts a higher degree of risk on the investor.

**“CUMULATIVE OR NON-CUMULATIVE”**

Cumulative” means the issuer has to ultimately repay missed payments, usually at the end of a given period e.g.”5 years” otherwise an “Event of Default” is declared. “Non-cumulative” means the issuer does not have to make up missed payments and there is no technical “Event of Default” on non-payment. Non-cumulative Hybrids rank lower than cumulative ones in the capital structure and have a higher equity component.

**“DIVIDEND PUSHER AND DIVIDEND STOPPER”**

If payments are missed, the issuer is usually restricted from making payments on any other equal ranking or more subordinated instruments, including common and preferred stock dividends, and also cannot make repurchases of the same without making good on missed payments.

A ‘dividend pusher’ means the coupon is mandatory if remuneration is given to any other specified security or class of securities with equal or lower seniority within a specified period of time. A ‘dividend stopper’ or ‘blocker’ is a term which states that the issuer will not, with a specified period of time pay a coupon on another security or class of securities of equal or lower seniority if it does not make payment on the security in question. Many securities also contain a ‘redemption blocker’ which states that, following a deferred coupon, the issuer will not redeem (or call) other securities of equal or lower ranking until coupons have been resumed and paid for a certain period of time (usually 12 months) on the security in question.

A notable exception to this capital structure hierarchy is seen in CoCo’s (Contingent Convertibles), a type of Tier 1 bank capital where coupons can be skipped even if a dividend is paid.
HYBRID TERMS AND CONDITIONS

CHANGES TO NOMINAL VALUE

Some Hybrids have clauses affecting the nominal value such as “Equity Conversion” or “Write down / Write up”. Examples include bank CoCo’s which are converted to common equity in the event of a bank’s core capital ratio hitting a pre-defined trigger below current levels. Strictly speaking, the nominal value of equity offered in exchange at the price set in the Hybrid terms and conditions may not constitute a drop in nominal value. However, the value of equity at the time of conversion would represent a significant mark down of capital value.

Features affecting principal values are punitive for investors but, initially at least, the trigger events are very remote and have a very low probability of occurring. However, in the event that things do go wrong, the losses imposed on investors are severe and it is for this reason that investors demand high returns to buy Hybrids with these particular features embedded.

In summary, many callable perpetual Hybrids are designed to be called at the first date, at which time the issuer may elect to re-issue a new Hybrid subject to market conditions.

If a callable perpetual remains outstanding after the first call date, there will be an immediate assessment by investors of the implications of the bond not being called. If the coupon rate after the call is at the current market rate, there will be little impact on the bond price. However, if the interest rate changes and is lower than could reasonably be expected to be paid by the issuer, the bond may trade down in price quite materially. Issuers who experience a deterioration in their credit profiles may opt to leave bonds outstanding if the replacement cost is high. This is not the standard practice in Europe, but a risk factor nonetheless.

As ever with bonds, things can be more complicated. Hybrid bonds issued specifically to provide regulatory capital or to obtain equity credit from rating agencies may, depending on the Terms and Conditions at the time of issue, be called at 100 in the event that there is a “regulatory change” that disqualifies the notes from counting as capital or a “methodology change” from the rating agencies that removes equity credit.

HYBRID CAPITAL VERSUS HIGH YIELD BONDS

One alternative investment to Hybrid Capital is traditional “High Yield” debt. The major differences between High Yield debt and Hybrid Capital are that High Yield issuers themselves normally have leveraged balance sheets, relatively small enterprise values and are generally more exposed to single event risk. In contrast, Hybrid Capital is issued by relatively large, safe, well capitalised companies with resilient, diversified businesses. In tough times, the large companies have a pool of resources to call on and be generally respectful of the rights of stakeholders including investors across the capital structure.

In summary, all else being equal, Hybrid Capital may have advantages over High Yield debt including the qualitative benefit of being invested in a large, public company where reputation and brand value are critical.

Finally, in times of financial market stress, Hybrids issued by the bigger household names may be easier to trade than High Yield names with weaker credit profiles.

<table>
<thead>
<tr>
<th>Enterprise Value</th>
<th>FTSE 100 PLC</th>
<th>£ 5 bn.+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Credit Rating</td>
<td>A / BBB</td>
<td>BB / B</td>
</tr>
<tr>
<td>Hybrid Capital Credit Rating</td>
<td>BB / B</td>
<td>N/A</td>
</tr>
<tr>
<td>Typical Yield</td>
<td>6 –7%</td>
<td>5 –8%</td>
</tr>
</tbody>
</table>

Source: Bloomberg
HOW DOES HYBRID CAPITAL PERFORM IN PRACTICE?

DAILY RETURN

HISTORIC TOTAL RETURN - HYBRID CAPITAL AND FTSE 100 INDEX

Source: Bloomberg
WHAT LOSSES HAVE BEEN REALISED IN HYBRID CAPITAL?

Hybrid Capital prices will always be more volatile than liquid government bonds and senior investment grade bonds of similar duration. However, over the longer term – ten years or more - it is the lower yielding instruments that are riskier investments because inflation erodes their capital value in real terms.

Price volatility is almost universally used as a proxy for risk but for a buy and hold investor, volatility is far from synonymous with risk. For the great majority of investors who can - and should - invest with a horizon of more than 10 years, market-driven price declines are unimportant. The focus should remain fixed on capturing gains and compounding returns so that the real value of capital increases over the life of the investment. A diversified portfolio of Hybrid Capital, bought over time, will prove far less risky in terms of maintaining real capital value than most traditional fixed income portfolios.

Equally, Hybrid Capital portfolio returns are not likely to be improved by active trading, attempts to time the market, high portfolio concentration or excessive leverage.

Using data from the £ GBP Hybrid Capital market it can be shown that actual losses suffered by investors are very small indeed and, unsurprisingly, have been centred around the financial crisis. Aggregate losses 1997 - 2017 amount to approximately £ 3 billion in total; over that 20 year period, Hybrids paid out about £ 3 billion per annum of interest meaning that the realised total losses from a passive portfolio are roughly equal to 1/20th of the total return assuming no sales at profit or re-investment at higher rates. This conservative approach estimates total realised losses at about 25 bps p.a. and includes:

- In 2009, Bradford & Bingley suspended coupons on various Hybrid Capital totalling £325 million. When Bradford & Bingley was nationalised in 2008, the Transfer Order modified the rights associated with dated subordinated notes, by stating that “a default in the payment of any principal due in respect of a dated subordinated note shall not constitute an event of default under the note”.

- Also in 2009, Northern Rock announced that it was deferring interest payments on its Tier 1 and Upper Tier 2 securities, i.e. where the coupon was discretionary. This affected eight issues: six Upper Tier 2 and two Tier 1 securities. The bank had already stopped paying the coupon on the preference shares that were acquired by the government when Northern Rock was nationalised. The securities included four GBP issues totalling £720 million.

- Again in 2009, RBS and Lloyds announced they would be deferring coupons on a large number of Tier 1 and Upper Tier 2 securities, for a 2 year period from January 2010, as a condition of state aid approval from the European Commission. Lloyds also offered to swap hybrids into ECNs at exchange rates ranging from 68% to 100% of par, while RBS made various cash tender offers ranging from 56% to 100% of par. All deferred coupons will be subsequently repaid.

- In 2013 the Co-Op Bank held a coercive debt swap, with Lower Tier 2 (£907 million) exchanged for shares and new Tier 2 notes, with Upper Tier 2 (£310 million) and Tier 1 (£60 million) notes converted into new instruments at heavy discounts to par.
COMPARING HYBRID CAPITAL TO EQUITY – LLOYDS BANKING GROUP

LLOYDS BANK PLC 6.461% PERPETUAL

- Issued in November 2001
- “Must-Pay” coupon structure – All coupons paid on time and in full through financial crisis
- Callable at 100 in November 2018
- Will not count as capital post 2018 call date so very high probability of call
- 5yr gilts + 2.85% if not called

<table>
<thead>
<tr>
<th></th>
<th>Hybrid</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Deviation of Returns Over the Period</td>
<td>17.7%</td>
<td>22.1%</td>
</tr>
</tbody>
</table>

TOTAL RETURN SINCE HYBRID INCEPTION LLOYDS BANK PLC

- Hybrid - No withdrawal (since inception)
- Hybrid - 5% p.a. withdrawal (since inception)
- Equity - No withdrawal
- Equity - 5% p.a. withdrawal
- Capital preservation

Source: Bloomberg

*Net of 95 bps p.a. fees
COMPARING HYBRID CAPITAL TO EQUITY – PRUDENTIAL PLC

PRUDENTIAL PLC 8.5% PERPETUAL

- Issued December 1993 as Scottish Amicable
- Callable at 100 in June 2018
- Extends for 5 years at 8.5% if not called

<table>
<thead>
<tr>
<th>STANDDEVATION OF RETURNS OVER THE PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid</td>
</tr>
<tr>
<td>3.6%</td>
</tr>
</tbody>
</table>

TOTAL RETURN SINCE HYBRID INCEPTION PRUDENTIAL PLC

Source: Bloomberg

*Net of 95 bps p.a. fees
HYBRID CAPITAL EXAMPLES

SBRYLN £ 6.5% 12/29/49 Perpetual

J Sainsbury operates Sainsbury supermarkets in the UK together with convenience stores, an internet-based home delivery service and Sainsbury Bank. The Bank offers saving accounts, credit cards, mortgages, insurance products, and consumer loans. The company was founded nearly 150 years ago and employs 100,000 people across its portfolio of 600 supermarkets and 700 convenience stores.

J Sainsbury is a FTSE 100 index constituent and has an enterprise value of £6bn.

TERMS AND CONDITIONS INCLUDE:

- Callable at 100 in July 2020; if not called at 100 coupons change to 5-year £ swap rate + 9.727%
- In the event of non-payment, Interest is cumulative, with “interest on interest"
- Dividend Pusher and Dividend Stopper

LGEN £ 5.375 2025-2045

Legal & General - Legal & General Group PLC is a UK based insurance company providing savings, risk and investment management services such as annuities, long-term savings, life assurance and financial protection products. The company’s products are sold through bank, building society relationships, Independent Financial Advisers and directly to customers. Legal and General is the largest manager of UK pension fund assets, with total assets of £700bn. The company employs 11,000 people and is a constituent of the FTSE 100 index, with a market capitalisation of £15bn.

TERMS AND CONDITIONS INCLUDE:

- Callable at 100 in October 2025; if not called at 100 in 2025, coupons change to 5-year Gilts + 4.58%
- In the event of non-payment, interest is cumulative but no “interest on interest”
- Dividend Pusher and Dividend Stopper

KPN £ 6.5% 2073

KPN - Koninklijke KPN NV provides telecommunications services throughout the Netherlands. The company provides local, long distance, international, and mobile telecommunications services, voice-mail, call forwarding, ISDN internet lines, faxing, and communications services for businesses and individuals. KPN also offers mobile telecommunications through E-Plus in Germany and BASE in Belgium. The company employs 15,000 people and is listed on the Amsterdam Stock Exchange with an enterprise value of €20bn.

TERMS AND CONDITIONS INCLUDE:

- Callable at 100 in March 2020; if not called at 100, coupons change to 5-year £ swap rate + 5.505%
- In the event of non-payment, Interest is cumulative, with “interest on interest”
- Dividend Pusher and Dividend Stopper

All data as of June 2016
HYBRID CAPITAL EXAMPLES

**ORAFP £ 5 7/8 02/28/49**

Orange - Orange SA provides telecommunications services to residential, professional, and large business customers primarily in France, Spain and Poland. The company offers a range of services such as public fixed-line telephone, data transmission, mobile telecommunications, cable television and internet. Orange employs approximately 150,000 people and is listed on the Paris Stock Exchange, with an enterprise value of €70bn.

**TERMS AND CONDITIONS INCLUDE:**

- Callable at 100 in February 2022; if not called at 100 in 2022, coupons change to 5-year £ swap rate + 3.354%
- In the event of non-payment, interest is cumulative with “interest on interest”
- Dividend Pusher and Dividend Stopper

**AVLN £ 6 1/8 09/29/49**

Aviva - Aviva PLC is an international insurance company that provides general insurance, life assurance and asset management services in the UK, Europe, Asia and Canada. Following the recent acquisition of the FTSE 100 life insurer Friends Life, Aviva has approximately 16 million customers in the UK and employs over 30,000 people. The company is a FTSE 100 index constituent and has a market capitalisation of £20bn.

**TERMS AND CONDITIONS INCLUDE:**

- Callable at 100 in September 2022; if not called at 100 in 2020, Coupons change to 5-year Gilts + 2.4%
- In the event of non-payment, Interest is non-cumulative
- Dividend Pusher and Dividend Stopper

**LVFRSC £ 6 1/2 05/22/43**

LV - Liverpool Victoria Friendly Society Ltd is a UK based insurer that offers car, home, travel, life, and pet insurance. Liverpool also offers income protection, critical illness cover, individual savings accounts, investment funds, multi manager funds, equity funds, and flexible savings plans. The company has 6 million customers and is the third largest car insurer in the UK. Liverpool Victoria was founded in 1843 and employs over 6,000 people.

**TERMS AND CONDITIONS INCLUDE:**

- In the event of non-payment, interest is cumulative but no “interest on interest”
- Callable at 100 in May 2023; if not called at 100 in 2023, coupons change to 5-year Gilts + 5.63%

All data as of June 2016
HYBRID CAPITAL EXAMPLES

**National Grid**

TERMS AND CONDITIONS INCLUDE:
- Callable at 100 in June 2025; if not called at 100 in 2025, Coupons change to 12 year £ swap rate + 3.48%
- In the event of non-payment, Interest is cumulative, with “interest on interest”
- Dividend Pusher and Dividend Stopper

National Grid - National Grid PLC is an investor-owned utility company that employs some 24,000 people across its network. The company owns and operates the electricity transmission network in England and Wales, the gas transmission network in Great Britain and selected electricity transmission networks in the United States. National Grid is a FTSE 100 index constituent and has an enterprise value of £60bn.

**EDF**

TERMS AND CONDITIONS INCLUDE:
- Callable at 100 in January 2026; if not called at 100 in 2025, coupons change to £ 13–year interest rate + 3.958% In the event of non-payment, interest is cumulative with “interest on interest”
- Dividend Pusher and Dividend Stopper

EDF - Electricité de France (EDF) produces, transmits, distributes, imports and exports electricity. The company, using nuclear power, coal and gas, provides electricity for energy consumers in France, the UK, Italy and other European countries. EDF is involved in supplying energy and services to approximately 37.8 million customers, of which 28.3 million in France. EDF is listed on the Paris Stock Exchange and is a member of the CAC 40 index, with an enterprise value of €50bn.

**Old Mutual**

TERMS AND CONDITIONS INCLUDE:
- Fixed Maturity Date of June 3rd 2021
- In the event of non-payment, Interest is cumulative but no “interest on interest”
- Dividend Pusher and Dividend Stopper

Old Mutual - Old Mutual PLC is an international long-term savings, protection and investment group. The company provides life assurance, asset management, banking and general insurance to customers in Africa, the Americas, Asia and Europe. Old Mutual employs over 60,000 people and is a constituent of the FTSE 100, with an enterprise value of £9bn.

---

All data as of June 2016
HYBRID CAPITAL EXAMPLES

Standard Life plc is a long-term savings and investment business, with headquarters in Edinburgh and operations around the globe. It has 1.2 million shareholders in more than 50 countries and 4.5 million customers worldwide, with a further 20 million customers through joint ventures in China and India. Established in 1825, Standard Life plc manages over £300 bn. The company provides a wide variety of funds, savings products and operates a number of investment platforms. Standard Life is member of the FTSE 100 and has a market capitalisation of £7 bn.

TERMS AND CONDITIONS INCLUDE:

- Callable at 100 in December 2022; if not called at 100 in 2027, coupon changes to 5-year Gilts + 4.85%
- In the event of non-payment, interest is cumulative but no “interest on interest”
- Dividend Pusher and Dividend Stopper

Who regulates us?

Tideway Investment Partners LLP is authorised and regulated by the Financial Conduct Authority (“FCA”). The FCA is the independent watchdog that regulates financial services. We are listed on the FCA register and our Registration Number is 496214.

IMPORTANT RISK NOTICES

- Make sure you understand all the risks before investing. The information in this document represents the views and opinions of Tideway Investment Partners LLP and does not constitute and should not be construed as investment advice or a recommendation to buy, sell or otherwise invest in any security.
- Past performance is no guarantee of future returns and the value of investments and the income they produce can fall as well as rise. You may not get back your original investment and you may lose all your investment.
- The last 5 years have provided relatively high investment return opportunities as investments have recovered from the 2008/9 financial crisis and driven by low interest rates. Returns at these levels are generally not predicted for the next 5 years and investors should plan to expect lower returns.
- The performance of individual client accounts will vary from those quoted due to a range of factors including the timing of when the account was first invested, the size of the account, the underlying asset allocation and the third-party platform used.
- The calculation basis for all the returns quoted can be provided on request.
- Tideway Investment Partners provides no guarantees, representations or warranties regarding the accuracy of the information contained in this document. Forward-looking statements are based on assumptions. Since all assumptions, predictions and statements simply reflect the current view of future events, they quite naturally are subject to inherent risks and uncertainties. Thus, they should not be seen as guarantees or promises regarding future performance.
- The information contained herein may not be reproduced, distributed or published by any recipient for any purpose without prior written consent. This document exists for information purposes only and does not constitute an offer or a solicitation of an offer for the product presented and may not be used as an offer or solicitation.
- We strongly recommend you seek independent professional advice prior to investing. If, after reading this document, you have any questions or would like any additional information please contact your financial adviser or speak to our Investor Services Team.