

Important document please read in conjunction with the recommendation letter.

Please read this guidance in conjunction with the supporting fact sheet and key investor document (KIID) enclosed.

What is a structured product?

A structured product is a fixed-term contract, providing a return based on the performance of an underlying share or stock market index. Inherently, a structured product is designed to limit investment losses while still creating a return to investors. Some structured investments offer a degree of capital protection, while others do not. The growth is usually not guaranteed, and you may receive no return on your investment. Even where there is capital protection, the deduction of fees and charges could mean you get back less than you put in.

It is important to mention that a structured product is not suitable for people who require access to their money invested during the investment term. Early redemption can be part of the whole amount invested, but investors may receive less than the original sum invested.

Please ensure you fully understand the key points and risks associated with this structured product.

Guidance for the FTSE & Europe Defensive Autocall Plan July 2022

The FTSE & Europe Defensive Autocall Plan aims to provide a return of 8% per annum over a maximum of seven years. This annual return is paid on the condition that both the FTSE 100 index and the Euro Stoxx 50 index are at or above the autocall barrier on the autocall observation date. This plan has a first autocall date two years after the start date of 29 July 2022 and annually thereafter if not previously autocalled. The autocall barriers are as follows:

- Year 2: 100%. Year 3: 95%. Year 4: 90%. Year 5: 85%. Year 6: 80%. Year 7: 75%
- The initial strike levels for this structured product are observed on 29 July 2022

Capital protection

The capital protection for this plan is dependent on Morgan Stanley fulfilling its obligations, along with the investment being held until maturity, unless there is a prior autocall. The initial capital is used to purchase securities in Morgan Stanley that have similar characteristics to investing in corporate bonds. In the unlikely event of default, investors will be creditors of Morgan Stanley.

Morgan Stanley has been rated A- by Standard & Poor's, as of 26 May 2022. Standard & Poor's is an independent credit rating agency that uses a scale to denote creditworthiness, ranging from AAA (highest) to D (lowest). Issuers within the A rating band are described by Standard & Poor's as having strong capacity to meet their financial commitments but are more susceptible to the adverse effects of changes in circumstances and economic conditions than

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those issuers rated AAA or AA. Further information about ratings can be obtained via this website: www.spglobal.com/ratings/en/about/understanding-credit-ratings

Capital at risk

Initial capital is not 100% secure with this structured product. If at maturity on 30 July 2029 the worst-performing index is below 65% of its initial level, the initial capital being returned will be reduced by any negative performance. For example, if the FTSE 100 index was 70% below its initial strike level, the initial investment would be reduced by 70%. Therefore, the return of the original capital invested is not guaranteed.

Economic overview

Inflation was a growing problem before the war in Ukraine began and strict lockdowns in China were imposed, both of which aggravated the problem. Inflation is contributing to reductions in forecasts for global economic and corporate profit growth.

Central banks can do little to reverse these supply-side shocks, that also include reduced labour participation rates in many economies. However, as inflation risks becoming embedded in the global economy through higher wages, they are now raising interest rates, and unwinding their quantitative easing programs at a faster pace than had been anticipated in an effort to reduce prices by curbing demand.

Investors are understandably nervous as to the result of this monetary tightening at a time of already weakening consumer and business confidence, and some fear recession in the major economies. However, others point to the recent easing of lockdown restrictions in Shanghai and continued strong US retail sales (*despite* weak confidence surveys) as indicators of a 'soft landing' for the US and the global economy. They may also believe that the bad news on inflation and interest rates is already priced into financial markets, although the volatility of stock markets in recent months suggests a low level of consensus!

A cautious approach to investing seems sensible, that perhaps biases towards the UK and Eurozone stock markets on account of the predominance of so-called value stocks. These are 'jam tomorrow' companies, that are cash generative and so less vulnerable to the rising cost of capital. They are to be found in sectors such as natural resources, industrials, consumer staples, and financials. The Eurozone brings exposure to these and some sectors that do not feature in the UK main market, such as autos and luxury goods.

In contrast to value stocks are so-called growth stocks, such as tech and other science-based sectors. These are at particular risk from rising inflation and interest rates because they require capital to develop and grow their businesses. We also tend to see reduced consumption by households and businesses of tech goods during periods of economic uncertainty.

We have seen the vulnerability of growth stocks compared with value stocks play out on global stock markets since January. While the tech-heavy NASDAQ index has fallen by about a quarter, the value-heavy UK main market has risen a little. This trend may persist if investors remain nervous of inflation, central banks' response, and of a secular re-pricing of tech stocks.

Information on IDAD and its relationship with Mattioli Woods

A company called IDAD is employed on behalf of Mattioli Woods to conduct an auction with competing structured product providers. IDAD also settles the trade with our custodian and provides all the supporting documentation required by the FCA. To complete these tasks, IDAD charges a fee. For the Morgan Stanley FTSE & Europe Defensive Autocall Plan IDAD's fee is not expected to exceed 1%, with Morgan Stanley's estimated fee of up to 0.942%. The combined total of these fees cannot exceed 1.942% and as noted, they are built-in to the return of the plan so do not reduce the amount invested. For example, based on a monetary investment figure of £10,000 the fee would equate to £194.20. This charge has been accounted for in arriving at the stated potential return of 8% per annum and will not be deducted from that figure when the plan matures.

Cancellation risks

If you change your mind and do not wish to invest, please inform your Mattioli Woods contact by 29 July 2022, the start date for the structured product. After this date you will only receive the value of the structured product when sold back to the product provider which is likely to be less than your original investment.

Financial Services Compensation Scheme (FSCS)

This product offers no FSCS protection.

Risk warnings

While the tax rules and rates that are used within any current recommendation to you are up to date, the rules and rates can change at any time. Mattioli Woods can accept no liability for any such changes and their potential effect on your plan. The value to you of any tax benefits will depend on your personal tax position at the relevant time.

The value of investments and the returns from them can go down as well as up and you may not get back the amount you invested. Past performance is not an indication of future returns and investments need to be considered as medium- to long-term holdings. Inflation will erode the purchasing power of your money.

Specific risk warning

There is no fixed cost for exiting this plan at maturity. Please note if you needed to sell this plan prior to maturity, the issuing bank will endeavour to provide quotes under normal market conditions for trading purposes on request, subject to a bid-offer spread of 1%. Please ensure you read the accompanying fact sheet. Morgan Stanley has defined the holding period as 'the recommended holding period for the product is until 30 July 2029, which corresponds to the product's maturity'. Please also read the KIID in relation to this statement.

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Mattioli Woods – our ‘restricted’ status

For over 30 years Mattioli Woods has been at the forefront of providing advice, pension administration/trusteeship, and investment products and services for clients across the country. Its key aim is to put clients first to help them reach the objectives they set. This is done with integrity and professionalism while maintaining a bespoke approach, and it continues with this ethos as part of its culture.

The Mattioli Woods website (www.mattioliwoods.com) provides a further history of the company and the products offered to achieve clients’ various requirements.

In terms of financial legislation, firms can be ‘independent’, or ‘restricted’, or both.

We offer our own discretionary portfolio management (DPM), self-invested personal pension (SIPP), personal pension (MW PP) and small self-administered scheme (SSAS) services as our investment managers and consultants/client relationship managers are specialists in these areas of advice and management. For this reason, we are classed as a ‘restricted’ advice business and, only where it is suitable and in line with your objectives, we will recommend these solutions to you. Should your circumstances not be best served by our own propositions, we will look to the wider market to source the most appropriate solution for you.

In addition, as part of our centralised investment proposition, we offer the Custodian REIT plc, which is a real estate investment trust managed by Custodian Capital Limited, part of the Mattioli Woods Group.

Our solutions are designed to meet your needs and where appropriate we can also offer advice on pensions, investments, and non-investment insurances (protection policies) from the whole market.

Mattioli Woods is committed to ensuring the principles of ‘treating customers fairly’ set by the Financial Conduct Authority are applied with integrity throughout all aspects of our business.

Any tax-based calculations completed by Mattioli Woods are for illustrative purposes only, and we recommend you check these with your accountant or tax adviser.

ISA guidance

If the recommendation is in relation to an ISA please read this section. ISAs are a tax-efficient wrapper with the option to save via cash and/or stocks and shares, making them ideal for investors as there is nothing to include on tax returns.

Full details are included in the investment guidance booklet that has been made available to you either online or provided to you, to which we would refer you, along with your supporting key information documents as appropriate.

As mentioned, you can draw funds from your ISA and replace the amount within the same tax year without losing the tax benefits or using up any further allowance in that tax year.

Specifically:

- Flexi-ISAs enable investors to draw cash from their ISA and subsequently replace this within the same tax year without it counting towards their annual subscription allowance
- The replacement of cash must happen within the same tax year the cash is drawn
- Any drawn cash not replaced before 5 April cannot be replaced and will be a new subscription counting towards the investor's annual allowance
- Payments to the flexi-ISA will be counted, first, as repayments of any outstanding flexible withdrawals made in the current tax year and, second, as a subscription against the current year annual allowance
- There is no carry-over of either unused annual allowance or withdrawals between tax years
- Repayments of drawn funds may only be made to the account from which the associated withdrawal was originally made
- The full value of the ISA may be drawn, but withdrawals must not exceed the total value of the ISA (overdrafts are prohibited), even when the amount available for withdrawal is less than the total of current year contributions

Pershing documents

Pershing Securities Limited is the administration platform we have selected to operate the service. For further information please refer to the enclosed Pershing terms of business document.

Pershing Securities Limited

The administration platform we have selected to operate the service from is supplied by Pershing Securities Limited ('Pershing').

Pershing

Pershing is part of the Bank of New York Mellon (BNY Mellon) group, the world's largest custodian and one of the world's leading investment services groups with in excess of \$35 trillion in assets under custody and administration as at Q1 2020. Pershing itself has circa \$1.8 trillion under custody and administration globally. There were three main considerations in selecting Pershing from its rivals:

- 1 The security of your assets held on the Pershing platform is exceptional. Not only are your assets held by the largest custodian in the world, but cash also held within portfolios is managed across a wide range of banks to ensure diversification and is covered by the Financial Services Compensation Scheme (FSCS) up to the £85,000 limit.

Pershing has specialised in the provision of custody, execution, and settlement services since 1939 and has been present in the UK since 1987. It is highly selective in working exclusively on a business-to-business basis and has chosen to partner with over 180 organisations in the UK.

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- 2 As one of the largest global players in this market, our clients can have every confidence that Pershing systems and software will always be competitive and state-of-the-art.
- 3 Pershing's wealth management platform, NexusComplete, offers unrivalled facilities for client firms who would like to benefit from an investment management and administration tool that can embrace their assets through various wrappers.

Pershing will provide you with quarterly valuations, quarterly custody statements, annual tax documents and contract notes, all accessible electronically via an investor portal or via post.

Pershing – capital gains tax service *(only applicable if invested in taxable multi-holding portfolio)*

For taxable portfolios, Pershing can provide a capital gains tax (CGT) service for which the charge is £50 plus VAT per account, per year. We will switch this service on for multi-holding taxable portfolios, unless you opt out via the application form, and deduct £50 plus VAT in May each year for the previous tax year's report. Pershing will then produce and send you a CGT report (which will be combined with your consolidated tax voucher) every year. The service also allows us to calculate notional CGT on your account on request.

Investment services charge

Charges relating to the provision of investment services are 0.2% per annum of the total value of applicable assets administered by Pershing.

This charge is calculated and deducted from your Pershing portfolio account quarterly in arrears. This charge is for the provision of investment services associated with the processing and servicing of investments and other costs incurred on behalf of clients, including access to the Pershing client portal. Pershing currently retains between 0.10% and 0.11% of this charge for the services it provides including dealing, clearing, settlement, safe custody, and other associated services. The actual figure retained by Pershing will be dependent on the aggregate value of assets held by Mattioli Woods' clients with Pershing. A full breakdown of the services provided by Pershing and their respective costs is available on request.

The balance of this charge is paid to Mattioli Woods. The actual figure paid to Mattioli Woods currently ranges between 0.09% and 0.10% and is dependent on the aggregate value of assets held by Mattioli Woods' clients with Pershing. This charge is in addition to any advice or product fees Mattioli Woods may charge you and is explicitly detailed within all our literature as the investment services charge. The investment services charge will be deducted from your investment via Pershing.

Provision for ongoing fees will be made via twice-yearly sales of units if required.

Cash balances

Any cash balance within the Pershing account is subject to the Bank of England base rate, which is currently 1.25% less 0.5% for Pershing's cash management fee, accrued daily; therefore, Pershing will apply credit interest of 0.75% to your account six-monthly.

Additional Pershing transactional charges

In addition to the charges detailed within the cost disclosure section of the letter there may be transactional charges applied by Pershing when specific transactions are undertaken for your account in addition to the platform and custody service charge. These are known as transactional costs. For advised and execution-only clients these fees will be disclosed on the formal contract note.

An indication of these fees is as follows:

Transaction type	Charge
UK market tradable security transactions through Pershing's retail service provider facility	£10
UK market tradable security transactions through Pershing's dealing desk	£10 plus 0.05% execution charge calculated by reference to value of your investment
Non-UK tradable security transactions	£20 plus 0.05% to 0.10% execution charge
All transfers away from Pershing	£10 per line of holding
Transfers within Pershing	£10 per line of holding
Spot foreign exchange (FX) transactions	£15 per FX transaction

When you invest in certain markets in both the UK and around the world, additional non-Pershing local exchange fees and local market taxes may apply. Details of UK and Ireland are shown in the table below:

Market	Market fees and taxes
UK	Stamp duty: 0.50% on purchase
UK	Panel of Takeovers and Mergers levy: £1 on trades over £10,000
Ireland	Stamp duty: 1.0% on purchase

Other charges may apply in other markets

The full terms and conditions of the services Pershing provides to you are set out in your Pershing Terms of Business document. In the event of any conflict between the terms as described in this section and the Pershing Terms of Business, the Pershing Terms of Business takes precedence.

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