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Guide to Backtesting Investment Plans

September 2020



Backtesting

Backtesting can be a useful tool for advisers in order to evaluate performance in various market scenarios. Backtesting should be used as one of a suite of tools when choosing a suitable Plan for a client.

The information provided in this guide is intended to demonstrate how our Plans would have performed historically, had they been available for investment. Particular emphasis has been placed on the scenarios in which clients would have either lost capital or received no return on their investment.

In order to simulate past performance, our Plans have been tested as if they had started on every trading day between the start date of the underlying index and the final backtesting date of the Plan.

For reference, backtesting a 6 year Plan linked to the FTSE 100 constitutes 7,771 individual tests.

It is important to bear in mind that the information contained within this guide is in no way an indication of future returns.

This guide is an analysis of the following Investment Plans:

Defensive

- FTSE 100 Step Down Kick-Out Plan
- FTSE 100 8 Year Defensive Kick-Out Plan

Growth

- FTSE 100 Enhanced Kick-Out Plan
- FTSE 100 8 Year Kick-Out Plan

Additional support tools

For more information on our Plans, please visit our website:
www.investec.com/structured-products or call us on 020 7197 2440.

FTSE 100 Step Down Kick-Out Plan

This Plan has a maximum term of 6 years, with the potential for maturity after years 2-6 with a positive return if the FTSE 100 Index is equal to or greater than a ‘Kick-Out’ level that reduces each year.

The ‘Kick-Out’ level is a percentage of the starting level of the FTSE 100 Index: 100% in Year 2, 95% in Year 3, 90% in Year 4, 85% in Year 5 and 80% in Year 6. Capital will be lost if the Plan runs to the final maturity date and the FTSE 100 Index is below 60% of its starting level.

The table below shows the number of occasions on which this Plan would have matured at each potential maturity date. Where the Plan would have reached final maturity, the table shows how many times an investor would have experienced either a positive return, a return of capital with no additional return or a capital loss.

Scenario	Frequency	Frequency (%)
Early Maturity in Year 2	5964	76.75%
Early Maturity in Year 3	574	7.39%
Early Maturity in Year 4	459	5.91%
Early Maturity in Year 5	319	4.11%
Final Maturity - positive return	381	4.90%
Final Maturity - return of capital only	74	0.95%
Final Maturity - capital loss	0	0.00%
Total number of tests	7771	

The chart below shows the backtesting start date of any instances where investment in the FTSE 100 Step Down Kick-Out Plan would have resulted in a return of capital only, with no additional return:



Source of Index Data: Bloomberg.

Past performance is not a guide to future performance.

For reference

First backtesting start date: 3 January 1984

Final backtesting start date: 30 September 2014

FTSE 100 8 Year Defensive Kick-Out Plan

This Plan has a maximum term of 8 years, with the potential for maturity after years 3-8 if the FTSE 100 Index is equal to or greater than 90% of its starting level. Capital will be lost if the Plan runs to the final maturity date and the FTSE 100 Index is below 60% of its starting level. The table below shows the number of occasions on which this Plan would have matured at each potential maturity date. Where the Plan would have reached final maturity, the table shows how many times an investor would have experienced either a positive return, a return of capital with no additional return or a capital loss.

Scenario	Frequency	Frequency (%)
Early Maturity in Year 3	6020	82.86%
Early Maturity in Year 4	434	5.97%
Early Maturity in Year 5	210	2.89%
Early Maturity in Year 6	273	3.76%
Early Maturity in Year 7	289	3.98%
Final Maturity - positive return	39	0.54%
Final Maturity - return of capital only	0	0.00%
Final Maturity - capital loss	0	0.00%
Total number of tests	7265	

Since our backtesting has indicated that investment in the FTSE 100 8 Year Defensive Kick-Out Plan would have resulted in no instances of capital loss or return of capital only, we have only included a graph on this page to indicate the final backtesting start date.



Source of FTSE 100 Index Data: Bloomberg.

Past performance is not a guide to future performance.

For reference

First backtesting start date: 3 January 1984

Final backtesting start date: 30 September 2012

FTSE 100 Enhanced Kick-Out Plan

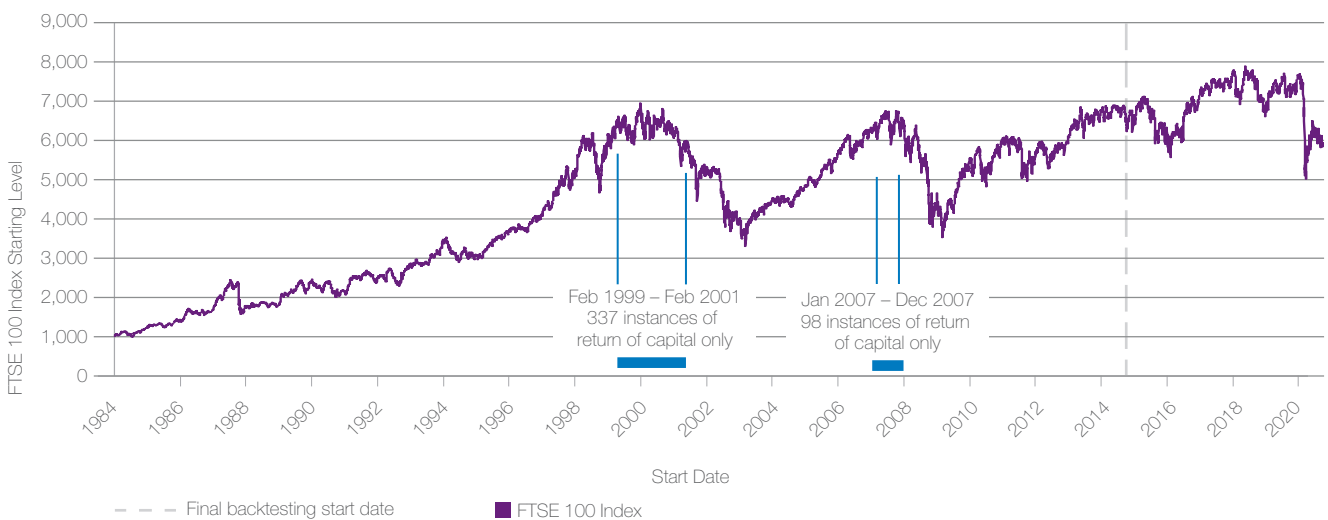
This Plan has a maximum term of 6 years, with the potential for maturity after years 1-6 if the FTSE 100 Index is equal to or greater than its starting level.

Capital will be lost if the Plan runs to the final maturity date and the FTSE 100 Index is below 60% of its starting level.

The table below shows the number of occasions on which this Plan would have matured at each potential maturity date. Where the Plan would have reached final maturity, the table shows how many times an investor would have experienced either a positive return, a return of capital with no additional return or a capital loss.

Scenario	Frequency	Frequency (%)
Early Maturity in Year 1	5686	73.17%
Early Maturity in Year 2	765	9.84%
Early Maturity in Year 3	281	3.62%
Early Maturity in Year 4	234	3.01%
Early Maturity in Year 5	145	1.87%
Final Maturity - positive return	225	2.90%
Final Maturity - return of capital only	435	5.60%
Final Maturity - capital loss	0	0.00%
Total number of tests	7771	

The chart below shows the backtesting start date of any instances where investment in the FTSE 100 Enhanced Kick-Out Plan would have resulted in a return of capital only, with no additional return:



Source of FTSE 100 Index Data: Bloomberg.

Past performance is not a guide to future performance.

For reference

First backtesting start date: 3 January 1984

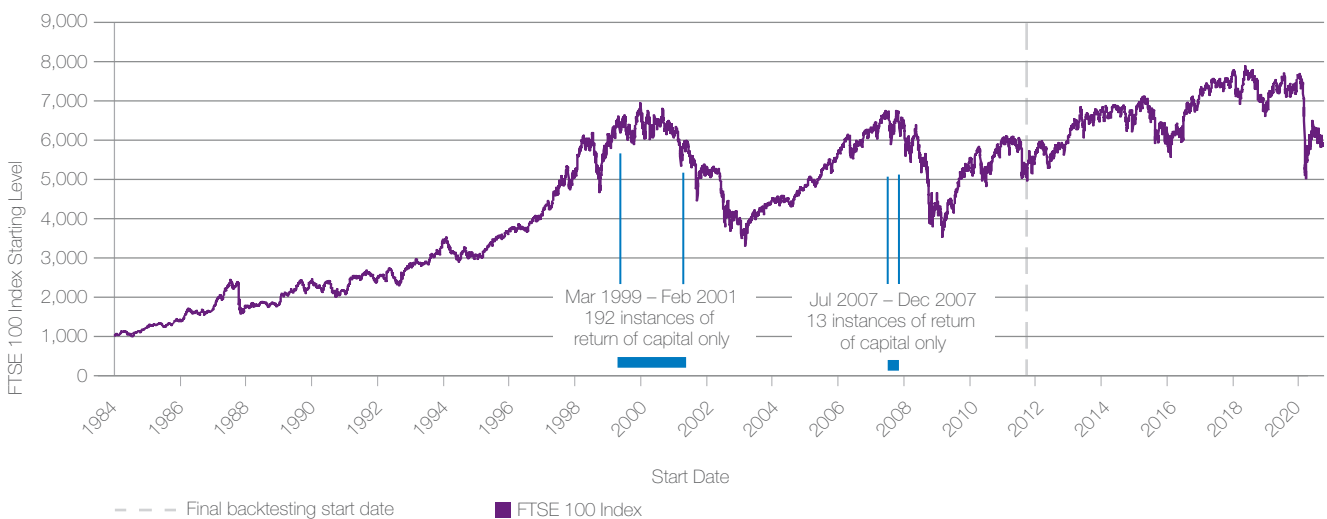
Final backtesting start date: 30 September 2014

FTSE 100 8 Year Kick-Out Plan

This Plan has a maximum term of 8 years, with the potential for maturity after years 2-8 if the FTSE 100 Index is equal to or greater than its starting level. Capital will be lost if the Plan runs to the final maturity date and the FTSE 100 Index is below 60% of its starting level. The table below shows the number of occasions on which this Plan would have matured at each potential maturity date. Where the Plan would have reached final maturity, the table shows how many times an investor would have experienced either a positive return, a return of capital with no additional return or a capital loss.

Scenario	Frequency	Frequency (%)
Early Maturity in Year 2	5709	78.58%
Early Maturity in Year 3	201	2.77%
Early Maturity in Year 4	234	3.22%
Early Maturity in Year 5	175	2.41%
Early Maturity in Year 6	231	3.18%
Early Maturity in Year 7	383	5.27%
Final Maturity - positive return	127	1.75%
Final Maturity - return of capital only	205	2.82%
Final Maturity - capital loss	0	0.00%
Total number of tests	7265	

The chart below shows the backtesting start date of any instances where investment in the FTSE 100 8 Year Kick-Out Plan would have resulted in a return of capital only, with no additional return:



Source of FTSE 100 Index Data: Bloomberg.

Past performance is not a guide to future performance.

For reference

First backtesting start date: 3 January 1984

Final backtesting start date: 30 September 2012

For more information, please visit www.investec.com/structured-products
For help call 020 7197 2440

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