

CALCULATION METHODOLOGY FOR THE UKSPA SECTORS

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The 'performance' section of the UKSPA website (www.ukspassociation.co.uk/performance/) contains performance data for the UKSPA sectors. Each sector is represented, and each UKSPA Product Code therein, provided that qualifying products have been issued in the UK retail structured product market.

What are the UKSPA sectors?

Protected Income	Products in this sector offer a potential income stream during the term of the product, plus full repayment of capital upon maturity.	Includes UKSPA Product Codes: 1140 – Protected Conditional Income 1180 - Protected Range Accrual Income 1198 – Protected Income Other
Protected Growth	Products in this sector offer a potential growth return to be paid when the product matures along with the repayment of capital in full.	Includes UKSPA Product Codes: 1100 – Protected Uncapped Growth 1120 – Protected Capped Growth 1150 – Protected Digital 1160 – Protected Kick Out 1170 – Protected Range Accrual Growth 1199 – Protected Growth Other
Non-Protected Income	Products in this sector offer a potential income stream during the term of the product. Capital is at risk at maturity if the underlying closes below a certain level.	Includes UKSPA Product Codes: 1230 – Fixed Income 1280 – Range Accrual Growth 1290 – Conditional Income 1299 – Income Other
Non-Protected Growth	Products in this sector offer a potential growth return to be paid at maturity. Capital is at risk at maturity if the underlying closes below a certain level.	Includes UKSPA Product Codes: 1320 – Uncapped Growth 1370 – Capped Growth 1260 – Kick Out 1270 – Digital 1285 – Range Accrual Growth 1399 – Growth Other

For each sector and UKSPA Product Code, performance data is also available broken down by UKSPA Market Risk Rating.

What period is performance data available for?

The starting point for performance for each sector and UKSPA Product Code is the 1st January 2009, or whenever the first qualifying product was added, whichever is later.

What products are included in the performance data?

The calculation agent for the performance data, Future Value Consultants, maintains a large database of structured products that have been available for UK retail investors and this database is used to generate the performance data. When a product is added to the database, the UKSPA Market Risk Rating is calculated at that time, and this determines the UKSPA Market Risk Rating category that is assigned to that product for its full term.

Each product will be included in the performance data for one UKSPA Product Code, and one sector.

What performance data is published, and how often?

Performance data, by way of an ‘index level’ will be published for each sector and UKSPA Product Code on a daily basis, provided that there is at least one live product for that sector and/or UKSPA Product Code. We will also publish the number of products that are live and make up the index composition for each sector and UKSPA Product Code for each day. This will give users an indication of the popularity and significance of each sector and/or UKSPA Product Code.

How is the performance of each product calculated?

The initial price of each product is calculated as its retail offer price less any adviser commission (which was available prior to the Retail Distribution Review). All products are included in the index until their maturity date (either at the end of their term, or earlier if there are ‘kick out’ features included), where their performance will reflect the actual maturity proceeds that investors in that product would receive. During the term of a product, FVC will calculate daily values, using mid-market price estimates. However, these levels are not material in the long term as the index values reflect true buying and redemption values and patterns. No other fees or cash flows have been deducted from the performance of the index, nor have any other assumptions or mechanisms been made or created which reduce the value of these indices as true benchmarks for performance.

How are individual products weighted in each sector or UKSPA Product Code?

On the start date of 1st January 2009, all qualifying products were added to each relevant sector or UKSPA Product Code with equal weighting by monetary value. The initial index level was set to 100 in each instance. Each day, the index value represents the weighted sum of the individual values of each product contained in the sector / UKSPA Product Code.

When a product matures or makes an income payment, this value is reallocated back into the index by buying additional units of each live product at prevailing levels, in proportion to their current monetary values.

When a new product is issued into the market and reaches its strike date (also often referred to as ‘Start Date’), it is added to the index for the relevant sector / UKSPA Product Code such that its monetary value is representative by proportion of the overall number of products that are live. This addition into the index (or ‘purchase’) is paid for by surrendering units in the existing products in proportion to their current monetary value.

Who is responsible for calculating and maintaining the performance data?

The index methodology and algorithms have been created by FVC, who are experienced index calculation agents and have been licensed for use by UKSPA.

Values are compiled by the calculation agent as accurately as possible based on a representative set of products. Sector performance should be taken as illustrative only and does not form the basis of advice or recommendation by either the calculation agent or the UKSPA, nor does it make any statement about the performance of any individual product.
