



# BCP

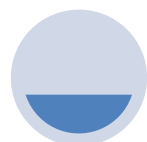
50 Years of Risk Managed Investment Solutions

# BCP

Specialists in Low Risk  
Investment Solutions

## Company Background

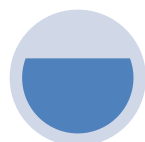
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**Over 30 staff  
located in Dublin**

Firm dates back to  
1969

First structured  
product issued in  
1992



**Currently  
managing over  
€3bn in assets**

Independently  
owned Firm



**Over 1,000  
intermediaries  
nationwide with  
BCP agencies**

Investors include  
Individuals,  
Corporates,  
Charities &  
Pension/ARF &  
AMRF

Leading provider of  
structured products  
to Irish  
intermediaries



# BCP Transatlantic Defensive Kick-Out Bond 5

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Important:

The information contained in these slides outlines how the Bond works and is complementary to the product Brochure and Key Information Document (KID), **which must be provided to potential investors.**

It is important that all key information, including risks detailed in the brochure, is brought to the attention of clients, potential clients and intermediaries as part of the sales process.

Please ensure you refer to the Brochure and KID for full details.

# Bond Summary

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- **Target Market** – Individuals, Pensions, Charities, Corporates, ARF, PRB, SSAP and PRSA investors, who receive investment advice. Clients who are seeking an investment linked to a European and North American focused market Index with a level of soft capital protection.
- **Issuer** – Goldman, Sachs & Co. Wertpapier GmbH B.V.
- **Guarantor** – **The Goldman Sachs Group**
- **Instrument** – Listed Certificate, MiFID complex product
- **Risk Category** – **Medium-High Risk product, SRI 5 out of 7**
- **Tax** – all returns are paid gross. It is BCP's understanding that this product **should be subject to CGT.**

# Bond Summary

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- **Maximum 10 year term**
  - **Underlying Asset** – The S&P Transatlantic 40 ESG-Momentum Tilted Equal Weight Daily Risk Control 15% 50-Point Decrement Index (EUR) TR
  - **Return of Capital** – at maturity, investors will receive 100% of their capital if the Index level at maturity is not more than 50% below its starting level. At maturity, if the Index is more than 50% below its starting level then investor's capital will be reduced by 1% for every 1% fall in the Index
  - **Observation Dates** – the Index level will be observed **at the end of year 1 and quarterly thereafter**
  - **Return** – potential return of 9.00% per annum
  - **Daily liquidity, in normal market and funding conditions**
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# Bond Summary

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- **Minimum investment amount** – €20,000 with increments of €1,000. A reduced minimum of €10,000 will apply where applications are completed in full in [vespro.bcp.ie](https://vespro.bcp.ie).
- **Closing date** – 15<sup>th</sup> March 2023
- **Initial valuation date** – 22<sup>nd</sup> March 2023
- **Start date** – 29<sup>th</sup> March 2023

**Fees** – 4.50% in total

European Depositary Bank	0.30%
Intermediary Fee	2.25%
BCP	1.95%



## Step Down Feature

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The Bond employs a defensive feature whereby the Autocall Barrier (the level the Fund needs to be at or above in order for the Bond to kick-out) **begins at 100% of the Initial Index Level at the end of year 1 and stays at 100% until 4 years and 9 months.**

The Autocall Barrier **drops to 85% of the Initial Index Level from the end of year 5 to the end of year 10** i.e. the Index can fall by 15% and clients will still receive a return.

## Key Differences versus previous version

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Category	BCP Transatlantic Defensive Kick-Out Bond 5	BCP Transatlantic Defensive Kick-Out Bond 4
Potential Coupon	9% per annum	10% per annum
Autocall Barrier at the end of year 5	85%	80%
BCP Commission	1.95%	2.25%

# Liquidity

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**Daily liquidity, in normal market and funding conditions.** There is no guarantee liquidity will be available at the time a client may wish to encash.

Provided by Goldman Sachs (this will generally be available in normal market and funding conditions), however, this product entails a materially relevant liquidity risk. Certain exceptional market and funding circumstances may have a negative effect on the liquidity of the product. The investor may not be able to sell the product easily or may have to sell it at a price that significantly impacts how much he/she gets back. This may entail a partial or total loss of the invested amount. Goldman Sachs may apply a charge which is equivalent to a deduction from the realised market value of no greater than 0.50%.

A 0.5% administration charge (subject to €100 minimum) payable to BCP will apply to the full realised market value of an early withdrawal outside of a kick-out or maturity date.

# Inside the Positive Target Market

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Clients who have **read the brochure and understand how this investment works**

Clients who have a minimum amount of €20,000 to invest (Minimum of €10,000 where investments are completed via Vespro)

Clients who are willing to invest for a period of up to 10 years

Clients who are **seeking an investment return linked to European and North American equities and are prepared to risk losing some or all of their investment**

Clients who understand that the return of capital is based on the performance of the Index

Clients who want to benefit from the performance of the Index

Clients who understand that **capital loss will occur if the Index falls by more than 50% in value at maturity**

Clients **who have some knowledge of, and experience in, investments** which allows them to **understand the risks associated with this investment**



# Inside the Positive Target Market

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BCP considers knowledge of and experience in any of the following (either directly or indirectly) to be relevant knowledge and experience:

- Managed Funds (Multi Asset Funds with minimum **ESMA 5** risk rating), Equity Funds, Listed Company Shares, Unlisted Company Shares, Derivatives, Soft Capital Secure Notes/Certificates, Kick-Out Bonds and Direct Property/Property Funds which employ gearing.

Clients who have an investment objective for this Bond of capital growth and do not require income

Clients who understand the return potential and how the return is generated

Clients who are willing to invest for a period up to 10 years

Clients who understand that if The Goldman Sachs Group (GSG) was to default, they will lose some or all of their investment and potential return

Clients who understand and accept the risks associated with this investment including counterparty risk

# Inside the Negative Target Market

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Clients who do not understand how this investment works

Clients who are **not willing to risk any of their capital**

Clients who have not read the warnings and risk disclosures in the brochure

Clients who want a regular income and dividends

Clients who **may need immediate access to their money before maturity**

Clients who cannot commit to the full 10 year Term

Clients who do **not have sufficient knowledge of or experience in investments to understand the risks associated with this investment**

Clients **who want a guaranteed return** from the investment

Clients who want to add to the investment on a regular basis

Clients who wish to **invest in products which qualify for an investor compensation scheme**

Clients who are **not prepared to accept The Goldman Sachs Group credit risk**

Clients who are looking for an investment that promotes ESG compatible characteristics

# Financial Advice

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**All clients must be provided with Financial Advice prior to applying to invest in the product:**

- Clients must complete a Fact Find
- The adviser must issue a Suitability letter

**BCP will complete an Appropriateness Assessment for all applications submitted via Intermediaries.** BCP will assess the client's knowledge and experience in order to determine if the client can understand the risks associated with the investment.

# Knowledge and Experience

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## **Knowledge and Experience:**

Clients must have Knowledge of and Experience **in any of the following (either directly or indirectly):**

- ✓ Managed Funds (Multi Asset Funds with minimum ESMA 5 risk rating)
- ✓ Equity Funds
- ✓ Listed Company Shares
- ✓ Unlisted Company Shares
- ✓ Derivatives
- ✓ Soft Capital Protected Notes/Certificates
- ✓ Kick-Out Bonds
- ✓ Direct Property/Property Funds which employ gearing



# Knowledge and Experience

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## **Educational background**

Periodically cases may be received where a client may have little or no investment experience but has a relevant qualification which in BCP's view would allow the client to understand the risks associated with the investment, for example a young professional making their first investment. **BCP believe that based on the clients education/qualifications they are able to understand the risks associated with the investment** and on this basis the investment is appropriate.

Considering the risks associated with the bond and the back testing data, the Firm considers that clients with a relevant financial services qualification or a Third level degree in Business/Economics or other similar fields may be considered as **having sufficient knowledge** to invest in this product even where they have no/insufficient investment experience.

**Such cases must be signed off by a member of the Investment Committee.**

# Financial Situation and ability to bear losses

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## **Financial situation with a focus on the ability to bear losses:**

Clients who are seeking an investment linked to a European and North American focussed market Index with a level of soft capital protection. **Clients must be willing to lose some or all of their investment.**

Advisers must be comfortable that the client **will potentially have no access to their money for 10 years**, and be comfortable that this portion of their portfolio **does not provide any hard capital protection** and as such **cannot be relied upon to provide:**

- (i) immediate access in the case of emergency and
- (ii) capital security only applies at maturity.**

The **investment should not be considered as appropriate for the clients 'emergency fund'.**

# Recommended restriction on % of portfolio

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## **Recommended restriction on % of portfolio to be invested:**

The **specific allocation will need to be determined based on each individual investor's specific requirements and portfolio.** Advisers should consider that this is a **Medium-High Risk product (SRI 5 out of 7), has a 10 year term, with no hard capital protection.** Depending on the risk profile and specific circumstances for each client, the % allocation of a client's portfolio will differ from client to client.

Advisers should consider the suitability to each individual client based on their specific requirements for return.

## Key Risks

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**Risk of Capital loss** – Your capital is at risk if the Index falls by more than 50% of the Initial Index Level at maturity. In this scenario your capital will be reduced by 1% for every 1% fall in the value of the Index at the end of the Bond and you may lose some, or all, of your investment amount.

**Counterparty/Credit risk** – Capital is exposed to the credit risk of The Goldman Sachs Group as the guarantor of the Certificate. If Goldman, Sachs & Co. Wertpapier GmbH and The Goldman Sachs Group default on their senior debt obligations clients may suffer partial or full capital loss and potential return.

**Inflation Risk** – Any inflation during the term of the Bond will reduce the real value of the investment over time.

**Concentration Risk** – The investment in the Bond should only be considered as part of a client's overall investment portfolio. Clients should not put all, nor a large part, of their money available for investment into any one product, or with any one counterparty.



## Key Risks

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**Market Risk** – External factors could affect national economies, regions or an asset class and cause a fall in value of the equity markets and could influence the returns payable under the Bond.

**Liquidity Risk** – This product entails a materially relevant liquidity risk. **Certain exceptional market and funding circumstances may have a negative effect on the liquidity of the product.** The investor may not be able to sell the product easily or may have to sell it at a price that significantly impacts how much he/she gets back, this may entail a partial or total loss of the invested amount.

**Early Redemption Risk** – **If the Bond is sold before the Final Maturity Date** then the value of the Bond may be less than the original investment amount and **the investor may lose some or all of the invested amount.**

**Lack of Compensation Scheme Protection** – the investment is not covered by any investor compensation schemes in the event of a default of Goldman, Sachs & Co. Wertpapier GmbH and The Goldman Sachs Group.

# Key Risks

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**Taxation Risk** – Current Irish taxation legislation **does not allow for a clear categorisation of the product as being subject to Capital Gains Tax. There is a risk an alternative taxation basis may apply.**

**Fixed Dividend Risk** – This fixed dividend is likely to be higher than the actual dividends paid by the companies in the Index in the future and will act as a drag on the performance of the Index in this situation.

**Leverage Risk** – **the Index includes embedded leverage**, which amplifies the variation, upwards or downwards, in the value of the underlying instrument(s), **which may result, in a worst case scenario, in the partial or total loss of the invested amount.**

## Key Risks

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**Volatility Control Mechanism Risk** – the Index contains a volatility control mechanism that is designed to keep the overall Index volatility close to 15%. In the event of a sudden and significant market decline, itself followed by a sharp increase, the Volatility Risk Control adjustment mechanism may result in temporary underexposure and therefore a period of under performance. When the market is stable or rising, followed by a sudden and sharp decline, the Volatility Risk Control adjustment mechanism can result in temporary overexposure leading to a period of under performance.

# The Goldman Sachs Group

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Goldman, Sachs & Co. Wertpapier GmbH acts as Issuer and **The Goldman Sachs Group acts as Guarantor**. Investors are exposed to the credit worthiness of The Goldman Sachs Group.

The Goldman Sachs Group is a bank holding company and a financial holding company regulated by the Board of Governors of the Federal Reserve System (Federal Reserve Board).

CREDIT RATING	FITCH	MOODY'S	STANDARD & POOR'S
The Goldman Sachs Group	A (Stable)	A2 (Stable)	BBB+ (Stable)

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Source: Bloomberg as of January 2023



# About the Index

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The S&P Transatlantic 40 ESG-Momentum Tilted Equal Weight Daily Risk Control 15% 50-Point Decrement Index (EUR) TR is an equity index that is calculated and published by S&P

- The index consists of **40 companies** with biggest improvement in ESG scores across Europe and North America, with equal exposure in each region (**20 companies selected from Europe and 20 companies selected from North America**).
- The index has a **volatility cap of 15%** (uses a 20 day volatility window).
- **Maximum exposure/leverage = 150%**
- The index is calculated in EUR.
- An amount of 50 index point is deducted from the Gross Total Return Index each year.

# Index construction

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**Index universe** – the 75 Largest European Cap companies and 75 Largest North American cap companies.

**ESG filter** – Companies ranked within the lowest 10% of any one of E,S,G Scores are excluded. If the number of companies removed is less than 23 companies (when there is overlaps), the companies with the worst ESG scores are then removed until 23 stocks are removed.

**ESG improvement** - Top 20 companies in each region with the highest year-on-year improvement in ESG Scores are selected.

**Equal weighting** – each company is given an equal weighting and the weighting is rebalanced each quarter to avoid concentration risk.

**Composition reviewed annually** – The index composition is reviewed and updated annually to ensure current ESG improvers are included.

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# Complex features

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**BCP considers the following elements to be complex features of the product:**

- Decrement
- Volatility Control Mechanism
- Leverage (based on the Volatility Control Mechanism)

The following slides will explain each of these in detail.

# Decrement Index explained

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Equities can provide investment returns in two ways – capital returns as share prices move (up or down) and income returns through dividends.

Indices are collections of stocks chosen to represent a particular market or market segment. Indices can be “price return” which just represent the changing prices of the underlying shares or “total return” which includes the dividend payments.

A decrement is an overlay applied to equity indices. A decrement Index is constructed by deducting a predefined dividend from a total return Index on a daily basis. Depending on whether the fixed dividend is greater or less than the actual realised dividend received, the decrement Index could underperform or outperform the corresponding price return Index.

# Decrement Index explained

When the market is stable or steadily increasing, decrement indices tend to become more beneficial to investors. **In adverse market conditions, however, it is important to acknowledge that decrement indices may represent an increasing reduction in returns.**

Take an index where the index price is €1,000 and there is a fixed decrement of €50 a year deducted on a daily basis. This is equivalent to a 5% pa deduction. The table below shows the impact of this deduction depending on whether the index price rises or falls:

	INDEX PRICE	DECREMENT (€)	DECREMENT (%)
<b>Bear Market</b>	€750	€50	6.67%
<b>Stable Market</b>	€1,000	€50	5.00%
<b>Bull Market</b>	€1,250	€50	4.00%

# Why are Decrements used?

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The fixed dividend/decrement mechanism within Indices/Funds is **designed to improve the pricing** when used within Structured Products, and specifically Kick-Out/Autocall products. **This is achieved by reinvesting all dividends paid by constituent stocks and deducting a fixed dividend/decrement of either a fixed amount or a fixed percentage.**

The long-term dividend market is mostly driven by trading desks, which need to hedge their positions created by selling structured products. **Over the past number of years, the issuance volumes of structured products linked to European indices has been high.** This structural flow has impacted the market for implied long term dividend levels, pushing them lower. **This has led to an increase in hedging prices on the European indices and as a result, issuing structured products linked to these indices has become more expensive for issuers and less attractive for investors.**

# Why are Decrements used?

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By reinvesting dividends of constituent stocks and deducting a fixed dividend/decrement, **both dividend uncertainty and hedging costs are reduced for issuing banks, as a result, improved terms can normally be offered for fixed dividend/decrement type indices/funds.**

The use of the fixed dividend/decrement mechanism within an Index/Fund enables the issuer to provide improved product terms for clients compared to using the same Index/Fund with no fixed dividend/decrement mechanism.



# Impact of the Decrement on the Index

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As of the 23rd of January 2023, the S&P Transatlantic 40 ESG-Momentum Tilted Equal Weight Daily Risk Control 15% 50-Point Decrement Index had a spot price of 847.56 and a fixed decrement of 50.

The Index firstly reinvests dividends paid by companies in the Index and then removes an annual fixed dividend of 50 points. This fixed dividend of 50 points equates to a deduction of 5.90% per annum. (based on the spot price at 23rd January 2023).

The dividend yield of the Index components over the past one year was approximately 2.69%, therefore, the approximate net deduction as of 23rd of January 2023 was 3.21% per annum.

This fixed dividend is likely to continue to be higher than the actual dividends paid by the companies in the Index in the future and will act as a drag on the performance of the Index in this situation.

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# Risk Control Mechanism

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- The Index embeds a Risk Control Mechanism which adjusts the exposure of the Index to the Portfolio of Stocks in order to maintain volatility close to a level of 15%.
- Exposure to the portfolio of stocks will be adjusted between 0 - 150% depending on the realised volatility of the Portfolio of Stocks over the past 20 business days.

## Why:

- Aims to reduce significant price fluctuations of the Index
- Designed to reduce the impact of market downturns, during which volatility tends to increase.

# Risk Control Mechanism - implementation

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- When the 20 business day realised volatility of the Portfolio of Stocks increases above 15%, exposure to the portfolio of stocks will be reduced.
- Conversely, when the realised volatility of the Portfolio of Stocks falls below 15%, exposure will be increased up to a maximum of 150%.
- The aim is to maintain the Index's volatility as close to 15% as possible:
  - Exposure of Index to Portfolio of Stocks =  $15\% / \text{Realised Volatility of the Portfolio of Stocks}$
  - Exposure is capped at 150% and floored at 0% Risk Control



# Leverage

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Exposure of the Index to the Portfolio of Stocks can be between 0% and a maximum of 150%. Where the exposure to the Portfolio of Stocks is more than 100% (subject to a maximum of 150%) this is known as Leverage.

The exposure of the Index to the Portfolio of Stocks is calculated as follows:

15% / Realised Volatility of the Portfolio of Stocks over the past 20 business days.

This embedded leverage, which amplifies the variation, upwards or downwards, in the exposure to the Portfolio of Stocks, may result, in a worst case scenario, in the partial or total loss of the invested amount.

# Leverage

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**See 3 worked examples below:**

**Example 1.** *Realised Volatility of the Portfolio of Stocks is 12%:*

$$15\% / 12\% = 1.25$$

If the realised volatility is 12%, the exposure to the Portfolio of Stocks is 125%.

**Example 2.** *Realised Volatility of the Portfolio of Stocks is 17%:*

$$15\% / 17\% = 0.88$$

If the realised volatility is 17%, the exposure to the Portfolio of Stocks is 88%.

**Example 3.** *Realised Volatility of the Portfolio of Stocks is 8%:*

$$15\% / 8\% = 1.875$$

If the realised volatility is 8%, the exposure to the Portfolio of Stocks is 150%. In this situation the exposure cannot exceed 150%.

# Actual and simulated past performance

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The underlying Index was officially launched on 20th December 2021 so the performance figures are a combination of a short period of live performance and a longer period of back-tested or simulated performance generated by replicating the exact rules of the Index back to 30<sup>th</sup> June 2011.

We have compared the performance of the Index (live and simulated) to a Proxy Index, with the Euro Stoxx 50 and S&P 500 (50/50 split) both being commonly used benchmarks for European/North American equities.

Since the pandemic, all equity markets have exhibited higher levels of volatility which is why we believe this Bond provides an ideal combination of strong potential return from a broad selection of European and North American companies, with a risk management overlay that protects investor capital against up to a 50% fall in the Index value in 10 years' time.

# Actual and simulated past performance

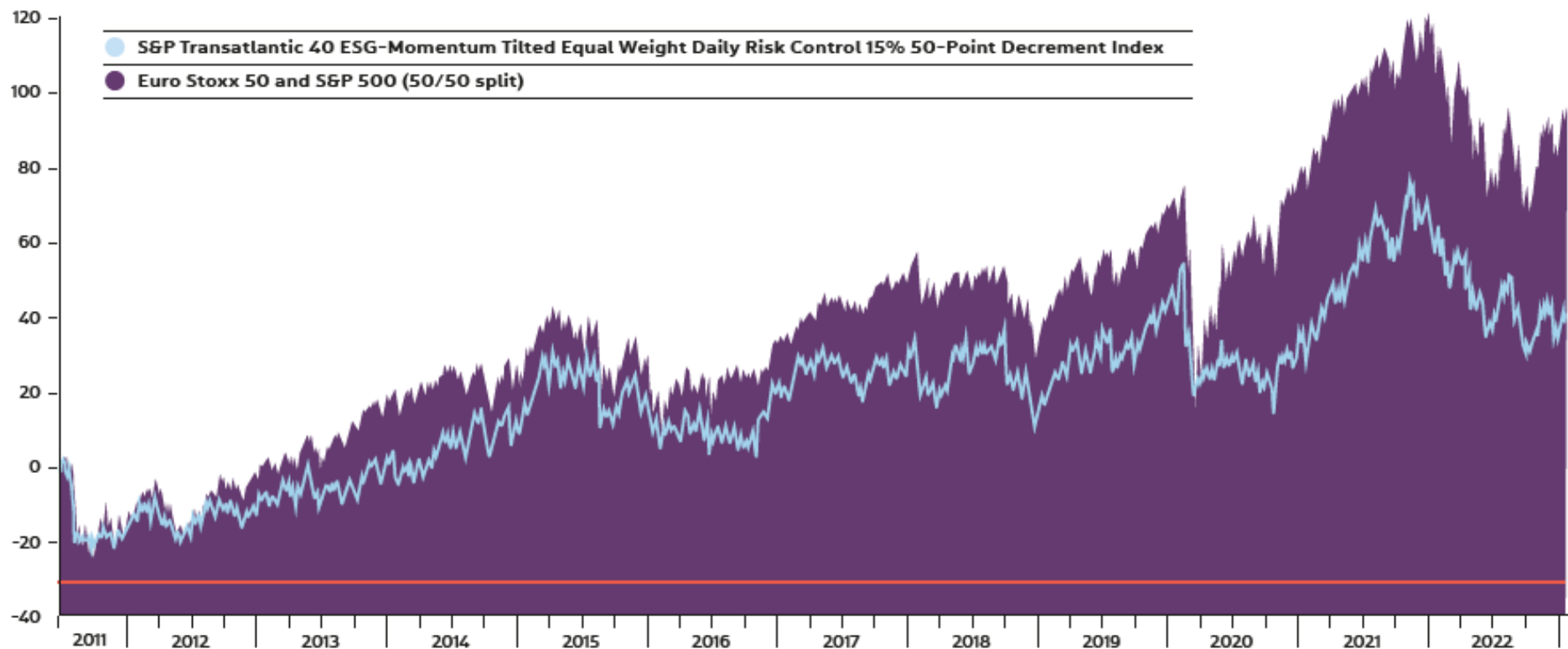
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The backdrop of the simulated and past performance of this Index has predominantly coincided with both European and North American equities trending upwards i.e., an equity bull market. **Despite the upward trend, there was also periods of heightened volatility. The Euro Stoxx 50 Index declined by more than 20% from its peak level on four occasions. In this same period, the S&P 500 Index declined by more than 20% from its peak on two occasions.**

In the below on the following slide the red line indicates a point that is 50% below the value of the underlying Index on 23rd January 2023. This is to illustrate how far the Index (illustrated by the purple line) would have to fall in 10 years' time for capital to be lost, assuming the starting point was 23rd January 2023. **The line is extended across all historic time periods to show where the resulting value (i.e. representing a 50% fall in the current value of the Index) would be in the context of the historic performance of the Index.**



# Actual and simulated past performance

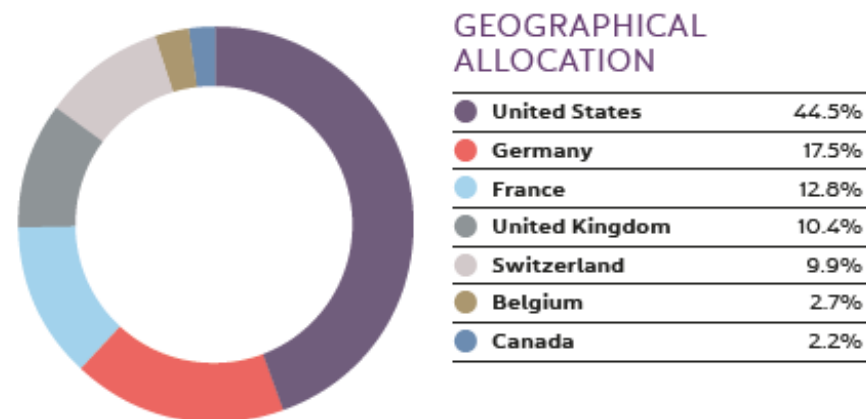
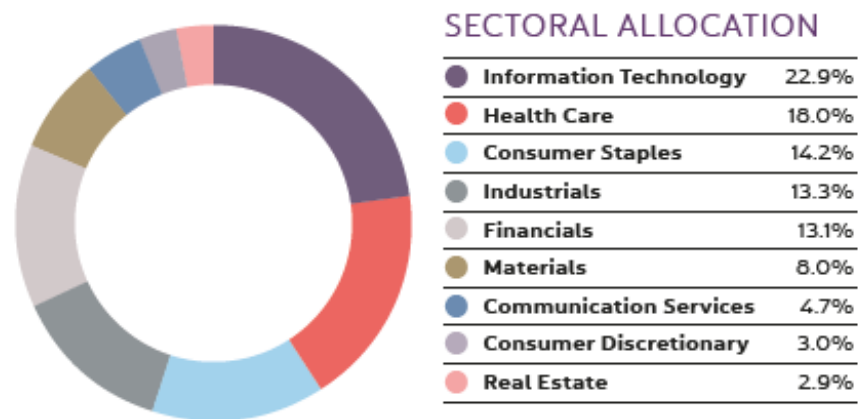


Source: Bloomberg as of 23rd January 2023. Performance is quoted cumulatively (not annualised), net of fees and gross of tax. The S&P Transatlantic 40 ESG-Momentum Tilted Equal Weight Daily Risk Control 15% 50-Point Decrement Index was launched on 20th December 2021 so performance before this date is simulated.

**Warning: Actual and simulated past performance is not a reliable guide to future performance.**

# Index breakdown

## INDEX ALLOCATIONS – SECTOR AND GEOGRAPHY



Source: Goldman Sachs Global Markets Division, as of Q1 2023.

# Important Regulatory Information

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## **BCP Transatlantic Defensive Kick-Out Bond 5**

WARNING: This is a capital at risk product. WARNING: If you invest in this product you may lose some or all of the money you invest. WARNING: If you cash in your investment before 29th March 2033 you may lose some or all of the money you invest. WARNING: The value of your investment can go down as well as up. WARNING: Actual and simulated past performance is not a reliable guide to future performance. WARNING: Certain investments may carry a higher degree of risk than others and may therefore be unsuitable for some investors. WARNING: If The Goldman Sachs Group were to default, you will lose some or all of your investment and potential return. WARNING: Current Irish taxation legislation does not allow for a clear tax categorisation of this product as being subject to Capital Gains Tax. There is a risk an alternative taxation basis may apply. WARNING: The return on your investment in this product may be affected by changes in currency exchange rates.

**Please refer to the Brochure and KID for full details**