

# Performance Plus Note (USD) Issue 2



*Global innovation, sensibly navigated.*

This US Dollar **conditional capital-protected** investment tracks the performance of the top 100 most innovative global listed companies. The Performance Plus Note (USD) can deliver **positive returns** in low growth and negative trending market conditions.

**For use via iTransact**

Structured Solutions

[www.absa.co.za/ss](http://www.absa.co.za/ss)

## Introduction

Many investors would like to access investments that provide the opportunity to participate in equity market returns, but at the same time deliver returns in excess of the risk-free rate during sideways and negative trending market conditions. The Performance Plus Note (USD) offers unlimited upside as well as full capital protection and some positive returns, provided the underlying Index has not fallen by more than 40% at maturity.

**The Investment is in the form of a Note issued by Absa Bank Limited ('Absa').**

## About the Investment

The Investment is a five-year (5), USD, conditional capital-protected investment linked to an Index that tracks the performance of the top 100 leading global companies that are positioned at the forefront of innovation. The Investment is linked to the Nasdaq Yewno Innovative Technologies Index (the 'Index').

### **After five (5) years, you will receive back:**

After five (5) years, if the Index return is positive, investors will receive their full Investment Amount back plus the greater of the Index performance or 20%. If the Index return is negative, the investor will receive their full Investment Amount back plus a 20% return as long as the Index has not fallen by more than 40%.

**How the Investment works and how you can access it are discussed in detail further on in this Brochure and the Investment Schedule. Please read this Brochure, the Investment Schedule and the Terms and Conditions carefully and make sure that you understand them before investing.**

## For whom is the Investment suitable?

### **This Investment may be suitable if you:**

- Want to invest in USD and have the minimum lump sum required.
- Want to diversify your portfolio to currencies and markets outside of South Africa.
- Are attracted to the growth potential of global markets.
- Understand and are comfortable with the Index (please refer to 'About the Index' section in the Brochure).
- Are able to commit your Investment Amount for five (5) years.
- Are prepared to risk some of your capital.
- Regard the terms governing the liquidity of the Investment as appropriate for you.

## How the Investment works

### **At the beginning of the Investment term ('Investment Start Date'), we record the following:**

The closing level of the Index on the Investment Start Date. This is called the 'Initial Index Level'.

### **At the end of the Investment term, we record the following:**

- The closing level of the Index on the Investment End Date. This is called the 'Final Index Level'.

### **After five (5) years, on the Maturity Date, we calculate the Index Performance:**

- The Index Performance is the difference between the Final Index Level and the Initial Index Level.
- In addition to the performance of the Index, the repayment of the Investment Amount and any return is subject to the ability of the Issuer to pay and any extraordinary market events that may have occurred (see 'Potential Risks' section in this Brochure).

### **What you will receive on the maturity of your Investment:**

- If the Index Performance is positive, the investor receives initial capital plus the greater of 20% or the Index Performance multiplied by the Participation Rate as an Investment return.
- If the Index Performance is negative, but the Final Index Level is equal to or higher than 60% of the Initial Index Level, the investor receives initial capital plus a 20% Investment return.
- Should the Final Index Level be below 60% of the Initial Index Level, the investor will receive less than the initial capital invested. Capital loss will be equal to the fall in the Index Level.

**Please refer to the Investment Schedule for further information, specific dates and details on the Participation Rate.**

## Example return scenarios

The below scenarios are based on an Investment Amount of USD 100 000 and a Participation Rate of 100% in any positive Index growth and are for illustrative purposes only.

Investment Amount	Index Performance	Participation Rate	Investment Return at Maturity	Investment Value at Maturity (pre-tax)
USD 100 000	60%	100%	60%	USD 160 000
USD 100 000	30%	100%	30%	USD 130 000
USD 100 000	10%	100%	20%	USD 120 000
USD 100 000	-20%	100%	20%	USD 120 000
USD 100 000	-40%	100%	20%	USD 120 000
USD 100 000	-45%	100%	-45%	USD 55 000

Source: Absa Corporate and Investment Bank, September 2021

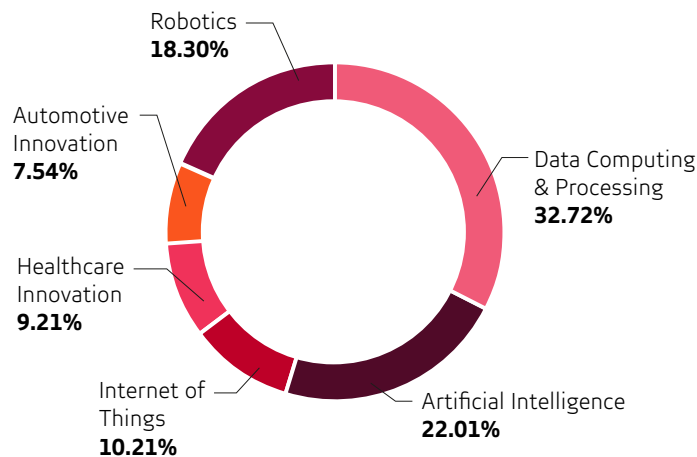
## About the Index

### Background and investment rationale

The Index to which the Investment is linked is the Nasdaq Yewno Innovative Technologies Index (the 'Index'). The Index fact sheet can be found on our website or ask your financial adviser to provide you with a copy.

The Nasdaq Yewno Innovative Technologies Index is a rules-based Index aiming to generate positive returns by providing exposure to 100 stocks of leading companies that are positioned at the forefront of innovation in the world by investing extensively in six (6) innovative fields.

## Index composition

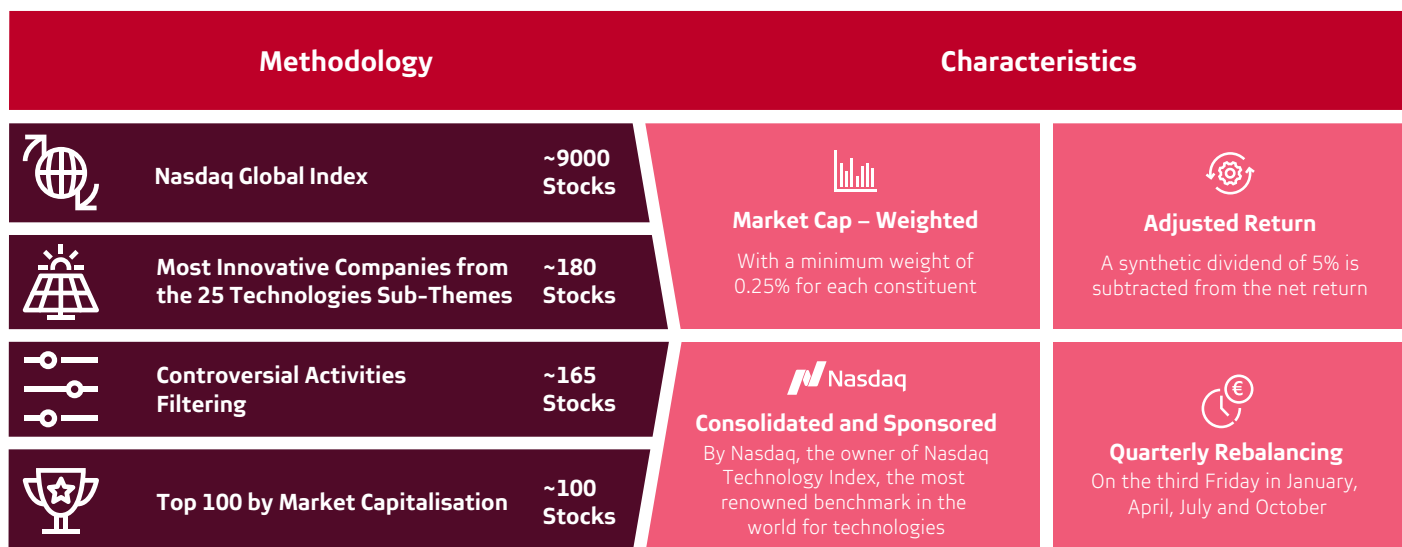


### Examples of Index Composition

- Microsoft Corp, Apple Inc., Amazon.Com Inc. in the Data Computing and Processing theme belong to the top 10 organisations, which received the most patent grants from the USPTO in 2019.
- In the Artificial Intelligence theme, Samsung Electron Rg, the world's largest active patents holder, has the third highest number of AI-related patents in the world with 11 243 AI-related patents.
- Visa, Mastercard Inc. and PayPal are among the top creative companies in the Internet of Things theme with patent grants in mobile payments.
- Johnson & Johnson's innovation include ophthalmic devices with electronic elements.
- In the Automotive Innovation theme, BYD -H- was in the top 5 companies in the China National rankings with over 2 000 patents issued domestically and internationally.

Source: BNP Paribas, August 2021

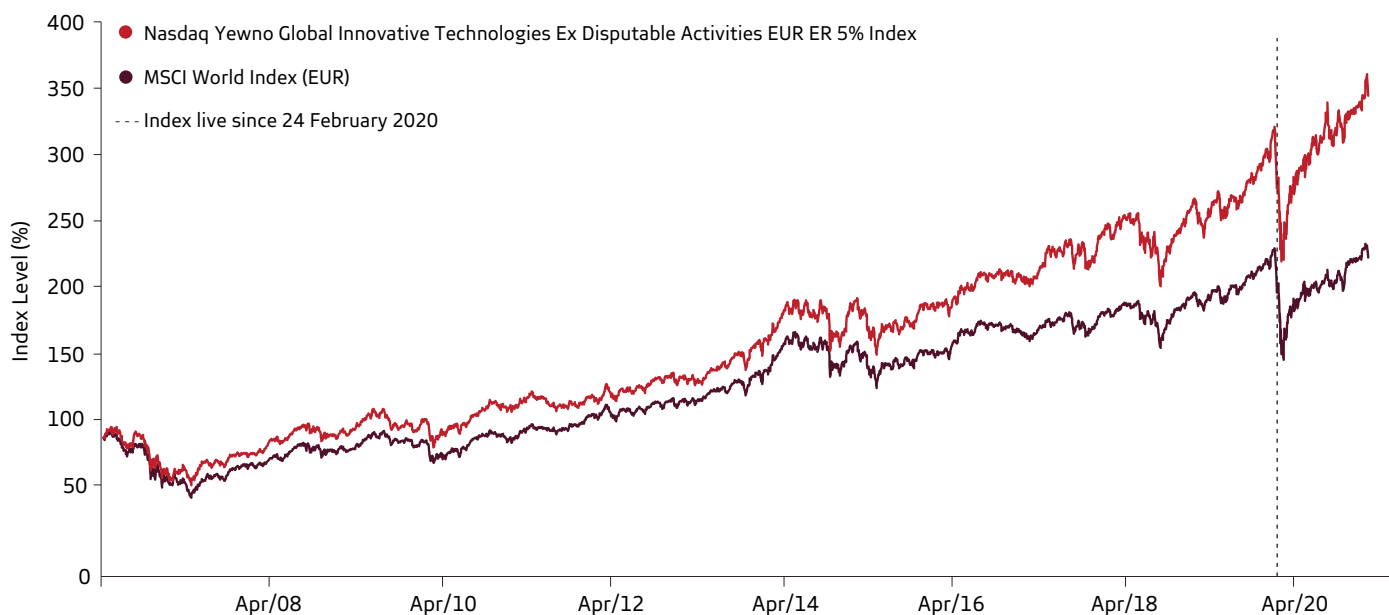
# The strategy in a nutshell



Source: BNP Paribas as of September 2020, for illustrative purposes only.

## Index performance

The chart below shows the rebased performance of the Index and a comparison with the MSCI World Index (market-cap weighted) Index from January 2004 to August 2021, and highlights that the indices may go down as well as up.



Source: BNP Paribas, August 2021

Apr 08 – Aug 21	Nasdaq Yewno Innovative Technologies Ex Disputable EUR 5% Index	MSCI World Index (EUR)
Annualised Performance	11.07%	7.95%
Annualised Volatility	18.58%	17.07%
Sharpe Ratio	0.60	0.47
Max Drawdown	-38.50%	-45.82%

Source: BNP Paribas, August 2021

## Access to your Investment

This Investment is aimed at investors who do not need access to their money during the Investment term. You should be aware of the following:

- Any sale of your Investment before the Maturity Date is subject to normal market conditions (and the Issuer has the discretion to declare conditions as 'normal' or 'abnormal').
- 'Abnormal' market conditions may arise if market volatility increases significantly or if the liquidity of the underlying assets of the Investment becomes limited.

Please note that any withdrawals will be done at the prevailing market value of the Investment, and any early withdrawal could result in you losing some or all of your Investment Amount.

No partial withdrawals are allowed. If you need to access your money, please contact the Administrator of your Investment, who will request the Issuer to redeem your Investment at the prevailing market value.

Any Investment proceeds due to you will be paid out within approximately seven (7) business days after the early withdrawal or Maturity Date.

## Important information about the Investment

### About Absa the Issuer

Absa Bank Limited ('Absa') issues this Investment and provides the capital protection. In many respects, we will also be providing the Investment advice. The payments due to you depend on Absa Bank Limited being able to meet their obligations to you. If they cannot meet their obligations, you may lose some or all of your Investment Amount.

Banks and other issuers of investments are assigned credit ratings to indicate to investors how capable they are of meeting any payments due to holders of investments. (See 'Credit risk' section). Current credit ratings are detailed in the Investment Schedule.

Before making any investment decision, you should satisfy yourself that you fully understand the risks relating to the Investment and seek the necessary professional advice to make an informed decision.

### The Structured Products Programme

This Investment will be documented by way of an Applicable Pricing Supplement issued under the Issuers' USD1 Billion Master Structured Notes Programme dated 30 October 2019 (the 'Structured Products Programme') as approved by the Luxembourg Stock Exchange and used for the issuance of Notes and Certificates. The Applicable Pricing Supplement should be read together with the applicable Programme Memorandum (forming part of the Structured Products Programme) for the complete set of terms and conditions applicable to the securities described herein. Copies of the Structured Products Programme are available on the Issuers' website. All definitions used and not defined herein shall have the meaning defined in the Structured Products Programme.

# Your questions answered

## **How can I invest?**

You can speak to your financial adviser, who will help you make sure the Investment is suitable for you. Once you regard this investment proposition as suitable for you, you can complete the relevant application form and investment instruction with your financial adviser and submit it to the address on the forms.

## **How can I monitor the performance of my Investment?**

You will receive an investment confirmation soon after you have invested. We regularly make the performance fact sheets available on our financial adviser [website](#). You can obtain these by speaking to your financial adviser. You will also receive regular investment statements from the Administrator of your Investment. You can speak to your financial adviser if you have any questions.

## **Is there any currency risk in the Investment?**

No. Your Investment is in USD and the capital and returns are paid out in USD.

## **Can I access my Investment before the Maturity Date if I need to?**

The Investment is aimed at investors who do not need access to their money before the end of the five-year (5) Investment term.

Because the Investment is held in a policy, there are restrictions on the number of withdrawals you can make during the first five (5) years. Any early withdrawal will be based on the prevailing market value of the Investment. The market value will be calculated by the Issuer and paid to the Insurer. Please note that any such early withdrawal could result in you losing some or all of your Investment Amount.

## **What happens at the end of the Investment term?**

After the Maturity Date, the Administrator will pay your capital and any returns within seven (7) business days. You will be able to take your proceeds or may choose to invest in a new investment available at the time.

## **What other documents should I have read before I invest/what are the transaction documents?**

Please read and understand this Brochure and Investment Schedule, which will help you understand the Investment in detail. This Brochure represents what we at Absa believe to be the most relevant summary of the features and risks of the Investment, but is not intended to be the sole basis for any investment decision. You can access the pricing supplement on our [website](#) for information about the Investment.

## **Is there a cooling-off period?**

There is no cooling-off period for this Investment, so please consider carefully whether you want to invest before you submit the application form.

## **What are the tax implications of the Investment?**

The tax implications of buying the Investment can be complex, and the levels and basis of taxation may change during the Investment term. We strongly advise that you get your own advice based on your own tax status and intention for acquiring the Investment.

# What are the potential risks associated with the Investment?

## **Credit risk**

This Investment is issued and the capital protection (if applicable) provided by Absa. The payments due to you depend on Absa being able to meet their obligations to you. If they cannot meet their obligations, you may lose some or all of your Investment Amount.

In the event of insolvency, all investors would rank as senior unsecured creditors. Senior unsecured creditors get paid first out of the company's other assets.

Financial institutions are rated to indicate to investors how capable they are of meeting any payment commitments. Credit ratings are assigned by two (2) leading ratings agencies: Standard & Poor's and Moody's National. The highest ratings given by these agencies are AAA from Moody's National and AAA from S&P indicating, in their view, the least risky or most likely to meet payments when due. The lowest ratings that they give, denoting the riskiest or least likely to meet the payments, are C (Moody's National) and D (S&P).

The actual and perceived ability of the counterparty to make payments due to you in respect of the Investment, may affect the market value of your Investment.

Furthermore, if the counterparty fails to pay, you may get back less than is due to you or nothing at all.

Please refer to the Investment Schedule for Absa's current credit ratings.

## **Market risk**

The value of the Investment on maturity depends on the level of the Index and the indices comprising the Index, but future performance of the Index cannot be guaranteed. The value of your Investment during the Investment term can change unpredictably because of:

- The performance of the Index and the indices comprising the Index
- External factors including financial, political and economic events and other market conditions
- Sudden and unpredictable changes in interest rates.

## **Adjustments risk**

The terms of the Investment permit us to delay, reduce or withhold payments in certain circumstances. These provisions are not intended to circumvent what is legally due to you as an Investor, but rather to cover unforeseen events, which may affect your return, such as:

- A suspension or a delay in calculating the level of an Index or the price of any of the individual indices that make up an Index
- Errors in calculating an Index
- Changes in the way an Index is calculated
- An error in calculating the return itself

While we will exercise due care and diligence in undertaking our responsibilities in relation to the Investment, the effects of the exceptional types of circumstances referred to in the above 'Adjustments' and 'Index risk' scenarios may decrease the value of your Investment.

## **Early redemption risk**

Your Investment is designed to be held until maturity. If you redeem your Investment before the Maturity Date, you could lose some or all of your Investment Amount. Please refer to 'Can I access my Investment before the Maturity Date if I need to?'

## **Index risk**

While we do not expect this to happen, it is theoretically possible that, during the term of the Investment, any of the indices or the Index may cease to exist, cannot be calculated, is modified or cancelled. This is beyond our power and if it were to happen, the level of the relevant Index could fall. What this means is that you, as the Investor, could lose some of your Investment Amount, especially where the Issuer is forced by events to mature the Investment early. We could look for a replacement Index or try to calculate the Index ourselves. We also have the right to redeem or cancel your Investment early. These circumstances could negatively impact the performance of your Investment.

The performance of indices is unpredictable and depends on:

- Financial, political, economic and other events
- Each underlying share or the Issuer's performance
- Market position
- Risk situation
- Structure where applicable.

## **Early termination and adjustment risk**

Your Investment may be terminated before maturity if there are certain market disruptions or other extraordinary events.

Absa may also delay, reduce, adjust or withhold payment in certain circumstances. These provisions are only intended to cover unforeseen events beyond our control that may impact the Investment.

## **Portfolio diversification risks**

You should carefully consider the exposure that investing in this Investment would have on your overall investment portfolio.

## **General risks**

Other risks include the following, which could have an adverse effect on the value of your Investment:

- Inflation could erode the real value of your Investment.
- Market disruptions could adversely affect the performance of your Investment.
- Settlement disruptions may mean delays or failure of payments or returns by the Issuer, your investment platform, clearing system or other third-party paying agents or intermediaries.
- Index returns could differ from the actual returns on the shares that make up an Index. This is because the Index may not take into account income or changes to its constituents over time, and fees and commissions may be deducted.
- An Investment in an Index may be taxed differently from a direct Investment in the components of the same Index.
- Absa action could mean that they change an Index and adjust their composition or calculation methodology, or even suspend or cancel the Index.
- Foreign exchange risk could positively or negatively impact any Investment returns if you invest in an Investment denominated in a currency other than your home currency or if the terms of the Investment allow for conversion of your principal Investment into another currency.
- Potential return/underperformance risk means that your returns could be less than if you invested in a deposit account or directly in the underlying assets to which the Investment is linked.

**The risks associated with this Investment are not limited to those described above, but these are the key risks. Before investing, you should satisfy yourself that you fully understand the risks and you should consult your own professional financial, tax and legal advisers where necessary.**



# Important information and disclaimer

**This document is for information purposes only.** All applications made by your Investment platform to purchase an Investment on your behalf require subsequent formal agreement by Absa, which will be subject to internal approvals and binding transaction documents.

**Advice.** This Brochure and Investment Schedule do not constitute advice. Please consult your financial and tax adviser before investing.

**You have no claim against the underlying asset(s) to which the Investment is linked.** You will not have any recourse against any issuer, sponsor, manager, obligor or other connected person in respect of the indices.

**Regulatory disclosure.** Absa may disclose any information relating to your Investment that is required by regulators.

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**FAIS License Category:** Financial advisers need to be Fit and Proper for the following: Subcategory of Financial Product: 1.8 Shares.

## Investor Declaration

The Investor hereby confirms that they have read and understood the information contained in this Brochure.

Signed at

Investor full name

Signature of Investor (or duly authorised person/s for minor Investors)

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Date (dd-mm-ccyy)

Signature of Contact Person or Legal Guardian

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Date (dd-mm-ccyy)

Signature of authorised and mandated Financial Adviser

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Date (dd-mm-ccyy)

# Contact us

## Investor

If you have any questions about this Investment or any other Absa investments, please contact your financial adviser.

## Financial advisers

Financial advisers please contact the Structured Products team directly:

**E** aiss@absa.africa

## Complaints

Please contact your financial adviser or our compliance officer on:

**T** +27 11 895 6263

**E** Mike.Pithey@absa.africa

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## **Let us help structure and define your investment outcomes**

**Email us aiss@absa.africa**

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