

APS Multi-Asset Strategy 6% Volatility Target EUR Strategy No.1

Composition and Methodology

Summary

IMPORTANT: This is a summary of the features of the APS Multi-Asset Strategy 6% Volatility Target EUR Strategy No.1 and as such, not necessarily complete. This document should be read in conjunction with the Term Sheet and Key Information Document of APS Kapital Plus 16 which may be accessed on apsbank.com.mt/kapital-plus.

Overview

The APS Multi-Asset Strategy 6% Volatility Target EUR Strategy No.1 (the “**Index**”) is a synthetic rules-based proprietary index designed by Goldman Sachs International as Strategy Sponsor to provide a volatility targeted exposure to the performance of APS Multi-Asset Managed EUR Strategy No.1 (the “**Asset**”).

The volatility adjustment feature has the effect of adjusting the exposure of the Index to the performance of the Asset by allocating a percentage of its exposure to the Index if a specified measure of the realized volatility of the Asset would otherwise deviate from the pre-defined volatility target (the “**Volatility Target**” as specified below) on such Rebalancing Day. The weight assigned by the Index to the Asset is rebalanced on a daily basis, and is subject to a cap (the “**Maximum Weight**” as specified below). The value of the Index (the “**Index Value**” as specified below) is reduced by the deduction of the Rebalancing Costs and the Deduction Fee.

If the exposure of the Index to the Asset is not equal to 100% the difference will be allocated to exposure to a notional cash asset (“**Cash Asset**”).

The Index is denominated in Euro.

The Index is calculated on a “total return” basis and applies a Deduction Fee of 1.50% *per annum*.

Definitions

The following terms shall have the meaning ascribed to them:

Asset Weight	: A percentage, subject to a cap equal to the Maximum Weight (which is an amount expressed as a percentage), equal to (i) the Volatility Target, divided by (ii) the Reference Volatility.
Deduction Fee	: A Deduction Fee is deducted from the Index Value on each Business Day falling after the Inception Date. The Deduction Fee is a fixed annual rate, expressed as a percentage. The Deduction Fee applicable for the Index shall be of 1.5% per annum.
Inception Date	: 1 September 2022
Index Value	: The value of the Index calculated on each Index Business Day and shall include deductions relating in Rebalancing Costs and Deduction Fee. The Index Value as of the Inception Date shall be equal to the Initial Value.

Initial Value	: The Index Value as of the Inception Date and shall be equal to 100.
Maximum Weight	: The maximum exposure (expressed in percentage) of the Index to the performance of the Asset capped to 100%.
Rebalancing Cost	: The cost of establishing and/or unwinding transactions in respect of the Asset when there are changes to the Asset Weight resulting from the volatility adjustment feature. The Rebalancing Cost is deducted from the Index Value on each Rebalancing Day.
Reference Volatility	: The measure of volatility of the Asset on any Rebalancing Day.
Volatility Target	: 6%

Description of the Index

- **Composition of the Index:** The Index is composed by (i) the exposure of Index to the performance of the Asset (as described below) determined by the Asset Weight and (ii) the residual Cash Asset (as described below). The Asset Weight of the Index to the Asset is rebalanced periodically.
- **Mechanism of the volatility adjustment feature:** The Asset Weight is determined on any Rebalancing Day by comparing the Reference Volatility against the Volatility Target.

If the Reference Volatility is greater than the Volatility Target, the Asset Weight, and therefore the exposure of the Index to the Asset, will be below one hundred per cent (100%). Similarly if the Reference Volatility is smaller than the Volatility Target, the Asset Weight would exceed the one hundred percent (100%) however the Asset Weight is subject to the Maximum Weight. This implies that the exposure of the Index to the Asset may not exceed 100%.

- **Calculation of the Index Value:** The value of the Index is calculated on each Business Day. The Index Value as of the Inception Date shall be equal to the Initial Value. On each Business Day following the Inception Date, the Index Value is determined based on the weighted performance of the Asset and the Cash Asset, relative to their respective values in respect of the immediately preceding Rebalancing Day, as adjusted for certain deductions in respect of costs and expenses.

The Index Value is calculated so as to include the following deductions:

- **Rebalancing Cost:** The Rebalancing Cost synthetically represents the costs of establishing and unwinding transactions in respect of the Asset when there are changes to the Asset Weight resulting from the volatility adjustment feature. The Rebalancing Cost is deducted from the Index Value on each Rebalancing Day. On the Inception Date and on any day other than a Rebalancing Day the Rebalancing Cost is zero. The Rebalancing Cost is linked to (i) the actual change in the Asset Weight as of the relevant Rebalancing Day, and (ii) the synthetic costs of rebalancing the Asset Weight.
- **Deduction Fee:** A Deduction Fee will be deducted from the Index Value on each Business Day falling after the Inception Date. The Deduction Fee has the effect of reducing the performance of the Index.

- **Asset:** The Asset is a synthetic rules-based proprietary strategy created by Goldman Sachs International as Strategy Sponsor and provides a synthetic exposure to the performance of a basket of underlying assets ("**Underlying Assets**"), weighted by their relevant quantities. Each Underlying Asset is assigned an initial weight which may be changed periodically by ReAPS Asset Management Limited¹, as Strategy Allocator, in its discretion, subject to certain controls and constraints. The Underlying Assets shall be composed of different assets namely, equities and fixed income.

The Asset is denominated in EUR and has, in respect of each Underlying Asset which is not denominated in EUR, an internal simulated currency hedge feature that seeks to offset a substantial portion of the positive or negative effects of the currency exchange rate fluctuations on the value of such Underlying Asset.

- **Cash Asset:** The Cash Asset reflects the value of the Money Market Index in the Strategy Currency and which comprises a notional amount in the Strategy Currency.

Risk Factors

The Index has a volatility adjustment feature which aims to provide a notional volatility-controlled exposure to the Asset. This is achieved by increasing or decreasing the exposure of the Index to the Asset, based on their historical realized volatility relative to a pre-determined Volatility Target of 6%. An increase in the realized volatility of the Asset may decrease the exposure of the Index to the Asset and vice versa. Accordingly, the Index may be subject to dilution if the reference volatility exceeds the Volatility Target, such that the absolute overall exposure of the Strategy to the Index may be less than 100%, and investors in products linked to the Index may not benefit fully from increases in the value of the Strategy.

No assurance can be given that the volatility adjustment feature will be successful in producing a realized volatility of the Index being equal to the Volatility Target which may negatively affect the performance of the Index, potentially materially so.

The value of the Index shall be made available on the website at [on apsbank.com.mt/kapital-plus](https://www.apsbank.com.mt/kapital-plus)

The applicable Benchmark Statement (as required by under the Benchmark Regulation) issued by Goldman Sachs International as the administrator is available at <https://www.goldmansachs.com/disclosures/euro-benchmark-reg-iosco-principles-for-financial-benchmarks-f/cross-asset-benchmark-family-statement-ex-data.pdf>

¹ReAPS Asset Management Limited is a fully owned subsidiary of APS Bank p.l.c.

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