



# Global Growth Basket (USD)

## Issue 6

# Introduction

Many investors would like to diversify their investment portfolios to benefit from the growth potential of global equity markets, but do not want to risk losing any of their capital.

The Absa Global Growth Basket (USD) – Issue 6 (the “Investment”) offers you full protection of your US dollar Investment Amount on maturity, plus the potential of an enhanced return linked to global equity markets.

**Credit Suisse AG (the “Issuer”) issues the Investment as a Note.**

## About the Investment

The Global Growth Basket (USD) – Issue 6 (the “Investment”) is five-year US dollar, capital-protected Investment is linked to an Index that follows the performance of top-performing global companies, namely the Credit Suisse GEM 10% Risk Control (ER) Index (the “Index”).

### **After five years, you will receive back:**

- your full US dollar (USD) Investment Amount, plus
- participation in any growth in the Index.

**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 US dollar and have a minimum lump sum of USD 50 000
- Want to diversify your portfolio to markets and assets outside of South Africa
- Are attracted to the growth potential of global markets
- Do not want exposure to exchange rate movements within the Investment
- Understand and are comfortable with the Index (please refer to 'About the Index' section later on in the brochure)
- Are able to commit your money for five years
- Do not want to risk your USD capital if you hold your Investment for the full term
- Regard the terms governing an Investment in a Note issued by the Issuer as appropriate for you.

## How the Investment works

### At the beginning of the Investment term (i.e. on the 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".

The Investment then continues to run for a further four and a half years.

### Over the last six months of the investment term, we record the following:

- The closing level of the Index on a certain day each month (please refer to the Investment Schedule for specific dates).
- The arithmetic average of these seven readings is referred to as the "Final Index Level".

## Example return scenarios

The below scenarios are based on an Investment Amount of USD 100 000 and a Participation Rate of 125% in any positive Index growth and are for illustrative purposes only.

Investment Amount	Index Performance at Maturity	Participation Rate	Investment return at Maturity	Amount Repayable at Maturity
USD 100 000	+60%	125%	175%	USD 175 000
USD 100 000	+25%	125%	131.25%	USD 131 250
USD 100 000	0%	125%	100%	USD 100 000
USD 100 000	-15%	125%	100%	USD 100 000

Source: Absa Corporate and Investment Banking, June 2019

### After five 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 later in this brochure).

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

- If the Index Performance is zero or negative, you will receive no additional returns, but you will receive your full US dollar Investment Amount back.
- If the Index Performance is positive, any returns are calculated by multiplying the Index Performance by the Participation Rate. The 'Participation Rate' is the percentage of any positive Index growth that your returns will be based upon.

Please refer to the Investment Schedule at the back of the brochure for further information, specific dates and a current estimate of the Participation Rate.

# 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 business days after the early withdrawal or Maturity Date.

## About the Index

### Background and investment rationale

Whilst the movement towards index investing has been growing globally since the 1970s, there is an increasingly popular form of index investing that trends away from viewing equities as a single source of risk and towards an approach that deconstructs the equity market into individual drivers of return (referred to as 'equity factor investing'). Equity factor investing aims to harness all the equity market rewarded risks, called 'equity risk premia' (or 'factors') and avoid unrewarded risks.

The ability of the investment management community to deliver consistently superior returns through stock-picking or market timing has been historically challenged by financial research. While outperforming the market has proven difficult, controlling risk (volatility) within a portfolio is achievable and has been a key focus of investors since the 2008 crisis.

By designing an Index with a combined factor and risk control (volatility management) approach, we believe this to be an attractive alternative to traditional actively managed and market cap-weighted index strategies.

### Index construction

The Credit Suisse GEM 10% Risk Control (ER) Index consists of a long-only portfolio of global equities (the "Equity Component", or "Equity Portfolio") and US treasuries through futures (the "Fixed Income Component").

The Equity Component is rebalanced on a quarterly basis and selected from global developed equity markets, including the US, Europe and Australasia. This Equity Portfolio aims to maximise or minimise exposure to a range of five equity risk factors against a global equity benchmark, subject to a set of constraints such as liquidity. The objective of the portfolio is to outperform such benchmarks by delivering the purest risk factor exposure achievable with limited tracking error. The full equity portfolio methodology is available to you from your financial adviser.

Equity Risk Premia	What is it?	Optimisation
Value	Aims to measure the relative valuation of a given stock.	Find the best value stocks
Quality	Aims to measure the relative operational performance of a given stock.	Find the best quality stocks
Low Beta	Aims to measure the sensitivity of a given stock against market moves.	Find the lowest beta stocks
Momentum	Aims to capture the effects of relative stock price changes and earnings revisions.	Find the stocks with most momentum
Size	Aims to capture the stock market capitalization.	Find the best small cap stocks

The Index has an embedded daily risk control mechanism that allocates between the Equity Portfolio and the Fixed Income Component. This mechanism aims to minimise drawdowns (or losses) in the Index by lowering allocation to the Equity Component as equities become volatile. As volatile markets have often historically been associated with negative equity performance (e.g. 2008), the Index aims to reduce allocation to such assets when it is the most challenged.

In such periods, government bonds (seen as lower risk assets) tend to move in the opposite direction to equity markets. The Index aims to exploit this market phenomenon by also adding allocation to US treasuries when its correlation to the Equity Portfolio turns negative. The Index has a target volatility/risk control level set at 10%. The exposure to the Equity Portfolio and US treasuries will be adjusted daily based upon the observed volatility of the underlying equity markets.

Exposure to the Equity Portfolio will be based on its observed volatility. If its observed volatility is lower than 10%, the Index will allocate more than 100% to the Equity Portfolio, subject to a limit of 150%. Conversely, the Index will lower its exposure to the Equity Portfolio as its volatility increases. When observed correlation between US treasuries and the Equity Portfolio is deemed negative, the Index will increase exposure to US treasuries, provided that the cumulative exposure between the Equity Portfolio and US treasuries is limited to 150%.

### Scenario analysis

Equity Portfolio Volatility	Correlation	Allocation to Equity Portfolio	Allocation to US treasuries
8%	10%	125%	0%
8%	-10%	125%	25%
10%	10%	100%	0%
10%	-10%	100%	40%
12,50%	10%	80%	0%
12,50%	-10%	80%	40%

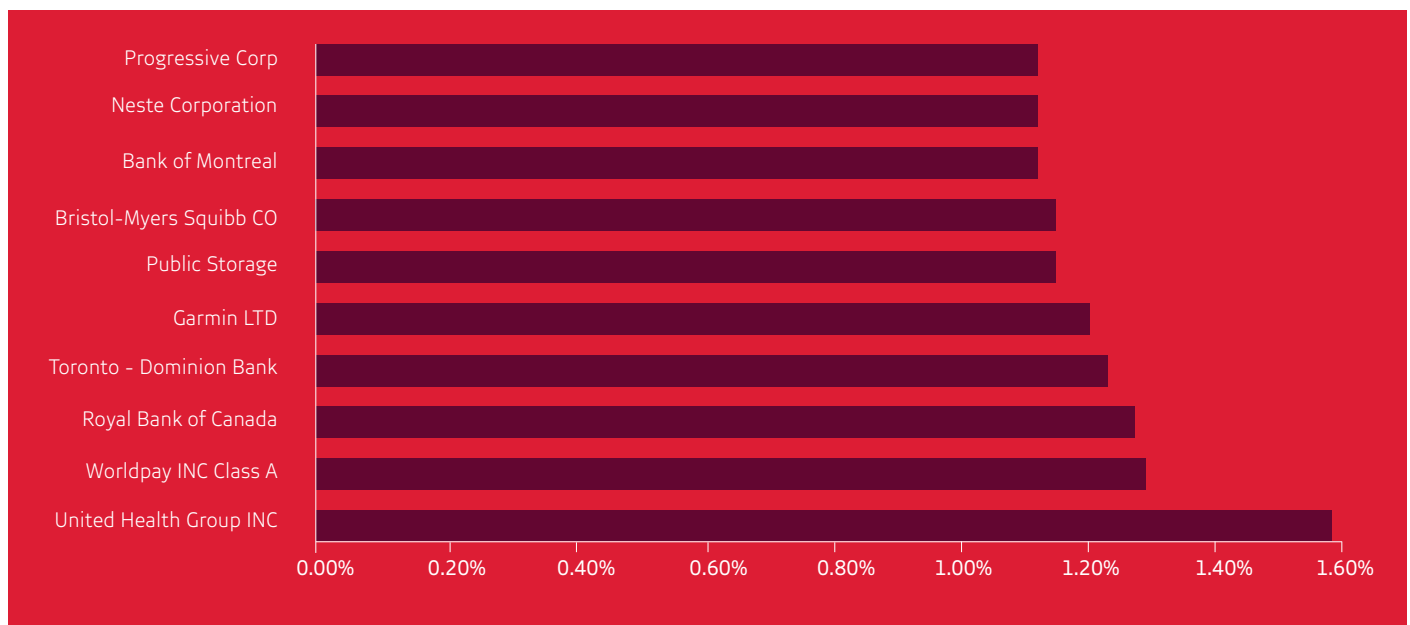
Source: Absa Corporate and Investment Banking, June 2019

Please note that by employing the strategies described above, the Index intends to produce a return by lessening the effect of downward movements in the Index and increasing the effect of upward movements. However, returns from share markets are uncertain and the strategy might not work. You might receive little or no return on your Investment because the equity factors perform poorly relative to the market cap-weighted indices. You could also receive little or no return because the method of limiting the effect of any volatility in the market results in you receiving no benefits or reduced benefits during periods when the level of the equity factors rise and correlations between equities and US treasuries are positive, but volatility remains high.

The Index is calculated on an excess-return basis and includes fees.

## Index components

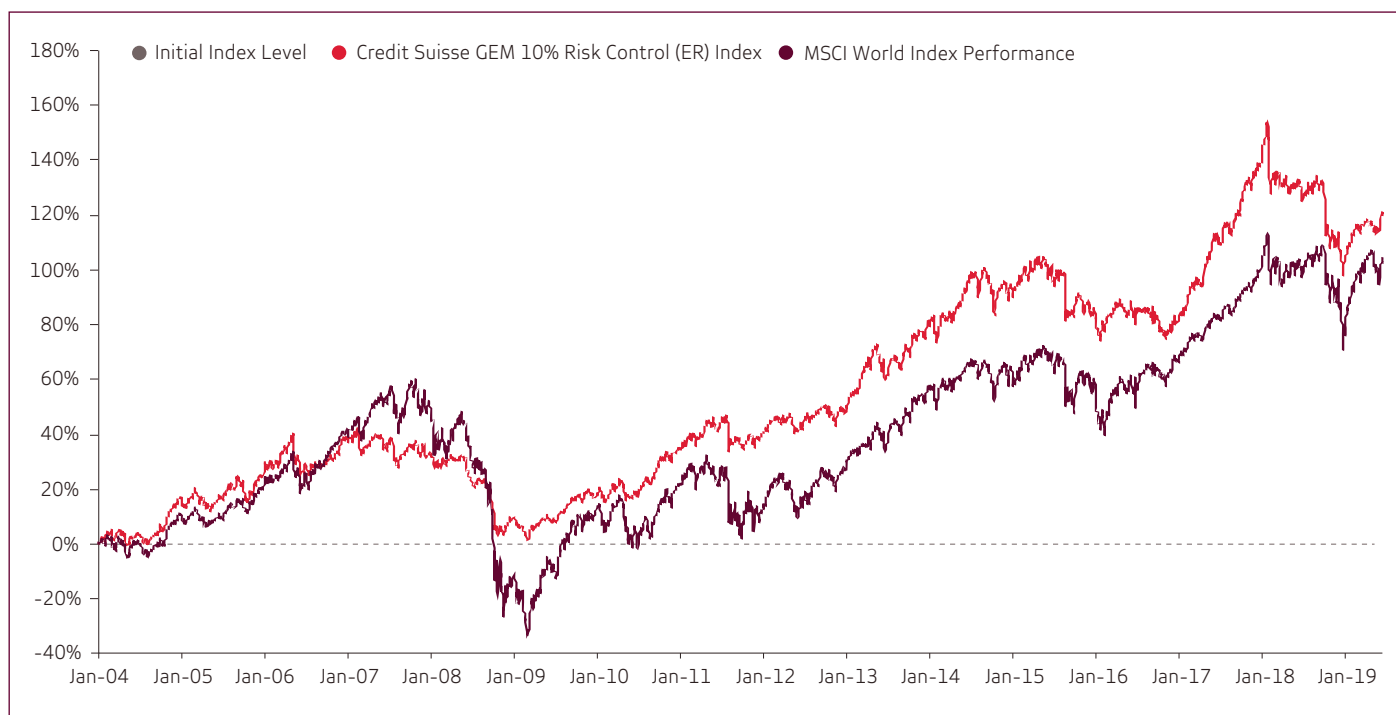
The Equity Component includes 145 to 155 stocks. The current top ten holdings are:



Source: Credit Suisse, June 2019

## 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 June 2019 and highlights that the indices may go down as well as up.



Source: Refinitiv, Absa Corporate and Investment Banking, June 2019. Index Launch Date, 20 March 2019. Prior to Launch Date, the results do not represent those of actual trading as the Index did not exist. Statistical analysis is the result of back-tested simulated performance by means of a retroactive application of a model designed with a benefit of hindsight. There are frequently sharp differences between simulated performance results and the actual results subsequently achieved by any particular trading programme

## Important information about the Investment

### The Issuer

Credit Suisse AG 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 Credit Suisse AG 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

The Investment will be documented in the form of a Pricing Supplement under the Issuer's Structured Products Programme for the issuance of Notes, Certificates and Warrants (the "Structured Products Programme"). The Pricing Supplement should be read together with the Issuer's most recent Programme Memorandum dated 10 September 2018 for the complete terms and conditions of the Securities. Copies of the Documentation should be requested from the Issuer. All definitions used and not defined herein shall have the meaning defined in the Documentation.

# 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 ([absa.co.za/ss](http://absa.co.za/ss)). 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 made in US dollar and the Index is quoted in US dollar.

## **Can I access my Investment before the Maturity Date if I need to and are there any fees involved?**

The Investment is designed for investors who do not need access to their money before the end of the investment term.

Any early withdrawals are subject to normal market conditions and associated costs at the time of withdrawal. Please refer to 'Access to your Investment'.

## **What happens to the Investment in the event of death?**

In the event of death, the executor of the estate can decide to sell the Investment at its prevailing market value (as per 'Access to your Investment') or let the Investment continue until maturity.

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

After the Maturity Date, the Administrator will pay your capital and any returns within seven 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 [absa.co.za/ss](http://absa.co.za/ss) 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 are 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 provided by Credit Suisse AG. The payments due to you depend on Credit Suisse AG 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 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 Credit Suisse AG'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; and/or
- external factors including financial, political and economic events and other market conditions; and/or
- sudden and unpredictable changes in interest rates.

## 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?'

## 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.

## 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 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, and
- 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.

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



### **Tax risk**

The tax treatment of this Investment can be complex. Tax rates and the basis of taxation may change during the investment term. Your own tax treatment will depend on your circumstances and you should seek tax advice before investing.

### **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.
- Credit Suisse 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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### Investor Declaration

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

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Signed at

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

Date (ccyy-mm-dd)

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Signature of Contact Person or Legal Guardian

Date (ccyy-mm-dd)

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Signature of authorised and mandated Financial Adviser

Date (ccyy-mm-dd)

# 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:

**Tel:** 0861 345 223, Option 2

**Email:** aiss@absa.co.za

## Investment Platform

Société Générale Securities Services (SGSS) is the Administrator of the Investment.

## Complaints

Please contact your financial adviser or our compliance officer on:

**Tel:** 011 895 6263

**Email:** Mike.Pithey@barclayscapital.com

**Postal address:** 15 Alice Lane, Sandton, 2196, Gauteng, South Africa.

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