OVERVIEW OF THE FRACTIONAL BOND PROGRAMME

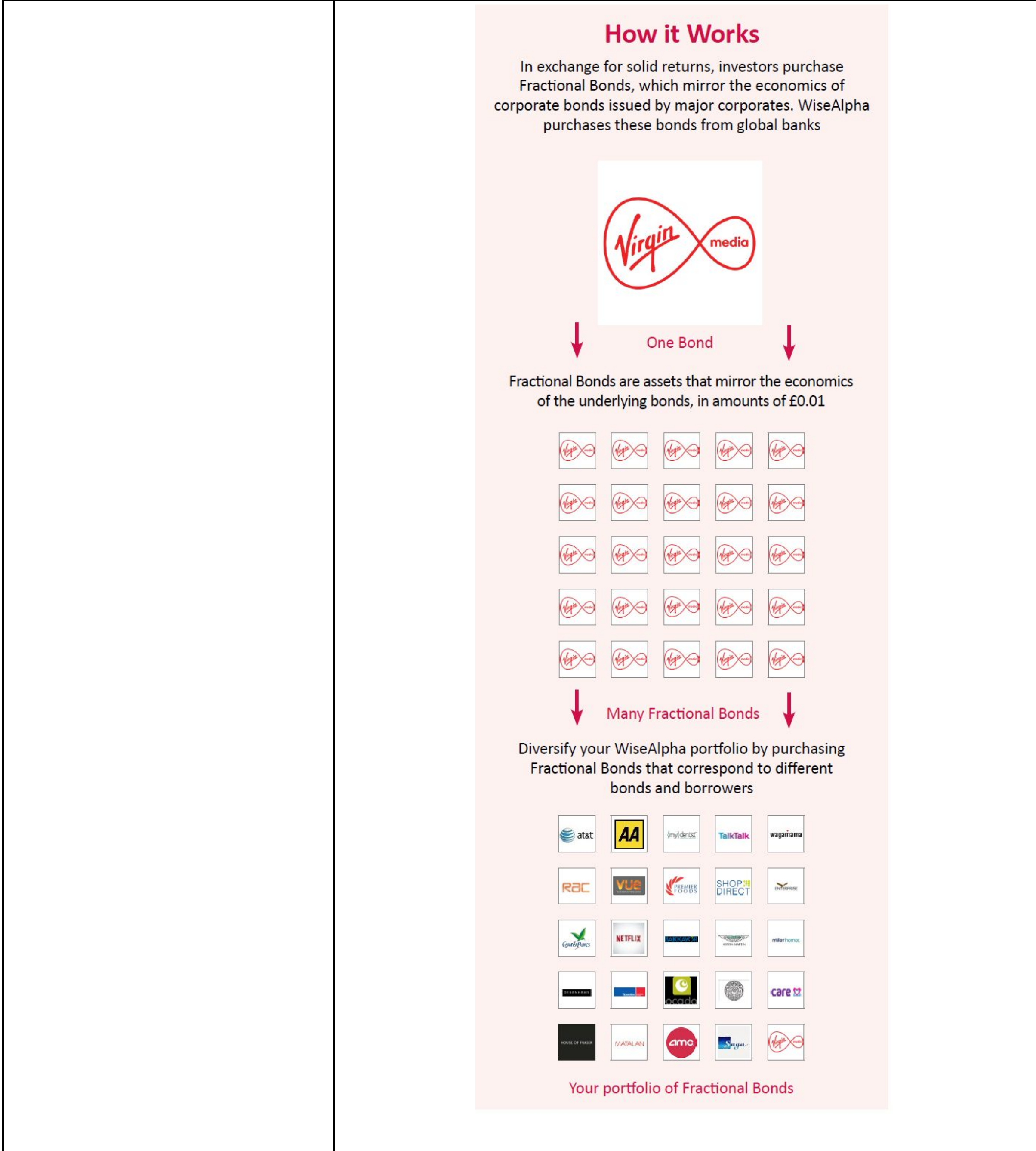
This overview is intended to answer some of the questions which investors may have when considering an investment in the Fractional Bonds. This section is divided into two parts; Part A answers questions investors may have in relation to the Issuer, the Programme and the Fractional Bonds, while Part B answers questions investors may have in relation to the types of bond that may comprise Investments underlying a Series of Fractional Bonds. Any decision to invest in Fractional Bonds should only be made after careful consideration of the Investor Agreement, Fractional Bond Agreement, Risk Statement, Pricing & Conflicts Policy and the relevant information for the underlying corporate bond corresponding to each Fractional Bond.

This overview is not intended to be a substitute for, nor a summary of, the Investor Agreement and the Fractional Bond Agreement.

PART A – FREQUENTLY ASKED QUESTIONS IN RELATION TO THE FRACTIONAL BOND PROGRAMME

Who is the Issuer?	The Issuer is WiseAlpha plc, incorporated as a public limited company in Ireland. WiseAlpha plc is a special purpose vehicle whose sole business is to issue asset backed securities such as the Fractional Bonds and to hold the underlying investments. WiseAlpha plc is not an affiliate or a subsidiary of WiseAlpha Technologies Limited (the arranger) and its obligations are not guaranteed by any party.
What is a Fractional Bond?	"*Fractional Bonds*" are unsecured, limited recourse debt securities issued by WiseAlpha plc. A Fractional Bond is an asset backed debt security issued by WiseAlpha plc. A Series of Fractional Bonds passes through fully the economic returns and capital repayments of a specific underlying bond. Where the Series of Fractional Bonds is issued by way of Final Terms the specific underlying bond must be issued by a corporate, bank, sovereign or multilateral development bank and be admitted to trading on a regulated or equivalent third country market or SME Growth Market. Such underlying bond may be senior unsecured, subordinated unsecured, senior secured, subordinated secured. Details of the issuer of the underlying bond and the bond itself will be set out in the applicable Final Terms. In all other cases the Issuer will prepare a Series Prospectus in relation to the Series of Fractional Bonds specifying the details of the underlying bond.
Why is the Issuer offering Fractional Bonds?	Until WiseAlpha Fractional Bonds, the bond markets have prevented retail investors who cannot afford £100,000 to £200,000 per single investment from accessing the bond market. This is where the biggest and most well-known companies, banks and governments issue their bonds. The focus of the bond markets has been to provide these bond investments to pension funds, bond

<table>
<tr><td></td><td>funds and banks (typically known as “institutional investors”), limiting retail participation.

The WiseAlpha Fractional Bond Programme gives investors the opportunity to access the bond asset class and gain exposure to individual bonds. Global banks and funds have enjoyed this access for decades, diversify their portfolios, and earning solid returns. WiseAlpha Fractional Bonds connect investors with individual institutional bonds via the online marketplace at www.wisealpha.com.</td></tr>
<tr><td></td><td>
</td></tr>
<tr><td>What should I read before investing?</td><td>You should carefully read and understand the Investor Agreement, Fractional Bond Agreement, Risk Statement, Pricing & Conflicts</td></tr>
</table>

	Policy and the relevant information for the underlying corporate bond corresponding to each Fractional Bond prior to investing in the Fractional Bonds. The WiseAlpha website provides general information about the offer and issue of the Fractional Bonds and certain risk factors relating to WiseAlpha plc and the Fractional Bonds issued under the Programme. Whilst this document contains general information about the Fractional Bonds, the Market page and the relevant Final Terms, as applicable, contain the specific issue terms of each particular issuance of Fractional Bonds. The Final Terms as applicable, contains, for example, the issue date, the maturity date and the methods used to calculate the redemption amount and any interest payments, if applicable. Therefore the details of each Fractional Bond listing on the Market page or Final Terms for a Series of Fractional Bonds must be read in conjunction with this Overview
What will WiseAlpha plc do with the proceeds of the Fractional Bonds issuance?	WiseAlpha plc will used the proceeds of the issuance of the Fractional Bonds to purchase the specific bond applicable to such Series of Fractional Bonds. The specific bond acquired on the issue date of the Fractional Bonds will be specified in the applicable Final Terms or Series Prospectus (as the case may be) relating to the Fractional Bonds. The bond acquired using the proceeds of a Series of Fractional Bonds will generally be the only asset available to WiseAlpha plc to fund its payment obligations under such Fractional Bonds. The payments under such bonds will be designed to ensure WiseAlpha plc has sufficient funds to meet its payment obligations under the Fractional Bonds.
How do the Fractional Bonds give me exposure to a specific bond?	WiseAlpha plc holds a matching amount of each specific bond to the amount of Fractional Bonds issued for each underlying bond held by WiseAlpha plc. When the economics (coupons, principal repayments or other forms of compensation) are received by WiseAlpha plc these are passed on pro rata to holders of the Fractional Bonds corresponding to that bond. If the underlying bond becomes impaired because of a failure of the underlying issuer the recovered capital amount, if any, is also passed onto Fractional Bondholders including any equity realisations or other compensation received.
Do I own a part of the underlying bond?	No, you will not hold the underlying bond directly, nor will you own a part of it. Instead you hold a Fractional Bond issued by WiseAlpha plc that corresponds to a fraction of the underlying bond. WiseAlpha plc holds the underlying bond and passes on the economic returns of the underlying bond. You will not have any voting rights or claims against the underlying issuer. The Investor

	Agreement and the Conditions of the Fractional Bond govern the relationship between you and WiseAlpha plc.
Why do you offer Fractional Bonds rather than the underlying bond for me to hold directly?	The vast majority of bonds have minimum purchase denominations of £100,000 or sometimes £200,000 (or foreign currency equivalent) which make it difficult for many investors to build a bond portfolio. Fractional Bonds provide a convenient way for retail investors to get exposure to specific bonds in the same way investors can get exposure to the equity of a specific corporate via the stock-market.
Who are the underlying bond issuers?	In respect of Fractional Bonds issued by way of Final Terms the underlying bond issuers are corporates, banks, sovereigns or multilateral development bank which have securities already admitted to trading on a regulated or equivalent third-country market or SME Growth Market. In respect of Fractional Bonds issued by way of Series Prospectus the underlying bond issuer will typically by banks, sovereigns or multilateral development bank but may include other types of issuers, full details of which will be set out in the relevant Series Prospectus.
What types of securities will be represented by a Fractional Bond?	The underlying securities will be bonds issued by corporates, banks, sovereigns and multilateral development banks (such as the World Bank). In the case of a Series of Fractional Bonds issued by Final Terms the underlying bonds must be admitted to trading on a regulated or equivalent third-country market or SME Growth Market in order to be eligible for WiseAlpha plc to invest. The underlying bond in respect of a Series of Fractional Bonds may be senior unsecured, subordinated unsecured, senior secured, subordinated secured. Such bond may be investment grade or high yield.
What are the terms of the Fractional Bonds?	Each Fractional Bond has different interest rates, maturities and specific terms. We offer Fractional Bonds denominated in Sterling and Euros. These terms, including links to further information on the underlying bond, are outlined in the applicable Final Terms or Series Prospectus (as the case may be) for each Fractional Bond. In addition, you can view further company information on the WiseAlpha website (www.wisealpha.com) on each company description page.
How can I buy or sell Fractional Bonds?	The Fractional Bonds are unlisted and they can only be subscribed for or redeemed early via the WiseAlpha market that can be found at www.wisealpha.com. Prospectus investors must become members of the WiseAlpha Platform and sign up to the Investor Agreement in order to acquire and trade Fractional Bonds. A copy

	of the Investor Agreement is available for inspection at www.wisealpha.com.
How do I get my money back?	WiseAlpha plc will receive coupon payments and the redemption amount on maturity of an underlying bond. These will be paid to you *pro rata* within five working days of receipt of the money by WiseAlpha plc. WiseAlpha plc does not keep this money. It gets paid out to investors in accordance with the terms of the Fractional Bonds. If an underlying bond fails (for example an underlying issuer may default on its obligations or become insolvent), WiseAlpha plc may not receive some or any of the money owed in relation to the underlying bond. This means that WiseAlpha plc cannot pass some or all of the money on to you. In this event, you may lose some or all of the money you invested in the corresponding fractional bond.
Can the Fractional Bonds be redeemed prior to the maturity of the underlying bond?	If the underlying bond is repaid or redeemed early by the issuer of such underlying bond then the Fractional Bonds will also be redeemed at the same time with the proceeds paid to investors within five working days.
Is my money at risk?	***You could lose all of your money invested in these products.*** These are high-risk investments and are much riskier than a savings account. if an underlying bond issuer fails for the series of Fractional Bonds you have invested in. If there is a default in relation to any underlying bond the Fractional Bonds may be redeemed prior to their stated maturity in these circumstances.
Do I have recourse to particular assets of WiseAlpha plc	Investors will have recourse to the underlying bond backing the particular Series of Fractional Bonds in which they have invested, and only to such bond. If the value of such underlying bond is not sufficient to repay investors in full, WiseAlpha plc will not pay the investors in respect of the shortfall.
Do different Fractional Bonds have different risks?	Yes, each Series of Fractional Bonds that are offered corresponds to a specific underlying bond. This means you are exposed to the risk of the underlying bond. Each underlying bond and its corporate issuer has its own specific risks. In addition, there are different types of bonds that have different risk profiles by virtue of their security and position in a company's capital structure. For example secured bonds will have security over company assets while deeply subordinated or unsecured bonds will not and may additionally be structurally subordinated to other senior debt.

	A summary of certain key characteristics of the bond markets and the underlying bonds is set out in Part B of this Frequently Asked Questions section.
Can I sell my Fractional Bonds?	WiseAlpha has a secondary market that allows Fractional Bondholders to put (sell) the Fractional Bonds in whole or part back to the Issuer, WiseAlpha PLC. The Issuer is not obliged to accept the Fractional Bonds put back to it and will only do so where it can issue corresponding Fractional Bonds (in relation to the same series and underlying Investment Contract) to another member who has indicated their willingness to subscribe for the new issue of those corresponding Fractional Bonds. Please note: You can sell your Fractional Bonds at a 0.25% discount (Sale Fee, charged by WiseAlpha Technologies Limited) to the prevailing market price unless stated otherwise; Liquidity will be dependent on there being an available and willing buyer at the market price. You will receive your cash in your account once another client has purchased a new Fractional Bond equivalent to the Fractional Bond you are selling. To date everyone who has wanted to sell their investments has been able to do so. However, liquidity is not guaranteed. WiseAlpha plc does not guarantee you will receive the price you paid, nor does WiseAlpha plc guarantee that someone will buy your Fractional Bond.
What are the Fees?	WiseAlpha plc does not charge any fees to investors and fully passes through the economic returns received from the underlying bonds corresponding to a Fractional Bond. However, fees are charged by WiseAlpha Technologies Limited (see https://www.wisealpha.com/fees) and may also be by any other Authorised Offeror(s) of the Fractional Bonds subject to their own terms and conditions.
Who should consider using Fractional Bonds?	• Investors who have experience investing in debt securities or those with a financial advisor. • Investors who can afford to lose some or all of their investment. • Investors who are comfortable with the price of their investments going up or down. • Investors who have the time and ability to monitor their investments on a daily or intra-day basis.

What rights do the Fractional Bond Holders have against WiseAlpha plc?	Fractional Bonds are debt securities issued by WiseAlpha plc and in the event WiseAlpha plc fails to pass on the economics (interest or capital) paid to it by the underlying bond issuer this will constitute an event of default and the Fractional Bonds become due and payable. If WiseAlpha plc fails to pass on the amount received from the underlying bond issuer a Holder may sue WiseAlpha plc for breach of contract. If the underlying bond issuer fails to pay some or all of what it owes to WiseAlpha plc, Fractional Bond Holders do not have a right to seek compensation from WiseAlpha plc for any equivalent shortfall in the amount WiseAlpha plc pays to such Holders.
Does the issuer WiseAlpha plc take any credit risk or use any leverage?	No. WiseAlpha plc is a pure passthrough SPV and its holdings of bonds exactly match the corresponding Fractional Bonds it has issued. It therefore takes no credit risk, it does not employ leverage and the risk of bankruptcy of WiseAlpha plc is remote.
Do any independent parties oversee the bond assets?	Yes, IQEQ, the fourth largest investor services firm in the world acts as the share trustee and administrator of the vehicle and a majority independent board oversees all of the bank accounts, custody accounts and transactions carried out by WiseAlpha plc. WiseAlpha plc's accounts are also audited by KMPG.
How do I know the bond assets are protected and that WiseAlpha plc holds the exact bonds it issues Fractional Bonds for?	All of the bond assets are held in a safe custody arrangement with Global Prime Partners, a firm authorised and regulated by the FCA who in turn utilise BNY Mellon as the ultimate custodian. BNY Mellon are the largest bond custodian in the world. In addition, the share trustee and administrator IQEQ Corporate Services (Ireland) Limited and a majority independent board of directors oversee all of the assets.
How do I find out about the underlying bonds?	The applicable Final Terms and the WiseAlpha Market page (as the case may be) in respect of a Series of Fractional Bonds will contain information on the underlying bond, such as the issuer, maturity and interest rate. Further information on underlying bonds can be found on www.wisealpha.com.

PART B – FREQUENTLY ASKED QUESTIONS IN RELATION TO BONDS

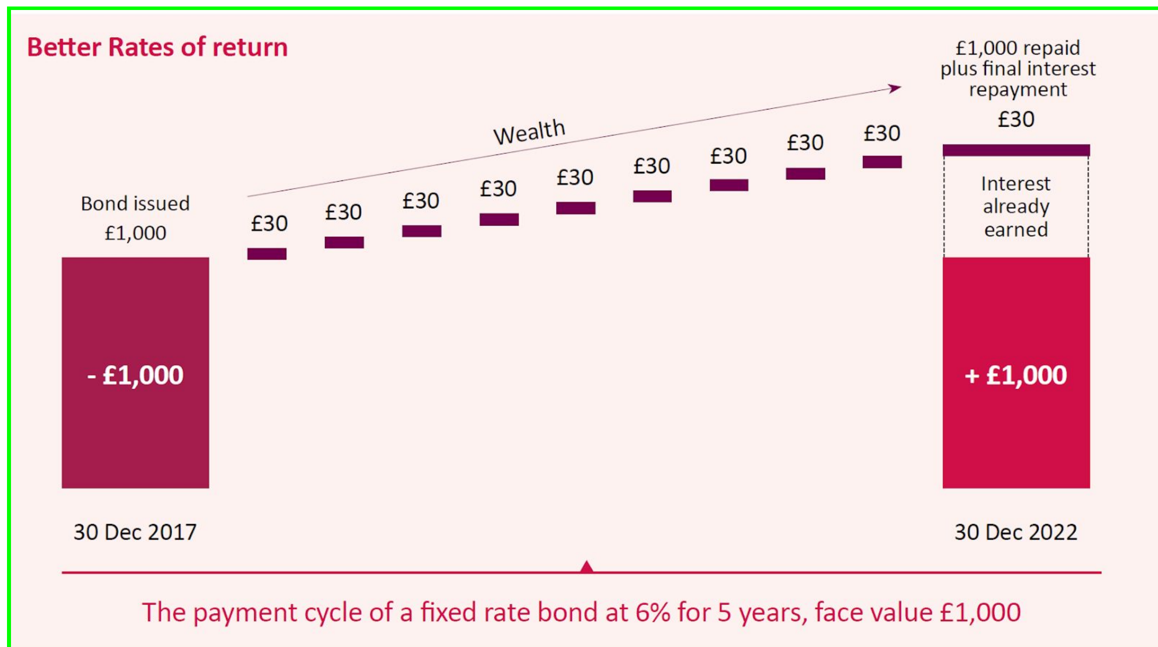
1. What is a bond?

A bond is a form of borrowing by a company or other entity seeking to raise funds from investors. The bonds have a fixed term and a fixed or floating rate of interest. The company that issues the bonds promises to pay a specified rate of interest to the investor until the date that the bond matures (i.e. in the case of the Fractional Bonds, their Maturity Date) when it also promises to repay the amount borrowed.

A bond is a tradable instrument; meaning that you do not have to keep a bonds until the date when it matures. The market price of a bond may vary between the date when it is issued and the date when it matures.

As with any investment there is a risk that a bondholder could get back less than their initial investment or lose all their initial investment, including if they sell their bonds at a price lower than that which they paid for them.

Example: The payment cycle of a fixed rate 6% bond with semi-annual payments and a 5 year maturity



Persistently low interest rates on fixed rate savings bonds has meant that for many people it is no longer enough to rely on this source of interest income especially when they have retired. Institutional bonds generally pay higher income than fixed term bank deposits, albeit with an investment risk to your capital.

If we compare this to investing in shares, shares provide no contractual certainty of dividends and no expectation of capital repayment but instead the hope of a capital gain from a rise in the share price. Bonds are also traded in a secondary market similar to shares. This allows investors to buy bonds with a shorter time to maturity and to also get liquidity if they need to sell their bond early. Bond prices can also move up or down but are generally less volatile than equities, so it is possible to realise higher or lower returns if a bond is sold before maturity. As with shares, the value of an investment in a bond can go up or down depending on the financial performance of a company so for example if Tesco's results are good the bond price may increase (and vice versa) although the price movements are not likely to be as large as with the shares.

2. **What are the different segments of the institutional bond market?**

Unsurprisingly, a market as large as the bond market has a number of different types of bond and venues in which the bonds are accessible. In the UK, the main venue for retail investors to access individual corporate bonds is via the London Stock Exchange ORB (Order Book for Retail Bonds).

However, the yields on offer are typically lower and bond maturities are longer and issuance has been limited in the last 5 years.

Institutional investors on the other hand have access to the main bond market which is far bigger and offers a greater variety of bond types and bigger universe of companies.

The majority of large corporates, especially household names, issue bonds in the institutional bond markets whereas the retail bonds listed on the London Stock Exchange are mainly used by financial and insurance companies and other less well-known companies.The types of bond available in the institutional bond market are much broader and the spectrum of bond returns is more attractive in our view. But despite this segment of the market being much larger than the retail corporate bond market individual investors have had limited direct access to date and can't choose their own bonds.

3. Types of Bonds

Credit ratings represent forward-looking statements about the creditworthiness and credit risk of a particular organisation in meeting its financial obligations. The credit ratings indicate a default risk for an individual bond. Credit rating agencies have systems for rating bonds as investment grade or non-investment grade. The three largest credit ratings agencies in the world are S&P Global Ratings ("**S&P**"), Fitch Ratings ("**Fitch**"), and Moody's Investors Service ("**Moody's**").

When constructing its rating, the credit rating agency takes into account a myriad of factors to come up with a well-balanced view of credit risk. Leverage, cash flows, earnings, interest coverage ratio, and other financial ratios are common indicators that the credit rating agency considers to assign an investment grade to a specific bond.

A chart comparing the different credit ratings provided by each of S&P, Moody's and Fitch is set out below.

Investment grade

Investment grade refers to the quality of a company's credit. To be considered an investment grade issue, the company must be rated at 'BBB-' or higher by S&P or Fitch, or Baa3 or higher by Moody's. The company's securities have investment grade ratings if it has a strong capacity to meet its financial commitments. Anything below these ratings is considered non-investment grade. Investment grade bonds can either be secured or unsecured on the company's assets.

Non-Investment Grade

Non-investment grade bonds offer higher yields than investment grade bonds to compensate for the greater risk. A non-investment grade bond or high yield bonds is an unsecured debenture, or a deeply subordinated bond, that is considered higher risk because the issuer has a higher chance of default.

They also have the potential for capital appreciation in the event of a rating upgrade, an economic upturn or improved performance at the issuing company. Due to the lower tenor or term they tend to have less sensitivity to interest rate risk.

S&P’s and Fitch’s non-investment grade ratings are BB+ and lower; Moody’s are Ba1 and lower.

Non-investment grade bonds are often issued in connection with a corporate reorganisation or restructuring or as part of a merger, acquisition, takeover or similar event. They are also issued by corporates owned by private equity companies. Such issuers are often highly leveraged and generally less creditworthy than very large investment grade corporates or less leveraged entities and have a higher risk of being able to make scheduled payments of principal and interest in the event of adverse developments or business conditions.

Moody's		S&P		Fitch	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Aaa	P-1	AAA		AAA	F1+
Aa1		AA+	A-1+	AA+	
Aa2		AA		AA	
Aa3		AA-		AA-	
A1		A+	A-1	A+	F1
A2		A		A	
A3	P-2	A-	A-2	A-	F2
Baa1		BBB+		BBB+	
Baa2	P-3	BBB	A-3	BBB	F3
Baa3		BBB-		BBB-	
Ba1	Not prime	BB+	B	BB+	B
Ba2		BB		BB	
Ba3		BB-		BB-	
B1		B+		B+	
B2		B		B	
B3		B-		B-	
Caa1		CCC+	C	CCC	C
Caa2		CCC			
Caa3		CCC-			
Ca		CC			
		C			
C		D	/	DDD	/
/				DD	
/				D	

High yield bonds are generally subordinated to senior secured borrowings (i.e. rank lower in terms of security). Unsecured bonds still have a guarantee from the company issuing the bond so the company is still contractually required to pay the interest and capital back on the bonds if it has the ability to do so. In terms of risk, unsecured high yield bonds are generally higher risk than senior secured bonds but less risky than equities (equities rank behind all borrowings). They typically offer higher interest rates than other types of bond, and they have the potential for capital appreciation in the event of a rating upgrade, an economic upturn or improved performance at the issuing company. The opposite is also true. The maturities of these bonds can range from 5 to 10 years or more.

Also, because the high yield sector generally has a low correlation to other segments of the bond market (government bonds, investment grade bonds) along with less sensitivity to interest rate risk, an allocation to high yield bonds may provide portfolio diversification benefits. In addition, high yield bond investments have typically and may continue to offer equity-like returns over the long term with less volatility.

Senior Secured

Senior secured borrowings can be issued as a as a bond and sold in the high yield bond market. They are typically senior, which means they are secured on the assets of the company and they rank ahead of unsecured borrowings and equity in the event of a liquidation. The types of assets that make up the

security are specific to the Issuing company such as property, equipment, intellectual property, cash and a pledge over the shares of the company. Please note the assets of a company may still not be enough to ensure a full recovery of your money in the event of a company liquidation or administration.

They can be both investment grade or non-investment grade. This asset backing offers a degree of capital and structural protection for investors. Senior secured bonds are typically structured, arranged and administered by one or several commercial or investment banks. Senior secured bonds offer a fixed rate of interest.

A coupon is usually received by investors on a monthly, quarterly, semi-annual or annual basis with the principal paid at maturity.

Compared to retail bonds issued on the London Stock Exchange ORB, in addition to security over the assets of the company senior secured bonds tend to have shorter maturities typically 5-7 years, and in general have higher rates of interest or yields. Senior secured bonds meet investor requirements for a combination of attractive returns with relatively short-medium maturities, which also mitigates the risk of rising interest rates.

Senior Unsecured

It is also common for very large corporates such as AT&T and Tesco to issue senior unsecured bonds. These bonds do not have security over a specific asset or the company's assets and rank behind secured borrowings in terms of priority when it comes to the proceeds from a liquidation or administration. Consequently, recoveries may be lower or none at all in a company failure.

Nevertheless, while such bonds are unsecured they are often for all intents and purposes the primary form of borrowing of the company, meaning that there is very little, if any secured borrowing ahead of the bonds. This means the risk is for all intents and purposes similar to that of senior secured bonds.

Subordinated (Secured and unsecured)

Subordinated bonds are bonds that rank after the senior debt of a company in respect of payments of interest and for repayment. In general, the more senior the debt, the earlier it will be due to be repaid. The more subordinated the debt, the higher the rate of return. As with senior bonds, subordinated bonds may be secured or unsecured.

If it is secured subordinated bond, the bond will typically share the same security package as the senior bonds and any other subordinated bonds. However, the terms of the security documents will provide that senior debt will be repaid first from the proceeds of any enforcement of security.

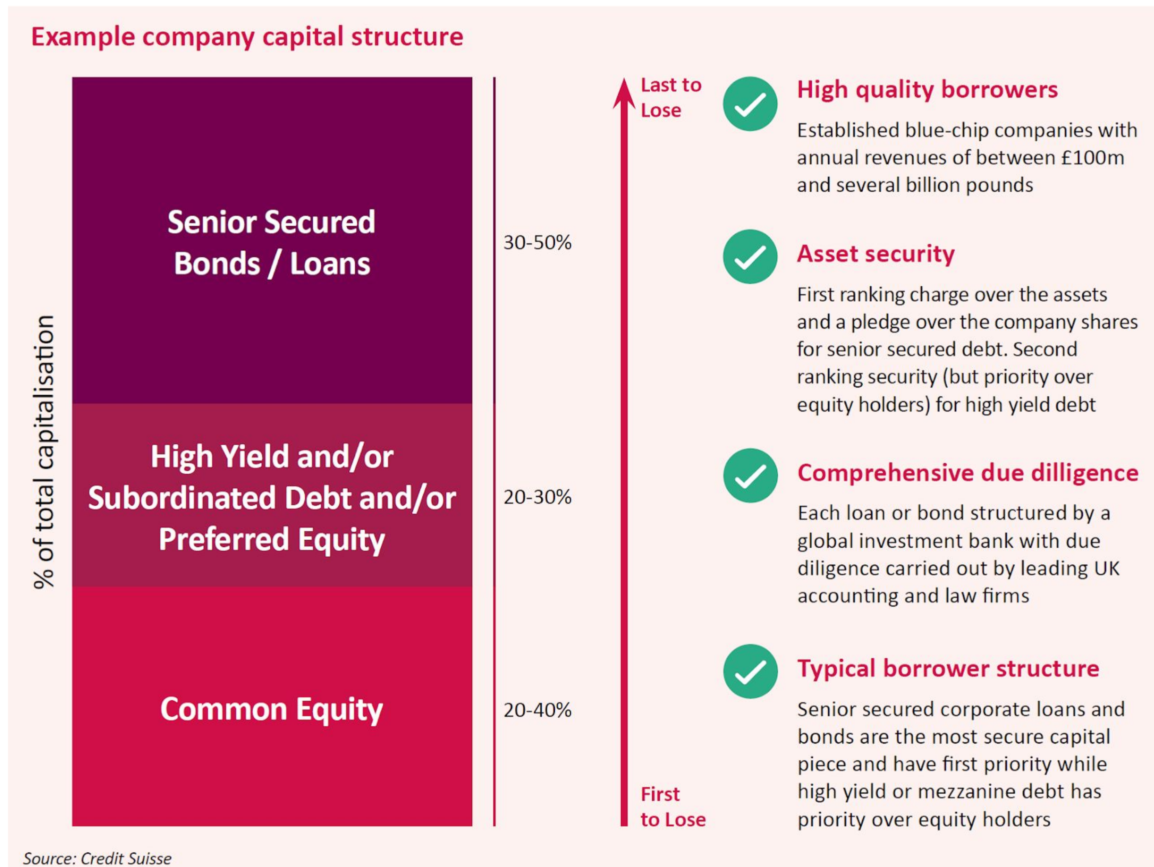
4. Floating versus Fixed Rate bonds

Fixed rate bonds pay the same annual interest coupon over the life of the bond. When interest rates are low or falling, these give you better income predictability. As interest rates fall, fixed rate bond prices will rise in the secondary market. The reverse is also true, when interest rates rise, fixed rate

bond prices will fall. The majority of bonds are issued as fixed rate, because the largest issuers of bonds are corporates and governments and they prefer a fixed rate.

Floating Rate Bonds pay a variable income based, for example, on the LIBOR rate. If the market expects interest rates will rise, your income will increase. Equally, if the market expects interest rates to fall, then your income will also fall.

For investors looking to hedge their risk in a rising interest rate environment picking up floating rate bonds as part of an investment strategy may be a sensible way to partially offset the risk from rising inflation and central bank rates.



5. Corporate bonds versus equities

When it comes to the predictability of income there really is no comparison between bond interest income and share dividends because only bond income is contractually binding. Companies may try to maintain market and shareholder confidence by paying dividends but this is dependent on the economic environment and may be harder to achieve for some companies, making senior bonds with interest income between 4-8% with relatively short maturities attractive investments.

6. Predictability of Income

Bonds are the only contractually binding investment instruments apart from fixed term bank bonds that give you the expectation of income predictability – crucial if you are making plans to build a

wealth building plan. Regular interest income can help investors to supplement their salaries and give investors greater flexibility and freedom in decisions over everyday expenses, travel plans, children's education, saving for a house deposit or other important lifestyle decisions. It is easier to plan income with more predictability as the coupons and pay dates of bonds are fixed in advance and are not dependent on the profit performance of the issuing company.

Predictable Income

Bonds	Level of Predictability		Equity
Regular interest income	✓	✗	Hope for share price growth and dividend
Principal repaid at maturity	✓	✗	No guarantee of return of capital
Fixed rate of income	✓	✗	Uncertain dividend income
Defined investment time frame	✓	✗	No specified time frame

VS

7. Capital Preservation

Bonds are a defensive asset class, and as such are a lower risk investment when compared to shares. This is because there is a contractual requirement to pay back the bond at a specific maturity date and in addition bonds rank ahead of shares. Investors buy shares because they hope the price of the shares will increase while with bonds, there is a contractual promise you'll get interest income and the face value of the bond repaid at a specific maturity date. Most bonds have a specified maturity date, so you can time your investment to coincide with your wealth planning.

8. How are bank debt securities ranked?

Many bonds are issued by financial institutions. Ranking refers to the order of repayment in the event of a sale or bankruptcy of the bank issuer. The term Seniority is also used. When an Issuer is wound up, each bond has a specific seniority or ranking in terms of repayment. Senior debt is repaid before subordinated debt. Within Subordinated Debt, Tier 3 gets paid first, followed by Upper Tier2, followed by Lower Tier 2, followed by Tier 1.

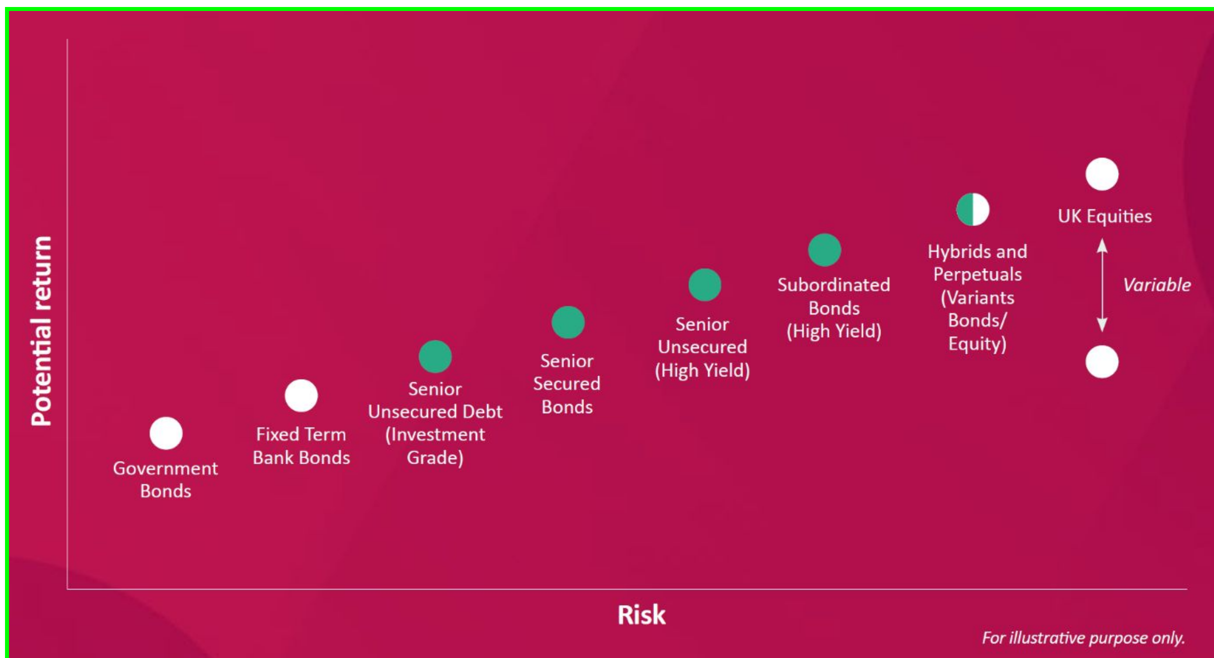
In theory, after Subordinated bondholders have been paid, and if relevant, preference share holders are followed by ordinary shareholders. Shareholders are for example not relevant in the context of sovereign and sovereign-like borrowers.

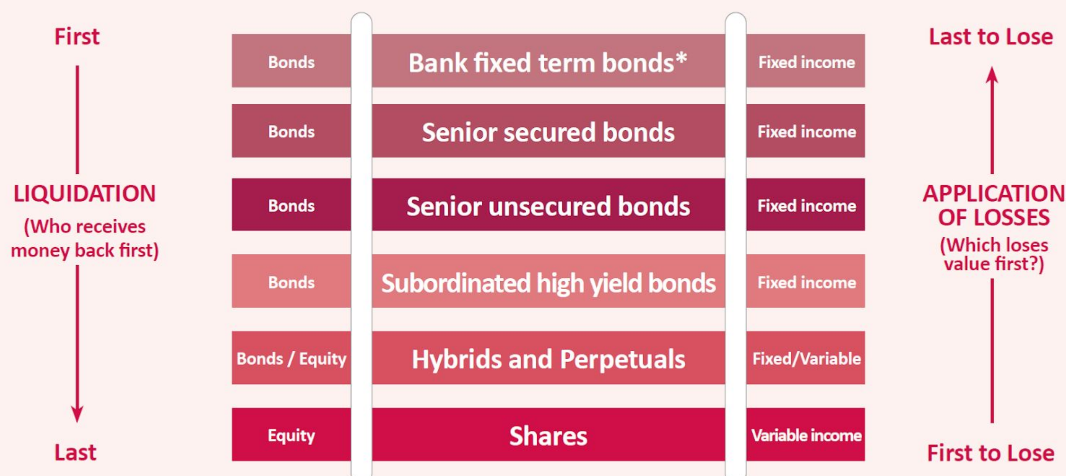
Accordingly, the general ranking of bank debt securities is highest priority at the top (senior) and lowest at the bottom (equity).

9. Where do bonds sit in the capital structure?

Let's assume a worst case scenario in which a company becomes insolvent. Bonds have priority over hybrid or equity investors when the proceeds of asset sales are applied.

Different types of bonds also have different levels of risk. The illustration below neatly shows the pecking order of different instruments when the proceeds of asset sales are applied. Senior secured bonds rank ahead of senior unsecured bonds and unsecured high yield bonds (which are classed above as subordinated debt). Where each sit in the capital structure pecking order will determine their risk and return – and the order in which each instrument receives its capital back in the event of wind up or liquidation. Any funds must legally be paid to the most senior investors first, before they are paid to investors on subsequent levels. This means if the amount of proceeds from asset sales is not sufficient to cover all instruments the recoveries could be much lower for unsecured bonds holders and shareholders. This means that even though shares could deliver potentially higher returns if the company is successful in growing, they are a riskier investment than bonds. The risk order in which you sit in a company's capital structure is therefore a useful way to assess risk and return in your portfolio.





10. Diversification

Institutional bonds are issued by companies across a wide range of industries that aren't easily available to most investors. Building diversity in your portfolio across different asset classes and different industries is a good way to protect your wealth from market volatility, inflation and company specific shocks. The old saying of never putting all your eggs in one basket is a simple but effective philosophy. Investing in institutional bonds allows you to diversify your portfolio in a more predictable and less risky way. It also allows you to invest in companies and industries that are otherwise not easily accessible. For example a significant number of bonds issued by companies, particularly in the high yield market, are owned by large conglomerates, large pension funds and private equity funds. Holding a portfolio of all different types of Corporate Bonds – fixed, floating, senior secured and unsecured high yield bonds can help shield your portfolio from the risks of interest rate fluctuations and inflation as well as delivering you a solid return.

Diversification, Diversification, Diversification

Institutional corporate bonds

Institutional Corporate Bonds are issued by companies across a wide range of industries that aren't easily available to most investors

11. Types of Issuer

Public corporates which have their equity listed on an exchange are the most common issuers of corporate bonds. They issue bonds or take out other forms of bank loans to optimise their liquidity and working capital needs as well as managing their capital structures to maximise the leverage and return for their shareholders. Over the last 10 years issuances by public corporates has grown tremendously.

Banks or multi-lateral development agencies or international banks are also prolific issuers of bonds and may issue these in order to raise funds to lend to countries or for reconstruction and development loans to companies or projects in many different jurisdictions.

Privately owned companies including private equity institutions or large conglomerates (which may be listed) are also a major part of corporate bond issuances. Typically they will tend to issue high yield debt or asset backed debt in order to maximise their returns.

In addition "sovereign" bonds or government bonds are bonds where the issuer is a country.

12. Bond values can do up or down

Bond and fixed income debentures are investments and the price of these investments can go up or down with changes in the financial performance of companies or due to a number of other factors such as, but not limited to changes in economic conditions, changes in interest rates and other market factors.

The Bonds bear interest at a fixed rate until the Maturity Date and this exposes Bondholders to potential prevailing interest rate and inflation risk over the term of the Bonds

13. Company specific risks

Different bond issuers have their own specific risks.

14. Not all bonds are the same

WiseAlpha plc offers Fractional Bonds which represent interests in different types of bonds including Senior Secured and Unsecured bonds, Subordinated Secured and Unsecured bonds. This means that different types of bonds have different seniority and ranking in a company's capital structure and the right to security over a company's assets. In the event of a company liquidation these structural and security features affect the ability to receive recovery of money for each bondholder group.