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R2226 Morgan Stanley FTSE Kick Out Growth Plan 15

Product type: At-risk kickout (capital not protected)

Product summary:

This is a capital-at-risk kick out product linked to the FTSE-100. It offers a fixed return of 60% if after three years the required trigger level of 10% index growth is reached. If kick out does not occur the investor receives a return equal to 200% of the index performance at the end of a six-year term. Capital is at risk if the final level of the index has fallen by 50% or more from the initial index level.

Points for:

1. If the trigger level of 110% is reached after 3 years investor will receive a fixed return of 60%
2. 200% of any growth in the FTSE-100 if kickout does not occur
3. According to the literature any gains made on direct investment are subject to CGT

Points against:

1. Capital is at risk if the index finishes at or below 50% of its initial level
2. If kickout occurs the investor does not benefit from index growth above 60%

Asset exposure period 6 years

Full term length 6.09 years

Underlying Asset FTSE-100

Final index level defined as closing level of the index on the final day of investment.

Market barrier levels 50% - based on closing level of index on final day of investment.

Investment Limits: Minimum £3,000 for direct investment ISA, investment and transfers. Maximum for 2011/12 ISA investment is £10,680.

Commission: 3%

Wrappers and investment vehicles: Direct Investment, ISA, ISA transfer, SIPP/SSAS, Trustees of a trust, Corporate/Commercial

Tax treatment outside a tax-free wrapper (according to information from the product provider): CGT.

Issuing Institution / Counterparty: Morgan Stanley.

Plan Manager: Morgan Stanley & Co. International plc.

Credit rating of investments made (according to information from the product provider): S&Ps A-

Offer period:	Opens 30/11/2011	Transfers by 11/01/2012	Closes 18/01/2012
Key dates:	Strike set 07/02/2012	Final market reading 07/02/2018	Maturity/payout 21/02/2018

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If after three years the index is at or above 110% of its initial value then the product kicks out and the investor receives a fixed return of 60% plus return of capital. As with all defined growth products if the FTSE-100 performs strongly over the first three years the investor will receive only the fixed return of 60% and will not benefit in any growth in the index above this level.

If the trigger level is not reached after three years, the product continues to term maturing at the end of the six-year term. If the final level of the index is above the initial index level investors receive a return equal to 200% of any FTSE-100 performance. Performance is defined as the percentage difference between the initial index level and the final index level.

The amount of capital returned to the investor if the final index level is below the initial index level depends on whether the final index level is either at or below 50% of its initial level. If the final index level is above 50% of its initial level then the investor receives the full return of capital at maturity. If, however, the final level of the index is at or below 50% of its initial level, the amount of capital returned to the investor is reduced by one percent for each percentage fall of the index from its initial level.

It is worth highlighting that this is not a 50% closing day barrier which if breached during the term of the product, places the investor's capital at risk – the amount of which is dependent on the final level of the index. The terms of this product by including a 50% final day barrier allow for any index change during the product term without having an impact on whether full capital is returned to the investor at maturity or not. Instead it is based on whether the final index level is above 50% of the initial level. If the index is at or below the 50% level then the amount of capital returned is calculated using the final level of the index.

The product is open for ISA investment, ISA transfer, SIPP/SSAS investment, charities and corporate/commercial trustees and direct investment. Any gains made via direct investment will be subject to capital gains tax.

Any reference to return of capital or payment of returns within this report is based on the design of the product and is only in terms of protecting the investor from market risk.
Investments reviewed on this website are in general subject to credit risk from the issuing institution and/or the counterparty providing assets backing the investment. These institutions have where possible been named on this report. In the event of any such institution collapsing the investor may lose some or all of their investment.
Language within this report has been designed to be in keeping with guidelines set out by the FSA.

This product was assessed as follows:

(to see details about the scoring system, riskmap and probabilities please see **Research methodology explained**.)

