



Merrion Solutions is a division of Merrion Stockbrokers Limited. Merrion Stockbrokers Limited is regulated by the Central Bank of Ireland. Merrion Stockbrokers limited is a member of the Irish Stock Exchange and the London Stock Exchange.

# merrion

Merrion Solutions is a division of Merrion Stockbrokers Limited developed with the needs and objectives of Irish Financial Brokers at the forefront of everything we do.

### There are two strands to the business:

- We have combined the expertise of Duggan Asset Management and Merrion Stockbrokers Limited to develop a new and innovative **Structured Investments** business. This business will provide Investment Solutions that empower Advisors and their clients in navigating a course from deposits back to normal investment portfolio construction.
- myfunds: We have created an Advisor friendly Stockbroking solution that combines Merrion's Investment Management and Stockbroking capability into one low cost, transparent and potentially tax efficient offering.

For more information, please call (01) 2404188, email solutions@merrion-capital.com or visit www.merrionsolutions.com.

## Merrion Structured Investments

Merrion Structured Investments is passionate about creating the **leading and most innovative Investment Solutions in** the Irish market.

We will create a series of exciting new Investment Solutions for Financial Brokers and their clients each calendar quarter.

Our Investment Strategies and Solutions will be **Research Driven**. By combining the resources of Merrion Investment Managers, Merrion Stockbrokers and other leading international investment experts, our Investment Solutions will have a **strong economic and investment logic** and will represent international best practice in construction.

Merrion Structured Investments operates an **Open Architecture** platform i.e. we will work with a broad range of Irish & International Bank counterparties. We will work with **high quality investment grade counterparties** when selecting partners to provide Capital Protection or other Investment Risk Controlling or Reducing Mechanisms.

We will focus on providing Investment Solutions with **liquidity**. Where possible, we will create the provision for investors to exit their investment prior to maturity should their circumstances change or if investment performance is higher or lower than anticipated.

Our quarterly Investment Solutions will offer a choice of:

- 1. Investment Risk Levels: From Low to Medium to High.
- 2. Investment Objectives: Income, Capital Growth, Hedging Strategies etc.
- 3. Taxation Treatment: Deposit Interest Retention Tax (DIRT), Capital Gains Tax (CGT) and Income Taxable investments.
- **4. Asset Classes:** Traditional Asset Classes such as equities, bonds and property and Alternative Asset Classes such as commodities, currencies, inflation, interest rates etc.
- **5. Investment Techniques:** Traditional Investment Techniques such as long only with Alternative Investment Techniques such as short selling, arbitrage, relative performance etc.

Our Investment Solutions will be available to a **broad range of investor types**, all of whom can invest via our **my**funds accounts as follows:

- Personal Investors.
- · Pension Schemes: Small Self Administered Pension Schemes and Insured Self Directed or Self Invested Plans.
- Post Retirement Plans: Self Administered ARFs & AMRFs and Insured Self Directed or Self Invested ARF & AMRF Plans.
- · Self Administered PRSAs.
- Companies, Credit Unions, Charities and other Not for Profit Organisations.
- Institutional Investors.

Our Philosophy will be the implementation of International Best Practice in Structured Investment Techniques for Financial Brokers and their investor clients in Ireland.

# 1. Executive Summary of Indicative Terms

- The Eurostoxx Bond 2 (the Bond) is an **innovative new Investment Solution designed** for pension and post retirement investors who wish to invest in a Structured Investment Strategy that **invests in European equities**. The Bond is suitable as a stand-alone investment or as part of the process of constructing a genuinely diversified investment portfolio.
- The Bond has **105% Capital Protection at maturity**. Investors will receive back the initial amount invested and a fixed return of 5% of the initial amount invested irrespective of the performance of the Underlying Investment. Merrion Solutions considers the Bond to have a risk score of 2 (Conservative).
- The Bond is a Note issued by Morgan Stanley (The Note).
- The Underlying Investment of the Bond is the Eurostoxx 50 Index.
- Investors in the Bond benefit from 100% Participation in the increase of the Underlying Investment at maturity (if any).
- There is no cap on returns or **no Maximum Return**.
- The Bond has a **10 year term**.
- **Daily liquidity** will be provided to investors that wish to sell the Bond prior to maturity under normal market conditions and at the discretion of Morgan Stanley & <u>Co International Plc.</u>
- The Minimum Investment in the Bond is €25,000.
- The Closing Date for applications is 21 March 2014.
- Taxation: We understand the returns on the Bond are exempt from taxation in the case of Pension and Post Retirement Investors.

Warning: This document is provided for information purposes only and is not considered to be an assessment of the suitability or appropriateness for any one investor or group of investors. The suitability or appropriateness of this product to your investment objectives or risk profile should be discussed with your Financial Broker before any investment in this product is made.

Warning: All of the terms outlined in this document are indicative and subject to change. The final terms will not be known until 28 March 2014. Your Financial Broker will confirm the final terms in the Confirmation Letter issued shortly after the Issue Date on 4 April 2014. If the terms of the Bond have changed significantly on 28 March 2014, your Financial Broker will contact you again requesting a new instruction to proceed with the investment.

Disclaimer: This document has not been reviewed, approved or otherwise endorsed by Morgan Stanley or any of its affiliates and Morgan Stanley accepts no responsibility in relation to the accuracy, completeness or adequacy of the information included herein. Nothing in this document should be considered to be a representation or warranty by Morgan Stanley to any person, including without limitation, any potential investor and any member of the public, regarding whether investing in the product described herein is suitable or advisable for such person.

# 2. Description of the Bond

The Bond is designed for pension and post retirement investors who wish to invest in a Structured Investment Strategy that invests in European equities. The Bond is suitable as a stand-alone investment or as part of the process of constructing a genuinely diversified investment portfolio.

The Bond is a 10 year Note issued by Morgan Stanley. The Note will be issued under Morgan Stanley's Note Programme by way of Final Terms and any relevant Pricing Supplement. The volatility in value during the 10 year term of the note is likely to be greater than that of a note of a shorter term. Copies of the Programme's base prospectus dated 27 June 2013 (which sets out the terms and conditions to be completed by the Final Terms or Pricing Supplement) and any supplements thereto (supplement dated 16 October 2013) are available at www.morganstanleyiq.eu or from your Financial Broker on request.

#### 2.1 Economic and Investment Rationale

The investment rationale for investing in European equities can be summarised as:

- 1. Equities as a long term investment: Although investing in equities involves a degree of investment risk and there will be volatile periods along the way, in the long term, equities tend to outperform other assets like bonds, property, cash etc. By adopting a medium term approach, equity investors can mitigate the risks and short term volatility associated with stock market investment while benefiting from the long term capital growth potential that stock markets can provide.
- **2. Performance/Valuation:** The European stock market has not yet recovered to the same extent as the stock markets of other regions. For example, since the low for European Equities in March 2009, the US stock market has recovered to a level above its pre-crisis level whereas the European market has recovered roughly 66% of its pre-crisis high.

Description	Level
Eurostoxx 50 Index all time high on 31 March 2000	5,249.55
Eurostoxx 50 Index pre crisis high on 16 July 2007	4,557.57
Eurostoxx 50 Index crisis low on 9 March 2009	1,809.98
Eurostoxx 50 Index now on 31 January 2014	3,013.96

Source: Bloomberg (31 March 2000 to 31 January 2014)

The Eurostoxx 50 Index has increased 66.52% (excluding dividends) since the beginning of the stock market recovery in March 2009. The S&P 500 Index (US equities) and the FTSE 100 Index (UK equities) have increased 163.49% and 83.79% respectively (excluding dividends) over the same period as illustrated in the chart below:



Source: Bloomberg (9 March 2009 to 31 January 2014). Excludes dividends.

Warning: Past Performance is not a reliable guide to future performance.

There have been valid reasons for the European stock market to underperform those of other developed regions (e.g. slower economic growth and the European sovereign debt crisis) since 2009. However, this degree of underperformance between Europe's and other developed region's stock markets has not normally occurred in the long term. Therefore there is the potential that Europe's stock market could close the performance gap that has opened in recent years if the sovereign debt crisis and other economic challenges are overcome. Similarly, it could be the case that given the weaker performance since 2009, the European stock market may have greater capacity to increase than the stock markets of other developed regions given the increases already achieved in these regions.

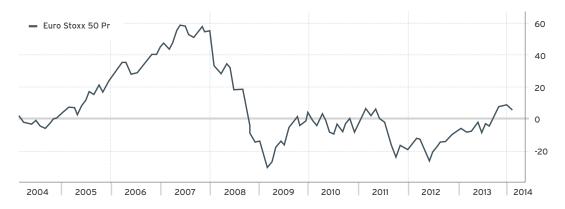
#### The Eurostoxx 50 Index

The Eurostoxx 50 Index is defined as Europe's leading Blue-chip index for the Eurozone, provides a Blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. The Eurostoxx 50 Index is licensed to financial institutions to serve as underlying for a wide range of investment products such as Exchange Traded Funds (ETF), Futures and Options, and structured products worldwide.

Source: http://www.stoxx.com/indices/index\_information.html?symbol=sx5E

#### Past Performance

The Eurostoxx 50 Index has increased 6.16% in the last 10 years (excluding dividends) as described in the chart below:



Source: Bloomberg (30 January 2004 to 31 January 2014). Excludes dividends.

Warning: Past Performance is not a reliable guide to future performance.

#### 2.2 Who is the Bond suitable for

Investors that want a long term investment that invests in European equities.	<b>√</b>
Investors requiring Capital Protection.	$\checkmark$
Investors seeking access to their capital.	$\checkmark$
Investors seeking unlimited investment returns.	$\checkmark$
Investors seeking a pension or post retirement investment this is exempt from taxation	$\checkmark$
The Bond is not suitable for: Investors seeking an income.	X
Investors seeking a short term investment.	X

#### 2.3 Indicative Investment Terms of the Bond

While the final terms of the Bond will not be known until 28 March 2014, based on market conditions on 11 February 2014, the Bond is expected to have the following Key Investment Terms:

Indicative Key Feature	Description
Note Issuer	Morgan Stanley
Guarantor	Morgan Stanley
Dealer	Morgan Stanley & Co International Plc
Investment Term	10 years
Capital Protection	105%. Investors will receive back 100% of the initial amount invested and a fixed return of 5% of the initial amount invested at maturity, irrespective of the performance of the Underlying Investment.
Underlying Investments	Eurostoxx 50 Index (Bloomberg: SX5E Index)
Potential Return	100% Participation in the growth of the Underlying Investmentsat maturity (if any)
Maximum Return	None
Minimum Investment	€25,000
Closing Date	21 March 2014
Strike Date	28 March 2014
Issue Date	4 April 2014
Determination Date	28 March 2024
Maturity Date	4 April 2024
Liquidity	Daily, under normal market conditions and at the discretion of Morgan Stanley & Co International Plc
Taxation	Our understanding is that the potential returns will be exempt from taxation in the case of Pension and Post Retirement Investors.

Warning: All of the terms outlined in this Brochure are indicative and subject to change. The final terms will not be known until 28 March 2014.

Warning: The value of your investment may go down as well as up.

#### 2.4 Sample Return Illustration

The table below describes potential returns to investors in the Bond in 5 example negative, neutral and positive investment return conditions for investors.

Description	Example 1 Negative Return	Example 2 Negative Return	Example 3 Neutral/No Return	Example 4 Positive Return 6% per annum	Example 5 Positive Return 8% per annum
Initial Amount Invested (€)	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
Increase in Underlying Investment Strategy (%)	-50%	0%	2.50%	79.71%	116.03%
Participation Rate (%)	100%	100%	100%	100%	100%
Projected Investment Return (%)	0%	0%	2.50%	79.17%	116.03%
Projected Gross Investment Return Amount (€)	0.00	0.00	2,500.00	79,170.55	116,029.10
Return of Captital Protected Amount (€)	105,000.00	105,000.00	105,000.00	105,000.00	10,,000.00
Projected Amount returned to Investors before Tax(€)	105,000.00	105,000.00	105,000.00	179,170.55	216,029.10
Annualised Return Before Tax (%)	0.49%	0.49%	0.49%	6.00%	8.00%
Projected Tax Amount at 41% Income Tax (%)	0.00	0.00	0.00	0.00	0.00
Projected Amount returned to Investors after Tax (€)	105,000.00	105,000.00	105,000.00	179,170.55	216,029.10

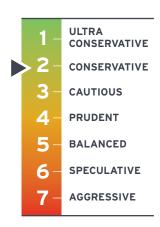
Warning: These figures are estimates only. They are not a reliable guide to the future performance of your investment.

Warning: Past Performance is not a reliable guide to future performance.

Warning: The value of your investment may go down as well as up.

### 2.5 Investment Risk

Merrion Solutions considers the Bond to have a risk score of 2 on its risk scale as follows:



Warning: The value of your investment can go down as well as up.

#### 2.6 Liquidity

Morgan Staley & Co International PIc will endeavour to make a secondary market in the Note, subject to it being satisfied that normal market conditions prevail. Any prices indicated will be dependent upon factors affecting or likely to affect the value of the Note such as, but not limited to, the remaining time to the Maturity Date, the outstanding principal amount, the Issuer's or, if applicable, the Guarantor's credit risk, the performance and volatility of the underlying asset, interest rates, exchange rates, credit spreads and any incidental costs etc. To the extent Morgan Stanley International PIc holds Notes that it can offer and subject to it being satisfied that normal market conditions prevail, such prices will have a bid-offer spread no greater than 1.00% in normal market conditions.

Morgan Stanley International PIc may determine a bid and offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. Morgan Stanley International PIc be the only market maker in the Note which may affect liquidity.

Therefore, investors will, in normal market conditions be able to sell the Note at any time during the term. The price at which the Note can be sold will be the open market value determined by Morgan Stanley International Plc which will take fees and charges into account and can be lower than the initial amount invested.

Warning: No representation is made as to the existence of a market for the underlying Morgan Stanley Note. Morgan Stanley International PIc will endeavour to make a secondary market in the Note, subject to it being satisfied that normal market conditions prevail. Any prices indicated will be dependent upon factors affecting or likely to affect the value of the Note such as, but not limited to, the remaining time to the Maturity Date, the outstanding principal amount, the Issuer's or, if applicable, the Guarantor's credit risk, the performance and volatility of the underlying asset, interest rates, exchange rates, credit spreads, and any incidental costs etc.

Warning: Morgan Stanley International PIc may determine a bid and offer price in a different manner than other market participants and prices can vary. Sometimes this variance may be substantial. Morgan Stanley International PIc may be the only market maker in the Note which may affect liquidity.

Warning: Deductions for charges and expenses are not made uniformly throughout the life of the product, but are loaded disproportionately onto the early period. If an investor sells either Bond prior to the end of the 9 year term, the practice of front-end loading will impact on the amount of money that the investor receives. The investor may not get back the full amount they invested.

Warning: The value of your investment can go down as well as up.

#### 2.7 Fees & Charges

The Fees & Charges associated with the Bond are fully reflected in the terms. This means that they are built into the price paid for the Bond.

Merrion Solutions is expected to receive a commission of 2.5% of the amount invested in the Bond in relation to its production and administration of the Bond.

Financial Brokers do not receive a commission from Merrion Solutions in relation to the advice they provide to each investor or for any other activity carried out in relation to the Bond.

The total indicative commission payable to the parties involved in the Bond is 2.5% of the amount initially invested (based on market conditions on 11 February 2014). This commission amount will be reflected in the quoted price of the Bond if sold prior to maturity.

Warning: Deductions for charges and expenses are not made uniformly throughout the life of the product, but are loaded disproportionately onto the early period. If an investor sells the Bond prior to the end of the 10 year term, the practice of frontend loading will impact on the amount of money that the investor receives. The investor may not get back the full amount they invested.

#### 2.8 Administrative Process

All of the Key Features outlined in this document are indicative and the final investment terms will not be known until 28 March 2014. Investors will be advised of the final terms of the Bond in the Confirmation Certificate issued within 5 business days of the Issue Date on 4 April 2014.

The Bond has been designed for pension and post retirement investors via a self invested plan.

Investors must complete and sign the Application Form below. Your Financial Broker will assist you in completing your Application Form and in submitting the required documentation.

#### 2.9 What happens if I die before the Bond Matures?

In the event of death of a sole investor or a surviving joint investor, the Bond may be held by the administrators of the estate until maturity. Alternatively, the Bonds may be sold prior to Maturity, subject to normal probate regulations, at its realisable value which may be lower than the original amount invested and lower than the Capital Protected amount. The proceeds from the sale of the Bond as a result of death will be paid to the investing life company.

Warning: Deductions for charges and expenses are not made uniformly throughout the life of the products, but are loaded disproportionately onto the early period. If an investor sells the Bond prior to the end of the 10 year term as a result of death, the practice of front-end loading will impact on the amount of money that the investor receives. The investor may not get back the full amount they invested.

#### 2.10 Taxation

It is our understanding that the Potential Return will be exempt from taxation in the case of pension and post retirement Investors. However, the taxation treatment of the Bond will be based on Revenue's policy at the time of the realising of any gain and on the individual circumstances of each investor.

Warning: The above information represents our understanding of the taxation treatment of the Bond but does not constitute tax advice. Investors should satisfy themselves independently of the taxation treatment of the Bond in their particular circumstances.

Warning: Investors should satisfy themselves independently in relation to revenue reporting requirements and the implications of non-disclosure where required.

Warning: Tax rates and the Revenue's policy in relation to the taxation treatment of these instruments are subject to change without notice.

# 3. General Risk Warnings

Warning: If Morgan Stanley defaults or goes bankrupt you may lose some or all of your investment and because you are investing in a Note issued by Morgan Stanley and not a bank deposit, you will not be eligible for compensation under any Deposit Guarantee or Deposit Compensation Scheme.

Warning: The Note underlying the Bond is a senior unsecured obligation of Morgan Stanley and all payments on the Note, including the repayment of principal, are subject to the credit risk of Morgan Stanley. Credit ratings can be a useful way to compare the credit risk associated with different product providers and related investments. Credit ratings are assigned by independent companies known as ratings agencies and reviewed regularly. The guarantor, Morgan Stanley's long term credit rating as at 11 February 2014 is Baa2 from Moody's (its equivalent rating by Standard and Poor's is A- and from Fitch is A). You should note that Moody's rate companies from Aaa (Most Secure/Best) to C (Most Risky/ Worst), while Standard & Poor's and Fitch rate companies from AAA (Most Secure/Best) to D (Most Risky/ Worst). Each of Moody's, Standard & Poor's and Fitch are independent ratings agencies. These credit ratings are reviewed on a regular basis and are subject to change by these agencies.

Warning: The Bond is for Distribution by way of a Private Offer in the Republic of Ireland only.

Warning: Investors in the Bond will not benefit from dividends or coupons from the Underlying Investments and does not directly invest in the assets within each underlying index.

Warning: The Underlying Investments can be volatile.

Warning: Investors should not read this document alone but should also read the associated prospectus which is obtainable from Merrion Solutions or from your Financial Broker where the Terms & Conditions and a full list of Warnings are provided.

Warning: Merrion Solutions has not provided any financial, legal, regulatory, tax, accounting or investment advice and does not accept any responsibility for the appropriateness or suitability of the Bond for any investor.

Warning: This product may be affected by changes in currency exchange rates.

Potential investors are urged to consult with their legal, regulatory, investment, accounting, tax and other advisors with regard to any proposed or actual investment in the Bond and to review the Base Prospectus.

### **Complaints Procedure**

Merrion Solutions aims to provide the highest quality of customer service at all times. If you have any complaint, please contact Merrion Compliance, Block C, The Sweepstakes Centre, Dublin 4.

If you are dissatisfied with the outcome of our efforts to resolve your complaint you may refer your complaint to the Financial Services Ombudsman's Bureau, 3rd Floor, Lincoln House, Lincoln Place, Dublin 2.

Lo Call: 1890 88 20 90; Telephone (01) 6620899; Fax (01) 6620890. e-mail: enquiries@financialombudsman.ie



### **Bond Application Form**

Please note that by signing this Application Form, you are confirming that you have read and understood the material in this Brochure, the base prospectus and have received advice from your Financial Broker in relation to the suitability of this investment for you. If you are unclear about any of the information presented in this Brochure, the base prospectus or about the suitability of this investment for you, please seek further advice before completing this Application Form.

Please complete the following document in BLOCK CAPITALS.

#### I/We hereby apply for the Eurostoxx Bond 2 in the name(s) of:

If we hereby apply for the Eurostoxx Bona E in	True Harric(5) or.			
Plan Name:	Pre or Post Retirem	nent:		
Plan Provider Name:	Plan Type: (e.g. Self Invi	ested or Self Directed Plan)		
Plan Number:				
I/We wish to invest € in the Eurostoxx Bond 2 (€25,000 minimum in denominations of €1,000)				
Investor Declaration: I/We declare that (i) the details above are correct, that I/We are over 18 and confirm that I/We understand and accept the Indicative Key Features of the Bond set out in this Brochure and the base prospectus. I/We confirm that the Indicative Key Features of the Bond chosen are consistent with my/our Investment Objectives and Risk Profile. I/We understand that the indicative terms outlined in this document are subject to change and that the final terms will not be known until 28 March 2014. I/We understand that the investment will not be deemed to have been made until the application has been accepted and that, if and when accepted, the investment will commence on 4 April 2014.				
Primary Signature:		Date:		
Secondary Signature:		Date:		
Warning: The value of your investment can go down as well as up.				
Financial Broker Declaration: I/We confirm the following: Having conducted a full review of this investor's financial circumstances, that the Bond chosen is consistent with the investor's Investment Objectives and Risk Profile. We have complied in full with the Anti Money Laundering (AML) and combating terrorist system that applies to all designated bodies with effect from 15 July 2010. Where an investor has been identified as potentially vulnerable (e.g. over 60 years of age) we have followed our internal procedures in this regard.				
Firm Name:				
Print Advisor Name:		Date:		
Advisor Signature:				

Solutions
for Irish
Financial
Brokers



Merrion Solutions, Block C, The Sweepstakes Centre, Ballsbridge, Dublin 4.

### www.merrionsolutions.com

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