

Swiss Equal-Weight

Equally weighted investment in Switzerland's 20 largest companies

Open End PERLES on the Solactive Swiss Equal-Weight Index

Smart beta – an innovative approach

Smart beta is a buzzword that is increasingly popular among investors. This strategy blurs the boundaries between active asset allocation and passive positioning in a particular benchmark. Unlike conventional indices that are usually weighted by market capitalization, smart beta strategies use fundamentals. Common criteria include the volatility, dividends or certain evaluation parameters. Moreover, investors who endeavor to outperform the classic approach often make use of equal weighting. This is exactly where the new Solactive Swiss Equal-Weight index comes in, applying this smart beta concept to the Swiss equity market.

SMI – spellbound by Novartis, Nestlé and Roche

The SMI is doubtlessly the by far most significant index among Swiss investors. Since June 30, 1988, it has served as the benchmark for the mood on the Swiss equity market. The SMI contains the 20 largest and most liquid companies that are listed on the SIX Swiss Exchange. The weighting is determined by the market capitalization. This methodology results in a strong dependence on the three heavyweights Novartis, Nestlé and Roche. Together, this trio currently accounts for more than 60 percent of the SMI. Thus, a concentration risk is inevitable in the case of passive investments that map the benchmark on a one-to-one basis.

Equal weight – central advantages

With the Solactive Swiss Equal-Weight index, investors can invest in Switzerland's 20 largest blue chips with equal weighting and thus in a more diversified form. In this way, they are less dependent on individual equities. At the same time, the new index circumvents the so-called "buy high, sell low" effect. In the case of conventional weighting by market capitalization, the proportion of an equity increases as soon as it gains value, and vice versa. As a result, the buyers of such a stock exchange barometer rely on the winners of the past. However, they are underweighted in securities that may be traded with a discount on their fair value at the particular time.



SSPA product type

Tracker certificate (1300)

Currency	Valor	SIX Symbol
CHF	28650006	EQLCH

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Transparent index methodology

Companies that are domiciled in Switzerland and that are listed on the SIX Swiss Exchange are eligible for inclusion in the Solactive Swiss Equal-Weight index. Furthermore, they must have achieved a daily trading volume of more than CHF 5 million over the last three months. From this universe, Solactive AG, which is responsible for the methodology, composition and ongoing calculation, selects the 20 companies with the highest market capitalization. Each of these equities enters the index with a proportion of 5 percent.

Another feature that is different from the SMI is the rebalancing. The Solactive Swiss Equal-Weight index is reviewed at quarterly intervals in March, June, September and December. Within the scope of this review, the composition is checked and adjusted if necessary. At the same time, the equal weighting of the index members is restored. In contrast, the SMI is reviewed only once year. Accordingly, the new equal weight concept can react more flexibly to stock exchange changes and present the country's 20 largest blue chips in up-to-date form.

The Solactive Swiss Equal-Weight index is calculated in Swiss francs as a net total return index. This means that any accrued net dividends of the included companies are reinvested in the index.

The product solution

UBS Open End PERLES on the Solactive Swiss Equal-Weight Net Total Return Index map the performance of the underlying index, which reinvests any net dividends of the index members, after deduction of the management fee of 0.40 percent p.a. with unlimited duration on a one-to-one basis.

Opportunities

- Equity-linked participation in Switzerland's 20 largest companies by market capitalization.
- Equal weighting of the index ensures higher diversification and prevents concentration risk.
- Highly flexible, up-to-date positioning thanks to quarterly rebalancing.
- Calculated by Solactive AG, an experienced index provider.
- Tradable every trading day under normal trading conditions.
- No fixed term restriction.

Risks

- No capital protection: investors run the risk of losing their investment if the price of the underlying index worsens.
- Investors bear the issuer risk and could lose their investment if the issuer files for bankruptcy.
- The issuer intends to ensure liquidity in normal market phases on trading days. However, investors should realize that they may not be able to buy /sell the product at any point in time.
- The issuer has the right to terminate the product if certain conditions are met.

Open End PERLES in CHF	
Underlying	Solactive Swiss Equal-Weight Net Total Return Index (CHF)
Conversion ratio	1:1
Management fee	0.40% p.a.
Issue date	22 July 2015
Issue price	CHF 100.00
ISIN	CH0286500068
SIX Symbol	EQLCH

Investor profile

Solutions for investors with experience in stock market topics and structured products and with a medium to increased risk tolerance who would like to participate in the performance of the equities included in the index at little capital and administrative expense.

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