

Financial Products

**Vontobel Belt and Road  
Index, advised by  
CCBIAM**

Index Guide



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# Guide to the Vontobel Belt and Road Index, advised by CCBIAM

## 1. Introduction and basic data

This document («**Guide**») describes the composition, calculation and publication of the *Vontobel Belt and Road Index, advised by CCBIAM* (the «**Index**»). The Index reflects the performance of a hypothetical portfolio, which is compiled and continuously managed by the Index Sponsor in accordance with the Strategy determined by it.

The Strategy of the Index Sponsor is to select shares discretionarily after having applied a set of quantitative and qualitative filters. The Index shall serve as a market benchmark that reflects the overall performance of *One Belt One Road* markets.

### 1.1. Preliminary remarks

This Index forms part of the Vontobel Strategy Indices («**Strategy Indices**») family of indices. **The Strategy Indices are not recognised financial indices, but are indices designed and calculated by Bank Vontobel AG as the Index Calculation Agent.**

The Index Calculation Agent is advised by index sponsors for the purpose of the composition of the Strategy Indices. **The index sponsors act in principle at their own discretion and within the index strategy defined by themselves and for which they are responsible** (referred to in the following as «**Index Strategy**» or «**Strategy**»; see 2.2).

The Index Calculation Agent will carry out the calculation and composition of the Strategy Indices with the greatest possible care. However, the Index Calculation Agent and the index sponsors accept no obligation or liability with respect to the calculation and composition of the Strategy Indices. The Index Calculation Agent is not liable for direct or indirect losses arising from the incorrect calculation of the indices, their composition or the other key figures, unless they are due to gross negligence or wilful intent on the part of itself, its vicarious agents or their legal representatives. The Index Calculation Agent – without prejudice to possible obligations vis-à-vis licensees or index sponsors – has no obligation vis-à-vis third parties (including investors in financial instruments linked to the Index and/or financial intermediaries) to draw attention to any mistakes in the Index.

The Index Calculation Agent's indices do not represent a recommendation by the Index Calculation Agent to make an investment. In particular, the composition, calculation and publication of the indices do not in any way imply an assurance or opinion on the part of the Index Calculation Agent with respect to the purchase or sale of an index constituent or of a financial instrument linked to that index.

This Guide is available on the Information Page.

## 1.2. Basic principles

The Strategy Indices are calculated and composed, as far as possible, in accordance with the following principles:

- The Index should reflect the underlying Strategy defined by the Index Sponsor as closely as possible.
- The Index Sponsor makes decisions about the composition of the Index and any ordinary adjustments on its own authority.
- Adjustments of the Index are published without undue delay.
- The current composition of an Index is published at least once a day.
- Index constituents are tradeable and available to an extent appropriate to the Strategy.
- A real portfolio can replicate the performance of the Index.
- The Index Strategy provides reliability and continuity.
- Changes in the rules are communicated with adequate advance notice (generally at least 5 Index Days).
- Changes to the Guide are never made with retrospective effect.

## 2. Index parameters

«**Index Calculation Agent**» is Bank Vontobel AG, Investment Banking / Financial Products, Gotthardstrasse 43, CH-8002 Zurich

«**Index Identifiers**» are:

- ISIN: CH0476263808
- Valor: 47626380
- WKN: A2X2E1

«**Index Start Date**» is 7 June 2019.

«**Index Start Level**» amounts to 100 points.

«**Index Day**» means each day on which the commercial banks in Zurich, Switzerland, are open for business transactions.

«**Information Page**» means <https://indices.vontobel.com>.

«**Index Currency**» is USD.

### 2.1. Index Sponsor

The Index Calculation Agent is advised by the Index Sponsor in connection with the composition of the Index. For this purpose, the Index Sponsor follows a specific procedure, defined and described under 2.2 below, according to which decisions are made with respect to the composition of the Index. The Index Sponsor is CCB International Asset Management Limited, 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

The Index Sponsor selects and weights the respective Index constituents independently. It decides on the time and scope

of changes in the Index composition without consulting the Index Calculation Agent and is responsible for the permanent monitoring of compliance with the Index Strategy and the Index Universe. The Index Calculation Agent, on the other hand, is not responsible for monitoring compliance with the Strategy by the Index Sponsor.

The Index Sponsor may terminate the advisory agreement with the Index Calculation Agent at the last Index Day of each calendar quarter, giving two months' notice. In this case, the Index Calculation Agent shall proceed in accordance with 5.1.

## 2.2. Index Strategy

The Index reflects the performance of a virtual investment managed on the basis of a Strategy. This Strategy is determined by the Index Sponsor and the Index Sponsor is solely responsible for it. The Index Calculation Agent neither advises nor assists the Index Sponsor in connection with the preparation of the Strategy. The Index Calculation Agent is under no obligation to monitor the Index Sponsor's compliance with the Strategy; it follows the decisions of the Index Sponsor relating to the selection and weighting of the relevant index constituents in principle without carrying out a review of its own.

The Strategy of the Index Sponsor is based upon the *One Belt, One Road Strategy* pursued by China. This major initiative consists of two strategies which Chinese President Xi Jinping successively proposed between September and October 2013: the strategic concept to jointly build the *Silk Road Economic Belt* and the *21st Century Maritime Silk Road*. These two are collectively called as the *One Belt, One Road Strategy*.

For this reason, the Index Strategy of the Index Sponsor is to select shares from markets along these routes discretionarily after having applied a set of quantitative and qualitative filters.

The *Silk Road Economic Belt Strategy* covers the economic integration in Southeast Asia and Northeast Asia, and after that, the two merged Asia would extend into Europe, eventually forming a general trend of economic integration in Eurasia.

The *21st Century Maritime Silk Road Economic Belt Strategy* links Europe, Asia and Africa from the maritime network. It has formed a closed loop of from sea to land together with the Silk Road Economic Belt.

The Index shall serve as a market benchmark that reflects the overall performance of the stock markets covered by the *One Belt, One Road Strategy*.

According to the Chinese government's official website, the *One Belt, One Road Strategy* covers 119 countries, of which only 39 countries have stock trading markets, and only 22 countries have the trading market value of stocks exceeding 50 billion US Dollars. Considering quantitative filters – such as sovereign credit rating, exchange rate risk and total tradeable market value of shares in each country – as well as qualitative filters – such as geopolitical risk, legal risk, transaction risk and data availability – the Index Sponsor has initially selected eight markets («Pool»)<sup>1</sup>. Shares and other equities from the

Index Universe shall be selected to create exposure to this Pool in the Index:

- People's Republic of China;
- Republic of India;
- Republic of Korea;
- Republic of South Africa;
- Republic of Singapore;
- Malaysia;
- Kingdom of Thailand; and
- Republic of Indonesia.

This Pool may be changed if the Index Sponsor determines different results when re-applying the quantitative and qualitative filters from time to time or in case that the Chinese government publishes changes to the markets covered by the *One Belt, One Road Strategy*.

The key strategic direction of the *One Belt, One Road Strategy* is to share project investment, to build infrastructure facilities and to share high-quality production capacity with countries along the routes. Under such broad missions, the Index Sponsor defined sector allocations pursuant to third party, major business information service provider's classification as set out below:

Including industries:

- 1 Communication Engineering;
- 2 Diversified & Conglomerate;
- 3 Industrial Manufacturing;
- 4 Technology;
- 5 Public Utilities;

Excluding industries:

- 1 Financials;
- 2 Energy;
- 3 Cyclical Consumer Goods;
- 4 Non-cyclical Consumer Goods;
- 5 Basic Materials.

The Index Sponsor discretionarily chooses the individual listed companies with proper corresponding securities instruments from the Pool and these sectors based on a set of quantitative and qualitative filters, as well as its local knowledge, company research, best judgment and knowledge and market experience.

Any individual Index constituent shall equally be weighted at the time of Ordinary Adjustments. Such weighting refers only to shares part of the Index and doesn't exclude a certain Cash Component in the Index required to assure compliance with the basic principle of Index' replicability at any time.

The following restriction applies:

- Short selling of shares, other equities, ETFs, collective investment schemes, bonds, debentures or other debt instruments is not permitted.

<sup>1</sup> The Pool is created as at 17 April 2019.

### 2.3. Index Universe

The Index Universe determines the financial instruments that can be accepted as Index constituents. The Index Universe comprises:

- 1 Shares or other equities listed on a stock exchange
  - in a country specified in Appendix 1 (which may be amended in case of changes to the Pool as described in 2.2 above), and
  - that holds full membership of the Federation of European Securities Exchanges (FESE) or the World Federation of Exchanges (WFE);
- 2 Cash Components:
  - Eligible currencies: USD, CNY;
  - Cumulative weighting of all Cash Components mustn't exceed 50% of Index.

All Index constituents must feature sufficient market liquidity as determined by the Index Calculation Agent in its sole discretion.

### 2.4. Selection Process

The Index Sponsor undertakes regular reviews of the Index constituents once every six months with data cut-off dates on the last Friday of May and November each year.

The first data cut-off date is 29 November 2019.

Each review of the Index constituents is normally completed within one week before each data cut-off date. In each review, there may or may not be constituent additions or deletions. Eligible candidates will be selected as constituents of the Index according to principles stated in section 2.2. above. At the data cut-off dates, the Index Sponsor will provide the Index Calculation Agent with the new composition of the Index.

Constituents failing to meet the quantitative and qualitative filters may be considered for removal from the Index. Even if they fulfil all the eligibility requirements, the Index Sponsor may discretionarily consider constituents for removal from the Index based on its local knowledge, company research, best judgment and market experience, subject to the availability of appropriate replacement candidates.

The Index Sponsor has the right to refrain from advising on one or more Index constituents where this is necessary to comply with its internal procedures or any applicable laws and regulations. The Index Calculation Agent will remove such constituent at the next Ordinary Adjustment from the Index.

Constituent changes (each an Ordinary Adjustment) will be implemented by the Index Calculation Agent in accordance with section 2.5 below.

### 2.5. Implementation

The Index Calculation Agent assists the Index Sponsor in implementing the Strategy's results and to compose the Index as set out below as well as in accordance with the policies agreed with and instructions issued by the Index Sponsor from time to time.

In general, Ordinary Adjustments shall be effected by the Index Calculation Agent from the first Friday of June and December. If that Friday falls on an exchange holiday in a

market relevant for any constituent to be added, removed or reweighted, the Ordinary Adjustment will be postponed to the following Index Day for the relevant constituent, subject to the final decision and instruction made by Index Sponsor.

The Index Calculation Agent seeks to achieve the equally weighting of each constituents as described in section 2.2 above when implementing Adjustment Recommendations on a best effort effort basis.

### 2.6. Fees and Costs

#### 2.6.1. Index Fee

The index fee amounts to 1.2% *per annum*.

The Index Fee is calculated on each Index Day on the basis of the respective current value of the index and is deducted *pro rata temporis* from the respective Cash Component on each Index Day.

#### 2.6.2. Adjustment Fees

Additional fees are incurred in the event of adjustments of the Index in accordance with 4.1 below («**Adjustment Fees**»).

The applicable Adjustment Fees are described in more detail in Appendix 1 and may be adjusted from time to time by the Index Calculation Agent in order to be able to replicate in the Index the fee charge of a real investment at any time.

Changes to the applicable Adjustment Fees will be published on the Information Page at least one month prior to becoming effective.

#### 2.6.3. Other Costs

If and to the extent that, in accordance with the Index Strategy, a real investment would incur taxes, fees or other charges not covered by the Adjustment Fees described above («**Other Costs**»), the Index Calculation Agent shall take such costs into account when calculating the Index.

#### 2.6.4. Cost of Index constituents

The Index constituents themselves can also be subject to fees and costs and thus indirectly have a reducing effect on the value of the Index. Such fees, e.g. management fees and distribution fees for collective investment schemes/investment units and structured products, are outlined by the respective manager/issuer in the respective documentation of the Index constituent.

## 3. Index calculation

The Index will be calculated for the first time on the Index Start Date. The initial level of the Index on the Index Start Date corresponds to the Index Start Level. The respective current index level will be determined by the Index Calculation Agent once a day after the close of business for banks in Zurich (Switzerland), rounded to two decimals and normally published by 10:00 a.m. (local time in Zurich) on the next Index Day in accordance with 6.1 below («**Closing Level**»).

One index point corresponds to one unit of the Index Currency.

### 3.1. Index formula

The Index level on an Index Day is the sum of the Valuation Prices for the Index constituents (including Cash Components, if any) multiplied by the corresponding number

of this constituent in the Index. Accrued Index and Adjustment Fees as well as Other Costs are deducted from this amount.

The Index on an Index Day T is calculated according to the following formula:

$$IDX_T = \sum_{i=1}^n n_{i,T} \times V_{i,T} - F$$

where:

T	=	current Index Day
IDX <sub>T</sub>	=	Index level after the close of business on Index Day T
V <sub>i,T</sub>	=	Valuation Price of Index constituent i on Index Day T
n <sub>i,T</sub>	=	number of Index constituent i in the Index on Index Day T
F	=	Fees and Costs since the immediately preceding Index Day

### 3.2. Valuation Prices

The Index is calculated on each Index Day using the Valuation Prices for the Index constituents. The Index Calculation Agent determines the respective Valuation Prices after the close of business on an Index Day.

Depending on the type of Index constituent, the Index Calculation Agent bases its determination on:

TYPE	SOURCE OF VALUATION PRICE
Shares or other equities	Closing price at primary market (as determined by Index Calculation Agent)
Cash Components	Nominal value. Fees and Costs are to be accrued or deducted for each Index Day.

The Index Calculation Agent may deviate from such sources in its reasonable discretion or may change such price sources in general without giving prior notice. Modifications to the valuation sources are published on the Information Page.

### 3.3. Currency translation

If the Valuation Price of an Index constituent is determined in a currency other than the Index Currency (or is a Cash Component in a currency other than the Index Currency), such amounts shall be converted into the Index Currency by the Index Calculation Agent at its reasonable discretion.

### 3.4. Index corrections

In case of calculation errors which the Index Calculation Agent deems to be material at its reasonable discretion, Index levels shall also be corrected retrospectively if this is technically possible and economically reasonable. Otherwise, no correction is made. Corrections will be published on the Information Page.

## 4. Adjustments to the Index composition

### 4.1. Ordinary Adjustment

The Index Sponsor selects and weighs the respective Index constituents independently within the framework of the Strategy determined by him and also decides on the time and scope of changes in the Index according to the Selection Process without consultation with or advice by the Index Calculation Agent (in each case an «**Ordinary Adjustment**»). However, the Index Calculation Agent may refuse to include

individual instruments in the Index at any time without giving reasons, as well as request removal from the Index or a reduction in the weighting of individual Index constituents.

An Ordinary Adjustment can be made on a semi-annual basis according to section 2.4 above.

The new Index composition and the Index Day from which it takes effect shall be decided on a case-by-case basis by the Index Calculation Agent.

Ordinary Adjustments are subject to Adjustment Fees in accordance with section 2.6.2 above.

### 4.2. Extraordinary Adjustment

In case of extraordinary events relating to an Index constituent, the Index Calculation Agent shall adjust the composition of the Index and, if necessary, take further measures at its reasonable discretion which are suitable to enable the Index to be continued («**Extraordinary Adjustment**»).

The aim is to ensure continuous calculation and reproducibility of the Index even in case of extraordinary events. As a measure, for example, constituents can be removed from the Index.

The new Index composition and the Index Day from which it takes effect shall be decided on a case-by-case basis by the Index Calculation Agent.

Extraordinary events are

- Insolvencies and other credit events;
- mergers, takeovers, spin-offs, corporate actions (e.g. class conversions, conversions), delisting, and similar events;
- insufficient market liquidity in the opinion of the Index Calculation Agent;
- a violation of the Index Strategy or the Index Universe detected by the Index Calculation Agent;
- as well as all events whose tax, regulatory, legal, economic or other effects are comparable with one of the aforementioned events.

### 4.3. Stop Loss

If the value of the Index equals or is below 50% of the Index Start Level («**Stop-Loss Event**»), the Index Calculation Agent may adjust the Index without involving the Index Sponsor immediately after a Stop-Loss Event by dissolving all constituents and reallocating them into Cash Components in the Index Currency.

In case of a Stop-Loss event, the the Index Calculation Agent is not obliged to act as described above, but decides at its own discretion and, if necessary, after consulting the Index Sponsor.

### 4.4. Distributions and interest

The Index is calculated as a performance index. Dividend payments as well as other distributions and income are recognized net of country-specific taxes, fees and other charges («**Net-Return**»). The currently valid country-specific tax rates are published on the Information Page.

In the case of a cash distribution on Index constituents, the Index Calculation Agent will increase the Cash Components

in the Index on the respective payment date in order to reflect the distribution. In addition, the Index Calculation Agent shall decide at its reasonable discretion on an appropriate Index adjustment to ensure that the Index reflects the performance that would result from a real portfolio.

In order to ensure the effective simulation of such a performance, Cash Components in the Index can be «interest-bearing». The applicable interest rate is determined from time to time by the Index Calculation Agent on the basis of prevailing market conditions for the respective currency and published on the Information Page. Depending on the current market interest rate environment, negative interest may be charged or, in the case of a negative balance, debit interest may be charged.

In the case of negative interest, the Index Calculation Agent may, at its discretion, take into account allowances for Cash Components in the respective Strategy Index which the Index Calculation Agent deems necessary to ensure effective simulation, in particular of changes in value and quantity; i.e. only if the Cash Component contained in the Strategy Index exceeds a possible allowance, the amount exceeding this allowance is subject to negative interest.

#### 4.5. Replicability

In order to ensure that the Index can be replicated (see section 1.2 Basic principles above), the Index Calculation Agent is entitled at any time and without consulting the Index Sponsor to increase or reduce the weighting of the Cash Component within the Index (with the result that the weightings of the other Index constituents are reduced or increased accordingly).

Information on the composition of the Index is published on the Information Page.

### 5. Changes to the Guide

#### 5.1. Withdrawal of the Index Sponsor

If the Index Sponsor terminates the Advisory Agreement with the Index Calculation Agent or if the Index Sponsor no longer fulfils its consulting activities for any other reason, the Index Calculation Agent can determine another index sponsor at its reasonable discretion or discontinue the Index calculation. The Index Calculation Agent will inform as soon as possible on the Information Page about its decision in the event of the withdrawal of the Index Sponsor.

#### 5.2. Significant changes

The Index Calculation Agent is entitled to change the Index Universe and the Index Strategy at the proposal of the Index Sponsor and in compliance with the basic principles («**Significant Change**»).

#### 5.3. Other changes

The method described in this Guide for calculating the Index is binding. Since a need for change cannot be ruled out, e.g. due to errors in the rules, changes in the market environment or due to regulatory, tax or other legal developments and changes, the Index Calculation Agent may make changes to this Guide and thus to the Index and its calculation method («**Other changes**»).

#### 5.4. Entry into force

The Index Calculation Agent shall always provide adequate notice of changes to the Guide by publishing the modified Guide on the Information Page, dated on the Index Day of its entry into force.

Significant changes must be published on the Information Page at least three calendar months before they take effect.

In the case of other changes, the modified guide will generally be published on the Information Page at least five Index Days before it takes effect. In case of correction of errors in the guide, an immediate correction with simultaneous publication is permitted. Adjustments to this guide are never made retroactively.

### 6. Miscellaneous

#### 6.1. Publications

All publications concerning the Index are published on the Information Page. Such publication shall be deemed to have taken place on the date of publication.

#### 6.2. Distribution

The Index Level is published daily and distributed over the Information Page.

The Index cannot be distributed in the event of data supply disruptions at the Index Calculation Agent or the above-mentioned data vendors.

#### 6.3. Use of index data

The Index or index family is the intellectual property of the Index Calculation Agent, which reserves all rights. The Index Calculation Agent enables its customers, e.g. banks, investment houses and securities issuers, to use the index data (index composition and index weighting) for issuing derivative financial instruments.

#### 6.4. Contact

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8022 Zurich  
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Phone: +41 (0)58 283 78 88  
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**Appendix 1**

In case of adjustments the Index Calculation Agent applies the following fees:

Shares or other equities	Fee, in basis points (bps)		Minimum Fee (CHF)
	if Index Sponsor submits Adjustments		
	Country	via e-Service	not via e-Service
Singapore	10	20	100.00
United Kingdom (GDRs with exposure to Pool markets only)	10	20	100.00
USA (ADRs with exposure to Pool markets only)	10	20	100.00
Indonesia	15	25	100.00
Malaysia	15	25	100.00
South Africa	15	25	100.00
Thailand	15	25	100.00
China	25	35	100.00
Korea	65	80	100.00

**Important Notices:**

- If Adjustments contain special qualifiers (e.g. discretionary), above fees will be increased by CHF 80.00.
- In case of absolute amounts stated as (minimum) fees, the Index Calculation Agent may translate these amounts into a relative value and apply to the Index Adjustments in a reasonable manner to replicate the cost effect, which a real portfolio would have to bear due to such an adjustment.