

Investment Banking
Financial Products

Vontobel Swiss Smart Dividend Performance Index

A research-driven dividend strategy

January/February 2018

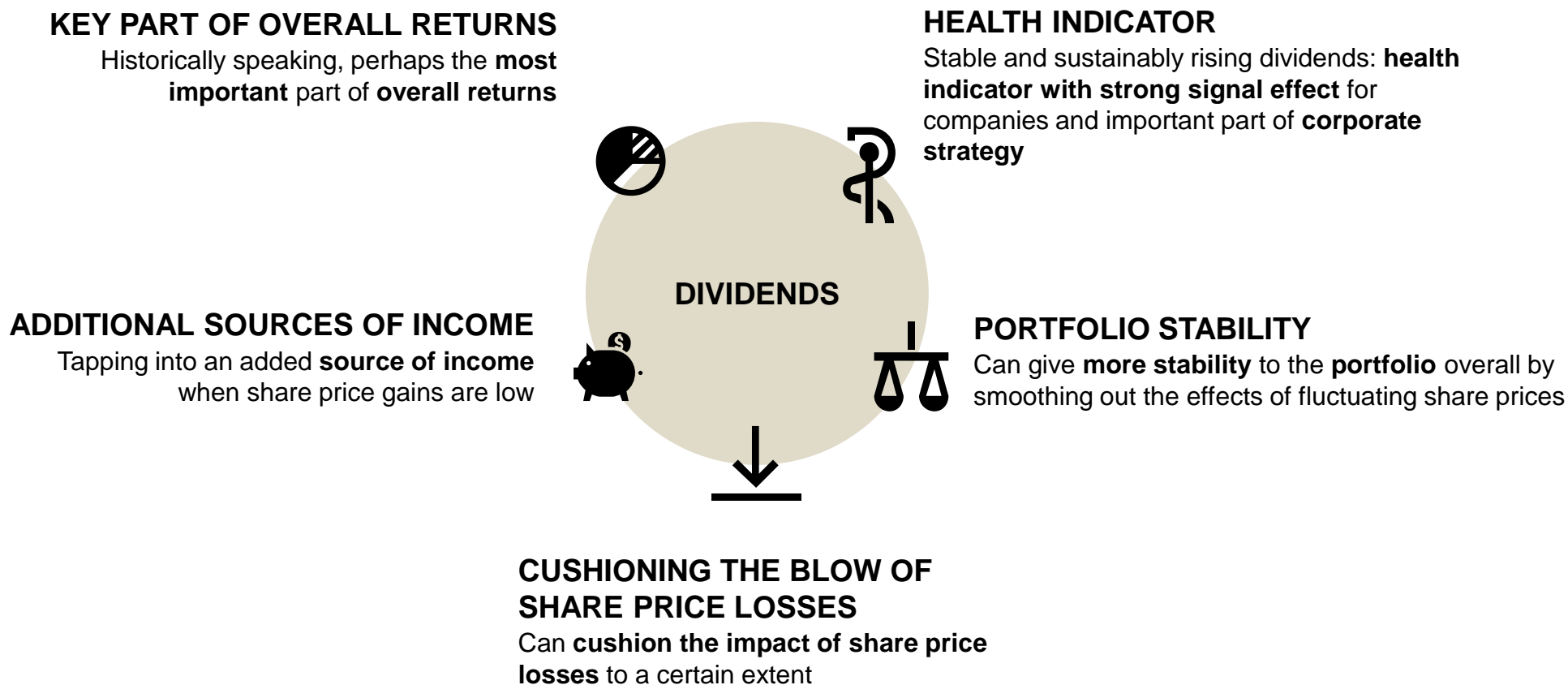
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Dividends: a key part of overall returns

How do dividends add value?

How do dividends add value?



Source: Vontobel Equity Research; please note that the composition of overall return (a mix of dividends and capital gains) depends heavily on the chosen time frame and starting point.
Illustration: Vontobel Investment Banking; for illustrative purposes only.

Dividends: a key part of overall returns

A study by Vontobel Equity Research shows:

- An investment in the SPI® in May 2007 – before the financial crisis – delivered a total return of 2% over ten years if dividends are not factored in.
- Factoring in the (gross) dividend yield brings the total return over the same period to 39%.
- Almost all of this total return (37 percentage points) came from (gross) dividend payments.

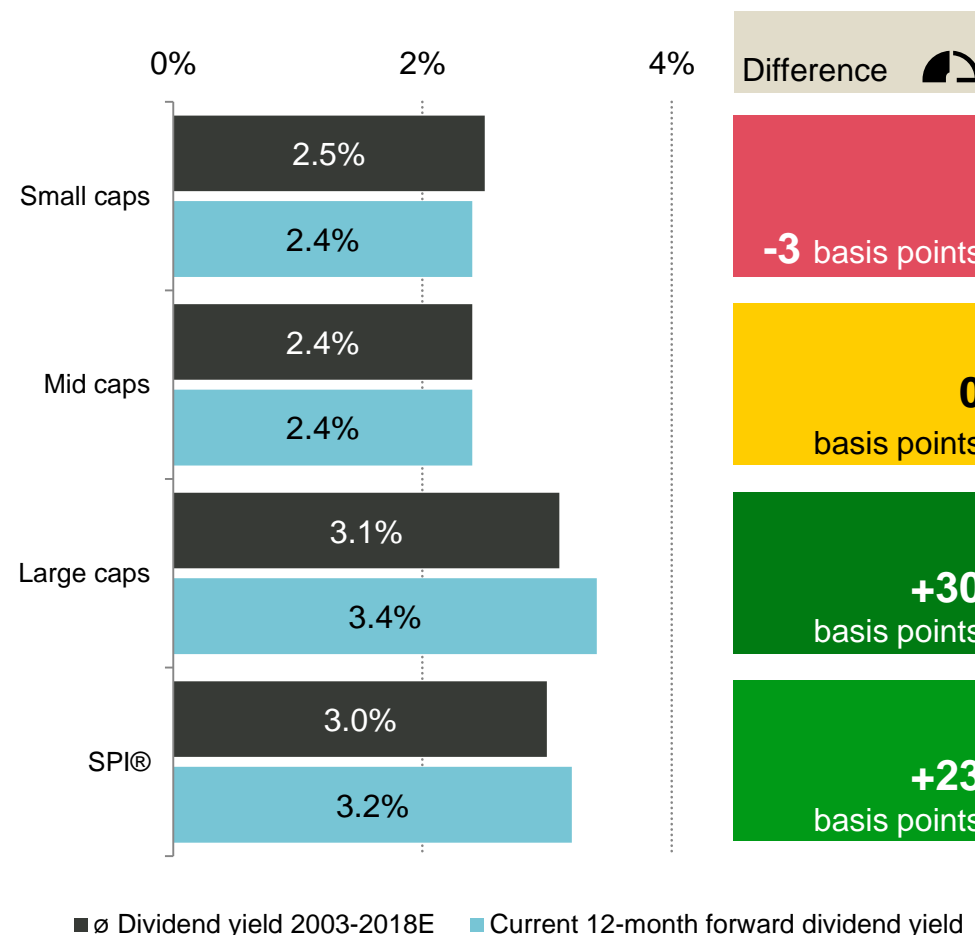
→ Total return is driven to a considerable degree by dividends.

→ After several years in which equity returns were driven by rising prices, **the dividend component could be set to take on greater significance again.**

→ Dividends can soften the impact of unfavourable market conditions.

Comparing historical dividend yields

Small, mid and large caps, 12 months forward



Crucial factors for a smart dividend strategy



Dividend strategy – not all about past returns

- It is not enough simply to select the equities with the highest dividend yields.
- The experts at Vontobel Research make the following assumptions:
 - The equities with the highest dividend yields are probably the ones that pay out the biggest share of their profits in the form of dividends.
 - A company with an excessively high dividend yield has little scope to increase its dividends over time.

Sustainable dividends as a health indicator

- A long history of dividend payments is an indicator of a company's long-term earnings power.
- A dividend reduction, meanwhile, could have a disproportionately strong negative effect on the company's share price.
- It therefore makes sense to set dividends at a level that can be sustained even in troublesome economic scenarios.

→ The Swiss Smart Dividend strategy is thus focused on a healthy mix of high current dividend yield, rising historical dividend yield over the long term and good forecasts for the future.

Vontobel Swiss Smart Dividend Performance Index

A research-driven dividend strategy

How Vontobel Equity Research adds value

Vontobel offers a strategy backed up by outstanding expertise.

Blog post



- The universe of around 120 Swiss companies covered by Vontobel Equity Research is unique in the marketplace.
- Vontobel Equity Research’s dividend forecasts for the entire index universe are reviewed regularly and form a cornerstone of the new dividend strategy.

DIVIDEND HISTORY

5 fiscal years



- Equities must have **paid a dividend for each of the past five completed fiscal years** (currently: FY12-FY16).
- **The fiscal year that is relevant** in determining whether a dividend was paid is that **for which the dividend was paid**, not that in which it was actually paid.

DIVIDEND FLOOR

For all stocks, there is a floor of 2.5% dividend yield.



2.5% ↓

VONTOBEL FORECAST

Expected dividend growth (CAGR) over 3 years

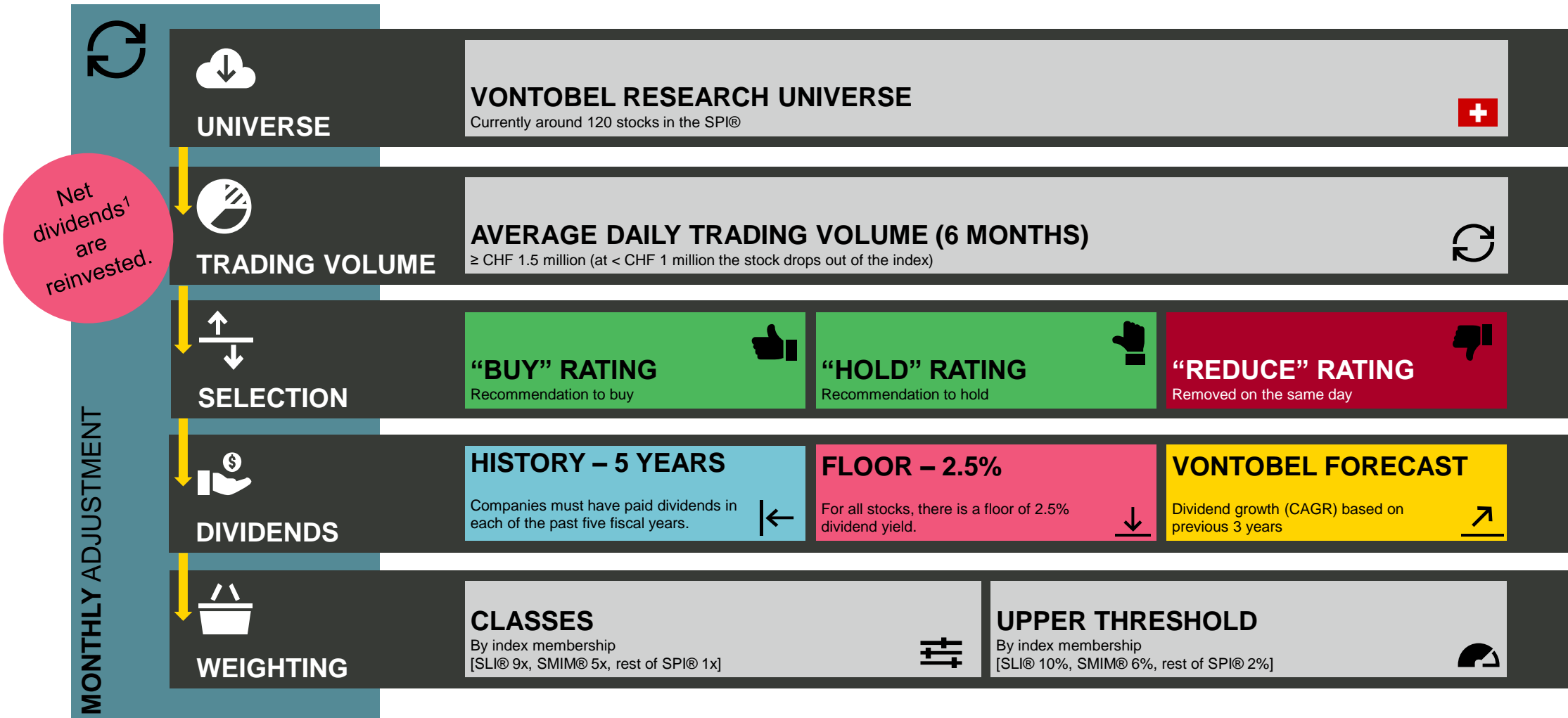


INDEX	3-YEAR CAGR
For SLI® and SMIM®	≥ 2.5%
For all others (rest of SPI®, excluding SLI® and SMIM®)	≥ 4.0%
If dividend yield > 3.5%	≥ 0.0%

Vontobel Swiss Smart Dividend Performance Index

Indicative index concept

Monthly review of index composition with subsequent rebalancing



¹ After deduction of Swiss withholding tax

Source and illustration: Vontobel **Please note:** The basket is compiled on the basis of the current “Buy” and “Hold” recommendations as well as dividend data (history, floor and forecast) provided by Vontobel Research / Sell-Side Analysis. Adjustments are made on the basis of changes to ratings and dividend data made by financial analysts or as a result of market developments. In preparing financial analysis, both Vontobel and its analysts disclose any conflicts of interest; these may be viewed at any time at derinet.ch/researchdisclaimer.

Indicative initial composition

 Blog post
 

COMPANY	INDEX	SECTOR	WEIGHTING	DIVIDEND YIELD (2017E)	VONTOBEL RATING	COMPARISON WITH THE VONTOBEL SWISS RESEARCH BASKET
Pargesa Holding SA	SPI®	Financial services	0.59%	2.9%	Hold	X
Banque Cantonale Vaudoise	SPI®	Banks	0.59%	4.2%	Hold	X
Cembra Money Bank AG	SPI®	Banks	0.59%	3.7%	Buy	✓
Allreal Holding AG	SPI®	Real estate	0.59%	3.6%	Hold	X
Mobimo Holding AG	SPI®	Real estate	0.59%	3.9%	Hold	X
Inficon Holding AG	SPI®	Industrial goods & services	0.59%	3.3%	Hold	X
Implenia AG	SPI®	Construction & materials	0.59%	2.9%	Hold	X
Valora Holding AG	SPI®	Retail	0.59%	3.5%	Buy	✓
Kardex AG	SPI®	Industrial goods & services	0.59%	2.7%	Hold	X
Swiss Prime Site AG	SMIM®	Real estate	2.94%	4.1%	Hold	X
Flughafen Zuerich AG	SMIM®	Industrial goods & services	2.94%	2.8%	Buy	✓
PSP Swiss Property AG	SMIM®	Real estate	2.94%	3.6%	Hold	X
Helvetia Holding AG	SMIM®	Insurance	2.94%	4.1%	Hold	X
Sunrise Communications AG	SMIM®	Telecommunications	2.94%	4.6%	Buy	✓
GAM Holding AG	SMIM®	Financial services	2.94%	3.8%	Hold	X
Galenica AG	SMIM®	Retail	2.94%	3.3%	Hold	X
Partners Group Holding AG	SLI®	Financial services	5.29%	2.5%	Buy	✓
Kuehne + Nagel International AG	SLI®	Industrial goods & services	5.29%	3.2%	Hold	X
Bâloise Holding AG	SLI®	Insurance	5.29%	3.5%	Hold	X
UBS Group AG	SLI®	Banks	5.29%	3.5%	Buy	✓
Nestlé SA	SLI®	Food & beverages	5.29%	2.9%	Buy	✓
Novartis AG	SLI®	Healthcare	5.29%	3.4%	Hold	X
Roche Holding AG	SLI®	Healthcare	5.29%	3.5%	Buy	X
ABB Ltd.	SLI®	Industrial goods & services	5.29%	2.9%	Hold	X
Swiss Re AG	SLI®	Insurance	5.29%	5.2%	Hold	X
Zurich Insurance Group Ltd.	SLI®	Insurance	5.29%	5.4%	Hold	X
LafargeHolcim Ltd.	SLI®	Construction & materials	5.29%	3.6%	Buy	✓
Swiss Life Holding AG	SLI®	Insurance	5.29%	3.7%	Buy	✓
Givaudan SA	SLI®	Chemicals	5.29%	2.7%	Buy	✓
Geberit AG	SLI®	Construction & materials	5.29%	2.6%	Buy	✓
Average dividend yield:				3.5%		

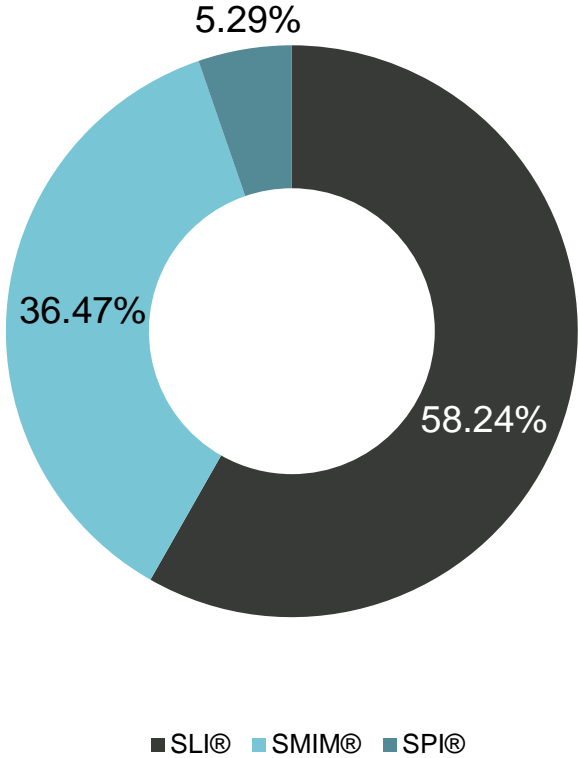
Source: Vontobel, 25 January 2018;

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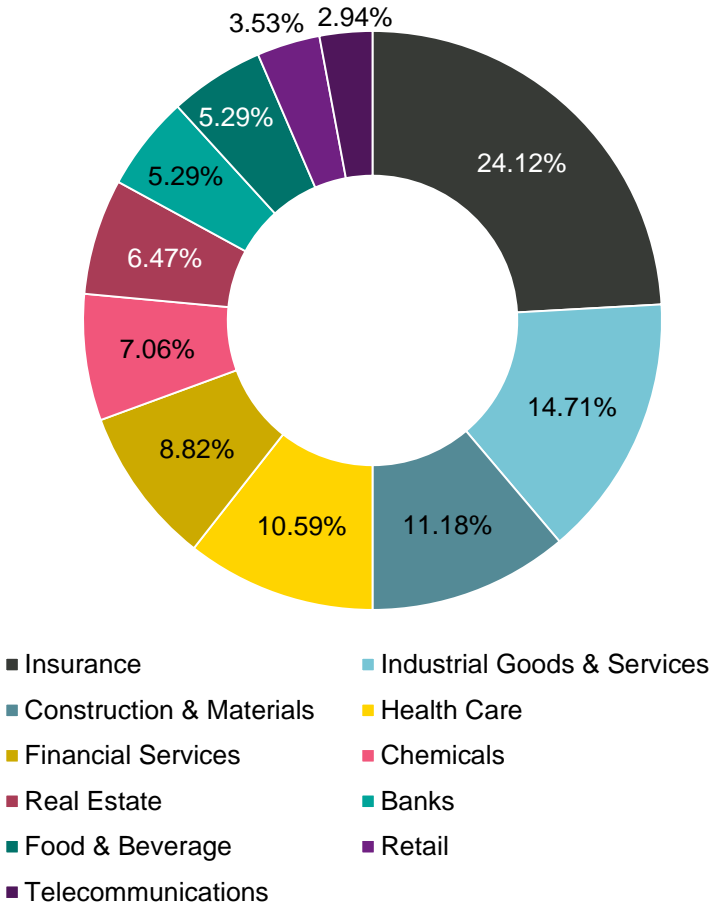
Initial sector and index weightings

Vontobel Swiss Smart Dividend Performance Index

Index membership¹
Adjusted by weighting





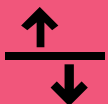


Sectors¹
Adjusted by weighting



Sources: Vontobel; Bloomberg, 25 January 2018
¹ Initial composition

Differences relative to the Swiss Research Basket



<p>Universe Research universe: 120 Swiss stocks in the SPI®</p> 
<p>Trading volume Average daily trading volume</p> 
<p>Stock selection Ratings considered for selection</p> 
<p>Dividends Dividend criteria for stock selection</p> 
<p>Weighting Classes and upper limits</p> 

Vontobel Swiss Smart Dividend Performance Index	Vontobel Swiss Research Basket																
✓	✓																
<p>Into the index: ≥ CHF 1.5 million Out of the index: < CHF 1 million</p>	<p>Into the index: ≥ CHF 2 million Out of the index: < CHF 1.5 million</p>																
<p>“Buy” and “Hold” (Equities that are downgraded to “Reduce” are immediately removed from the index.)</p>	<p>“Buy” (Basket adjustments are made within a maximum of five days.)</p>																
<table border="1"> <thead> <tr> <th>History</th> <th>Floor</th> <th>Forecast</th> </tr> </thead> <tbody> <tr> <td>At least 5 years of dividend history</td> <td>A minimum dividend yield of 2.5%</td> <td>Dividend growth (past three years)</td> </tr> </tbody> </table>	History	Floor	Forecast	At least 5 years of dividend history	A minimum dividend yield of 2.5%	Dividend growth (past three years)	<p>Dividends not taken into account as a selection criterion</p>										
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Please note: Net dividends¹ (after deduction of Swiss withholding tax) are reinvested.
Sources: Vontobel Swiss Smart Dividend Performance Index Guidelines; Vontobel Swiss Research Basket factsheet

Product details

[Blog post](#)



Vontobel Swiss Smart Dividend Performance Index

Index currency CHF

In subscription until
4 p.m. CET on 16 February 2018 

PRODUCT DETAILS

SSPA product type	Tracker Certificate (1300)
Underlying	Vontobel Swiss Smart Dividend Performance Index
Initial fixing / payment date	21 February 2018 / 28 February 2018
Maturity	Open end
Management fee	1.2% p.a.
Issuer	Vontobel Financial Products Ltd., DIFC Dubai (is not subject to any prudential supervision and has no rating)
Guarantor	Vontobel Holding AG, Zurich (Moody's A3)

	
Currency	CHF
ISIN / symbol	CH0394787136 / ZVSSDV
Issue price	CHF 101.50 (CHF 1.50 front-load fee included)
Spot reference price (index level)	CHF 100.00 (index level)

[Details page !\[\]\(6bb0e4f14c4133b37d2887cb37e67ddd_img.jpg\)](#)
[Term sheet !\[\]\(47734e4656765d20df4fdbd5b7aff048_img.jpg\)](#)

Outstanding expertise in equity research

Leading Brokerage Firm for Swiss equities seven years running

Blog post



1st place 2017

1st place 2016

1st place 2015

1st place 2014

1st place 2013

1st place 2012

1st place 2011

Vontobel Equity Research

- A Vontobel team currently made up of **14 analysts** covers a universe comprising around **120 Swiss companies**.
- The companies are subjected to a holistic analysis taking account of their related industries (suppliers, sales partners, etc.).
- Many of the Vontobel analysts have a background in the sectors where the companies they cover operate.
- Long-standing contact with the management teams allows them to get a good take on the communications of the company in question.
- Our extensive expertise in Swiss small and mid caps in particular sets us apart.

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Swiss Smart Dividend Performance Index

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