

## Vontobel Swiss Smart Dividend Performance Index Guidelines

Version: 22 February 2018

### 1 Introduction

#### 1.1 Preliminary remarks

These guidelines (the “**Guidelines**”) describe the composition, calculation and publication of the index named below.

**Index name:**

Vontobel Swiss Smart Dividend Performance Index (the “**Index**”)

**Index Calculation Agent:**

Bank Vontobel AG, Gotthardstrasse 43, 8002 Zurich, Switzerland (the “**Index Calculation Agent**”)

The Vontobel Swiss Smart Dividend Performance Index belongs to the family of Vontobel Strategy Indices (the “**Strategy Indices**”). **The Strategy Indices are not recognized financial indices but are indices designed and calculated by Bank Vontobel AG as Index Calculation Agent the sole function of which is serving as the underlying for a particular type of securities (strategy certificates).**

The Index Calculation Agent is advised by Index Sponsors with regard to the composition of the Strategy Indices. **The Index Sponsors are principally acting at their own discretion and within the index strategy they define themselves and for which they take responsibility** (the “**Index Strategy**” or simply “**Strategy**”; see items 2.2 and 2.3 below).

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 index sponsors, investors in strategy certificates and/or financial intermediaries) to draw attention to any mistakes in the index.

The Index Calculation Agent's Strategy Indices do not represent a recommendation by the Index Calculation Agent to make an investment. In particular, the composition, calculation and publication of the Strategy 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 Strategy Index.

These Guidelines are published on the website [indices.vontobel.com](http://indices.vontobel.com) and/or [certificates.vontobel.com](http://certificates.vontobel.com) (collectively referred to as “**Information Pages**”).

#### 1.2 Basic principles

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

- The Strategy Index should reflect the underlying Strategy defined by the respective index sponsor as closely as possible.
- Adjustments of the Strategy Index are published without delay.
- The current composition of a Strategy Index is published at least once a day.
- Index constituents are tradeable and available to an extent appropriate to the Strategy.
- The performance of the respective Strategy Index can be replicated by a real portfolio.
- The Strategy of the respective Strategy Index provides reliability and continuity.
- Changes in the rules are communicated with adequate advance notice (generally at least 5 index calculation days).

### 2 Index parameters

#### 2.1 Index Sponsor

The Index Calculation Agent is advised by Bank Vontobel AG, Gotthardstrasse 43, 8002 Zurich, Switzerland (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 and 2.3 below, according to which decisions are made with respect to the composition of the Index.

In principle, the Index Sponsor is independently selecting the respective index constituents. The Index Calculation Agent is not responsible for monitoring the Index Sponsor's compliance with the Strategy.

## 2.2 Index universe

The index universe shall be composed as follows:

### 2.2.1 Equities and other dividend-bearing instruments (hereinafter referred to collectively as "Equities") issued by companies that meet all of the following requirements:

- (1) They must be constituents of the Swiss Performance Index (SPI), which serves as a benchmark for the Swiss equity market as a whole.
- (2) Equities must be part of the Vontobel Equity Research universe which currently covers about 120 Swiss businesses in various market sectors in particular with carefully researched reports, and they must have assigned a "Buy" or "Hold" rating by Vontobel's analysts. Equities that have lost their "Buy" or "Hold" rating, have a "Reduce" rating or are not rated at all by Vontobel's analysts are not included in the index universe.
- (3) All Equities must have sufficient market liquidity as determined at the discretion of the Index Calculation Agent. In this regard, the Index Calculation Agent shall consider as a threshold an average daily exchange trading volume of more than CHF 1.5 million over the past six months. An Equity that is already a constituent of the Index (see 2.3.1 below for details of the selection procedure) is only removed from the Index (during an adjustment of the Index) for liquidity reasons if its average daily trading volume over the past six months falls below CHF 1.0 million.

Where there are different types of equity (e.g. registered shares and participation certificates) issued by the same company that have assigned "Buy" or "Hold" ratings, only the equity in the highest of the following categories is included in the index universe:

- Financial instruments included in the Swiss Performance Index (SPI): category 1 (lowest)
- Financial instruments included in both the SPI and the Swiss Market Index Mid (SMIM), an index of 30 Swiss mid caps: category 2 (medium)
- Financial instruments included in both the SPI and the Swiss Leader Index (SLI), an index of the 30 largest and most liquid Swiss stocks: category 3 (highest).

If two different financial instruments fall into the same category, the Index Calculation Agent selects the Equity with the highest market liquidity as determined at its discretion.

### 2.2.2 Cash allocation:

The Index may include a non-interest-bearing cash allocation (in CHF) of up to 50% if too few equities are available that meet the selection requirements or if the maximum weightings are reached (see 2.3 below for details of selection and weightings).

## 2.3 Index Strategy

The Index Strategy is closely connected to the Index Sponsor's research activities. Since the Index Sponsor is among the market leaders in Swiss equity research, Vontobel analysts' dividend expectations for individual equities are one of the key criteria used to select constituents from the index universe.

### 2.3.1 Selection:

The index constituents are selected from the index universe using the following criteria:

#### (1) Dividend history:

In the first step, all Equities are selected from the universe that have paid a dividend for each of the past five (5) completed fiscal years (or for each fiscal year since their initial admission to the exchange if such admission was less than five (5) years ago). This also applies to companies with a rump fiscal year.

The fiscal year that is relevant in determining whether a dividend was paid is the one for which the dividend was announced, not the one in which the dividend was actually paid.

#### (2) Expected dividend growth:

In the second step, Equities selected in accordance with paragraph (1) above are evaluated further with regard to their average dividend growth as expected by the Vontobel analysts over the next three (3) fiscal years (the so-called *compound annual growth rate* or CAGR) (hereinafter referred to as "**Expected Dividend Growth**"). An Equity is selected if its Expected Dividend Growth is at or above the relevant threshold as set out below:

- Equities included in both the Swiss Leader Index (SLI) and the Swiss Market Index Mid (SMIM): 2.5%
- Equities included in the Swiss Performance Index (SPI) but not the SLI or SMIM: 4.0%

Equities that fall below the relevant threshold are nevertheless selected if their dividend yield as expected by the Vontobel analysts for the current fiscal year is at least 3.5%.

#### (3) Expected dividend yield:

In the third and final step, Equities selected in accordance with paragraphs (1) and (2) above are evaluated with regard to their dividend yield as expected by the Vontobel analysts for the current fiscal year. A specific Equity is selected as a constituent of the Index if its expected dividend yield does not fall below the relevant threshold as set out below:

- Equities included in both the Swiss Leader Index (SLI) and the Swiss Market Index Mid (SMIM): 2.5%
- Equities included in the Swiss Performance Index (SPI) but not the SLI or SMIM: 2.5%

The current fiscal year on the Index Start Date (as defined below) is 2017. The switch from the current fiscal year to the next fiscal year shall occur on 30 June of every calendar year, for the first time on 30 June 2018.

### 2.3.2 Weighting:

In order to maintain balanced market coverage that is more realistic than with purely capital-weighted equity indices, three

weighting classes shall additionally be applied to Equities that are eligible as constituents of the Index:

- Equities included in the Swiss Performance Index (SPI), but not in the Swiss Leaders Index (SLI) or Swiss Market Index Mid (SMIM): 1-time weighted
- Equities included in both the SPI and the SMIM but not in the SLI: 5-times weighted
- Equities included in both the SPI and the SLI, an index of the 30 largest and most liquid Swiss stocks: 9-times weighted

The maximum weightings of individual Equities in the Index are as follows:

- Equities included in the SPI but not in the SLI or SMIM: 2%
- Equities included in both the SPI and the SMIM but not in the SLI: 6%
- Equities included in both the SPI and the SLI: 10%

#### 2.4 Index fee, adjustment fees and other costs

No fees are taken into account or deducted when the Index is calculated or periodically adjusted.

### 3 Calculation

#### 3.1 Definitions

##### Adjustment Date:

shall be the third (3<sup>rd</sup>) Monday of each calendar month, commencing from 19 March 2018. If an Adjustment Date is not a Calculation Day, such Adjustment Date shall be postponed to the next following Calculation Day.

##### Calculation Day:

shall be any day on which commercial banks in Zurich, Switzerland are open for business.

##### Valuation Price:

shall be calculated by the Index Calculation Agent as the sum of the Reference Prices obtained for all Index Constituents on the relevant Calculation Day, under consideration of their respective weightings in the Index and – if applicable – converted into the Index Currency, expressed by the following formula:

$$\text{Valuation Price} = \sum_{i=1}^n \text{RP}_i \cdot \text{W}_i \cdot \text{FX}_i$$

where:

- n = number of Index Constituents on the relevant Calculation Day
- RP<sub>i</sub> = Reference Price of Index Constituent<sub>i</sub> on the relevant Calculation Day
- W<sub>i</sub> = Weighting of Index Constituent<sub>i</sub> on the relevant Calculation Day
- FX<sub>i</sub> = exchange rate between the currency of Index Constituent<sub>i</sub> and the Index Currency as determined by the Index Calculation Agent at its discretion on the basis of the interbank exchange rates on the relevant Calculation Day; where the currency of Index Constituent<sub>i</sub> is equal to the Index Currency, FX<sub>i</sub> shall be 1.0.

##### Trading Day:

Shall be a day on which an Index Constituent is traded on the Reference Exchange.

##### Index Identification:

ISIN: CH0396117787  
WKN: A2HAD9  
Valor: 39611778  
Reuters RIC: .CH0396117787

##### Index Start Date:

22 February 2018

##### Index Currency:

Swiss Franc (CHF)

##### Reference Price:

shall principally be the closing price of the Index Constituent as determined and published by the Reference Exchange (as defined under 3.2 for each Index Constituent). However, the Index Calculation Agent shall be entitled to determine a different Reference Price at its own discretion if it deems the closing price determined by the Reference Exchange for an Index Constituent to insufficiently reflect the market price of the Index Constituent on the relevant Trading Day, in particular with regard to the effected trades in the Index Constituent on the Reference Exchange on that Trading Day.

##### Selection Date:

shall be the third (3<sup>rd</sup>) Calculation Day preceding the respective Adjustment Date, commencing from 14 March 2018.

#### 3.2 Index composition on the Index Start Date:

The index is set at 100 points on the Index Start Date. Its initial composition is as follows:

INDEX CONSTITUENT (EQUITIES)	ISIN / BLOOMBERG SYMBOL	CURRENCY	REFERENCE EXCHANGE/ DERIVATIVES EXCHANGE	WEIGHTING IN %
Pargesa Holding SA	CH0021783391 / PARG SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
Banque Cantonale Vaudoise	CH0015251710 / BCVN SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
Cembra Money Bank AG	CH0225173167 / CMBN SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
Allreal Holding AG	CH0008837566 / ALLN SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
EFG International AG	CH0022268228 / EFGN SE	CHF	Six Swiss Exchange / Eurex	0.515464

Mobimo Holding AG	CH0011108872 / MOBN SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
Inficon Holding AG	CH0011029946 IFCN SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
Implenia AG	CH0023868554 / IMPN SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
Valora Holding AG	CH0002088976 / VALN SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
Kardex AG	CH0100837282 / KARN SE Equity	CHF	Six Swiss Exchange / Eurex	0.515464
Partners Group Holding AG	CH0024608827 / PGHN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Kuehne + Nagel International AG	CH0025238863 / KNIN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Bâloise Holding AG	CH0012410517 / BALN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Swiss Prime Site AG	CH0008038389 / SPSN SE Equity	CHF	Six Swiss Exchange / Eurex	2.577320
EMS-Chemie Holding AG	CH0016440353 / EMSN SE Equity	CHF	Six Swiss Exchange / Eurex	2.577320
Flughafen Zuerich AG	CH0319416936 / FHZN SE Equity	CHF	Six Swiss Exchange / Eurex	2.577320
PSP Swiss Property AG	CH0018294154 / PSPN SE Equity	CHF	Six Swiss Exchange / Eurex	2.577320
Helvetia Holding AG	CH0012271687 / HELN SE Equity	CHF	Six Swiss Exchange / Eurex	2.577320
Sunrise Communications AG	CH0267291224 / SRCG SE Equity	CHF	Six Swiss Exchange / Eurex	2.577320
GAM Holding AG	CH0102659627 / GAM SE Equity	CHF	Six Swiss Exchange / Eurex	2.577320
Galenica AG	CH0360674466 / GALE SE Equity	CHF	Six Swiss Exchange / Eurex	2.577320
UBS Group AG	CH0244767585 / UBSG SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Nestlé SA	CH0038863350 / NESN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Novartis AG	CH0012005267 / NOVN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Roche Holding AG	CH0012032048 / ROG SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
ABB Ltd.	CH0012221716 / ABBN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Swiss Re AG	CH0126881561 / SREN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Zurich Insurance Group Ltd.	CH0011075394 / ZURN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
LafargeHolcim Ltd.	CH0012214059 / LHN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Swiss Life Holding AG	CH0014852781 / SLHN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Givaudan SA	CH0010645932 / GIVN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Geberit AG	CH0030170408 / GEBN SE Equity	CHF	Six Swiss Exchange / Eurex	4.639175
Swisscom AG	CH0008742519 / SCMN SE	CHF	Six Swiss Exchange / Eurex	4.639175
SGS SA	CH0002497458 / SGSN SE	CHF	Six Swiss Exchange / Eurex	4.639175

### 3.3 Corrections

In the event of calculation errors classified as material by the Index Calculation Agent in its reasonable discretion, index

levels are corrected, retrospectively if applicable, provided that this is technically possible and makes sense from an economic point of view. Otherwise no correction is made.

Corrections are published on at least one of the Information Pages.

#### 4 Adjustments to the index composition

##### 4.1 Ordinary adjustment

###### 4.1.1 Periodic adjustment

A periodic adjustment of the Index shall occur every month on and/or following an Adjustment Date.

To this end, the Index Sponsor shall notify the Index Calculation Agent of the updated selection on the Selection Date after reviewing the selection criteria for the index universe available on the Selection Date.

The Index Calculation Agent shall on this basis adjust the Index accordingly within a maximum of five (5) Trading Days (including the Adjustment Date; the “**Adjustment Period**”). The Index Calculation Agent shall endeavour to update the index composition as quickly as possible within the Adjustment Period.

Periodic adjustments concern all index constituents, i.e. the weighting of the newly selected Equities by the Index Sponsor is calculated first using the weighting criteria defined above. The Index Calculation Agent then shall determine at its own discretion the prices and, if applicable, the exchange rates for the Equities during the Adjustment Period in order to establish the new composition of the Index, taking into account the new weightings and the most recent Valuation Price of the Index.

The Index Calculation Agent shall base this price calculation on the prices provided on the relevant exchanges for the various equities, considering the available liquidity as well as the interests of the investors and other market participants. If a relevant exchange is closed on a day that falls within the Adjustment Period, the Adjustment Period shall be extended accordingly.

In cases where there are not enough equities with a “Buy” or “Hold” recommendation or where the maximum weightings are reached, a non-interest-bearing cash allocation is added to the Index; if such cash allocation already exists, it is increased.

###### 4.1.2 Adjustment due to a rating change

When Vontobel Group analysts change their “Buy” or “Hold” rating for an Index Constituent to a “Reduce” rating (this is referred to as a rating change), the Equity in question is removed from the current index universe with immediate effect.

Once the Equity has been removed from the index universe, the Index Calculation Agent shall adjust the Index analogue to a periodic adjustment (see 4.1.1 above).

Such analogue adjustment is carried out with the following modifications:

- The Adjustment Date shall be the Calculation Day immediately following the publication of the rating change for the affected Index Constituent by the Vontobel analysts. This does not cause the monthly Adjustment Dates (as

defined under 3.1 above) to be postponed or affected in any other way.

- The first step of the adjustment is the removal of the affected Equity from the Index. The adjustment procedure then applies to all remaining Index Constituents, i.e. the Index Sponsor does not make any new selections.

##### 4.2 Extraordinary adjustments

The Index Calculation Agent reserves the right to take appropriate action to ensure that the Index can be continued when an extraordinary adjustment event affecting one or more of the index constituents occurs or is announced. Such action is referred to as an “**Extraordinary Adjustment**”.

The Index Calculation Agent may be guided with regard to the timing and nature of an extraordinary adjustment by the manner in which the relevant futures exchange carries out adjustments for the futures or options contracts traded on it that have the index constituent in question as their underlying. However, it is under no obligation to do so. Where doubts arise regarding the application of the futures exchange’s adjustment rules, the Index Calculation Agent decides at its own discretion.

An extraordinary adjustment may take place on any extraordinary adjustment date.

The term “**Extraordinary Adjustment Event**” may refer to any of the following:

- a) capital increase by way of the issue of new shares or other dividend-bearing securities against contributions in cash or in kind with the grant of a subscription right, capital increase from retained earnings, issue of securities with option or conversion rights into shares, distribution of special dividends, capital reduction, share split, subdivision, consolidation or reclassification of the shares;
- b) spin-off of a division of the company in such a manner that a new independent company is created or the division is absorbed by a third company;
- c) probable or definitive cessation of stock exchange trading in the shares as a result of a merger by absorption or new company formation or takeover of the company of the Underlying by another company;
- d) or another event that, after determination by the Issuer, results in a dilution or concentration of the theoretical value of the relevant share.

The above list is not exhaustive. The decisive factor is whether the Derivatives Exchange considers it necessary to adjust the contract size, a contract underlying or the quotation on the relevant Reference Exchange for the determination of the price of the shares, or would consider it necessary if futures or options contracts on the Underlying were traded there. If neither futures nor options contracts linked to the shares of the company are traded on the Derivatives Exchange, the adjustment shall be made in the manner in which the Derivatives Exchange would do so if corresponding futures or options contracts were traded there. If doubts arise in this event relating to the application of the adjustment rules of the Derivatives Exchange, the Index Calculation Agent shall decide such questions in its discretion.

The Index Calculation Agent shall be entitled where appropriate to depart from the adjustments made by the Derivatives Exchange if it considers such a course of action to be necessary in its discretion in order to reflect differences between the Index and the futures and options contracts traded on the Derivatives Exchange. This applies in particular to measures pursuant to items (b) and (c). Irrespective of whether, which and when adjustments are made on the Derivatives Exchange, the Index Calculation Agent may make adjustments with the aim of maintaining the economic value of the Index as far as possible compared to its value prior to the measures pursuant to items (b) and (c).

The “**Extraordinary Adjustment Date**” is the first exchange trading day on which trading in the corresponding futures or options contracts takes place after taking account of the adjustment. If no corresponding futures or options contracts are traded on a derivatives exchange, the Index Calculation Agent shall determine the Extraordinary Adjustment Date in its discretion taking into account the timing of the change, adjustment or other measure.

Such adjustments may in particular concern the weighting of an Index Constituent or its replacement following a merger with an equity of the absorbing or newly formed company, with an adjusted weighting and possibly with a different trading venue as the new Reference Exchange.

If an Index Constituent is replaced with a basket of equities as a result of the adjustment by the Derivatives Exchange, the Index Calculation Agent may decide to select just one equity to replace it in the Index and sell the other equities in the basket created as the result of the adjustment by the Derivatives Exchange on the next Adjustment Date following the Extraordinary Adjustment Date at a time chosen in its own discretion, reinvesting the proceeds immediately after the sale in the remaining Index Constituents. The Index Calculation Agent may select this (new) equity in particular on the basis of the market capitalization of the qualifying equities on the Extraordinary Adjustment Date or on the basis of (other) criteria in the selection procedure. If one or more of the equities to be sold is/are not traded on a securities exchange until a later date, the Extraordinary Adjustment Date is postponed to the day on which all of the equities to be sold can be traded on a securities exchange.

If the Index Calculation Agent determines in its own discretion that a particular Index Constituent cannot be properly replaced for any reason, it may replace the Index Constituent in question with a cash allocation. This cash allocation bears no interest.

#### **4.3 Income distributions and interest**

The Index is calculated as a performance index. Dividend payments and other distributions are included net of country-specific taxes (“Net Return”). The respective country-specific

taxes currently in force are published on at least one of the Information Pages.

In the case of cash distributions on an Index Constituent, the Index Calculation Agent shall reinvests the received cash distributions in the same Index Constituent on the payment date to ensure that the cash distribution is reflected in the Index. This results in a temporary increase in the index constituent’s weighting until the next ordinary adjustment of the Index.

Any cash allocation included in the Index bears no interest.

#### **5 Changes to the selection procedure**

Both the selection criteria described in these Guidelines for the index universe and the Index Strategy are binding. However, since the need for amendments cannot be excluded, e.g. due to errors in the rules, changes in the market environment, modifications of the rationale behind the selection procedure or new developments in supervisory, tax or other legislation, the Index Calculation Agent may amend the selection criteria and thus make changes to the Index itself and its calculation method at the request of the Index Sponsor.

The Index Calculation Agent always provides information on changes to the selection criteria with an adequate lead time by publishing the amended description of the selection criteria on at least one of the Information Pages at least five Calculation Days before the amended description of the selection criteria takes effect. When errors in the description of the selection criteria are corrected, immediate correction with simultaneous publication is permitted. Amendments to the selection criteria are never made retroactively.

#### **6 Publications**

All notices pertaining to the Index will be published on at least one of the Information Pages. Such notices shall be deemed to have been given on the date on which they are published.

Notices are given purely for informational purposes and do not represent a precondition for legal effectiveness.

Details of the performance and composition of the Index will be published on at least one of the Information Pages.

#### **7 Use of data**

The description of the Index and its selection criteria is the intellectual property of Bank Vontobel AG, Gotthardstrasse 43, 8022 Zurich, Switzerland or companies affiliated with it (collectively referred to as “**Vontobel**”), which reserve all rights pertaining to it.

Vontobel allows its clients, e.g. banks, investment firms and securities issuers, to use its data for the purpose of issuing derivative financial instruments.

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