

The Swiss Market Index is an index of the largest and most liquid stocks traded on the Geneva, Zurich, and Basel Stock Exchanges. The index has a base level of 1500 as of June 1988.

## Switzerland – Economic Forecast Summary

GDP growth is projected to rise gradually, which will reduce unemployment. The low interest rate environment is set to continue, helping to revive domestic demand. Deflation seems to have been overcome, but inflation is projected to remain low through 2018. The large current account surplus will persist.

A continuation of the policy of negative rates is justified by low inflation and weak growth. Nevertheless, as growth picks up, policy interest rates are projected to begin to rise in late 2018. As persistent very low rates can give rise to major financial distortions, close monitoring and tight prudential regulation should also be retained. Small budget surpluses are expected, and public debt will continue to decline. Available fiscal space should be exploited to support the recovery.

As the economy increasingly opens to Europe and the rest of the world, Switzerland should be able to maintain its enviable economic position. In particular, it has managed to develop several leading global industries. However, well-being would be enhanced if barriers to trade in services were lowered to deepen participation in global value chains. Sizeable immigration has brought increases in skilled labour but has also proved to be challenging, calling for continued focus on integrating new migrants.

Source: OECD (June 2017)

## Sector Breakdown



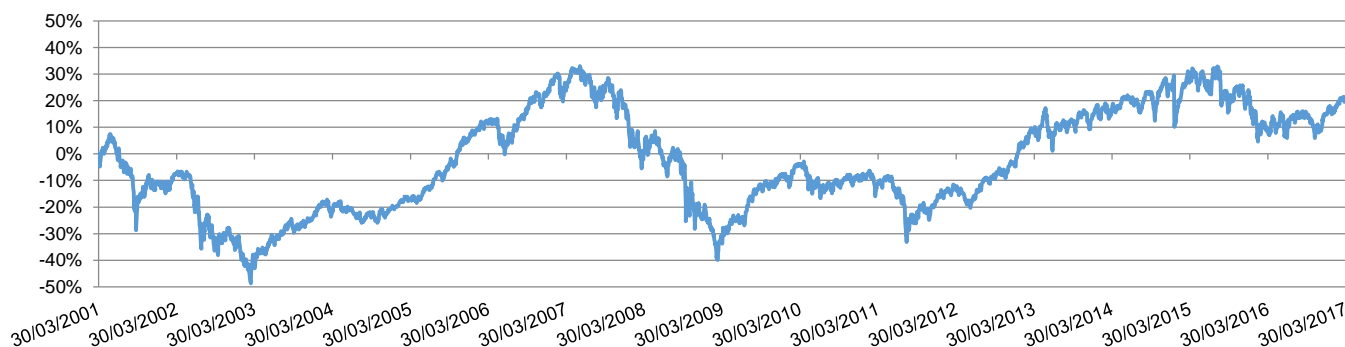
Source: Bloomberg

## Top 5 Constituents

Company	Sector	Index Weighting
Nestle SA	Consumer Staples	22.26%
Roche Holding AG	Health Care	19.71%
Novartis AG	Health Care	17.92%
UBS Group AG	Financials	5.13%
ABB Ltd	Industrials	4.74%

Source: Bloomberg

## 16 Years Past Performance



Past performance is not a reliable indicator of future performance and should not be used to assess the future returns or risks.

Data Source: Bloomberg 06.06.2017, Data period: 30.03.2001 to 30.03.2017

## Back-Testing

Back-testing shows how the investment would have performed historically using data from previous potential strike dates. Although past performance is not an indication of future performance, it can give a factual insight into how the investment would have performed historically.

This 16 year back-test uses the historical data for a full 10 years of 6 year products that could reach the full term. The tables below show the results from three popular types of structured product, a 60-60 Income Autocall with no memory coupon, an 80-60 Income Autocall with memory coupon and a classic autocall with memory coupon. These results show how each would have performed historically if the SMI was the underlying. The back-test gives results from 2,501 scenarios.

### Back-Testing Results

**60-60 Income Autocall (Non-Memory Coupon)** - 60% semi-annual coupon trigger from 6 months, 100% semi-annual autocall trigger from 12 months, 60% European style final barrier.

This structure will pay the coupon if, on any coupon observation date, the underlying is at or above 60% of its initial value.

This structure will mature early if, on any autocall observation date, the underlying is at or above 100% of its initial value.

If early maturity does not occur, at the final observation date, if the underlying is at or above 60% of its initial level full capital is returned. If any underlying is below 60% of its original level, capital return will be reduced on a 1-for-1 basis.

Non Memory Coupons	
Total Coupons Tested	11,829
Total Coupons Paid	11,530
Total Coupons Missed	299
% Paid	97.47%
% Missed	2.53%

Autocall Test	
Total Tested	2,501
Matured Early	2,217
% Matured Early	88.64%
Reached Full Term	284
Breached Final Barrier	0

**80-60 Income Autocall (Memory Coupon)** - 80% semi-annual coupon trigger from 6 months with memory feature, 100% semi-annual autocall trigger from 12 months, 60% European style final barrier.

This structure will pay the coupon plus any previously missed coupons if, on any coupon observation date, the underlying is at or above 60% of its initial value.

This structure will mature early if, on any autocall observation date, the underlying is at or above 100% of its initial value.

If early maturity does not occur, at the final observation date, if the underlying is at or above 60% of its initial level full capital is returned. If any underlying is below 60% of its original level, capital return will be reduced on a 1-for-1 basis.

Memory Coupons	
Total Coupons Tested	11,829
Total Coupons Paid	11,481
Total Coupons Missed	348
% Paid	97.06%
% Missed	2.94%

Autocall Test	
Total Tested	2,501
Matured Early	2,217
% Matured Early	88.64%
Reached Full Term	284
Breached Final Barrier	0

**Classic Autocall (Memory Coupon)** - 100% semi-annual autocall trigger from 12 months, 60% European style final barrier.

This structure will mature early and pay a coupon for each semester elapsed if, on any autocall observation date, including the final observation date, the underlying is at or above 100% of its initial value.

If the product has not autocalled, at the final observation date, if the underlying is below 100% but is at or above 60% of its initial level, full capital is returned. If the underlying is below 60% of its original level, capital return will be reduced on a 1-for-1 basis.

Memory Coupons	
Total Coupons Tested	11,829
Total Coupons Paid	8,552
Total Coupons Missed	3,277
% Paid	72.30%
% Missed	27.70%

Autocall Test	
Total Tested	2,501
Matured Early	2,217
% Matured Early	88.64%
Reached Full Term	284
Breached Final Barrier	0