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XENIX ETF Rating for all ETFs on the SIX Swiss Exchange: Multi-dimensional Quality Analysis

Dr. Markus Thomas, XENIX

Dynamic ETF market in Zurich

At the beginning of 2021, over 1,600 ETFs (exchange-traded funds) are already listed on the SIX Swiss Exchange. In the "Corona year 2020", altogether 209 ETFs were admitted for the first time for trading in Zurich. The Swiss ETF market is changing dynamically due to new ETF listings, but also due to mergers of ETF share classes, index changes and often revised cost structures for existing products.

XENIX categories for the Swiss ETF market

XENIX divides the Swiss ETF market into three segments: 1. Basic ETFs: 647 broad market linked ETFs, actually suitable for all investors. 2. Satellite ETFs: 788 strategy ETFs or ETFs for sub-markets that are only suitable for specific investors as portfolio enhancements. 3. Specialist ETFs: 168 complex ETFs with leverage, for commodities or with strategies for professional investors.

Basic ETFs:	647 ETFs
Satellite ETFs:	788 ETFs
Specialist ETFs:	168 ETFs

Number of ETFs: 1,603 ETFs

Source: SIX as of 5 February 2021; ETF suitability categories by XENIX.

647 basic ETFs available

XENIX classifies currently 647 ETFs out of 1,603 ETFs in Zurich as basic ETFs or core products, of which 218 are bond-linked ETFs and 429 are equity-linked ETFs. They are mainly broad-based and they can serve as solid basis for a securities portfolio for any type of investor. Basic ETFs have a market share of 43 % on the SIX Swiss exchange, but only 16 out of 28 ETF providers are offering investors such core products. What's even more astonishing: Just every eleventh ETF in Switzerland can be considered as basic ETF with a global exposure. Altogether only 142 basic ETF invest globally, thereof are 79 ETFs for interest investors ("global broad core bond ETFs") and 63 ETFs for dividend investors ("global broad core equity ETFs").

Analysis of tracking differences

Without stock exchange trading, ETFs would only be conventional index funds, which is why the liquidity of ETFs and the replicated index components must also be taken into account for a proper ETF analysis. The so-called "Spread Monitor" by SIX shows investors the transaction costs they are incurring per trade. The XENIX ETF rating takes into account the very different liquidity and tradability characteristics of each ETF. In addition, the tracking difference is an essential part of the systematic evaluation.

The replication difference between an ETF and its reference index is much more meaningful than the so-called TER costs, which take into account the ongoing costs of an ETF, but do not cover the transaction and replication costs. The XENIX ETF rating, which is updated quarterly, evaluates such divergences. In the "Corona year 2020" with extreme volatility spikes and a V-shaped recovery higher "tracking spreads" could be seen more often than in previous years.

"Challenger ETFs" and "ETF Dinosaurs"

XENIX rates ETF newcomers and checks three months after their listing if the new ETFs are achieving the desired replication accuracy in practice. The XENIX ETF rating makes new "Challenger ETFs" and established "ETF Dinosaurs" comparable. This is a major advantage of XENIX's qualitative rating method, as it does not depend on a multi-year ETF history and offers significantly more insight than a simple performance comparison.

Multi-dimensional assessment

The XENIX ETF rating is not a ranking of ETF performance. It is a multi-dimensional, data-driven, labour-intensive assessment of an ETFs management and results. Such a type of rating offers investors, fund selectors, asset managers as well as robo-advisors an objective and easy-to-understand orientation for their product selection.

The XENIX ETF rating is an absolute rating similar to "credit ratings" for bonds and their issuers. The rating scale ranges from one star to five XENIX STARS, with five stars being the highest grade. However, this top grade is not necessarily awarded in every peer group.

The quality requirements for the XENIX ETF rating are comprehensive. Up to 300 criteria are taken into account. The ETF assessment includes truth and clarity as well as investor orientation and transparency according to UCITS, MiFID II and PRIIPs.

Transparent differences

The XENIX rating analysis of the Swiss ETF market shows that there are remarkable differences in quality between the basic ETFs for bonds and equities. The XENIX STARS make the differences transparent: ETFs with four and five XENIX STARS are investment products with above-average product quality. ETFs with three stars are on average good index trackers, while ETFs with one or two stars can only be recommended to a limited extent.

Two out of three basic ETFs are quality ETFs

Consequently, XENIX classifies currently 22 of 647 basic ETFs in Switzerland with five XENIX STARS as excellent and outstanding index trackers. In addition to the top 22 ETFs, currently 176 ETFs are classified with four XENIX STARS and 238 ETFs with three XENIX STARS. However, more than 200 basic ETFs, which are listed at the SIX in Zurich, are lagging behind the general quality standards for ETFs. In relative terms, these one- and two-star ETFs offer investors poorer prospects of achieving the intended market results less charges.

Shortlist of excellent basic ETFs

Swiss investors who want to make an ETF selection quickly and objectively should use an ETF rating. An ETF rating provides a good orientation for separating the wheat from the chaff and it helps investors to find suitable quality ETFs in line with their personal preferences.

#	ETF Name	ISIN	Investment Focus	Breadth of Market - number of securities	ETF Rating
1	UBS ETF (CH) - MSCI Switzerland (CHF) A-dis	CH0226274246	equities CH	39	XENIX STARS *****
2	iShares Core SPI ETF (CH) Dist	CH0237935652	equities CH	205	XENIX STARS *****
3	iShares Core S&P 500 UCITS ETF USD (Dist)	IE0031442068	equities USA	505	XENIX STARS *****
4	Xtrackers MSCI USA UCITS ETF	IE00BJ0KDR00	equities USA	622	XENIX STARS *****
5	SPDR MSCI World UCITS ETF	IE00BFY0GT14	equities DM	1,585	XENIX STARS *****
6	Vanguard FTSE All-World UCITS ETF (USD) Distributing	IE00B3RBWM25	equities DM & EM	3,461	XENIX STARS *****
7	iShares Core CHF Corporate Bond ETF (CH)	CH0226976816	corporate bonds in CHF	622	XENIX STARS *****
8	Vanguard USD Corporate Bond UCITS ETF (USD) Distributing	IE00BZ163K21	corporate bonds in USD	5,727	XENIX STARS *****
9	iShares J.P. Morgan \$ EM Bond UCITS ETF USD (Acc)	IE00BYXYK40	government bonds EM in USD	544	XENIX STARS *****
10	Vanguard USD Emerging Markets Govt Bond UCITS ETF (USD) Dist	IE00BZ163L38	government bonds EM in USD	1,350	XENIX STARS *****

Notes and disclaimer: All ETF information according to ETF providers as of December 31, 2020. All XENIX ETF rating information as of February 3, 2021. All statements without guarantee. Please note this is not a recommendation list. © XENIX.

Summary

XENIX shortlists above 12 excellent basic ETFs for bonds and equities. Swiss investors and wealth managers will have a significantly better chance of achieving their investment goals with one of these 12 shortlisted ETFs instead of chasing ETFs with performance comparisons that have no meaning for future results.

Author: Dr. Markus Thomas is the owner and managing director of XENIX as well as the author of the guide:

„Das ETF-Anlegerbuch: Alles über börsengehandelte Indexfonds.

263 pages. ISBN 9783982229034.



XENIX ETF Rating

XENIX evaluates the quality and efficiency of around 2,000 ETFs. The XENIX ETF rating is fully available for the German and Swiss ETF markets (as of February 2021). The results of the XENIX ETF rating can be licensed by business partners.

About XENIX®

XENIX was founded in 2009 by Dr. Markus Thomas in Berlin and is an independent rating provider. XENIX primarily offers banks and asset managers the following services: ETF rating, ETF strategy portfolios and institutional advisory.

Contact

Dr. Markus Thomas, Owner and Managing Director
+49 177 384 5021, m.thomas@xenix.eu,
www.xenix.eu

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