

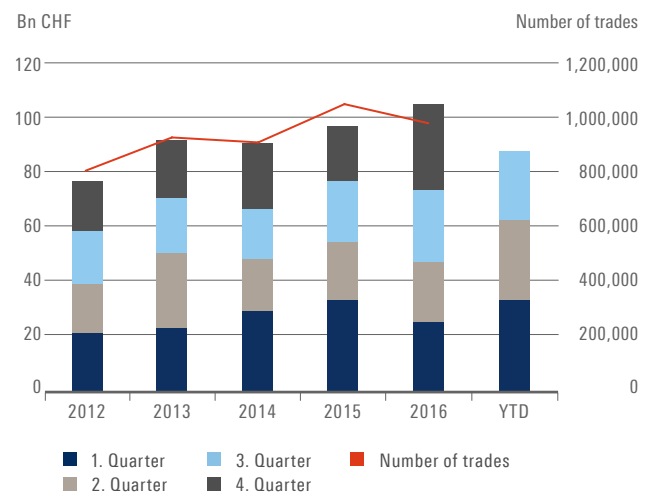
ETF Market Report

3. Quarter 2017

Slower Growth

The Swiss stock market has trended sideways within a narrow range over the past three months. The Swiss Market Index SMI® fluctuated between an intraday low of 8,752.21 points on 29 August and an intraday high of 9,198.45 points on 7 August. The benchmark index has on 18 September been adjusted in line with the European UCITS Directive. Newly, the securities in the SMI have been limited to a maximum weighting of 18%. On 31 August, a new international participant, Amsterdam-based IMC Trading B.V., commenced trading on SIX Swiss Exchange. The number of market makers thus increased to 18. The downward trend in trading volumes on the Swiss ETF market continued in Q3. The CHF 24.7 billion traded was 13.67% lower than the previous quarter's value. However, the year-on-year decline was relatively minor at 3.58%. The number of trades was down as against the previous quarter from 260,365 to 222,727 (-14.46%). Following brisk issuing activity in Q2 with a total of 47 new ETFs listing on SIX Swiss Exchange, the number of new launches decreased to 28 in Q3.

ETF turnover development



Source: SIX Swiss Exchange

Average trade size

113,166

Best performance in 3. quarter 2017

24.22%

iShares MSCI Brazil

Number of the quarter

222,727

Number of ETF transactions in the 3. quarter 2017 on SIX Swiss Exchange

Number of new listings in the 3. quarter 2017

28

Top turnover single ETF

1,490 mn

Volume in the 3. quarter in the UBS ETF (CHF) Gold (USD) A-dis

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1. ETF market SIX Swiss Exchange

1.1 ETF turnover and number of trades

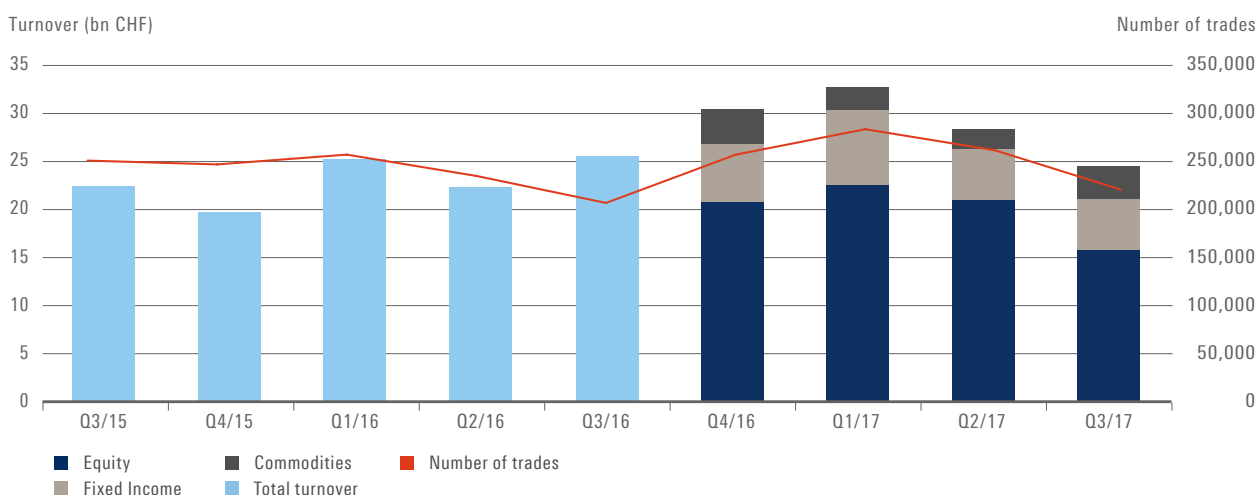
The downward turnover trend in ETFs listed on SIX Swiss Exchange in Q3 was almost entirely due to equity ETFs, which recorded a decline of approximately -30% to CHF 15.3 billion. However, they remained the dominant asset class by some margin with a share of turnover of over 60%. The development of bond ETFs proved stable. Their turnover in Q3 was practically unchanged at CHF 5.3 billion. Commodity ETFs enjoyed great popularity. Their trading turnover rose 60% quarter on quarter to CHF 3.5 billion.

The UBS Gold ETF (symbol: AUUSI) took pole position on the list of the top 20 most-traded ETFs in Q3 2017. Compared with the other most-traded ETFs it was also the ETF that recorded the highest turnover growth as against the previous quarter. The iShares Core S&P 500 ETF (symbol: CSSPX) ranked second by some margin, followed by the DBX2 EMLE ETF (symbol: XEMB). This ETF replicates the performance of the Deutsche Bank Emerging Markets Liquid Euro-bond Index. While almost all of the equity ETFs most heavily in demand suffered a decline in turnover, the bond ETFs ranging in the top 20 traded ETFs in Q3 all recorded growth, notably the iShares Global HY Corp Bond CHF Hedged ETF (symbol: GHYC).

Top-20 most traded ETFs

Product	Turnover (mn CHF)	Trend
UBS ETF Gold (USD) A	1,489.81	↑
ISHARES S&P 500 UCITS	858.84	↓
DBX2 EMLE	560.08	↑
UBSETF ACWI hdg to EUR A-acc	383.26	↓
ISHARES Global HY Corp Bnd CHF	380.32	↑
UBSETF ACWI hdg to USD A-acc	379.62	↓
ISHARES SMI	372.91	↓
UBS ETF - MSCI EM SF USD A	360.97	↓
ISHARES EURO STOXX 50 UCITS	355.15	↓
UBS ETF MSCI EMU EUR A-acc	345.91	↓
UBSETF ACWI hdg to CHF A-acc	341.67	↓
ISHARES MSCI EMU UCITS	301.19	↓
UBS ETF MSCI EMU hdg to CHF	290.22	↑
ISHARES DOM GOV3-7	283.01	↑
AMUNDI ETF TOPIX EUR HEDGED	262.78	↓
ISHARES SMIM	257.23	↓
UBS ETF - MSCI World	253.63	↓
ISHARES \$ TRSRY BND 7-10 UCITS	248.45	↑
AMUNDI ETF FRN USD CORP-H EUR	241.66	↓
DBX2 EONIA TR	228.87	↑

Source: SIX Swiss Exchange



Source: SIX Swiss Exchange

1.2 Top-10 – selected changes in the overall market

ETFs based on the emerging countries of Brazil and Russia posted the best performance in CHF in the last quarter. The iShares MSCI Brazil topped the performance rankings. Through a combination of capital growth and income from the fund assets, it aims to generate a yield that reflects the yield of the MSCI Brazil Index, the ETF reference index. LYRUS, an ETF from Lyxor, achieved the best performance on Russian indices. It aims to track the performance

of the leading Russian GDRs traded on the LSE. The two ETFs suffering the greatest losses in Q3 were LYSSL and LYDSD, which leverage price decreases on the SMI® respectively DAX equity indices. In SIX Swiss Exchange trade tickets, the iShares S&P 500 ETF (CSSPX) took the lead once again ahead of the UBS ETF on MSCI Emerging Markets (EGUSAS) with 7,059 tickets to 5,034.

Top-10 ETFs best performance

Product	Symbol	Performance	Trend
ISHARES MSCI BRAZIL	IBZL	+24.22	↑
AMUNDI MSCI BRAZIL	BRZ	+23.91	↑
ISHARES MSCI BRAZIL ACC	CSBR	+23.53	↑
HSBC MSCI BRAZIL UCITS ETF	HBRL	+22.62	↑
LYX ETF BRAZIL IPOVESPA	LYRIO	+22.58	↑
DBX MSCI BRAZIL 1C	XMBR	+22.14	↑
LYX ETF DOW JONES RUSSIA	LYRUS	+20.25	↑
ISHARES MSCI RUSSIA ADR/GDR	CSRU	+20.20	↑
COMSTAGE ETF DJ RUSSIA GDR	CBRUSUS	+20.16	↑
HSBC MSCI RUSSIA CAPPED UCIT	HRUB	+18.64	↑

Source: Bloomberg, Derivative Partners AG

Top-10 ETFs worst performance

Product	Symbol	Performance	Trend
LYX DX2 SHORT BTP ETF	LYSSL	-6.46	↓
LYX DAILY SHORTDAX X2 ETF	LYDSD	-3.82	↓
MARKET ACCESS RICCI AGRI	MRAI	-3.39	↓
UBS ETF SXI REAL ESTATE FU.	SRECHA	-3.06	↓
UBS ETF SXI REAL ESTATE	SRFCHA	-2.43	↓
SOURCE MORNINGSTAR US ENERGY	MLPS	-1.87	↓
ETFS US ENERGY INFRASTRUCTUR	MLPI	-1.73	↓
SOURCE MORNINGSTAR US ENERGY	MLPD	-1.63	↓
HSBC MSCI INDONESIA UCITS ET	HIDR	-1.62	↓
UBS ETF SBI DOM. GOVER. 7-15	SB7CHA	-0.94	↓

Source: Bloomberg, Derivative Partners AG

Top-10 ETFs number of trades (tickets)

Product	Symbol	No. of trades	Trend
ISHARES S&P 500 UCITS	CSSPX	7,059	↑
UBS ETF - MSCI EM SF USD A	EGUSAS	5,034	↓
UBS ETF MSCI EMU EUR A-acc	EMUAA	3,592	↓
ISHARES SMI	CSSMI	3,427	↓
ZKB GOLD ETF	ZGLD	3,236	↓
iShares MSCI EM IMI UCITS ETF	EIMI	3,095	↓
ISHARES SMIM	CSSMIM	2,770	↓
UBS ETF (CH) - SMI (CHF) A	SMICHA	2,607	↓
UBS ETF SMIM (CHF) A	SMMCHA	2,440	↓
ISHARES Nasdaq 100 UCITS	CSNDX	2,399	↓

Source: SIX Swiss Exchange

1.3 Turnover by product provider

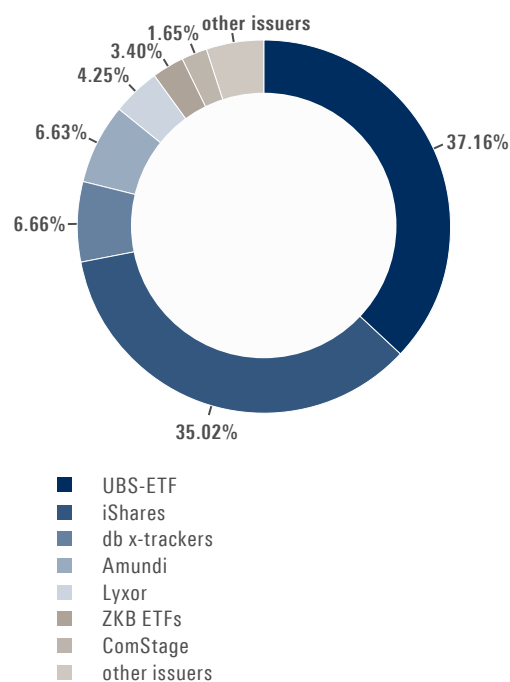
The product providers UBS, the current number 1, and iShares were again dominant in Q3 in terms of trading turnover of ETFs listed on SIX Swiss Exchange, with market shares of 37.16% and 35.02% respectively. db-x-trackers and Amundi, placed third and fourth, improved considerably, gaining market shares of 1.73%

and 1.53% respectively. However, Lyxor, which took third place in Q2, saw its market share diminish by 1.75% to 4.25%. ZKB and ComStage, which are positioned within the upper middle tier of the ranking, posted slight gains in market share.

ETF turnover by product provider

Issuer	Products	Turnover (mn CHF)	Market share	Trend
UBS-ETF	270	9,165.94	37.16%	↓
iShares	258	8,637.48	35.02%	↑
db x-trackers	77	1,641.64	6.66%	↑
Amundi	55	1,636.22	6.63%	↑
Lyxor	92	1,048.22	4.25%	↓
ZKB ETFs	14	838.97	3.40%	↑
ComStage	162	406.13	1.65%	↑
Source	41	234.14	0.95%	↓
Julius Bär	32	224.73	0.91%	↑
Powershares	13	204.13	0.83%	↓
SPDR ETF	90	200.92	0.82%	↑
Vanguard	21	120.50	0.49%	↑
Ossiam Lux	16	98.37	0.40%	↑
HSBC	27	51.01	0.21%	↑
Market Access	8	39.03	0.16%	↓
EasyETF	21	30.32	0.12%	↑
Raiffeisen	5	26.63	0.11%	↑
Wisdom Tree Europe	28	23.98	0.10%	↑
Van Eck Global	4	19.12	0.08%	↓
ETF Securities	12	9.53	0.04%	↑
Nomura	4	4.87	0.02%	↓
First Trust	2	1.96	0.01%	↑
UniCredit	2	0.52	0.00%	↑
Total	1,254	24,664.35	100.00%	

Source: SIX Swiss Exchange



1.4 Top-5 selected changes per asset class

Equity Developed Market

Product	Turnover (mn CHF)	Trend
ISHARES S&P 500 UCITS	859	↓
UBSETF ACWI HDG TO EUR A-ACC	383	↓
UBSETF ACWI HDG TO USD A-ACC	380	↓
ISHARES SMI	373	↓
ISHARES EURO STOXX 50 UCITS	355	↓

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Fixed Income & Money Market

Product	Turnover (mn CHF)	Trend
DBX2 EMLE	560	↑
ISHARES GLOBAL HY CORP BND CHF	380	↑
ISHARES DOM GOV3-7	283	↑
ISHARES \$ TRSRY BND 7-10 UCITS	248	↑
AMUNDI ETF FRN USD CORP-H EUR	242	↓

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Equity Emerging Market

Product	Turnover (mn CHF)	Trend
UBS ETF - MSCI EM SF USD A	361	↓
ISHARES MSCI EM IMI UCITS ETF	196	↓
ISHARES MSCI EM (ACC)	162	↑
ISHARES MSCI FE JP	155	↑
UBS ETF - MSCI EMERGING MKTS A	139	↑

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Commodities

Product	Turnover (mn CHF)	Trend
UBS ETF GOLD (USD) A	1,490	↑
ZKB GOLD ETF	209	↑
ZKB GOLD ETF (USD)	207	↓
ISHARES GOLD-HDG CHF	154	↑
UBS ETF GOLD HEDGED (CHF) A	106	↑

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Equity Style / Strategy / Themes

Product	Turnover (mn CHF)	Trend
ISHARES SMIM	257	↓
ISHARES EURO STOXX BANKS 30-15	195	↑
ISHARES STOXX EUROPE 600 (DE)	175	↓
COMSTAGE NYSE ARCA GOLD BUGS	170	↑
UBS ETF USA SELECT FACTOR MIX	167	↑

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Volatility

Product	Turnover (mn CHF)	Trend
ISHARES MSCI WORLD MINVOL	48	↑
ISHARES MSCI EM MINVOL	11	↑
ISHARES S&P 500 MINVOL	6	↑
UBSETF FACTOR LOW VOL USD D	2	↑
UBSETF FACTOR LOW VOL EUR D	1	↓

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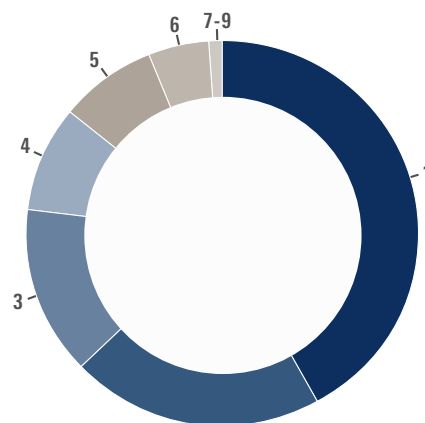
¹ Source: SIX Swiss Exchange

1.5 Trading details

Turnover by asset classes

Asset class	Absolute	Change	Turnover (mn)	Trend
1 Equity Developed Market	42.14%	-29%	10,394.73	↓
2 Fixed Income	20.62%	-16%	5,085.14	↓
3 Commodities	14.11%	-4%	3,480.09	↓
4 Equity Emerging Market	8.51%	-12%	2,099.54	↓
5 Equity Style / Strategy	8.14%	+11%	2,006.99	↑
6 Equity Themes	4.99%	-37%	1,231.21	↓
7 Money Market	0.96%	+267%	235.66	↑
8 Volatility	0.28%	-36%	68.38	↓
9 Funds	0.25%	-13%	62.54	↓
Total	100.00%		24,664.35	

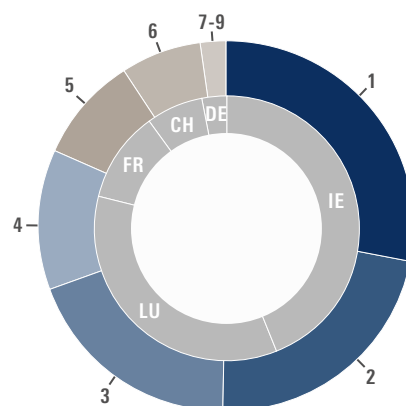
Source: SIX Swiss Exchange



Number* of ETFs on SIX Swiss Exchange by asset class

Asset class	Absolute	Change	Number	Trend
1 Equity Developed Market	27.67%	+1%	347	↑
2 Equity Style / Strategy	22.25%	-1%	279	↓
3 Fixed Income	19.46%	0%	244	→
4 Equity Themes	12.04%	0%	151	→
5 Equity Emerging Market	9.25%	+1%	116	↑
6 Commodities	7.42%	+2%	93	↑
7 Volatility	0.64%	0%	8	→
8 Funds	0.64%	+33%	8	↑
9 Money Market	0.48%	0%	6	→
Total	100.00%		1,254	

Source: SIX Swiss Exchange



* Some fungible ETFs (same ISIN) are tradable in multiple currencies. They are accordingly counted more than once.

2. ETFs in Switzerland

2.1 Top-10 Inflows (in mn CHF)

The most net new assets and net outflows were almost entirely attributable to equity ETFs in August 2017. The iShares Core S&P 500 ETF (CSSPX) achieved the most growth. The physically replicated product with costs of just 0.07% p.a. tracks the market capitalization-weighted S&P 500 Index, the best-known benchmark index for US equities investments. The iShares Core DAX ETF followed in second place, also with high net

new assets amounting to CHF 121 million, followed at some distance by the UBS ETF MSCI ACWI. The iShares EURO STOXX 50 ETF was the frontrunner for net outflows at CHF 123 million. The iShares MSCI Europe ETF also had conspicuously high net outflows. The net outflows of the ETFs in third to tenth position were significantly lower than those of the frontrunners.

Product	July 2017	August 2017	Trend
iShares Core S&P 500 ETF	+14	+138	↑
iShares Core DAX® (DE)	+71	+121	↑
UBS ETF MSCI ACWI SF	+113	+60	↓
iShares MSCI Taiwan ETF	-4	+47	↑
iShares Core MSCI Japan IMI ETF	+17	+38	↑
UBS ETF MSCI USA	+30	+38	↑
iShares Core MSCI World ETF	+24	+38	↑
iShares \$ Treasury Bd 1-3y ETF	+22	+32	↑
iShares SMI (CH)	-26	+31	↑
iShares Core EURO STOXX 50 ETF	+51	+30	↓

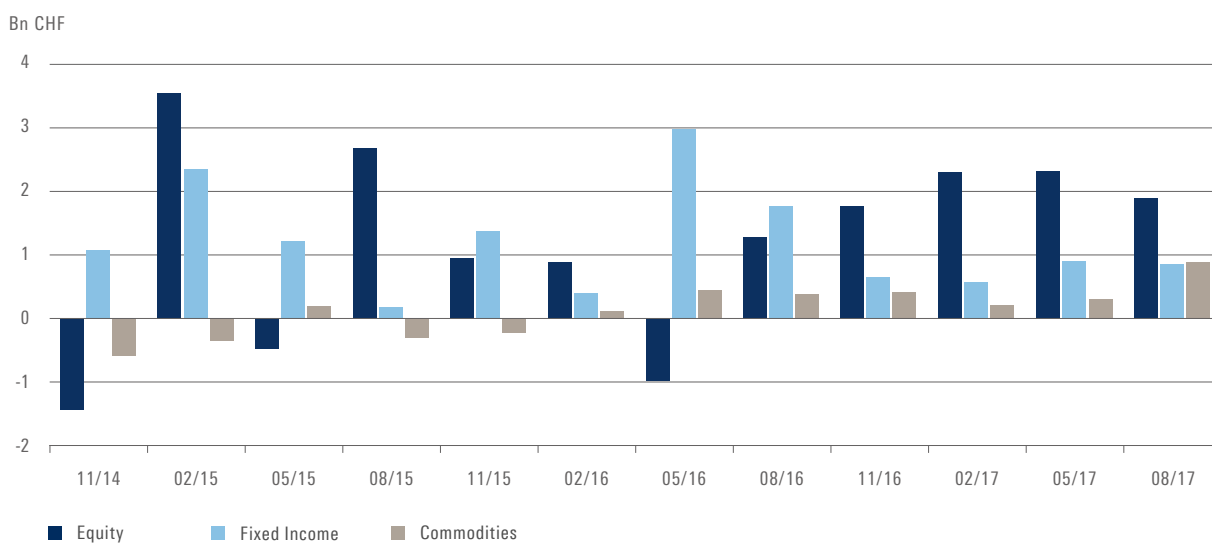
Source: Swiss Fund Data, Morningstar

2.2 Top-10 Outflows (in mn CHF)

Product	July 2017	August 2017	Trend
iShares EURO STOXX 50 (DE)	+199	-123	↓
iShares MSCI Europe ETF	+2	-87	↓
UBS ETF MSCI Emerging Markets	+20	-46	↓
iShares MSCI Europe ex-UK ETF	+13	-37	↓
iShares \$ High Yld Corp Bd ETF	+21	-37	↓
iShares S&P 500 ETF	-17	-31	↓
iShares European Prpty Yld ETF	+1	-28	↓
iShares € Corp Bond ex-Fncl ETF	+17	-28	↓
iShares MSCI World ETF	-29	-25	↑
UBS ETF MSCI EMU Defensive	-1	-24	↓

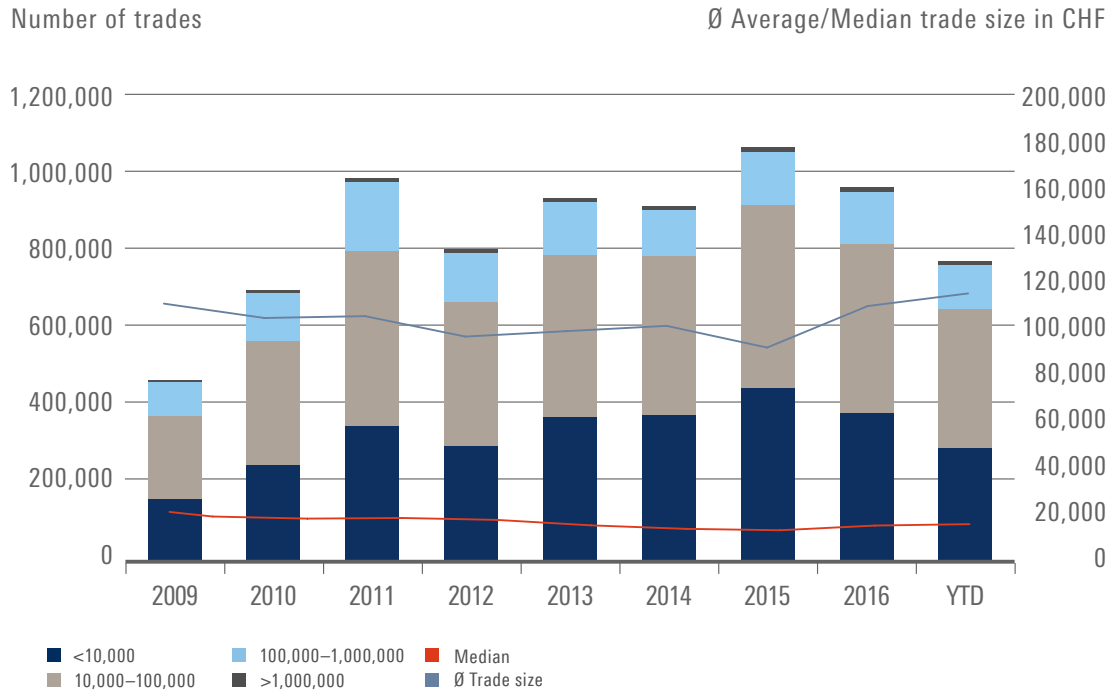
Source: Swiss Fund Data, Morningstar

Net new assets



Source: Swiss Fund Data, Morningstar

2.3 Trading details (breakdown of respective ticket size)



Source: SIX Swiss Exchange

2.4 Number of ETFs on SIX Swiss Exchange by market maker (during the quarter)

Name	ETFs	Name	ETFs	Name	ETFs
Flow Traders B.V.	957	Deutsche Bank AG London Branch	42	IMC Trading B.V.	3
Commerzbank AG	755	Virtu Financial Ireland Ltd	36	UniCredit Bank AG	2
Susquehanna	549	Bank Julius Bär & Co. AG	32		
Optiver VOF	280	Credit Suisse AG	20		
UBS AG	232	Zürcher Kantonalbank	14		
Goldenberg Hehmeyer LLP	147	J.P. Morgan Securities PLC	7		
BNP Paribas	141	Raiffeisen Schweiz Genossenschaft	5		
Société Générale	100	Morgan Stanley	3		

Source: SIX Swiss Exchange

Spread-Monitor (tightest spreads)

Product	Ticker	TER	Ø Bid Ask Spread
ISHARES CORE S&P 500	CSSPX	0.07	0.03
ISHARES USD TRSRY 1-3Y USD D	IBTS	0.20	0.03
ISHARES SMI ETF CH	CSSMI	0.35	0.04
DBX II EONIA CASH 1C	XEON	0.15	0.05
VANGUARD S&P 500 UCITS ETF	VUSA	0.07	0.05
ISHARES EUR GOVT 3-7Y ACC	CSBGE7	0.20	0.05
ISHARES USD TREASURY 7-10Y	IBTM	0.20	0.05
LYX EURMS1-3Y INV GR DR ETF	LYMTA	0.17	0.05
ISHARES NASDAQ 100 USD ACC	CSNDX	0.33	0.05
ISHARES USD TRES BOND 7-10Y	CSBGU0	0.20	0.05
LYXOR EUROMTS 3-5Y DR ETF	LYMTB	0.17	0.06
ISHARES USD TREASURY 3-7YR	CSBGU7	0.20	0.06
DBX MSCI USA 1C	XD9U	0.07	0.06
COMSTAGE ETF DJ ST 600 TR-I	CBEU6EU	0.25	0.06
COMSTAGE ETF DJ ST 600 TR-I	CBEU6EU	0.25	0.06
PIMCO US DOLLAR SHORT MATURI	MINT	0.35	0.06
UBS ETF SMI	SMICHA	0.20	0.06
POWERSHARES EQQQ NASDAQ-100	EQQQ	0.30	0.06
ISHARES EURO GOVT 1-3YR	IBGS	0.20	0.06
ISHARES EURO GOVT 0-1YR	IEGE	0.20	0.06

Source: Bloomberg

2.5 New listings in the quarter

First trading day	Product	Symbol	Currency	Management fee	Market Maker
29.09.2017	iShares Edge MSCI World Multifactor UCITS CHF Hedged (Acc)	DMFC	CHF	0.25%	Commerzbank AG, Susquehanna
29.09.2017	iShares Global Corp Bond UCITS ETF USD Hedged (Acc)	CRPU	USD	0.25%	Susquehanna
21.09.2017	UBS (Irl) ETF plc MSCI Australia UCITS ETF (AUD) A-dis	AUSAUY	AUD	0.40%	UBS AG
20.09.2017	Lyxor MSCI EMU Growth (DR) UCITS ETF D-EUR	GWT	EUR	0.40%	Flow Traders B.V., Société Générale
20.09.2017	Lyxor MSCI EMU Small Cap UCITS ETF D-EUR	MMS	EUR	0.40%	Société Générale, Susquehanna
20.09.2017	Lyxor MSCI EMU Value (DR) UCITS ETF D-EUR	EMV	EUR	0.40%	Flow Traders B.V., Société Générale, Susquehanna
18.09.2017	MARKET ACCESS iSTOXX MUTB JAPAN QUALITY 150 INDEX UCITS ETF	MAJQ	JPY	0.50%	Goldenberg Hehmeyer LLP
15.09.2017	UBS ETF (CH) - MSCI Switzerland IMI SRI (CHF) A-dis	CHSRI	CHF	0.28%	UBS AG
08.09.2017	UBS (Irl) ETF plc MSCI USA Select Factor Mix (h CHF) A-acc	USMUFS	CHF	0.40%	UBS AG
08.09.2017	UBS (Irl) ETF plc MSCI USA Select Factor Mix (h EUR) A-acc	USMUFE	EUR	0.40%	UBS AG
08.09.2017	UBS (Irl) ETF plc MSCI USA Select Factor Mix (h GBP) A-dis	USMUFH	GBP	0.40%	UBS AG
30.08.2017	ComStage Vermögensstrategie UCITS ETF	CBVS	CHF	0.25%	Commerzbank AG
30.08.2017	ComStage Vermögensstrategie UCITS ETF	CBVS	EUR	0.25%	Commerzbank AG
10.08.2017	db x-trackers MSCI World Index UCITS ETF (DR)-2D	XDWG	GBP	0.19%	Optiver VOF, Susquehanna
03.08.2017	UBS (Irl) ETF plc MSCI USA UCITS ETF (hedged to GBP) A-acc	USGBPA	GBP	0.24%	Flow Traders B.V., UBS AG
03.08.2017	UBS (Irl) ETF plc MSCI USA UCITS ETF (hedged to GBP) A-dis	USGBPD	GBP	0.24%	Flow Traders B.V., UBS AG
03.08.2017	UBS ETF BBG Bar US Liq Corp Interest Rate hd (USD) A-dis	CBUSIH	USD	0.23%	Deutsche Bank AG London Branch
03.08.2017	UBS ETF MSCI EMU UCITS ETF (hedged to GBP) A-acc	EUGBPA	GBP	0.28%	Flow Traders B.V., UBS AG
03.08.2017	UBS ETF MSCI EMU UCITS ETF (hedged to GBP) A-dis	EUGBPD	GBP	0.28%	Flow Traders B.V., UBS AG
03.08.2017	UBS ETF MSCI Japan UCITS ETF (hedged to GBP) A-acc	JPGBPA	GBP	0.45%	Flow Traders B.V., UBS AG
03.08.2017	UBS ETF MSCI Japan UCITS ETF (hedged to GBP) A-dis	JPGBPD	GBP	0.45%	Flow Traders B.V., UBS AG
28.07.2017	db x-trackers MSCI Emerging Markets Index UCITS ETF (DR) 1C	XMME	CHF	0.10%	Optiver VOF, Susquehanna
13.07.2017	UBS ETF MSCI Canada UCITS ETF (CAD) A-acc	CANA	CAD	0.33%	Flow Traders B.V., UBS AG
13.07.2017	UBS ETF MSCI Japan UCITS ETF (JPY) A-acc	JPNA	JPY	0.35%	Flow Traders B.V., UBS AG
06.07.2017	VanEck Vectors J.P. Morgan EM Local Currency Bond UCITS ETF	EMLC	CHF	0.44%	Goldenberg Hehmeyer LLP
04.07.2017	UBS ETFs plc Bloomberg Commodity CMCI SF (hd to CHF) A-acc	BCCMS	CHF	0.37%	UBS AG
04.07.2017	UBS ETFs plc Bloomberg Commodity CMCI SF (hd to EUR) A-acc	BCCME	EUR	0.37%	UBS AG
04.07.2017	UBS ETFs plc Bloomberg Commodity CMCI SF (USD) A-acc	BCCMA	USD	0.37%	UBS AG

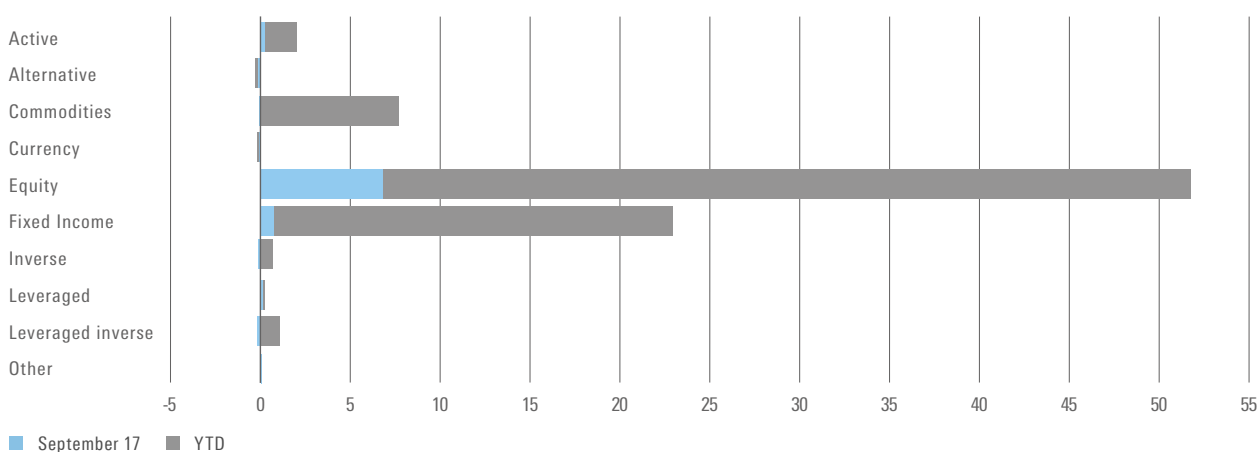
Source: SIX Swiss Exchange

3. European market

Net new assets in ETFs have again been dynamic at the European level over the last few months – the popularity of listed index funds continues unabated. Since the start of 2017, over USD 51 billion has been put into equity ETFs alone. This remains the dominant category. Net outflows for ETFs on leveraged ETFs and leveraged inverse ETFs

continued. The alternative and commodity asset classes also recorded net outflows in September. Interestingly, net new assets in bond ETFs amounted to USD 690 million despite a thaw in the central bank's policies. Higher prime rates generally put pressure on the prices of bonds with a fixed coupon.

Net New Assets per asset class (in bn USD)



Source: ETFGI

Asset classes	ETFs/ETPs	AuM Sept. 17 (in mn USD)	Market share	Net New Assets (in mn USD)			
				September 17	YTD 2017	YTD 2016	2016
Active	19	8,326	1.11%	216	1,989	-14	-203
Alternative	10	330	0.04%	-69	-242	-148	-144
Commodities	445	59,063	7.86%	-22	7,625	12,119	11,602
Currency	69	280	0.04%	-11	-20	89	143
Equity	1,051	497,757	66.26%	6,774	51,504	1,790	17,978
Fixed Income	377	173,060	23.04%	690	22,811	26,804	24,400
Inverse	68	3,891	0.52%	-89	651	787	741
Leveraged	167	3,986	0.53%	86	166	158	-364
Leveraged inverse	71	3,862	0.51%	-151	1,044	1,228	1,530
Other	8	679	0.09%	3	162	-8	11
Total	2,285	751,235	100.00%	7,428	85,690	42,804	55,694

Source: ETFGI

«Both ETFs and index funds are being offered under the «iShares» brand as of late.»

Christian Gast, PhD, Managing Director, Head of iShares and Index Investing Switzerland. Prior to assuming his current role in 2010, Mr. Gast was with UBS Global Asset management, where he had worked since 1999 heading up the UBS ETF business. Additionally, Christian was also Head Product Development and Management UBS Equity Funds. Prior to this, he worked with the St. Galler Kantonalbank as Senior Portfolio Manager responsible for managing private and institutional assets. Mr. Gast earned a PhD degree from the University of Zurich in 1998 (magna cum laude) and an M.B.A. from the University of Saarbruecken in 1994. Christian is lecturer at the university of applied science, Zurich and the Frankfurt Business School.



Christian Gast, PhD, BlackRock

What is the specialty of your company?

To highlight one particular specialty is not easy given our broad range of products. In the field of passive investments, it is certainly the development of our comprehensive index platform that stands out. Most recently, we are also offering index funds on our Irish and Swiss platforms in addition to ETFs and supporting our local and international clients in choosing the best instrument for their needs. Investors thus receive bundled expertise from a single source and can also profit from the full spectrum of passive investment strategies for building up their assets and their portfolios. Both ETFs and index funds are being offered under the «iShares» brand as of late. The extension of the product name makes it clear whether an ETF or an index fund is involved. On the Swiss market, there is still far too little differentiation at the moment between these two products.

What are the main issues and concerns in the ETF segment at present?

As a result of the changing banking advice and counseling – away from retrocession towards advisory fees – passive products are playing a more and more central role; the clients of advisors and consultants want products that combine a solid investment strategy with what we can call an exciting story. Our thematic ETFs address trends such as demographic change, automation/robotics, healthcare innovation and digitalization. These products have been enjoying enormous popularity since their launch. Institutional investors, in particular, have been building passive elements into their port-

folios for a long time now. The main interest of this group of clients is, on the one hand, to combine ETFs and index funds, and on the other hand, to understand exactly how they can integrate innovative strategies such as smart beta or sustainability strategies into their portfolios. We offer the tools and a full range of services to evaluate this «portfolio fit» and to effect the desired integration.

Where is the focus of your customers in the current climate?

Markets are still developing very positively with a low degree of volatility, and we are seeing record flows within the equity space. This applies above all to securities in developed and emerging markets. ETFs in EMEA already equaled the record level of the previous year (USD 378.7 billion) after the third quarter and the current figure for new assets is significantly higher than USD 400 billion. There is also a steady flow into fixed income products. However, in this segment the market is developing out of a smaller base – corporate bonds with high credit quality and emerging market bonds in USD are highly favored by investors. In general, the cost efficiency, diversification potential and automatic reinvestment are strong arguments in favor of passive solutions with bond investments. Moreover, investors are able to invest their money more deliberately and with pinpoint precision through industry-specific and thematic ETFs. Risk-factor ETFs also offer the possibility to adapt investments to a current market regime. This enables investors to reduce risks with minimum volatility products or to profit from the

continuance of existing trends through momentum strategies.

What innovations are you planning?

As already mentioned, we are proud to offer our private clients, in addition to 23 Irish index funds, 8 index funds domiciled in Switzerland. These significant building blocks supplement our range of ETF offers, which covers over 300 products altogether. What's more, we have also launched a flexible share class concept that allows us to offer share classes with currency hedging, payout or accumulation even for smaller volumes. Currency hedging against the Swiss franc, in particular, is still in strong demand. We are also planning to bring additional thematic ETFs onto the market, and a biotech ETF will soon be launched – a product that is already highly successful in the USA.

Where do you see the Swiss ETF market in the near future and over the next few years?

The Swiss ETF market is one of the largest in Europe and is also far advanced. But in our view, its potential is far from exhausted. Demand is driven by a highly diverse investor base: alongside the private client segment with the largest asset pool (banks, asset managers, family offices, individual investors), there is a broad base of institutional clients that embraces not just pension funds and insurance companies but also corporations and foundations. The general trend towards passive investments remains unbroken. However, the growth in future will be split between ETFs and index funds. We also believe that, especially in the fixed income sector, there is still significant room for innovative index strategies – for example market capitalization-weighted indexes of sovereign bond issues that apply a credit quality filter.

Thank you for the interview!

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