

GUIDELINE

Swiss Market Selection Index

Version 1.0 dated 29th of March 2016



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DISCLAIMER

This document contains the underlying principles and regulations regarding the structure and the operating of the Swiss Market Selection Index. Solactive AG shall make every effort to implement regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the Index value at any certain point in time nor in any other respect. The Index is merely calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the Index. The publication of the Index by Solactive AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this Index.

INTRODUCTION

This document is to be used as a guideline with regard to the composition, calculation and management of the Swiss Market Selection Index. Any changes made to the guideline are initiated by the Committee specified in section 1.4. The Swiss Market Selection Index is calculated and published by Solactive AG. The name “Solactive” is copyrighted.

1. INDEX SPECIFICATIONS

1.1. INDEX SUMMARY

The Swiss Market Selection Index ("Swiss Market Selection Index", the "Index") is an Index of Leonteq Securities AG and is calculated and distributed by Solactive AG.

The Swiss Market Selection Index is a leveraged index of Swiss Market Low Volatility Index.

Index Name	Swiss Market Selection Index
Index Type	Net Total Return (NTR)
Index Currency	CHF
Index Start Date	20.04.2016
Index Initial Value (Index(Index Start Date))	100.00
ISIN	DE000SLA1YN4
WKN	SLA1YN
Reuters Code	.SWSELECT
Bloomberg Ticker	SWSELECT Index

1.2. DISTRIBUTION

The Swiss Market Selection Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether he will distribute/display the Swiss Market Selection Index via his information systems.

1.3. PRICES AND CALCULATION FREQUENCY

The price of the Swiss Market Selection Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are translated using spot foreign exchange rates quoted by Reuters, if applicable. Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Business Day is used in the calculation.

The Swiss Market Selection Index is calculated every Business Day from 9:00am to 10:30pm, CET. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis.

1.4. DECISION-MAKING BODIES

A Committee composed of staff from Solactive AG is responsible for decisions regarding the composition of Swiss Market Selection Index as well as any amendments to the rules (in this document referred to as the "Committee" or the "Index Committee"). The future composition of the Swiss Market Selection Index is determined by the Committee on the Review Days according to the procedure outlined in 2.1 of this document. The Committee shall also decide about the future composition of the Swiss Market Selection Index, if any Extraordinary Events should occur and the implementation of any necessary adjustments.

Members of the Committee can recommend changes to the guideline and submit them to the Committee for approval.

1.5. PUBLICATION

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.de> web page and sub-pages.

1.6. HISTORICAL DATA

Historical data of the Index will be maintained from the Index Start Date.

1.7. LICENSING

Licences to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Leonteq Securities AG.

2. COMPOSITION OF THE INDEX

2.1. INDEX COMPONENTS AND RELEVANT SECURITIES

The Swiss Market Selection Index is composed of the following Index Component, which is leveraged as described in section 2.2. The Index Level formula is given in section 3.

The Relevant Security below is used in the Quarterly Beta Leverage Mechanism calculation.

Index Component	Name	ISIN	Security Type
Swiss Market Low Volatility Index	Low Volatility Index	DE000SLA1YL8	Index

Relevant Security	Name	ISIN	Security Type
iShares SMI® (CH) ETF	Benchmark	CH0008899764	ETF

2.2. QUARTERLY BETA LEVERAGE MECHANISM

The leverage on the Swiss Market Low Volatility Index is defined as $Leverage(t)$.

The leverage is determined on a quarterly basis by the Index Calculator through a linear regression of the Low Volatility Index against the Benchmark. The regression is performed on the 1-day returns over a period of 120 Business Days on the 12th Business Day of every quarter, as outlined in section 3.2.

The leverage is constrained to be lower or equal than 200% and greater or equal than 50%.

3. CALCULATION OF THE INDEX

3.1. DETERMINATION OF THE INDEX LEVEL

In respect of Business Day t , subject to the occurrence or existence of an Index Disruption Event or an Index Extraordinary Event, the Index Level is calculated by the Index Calculator according to the following formula:

$$Index(t) = Index(T_{Rb}(t)) \times \left[1 + Leverage(T_{Rv}(t)) \times \left(\frac{LowVol(t)}{LowVol(T_{Rb}(t))} - 1 \right) - \max \left\{ 0; (Leverage(T_{Rv}(t)) - 1) \times LeverageCost \times \frac{t - T_{Rb}(t)}{360} \right\} \right]$$

Where:

$LowVol(t)$: Trading Price of the Low Volatility Index on the Business Day t

$LeverageCost = 1.00\%$

$T_{Rb}(t)$: last Rebalancing Day in respect of a Business Day t

$T_{Rv}(t)$: last Review Day in respect of a Business Day t

Rebalancing Day : 13th business day in January, April, July and October

Review Day : business day before the Rebalancing Day

3.2. LEVERAGE FORMULA

In respect of a Business Day t , subject to the occurrence or existence of an Index Disruption Event or an Index Extraordinary Event, the Leverage is calculated by the Index Calculator on each Review Date $T_{Rv}(t)$ according to the following formula:

$$Leverage(T_{Rv}(t)) = \min \left\{ 200\%; \max \left\{ 50\%; \min \left\{ Leverage(T_{Rv}(t) - 1) + 20\%; \max \left\{ Leverage(T_{Rv}(t) - 1) - 20\%; \frac{1}{Beta(T_{Rv}(t))} \right\} \right\} \right\} \right\}$$

Where:

$Leverage(T_{Rv}(t) - 1)$: in respect of a Business Day t , the Leverage at the close immediately prior to the last Review Day

$$Beta(T_{Rv}(t)) = \frac{\sum_{i=T_{Rv}(t)-120}^{T_{Rv}(t)-1} \delta(1, i) \times \delta(2, i)}{\sum_{i=T_{Rv}(t)-120}^{T_{Rv}(t)-1} \delta(2, i)^2}$$

$$\delta(k, i) = \ln \left(\frac{CP(k, i)}{CP(k, i-1)} \right) - \frac{\sum_{i=T_{Rv}(t)-120}^{T_{Rv}(t)-1} \ln \left(\frac{CP(k, i)}{CP(k, i-1)} \right)}{120} : \text{percentage variation of the Trading Price } CP(k, i) \text{ over 1 Business Day}$$

$CP(1, i)$: Trading Price of the Low Volatility Index on the Business Day i

$CP(2, i)$: Trading Price of the Benchmark on the Business Day i

$Leverage(T_{Rv}(\text{Index Start Date})) = \text{TBD}$

3.3. ACCURACY

$Beta(t)$ will be rounded to four decimal places.

The Benchmark Trading Price will be rounded to two decimal places.

$Index(t)$ will be rounded to two decimal places.

3.4. ADJUSTMENTS

Indices need to be adjusted for systematic changes in prices once these become effective. This requires the new Number of Shares of the affected Index Component to be calculated on an ex-ante basis.

The Swiss Market Selection Index is adjusted for distributions, splits and par value conversions.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Index. This ex-ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used. The calculation parameters are provided by Solactive AG.

Any delay in calculating the new Number of Shares of an Index Component would create problems. Therefore the procedure described above is the most appropriate.

3.5. CALCULATION OF THE INDEX IN THE EVENT OF A MARKET DISRUPTION EVENT

In the event of a Market Disruption Event, Solactive AG calculates the Index value, taking into account the market conditions prevailing at this point in time, the last quoted Trading Price for each of the Index Components as well as any other conditions that it deems relevant for calculating the Index value.

4. DEFINITIONS

A **“Business Day”** is a day on which Swiss Stock Exchange is open for trading.

The **“Index Calculator”** is Solactive AG or any other appropriately appointed successor in this function.

The **“Index Currency”** is CHF.

The **“Merger Date”** is the date on which a Merger is concluded or the date specified by the Index Calculator if such a date cannot be determined under the law applicable to the Merger.

“Nationalisation” is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities or institutions.

“Exchange” is, in respect of Swiss Market Selection Index and every Index Component, the respective primary exchange where the Index Component has its primary listing. The Committee may decide to declare a different stock exchange the **“Exchange”** for trading reasons, even if the company is only listed there via a Stock Substitute.

“Stock Substitute” includes in particular American Depository Receipts (ADR) and Global Depository Receipts (GDR).

With regard to an Index component (subject to the provisions given above under “Extraordinary Events”) the **“Trading Price”** in respect of a Business Day is the closing price on this Business Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for an Index Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.

“Market Capitalization” is with regard to each of the shares in the Swiss Market Selection Index Universe on a Review Date or Rebalancing Day the value published as the Market Capitalization for this day.

As at the date of this document Market Capitalization is defined as the value of a company calculated by multiplying the number of shares outstanding of the company by its share price.

An **“Affiliated Exchange”** is with regard to an Index Component an exchange, a trading or quotation system on which options and futures contracts on the Index Component in question are traded, as specified by the Index Calculator.

A **“Market Disruption Event”** occurs if

1. one of the following events occurs or exists on a Business Day prior to the opening quotation time for an Index Component:
 - A) trading is suspended or restricted (due to price movements that exceed the limits allowed by the Exchange or an Affiliated Exchange, or for other reasons):
 - 1.1. across the whole Exchange; or
 - 1.2. in options or futures contracts on or with regard to an Index Component or an Index Component that is quoted on an Affiliated Exchange; or
 - 1.3. on an Exchange or in a trading or quotation system (as determined by the Index Calculator) in which an Index Component is listed or quoted; or
 - B) an event that (in the assessment of the Index Calculator) generally disrupts and affects the opportunities of market participants to execute on the Exchange transactions in respect of a share included in the Index or to determine market values for a share included in the Index or to execute on an Affiliated Exchange transaction with regard to options and futures contracts on these shares or to determine market values for such options or futures contracts; or
2. trading on the Exchange or an Affiliated Exchange is ceased prior to the usual closing time (as defined below), unless the early cessation of trading is announced by the Exchange or Affiliated Exchange on this Business Day at least one hour before

(aa) the actual closing time for normal trading on the Exchange or Affiliated Exchange on the Business Day in question or, if earlier.

(bb) the closing time (if given) of the Exchange or Affiliated Exchange for the execution of orders at the time the quote is given.

“Normal exchange closing time” is the time at which the Exchange or an Affiliated Exchange is normally closed on working days without taking into account after-hours trading or other trading activities carried out outside the normal trading hours; or

3. a general moratorium is imposed on banking transactions in the country in which the Exchange is resident if the above-mentioned events are material in the assessment of the Index Calculator, whereby the Index Calculator makes his decision based on those circumstances that he considers reasonable and appropriate.

5. APPENDIX

5.1. CONTACT DATA

Information regarding the Swiss Market Selection Index concept

Leonteq Securities AG

Brandschenkestraße 90

CH-8027 Zurich

Index Calculator

Solactive AG

Guiollettstr. 54

60325 Frankfurt am Main

Germany

5.2. CALCULATION OF THE INDEX – CHANGE IN CALCULATION METHOD

The application by the Index Calculator of the method described in this document is final and binding. The Index Calculator shall apply the method described above for the composition and calculation of the Index. However it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Index Calculator may also make changes to the terms and conditions of the Index and the method applied to calculate the Index, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Index Calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the Index Calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.