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«ZKB Sustainable Finance Basket»

March 2022

The financial sector is facing increasing demand in the context of sustainability and is a key driver in financing a more sustainable future, as in climate and new sustainable private sector solutions.

The tracker Certificate combines 33 shares selected by ZKB Asset Management, which stand out in a relative comparison due to the strategic orientation of their financial business according to sustainability criteria or which contribute a social benefit in terms of global long-term development goals.

The financial sector plays a key role in the supply of credit and the structural development of a prosperous economy. In addition to the creation of credit by banks and the operation of financial markets, insurance companies and asset managers also perform important functions in the supply of financial services and the allocation of capital. The structural change required by the public or imposed by the scarcity of resources in order to preserve the basis of life is significantly influenced by capital flows. This makes it even more important to take environmental concerns and other sustainability criteria into account in the lending business of banks and in the investment business in general.

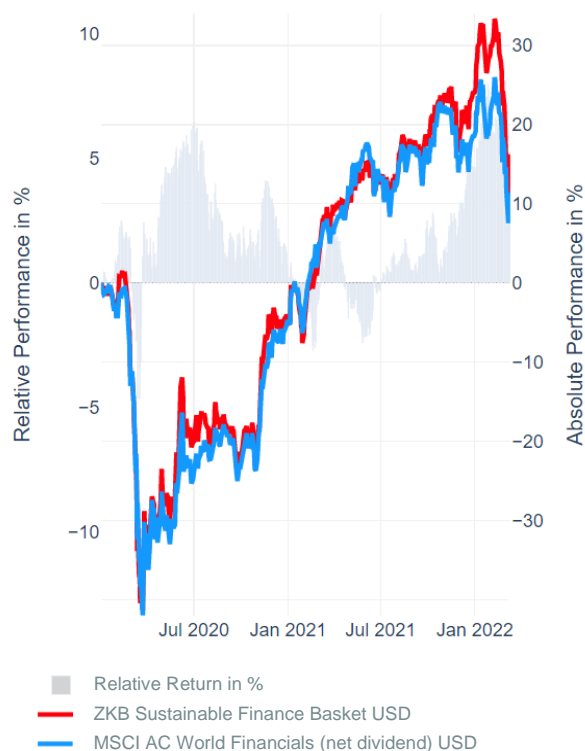
In addition to their important role as financiers of the economy, banks in particular are playing an increasingly important role in financing the energy and climate transition. In addition, the asset management business also facilitates this transition by means of green bond investments, which make a significant contribution to renewable energy and climate financing.

Important starting points for assessing finance companies in this context are the commitment to reporting standards and sustainability initiatives. This improves not only transparency, especially in problem areas, but also the progress and measurability of concrete action plans and their target achievements. Even though the financial sector is currently still in a development phase with regard to sustainability and standardization, and varying degrees of progress can be observed in regional comparisons, significant differences are already apparent at the company level. In our opinion, proactivity and long-term orientation of the corporate strategy are important attributes for assessing sustainability and fundamental performance.

ZKB Tracker Certificate Dynamic

Underlying	Sustainable Finance Basket
Currency	CHF / USD
Trading unit	1 structured product
Issue price	CHF 100.00 / USD 100.00
Subscription period	5 April 2022, 4 p.m.
Initial Fixing	6 April 2022
Value date	13 April 2022
Maturity	Open End
ISIN CHF Tranche	CH1139756501
ISIN USD Tranche	CH1139756527

Portfolio-Backtest and statistical key figures



The period from 1.1.2020 to 10.3.2022 was deliberately chosen as observation period for calculating the portfolio characteristics, as this period was characterized by large price fluctuations both upwards and downwards. The calculated portfolio key figures of the equally weighted composition managed with monthly rebalancing offer no guarantee for future performance, but merely represent a possible scenario in similar market conditions.

Relative & absolute statistical portfolio ratios

(vs. Benchmark: MSCI AC World Financials)

Performance figures (% , in USD)

	Mtd	3 M.	6 M.	1 y	2 y
MSCI AC World					
Financials	-4.96	-2.44	-4.69	+9.09	+27.80
Basket	-5.03	-0.23	-0.66	+15.16	+31.83
Relativ	-0.07	+2.21	+4.03	+6.07	+4.02

Sensitivity

Up-market capture ratio	0.94
Down-market capture ratio	0.93
Hit rate of relative returns	49.04

Absolute key figures

Information ratio	0.23
Tracking Error	7.1%
Skewness	0.12
Kurtosis	8.38

Relative key figures

	Basket	Benchmark
Sharpe ratio	0.29	0.21
Volatility	+25.0%	+25.4%
Max. Drawdown	-42.2%	-42.0%

The 33 companies selected by ZKB Asset Management were chosen according to a number of relevant criteria. These include the general social benefit (sustainability impact) of the business model, the classification according to ESG criteria, the innovative strength of the range of services in terms of sustainability, commitments made to global standards or the environmental risks associated with financing transactions.

The basket in detail

The 33 stocks selected by ZKB Asset Management are included in the basket at the initial fixing date with the designated weights. The stock selection is diversified both geographically and by subsectors and has an overweight in markets and segments with, in our opinion, an above-average track record in terms of sustainability.

There are no distributions to investors. The net dividends distributed by the underlying components are fully reinvested in the structured product. In the weighting of the securities, particular attention was paid to quality and profitability. In a benchmark comparison (with the MSCI World Financial), the selected securities have lower risk and market sensitivities (ex-post) as well as valuation ratios, but a higher dividend yield. In addition, the selection shows a certain interest rate sensitivity, which tends to have a positive effect on the banks' interest margin business, especially in the event of potential key interest rate increases.

Overview of the selected titles:

Company	Main business	Main markets (geographically)
ING Groep NV	Banking & Lending Business	Benelux, West- and Easteuropa
Banco Bilbao Vizcaya Argentaria, S.A.	Banking & Lending Business	Mexico, Spain, Southamerica, Turkey
Svenska Handelsbanken AB Class A	Banking & Lending Business	Sweden, Great Britain, Norway, Netherlands
Swedbank AB Class A	Banking & Lending Business	Sweden, Baltic States, Norway
BNP Paribas SA Class A	Banking & Lending Business, Investment Banking	France, Europe
HSBC Holdings Plc	Banking & Lending Business, Investment Banking	Asia, Great Britain
NatWest Group Plc	Banking & Lending Business	Great Britain
U.S. Bancorp	Banking & Lending Business	USA regional
Canadian Imperial Bank of Commerce	Banking & Lending Business, Investment Banking	Canada, USA
Sumitomo Mitsui Financial Group, Inc.	Banking & Lending Business, Investment Banking	Japan, Global
National Australia Bank Limited	Banking & Lending Business	Australia, New Zealand
KB Financial Group Inc.	Banking & Lending Business	South Korea
Swiss Re AG	Reinsurance	Global
Beazley Plc	Specialty Incurances	Global
Allianz SE	Insurance, asset management	Westeuropa, Global
AXA SA	Insurance	Westeuropa, Global
Legal & General Group Plc	Asset management, life insurance	Great Britan
Allstate Corporation	Property insurance	USA
MetLife, Inc.	Life insurance	USA, Asia
Principal Financial Group, Inc.	Asset management, life insurance	USA, Global
Manulife Financial Corporation	Life insurance, Asset management,	Asia, Canada, USA
Sompo Holdings, Inc.	Property insurance	Japan, USA
MS&AD Insurance Group Holdings, Inc.	Property insurance	Japan
Tokio Marine Holdings, Inc.	Property insurance	Japan, USA
DB INSURANCE CO. LTD	Health and property insurance	South Korea
Ping An Insurance (Group) Company of China	Life and property insurance	China
BlackRock, Inc.	Asset management	Nordamerica, Europe
3i Group plc	Private Equity	Nordeuropa
ANIMA Holding S.p.A.	Asset management	Italy
Federated Hermes, Inc. Class B	Asset management	USA
Banca Mediolanum SpA	Asset management	Italy
Goldman Sachs Group, Inc.	Investment Banking	Global
Deutsche Boerse AG	Exchange trading	Europe

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