

Vontobel Enhanced Indices

Vontobel Enhanced Indices are systematic option strategies designed to generate a steady income, together with additional risk-adjusted yield. Tracker certificates enable investors to participate in the performance of the strategies.

1. Three strategies: covered call, put write & calendar

Vontobel Enhanced Indices are based on systematic option selling strategies. Tracker certificates enable investors to participate in the performance of the Enhanced Indices. Options on the underlying index are sold (written) systematically each day. This results in the following advantages:

- Timing risk is reduced, since the continuous option writing means that investment and exit are smoothed
- Constant premium income is generated in the index, regardless of market conditions
- Rule-based approach through the systematic writing of options

Vontobel Enhanced Indices consist of three different strategies. Each strategy has two tranches: one on the Swiss Market Index in CHF, and one on the Euro Stoxx 50 Index in EUR.

2.1 Enhanced covered call strategy

The enhanced covered call strategy consists of two components. Component 1 is a *long* position in the underlying index. The other side of the strategy is to sell a set of call options each day:

- Call option with strike price 102%, duration 2 weeks
- Call option with strike price 103%, duration 3 weeks
- Call option with strike price 104%, duration 4 weeks

The daily sale of call options generates option premiums which, together with the long index position, go toward the index. The strategy could be suitable for moderately rising or flat markets.

ENH. COVERED CALL	ENHACSVT	ENHACEVT
Underlying	Swiss Market Index	Euro Stoxx 50 Index
Product currency	CHF	EUR
ISIN	CH0553372522	CH0553372563
Strategy	Long index, short calls	Long index, short calls

2.2 Enhanced put write strategy

The enhanced put write strategy does not have a position in the underlying indices SMI and Euro Stoxx 50. Instead, it sells (writes) a put option each day with a strike price 6% lower than the current index level:

- put option with strike price 94%, duration 1 month

The daily sale of put options generates premiums that go toward the index. The strategy is effective if the index has not

fallen by more than 6% when the put options expire. As a result, the strategy could be suitable in an environment of increased volatility accompanied by flat or rising markets.

ENH. PUT WRITE	ENHAPSVT	ENHAPEVT
Underlying	Swiss Market Index	Euro Stoxx 50 Index
Product currency	CHF	EUR
ISIN	CH0553372506	CH0553372548
Strategy	Short put strike price 94%	Short put strike price 94%

2.3 Enhanced put write calendar strategy

The enhanced put write calendar strategy is a further development of the conventional enhanced put write strategy. On the one hand, options with a barrier are sold each day – these are known from barrier reverse convertibles (down & in put, “DIP”). On the other hand, hedging options (“long put position”) with a long duration are also bought:

- Down & in put (“DIP”) option, strike price 100%, barrier 90% European, duration 1 month [short] with factor 1.25 at implied volatility >35%
- Long put position, strike price 100% duration 1 year [long]

In this strategy, too, options are bought and sold daily. For the long position, only 2% of the index value per annum is spent on option premiums, so that net premiums are still generated. The long put position has the advantage that a slump could be cushioned to some extent if markets fall sharply.

ENH. PUT WRITE CALENDAR	ENHASCVT	ENHAECVT
Underlying	Swiss Market Index	Euro Stoxx 50 index
Product currency	CHF	EUR
ISIN	CH0553372514	CH0553372555
Strategy	Short DIP, long put	Short DIP, long put

3. Features of Vontobel Enhanced Indices

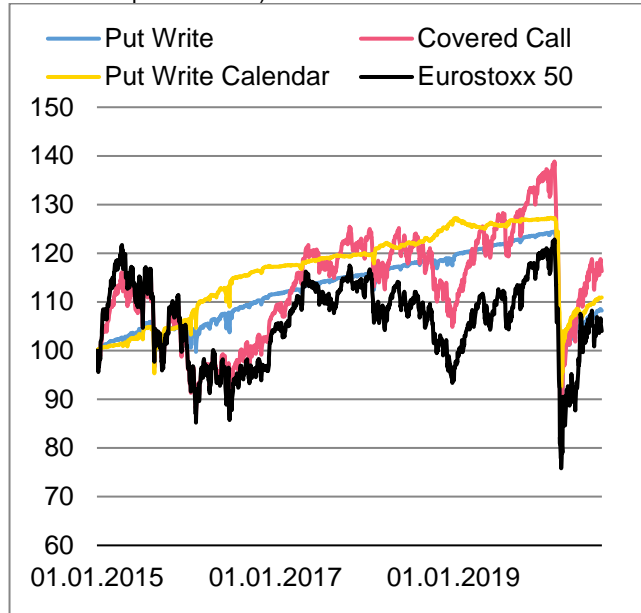
These strategies represented in Vontobel Enhanced Indices could be particularly successful in moderately negative, flat and positive markets. Compared to a direct investment in the underlying, tracker certificates on the strategies represented in Vontobel Enhanced Indices are therefore designed to be more defensive.

In extreme bull markets the strategies may lag behind the underlying, while they may underperform in extreme bear markets. Investors in these certificates should note that they additionally bear the issuer risk (a risk that the issuer of the certificate is not able to fulfill its commitments from the product).

It appears that volatility could remain high in the current market environment. This would lead to higher option premiums, which could be a factor in favor of Vontobel Enhanced Indices, especially at this time.

4. Strategies on the Euro Stoxx 50 compared

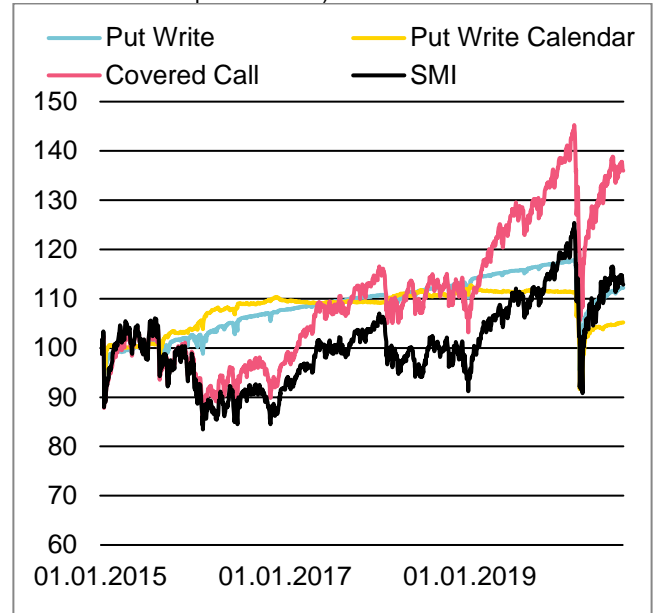
The following chart shows the three strategies (indexed to 100, start in January 2015, past performance is not a reliable indicator of future performance)



Source: Bloomberg, August 31, 2020, Vontobel

5. Strategies on the Swiss Market Index compared

The following chart shows the three strategies (indexed to 100, start in January 2015, past performance is not a reliable indicator of future performance)



Source: Bloomberg, August 31, 2020, Vontobel

STRATEGY NAME	COVERED CALL WRITING	COVERED CALL WRITING	PUT WRITING	PUT WRITING	CALENDAR PUT WRITING	CALENDAR PUT WRITING
Currency	CHF	EUR	CHF	EUR	CHF	EUR
Underlying	SMI	Euro Stoxx 50	SMI	Euro Stoxx 50	SMI	Euro Stoxx 50
Code	ENHACSVT	ENHACEVT	ENHAPSVT	ENHAPEVT	ENHASCVT	ENHAECVT
SSPA product type	(1300)	(1300)	(1300)	(1300)	(1300)	(1300)
ISIN	CH0553372522	CH0553372563	CH0553372506	CH0553372548	CH0553372514	CH0553372555
Option type	Long SMI 3*short call	Long EuroStoxx50 3*short call	Short put	Short put	Short down&in put Long put	Short down&in put Long put
Frequency	daily	daily	daily	daily	daily	daily
Mgmt fees	0.90% p.a.	0.90% p.a.	0.90% p.a.	0.90% p.a.	0.90% p.a.	0.90% p.a.

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