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## "BONDS: A SOLID FOUNDATION, ATTRACTIVE OPPORTUNITIES"

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**Susan Niederhöfer**
Editor-in-chief at *payoff* and Chief Commercial Officer (CCO) at LPA

# From a necessity to an opportunity

Who still remembers zero interest rates? For years, fixed income was the investment world's "must-have": solid but uninspiring, ticked off the list simply because it had to be done – if at all. With the turnaround in interest rates, this necessity has become an opportunity – offering a coupon and, certainly, risk for anyone who underestimates the challenge. Bonds have long since become more than just an anchor of stability in a portfolio; they are once again a place where returns can be actively shaped, rather than merely passively managed.

In this issue's Focus article,, Wolfgang Hagl explains why global bond markets have long since overtaken equity markets in terms of volume, and how a debtor's creditworthiness determines the fortunes of bond prices. In an interview, Nicolas Peter of Aquila Investment Partner explains why the question should never be "cash or bonds", but how the right combination of both can make all the difference. In the "Learning Curve" section, Christian Ingerl dissects the "Quanto" principle: returns yes, exchange rate risk no – an opportunity without compromise? Almost. And in their guest article, Ülkü Cibik and Stéphanie Fuchs work out why two products with identical coupons can yield completely different results after tax: here, too, it is the tax authorities who determine the fate of the investment – it's worth reading up on this beforehand so as not to discover this small detail the hard way when you look at your statement.

The bottom line is this: fixed income is back in top form, and the judges – that is to say, the investors – are scrutinising it more closely than ever before. Those who master the basics stand a good chance of a strong performance. Those who, on the other hand, focus solely on the coupon and ignore credit quality, duration and tax implications risk a painful crash-landing – unnecessary financial losses in the return.

Enjoy the read.

Susan Niederhöfer


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# "Bonds: A Solid Foundation, Attractive Opportunities"

I Wolfgang Hagl

In the public eye, bonds often take a back seat to shares. This is all the more true given that fixed-income securities cannot keep up pace with dividend-paying shares, which have been on a bull run for years. Nevertheless, it is worth taking a closer look at this important and very large asset class. It helps to diversify a portfolio, generate regular income and is, moreover, indispensable for structuring investment products.

It is not possible to pinpoint exactly when the idion "to be in the red" first came into use. It goes back to a time when accountants traditionally used red ink to write down negative numbers, debt, and losses.

The whole world is massively "in the red". A glance at the global bond markets provides evidence for this theory. In 2024, fixed-income securities with a total volume of around USD 145 trillion were in circulation. Over a decade, this market had thus grown by an average of 5.7% per year. (refer Chart 1) Admittedly, the share market rally led to an even stronger expansion in the equity markets. However, at USD 126.7 billion, the market capitalisation of the asset class that usually attracts the most attention still lagged behind the global bond segment in 2024.

**A simple principle,...**

This discrepancy alone highlights the enormous importance of fixed-income securities. They enable governments, institutions and companies to raise capital. The issuer undertakes to the purchaser or subscriber of a bond – also known as an obligation – to repay the sum provided, the nominal value (see glossary), in full on a specified date (maturity). In return, creditors receive regular interest payments. The amount of these payments is determined by the coupon of the bond.. For a long time, it was primarily governments and large corporations that utilised this source of financing. Their counterparties as capital providers were insurance companies, pension funds and private investors.

> "The creditworthiness of an issuer is an important factor in determining Bond prices."

**...a complex evolution**

The modern bond market emerged from around the 1970s onwards. Supply grew steadily. "Investors realised that money could be made by buying and selling bonds on the secondary market", explain the experts at Pimco, an asset manager specialising in fixed-income securities. Computer technology also played a part in this, as it made it possible to calculate bonds and their parameters more quickly. In this way, more and more issuers gained access to this market. At the same time, investors were able to optimise their risk-return profiles. "Today's bond market comprises a diverse range of issuers and bond types", Pimco notes..

**USA: Rising debt, declining creditworthiness**

**At the heart of it**

The fixed-income asset class plays a central role in the market for Structured Products. Bonds are their fundamental building block, as a certificate is legally a bearer bond. Issuers typically use zero-coupon bonds to structure the desired payout profile. In an environment of relatively high interest rates, comparatively attractive pay-offs can be achieved. Conversely, it becomes more difficult to issue lucrative products once yields hit rock bottom. Unsurprisingly, Structured Product providers also make full use of the fixed-income spectrum when it comes to underlyings. There is a wide range of Tracker Certificates that implement such strategies.

The Barrier Reverse Convertible (BRC) bridges the gap between asset classes. This structure combines the terms of a bond with the risk associated with shares or other assets. In this way, investors can achieve relatively high coupons. They will only receive the full nominal back provided the underlying does not fall to or below the barrier. In this respect, investors should be confident in the stability of the underlying as soon as they set out to chase coupons on this basis. As soon as the respective buffer proves insufficient, the investment is exposed to the full risk of the underlying.

As far as the players on the debt side are concerned, there is a clear pecking order. According to figures published by the Securities Industry and Financial Markets Association

> "The shift in the interest-rate environment has fundamentally reshaped the Bond market."

(SIFMA), the US accounted for a good 40% of global bond markets in 2024.

It is followed by the EU, China and Japan. According to the US trade association, government and corporate bonds worth around USD 825 billion were outstanding in Switzerland, resulting in a global market share of 0.6% (refer Chart 2). A key player in the bond market is the U.S. Department of the Treasury. Based in Lafayette Park, Washington D.C., the department is responsible for raising funds for the government. As is well known, the US debt mountain is growing at a rapid pace. At the start of the year, liabilities totalled more than USD 39 trillion – meaning that national debt had more than doubled within 10 years (refer Chart 3).

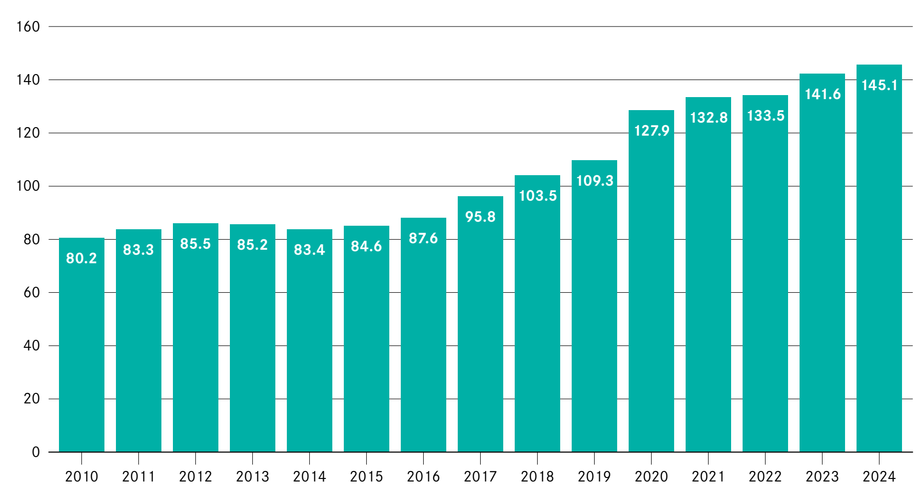
For a long time, the Treasury was able to rely on the status of the USA as an economic superpower and a reliable debtor. However, this image has taken a knock. Almost exactly 15 years ago, the rating agency Standard & Poor's stripped the US of its top rating and downgraded its credit rating from "AAA" to "AA+". President Barack Obama was in office at that time. Fitch followed suit in August 2023 during Joe Biden's presidency. Moody's was the third and final one of the three major rating agencies to adjust its rating: in May 2025, a few months after Donald Trump's return to the White House, the credit rating of the USA was cut from "Aaa" to "Aa1". In its statement, Moody's pointed out that the financial situation of the USA was expected to deteriorate further compared with the past and relative to other highly rated countries.

**Several influencing factors**

Creditworthiness is one of the most important drivers of bond prices, which generally move inversely to yield. The reason being as follows: In the traditional structure, a bond is issued at 100% of its nominal value. The coupon relates to this amount, also known as the denomination. As soon as the price of the bond falls below par (100%) in market trading, the yield rises – and vice versa.. In addition to changes in creditworthiness, key interest rates, inflation expectations, remaining maturity (or duration) and, of course, the interplay of supply and demand all have an influence on prices.

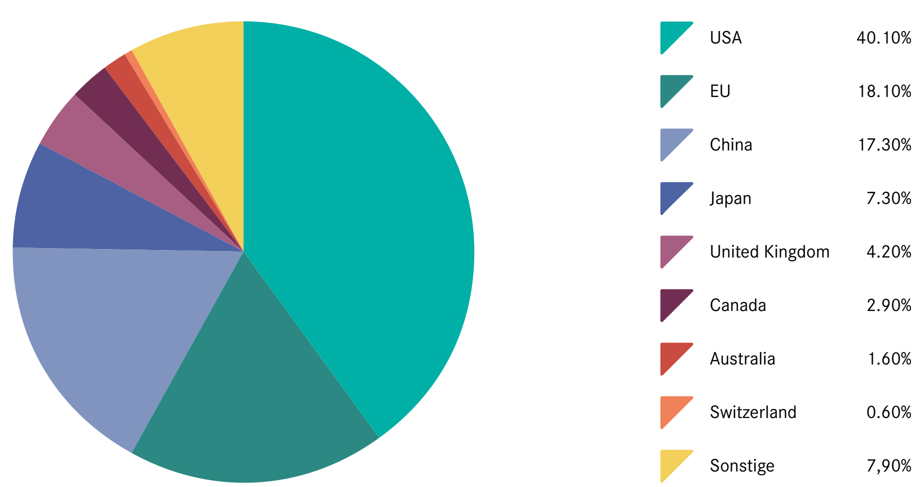
Although this complex mix entails various risks, bonds are considered defensive investments compared to shares. In addition to fixed, predictable interest payments, creditors have their capital repaid at maturity. Should a debtor run into difficulties and be unable to redeem the bond, insolvency proceedings may be initiated. Bondholders then usually have access to the assets and can hope for at least partial repayment. Meanwhile, shareholders must take a back seat following a bankruptcy – they often come away empty-handed. There is neither a repayment guarantee nor a right to dividends for shareholders' capital. This does not change the fact that a company's dividends

**CHART 1: GLOBAL BOND MARKET** (OUTSTANDING VOLUME IN USD TRILLION)




as of July 2025, Source: SIFMA, Bank for International Settlements

**CHART 2: GLOBAL BOND MARKET BY COUNTRY AND REGION** (2024)




as of July 2025, Source: SIFMA, Bank for International Settlements

> "The current environment is once again creating new opportunities in Fixed Income."

are often lucrative sources of income. Particularly in the recent past, taking a chance has paid off. Since the global financial crisis of 2008/2009, share prices have been trending sharply upwards.

**Under the spell of monetary policy**

A key catalyst for the long-standing share market rally was the lack of alternatives. Investors turned increasingly to shares as returns in the fixed-income segment were dwindling.. Major central banks have combated various crises with veritable floods of money, thereby more or less wiping out interest rates.

Take the Fed, for example: when the coronavirus began to spreading in spring 2020, the US Federal Reserve set its key interest rate to zero – just as it had done twelve years earlier. The yield on 10-year Treasuries subsequently fell to 0.54%. As is well known, global supply chains came to a standstill in some cases in the wake of the pandemic, which in turn caused a massive surge in inflation. The Fed counteracted by raising interest rates, thereby pushing the yield on government bonds back up towards 5% (refer Chart 4). It actually seemed like the latest battle against inflation had been won; in the US and elsewhere, monetary policy was eased again in 2025. However, the war in Iran has rendered all projections meaningless. As energy prices rose, inflation shot up once more. At the start of the year, the markets had firmly expected the Fed to cut interest rates in 2026. Yet now, there could even be a rise this autumn.

> "Investors realised that money could be made by buying and selling bonds on the secondary market."

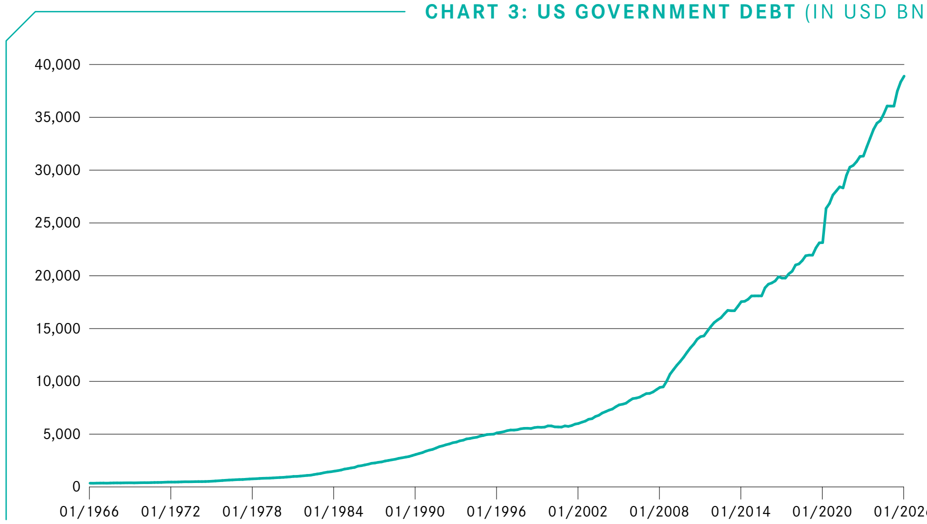
**Weakness with exceptions**

Due to the inverse relationship between yield and price outlined above, prices on the bond market have shown a tendency to fall. The coupons received were generally insufficient to offset these discounts. A glance at the performance statistics for exchange-traded funds (ETFs) in this asset class speaks volumes. Swiss Fund Data lists 319 bond ETFs. Of these, only 17 have achieved a positive return over a five-year period. Over a shorter three-year period, however, the database shows that just under one in five passive funds has generated a profit.

**Investment solutions**

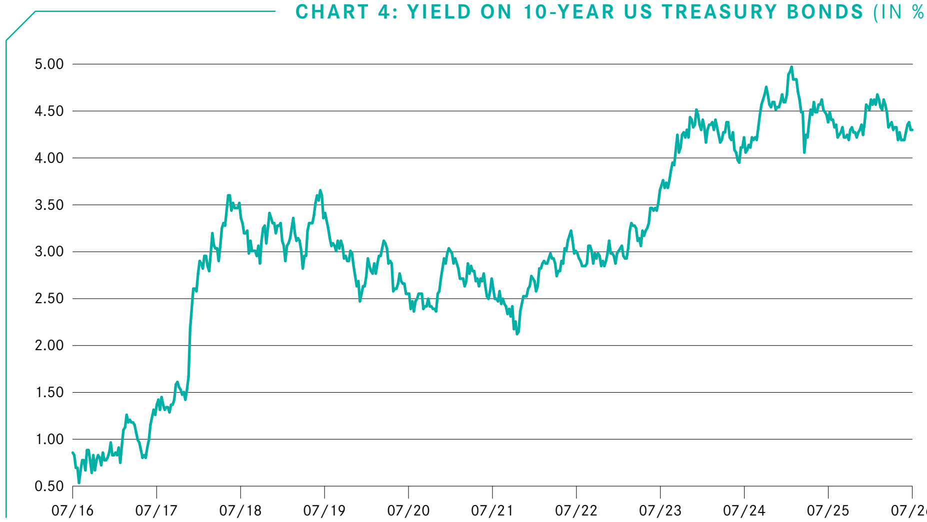
UBS Bloomberg MSCI Global Liquid Corporates Sustainable Bond Index **CORPS** meets both of these criteria. This passive fund comprises just under 1,700 corporate bonds from North America, the eurozone and the UK. The key requirement for being accepted as a component of the fund is an investment-grade rating. The issuer must therefore have good

**CHART 3: US GOVERNMENT DEBT** (IN USD BN)




as of 18 June 2026, Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

**CHART 4: YIELD ON 10-YEAR US TREASURY BONDS** (IN %)




as of 23 July 2026, Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

> "Active strategies make it possible to respond flexibly to changes in the markets."

to very good creditworthiness. Furthermore, the methodology specifies liquidity criteria relating to the outstanding amount. The index is rebalanced monthly, with interest income added to the fund's assets. Currently, this relatively small fund has accumulated a yield of 4.71% to date.

The iShares Global Govt Bond ETF **IGLO** focuses on government bonds. The benchmark comprises just under 900 debt securities issued by developed countries. The US sets the tone, accounting for more than half of the weighting. As such, the ETF is closely linked to Fed policy and also benefits from the comparatively high interest rates in the US dollar area when it comes to distributions. At the end of July, the yield – which is passed on to fund holders via distributions – stood at 3.91%. On the price front, the cycle of interest rate rises following the COVID-19 pandemic has held the ETF back. All attempts at recovery have so far failed due to recurring speculation about further interest rate rises. This product is therefore of interest to investors who expect inflation to ease and the Fed to adopt an easier monitary policy stance sooner or later.

**Active, global approach**

Whilst passive strategies operate within a relatively strict framework, active approaches can react to market conditions at any time. The managers of AURELYS AKTING Unconstrained Bond Index have demonstrated a knack for success. This strategy aims to "achieve steady capital growth and recurring income over the medium to long term, whilst keeping volatility as low as possible." To this end, it utilises corporate and government bonds from developed and emerging markets. Aurelys SAM has been responsible for the index for a good two years. The experts at the Monaco-based broker describe their approach as opportunistic. "The selection approach focuses on fundamental analysis with selective credit assessment", they write in a guide.

The results are impressive: AURELYS AKTING Unconstrained Bond Index has been on a stable, upward trend for a number of years. There are currently 21 bonds in the portfolio. Among the largest positions are bonds from Deutsche Bank and Julius Bär.

Vontobel replicates the strategy with the Tracker Certificate **PSTRRV**. Compared with ETFs, the costs are high. In addition to an index fee of one% p.a., a performance fee of 15% is retained should the fund outperform. Another minor drawback: the product is not listed on a stock exchange. However, investors can trade via Vontobel directly and the brokerage services of Swissquote, PostFinance and Raiffeisen.

**TABLE: INVESTMENT RECOMMENDATIONS**

| Symbol / ISIN | Product | Issuer | Price 31 July 2026 | Features |
|---|---|---|---|---|
| CORPS LU2099991882 | UBS BBG MSCI Global Liquid Corporates Sustainable ETF | UBS | USD 14.977<br>**Trading venue** SIX Swiss Exchange | **Maturity** open-end<br>**TER** 0.16% p.a. |
| IGLO IE00B3F81K65 | iShares Global Government Bond ETF | iShares | CHF 70.392<br>**Trading venue** SIX Swiss Exchange | **Maturity** open-end<br>**TER** 0.20% p.a. |
| PSTRRV CH0469761222 | Tracker Certificate on AURELYS AKTING Unconstrained Bond Index | Vontobel | EUR 127.16<br>**Trading venue** Vontobel (unlisted) | **Maturity** open-end<br>**Management fee** 1.00% p.a.<br>**Performancefee** 15.00% p.a. |

**Glossary**

**BOND**
An instrument for raising capital on the capital market. These securities, also known as bonds or obligations, can be issued in various currencies, with different maturities and interest rates.

**CREDIT RATING**
The creditworthiness of the issuer; this indicates the quality of a bond in terms of the likelihood of repayment.

**COUPON**
Regular interest payment to the bondholder.

**DURATION**
The capital-weighted remaining maturity of a Bond in years. In addition to the repayment at maturity, the ongoing coupon payments are taken into account. This key figure is used to measure the impact of interest rate changes on the value of a Bond.

**EFFECTIVE YIELD**
The annualised return on a Bond, taking into account the coupon, purchase price and redemption amount.

**NOMINAL**
The face value stated on a bond, which forms the basis for interest calculations.

**ZERO-COUPON BOND**
Also known as a "Zero Bond", this is a Bond with no regular interest payments. Investors receive only the repayment of the capital at maturity. The return is calculated as the difference between the purchase price and the redemption amount.

**CH1554488861** – MINI-FUTURE LONG BY BNP PARIBAS ON LONZA

# Good Is (After All) Good Enough

The contract pharmaceutical manufacturer is making a comeback on the share market. Although investors have taken profits, the upward breakout – along with the prospect of further price rises – remains intact.

| Wolfgang Hagl

With "Du bist gut genug" ("You are good enough") by KitschKrieg, Blumengarten and Shirin David have landed a summer hit. With its catchy chorus, the song caused a stir worldwide. On the share markets, however, this catchy tune proved difficult to capitalise on during the most recent earnings season. Here, the motto "Good isn't good enough" seemed more apt. Although many companies, particularly those in the previously red-hot semiconductor sector, reported strong figures, investors still sold their shares. Although Lonza has little to do with chips, this pattern was also evident at the contract pharmaceutical manufacturer.

On 22 July, the Basel-based company published its half-year report. In it, they reported a surge in turnover and earnings for the first six months of 2026. At constant exchange rates, revenue from continuing operations rose by 16% to just under CHF 3.4 billion. Core operating profit (EBITDA) reached CHF 1.175 billion, representing a disproportionately high increase of 27.4%. Analysts had expected the figure to be CHF 45 million lower. The operating margin widened by 4.4 percentage points to 34.8%. According to the company, Lonza continues to benefit from outsourcing at major pharmaceutical companies as well as from customers in the biotech sector.

> "Strong numbers alone don't guarantee rising share prices."

CEO Wolfgang Wienand has revised the forecast. He now expects a core EBITDA margin of between 33% and 34% for 2026. Previously, the company had anticipated a figure of more than 32%. Wienand, however, maintained the revenue outlook. In 2026, business volume is expected to increase by between 11% and 12% at constant exchange rates. This is where the top executive caught investors off guard. Ahead of the results announcement, there had been speculation that the revenue guidance would be raised. This disappointment initially overshadowed the strong figures and the optimism regarding profitability. On the day the results were presented, Lonza's share price slumped by up to 6.5%.

Profit-taking is also likely to have played a part. After all, the SMI title had managed to break out of a multi-year downtrend at the start of the summer. The pullback brought the share price back down to that trend line from its high. However, with a rebound starting almost exactly from the 200-day moving average, the share price has saved the buy signal. Fundamentally, the outlook is one of growth, although the pace is likely to slow slightly in Q2. Lonza has set the course for this by focusing on its core business and selling its "Capsules & Health Ingredients" division.

With the Mini Future Long, traders can bet that the large-cap share will now move towards the resistance level of approximately CHF 600. With a current leverage of 4.7, the product participates in rising prices. At CHF 472.35, the stop-loss is 17.7% below the underlying's price. However, this margin should not obscure the fact that disproportionate losses loom should Lonza be deemed "not good enough" by the majority of investors and turn downwards once again. ■

## LONZA

## BNP PARIBAS

| | |
|---|---|
| **ISIN** | CH1554488861 |
| **Product type** | Mini Future Long |
| **Underlying** | Lonza |
| **Emittent** | BNP Paribas |
| **Issuer** | A+ (S&P) |

**FEATURES**

| | |
|---|---|
| **Underlying currency** | CHF |
| **Trading currency** | CHF |
| **First trading day** | 21 May 2026 |
| **Maturity** | open-end |

**KEY FIGURES**

| | |
|---|---|
| **Leverage*** | 4.70 |
| **Stop Loss*** | CHF 472.35 |
| **Financing ratio** | CHF 451.4896 |

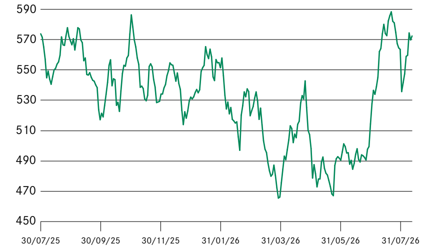
**PRICE**

| | |
|---|---|
| **Ask*** | CHF 1.23 |
| **Ask underlying*** | CHF 573.497 |
| **Trading venue** | Swiss DOTS |

**PRODUCT INFORMATION**

| | |
|---|---|
| **Web link** | bnp.ch/CH1554488861 |

**PRICE PERFORMANCE LONZA**




Source: baha

*as of 31 July 2026

INTERVIEW

# "Today's Returns Are Driven by the Details"

| Interview with Nicolas Peter, Partner at Aquila Investment Partners

| Susan Niederhöfer

**Why is the fixed-income sector regaining importance for professional Swiss investors right now?**
Fixed income is once again offering what has long been missing: predictable cash flows, diversified sources of return and actively manageable duration. With the Swiss National Bank's (SNB) key interest rate at 0% and annual Swiss inflation most recently at 0.5%, high-quality CHF bonds may not be a miracle source of returns, but they are an important component of stability and liquidity. Investors who are prepared to include segments offering slightly higher yields will find attractive investment opportunities in high-yield and emerging-market bonds, as well as in Structured Products.

> "Fixed income once again offers what has long been missing: predictable cash flows and diversified sources of return."

**How has the fixed-income landscape changed structurally since the COVID-19 pandemic and the return to higher interest rates?**
Interest rate and inflation risk have become more apparent, whilst at the same time the investment universe has expanded significantly. Higher interest rate volatility is constantly creating new relative value opportunities along the yield curve, across credit segments and across different currency areas. Furthermore, the importance of security selection, duration management and flexible payout profiles has increased. The most significant change is therefore not just the return of the coupon, but the wider range of possible portfolio solutions.

**Under which conditions does fixed income offer strategic added value compared with cash?**
When investors take into account not only the current yield, but also the investment horizon and the risk associated with reinvestment. Cash offers flexibility, but its future return is uncertain. A bond or a Structured Product can lock in returns over a defined term and be specifically tailored to meet obligations. The decisive factor is the expected return after fees, currency hedging, credit and liquidity risks. Fixed income is particularly worthwhile where predictability has its own economic value.

**What factors should investors consider before increasing duration?**
Duration should not be managed solely on the basis of interest rate expectations. The yield curve, real returns, roll-down, convexity and the structure of liabilities are also relevant. A maturity ladder can reduce reinvestment risks, whilst a barbell structure combines liquidity with longer-term return potential. In addition, Structured Products can be used

to specifically replicate maturity, interest rate or repayment profiles which are not readily available on the traditional bond market.

**How can CHF-based investors strike the right balance between their home market and global diversification?**

A substantial allocation in Swiss francs makes particular sense if liabilities and liquidity requirements are also denominated in this currency. However, focusing exclusively on the Swiss market limits the potential for returns and diversification. Global bonds, on the other hand, provide access to additional sectors, maturities and credit risk premiums. We, therefore, normally recommend hedging foreign exchange risks. In addition to traditional hedging options, quanto structures can offer an efficient way of combining a foreign investment profile with a defined payout in Swiss francs.

**Are active strategies and fixed-income ETFs competitors or complementary components within a portfolio?**

ETFs are particularly well-suited to transparent, cost-effective and broadly diversified core holdings. Index funds are of particular interest to Swiss investors, as they are not subject to Swiss stamp duty and are traded at net asset value (NAV). Active management can add value when title selection, liquidity management or the avoidance of downgrades are crucial. This applies, in particular, to less liquid credit segments and more complex capital structures. Structured Products complement both approaches when an investor is seeking a specific return, risk or maturity profile. ETFs, active funds and certificates are therefore not opposites, but rather different tools.

> "ETFs, active funds and certificates are not opposites, but different tools."

**How can Structured Products be usefully integrated into a professional fixed-income allocation?**

Their strength lies in their ability to be customised. Callable notes, floater structures, credit-linked notes or products with conditional capital protection allow market expectations and risk budgets to be implemented more precisely than with a standard bond. Investors can, for example, trade a higher coupon for a defined credit, interest rate or repayment risk. Structured Products are particularly interesting where the standardisation of an ETF clashes with a specific commitment or market view held by the investor.

> "Good Structured Products are not characterised by the highest coupon, but by a transparent balance between return and risk."

**Which does it make sense to incorporate currency hedging via a "quanto" feature?**

A "quanto" makes sense when investors wish to gain access to a foreign market or underlying, but want to keep the investment return predictable in CHF. In this case, the currency hedging becomes a fixed feature of the product and does not need to be managed separately. This reduces operational overheads and can be particularly valuable in the case of more complex payout profiles. A structure without a "quanto", on the other hand, offers greater flexibility and may be attractive if the investor has a specific view on currency movements or wishes to manage the hedging themselves.

**What criteria are crucial when selecting a Structured Fixed-Income Product for professional investors?**

Key considerations include the payout profile, the issuer's credit rating, the quality of the underlying, the maturity and secondary market liquidity. Equally important is the question of what components make up the coupon and under which scenarios the repayment may deviate from the nominal value. Good Structured Products are not characterised by the highest coupon, but by a transparent balance between return and risk taken on. For institutional investors, documentation, valuation, market-making and integration into existing limits are also crucial.

**Which elements should form part of a modern fixed-income strategy for professional Swiss investors today?**

A core-satellite architecture is recommended: the core consists of high-quality CHF bonds, Swiss index funds and currency-hedged global investment-grade bonds. On the Swiss primary market, it is also worth examining new issues, as issue premiums are occasionally offered. Active strategies in higher-yielding credit segments and Structured Products serve as satellites. The latter enable bespoke coupons, defined redemption profiles and integrated currency management.

**Many thanks, Nicolas Peter, for your time and these fascinating insights.** ■

**About the Author**

Nicolas Peter has been Managing Partner and co-founder of Aquila Investment Partner AG since 1 January 2026. Aquila Investment Partner AG is an independent asset manager specialising in serving private and institutional clients. Prior to this, he spent over nine years as Head of Investments & Wealth Management and is a member of the Executive Board at Aquila AG.

Nicolas Peter began his career in investment advisory at Coutts & Co., initially in Geneva and Zurich, where he advised international private and institutional wealth management and advisory clients. Between 2011 and 2016, he led various teams within the Portfolio Management unit and was most recently Head of Discretionary Portfolio Service.

**IEWQ** – ETF BY INVESCO ON NASDAQ-100 EQUAL WEIGHTED INDEX

# Market Leader with a Yield Advantage

Although equally weighted indices perform well in terms of volatility, they often lag behind their market-capitalisation-weighted counterparts in terms of price performance. One example of this is the ETF **IEWQ**.

| Dieter Haas

With equity ETFs in particular, the question arises as to whether market-capitalisation-weighted or equally-weighted indices represent the better strategy in the long term. Whilst indices such as NASDAQ-100 (NDX) give greater weighting to the largest companies by market capitalisation, in equally-weighted indices all companies are allocated the same proportion of the portfolio, regardless of their size. This difference in methodology affects risk, return and diversification. One example is the iShares NASDAQ 100 Equal Weighted ETF **IEWQ**, which tracks NDX on an equal-weighted basis rather than by market capitalisation. A direct comparison clearly illustrates the differences between the two approaches.

Whilst traditional NDX is heavily influenced by a few large technology groups such as Apple, Microsoft and Nvidia, the capital in the **IEWQ** is more broadly distributed across all the included companies. Proponents of equally-weighted indices see this as offering better diversification and lower concentration risks. Particularly during periods when individual mega-caps dominate the market, an equal-weight approach can reduce dependence on a small number of shares. Furthermore, investors benefit more from smaller growth companies within the index, which are often given only a small weighting in market-capitalisation-weighted indices.

> "Lower volatility makes **IEWQ** attractive to conservative investors."

Historically, equally-weighted indices have even achieved higher returns during certain market phases. This is because they exhibit a stronger small- and mid-cap effect and are rebalanced regularly. In the process, shares that have risen by more than the market average are automatically reduced, whilst shares in companies that have underperformed are bought to replace them. On the other hand, due to the regular rebalancing, an equally-weighted approach incurs higher transaction costs and often higher management fees than traditional market-capitalisation-weighted ETFs. Furthermore, the lower weighting of the largest and most successful companies can mean that, in strong technology bull markets, investors lag behind the performance of the traditional NDX.

**Review and Outlook**

In recent years, NDX has been driven largely by a handful of large technology stocks, enabling market-capitalisation-weighted indices to achieve significant return advantages. Whilst these indices reflect the current market structure and automatically give greater weighting to high-performing companies, equal-weight strategies place greater emphasis on diversification, balance and a broader distribution of return opportunities. Which approach is more successful in the long term depends not only on the market phase, but also on the individual investment objectives of investors and their risk appetite. Particularly in the technology sector, which is often characterised by a few dominant companies, the comparison between **IEWQ** and NDX clearly illustrates the impact of different index weightings on the performance of an ETF portfolio. Optimistic investors are likely to continue to favour market capitalisation in the future, whilst the less volatile ETF **IEWQ** retains its appeal for conservative investors.

## NASDAQ-100 EQUAL WEIGHTED INDEX

INVESCO

| | |
|---|---|
| **Symbol** | IEWQ |
| **ISIN** | IE000L2SA8K5 |
| **Product type** | ETF |
| **Underlying** | Nasdaq-100 Equal Weighted Index |
| **Issuer** | Invesco |

**FEATURES**

| | |
|---|---|
| **Launch date** | 13 July 2023 |
| **Trading currency** | CHF |
| **TER p.a.** | 0.20% |
| **Replication** | physical |

**KEY FIGURES**

| | |
|---|---|
| **Ø Spread** | 0.1706% |
| **Spread Availability** | 100% |

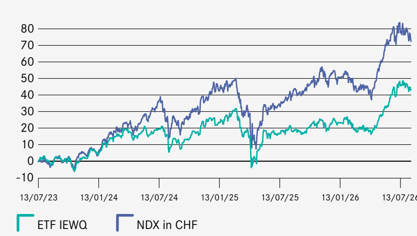
**PRICE**

| | |
|---|---|
| **Ask** (27/07/26) | CHF 6.45 |
| **Trading venue** | SIX Swiss Exchange |

**PRODUCT INFORMATION**

| | |
|---|---|
| **Web link** | payoff.ch/IEWQ |

**ETF IEWQ VS. NDX IN CHF**




Source: baha

***"payoff"*-ASSESSMENT**

+ better diversification, lower cluster risks
– below-average price performance in bull markets

**IKOR** – ETF BY ISHARES ON MSCI KOREA 20/35 INDEX

# Like a Phoenix Rising from the Ashes

The South Korean stock market remained subdued for a long time until the change of government on 4 June 2025 provided fresh momentum. Under President Lee Jae-Myung, the stock market finally came back to life.

| Dieter Haas

South Korea is one of the world's most innovative economies and is home to leading companies in the semiconductor, technology, battery and automotive sectors. South Korean ETFs enable investors to gain a broadly diversified exposure to the country's economic development. Nevertheless, the share market lagged significantly behind the S&P 500 until the end of March 2025. One of the reasons for this was the long-standing valuation discount compared with similar companies in Japan and the US ("Korea Discount").

With President Lee Jae-Myung taking office on 4 June 2025, the period of political uncertainty following the constitutional crisis and the snap presidential election came to an end. The new government aims to strengthen competitiveness, promote future technologies and make the capital market more attractive through reforms in corporate governance and shareholder rights.

However, alongside hopes for higher dividends, share buy-backs and improved corporate governance, the main driver of share prices was the strong demand for AI hardware. With Samsung Electronics and SK Hynix, South Korea is home to world-leading suppliers of memory chips and high-bandwidth memory (HBM) for AI data centres. This led to a significant revaluation of the market and enabled the share market to benefit from its position in strategic future-oriented sectors. The four South Korea ETFs listed on SIX Swiss Exchange – **FLVX** by Franklin, **HKOR** by HSBC, **LYKRW** by Amundi and **IKOR** by iShares – rose sharply. As **IKOR** is by far the oldest ETF, it is the focus of this product overview. The ETF was launched on SIX Swiss Exchange on 21 March 2006. As it pays out dividends, the S&P 500 Index serves as a benchmark for its historical price performance (refer chart).

> "The South Korean stock market is dominated by technology and industrial stocks."

### Structure of the underlying index

The MSCI Korea 20/35 Index, the underlying index of the ETF, tracks the performance of large and medium-sized listed companies in South Korea and covers approximately 85% of the country's freely tradable market capitalisation. Due to the strong export orientation of the South Korean economy, the index shows a clear concentration on technology and industrial companies. On 23 July, the largest holding was Samsung Electronics at 27.16%. Other significant companies operate in the sectors of semiconductors, the automotive industry, battery technology, financial services and internet platforms. The largest index components also include SK Hynix (15.64%), Samsung Electro-Mechanics (6.80%), SK Square (4.86%) and KB Financial Group (2.69%).

The revaluation of the South Korean stock markets is well advanced. Volatility of the Korea Composite Stock Price Index (KOSPI), the country's best-known share index, has recently risen significantly. This suggests that the recent price falls may continue and could weigh on the mood in Asia and amongst chip manufacturers worldwide. Hence there is no rush to include it in a broadly diversified portfolio. For tech-savvy investors, however, the ETF belongs on the watchlist.

## MSCI KOREA 20/35 INDEX

ISHARES

| | |
|---|---|
| **Symbol** | IKOR |
| **ISIN** | IE00B0M63391 |
| **Product type** | ETF |
| **Underlying** | MSCI Korea 20/35 Index |
| **Issuer** | iShares |
| **FEATURES** | |
| **Launch date** | 21 March 2006 |
| **Trading currency** | USD |
| **TER p.a.** | 0.65% |
| **Replication** | physical |
| **KEY FIGURES** | |
| **Ø Spread** | 0.3201% |
| **Spread Availability** | 99.79% |
| **PRICE** | |
| **Ask** (27/07/26) | USD 120.62 |
| **Trading venue** | SIX Swiss Exchange |
| **PRODUCT INFORMATION** | |
| **Web link** | payoff.ch/IKOR |

**ETF IKOR VS. S&P 500**


Source: baha

***"payoff"*-ASSESSMENT**

+ strategically important future industries
– USD/CHF exchange rate risk

**SN2F89** – TRACKER CERTIFICATE BY SOCIÉTÉ GÉNÉRALE ON SGI INFLATION PROXY INDEX

# Inflation Winners

US trade policy, the Iran conflict and rising debt have recently fuelled inflation once again. With the right selection, investors can protect themselves and achieve attractive returns.

| Dieter Haas

Inflation is one of the greatest challenges facing investors, as it gradually erodes the purchasing power of their assets. If prices for goods and services rise more rapidly than the return on an investment over the long term, the capital invested loses value in real terms. After inflation – triggered by the Covid-19 shock in 2020 and combated by a significant expansion of the money supply by central banks – had gradually been brought under control, the Iran conflict has once again caused the situation to boil over. Inflation, which was thought to have been defeated, is back.

Investors are, therefore, well advised to focus increasingly on asset classes that benefit from rising prices or offer protection against inflation. These include, in particular, shares with strong pricing power, tangible assets such as property and commodities, and selected inflation-protected bonds. A broadly diversified strategy can help to limit the negative effects of inflation and achieve real capital growth in the long term.

An elegant approach is to purchase Société Générale's Tracker Certificate on SGI Inflation Proxy Index. The underlying index, which

> "Inflation reduces purchasing power and challenges investors."

the provider has back-calculated to 6 April 2007, more or less stagnated until early 2020. Following the COVID-19-induced surge in inflation, the situation stabilised again by 7 April 2025. Since then, the index has been on a steady upward trend. The Tracker Certificate, which was launched in Germany in April 2022 with the securities identification number **SN2F89**, has now almost caught up with the EUR-hedged global equity ETF **IBCH** (refer chart) in terms of price performance. Therefore, inflation is on the rise once again.

**Information on the underlying**

SGI Inflation Proxy Index is calculated by Solactive and typically comprises 100 companies that meet specific criteria to enable them to perform better in a high-inflation environment. To this end, the strategy focuses on selected sectors and manages share selection via predefined inflation indicators. Put simply, these are based on the performance of copper, maize and the 5-year US inflation expectation. The index is reviewed quarterly (March, June, September and December) and rebalanced (equal-weighting). Only shares of the sectors of raw materials, consumer goods, industry,, oil and gas, and technology are included. Up-to-date information on the composition can be requested via the chat function on the issuer's website.

Of the hundred titles in the index, 83 have recorded gains in Swiss francs over the past year since the last review on 24 July. Micron Technology and Western Digital topped the rankings, whilst Strategy, amongst others, was among the losers. The broadly diversified strategy has so far fully met expectations and has performed very well since April 2005.

Inflation or deflation – that is currently the key question. Whilst some see deflationary trends, others see clear inflationary ones. The latter currently appear to offer the greater opportunities.

## SGI INFLATION PROXY INDEX

SOCIÉTÉ GÉNÉRALE

| | |
|---|---|
| **Symbol** | SN2F89 |
| **ISIN** | DE000SN2F982 |
| **Product type** | Tracker Certificate |
| **Underlying** | SGI Inflation Proxy Index |
| **Issuer** | Société Générale |
| **Rating** | A (S&P) |

**FEATURES**

| | |
|---|---|
| **Launch date** | 28 April 2022 |
| **Trading currency** | EUR |
| **TER p.a.** | 1.00% |
| **Replication** | physical |

**KEY FIGURES**

| | |
|---|---|
| **Ø Spread** | 0.5% |
| **Spread Availability** | 100.00% |

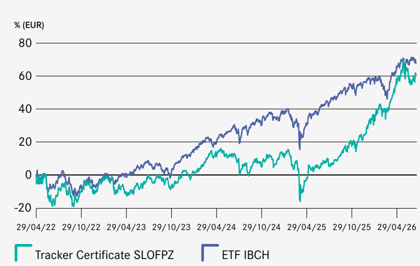
**PRICE**

| | |
|---|---|
| **Ask** (27/07/26) | EUR 16.270 |
| **Trading venue** | Euwax |

**PRODUCT INFORMATION**

| | |
|---|---|
| **Web link** | sg-zertifikate.de/sn2f89 |

**TRACKER CERTIFICATE SL0FPZ VS. ETF IBCH**




Source: baha

***"payoff"*-ASSESSMENT**

+ Inflation beneficiaries
– EUR/CHF exchange rate risk

LEARNING
CURVE

# Quanto: Returns Without Currency Risk

| Christian Ingerl

Swiss investors face two "chronic" challenges. One burden is the low interest rate environment; the other is the strength of the Swiss franc. This is where Quanto products can offer a solution.

The returns on most structured investment products depend on several variables. However, two factors are generally the most significant: firstly, the performance of the underlying and, secondly – provided the underlying is denominated in a foreign currency – movements in the exchange rate between the currency of the underlying and the currency of the product. The fact is that many investors tend to underestimate exchange-rate risk, particularly when it comes to the Swiss franc. In recent years, it has tended to be in a strong position against most major currencies, such as the US dollar or the euro. This means that the Swiss franc has appreciated against the euro or the US dollar. Or to put it in another way: today, you have to pay significantly fewer francs for one euro or one US dollar than you did five years ago. Yet it is precisely this appreciation of the domestic currency against foreign currencies that is risky – it erodes returns.

**Example of currency risk**

Suppose that, at the start of 2025, a Barrier Reverse Convertible linked to the US tech giant Apple was issued for Swiss investors with a term of 18 months. This hypothetical product was due for redemption in June. Let us also assume that the nominal value was USD 1,000, the coupon was fixed at 8.00% p.a. and no barrier event occurred. Now looking at the exchange rate: at the time of the issue of the BRC, the USD/CHF exchange rate stood at approximately CHF 0.91. At the time of redemption, the USD/CHF exchange rate was 10 Swiss cents lower. What does this mean for the investor?

**A sobering outcome**

During the subscription phase, the nominal value of the product (USD 1,000) linked to Apple shares was priced at around CHF 910. The coupon, worth USD 80, had a value equivalent to CHF 72.80 at the time. Due to the unfavourable exchange rate movements, the investor receives only CHF 810 for the nominal value plus CHF 64.80 from the coupon payment at maturity. Whereas the value of the product at issue was the equivalent of CHF 972.80 (CHF 910 face value + CHF 72.80 coupon), one year later at maturity the investor will receive only CHF 874.80 (CHF 810 face value + CHF 64.80 coupon). In this example, therefore, the appreciation of the Swiss franc has not only eroded the entire return on the Barrier Reverse Convertible but has also led to a loss of capital (in CHF).

> "Hedging against exchange-rate fluctuations may reduce returns, but it provides greater planning certainty."

**Return boost through foreign currencies**

The second problem for Swiss investors is the current low interest rate environment. The yield on 10-year Swiss Confederation bonds currently stands at 0.43% per annum. The money market rate, as measured by SARON (Swiss Average Rate Overnight), is even slightly negative at minus 0.04%. To achieve higher returns in a portfolio, yields in foreign currencies are needed. For example, the yield of 10-year US Treasury bonds currently stands at 4.66% p.a., which is significantly higher than in Switzerland. As many Structured Products – such as Barrier Reverse Convertibles – incorporate a zero-coupon bond, the higher the interest rates, the more attractive the product terms can be. Due to the higher interest rate levels in the US, "Structured Products" such as Barrier Reverse Convertibles based on US underlyings offer, ceteris paribus (assuming that all other basic conditions remain the same), an opportunity to boost returns. However, on the other hand – as noted previously – this is accompanied by a currency risk that should not be underestimated.

**Products with currency hedging (Quanto)**

On the one hand, there are attractive foreign-currency returns; on the other, there is exchange-rate risk. One solution may be products with exchange-rate hedging, which can be identified by the suffix "Quanto". With a Quanto hedge, a foreign underlying is paid out on a one-to-one basis in the investor's home currency by fixing the initial exchange rate. This completely eliminates both currency losses (and potential currency gains). However, a Quanto hedge also means that part of the interest rate advantage is lost, as the following practical example illustrates. Leonteq has recently issued two Barrier Reverse Convertibles linked to the US oil company Valero Energy: one product denominated in US dollars without currency hedging (symbol: **LTAEGQ**), the other in Swiss francs with a USD/CHF quanto mechanism (symbol: **LTAEGO**). Whilst the other features were identical (such as the same barrier and the same maturity), the difference lay in the coupon rate. For the unhedged product, it amounts to 14.00% p.a., whilst for the quanto product it is 10.00% p.a. This difference of four percentage points stems primarily from the interest rate differential between Switzerland and the US, but may also include a cost component for the quanto hedge.

> "An appreciation of the Swiss franc can completely wipe out returns."

**The costs of hedging**

Quanto hedging incurs costs, as the issuer must enter into corresponding offsetting transactions to hedge their own position. Generally speaking, these costs are in the basis point range, so they are manageable. Their level is determined in particular by the volatility of the underlying (the higher the volatility, the more expensive the hedge), the volatility of the exchange rate (the higher the volatility, the more expensive the hedge) and the correlation between the underlying and the exchange rate (put simply: the lower the correlation, the cheaper the hedge). These costs can be passed on not only via the coupon but also via the fair value of the product, or a combination of both.

By the way: if a barrier event occurs in the case of a Barrier Reverse Convertible linked to shares, the repayment is, as is well known, made by delivering shares of the underlying in accordance with the conversion ratio. However, in the case of shares denominated in foreign currencies, the investor once again holds a position with currency risk in their portfolio. One final point: hedging only makes sense if the investor wants to completely rule out exchange rate losses. On the other hand, investors who expect their home currency to depreciate against the currency of the underlying asset may be able to do without a "Quanto". This is because if the expected exchange rate scenario materializes, the potential return of the product will be further increased by exchange rate gains.

**ETHPI** – ETP BY MAVERIX ON ETHEREUM STAKING+ INDEX

# Ethereum with additional returns

Ethereum is struggling to find its direction after three quarters of losses, and the ETP **ETHPI** by MAVERIX on Ethereum Staking+ allows investors to benefit from the recovery and earn a 3.43% staking return.

I Jürgen Kob

Down 62% – that is how far Ethereum has fallen from its all-time high of USD 4,953 in August 2025. Three consecutive quarters of losses, a 52-week low of USD 1,512 and a Fear and Greed Index of a meagre 28 points. Anyone who had invested in recent months needed strong nerves. But things have started to pick up recently. The White House approved an ethics package for the CLARITY Act and sent it to the Senate, whereupon the crypto market rallied. Ethereum climbed to around USD 1,940. For the first time in eight weeks, funds flowed back into spot Ethereum ETFs – USD 84 million in the week until 11 July alone, the largest weekly inflow in weeks. From a technical analysis perspective, the 100-day moving average at around USD 1,944 is seen as the next hurdle, whilst the 50-day moving average at around USD 1,806 acts as support.

There has also been a shake-up within the organisation itself. In June 2026, the Ethereum Foundation completed a months-long restructuring process and organised itself into five

> "3.43% staking return in addition to price appreciation potential"

specialist clusters, ranging from protocol development and research to institutional collaboration. The cost was high: 54 members of staff – around a fifth of the workforce – had to leave. It remains to be seen whether the reorganisation will benefit the network or instead cause uncertainty. In any case, the Glamsterdam upgrade, which is intended to triple the gas limit, has been postponed to the third quarter of 2026.

Investors who believe in a recovery for Ethereum and wish to benefit from the network's ongoing returns at the same time will find the **ETHPI** ETP to be the ideal instrument. This product from the Zurich-based provider Maverix Securities AG tracks the price performance of Ethereum 100% physically. The key feature of the **ETHPI** is that returns from Ethereum staking are distributed annually. The reward rate currently stands at 3.43% – a level more commonly associated with bonds or dividend-paying shares. This is made possible because the underlying Ether is 100% physically collateralised and staked. This strengthens network security and, in return, a reward is distributed.

The **ETHPI** was launched on 8 October 2024 at an issue price of USD 100. A final maturity date has been deliberately omitted, meaning the product is clearly designed for a long-term investment horizon. The entire structure is secured via the COSI mechanism, which reduces counterparty risk against the issuer. Maverix charges an annual management fee of 1.25%, which is a fair rate, particularly as the staking returns offset part of the costs. As the product is denominated in USD, Swiss investors should bear the currency risk in mind.

The **ETHPI** is suitable for investors who are confident in a medium-term recovery of Ethereum and who also wish to generate a running return without having to worry about validator nodes, staking pools or their own wallet. When investing, investors should factor in the high volatility and be patient until regulatory and structural developments are reflected in the price. For opportunity-seeking investors with a multi-year time horizon, the **ETHPI** is an exciting addition to a portfolio.

## ETHEREUM STAKING+ INDEX

MAVERIX SECURITIES AG

| | |
|---|---|
| **Symbol** | ETHPI |
| **ISIN** | CH1353016293 |
| **Product type** | ETP |
| **Underlying** | Ethereum Staking+ Index |
| **Issuer** | Maverix Securities AG |

**FEATURES**

| | |
|---|---|
| **First trading day** | 8 October 2024 |
| **Issue price** | USD 100.00 |
| **Mgt. Fee p.a.** | 1.25% |
| **Maturity** | open-end |

**KEY FIGURES**

| | |
|---|---|
| **Ø Spread** | 1.0169% |
| **Spread Availability** | 100% |
| **Staking rewards** | distributed annually |

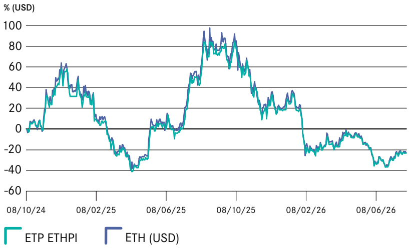
**PRICE**

| | |
|---|---|
| **Brief** (31/07/26) | USD 78.17 |
| **Trading venue** | SIX Swiss Exchange |

**PRODUCT INFORMATION**

| | |
|---|---|
| **Web link** | payoff.ch/ETHPI |

**ETP ETHPI VS. ETHEREUM**




Source: baha

**"*payoff*"-ASSESSMENT**

- \+ rapidly growing sector
- \+ no maturity
- – currency risk


Now available in English
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payoff
SWISS YEARBOOK for Structured Products
Issue no. 17 is now available.
payoff
All about investment products

GUEST ARTICLE

# "Same Coupon – But Less Return in Your Pocket?"

I Co-authors Ülkü Cibik and Stéphanie Fuchs

Fixed income is back. After years of negative interest rates, during which Bonds yielded virtually no return, the turnaround in interest rates has brought fixed-income investments back into the spotlight. Investors can now choose from a wide range of options – from traditional Bonds and ETFs to Structured Products.

The catch: what looks similar at first glance may be treated completely differently from a legal and tax perspective. A Capital Protection Product and a Barrier Reverse Convertible, for example, may both offer the same 8% coupon – yet, depending on their structure, the amount left after tax can be quite different.

It is therefore worth taking a closer look at the legal classification and tax treatment of the various Fixed-Income Products.

**Bonds: the mother of all Fixed-Income Products**

From a legal perspective, the Bond is a classic: it represents a claim under the law of obligations against the issuer for the repayment of the capital and the payment of interest.[1] A characteristic feature is that they are issued in series and on identical terms – the issuer raises debt capital, whilst the investor receives a claim. The Bond shares this financing purpose with hardly any other Fixed-Income Product.

> "Two products with an identical coupon can be treated very differently for tax purposes."

In addition, two further product categories have become established which are also classified within the fixed-income universe, but differ significantly from the traditional Bond in legal terms:

- **Exchange-Traded Funds (ETFs) based on fixed-income underlying**
  At first glance, ETFs tracking Bond indices appear similar: regular distributions, manageable risk, and traded on the stock exchange. Legally, however, they are collective investment schemes[2] – the investor does not acquire a claim against an issuer, but rather a share in the fund's assets.[3]
- **Structured Products**
  Finally, Structured Products form a category of their own. Legally, these are defined as financial instruments whose redemption value depends on one or more underlyings, and include, for example, Capital Protected Products, products with a maximum return and Certificates[4]. Unlike Bonds, the primary focus here is not on the issuer's raising of capital, but on the investor's investment or speculative purpose.[5]

**The "Big 3"**

Bonds, together with tax-exempt capital gains and options or other derivative financial instruments, form the basic categories – referred to here as the "Big 3" – for the tax classification of financial instruments in Switzerland.

Tax-exempt capital gains are one of the cornerstones of the Swiss tax system. Private capital gains on movable private assets are generally tax-free, provided that the taxpayer is not classified as a professional securities dealer.

With Bonds, we move away from the realm of tax-exempt capital gains. Income from Bonds generally consists of taxable interest. Interest payable at regular intervals is taxed on an accrual basis. In the case of discount Bonds or Bonds with one-time interest payments, however, the decisive factor is whether there is a predominant one-time interest payment (IUP). Whilst for IUP Bonds the difference between the purchase price and the sale or redemption price is subject to income tax, for Bonds without a predominant one-time interest payment, the investor holding the investment at the time of redemption is taxed on the one-time interest payment – the so-called "the devil takes the hindmost" principle.[6]

The third component consists of options and other derivative financial instruments. Viewed in isolation, gains from options held as part of a private portfolio generally result in tax-free capital gains. However, if options are combined with Bonds or other underlyings, the question arises as to which part of the return is attributable to the interest component and which to the option component.

**Structured Products – economically similar, legally different**

Structured Products typically consist of two components: a traditional investment – such as a Bond – and a derivative component, for example an option. Two financial instruments are combined in such a way as to create a new product with its own risk profile. The SSPA (Swiss Structured Products Association) distinguishes between Investment Products and Leverage Products, with Investment Productsin turn being subdivided into Capital Protection, Yield Optimisation and Participation Products.[7]

**Capital Protection Products** combine a high-credit-quality Bond with a Call Option. The investor receives back the capital at maturity and also participates in the performance of the underlying. Legally, the bond-like nature of these products predominates.

**Yield Optimisation Products** – foremost among which are Barrier Reverse Convertibles (BRCs), popular with Swiss investors – function differently: the investor receives a guaranteed coupon above the market rate, but in return implicitly sells a Put Option on the underlying. If the price of the underlying falls below the barrier, the share is delivered instead of the nominal. Despite the fixed

**Ülkü Cibik,** lic. iur.
Counsel at MLL Legal AG

**Stéphanie Fuchs,** CEO and Founder
Stéphanie Fuchs Consulting

coupon, the derivative component predominates here.

**Participation Products** such as Tracker Certificates track the performance of an underlying on a one-to-one basis, without capital protection and without a fixed coupon. Legally, they are pure derivatives.

The key point is this: two products can offer the same coupon – for example, 8% p.a. – and yet be fundamentally different in legal terms. In the case of a Capital Protection Product, the coupon derives from a dominant bond component, whereas in the case of a Barrier Reverse Convertible, it derives primarily from an option premium.

The economic purpose is the key factor in distinguishing these from Bonds. While a Bond is issued to raise capital for the issuer, Structured Products are primarily used for investment or speculative purposes. If there is also a value- or credit-related dependency on a third-party financial instrument, this also supports classification as a Structured Product.[8]

> "Tax treatment depends on the economic structure – not on the product name."

**Coupon ≠ Coupon**

For Structured Products, however, the tax assessment is not based on the name of the product but on its economic structure. A fundamental distinction is made between transparent and non-transparent products.[9]

This distinction is of considerable importance in practice. In the case of transparent products, the investment income from the bond component can be separated from a tax-exempt capital gain on the option component. In the absence of such transparency, taxation takes place at the level of the product as a whole, with all income being classified as taxable investment income. Depending on the type of Structured Product, further taxation rules may also apply. However, the principles outlined above remain decisive.

This is precisely why two products with an identical coupon or a comparable economic return can lead to completely different tax outcomes.

To simplify matters, the Federal Tax Administration (FTA) publishes a continuously updated list of Structured Products and their tax classification on the ICTax platform. However, if a product is not listed there, this does not automatically mean that it is considered non-transparent for tax purposes. Rather, the taxpayer has the option of providing the information required for the tax classification.

**Return leverage – withholding tax**

Withholding tax is often underestimated in the case of Fixed-Income Products, but it can have a significant impact on the effective after-tax return. Interest on Bonds issued by Swiss issuers is subject to withholding tax at a rate of 35%. This is one of the reasons why many issuers decide against issuing Bonds in Switzerland. Swiss investors, meanwhile, can reclaim the full amount of withholding tax provided they declare it correctly in their tax return.

For foreign issuers and Structured Products, different rules apply depending on the product and its structure. Particularly in the case of Structured Products with foreign underlyings – such as Barrier Reverse Convertibles linked to US shares – hidden foreign withholding taxes can substantially reduce the effective after-tax return.[10]

**AI agents – looking ahead**

The tax classification of Structured Products is likely to change significantly in the coming years, both for investors and tax authorities. AI agents will also make their way into the investment sector. However, the key factor will be the data on which they operate. Particularly in the case of complex products, an incorrect classification can quickly lead to an incorrect tax assessment and a significant reduction in the after-tax return.[11]

Tax authorities will also have to face the question of what role the FTA's product matrix, published on ICTax, will play in future given the increasing use of AI agents for the tax analysis of financial products, and to what extent the latter will be actively involved.

One thing, however, remains unchanged: two products that appear almost identical at first glance may be treated completely differently for tax purposes. What matters, therefore, is not the coupon, but what actually remains after tax.

[1] The Federal Act on Financial Services (FIDLEG) defines them as "shares in a pool loan with uniform terms and conditions".

[2] This is in accordance with the Federal Act on Collective Investment Schemes (CISA).

[3] The issuer risk, which is central to bonds and Structured Products, does not apply. Instead, different regulatory and tax rules apply.

[4] Art. 3(a)(4) FIDLEG.

[5] The investor merely acquires a contractual claim against the issuer and bears the issuer's default risk – the so-called issuer risk. See: Bärtschi (ed.), Finanzmarktrecht, Zurich 2025, Chapter 3, note 649.

[6] See also: Cibik, Ülkü / Fuchs, Stéphanie. "The Last to Be Served Gets the Short End of the Stick". payoff, guest article, June 2025, pp. 10–11. Available at: *www.payoff.ch/news/den-letzten-beissen-die-hunde*

[7] Art. 3(a)(4) FIDLEG.

[8] When marketing Structured Products to retail clients, the requirements of Article 70 of the FIDLEG must also be observed. Structured Products may only be offered if they are issued, guaranteed or similarly secured by a bank, an insurance company, an investment firm or a foreign institution subject to equivalent supervision. See Article 70(1) of the FIDLEG.

[9] See Federal Tax Administration (FTA), Circular No. 15: Bonds and derivative financial instruments as objects of federal direct tax, withholding tax and stamp duty, 3 October 2017; FTA, Taxation of bonds, derivatives and combined products, March 2023.

[10] See also: Cibik, Ülkü / Fuchs, Stéphanie. Section 871(m): a tax stumbling block for US securities. Payoff guest article, January 2024, pp. 26–27. Available at: *www.payoff.ch/news/871m-steuerlicher-stolperstein-bei-us-wertpapieren*

[11] On the legal and tax classification of autonomous AI agents, see also: Cibik, Ülkü / Fuchs, Stéphanie. Autonomous AI agents as new actors. Legal and tax classification in the digital age. In: Mülchi, Karin / Fuchs, Stéphanie. Recht^KI – The Application of Artificial Intelligence in Legal and Tax Practice. DIKE Verlag, February 2026, pp. 191–230.

# Top 10 Underlyings and 10 Most Traded Products

## TOP 10 UNDERLYINGS LEVERAGED PRODUCTS

| Underlying | Turnover (CHF) |
|---|---|
| Euro STOXX 50 / S&P 500 / SMI | 17,181,146 |
| Swissquote Ambitious Portfolio Index | 14,053,823 |
| Tracker Certificate on BancaStato Focus Infrastrutture Europee | 9,523,486 |
| Swissquote Prudent Portfolio Index | 6,065,601 |
| EarthWise Index | 5,705,909 |
| Nestlé / Novartis / Roche PS | 4,963,454 |
| Swissquote Balanced Portfolio Index | 4,627,401 |
| Partners Group | 3,854,650 |
| AST Re-Insurance Index | 3,314,737 |
| UBS Bloomberg CMCI Composite TR Index (USD) | 3,204,011 |

## TOP 10 UNDERLYINGS INVESTMENT PRODUCTS

| Underlying | Turnover (CHF) |
|---|---|
| SMI | 35,030,126 |
| Nasdaq 100 | 34,958,386 |
| Nestlé | 30,821,847 |
| DAX | 27,247,533 |
| UBS | 25,469,613 |
| Gold (USD) | 19,800,820 |
| Silver (USD) | 17,581,135 |
| ICE Brent Crude Oil | 13,480,697 |
| ABB | 10,348,966 |
| S&P 500 | 9,493,678 |

## MOST TRADED LEVERAGED PRODUCTS

| Underlying | Symbol | Product type | Type | Issuer | Maturity | Ask | Currency | Turnover (CHF) | Trades |
|---|---|---|---|---|---|---|---|---|---|
| UBS | UBSLJZ | Warrant | BULL | ZKB | 18/12/26 | 2.21 | CHF | 9,942,995 | 52 |
| Gold (USD) | MGOCZV | MiniFuture | BULL | VT | open-end | 2.02 | CHF | 7,836,276 | 99 |
| Nasdaq 100 | ONABNV | Knock-out Warrant | BULL | VT | open-end | 6.37 | CHF | 6,959,780 | 15 |
| Nestlé | NESEWZ | Warrant | BULL | ZKB | 18/12/26 | 0.56 | CHF | 5,843,228 | 262 |
| Nasdaq 100 | MNAHEV | Mini Future | BULL | VT | open-end | 1.08 | CHF | 4,077,260 | 73 |
| Silver (USD) | FSIG3V | Factor Certificate | BULL | VT | open-end | 2.66 | CHF | 3,397,670 | 30 |
| S&P 500 | OSPA7V | Knock-out Warrant | BULL | VT | open-end | 5.38 | CHF | 3,380,810 | 10 |
| Dow Jones Industrial Average | OINDLV | Knock-out Warrant | BULL | VT | open-end | 4.58 | CHF | 3,249,420 | 9 |
| Sika | SIKU4Z | Warrant | BULL | ZKB | 17/12/27 | 0.71 | CHF | 3,093,174 | 78 |
| Nasdaq 100 | MNAHMV | Mini Future | BULL | VT | open-end | 2.04 | CHF | 2,916,663 | 44 |

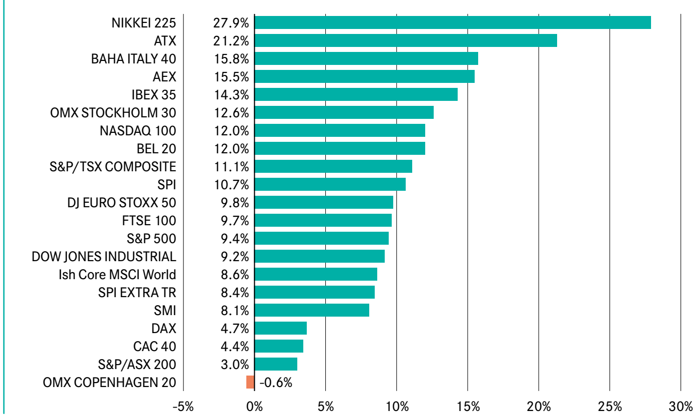
## MOST TRADED INVESTMENT PRODUCTS

| Underlying | Symbol | Product type | Type | Issuer | Maturity | Ask | Currency | Turnover (CHF) | Trades |
|---|---|---|---|---|---|---|---|---|---|
| Swissquote Ambitious Portfolio Index | AMBTSQ | Tracker Certificate | BULL | SWQ | open-end | 35.32 | CHF | 13,868,600 | 61 |
| BancaStato Focus Infrastrutture Europee | LDFKLK | Tracker Certificate | BULL | LUKB | 20/03/28 | 115.81 | EUR | 9,523,486 | 8 |
| Swissquote Prudent Portfolio Index | PRDTSQ | Tracker Certificate | BULL | SWQ | open-end | 29.38 | CHF | 6,065,601 | 42 |
| EarthWise Index | ADJSTQ | Tracker Certificate | BULL | LEON | open-end | 119.97 | EUR | 5,705,909 | 8 |
| Swissquote Balanced Portfolio Index | BLNCSQ | Tracker Certificate | BULL | SWQ | open-end | 31.91 | CHF | 4,576,143 | 47 |
| AST Re-Insurance Index | VPFLTQ | Tracker Certificate | BULL | LEON | 29/07/26 | 219.50 | USD | 3,314,737 | 1 |
| UBS Bloomberg CMCI Composite TR Index (USD) | TCMCIU | Tracker Certificate | BULL | UBS | open-end | 192.60 | USD | 3,204,011 | 45 |
| Swissquote Fearless Portfolio Index | FEARSQ | Tracker Certificate | BULL | SWQ | open-end | 30.37 | CHF | 3,100,221 | 48 |
| UBS Bloomberg CMCI Copper TR Index (USD) | TLPCIU | Tracker Certificate | BULL | UBS | open-end | 347.50 | USD | 3,007,943 | 20 |
| US Equity Alpha Research Fund | LKTZLK | Tracker Certificate | BULL | LUKB | open-end | 121.31 | USD | 2,518,060 | 10 |

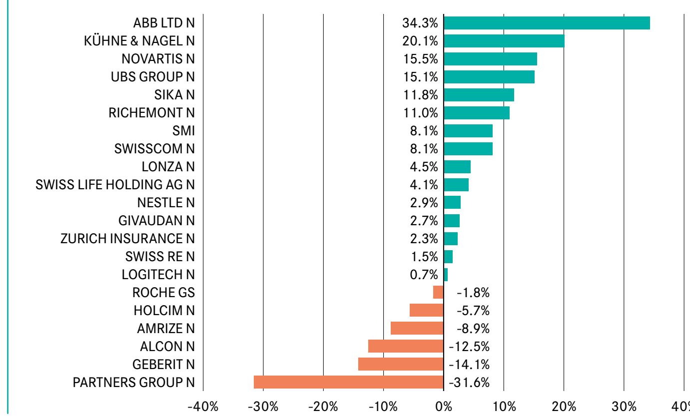
Source: *payoff.ch*; all data relates to trading volumes on SIX Swiss Exchange over the past four weeks (1 July 2026 to 31 July 2026)

# Statistics

### STOCK MARKET TOP / FLOPS 2026 IN LOCAL CURRENCY



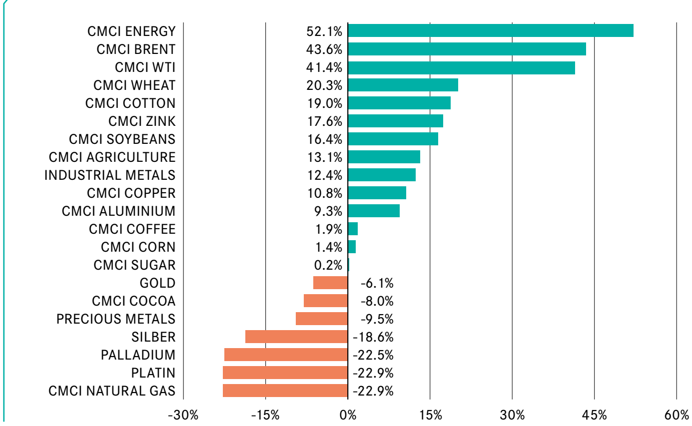

### SMI TOP / FLOPS 2026



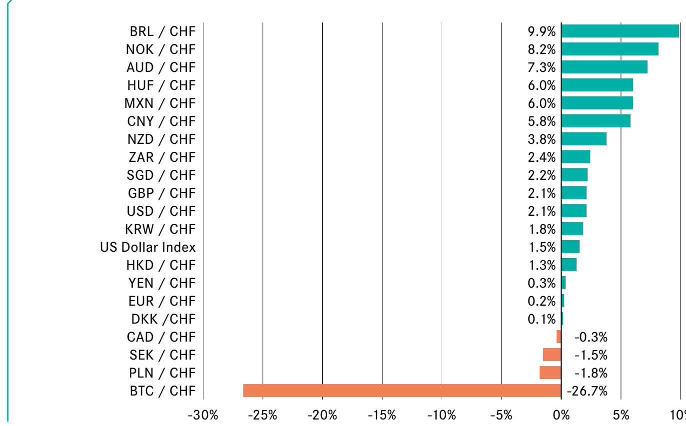

In July, the share markets traded largely sideways or showed a slight upward trend. With the exception of OMX Copenhagen, all the listed markets have been in positive territory since the start of the year. In the technology sector, however, the correction of the previous month continued, causing Nasdaq 100 to slip further down the rankings and Nikkei 225's lead to shrink significantly. At the end of week 31, however, the leading Japanese index continued to top the rankings, followed by the Austrian ATX and, for the first time, Italian BAHA Italy 40. OMX Copenhagen remained at the bottom of the table.

Despite Nestlé's half-year results falling short of expectations, SMI rose by 1.31%. This meant it was once again among the winners of the month. Thanks to this positive trend, 14 shares were in the black at the end of July, having been so since the end of 2025. ABB continued to top the rankings despite a price fall of around 8.4%. Kühne & Nagel moved into second place, overtaking Novartis. Among the biggest losers was Amris, which slipped to fourth place from the bottom, followed by Alcon and Geberit, as well as Partners Group, which remained at the bottom of the table.

### COMMODITIES TOP/FLOPS 2026




### CURRENCIES TOP / FLOPS 2026




Commodity prices were firm or at least held up well. Brent and WTI crude oil remained at the top of the table. Wheat continued to climb the rankings. Among industrial metals, zinc maintained its leading position. Precious metals showed signs of bottoming out. Gold continued to show the smallest loss since the start of the year. At sector level, the energy sector maintained its leading position, followed by agricultural commodities, which in turn overtook industrial metals. At the end of July, precious metals remained the old and new bottom of the table.

In recent weeks, the Swiss franc continued to show a slight weakness against most currencies. At the top of the rankings at the end of July was the Brazilian real, followed by the Norwegian krone, the Australian dollar and the Hungarian forint, which had been the leader the previous month. Following the decision of the US Federal Reserve not to raise the key interest rate, US dollar and the US Dollar Index edged down slightly towards the end of the month. The cryptocurrency Bitcoin was once again at the bottom of the table. The bottoming-out phase continues. A trend reversal is not expected until the fourth quarter.

# PMMI payoff market making index

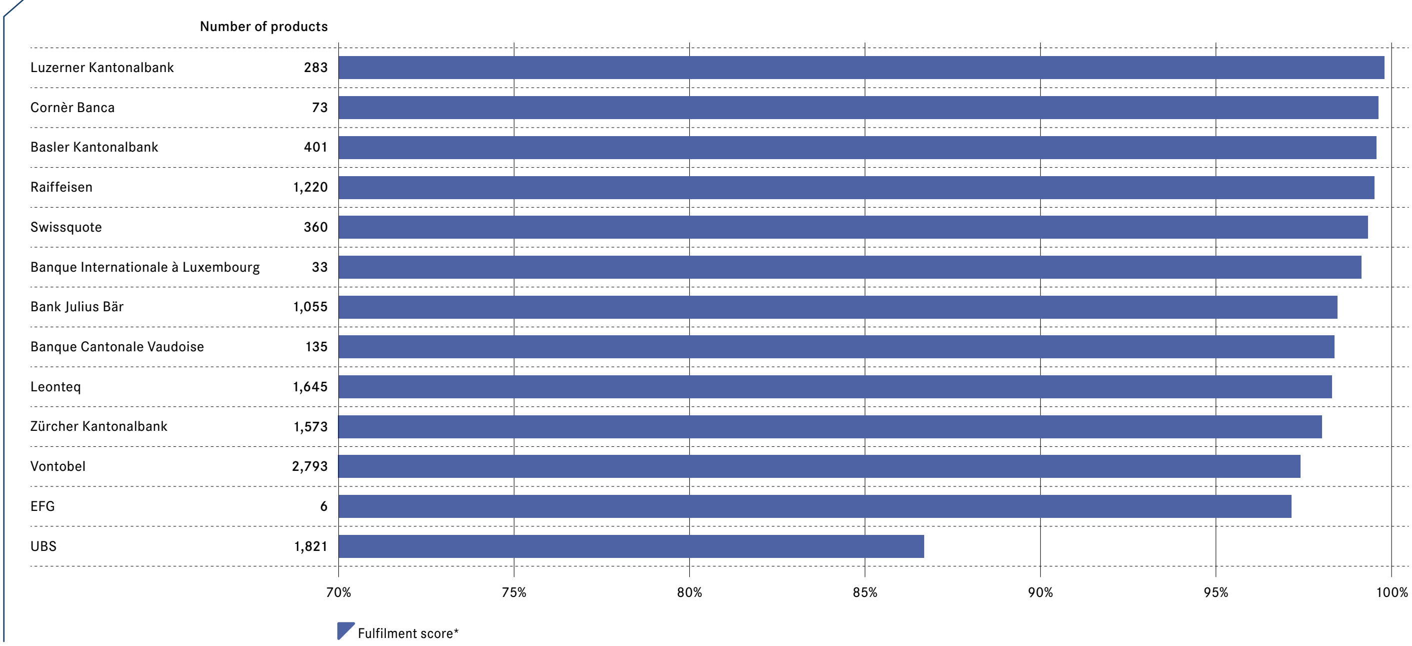
## On 31 July 2026, the market-making quality of issuers for Leveraged Products was slightly above, and for Investment Products slightly below the level recorded at the end of the previous month.

| Susan Niederhöfer

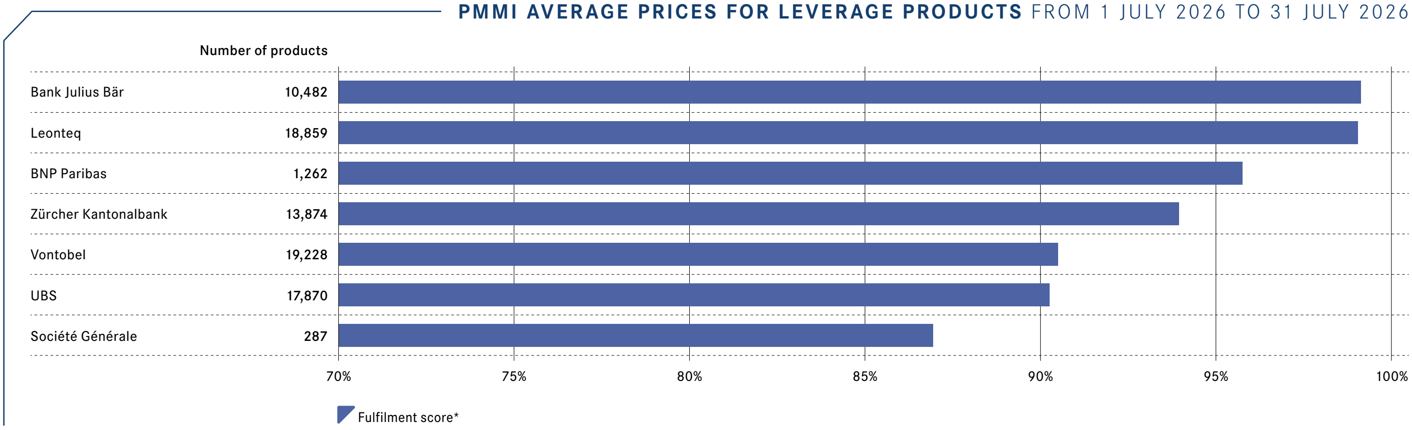
Due to the new extended trading hours introduced by SIX – 8 a.m - 9.45 p.m. – we are currently analyzing the impact on the underlying key figures and are developing an adjusted methodology to ensure comparability. Until further notice, the analysis will continue to be based on the previous trading hours – 9.15 a.m. - 5.30 p.m. An enhanced reporting framework that takes the new time windows into account is currently being prepared.

In the category Leveraged Products, Bank Julius Bär and Leonteq continue to be engaged in a close race. In July, both issuers achieved a PMMI score of more than 99 points, with Bank Julius Bär narrowly maintaining its position at the top. BNP Paribas once again defended its third-place ranking. In the category Investment Products, Luzerner Kantonalbank maintained its leading position. Corner Banca followed in second place, while Basler Cantonal Bank secured third place.

**PMMI AVERAGE VALUES FOR INVESTMENT PRODUCTS** FROM 1 JULY 2026 TO 31 JULY 2026



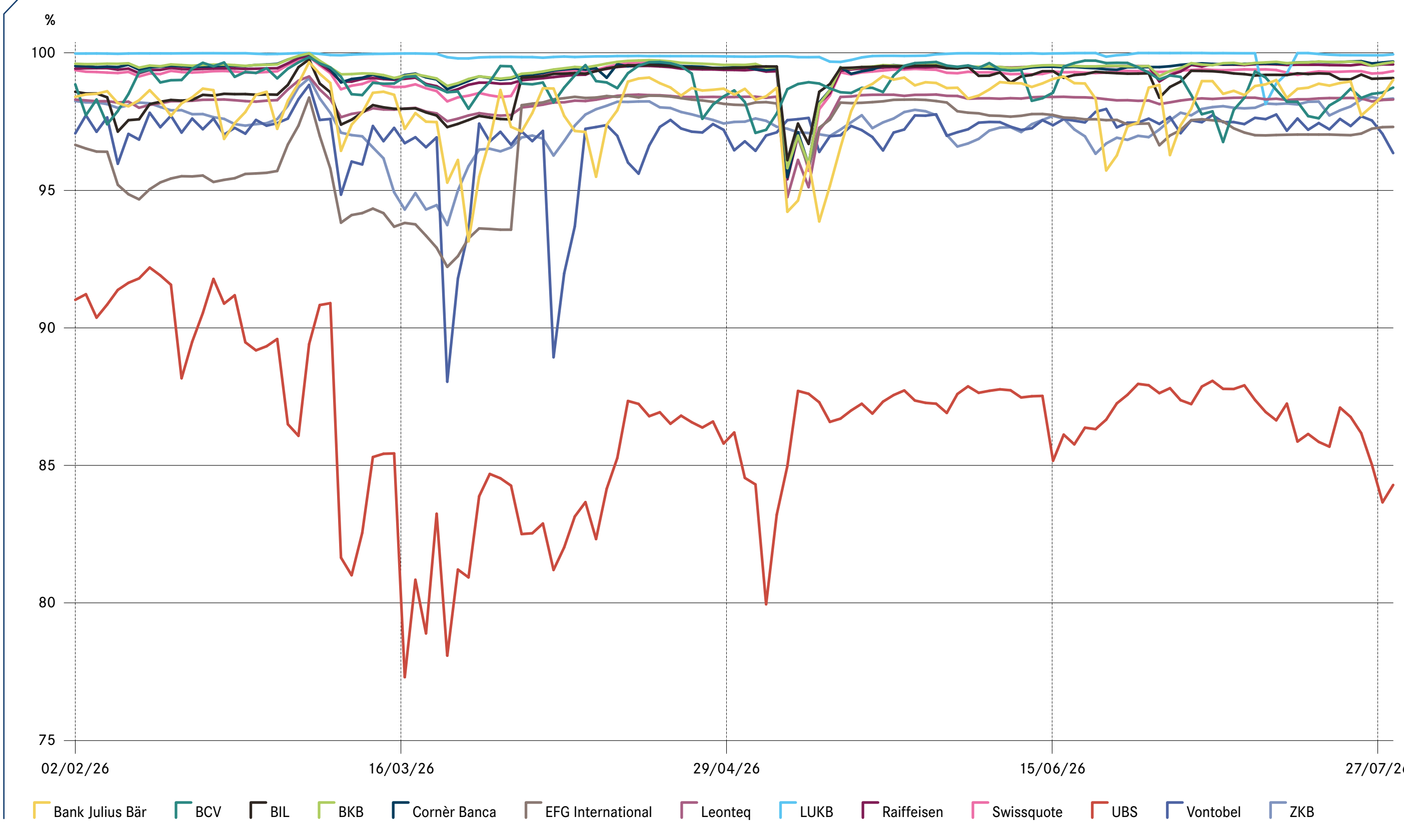

**PMMI AVERAGE PRICES FOR LEVERAGE PRODUCTS** FROM 1 JULY 2026 TO 31 JULY 2026



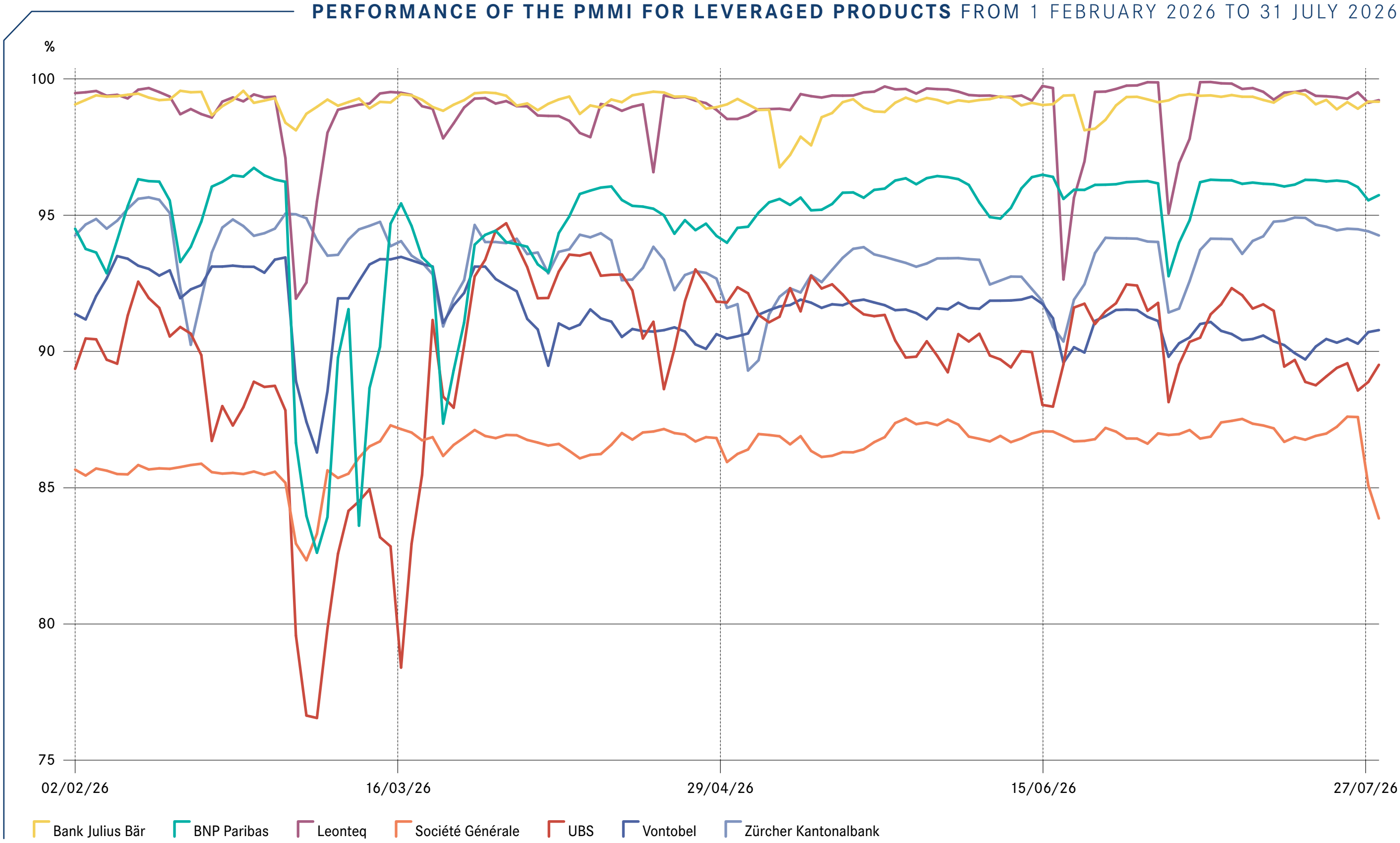

Source of all charts: *payoff.ch*

*PMMI values above 80 points are considered satisfactory. Values below 80 points are unsatisfactory. Issuer creditworthiness is not taken into account.

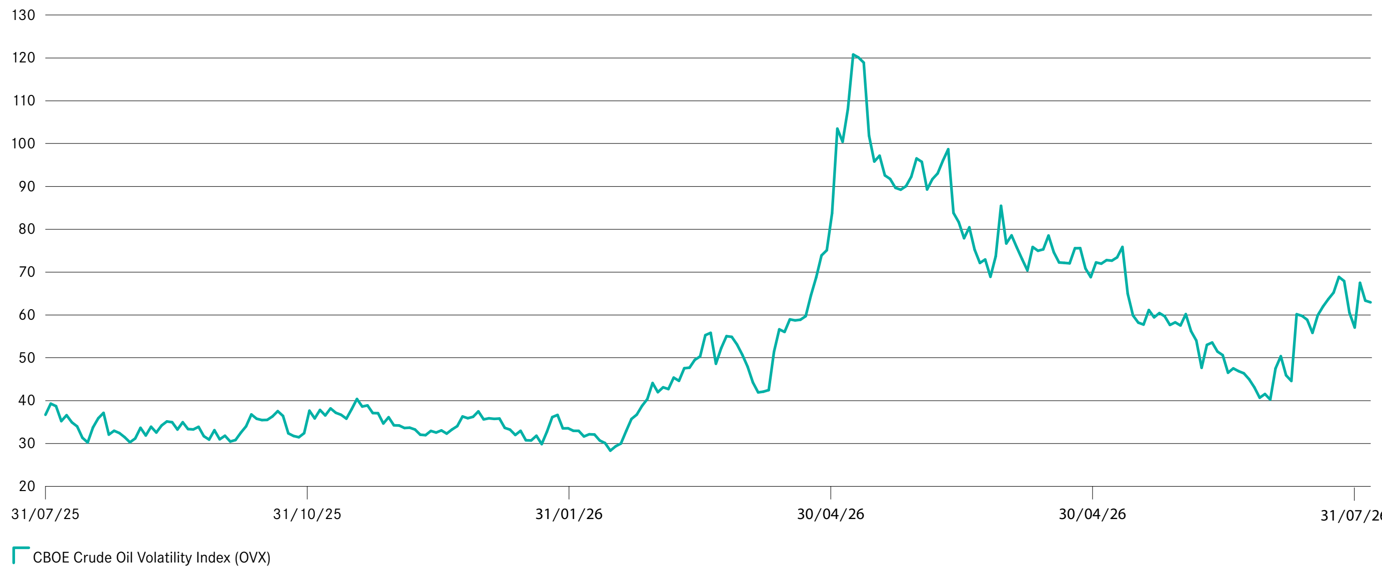
**PERFORMANCE OF THE PMMI FOR INVESTMENT PRODUCTS** FROM 1 FEBRUARY 2026 TO 31 JULY 2026




**PERFORMANCE OF THE PMMI FOR LEVERAGED PRODUCTS** FROM 1 FEBRUARY 2026 TO 31 JULY 2026



## CHART OF THE MONTH 1: OIL MARKET VOLATILITY ON A ROLLERCOASTER RIDE



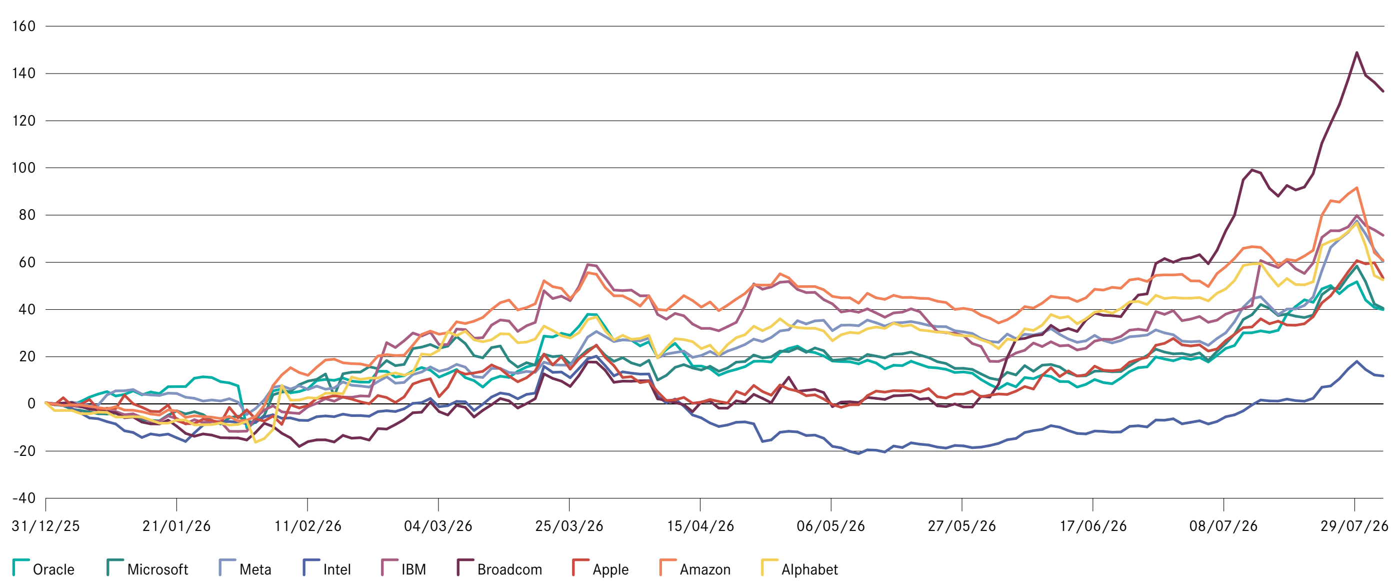

Source: baha

## QUOTE OF THE MONTH

**Nadège Dufossé**
*Global Head of Multi-Asset at Candriam*

« The investment system that generated returns for four decades is over. »

## CHART OF THE MONTH 2: CREDIT RISK OF TECH GIANTS OVER TIME (IN %)




Source: baha

## NOTICED

**Martin Raab**
presents curious and thought-provoking stories from the world of finance.

# Huge profits thanks to a headstand

The hype surrounding AI shares has been incredibly lucrative for several weeks now – though only for traders using short products.

The conventional narrative surrounding AI shares is simple: artificial intelligence is the next big thing. Companies operating in this sector are set to achieve phenomenal record profits. As a result, in April and May – just a few trading weeks ago – countless tech shares with AI exposure virtually skyrocketed. Both major blue-chips and "nobody stocks" soared rapidly thanks to massive buy orders on the share markets. Intraday price gains of 20% or more were not uncommon. As a result, both individual shares and relevant indices, such as South Korea's KOSPI, recorded gains of 60% or even 300% within three to four weeks. It's all about being in the game! Retail speculators, in particular, fuelled the frenzy massively.

However, anyone who looked closely at the year-to-date charts and switched off the financial news channels inevitably began to ask questions. Does it really make sense to buy a share or an index that has already skyrocketed? From then on, bold traders with a free spirit cashed in – thanks to short Mini-Futures on, for example, the hyped memory card manufacturer SanDisk or KOSPI. The derivatives market offers first-class opportunities. With skilful trading, it was possible to achieve counter-cyclical returns of 100% and more within a very short time.

Speaking of time: the timing for taking profits as a "shorty" is now ripe. Good news for anyone who missed this opportunity: provided the recovery trends of the corrected high-flying shares (including SanDisk) continue, technical "double tops" will soon emerge on the charts. Then the headstand with Mini-Shorts and the like could start afresh, with risk under control. ■

## HOT NEWS

BLACKROCK

### MACRO-DIVERSIFICATION FROM A SINGLE SOURCE

BlackRock has launched the BSF Tactical Opportunities Plus Fund – a liquid alternatives fund that capitalises on price distortions between shares, bonds and currencies across more than 25 countries. The underlying strategy has delivered a positive return in every calendar year since 2019 – even in 2022, when shares and bonds both suffered double-digit losses. Well worth a look for those seeking diversification.

CENTRAL BANK OF THE UNITED STATES

### NEW FED CHAIR, NEW UNREST

For the first time since 2016, three central bankers voted unanimously against the majority: under Fed Chair Kevin Warsh, the Federal Open Market Committee (FOMC) left the key interest rate at 3.50% – 3.75% on 29 July, yet three regional presidents voted in favour of a hike. Warsh himself is conspicuously cautious with his forward guidance. The days when the Fed's next moves were predictable are over.

NESTLÉ

### LARGEST SINGLE-DAY LOSS SINCE 1989

On 23 July, Nestlé shares fell by as much as 8% in a single trading day – its market capitalisation shrank by CHF 18 billion, marking the largest single-day loss since at least 1989. Yet the half-year results were hardly disappointing: organic growth, at 3.6%, was in line with expectations. What surprised investors most was the margin, which was bolstered by a one-off effect, and the 31.4% slump in profit following the water spin-off to Platinum Equity.

VONTOBEL

### STRUCTURED PRODUCTS AS A TURBO

Vontobel increased its half-year profit for 2026 by 87% to CHF 216 million – driven by what it described as a "very strong" six months in the Structured Solutions division. Thanks to high demand for commodities and US equity products, revenue of CHF 258 million was achieved. Antoine Boublil, who was previously CFO at Leonteq and Cembra, is taking the helm of the finance function and will succeed Thomas Heinzl in August.

STAY UP TO DATE

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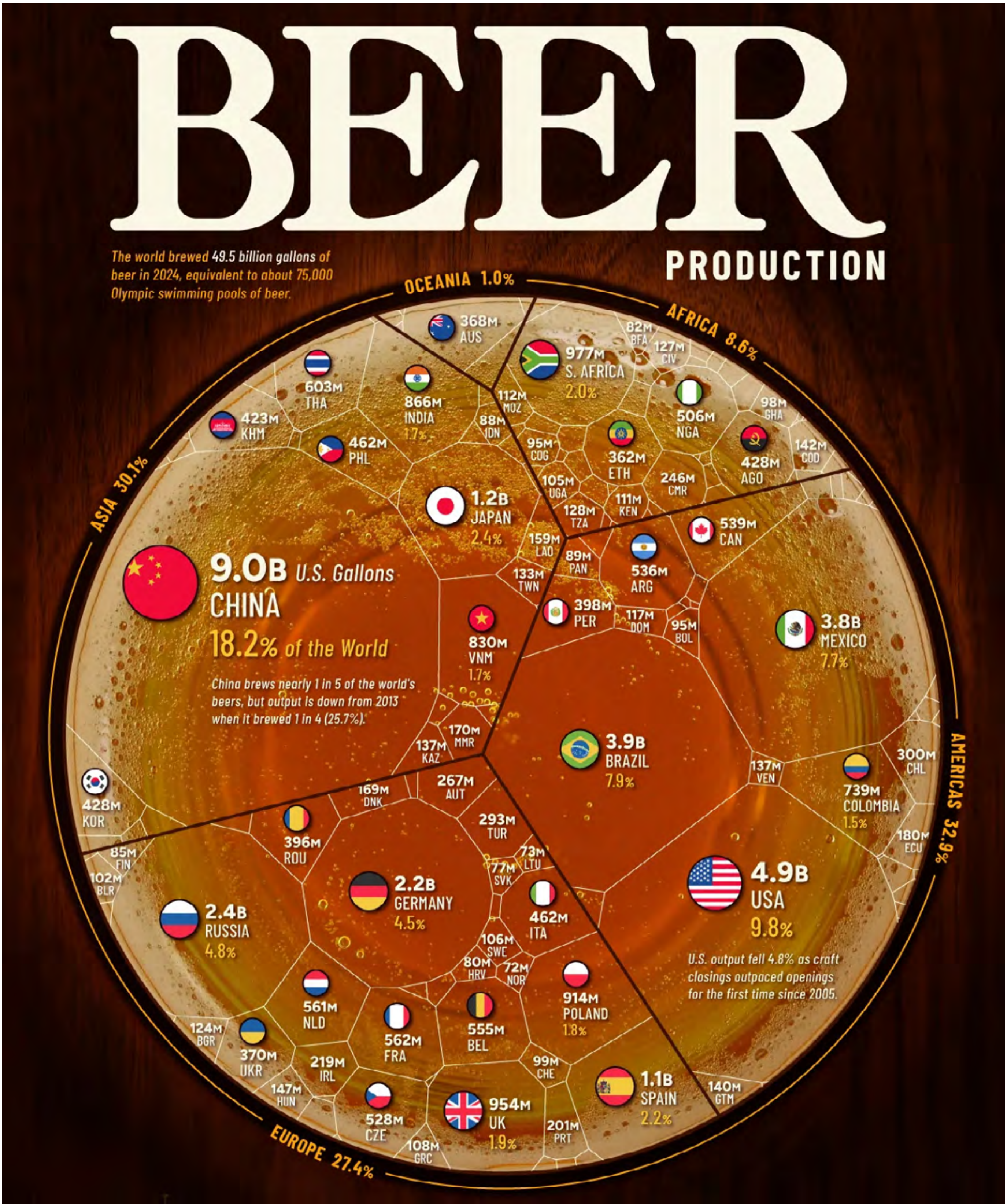
## GRAPHIC OF THE MONTH: WHO BREWS THE MOST BEER IN THE WORLD?




Source: *www.visualcapitalist.com*, BarthHaas Report 2024/25