

zMonthly February 18

Markets troubled by interest rate anxiety

Global equity markets underwent an abrupt correction in early February. On two separate trading days, the Dow Jones plunged more than a thousand points. One important catalyst for the market turbulence was an unexpected jump in average hourly earnings in the US. This led to an increase in inflation expectations, and US Treasury yields rose significantly. Some of the losses were regained in the second half of the month, a trend led by the US stock market, but volatility persisted. Although fears of higher interest rates made investors jittery, the lasting positive economic outlook prevented further setbacks. IT and telecommunications service provider ams was able to achieve higher-than-expected turnover and net profits. At the same time, it increased its medium-term objectives, a move welcomed by investors. Semiconductor manufacturer ams is enjoying high demand for 3D solutions for smartphones. Its positive growth forecast caused the share price to leap upward. Temenos shares, on the other hand, took a hit. Its planned takeover of UK software group Fidessa was not well received. In February, the fund lost 3.1% (SPI Extra: -3.2%).

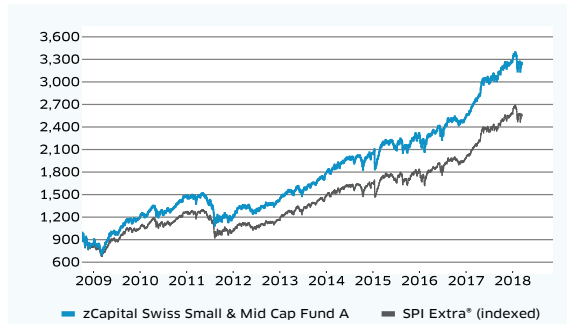
Low portfolio activity

Despite the passing flurry of market anxiety, we largely stayed on the sideline this month. We used the share price declines of Zur Rose, VZ Holding and Flughafen Zürich as a chance to increase our holdings. We took profits on ams after its price jump, and also scaled back our positions in Vifor and Sonova.

A return to normal?

Markets are showing residual nervousness after the recent series of intermittently large losses. Although a degree of normality has been re-established, the future course of the market is unclear. The healthy global economy and rising corporate earnings are sources of support. One risk factor is that interest rates might increase too quickly, so investors will be watching wage and inflation figures very carefully in the months to come. In addition, US politics are adding fuel to an economy already near its full productive capacity in the form of tax breaks and a massive infrastructure programme. This could prompt the Fed to unwind its monetary policy more quickly than anticipated. If the 10-year Treasury yield rises above 3%, it is likely to put pressure on stock prices. In the coming weeks we will be reviewing a slew of annual reports, as well as various IPO candidates set to enrich the Swiss investment landscape.

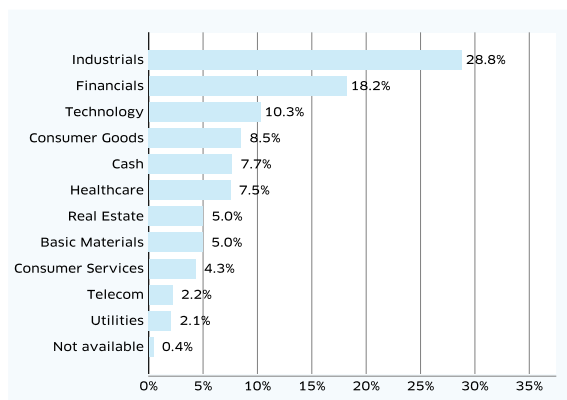
Performance since Launch (as of 15/03/2018)



Performance (as of 15/03/2018)

MTD (Fund / Benchmark)	0.5% / 0.5%
YTD	-0.3% / -0.6%
1 year	18.1% / 18.7%
3 years p.a.	14.3% / 13.9%
5 years p.a.	15.8% / 14.8%
Since launch p.a.	13.4% / 10.6%

Sectors (as of 15/03/2018)



Largest Positions (as of 15/03/2018)

1	Partners Group	6.3%
2	Schindler	5.5%
3	Lindt & Sprüngli	5.3%
4	Logitech	4.3%
5	VAT Group	3.5%
6	Baloise	3.3%
7	Kühne + Nagel	3.1%
8	Sonova	3.0%
9	Clariant	3.0%
10	ams	2.8%
11	Straumann	2.8%
12	PSP Swiss Property	2.5%
13	Georg Fischer	2.5%
14	Helvetia	2.5%
15	Sunrise	2.2%

Investment Strategy

The zCapital Swiss Small & Mid Cap Fund invests in small and mid-cap Swiss equities. Its benchmark, the SPI Extra, consists of all the SPI stocks excluding the SMI shares, i.e. without the 20 largest companies. The fund's assets are well diversified across 50 to 70 companies. Our goal is to consistently exceed the benchmark by applying a long-term investment horizon of 3 to 5 years.

zCapital adopts an active investment style. Investment decisions are based on fundamental company analysis (bottom-up approach), taking into account corporate governance criteria. Macroeconomic factors are also relevant in the decision making process. Short-term investment opportunities are taken into account in order to optimize the performance of the portfolio.

Portfolio Structure (as of 15/03/2018)

Net Asset Value	CHF 3,253.10 per Share A
Total Assets	CHF 965 m
Investment Exposure	92.3%
Number of Companies	56

Statistics 3 Years (as of 15/03/2018)

Volatility Fund / Index p.a.	11.8% / 12.1%
Tracking Error	1.5%
Information Ratio	0.3

Termsheet

Fund-Name	zCapital Swiss Small & Mid Cap Fund (Class A)
Asset Manager	zCapital AG, Zug
Swiss Security Number / ISIN	4534164 / CH0045341648
Price Publications	www.zcapital.ch, www.swissfunddata.ch, www.fundinfo.com
Bloomberg / Reuters	ZCAPSWI SW Equity / 4534164.S
Benchmark	SPI Extra® (Swiss small & mid cap equities)
Morningstar-Rating	★★★★
Minimum Investment / Reference Currency	No minimum investment required / CHF
Fund Type / Distribution	Swiss Securities Fund / Authorized for public distribution in Switzerland and Germany
Fund Management Company / Custodian Bank	LB(Swiss) Investment AG, Zurich / Bank Julius Baer & Co. Ltd., Zurich
Management Fee (incl. Fund Management and Custodian Fees)	1.5% p.a., of which 0.1% donated to charities which engage in "Children and Education"
Issue Fee / Redemption Fee	None / 0.4% in favour of the fund
Total Expense Ratio (TER) as of 31/05/2017	1.50%
Soft Closing	The investment strategy of the Fund is capacity constrained. Therefore, the Fund is currently closed for new investors.
Subscriptions and Redemptions	On each bank working day at Net Asset Value (NAV). Subscriptions and redemptions which are placed with the Custodian Bank by 3.45 pm CET on a bank business day (Order Day), are processed on the next bank working day (Valuation Day) based on the Order Day's closing price.
Auditor	PricewaterhouseCoopers AG, Zurich

Yearly Performance (as of 15/03/2018)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fund	-14.5%	40.2%	23.4%	-18.4%	17.8%	26.0%	15.2%	12.8%	9.3%	29.0%	-0.3%
SPI Extra®	-18.5%	29.6%	20.1%	-19.1%	13.9%	27.7%	11.4%	11.0%	8.5%	29.7%	-0.6%

Monthly Performance (as of 15/03/2018)

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Fund	2.5%	-3.1%	0.5%										-0.3%
SPI Extra®	2.2%	-3.2%	0.5%										-0.6%