

## zMonthly December 17

### A strong year for Swiss equities

Markets continued the bull trend of the preceding months. Led by the US exchanges, the Swiss market, too, set record highs for the year in December. Once again, this performance was buoyed by robust economic indicators. In this environment, it came as no surprise that both the Fed in the US and the ECB in Europe raised growth forecasts for the coming years. The central banks took no chances and met the monetary policy expectations of market participants. The Fed raised the federal funds rate by another 25 basis points and predicted three rate hikes for the year to come. For its part, the ECB left interest rates unchanged, eliciting virtually no market reaction. The planned takeover of Goldbach Group by Tamedia was a logical step in our view, although the timing surprised us. The bid price, however, was rather disappointing. In terms of performance, 2017 surpassed investors' wildest expectations. The SPI Extra small and mid-cap index has seen a continuous upward trend since December 2016. Volatility was very low. Setbacks were only temporary and 4% at worst. Ultimately, the fund closed the year up 29.0% (SPI Extra +29.7%), its best performance since 2009.

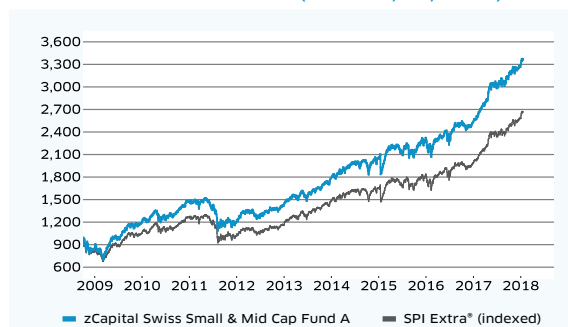
### Profits taken on Kühne+Nagel

Following a strong performance, we took profits on our major positions Kühne+Nagel and Clariant, and reduced their overweights. We increased our holdings in Sulzer, Flughafen Zürich, GAM and Helvetia.

### Good start into the new year expected

The small and mid-cap segment posted above-average returns for the sixth year in a row. There is broad consensus that 2018 will be another good year for equities, but some questions remain. Will the tried and tested buy-the-dip strategy continue to pay off, will earnings expectations be met or will multiple expansion continue? Much depends on the persistence of low interest rates. The longer the global economic upswing lasts, the greater the risks of inflation become. Producer prices are showing the first warning signs. This atmosphere means central banks beyond the Fed are under pressure to normalise monetary policy. Just what effect higher interest rates will have on the prices of highly valued investments across the board remains to be seen. At the moment, the markets hardly seem to care. Experience shows that a strong trend in the old year will often continue into the first quarter of the new one. We therefore believe that equities will begin 2018 on strong footing.

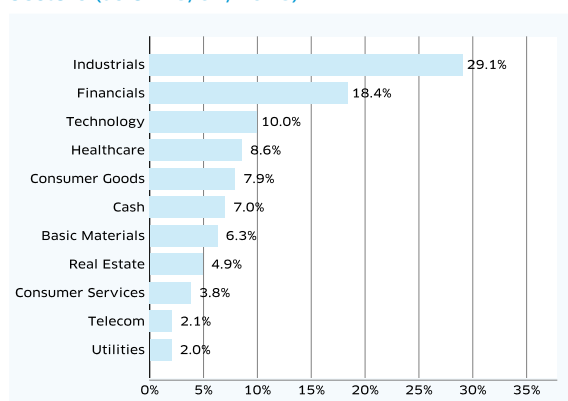
Performance since Launch (as of 18/01/2018)



Performance (as of 18/01/2018)

MTD (Fund / Benchmark)	3.3% / 3.4%
YTD	3.3% / 3.4%
1 year	31.0% / 31.6%
3 years p.a.	22.4% / 21.9%
5 years p.a.	17.7% / 16.8%
Since launch p.a.	14.1% / 11.2%

Sectors (as of 18/01/2018)



Largest Positions (as of 18/01/2018)

1	Partners Group	6.4%
2	Schindler	5.9%
3	Lindt & Sprüngli	5.1%
4	Clariant	4.2%
5	Logitech	3.9%
6	Kühne + Nagel	3.6%
7	Sonova	3.5%
8	Baloise	3.4%
9	VAT Group	3.1%
10	Straumann	3.0%
11	PSP Swiss Property	2.5%
12	Georg Fischer	2.5%
13	Helvetia	2.4%
14	ams	2.4%
15	GAM	2.3%

## 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 18/01/2018)

<b>Net Asset Value</b>	CHF 3,373.45 per Share A
<b>Total Assets</b>	CHF 999 m
<b>Investment Exposure</b>	93.0%
<b>Number of Companies</b>	56

## Statistics 3 Years (as of 18/01/2018)

<b>Volatility Fund / Index p.a.</b>	11.5% / 11.8%
<b>Tracking Error</b>	1.6%
<b>Information Ratio</b>	0.4

## Termsheet

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

## Yearly Performance (as of 18/01/2018)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Fund</b>	-14.5%	40.2%	23.4%	-18.4%	17.8%	26.0%	15.2%	12.8%	9.3%	29.0%	3.3%
SPI Extra®	-18.5%	29.6%	20.1%	-19.1%	13.9%	27.7%	11.4%	11.0%	8.5%	29.7%	3.4%

## Monthly Performance (as of 18/01/2018)

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>Fund</b>	3.3%												3.3%
SPI Extra®	3.4%												3.4%