

ZKB Silver ETF

Exchange Traded Fund

Termsheet

- **Non-hedged** in CHF, EUR and USD and
- **Currency hedged** (against USD) in CHF and EUR
- With the option of payment in kind in silver

Product features

Unlike existing ETFs that generally have an underlying equity index or a basket of shares, the ZKB Silver ETF only invests in physical silver. The currency class CHF reflects the value of around 100 grammes per unit, for the currency classes EUR and USD one share reflects the value of around 10 ounces silver. Investors can at any time request the sale of their units or payment in kind in physical silver.

The ZKB Silver ETF is listed on the SIX Swiss Exchange and is traded on a daily basis. The listing guarantees the publication of current market data and cost transparency that benefits the investor.

Target investors

Both institutional investors as well as private clients who are interested in participating in a convenient way in the development of prices of the underlying precious metals. Based on the regulations applying to them, Swiss pension funds are permitted to participate in the ZKB Silver ETF provided they exercise their option to broaden their investment scope as stipulated in Art. 50 of OPP2.

Type of fund

ETF (Exchange Traded Fund), investment fund based on Swiss law, of the type "other traditional investment funds".

| Name of non-hedged classes | ZKB Silver ETF (CHF) | ZKB Silver ETF (EUR) | ZKB Silver ETF (USD) |
|-----------------------------------|----------------------|----------------------|----------------------|
| Security number | 18 313 597 | 18 313 599 | 18 313 600 |
| ISIN | CH0183135976 | CH0183135992 | CH0183136008 |
| SIX Swiss Exchange Symbol | ZSIL | ZSILEU | ZSILUS |
| Reuters | ZSIL.S | ZSILEU.S | ZSILUS.S |
| Bloomberg | ZSIL SW | ZSILEU SW | ZSILUS SW |

| Name of hedged classes | ZKB Silver ETF hedged (CHF) | ZKB Silver ETF hedged (EUR) |
|-------------------------------|-----------------------------|-----------------------------|
| Security number | 18 313 602 | 18 313 604 |
| ISIN | CH0183136024 | CH0183136040 |
| SIX Swiss Exchange Symbol | ZSILHC | ZSILHE |
| Reuters | ZSILHC.S | ZSILHE.S |
| Bloomberg | ZSILHC SW | ZSILHE SW |

| | |
|---|--|
| Fund management | Balfidor Fondsleitung AG Peter Merian-Strasse 47 CH-4002 Basel |
| Custodian bank & market maker | Zürcher Kantonalbank Mythenquai 24 CH-8002 Zurich Postal address: P.O. Box, CH-8010 Zurich |
| Currency of non-hedged classes | CHF/EUR/USD |
| Currency hedge for US dollar (hedged classes) | Silver is traded primarily in US dollar. The currency risk versus the CHF and EUR is hedged mainly by means of forward forex transactions on a daily basis. |
| Underlying value | Standard bars of around 30 kilogrammes of silver (around 960 ounces of silver) |
| Minimum subscription | CHF/hedged (CHF): 1 unit corresponds to around 100 grammes of silver EUR/hedged (EUR): 1 unit corresponds to around 10 ounces of silver USD: 1 unit corresponds to around 10 ounces of silver |
| Issue price | Value corresponding to the price of around 100 grammes of silver (CHF classes) respectively 10 ounces (EUR and USD classes) on the basis of the value of the standard unit of one bar of approximately 30 kilogrammes (around 960 ounces) with the customary purity of 999/1000 at the time of issue (less management commission). |

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| Issue and redemption | Fund units can be issued on a daily basis or redeemed upon request or traded on the SIX Swiss Exchange with a narrow bid/ask spread. Zürcher Kantonalbank is responsible for the market making. |
| Payment in kind in silver | <p>The right to payment in kind only exists for standard silver bars of around 30 kilogrammes with a commonly traded purity of 999/1000. A redemption commission of 1% applies, as does a delivery fee of max. 0.2% of the value of a standard bar. Delivery is performed within the usual market delivery time of 3–5 days following receipt of the order.</p> <p>In extraordinary crisis situations, the fund management may decide to deliver smaller units. The additional related costs will be passed on the investor.</p> <p>At delivery, the investor will be charged value added tax with 8% on the market value of the silver.</p> |
| Management commission | 0.6% p.a., the NAV in CHF, EUR and USD published on daily basis shows the Net Asset Value of the fund reduced by the management fee. |
| Listing | <p>Main segment of the SIX Swiss Exchange.</p> <p>CHF: First trading day was May 10, 2007.</p> <p>EUR/USD: First trading day was January 16, 2009.</p> <p>Hedged (CHF)/(EUR): First trading day was November 11, 2011.</p> |
| Term | The fund will exist for an indefinite time. |
| Financial year | October 1st to September 30 |
| Risk factor | <p>5</p> <p>Information about risk factor and risk figures on www.zkb.ch/fondsabc</p> |
| Loan to value ratio for Zürcher Kantonalbank clients | 50% |
| Benefits to the client/advantages | <ul style="list-style-type: none"> ■ Unlike structured products, the ZKB Silver ETF does not harbour any issuer risk, since the silver invested is a separate asset and used completely to cover investors' claims. ■ For all currency-tranches in CHF, EUR and USD there is no currency hedging. ■ High liquidity: The SIX Swiss Exchange regulations regarding maximum spread and minimum trading volumes guarantee high liquidity. ■ Listing on the SIX Swiss Exchange ensures the publication of current market data and the net asset value of the fund. ■ The ZKB Silver ETF invests exclusively in physical silver. ■ As an alternative to selling units, investors can request payment in kind in silver. ■ ETFs offer complete transparency regarding costs and fees. ■ ETFs have no fixed terms. Hence there are no rollover costs. |

Special features that concern only the **non hedged** classes

- The performance is affected by the fluctuation in the price of silver in US dollars and by exchange rate (which can be either positive or negative) between the CHF/USD or EUR/USD.

Special features that concern only the **hedged** classes

- The investor does not bear any currency risk in respect of the US dollar.
- In the currency classes hedged (CHF) and hedged (EUR), the US dollar is hedged against the corresponding reference currency (CHF or EUR).
- The costs/revenues arising from the currency hedge are debited or credited directly to the hedged unit class.
- The performance of the currency classes hedged (CHF) or hedged (EUR) can also deviate slightly from the performance of the non-hedged US dollar class, excluding hedge costs/revenues, as it is not possible to ensure perfect currency protection.

For which investors are **non hedged** currency classes suitable?

- Investors who expect the US dollar to appreciate against the CHF or EUR.
- Investors who wish to make separate investment decisions regarding investments and currencies.
- Investors who do not wish to influence their performance by ongoing costs/revenue for currency hedging.

For which investors are **hedged** currency classes suitable?

- Investors who expect that the US dollar might weaken against the CHF or EUR.
- Investors who basically wish to rule out currency risks.
- Investors who wish to protect themselves against a possible inflation in their reference currency.

Trading

+41 (0)44 293 66 23

Sales

+41 (0)44 293 66 97

Telekurs

ZKB ETF

Internet

www.zkb.ch/etf

Verkaufsrestriktionen

USA/US persons

Risk

The ZKB Silver ETF is an investment product whose price tracks that of the underlying (silver). Depending on the price trend, the price can drop well below the issue price.

Unlike structured products, the ZKB Silver ETF does not harbour any issuer risk, since the silver invested is a separate asset and used completely to cover investors' claims.

With non-hedged currency classes in CHF and EUR there is no currency hedged; the client bears the currency risk.

The currency risk for hedged currency classes hedged (CHF) or hedged (EUR) is protected to a large extent. However, over or underhedging may occur. The currency hedge is effected daily on the total volume of the respective currency class.

Additional information

Additional information about the fund can be found in the prospectus and the last audited annual report or unaudited semi-annual report. The prospectus, which includes fund regulations, and the annual or semi-annual reports can be ordered free of charge from the fund manager, the custodian bank and all distributors.

Zurich, June 25, 2012

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