

## Yield enhancement strategy "Swiss Quality Stocks"

a 24 months opportunity

### Strategy Summary

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Level of Risk	Time Horizon	Upside Opportunity	Asset Type	Expected Upside	Currency

### Your benefits:

- ▶ **Conditional capital guarantee:** Up to 65 %, Low Strike
- ▶ **Maturity:** 24 months
- ▶ **Currency:** USD
- ▶ **Underlying Companies:** Nestlé, Novartis, and Roche
- ▶ **Reimbursement Triggers:** First observation after 6months, thereafter decreasing by 1 % on a monthly, starting at 97 %
- ▶ **Coupon Features:** Memory
- ▶ **Coupon Barrier:** Coupon barrier at 100 %, decreasing monthly, by 1 %. If each stock is at or above coupon barrier, coupon is paid; otherwise it is pushed forward and paid at next observation, provided conditions are met.
- ▶ **Payout at Maturity:** Low Strike at 65 %, if each equity is at or above Low Strike level, the investor will be redeemed 100 % of the investment amount; else: the payout will be linked to the worst performing equity from 67 %.
- ▶ **Valuation:** Bid/Ask live Intraday

### Investment Opportunity

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#### A focused approach

The prices of many shares have fallen sharply in recent weeks, irrelevant of the underlying business model, outlook, and products and services provided its customers. The current new issue including the Swiss companies Nestlé, Novartis, and Roche are known as steadfast and they sell products that are required by a typical consumer on a day-to-day basis.

#### Company view:

- ▶ **Nestlé** shares are trading at an attractive valuation and dividend yield. Nestlé expects further acceleration of organic sales growth towards sustainable mid-single digit growth with continued improvement of its underlying margin. Under the helm of Schneider, NESN has started to refocus its business on its traditional strength. As such, it has disposed of its US confectionary business and bought the rights to market Starbucks products globally, outside of Starbucks' coffee shops. Nestlé is an excellent long-term play, the present conditions though make an immediate share price appreciation look limited.
- ▶ **Novartis** is finalizing its internal reorganization; the undertaking was difficult and took a number of years. Yet, the company emerges leaner and more focused on drugs. Capital from the divestments of Alcon and Consumer will be recycled back into technology acquisitions and share buybacks. The growth outlook is attractive and with the present market conditions, we expect a sideways movement of the share price.
- ▶ **Roche** is expected to publish strong sales and earnings growth for its exercise FY19. This comes despite the loss of royalty income from patents. R&D is very strong at ROG and each year, the company has a number of pipeline projects that reach the market. This coupled with a successful acquisition track record can generate regular blockbusters. Roche's valuation is below the peer group and closing the gap is dependent on the advancement of the pipeline project which was lately a little slow.

#### Swiss market view:

- ▶ Swiss companies with their above-average international exposure, have been unable to escape that global downtrend. Valuations of Swiss stocks have improved in absolute terms. They are now trading at a premium to the average market, but with a small discount to historical averages on a 12-month forward P/E basis. Although market conditions are very challenging, earnings growth is expected to be stronger than in other developed regions.

## Heatmaps

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	Nestlé SA					Novartis AG					Roche Holding AG				
	1 to 9.99	10 to 29.99	30 to 69.99	70 to 89.99	90 to 100	1 to 9.99	10 to 29.99	30 to 69.99	70 to 89.99	90 to 100	1 to 9.99	10 to 29.99	30 to 69.99	70 to 89.99	90 to 100
Price Momentum															
Analyst Revision															
Relative Value															
Earnings Quality															
Risk Metrics															
Growth Metrics															
Value Metrics															
Momentum Metrics															
Social Media Metrics															
Total [Data Quality]	75.95					97.95					97.95				

Nestlé is one of the largest global fast-moving consumer goods companies. Its operations encompass powdered and liquid beverages (24% of total revenue in 2018), nutrition and health science (18%), milk products and ice cream (14%), petcare (14%), prepared dishes/cooking aids (13%), confectionery (9%) and waters (8%). In 2018, 42% of sales were generated in emerging markets. Major brands include Nescafé, Nespresso, Nido, Vittel, KitKat, Maggi and Purina. Additionally, the strong cash flow generation should support current valuation and potential.

Novartis is a Swiss large-cap diversified pharmaceuticals company. Following the spinoff of its eye care business, Alcon, in April 2019, it has three divisions: Innovative Medicines (67% of 2018 group sales; main therapy areas: oncology, ophthalmology, neuroscience, immunology), Sandoz (19%; focused on highvalue generics, including biosimilars), and Corporate (loss-making). The company also owns 33% of Roche's bearer shares.

Roche is a global pharma company, which has strong franchises in oncology (including Avastin, Herceptin / Perjeta / Kadcyła, Rituxan / Gazyva; 43% of 2018 sales) and immunology, driven by R&D in both areas focused on biomarkers and companion diagnostics. In view of biosimilar competition at the end of the decade, Roche's growth drivers include Perjeta (in adjuvant breast cancer), Ocrevus (MS), Tecentriq (multiple I-O indications) and Hemlibra (haemophilia). Diagnostics contributed 23% of 2018 group sales. Roche owns Genentech and a majority stake in Chugai.

## 12-months price probability analysis

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TP	-10%	-20%	-30%	-35%	TP	-10%	-20%	-30%	-35%	TP	-10%	-20%	-30%	-35%
66%	7%	2%	1%	0%	19%	26%	23%	11%	4%	51%	9%	7%	2%	0%

## Guidance

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### Pay-out diagram (plus eventual coupons payment) based on issue price of 100 %

Worst-Performer	100%	90%	80%	70%	65%	60%	50%	40%	30%	20%	10%	0%
Redemption	100%	100%	100%	100%	65%	60%	50%	40%	30%	20%	10%	0%

## Characteristics

Nam Name	RCB "Swiss Quality"
Issuing Bank	to be announced
ISIN Number	to be announced
Duration:	Maximum 2 years, early redemption mechanism applies
Management Fee	1.25 % on the invested capital
Type of investment	Yield enhancement
Issue size:	USD 100K, min denomination USD 1K
Risk scale	

## Risk

- Capital is not protected below barrier or if the issuer or guarantor fails
- Gain is limited to the coupon payment
- The investor will not receive dividend payments from the underlying

## Product Launch

- Launch subject to investment conditions fixed by the issuer and amount raised.

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