

# Tracker Certificate

Underlying asset: Senior Economy

Redemption: Open-end

**This product is not a collective investment within the meaning of the Swiss Federal Investment Fund Act and is not subject to the authorization or supervision of the Swiss Financial Market Supervisory Authority (FINMA). Investors are also exposed to the risk of insolvency of the issuer. This certificate is actively managed on a discretionary basis and has a dynamic structure.**

## 1. PRODUCT DESCRIPTION

### Certificate details

Sec. No. / ISIN / Symbol	38 994 664 / CH0389946648 / 0193BC
Issuer and Lead Manager	Banque Cantonale Vaudoise, Lausanne, Switzerland (S&P AA/stable)
Prudential supervision	BCV, Lausanne, Switzerland is subject to prudential supervision by the Swiss Financial Market Supervisory Authority (FINMA).
Paying and calculation agent	Banque Cantonale Vaudoise, Lausanne
Investment Manager	W.I.S.E. Management SA, Rue Pierre Fatio 15, 1204 Genève. W.I.S.E. Management SA is affiliated to the OAR-G (Organisme d'Autorégulation des Gérants de Patrimoine).
Underlying asset	Equities basket « Senior Economy »
Management method	Discretionary and dynamic
Conversion ratio	1 Certificate = 1 basket
Issue volume	40 000 Certificates (includes an increase and reopening clause)
Minimum investment	1 Certificate
Base currency	USD
Issue price	USD 100.00 (includes an issue margin of USD 0.20)
Reference price	USD 99.80
Distribution fees	No distribution fees
Initial fixing date	05 December 2017
Payment date	12 December 2017
Effective termination date/Final fixing	Open-ended
Redemption date	The sixth working day following the termination date set by either the investor or the Issuer (barring extraordinary market situations and emergencies).
Product description	<p>This USD-denominated Certificate comprises a selection of at least 5 stocks together with a cash component (see definition below). Exchange-rate risk will be systematically hedged every six months during the life of the Tracker Certificate using currency swaps. The selection reflects the Investment Manager's investment strategy.</p> <p>The Certificate is open-ended, which means that the maturity date is not fixed at issue. The Certificate matures when either the issuer or the investor exercises his/her termination rights ("effective termination date"), subject to the notice periods set out herein.</p>
Definition of the cash component	<p>The cash component is denominated in USD and is an integral part of the underlying basket.</p> <p>The cash component does not pay out interest, but it could generate negative interest.</p>
SSPA category	Investment Product - Tracker Certificate (1300), according to the Swiss Derivative Map available at <a href="http://www.svsp-verband.ch">www.svsp-verband.ch</a> .

Management fees

1.60% per year (1.00% per annum for the Investment Manager and 0.60% per year for the Issuer) to be deducted on a pro rata basis from the cash component. If the amount available in the cash component is insufficient to cover the management fee, weightings will be adjusted in order to cover this fee. Adjusting the weighting of an equity, either up or down, counts as a rebalancing.

Under normal market conditions a spread of up to 0.00075 will be applied to the mid price of the foreign exchange swap used each time a currency hedge is changed.

Transaction costs at rebalancing

Rebalancing generates no costs.

Performance fees

Participation rate of the Outperformance (Tx) = 10%

Hurdle Rate (S) = 2.50%

Performance fees Limitation (L) = 5%

Observation dates of the Outperformance : last calendar business day of the quarter

Dates ex : First business day of the next calendar quarter

Performance fees formula (%)

$$\text{Max} \left( 0, \text{Min} \left( \frac{1 + \frac{\overbrace{\sum_{i=1}^N n_t^i \cdot P_t^i \cdot X_t^i - \sum_{i=1}^N n_0^i \cdot P_0^i \cdot X_0^i} = \text{Performance}}}{\sum_{i=1}^N n_0^i \cdot P_0^i \cdot X_0^i}}{1 + \text{Max}(S, HW_t)} - 1 \cdot Tx, L \right) \right)$$

With:

N : Total number of stocks in the basket

n<sub>0</sub> : Number of stocks i in the basket on the initial fixing date

n<sub>t</sub> : Number of stocks i on the last business day of the year

P<sub>0</sub> : Initial price of the stock

P<sub>t</sub> : Closing price of the last business day of the year

X<sub>0</sub> : Exchange rate of the stock i on the initial fixing date

X<sub>t</sub> : Exchange rate of the stock i on the last business day of the year

HW<sub>t</sub> : High Watermark of the period t calculated as the max of the Performance

Example

4 years								
Period	Prix	Performance	High Watermark	Out performance	Rate	Performance fees (%)	Performance fees (unit)	Payment capped
Issue	100							
Quarter 1 (Q1) Q1+1	111 110.09	11%	2.60%	8.19%	10%	0.819%	0.909	no
Quarter 2 (Q2) Q2+1	170 161.50	70%	11%	53.15%	10%	5.000%	8.500	yes
Quarter 3 (Q3) Q3+1	190 187.76	90%	70%	11.76%	10%	1.176%	2.2353	no
Quarter 4 (Q4) Q4+1	70 70.00	-30%	90%	n.a.	10%	0.00%	0	

Total performance fees received during the period  
Equal to 11.77% of the issue price 11.64

Definition of « High Watermark »

The High Watermark is the highest value an investment fund has reached during a period, and is used as a threshold for the fund manager's future performance fees. That is, the fund manager receives performance fees only if the fund's value goes back up and exceeds the high-water mark set from a previous period.

High-water marks are used to prevent investors from having to pay performance fees on funds that have lost value and are merely catching up to where they were before.

## Roles and responsibilities

The Investment Manager selects the securities in the basket, as well as the weighting of the securities and the cash component, in accordance with the investment universe and rules (see below).

The Certificate's performance therefore depends on the quality of the Investment Manager's investment decisions. The Investment Manager takes full responsibility for the composition of the basket and its impact on the Certificate's performance.

The Issuer shall execute the buy and/or sell orders necessary to issue or rebalance the Certificate on a best effort basis.

## Investment universe

The Certificate invests in companies operating in the healthcare and pharmaceutical industries, taking advantage of opportunities arising from global demographic shifts and the aging population. The stocks/ETFs must be traded on SIX Swiss Exchange or a foreign exchange recognized as having equivalent regulation.

Investors can obtain information about the investment strategy free of charge from the Investment Manager.

## Management rules

1. The Investment Manager may rebalance the basket at any time, but no more than 52 times per year.
2. The basket shall contain at least 5 but no more than 50 stocks (the term "stocks" can also mean ETFs of stocks).
3. Securities in the basket must be denominated in EUR, USD and CHF.
4. The use of Futures on S&P 500<sup>®</sup> is authorized only for hedging purposes. No techniques that would create a leveraged position in the basket are permitted.
5. Calls for additional cover, futures positions, will be placed in or taken out of the cash component. If the amount available in the cash component is not sufficient, The Investment Manager will have to proceed to a rebalancing, by liquidating the most liquid underlying.
6. The cash component may not exceed 50% of the total nominal amount invested at each rebalancing. The cash component does not pay out interest, but it could generate negative interest
7. During the Certificate's lifetime, any distributions and dividends (net of any taxes and fees) will be held in the cash component; any distributions and dividends denominated in EUR or CHF (net of any taxes and fees) will be converted into USD (using the ECB reference exchange rate on the dividend payment date) and will also be held in the cash component.
8. At the time of a rebalancing, the weight of a new title cannot exceed half of the daily average volume observed during the last 5 days.
9. Should allocation limits be exceeded, adjustments shall be made at the next rebalancing.
10. Exchange-rate risk is systematically hedged by forward exchange contracts (standard maturity: 6 months).

## Investment restrictions

If a security cannot be traded for liquidity reasons or if it is impossible to execute a transaction for technical reasons, it may take the Issuer at most two days (i.e., 48 hours of business days) to implement the Investment Manager's investment decisions. Based on these factors only, no guarantee can be made as to whether investment decisions will be implemented on the same day that instructions are received.

The Issuer reserves the right to refuse to execute a buy order if the security in question is subject to an investment restriction. Securities with an investment restriction include companies that represent a reputational risk for the Issuer and companies that are not in keeping with the Issuer's code of conduct (for instance, the Issuer does not currently invest in any company involved in cluster munitions).

If a selected security no longer complies with the investment restrictions set by the Issuer, the security must be replaced at the next rebalancing.

## Basket composition

**The current composition of the basket is on the last page of this document.**

## Terms and conditions

Changes that are unplanned or not agreed

Information about any changes that are unplanned or not agreed contractually (e.g., capital transactions that affect the underlying assets such as splits, par-value reimbursements or conversions) shall be provided at [www.bcv.ch/invest](http://www.bcv.ch/invest).

Certificate redemption

To be informed of these changes directly, you can sign up on the website and add this product to your favorites. You will then receive alerts concerning the product by email.

The amount redeemed in USD is calculated by multiplying the average sale price for each security by its quantity in the basket, and then adding together the resulting figures converted into USD together with any funds from the final unwinding of the currency swaps and the cash component. The formula applied is as follows:

$$\sum_{i=1}^N n_i \times P_i \times t_i + \sum_{j=1}^T S_j + C \text{ where}$$

*P<sub>i</sub>* is the average sale price of stock *i* during the final fixing period on the reference exchange

*n<sub>i</sub>* is the quantity of stock *i* in the basket during the final fixing period

*N* is the total number of shares in the basket

*S<sub>j</sub>* is the value of currency swaps *j*

*t<sub>i</sub>* is the exchange rate between the currency in which stock *i* is denominated and the Certificate's base currency on the final fixing date; this exchange rate is set at BCV's discretion, in accordance with market conditions

*T* is the total number of currency swaps

*C* is the amount of the cash component in USD per Certificate

Stop loss

As the result of forward exchange contracts can, in theory, be negative, the product would be immediately cancelled if its liquidation value were to reach USD 25. Early redemption will be carried out as detailed above based on the prices following initiation of the Stop Loss procedure, with transaction fees deducted.

Liquidity risk at the moment of redemption

If daily liquidity strongly influences the sale of the component stocks of the Certificate, the issuer reserves the right to place sale orders over several days in order to prevent repercussions on the redemption price of the Certificate.

Issuer's right of termination

The issuer has the right to terminate all Tracker Certificates in circulation at any time, but no earlier than 9 months after the issue date. (Please note that if the total number of Certificates in circulation falls below 2,000, the Issuer will automatically undertake redemption of all Certificates.) The termination must be announced at least 1 month prior to the effective termination date. The redemption amount will be calculated on the effective termination date.

If during the product's lifetime the Certificate's price drops to 25% of its issue price or below, the Issuer may also immediately terminate the Tracker Certificates without prior notice. The effective termination date shall be announced as soon as possible.

Investor's right of termination

Investors may sell their Tracker Certificates on the secondary market. They also have the right to terminate any or all of the Certificates they hold provided that the Issuer has not already exercised its right of termination. The investor may do so once per quarter, on the last Tuesday of the quarter, but no earlier than 9 months after the issue date. The notice of termination must be sent to the calculation agent at least 1 month before the effective termination date, in line with the termination procedure set out below. The redemption amount will be calculated on the effective termination date.

Termination procedure for investors

For the investor's termination to be valid, the Issuer must not have already exercised its right of termination, and the termination notice must be received by the calculation agent at least 1 month before the effective termination date. This notice may be made via mail or email to the addresses provided under "Contact information: product redemption."

The investor's custodian bank must include the following information in its message to the calculation agent:

- name, address and clearing number
- the Certificate's security number
- the number of Tracker Certificates involved
- the effective termination date (must be at least one month after the notice is received by the Issuer)

The calculation agent will confirm the termination to the investor's custodian bank, specifying in particular the effective termination date.

## Secondary market, Listing and Clearing

Listing, market segment	Listing will be requested on the main market of the SIX Swiss Exchange and maintained until closing on the day before the final fixing period.
Secondary market	<p>On days that the SIX Swiss Exchange is open for trading, the Issuer will operate a daily secondary market between 9:15am and 5:15pm (Swiss time, CET). The bid-ask spread will not under any circumstances exceed 3% (and will usually be under 1%), and a minimum of USD 50,000 will be offered for sale and purchase.</p> <p>However, in the case of unusual market conditions or any other unforeseeable event (for example, if an exchange on which one of the stocks in the basket is listed suspends trading), the Issuer reserves the right to suspend quotations.</p> <p>Trading in the Certificate will be suspended during rebalancing for a maximum of one day (i.e. a banking day from 9:15am to 5:15pm, Swiss time).</p> <p>Prices are also available from Reuters BCVINDEX &lt;BCVDERIVATIVES&gt;, SIX Telekurs 38994664, BCV, Bloomberg, BCVS.</p>
Clearing Certification	<p>SIX SIS SA</p> <p>The security takes the form of a book-entry security registered in the SIX SIS SA clearing system. It is not certificated, and individual securities will therefore not be printed or delivered.</p>

## Taxation

Tax disclaimer	<p>This tax information provides only a general overview of possible tax consequences related to this product on its issue date. Tax laws and practices can change with retroactive effect.</p> <p>Investors should always consult their tax advisor for a specific evaluation of their profile before carrying out any transaction.</p>
Switzerland	<p>For individuals whose tax domicile is in Switzerland and who hold these investments as part of their private assets, any gains resulting from the sale of certificates are considered capital gains. Capital gains do not currently constitute taxable income.</p> <p>Reinvested dividends do constitute taxable income.</p> <p>The product is not subject to Swiss withholding tax, Swiss federal stamp duty or stamp duty at issue.</p>
US tax regulations	<p>Any income that is generated by this product and considered a “dividend equivalent payment” within the meaning of Section 871(m) of the US Internal Revenue Code may be subject to a withholding tax, pursuant in particular to the Qualified Intermediary (QI) Agreement and Foreign Account Tax Compliance Act (FATCA). BCV shall levy the tax in accordance with the terms of the legislation, and all payments arising from this product will then be made to investors net of the withheld amount. Neither BCV, nor a paying agent, nor any other third party shall be required to refund the amounts withheld on interest payments, redemptions, or any other payments arising from this product, as a result of applying Section 871(m) of the Internal Revenue Code. Investors will therefore generate less income than they would have generated without such a deduction.</p>

## Legal information

Applicable law and jurisdiction	<b>Lausanne, Swiss law</b>
Prospectus	<p>This document is not an issue prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations. Rather, it is a provisional simplified issue prospectus, within the meaning of Article 5 of the Swiss Collective Investment Schemes Act (LPCC). Only the listing prospectus, which is available from BCV in French, along with any other documents required by the Regulatory Board, shall prevail.</p>
Investment Manager	<p>The Investment Manager is not an agent, representative or associate of BCV, BCV is not an agent, representative, associate or guarantor of the Investment Manager, and BCV cannot be held liable to any third party on the basis of the Investment Manager's activities.</p>

## 2. PROFIT AND LOSS EXPECTATIONS

**Market forecast** This Certificate is designed to take advantage of a rise in the valuation of companies included in the basket.

**Potential profit** During the product's lifetime, holders of the Certificate can earn a profit if the product's market price is greater than its issue price. The potential return on the Certificate at the final fixing is comparable to the return on the underlying assets and directly depends on the quality of the investment decisions made by the Investment Manager.

**Potential loss** A loss may be realized if the product is sold during its lifetime or if it is redeemed at less than the issue price at the final fixing.

If underlying securities are not denominated in the Certificate's reference currency, and if the Investment Manager decides to not fully hedge the exchange-rate risk, an unfavorable movement in exchange rates may decrease the price of the Certificate.

The Investment Manager assumes full responsibility for selecting the initial composition of the basket and for the subsequent rebalancings. The Issuer is not in any way responsible for the impact that these choices may have on the value of the Certificate or any losses that may affect investors.

Scénarios

Basket performance in USD (net of product fees)	Redeemed amount per Certificate
25.00%	124.75
10.00%	109.78
0.00%	99.80
-5.00%	94.81
-10.00%	89.82
-25.00%	74.85

## 3. SIGNIFICANT RISKS INCURRED BY THE INVESTOR

**Risk tolerance** The risks are comparable to those of a direct investment in the underlying basket of stocks: price movements, holding-period risk, price volatility, etc.

The risks inherent in certain investments, particularly derivatives, may not be suitable for all Investors. Before conducting any transaction, investors should evaluate their risk profile and seek information from their advisor on inherent risks, and are urged to read the Swissbanking brochure "Special Risks in Stocks Trading."

Issuer risk: Investors are exposed to the risk of insolvency of the Issuer, which could lead to a partial or total loss of the invested capital.

Whether an investment product retains its value does not depend solely on the performance of the underlying asset(s) but also on the solvency of the Issuer, which may change during the product's lifetime.

The rating stated in this document for the Issuer was valid at the time of issuance and may change during the product's lifetime.

**Market liquidity** Under special market conditions, if the Issuer is unable to enter into hedging transactions, or if such transactions prove difficult, the spread between bid and ask prices may be temporarily expanded in order to limit the economic risk for the issuer.

**Market risk** Investors are exposed to the risks of non-convertibility, adjustment of the underlying securities, extraordinary market situations, and emergencies, such as the suspension of listing of the underlying, trading restrictions, and any other measures materially restricting the tradability of the underlying securities.

Investors are subject to the legal and contractual obligations of the markets on which the underlying is traded and on the markets that the Issuer designates or is subject to. Such market events could affect the dates and other terms and conditions contained in this document.

**Currency risk** Investors whose reference currency is not the base currency for the product should be aware of the exchange-rate risk.

**Adjustments** The Issuer reserves the right to adjust the composition of the Certificate in case of special events affecting one or more of the securities in the basket, including but not limited to a merger, acquisition or severe restriction on tradability. In the interests of investors, adjustments will be made in accordance with current market practices.

## Important information

General information	<p>Past performance does not guarantee present or future performance.</p> <p>This document is for information purposes only; it is not financial analysis within the meaning of the Swiss Bankers Association's "Directives on the Independence of Financial Research," nor is it an offer, invitation or personalized recommendation to buy or sell specific products.</p> <p>The Issuer is under no obligation to acquire the underlying securities.</p> <p>Any changes to the initial terms and conditions of the structured product that are unplanned or not agreed contractually will be published on the website <a href="http://www.bcv.ch/invest">www.bcv.ch/invest</a>.</p>
Subscription period	<p>During the subscription period, the terms and conditions are for information purposes only and may be changed; the issuer is under no obligation to issue this product.</p>
Conflict of interest	<p>BCV or an entity within BCV Group may pay or receive from third parties one-time or recurrent compensation relative to this issuance or product. The contents of this document may have been used for transactions by BCV Group prior to their publication. BCV Group may hold, acquire and/or dispose of interests or positions in the components of this product.</p>
Sales restrictions	<p>Distribution of this document and/or the sale of this product may be subject to restrictions (e.g., in the USA, UK, EU, Japan, or for US or Japanese persons) and are only authorized in accordance with applicable law.</p> <p>In the event of cross-border financial services, BCV confirms that it has conducted no cross-border legal analysis. The product distributor is responsible for complying with the legal provisions prevailing in the country in which the product is to be distributed.</p>
Publication date	<p>06 December 2017</p>

## Contact information

Sales team	Structured products sales team / BCV Asset Management & Trading Division
Telephone	021 212 42 00 Please note that phone calls to this number may be recorded. By calling us, you tacitly agree to this practice.
Fax	021 212 13 61
Website/email	<a href="http://www.bcv.ch/invest">www.bcv.ch/invest</a> / <a href="mailto:structures@bcv.ch">structures@bcv.ch</a>
Mailing address	BCV / 276 - 1598 / CP 300 / 1001 Lausanne / Switzerland

## Contact information: product redemption

Mailing address	BCV, Support Produits Structurés et Emissions, 283-1404, CP 300, 1001 Lausanne, Switzerland
Email	<a href="mailto:spf@bcv.ch">spf@bcv.ch</a>

## Basket composition

Information about the current composition (including its Components) is available from the Issuer upon request.