

INNOVATION IN PRACTICE

LEONTEQ “SMART DATA” AND AVALOQ COOPERATION

The launch of Leonteq’s “Smart Data” initiative and Avaloq cooperation within the White-labeling and Platform Development Division are the latest extensions of our business plan towards redefining the investment experience for end users.

With these initiatives we put our focus on increasing the productivity of our clients on both sides of their cost structure: at upstream levels for faster and more accurate investment design and execution and downstream levels for faster product set-up and trade matching within the investor portfolio as well as for an increase in risk transparency for portfolio reporting.

DIRECT BENEFITS FOR OUR CLIENTS AND PARTNERS THE “UPSTREAM” FEATURES

Efficiently finding the “right” product

With our tools and applications which we are going to release within the Smart Data initiative over time we plan to substantially reduce the time our clients spend on finding their “right” customized product within the sheer endless universe of combinations of underlyings and payoffs. Product selections and proposals are generated by our product engines based on direct input parameters of our client specifying his investment objective and historical behavioral pattern. The principle idea is derived from the fact that the human brain is not capable of assessing and capturing all possibilities and combinations of investments in an acceptable amount of time if even at all. Speeding up our clients research time while increasing the quality of their findings will lead to significant productivity gains for them. With the Smart Data initiative we help our clients to spend less time on what they do the most: identifying better investments.

Better portfolio diversification and improving the risk/return profile

Historically the average client focuses only on a very limited universe of underlyings leading to a sub-optimum portfolio allocation. The new tools will support and enable the client to look outside the box and broaden the universe of possibilities within his investment horizon and strategy.

Already available at Leonteq: The Underlying Optimizer

In September 2013 Leonteq deployed the Underlying Optimizer on its internal platform. Thanks to this tool, our client representatives can come up with the optimum basket of underlyings within a personalized universe (i.e. respecting the risk profile of the investor) for a given structure. The Underlying Optimizer demonstrates the power of Leonteq’s analytical capabilities: for instance Leonteq can optimize almost 3 billion combinations of underlyings in 2 minutes with this tool.

We frequently observe that the yield that clients can reach through this tool is around 50% higher than the yield or coupon level that the structure would have delivered on non-optimized baskets based on their customized and predefined underlying universe. For example, for a similar risk profile, you can get 10% coupon where your usual underlying combination brings 7%. The added value for our clients is clear: they get better value (more yield) for a given risk profile which is achieved through optimized underlying selection.



The Future: Understanding our clients thought process and objectives using Big Data technology

Nowadays close to 1 million different structures are created on our platform every year. Thanks to such a rich database of historical pricing and product requests, Leonteq is now in a position to identify trends within the investor crowd but also within a sub-group of peers, ultimately leading to better personalized investment proposals for our clients. Leonteq can observe live the most popular sectors and underlyings, the average risk profile of its clients as well as the evolution over time of such parameters. They can subsequently be plotted against market conditions, the macro-economic situation and other factors.

By combining its optimization and trend analysis capacities Leonteq will offer unique services to its clients: the client will only have to design an investment universe by using selection criteria like sector, region, implied volatilities, etc and the Leonteq platform will instantly deliver an optimized basket of underlyings for an optimized structure.

The client gets proactive product suggestions based on their investment profile and see the average investor profile.

THE "DOWNSTREAM" FEATURES

Efficient processing

Leonteq is well known for its integrated white-labeling platform, covering the full value chain of investment products providing services in the areas of sales, structuring, trading, documentation, risk and financial and regulatory as well as management reporting, operations and others.

This unique know-how, built up and tested in different partnerships, showed us the critical importance of taking care of all aspects of the investment product creation, including the downstream part of the value chain. By downstream, we refer to all functions related to trade processing such as booking, product creation within a system and risk reflection within the clients' portfolio.

Leonteq's focus on automating the after-trade cycle for the benefit of its clients is supported by its strategic partnership with Avaloq, a leading provider in the field of core banking solutions. In practice this will become visible through increased automation in the areas of trade entry, product set-up and position reporting, ultimately leading to reducing the time clients require to monitor their positions in the portfolio. This focus on downstream features targets more productivity for our clients but also more transparency and visibility when it comes to their risk management. For Leonteq it yields benefits through cost savings on the operational side achieved due to increasing automation levels. This will help Leonteq to maintain its competitive edge in that area.

Improved portfolio reporting

Finally Leonteq's analytical solutions will facilitate the risk decomposition of structured investment products, removing the perceived complexity of structured investments: our analytical solutions will open this box, puts them into the portfolio context and make them more easy to understand.

Whitelabeling strengthening

Thanks to the investments described above, the Leonteq white-labeling and platform offering will be further strengthened. It is critical to master the structured investment product value chain from A to Z inhouse, which is why Leonteq invests in all elements of it. Better upstream and downstream services will enhance the service offering that we can provide to our existing partners and will boost the attraction as well as implementation of new white-labeling partners in the future. New technological developments will allow us to offer our platform by sub-components, i.e. Leonteq will offer even more service modularity to its clients.

FITTING LEONTEQ'S CORE STRATEGY

Offering service and transparency has been at the core of Leonteq for seven years, it is our reason-to-be. The success story of the company is based on these fundamentals.

Leonteq's "Smart Data" initiative and the Avaloq cooperation are the latest developments of our consistent strategy, providing immediate client value. The described capabilities and tools should facilitate the attraction of new clients and more activity of existing clients. We can create a not-easily replicable service level targeted at increasing platform activity and volume, improved margin levels, retaining clients, saving costs on the operating side as well as attracting new white-labeling partners. Ultimately Leonteq invests in its own future growth.

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