

# ZKB Silver ETF

Simplified sales prospectus of  
October 2009 based on the  
prospectus of October 2009.

Investment fund under Swiss law  
("Other funds for traditional  
investments" category)

**Fund management company**  
Balfidor Fondsleitung AG, Basel

**Custodian bank**  
Zürcher Kantonalbank, Zurich



# I. Investment information

The fund contract for ZKB Silver ETF was drawn up by Swisscanto Funds Management Ltd., Berne, as the fund management company, and Zürcher Kantonalbank, Zurich, as the custodian bank, and was originally approved by the Swiss Financial Market Supervisory Authority on March 29, 2007. Balfidor Fondsleitung AG, Basel, is now the fund management company.

This simplified sales prospectus contains a summary of the key information concerning **ZKB Silver ETF**, an investment fund under Swiss law in the "Other funds for traditional investments" category. The legal and financial aspects are governed conclusively by the full sales prospectus with integrated fund contract. These govern, among other things, the rights of the investors, the duties and obligations of the fund management company and the custodian bank, and the investment policy of the fund. The investor is advised to consult the full sales prospectus with integrated fund contract. The annual and semi-annual reports provide information on the assets and income statement. These documents may be obtained free of charge from the fund management company, the custodian bank, and all distributors.

## Investment objective

The fund's investment objective is primarily to reflect the long-term performance of silver, after deducting the fees and incidental costs charged to the fund's assets. An investment in fund units is intended to offer an efficient alternative to a direct investment in physical silver.

For this purpose, the fund invests exclusively in physical silver in marketable form. The silver is held in the form of uncoined bars, each with a standard weight of 30 kg and purity of 999/1000. The market price is based on the purity multiplied by the weight.

## Investment strategy (investment policy)

This fund is not actively managed. No trades are conducted on the asset side in order to increase the value of the fund's units or offset any losses that have arisen due to changes in the value of the fund's investments.

The fund does not engage in short-selling, nor does it invest in derivatives. There is no leveraging of the fund's assets for investment purposes.

The fund management company may also hold liquid assets in Swiss francs, US dollars, euros, and pounds sterling. Liquid assets comprise bank credit balances at sight and on demand with maturities of up to twelve months.

The fund is fully invested in principle. Liquid funds are held only in an amount needed to cover anticipated expenses and redemptions as well as the fund's current liabilities.

The fund management company may reclaim the value added tax incurred on the purchase of precious metals. During the period between payment of value added tax on the purchase price and receipt of the tax rebate, the amount required to maintain the investment ratio is covered by borrowing.

The fund management company may therefore borrow the equivalent of up to 10% of the fund's net assets on a temporary basis. This borrowing is used to offset outstanding claims for a refund of value added tax deducted in the form of input tax. The fund management company bears the cost of borrowing, which will be deducted from the management fee.

Investments in physical silver are held exclusively in safekeeping with the custodian bank or its representatives in Switzerland. Liquid assets are held with banks in Switzerland.

## Risk profile of the fund

The full prospectus contains more detailed information on the specific risks involved.

The fund invests exclusively in physical silver; there are no other investments. There is no risk diversification such as that offered by securities funds. The value of the fund's units therefore depends solely on the value of silver, the price of which fluctuates and is difficult to predict. This harbors the risk of losses, regardless of whether investments in the fund are short, medium, or long term. Due to the lack of risk diversification, the fund is only suitable for the investment of a limited portion of an investor's assets.

Silver is produced mainly in emerging market countries. The political, legal, and economic situation in such countries may be subject to rapid, unpredictable changes. Various developments may adversely affect the value of silver, namely import and export restrictions, civil unrest, international sanctions, etc.

The fund is managed on a passive basis. Losses in value that could be avoided through active management (selling silver and increasing liquidity when prices are expected to fall) are not offset.

The quantity of physical silver held per unit by the fund will decline steadily over time. Silver does not yield any returns that can be used to cover fees and incidental expenses.

The reference currencies of the unit classes are the Swiss franc, the US dollar, and the euro. The unit of account is the Swiss franc. The international silver markets are currently quoted largely in US dollars. Silver does not have a nominal currency, however, and liquid assets and claims will not typically assume considerable proportions. No hedging of silver investments, or liquid assets and claims, is performed against the reference currency of the unit classes. Currency hedging would normally be associated with considerable costs over time.

#### **Fund performance**

Trading in the fund units via the SIX Swiss Exchange commenced on May 10, 2007 in the case of the current "A (CHF)" class, and on January 16, 2009 in the case of the "A (USD)" and "A (EUR)" classes. It is conducted exclusively in the reference currency of the unit class. Past performance is no guide to the future performance of the fund. The performance of this fund is essentially dependent on the price of silver. The performance is disclosed in the second financial year in the updated simplified prospectus.

#### **Profile of the typical investor**

The fund is suitable for medium to long-term investors who have a degree of risk tolerance and who for diversification purposes wish to invest a portion of their assets indirectly in the precious metal silver with a view to preserving the value of their capital, protecting themselves against inflation, and achieving long-term capital gains.

#### **Distribution policy**

Any net income of the fund will be distributed to investors annually, in December, in Swiss francs. Owing to the fact that the fund's silver investments do not produce any income and liquid assets are held only to a limited degree, distributions should not normally be expected.

#### **Unit classes**

The fund currently has the following three classes of units, any income from which is distributed. These unit classes are open to the public at large.

- "A (CHF)" class: This class is denominated in its reference currency of the Swiss franc. The Swiss franc is also the fund's unit of account.
- "A (USD)" class: This class is denominated in its reference currency of the US dollar (USD).
- "A (EUR)" class: This class is denominated in its reference currency of the euro (EUR).

The unit classes do not constitute segregated pools of assets. Although costs are in principle charged only to the unit class for which the service in question was rendered, the possibility of a unit class being held liable for the liabilities of another unit class cannot therefore be ruled out. As no currency hedging is undertaken, however, there are no significant class-specific liabilities.

The currency featuring in the name of the three unit classes is the currency in which the net asset value is expressed, but not the currency in which the investments are denominated. Silver does not have a nominal currency.

The minimum investment required for units of all classes is one unit.

The unitholders may at any time request the exchange of their units for those of another unit class on the basis of the net asset value of the two unit classes concerned.

The fund's unit of account is the Swiss franc.

## II. Financial information

### Fees and incidental costs

#### Fees and incidental costs charged directly to investors on purchase and redemption

Issuing commission for all unit classes, currently a maximum of	3.0%
Maximum redemption commission for all unit classes	1.0%
Commission for distribution of liquidation proceeds (on gross distribution) of all unit classes	0.5%
Maximum commission for the delivery of physical silver in relation to payments in kind	**0.2%

#### Fees and incidental costs charged to the fund's assets on an ongoing basis

Maximum annual all-in management fee for all unit classes	***0.70%
Total expense ratio (TER) excluding securities transaction costs	*
Portfolio turnover rate (PTR) based on EU criteria	*not disclosed

\* The coefficient of the total costs charged to the fund's assets on an ongoing basis (TER) is disclosed in the second financial year, in the updated prospectus and simplified prospectus. Since there is no active trading in silver and changes to the portfolio essentially reflect net issues and redemptions, calculation of the portfolio turnover rate (PTR) is waived as it is not meaningful.

\*\* Plus value added tax (currently 7.6%) on the market value of the silver purchased and the delivery costs.

\*\*\* The all-in management fee may be used in full or in part for trailer fees and/or reimbursements to certain categories of investor.

### Fee splitting agreements and pecuniary benefits (soft commissions)

There are no fee-splitting agreements.

The fund management company has not concluded any agreements in respect of "soft commissions".

### Tax information (fund)

The fund is subject to Swiss law. Accordingly, the fund is not in principle subject to tax on income or capital in Switzerland.

The Swiss federal withholding tax deducted from the fund's domestic income is reclaimed in full for the fund by the fund management company.

### Tax information (investors resident for tax purposes in Switzerland)

Any distributions of income made by the fund to investors domiciled in Switzerland are subject to Swiss federal withholding tax (source tax) at 35%. Any capital gains paid on a separate coupon are not subject to withholding tax. Investors domiciled in Switzerland may reclaim the deducted withholding tax via their tax returns or by submitting a separate refund application.

### Tax information (investors resident for tax purposes outside Switzerland)

Any distributions of income made by the fund to investors domiciled abroad are subject to Swiss federal withholding tax (source tax) at 35%. Any capital gains paid on a separate coupon are not subject to withholding tax.

Investors domiciled abroad may reclaim source taxes where there are double taxation agreements with Switzerland.

The income distributed and/or the interest realized on the sale or redemption of units is not subject in Switzerland to EU savings tax. The "EU savings tax" referred to here is described in detail in the prospectus.

The other tax implications for investors who hold, buy or sell fund units are defined by the tax laws and regulations in the investor's country of domicile. It is recommended that investors consult a qualified advisor.

### III. Information concerning trading

#### **Listing on the SIX Swiss Exchange**

The fund units are listed on the collective investment schemes segment of the SIX Swiss Exchange.

The listing of the units is aimed at providing investors with an additional opportunity for the direct subscription/redemption of units from/by the fund management company or its distributors, and to facilitate the purchase and sale of the units on a liquid, regulated secondary market, i.e. via the stock exchange.

The fund management company has appointed Zürcher Kantonalbank, Zurich, as market-maker for trading in the units on the SIX Swiss Exchange: a market-maker is responsible for maintaining a market for the traded fund units and, in this connection, for entering bid and ask prices for all unit classes of the fund in the trading system of the SIX Swiss Exchange. The market-maker is obliged to maintain a market for the traded fund units within a certain framework and under normal market conditions and, in this connection, to enter bid and ask prices for fund units in the SIX trading system. The SIX stipulates a maximum spread between bid and ask prices of 2% and a minimum amount of EUR 50,000 or its equivalent if the underlying, i.e. silver, is also tradable during the trading hours of the ETF. In all other cases, the spread is 3%. As silver is generally traded on a round-the-clock basis, the maximum spread is usually 2%. The 2% spread is divided into +1% on the buy side and -1% side on the sell side.

#### **Publication of prices**

The net asset value per unit of all classes is published daily on the electronic platform of [www.fundinfo.com](http://www.fundinfo.com). Prices are also published on the SIX Swiss Exchange at [www.six-swiss-exchange.com](http://www.six-swiss-exchange.com) and at [www.zkb.ch](http://www.zkb.ch).

Official notices to investors shall be published in the "Swiss Commercial Gazette" (Schweizerisches Handelsamtsblatt [SHAB]) and on the electronic platform of [www.fundinfo.com](http://www.fundinfo.com).

#### **Manner in which units may be purchased and redeemed**

Units of all classes are issued and redeemed on each bank working day in Zurich.

Subscription and redemption orders received by the custodian bank by 5 p.m. at the latest on a given bank working day (order day) will be settled on the next bank working day (valuation day) on the basis of the net asset value calculated on that day. The net asset value taken as the basis for the settlement of the order is not known when the order is placed (forward pricing). It is calculated on the valuation day on the basis of the closing prices on the order day (based on closing prices on the New York exchange according to Bloomberg Silv Comdty HP). Orders received by the custodian bank after 5 p.m. will be dealt with on the following order day.

Settlement is two bank business days following the valuation day.

The net asset value of a unit of a given class is determined by the proportion of the market value of those fund assets attributable to that unit class, minus any of the fund's liabilities that are attributed to that unit class, divided by the number of units of that class in circulation. It is rounded to 1/100 of the relevant reference currency.

The issue price of the units of a particular class corresponds to the net asset value per unit of this class calculated on the valuation day, plus an issuing commission which is currently a maximum of 3%. It is expressed in the reference currency.

The redemption price of the units of a particular class corresponds to the net asset value per unit of this class calculated in the reference currency on the valuation day, minus a redemption commission which is currently a maximum of 1% and is payable to the fund management company.

Alternatively, the listing of the units provides an opportunity to buy and sell on the stock exchange. Investors need only bear the customary stock exchange fees and stamp duty for such transactions. Such transactions in fund units correspond largely to the purchase or sale of equities on the SIX Swiss Exchange. The purchase or sale of units occurs at current stock exchange prices in the reference currency of the relevant unit class.

Incidental costs incurred by the fund on the purchase and sale of investments (including any associated taxes and duties) in connection with the amount paid in, or in connection with the sale of a redeemed portion of investments corresponding to the unit, will be debited to the fund's assets. Value added tax, currently at a rate of 7.6%, is payable by the fund on purchases of silver. However, the value added tax is reclaimed in full by the fund management company on behalf of the fund (refund of input tax). The period between the charge and the refund is covered by borrowing.

## IV. Payment in kind

In the event of termination, investors of all unit classes have the right to request payment of the redemption proceeds in silver rather than cash (payment in kind) provided there are no monetary policy or other official measures that may prohibit the delivery of physical silver or hinder it in such a way that the custodian bank cannot reasonably be expected to make a payment in kind.

The right to payment in kind is limited to the standard 30 kg bar with commonly traded purity of 999/1000. Other commonly traded units will be supplied only on request; where such units are available, fabrication surcharges and other costs (minting, delivery, insurance, penalties for differences in purity, etc.) prevailing at the time of delivery will be charged to the investor and customary delivery times shall apply. The custodian bank is not obliged to comply with such a request. The fund management company shall decide the allocation within the purity range of the standard unit, which is reflected in a marginal price differential. Fractional entitlements are settled in cash. The difference is calculated on the basis of the product's weight and purity. Sums that are deducted from the gross distribution to cover taxes, costs and commissions are treated as cash payments.

Requests for payment in kind must be submitted to the custodian bank together with the redemption order. The silver will be delivered to the registered office of the custodian bank in 30 kg bars with the commonly traded purity of 999/1000 within a period of no more than 10 bank working days (see section V below). Transfer of ownership in this case occurs at the time of delivery to the registered office of the custodian bank. Upon delivery of the physical silver, the commission specified in II will be charged. Delivery times for other commonly traded units will be arranged on a case-by-case basis. This can be up to 30 bank working days.

The full prospectus contains information about deliveries of silver to another location in Switzerland.

**Upon delivery, investors will be charged the value added tax (currently 7.6%) on the market value of the silver purchased; the cost of physical delivery in Switzerland is also subject to value added tax.** No deliveries are made abroad.

The right to payment in kind also applies in the event of the fund's liquidation. However, the investor's right to payment in kind is limited to the fund's silver holdings. The full prospectus contains further information.

## V. Brief profile of the fund

<b>Launch date</b>	March 29, 2007	
<b>Financial year</b>	October 1 – September 30, first financial year to September 30. 2008	
<b>Valorennummer</b>	"A (CHF)" class	2'979'271
	"A (USD)" class	4'753'357
	"A (EUR)" class	4'753'355
<b>ISIN</b>	"A (CHF)" class	CH0029792717
	"A (USD)" class	CH0047533572
	"A (EUR)" class	CH0047533556
<b>Life (of the fund)</b>	Unlimited	
<b>Listing</b>	Collective investment schemes segment of the SIX Swiss Exchange	
<b>Promoter</b>	Zürcher Kantonalbank Bahnhofstrasse 9, CH-8010 Zurich	
<b>Fund management company</b>	Balfidor Fondsleitung AG Peter Merian-Strasse 47, CH-4002 Basel	
<b>Investment manager</b>	Zürcher Kantonalbank Bahnhofstrasse 9, CH-8010 Zurich	
<b>Custodian bank</b>	Zürcher Kantonalbank Bahnhofstrasse 9, CH-8010 Zurich	
<b>Auditors</b>	Ernst & Young Ltd., Zurich	
<b>Supervisory authority</b>	Swiss Financial Market Authority, Berne	
<b>Contact</b>	Zürcher Kantonalbank Bahnhofstrasse 9, CH-8010 Zurich	

Basel, October 2009

Fund management company  
**Balfidor Fondsleitung AG**

Zurich, October 2009

Custodian bank  
**Zürcher Kantonalbank**