

# Trailer fees and other cash benefits due to ZKB

In September 2008 the Swiss Financial Market Supervisory Authority (FINMA) published a report on distribution compensation, especially as paid to banks. Zürcher Kantonalbank (ZKB) welcomes the greater transparency towards end clients that the report proposes with regard to distribution compensation. ZKB had already updated its website with information for clients on this subject in the spring of 2008 and is notifying its clients again as follows when mailing this year's safekeeping account statements:

ZKB offers its clients a wide variety of investment funds and structured products provided both by itself and by third parties. For this distribution activity and the services associated with it ZKB is paid distribution compensation by the product providers.

For investment funds, this distribution compensation (referred to as "trailer fees") is part of the management fee disclosed in the fund regulations.

For structured products, trailer fees commonly take the form of a rebate on the issue price, reimbursement of part of the issue price or other structuring fees.

Trailer fees are governed by special agreements with the product providers – irrespective of the business relationship with the Bank's client – and only ZKB is entitled to it, as compensation for its distribution expenses.

You will see from the following table the bands within which ZKB is paid trailer fees:

<b>Product class</b>	<b>Product category</b>	<b>Compensation band as a % of the investment volume on an annual basis</b>
Investment funds	Money market funds	0–0.7%
	Bond funds	0–1.5%
	Real estate funds	0–1.5%
	Other investment funds (e.g. equity funds, asset allocation funds, alternative investment funds, hedge funds, private equity funds, funds of funds)	0–2.0%
Structured products	Cash investments	0–1.5%
	Bond investments	0–1.5%
	Mixed investments	0–1.5%
	Alternative investments	0–2.0%
	Equity investments	0–2.5%

In the case of the Bank's own investment funds, in addition to the distribution activities for which it is paid compensation in accordance with the above-mentioned bands, ZKB carries out other functions, including in particular acting as custodian bank. This means that, with these investment funds, almost all of the management fee disclosed in the fund regulations remains with ZKB.

ZKB is also paid the above-mentioned trailer fees when the client awards it an asset management mandate in the execution of which the Bank manages investments in direct investments, investment funds and/or structured products – depending on the product line selected – or, in the case of fund mandates, investments in investment funds.

For asset management mandates the total trailer fees amount to 0–1.0% (e.g. Asset Management Premium or Sustainable).

The trailer fees that ZKB are paid are governed by the asset management contract in accordance with the agreed schedule of charges and fees.