THE WALL STREET JOURNAL.

https://www.wsj.com/articles/swiss-etfs-remain-a-refuge-11581303661

SPOTLIGHT

Swiss ETFs Remain a Refuge

Funds focused on Swiss equities have had a good year, helped by their status as a haven

The largest Swiss-stock ETF posted a total return of 31.6% in 2019 and is up almost 3% so far in 2020.

PHOTO: STEFAN WERMUTH/BLOOMBERG NEWS

By Tanzeel Akhtar

Updated Feb. 9, 2020 10:01 pm ET

Investors consider Switzerland to be a relatively safe, steady and stable economy, and analysts expect exchange-traded funds exposed to Swiss equities to continue to shine in 2020 as a result.

iShares MSCI Switzerland ETF (EWL), the largest and most liquid U.S. ETF with dedicated exposure to Switzerland, posted a 31.6% return in 2019 and is up almost 3% this year, according to data from fund researcher Morningstar. With its low volatility amid global market uncertainty, the fund earns a top overall rating from CFRA, says Todd Rosenbluth, director of ETF and mutual-fund research at the New York-based research firm.

"We think investors can augment their international equity portfolios with single country exposure and believe EWL is a great way to get large-cap defensive equity exposure," he says, adding that the fund outperformed the broader European equity market in 2019.

The $1.2 billion fund is concentrated in three main sectors—consumer staples, financials and health care—which represent 75% of the fund's assets, says Mr. Rosenbluth. Blue-chip multinationals Nestlé SA, Novartis AG and Roche Holding AG each account for 10% or more of the fund's assets.

Indeed, any investor considering stocking up on Swiss equities should note that Swiss benchmarks are often concentrated in just a handful of names, says Luke Oliver, head of index investing at DWS, Deutsche Bank AG's asset-management unit, based in New York. In the case of Switzerland's blue-chip stock-market index, those three names are Nestlé, Novartis and Roche.

Other options for fund investors interested in the Swiss market include the $15.2 billion Vanguard FTSE Europe ETF (VGK), which has heavy exposure to Switzerland at 14% of assets; the $150 million First Trust Switzerland AlphaDEX (FSZ), a costlier, more fundamentally focused ETF; and the $34.2 million Franklin FTSE Switzerland (FLSW). These funds posted gains of 24.9%, 25.9% and 31.7% in 2019, respectively, according to Morningstar.

Clémence Dachicourt, portfolio manager at Morningstar Investment Management, says Swiss equities performed particularly well in 2019 because they benefited both from their safe-haven status and Switzerland's political stability amid trade-war and Brexit concerns.

U.S. investors also benefited from a 1.8% appreciation of the Swiss franc against the U.S. dollar, she says.

Ms. Akhtar is a writer in London. She can be reached at reports@wsj.com.