

The weight of pharmaceuticals in the Swiss indices

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The size of Roche and Novartis has consequences that reach far beyond Basel. Together with Nestlé, the two companies have for many years accounted for a large part of the market capitalisation of the Swiss equity market. In the Swiss Market Index, which comprises the twenty largest and most liquid Swiss shares, the three companies at times represented more than half of the index weight. A Swiss investor who buys the market therefore buys a portfolio that is heavily concentrated in pharmaceuticals and food, which carries a different risk profile from the broad indices of other countries.¹

To address this concentration, SIX introduced a capped version of the index and later applied a cap of 18 per cent to individual constituents of the SMI, with excess weight redistributed among the other constituents. The Swiss Leader Index and other capped indices serve similar purposes. These rules were designed in part to make the indices compatible with the diversification requirements of European investment fund law, which limits the weight of single issuers in a fund. Exchange-traded funds and index funds that track the SMI therefore hold Roche and Novartis at a lower weight than their full market capitalisation would imply.²

For Swiss pension funds, the weight of the two groups is a central fact of asset allocation. The Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2) sets limits on the share of total assets that may be invested in a single company, and most pension funds diversify their Swiss equity holdings across a benchmark in which Roche and Novartis are prominent. The performance of the two companies therefore has a measurable effect on the funding ratios of Swiss pension funds and, through them, on the retirement savings of a large part of the Swiss population. A Basel company thus becomes, through the equity market, a component of the national pension system.³

1 Notes

1. On the composition and weights of the Swiss Market Index (SMI) and of the Swiss Performance Index (SPI), including the weights of Nestlé, Novartis and Roche, see the index factsheets of SIX Swiss Exchange. Weights vary over time and are to be verified. ↩
2. On the introduction of capping rules for the SMI (18 per cent cap per constituent) and on the Swiss Leader Index (SLI), see the index rules and announcements of SIX Swiss Exchange. Date of introduction to be verified. ↩
3. On the investment limits under Articles 54 and 55 of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2), including the limit on investments in a single company, see the ordinance in its current version. On pension funds more generally, see Part I. To be verified. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/basel-the-weight-of-pharmaceuticals-in-the-swiss-indices