

# MAP FUND MANAGEMENT

## SUSTAINABLE GLOBAL BONDS (CHF) - I

As at end of July 2016

### Investment profile

**Asset class** : global bonds  
**BM** : 60% Citi WorldBIG TR, 40% SBI TR - currency: 95% CHF  
**Reference currency** : CHF  
**Minimum credit rating** : «Investment Grade» (BBB-)  
**Investment style** : long-only, active, fundamental  
**Type of investment** : sustainable, integrating ESG criteria  
**Number of holdings** : 74 securities  
**Approach** : top down and bottom up  
**Duration** : min. 2 Y – max. 8 Y  
**Foreign currency** : min. 0% - max. 20%  
**NAV 07.31.2016** : CHF 101.73  
**ISIN / Telekurs** : class S : LU1121107046 / 25648371  
 class I : LU1121107129 / 25648374  
**Subscription / Redemption** : D+3 / D+5  
**Minimum investment** : CHF 10'000 (S) / CHF 100'000 (I)  
**Dividend distribution** : re-invested  
**Share classes** : S, Z, I  
**Management fees / TER (p.a.)** : S 0.9% ; 1.1% — I 0.5% ; 0.7%  
**Domicile** : Luxembourg  
**Registration** : Switzerland, Luxembourg, France  
**Representative / Correspondent** : Carnegie Fund Services / BNP Paribas  
**Legal form** : SICAV - UCITS - open fund  
**Manager** : 1875 FINANCE, Switzerland - FINMA regulated  
**Custodian bank** : Pictet & Cie (Europe) S.A.  
**Administrator and transfer agent** : FundPartner Solutions (Europe) S.A.  
**Auditor** : Ernst & Young, Luxembourg  
**Inception date** : December 15, 2014

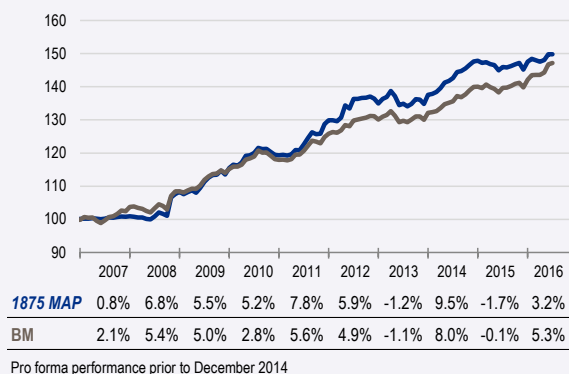
### Benchmark and tactical asset allocation

Markets	BM	Margins		1875 MAP	
		Min.	Max.	Aug.16	Jul.16
Short term	0%	0%	70%	10%	6%
CHF	40%	10%	60%	35%	35%
Duration CHF	7	2	8	5	5
USD	29%	15%	50%	27%	28%
Duration USD	6	2	8	4	5
EUR	18%	5%	40%	16%	17%
Duration EUR	7	2	8	5	6
GBP	3%	0%	10%	2%	2%
Duration GBP	10	2	10	6	7
JPY	8%	0%	20%	6%	6%
Duration JPY	10	2	10	6	6
Miscellaneous	2%	0%	5%	5%	6%
Duration Miscell.	6	2	8	6	6

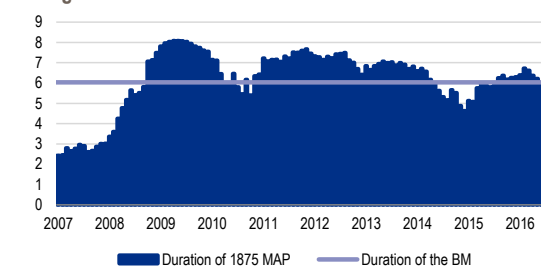
Currency <sup>1</sup>	BM	Margins		1875 MAP	
		Min.	Max.	Aug.16	Jul.16
CHF	95%	80%	100%	92%	94%
Foreign	5%	0%	20%	8%	6%

<sup>1</sup> after hedge

### Performance



### Average duration



### Statistics

	1875 MAP	BM
Pro forma annual performance 2007-2014 *	4.99%	4.05%
<b>Annual performance since inception</b>	<b>1.15%</b>	<b>3.50%</b>
<b>YTD Performance</b>	<b>3.17%</b>	<b>5.26%</b>
<b>MTD Performance</b>	<b>0.00%</b>	<b>0.29%</b>
Maximum monthly drawdown*	-2.01%	-1.48%
Volatility*	3.25%	2.70%
Tracking-error*	1.40%	-
Sharpe ratio* <sup>1</sup>	1.49	1.38
Sortino ratio* <sup>1</sup>	3.54	2.83

<sup>1</sup> average risk-free rate (%): 0.48

\* pro forma performance

### Investment strategy

Generate regular income while giving special attention to capital preservation in periods of rising yields and appreciation of the Swiss franc.

### Investment philosophy and process

Provide sustainable asset management, generating superior performances versus the Swiss bond market through increased international diversification, without increasing risks thanks to dynamic risk management of interest rates, issuer categories and currencies. This dynamic risk management is provided by a multifactorial model (1875 MAP).

## Investment policy

In July, the government bond markets of advanced (0.34%) and emerging (1.2%) nations appreciated slightly as a result of the increased economic uncertainty caused by BREXIT. Within developed economies, GBP-denominated assets (2.6%) once more progressed the most, supported by the increased economic risks generated by the UK's departure from the European Union. The EUR bonds issued by peripheral countries such as Spain (1.6%) also rose, fostered by lower spreads. In contrast, we note the slowdown of investments in JPY (1.2%) and in Switzerland (-0.2%), which were affected by the decreased risk aversion among investors. In terms of credit, we note the significant decline in risk premiums triggered by the strong rebound in banking stocks, and the consolidation of the high-yield bond segment. During the period under review, the environment in the foreign exchange markets was characterized by dispersed currency movements. The US dollar strengthened against the EUR (0.7%). It fell 1.8% against the Australian dollar, in conjunction with the rise in base metals, but regained 0.7% against its Canadian counterpart after the drop in oil prices. The greenback rose broadly against emerging currencies. In Europe, the pound continued its downward trend (-1%) and the Swiss franc moved sideways.

During the period under review, the fund progressed laterally (0.0%), while its benchmark appreciated by 0.29%. This slight underperformance is mainly due to corporate bonds underweight.

After their recent increase, bonds are burdened with an excessive valuation. They will gradually be affected by rising expectations of inflation and must therefore be reduced and rendered less sensitive to interest rates. In conditions of reduced market liquidity, the gradually more limited expansion of monetary policies will result in an increased volatility of returns and an irredeemably systematic selling off of positions. Since the asset valuation of banks and insurance companies is based mostly on Value at Risk (VaR), they will progressively have to face up to forced sales. Following their sharp rise, investments indexed to inflation (TIPS) are once again penalized by their particularly low level of real yield and should temporarily not be favoured over fixed-rate investments. Yen TIPS are the exception, following their recent successive falls, and are attractive. In this context, we therefore recommend a decrease in exposure and to underweight them. In terms of debtor categories, we recommend a decrease in the underexposure to USD-denominated corporate bonds at the expense of their government counterparts, in consideration of the lower-than-expected deterioration in earnings prospects in the US. European corporate bonds are kept selectively overweight compared to public issuers because of their low debt ratio.

In terms of currency diversification, exposure on USD has been reduced to be underweight. GBP remains slightly underweight, exposure on EUR increased to be more overweight than its benchmark.

## Investment objectives

**Financial** : outperform the benchmark over 2 years to provide excess return and yield complementary to the Swiss Bond Index (SBI).

**Economic** : optimally allocate capital by integrating ESG criteria for the selection of issuers.

## Risk profile

Steady and asymmetrical distribution of returns through reduced market exposures during high-risk periods.

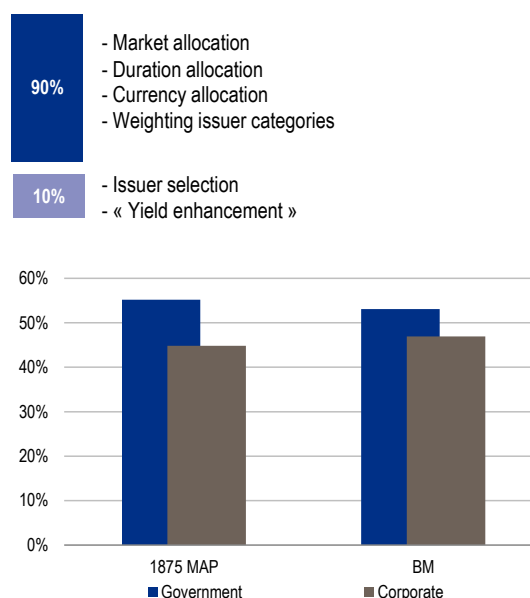


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## Sources of return (in order of importance)



## Glossary

1875 MAP	Market Allocation Process: tactical allocation defined by the 1875 FINANCE process
APT	Portfolio optimization and risk measurement software developed by Sungard
SAA	Strategic Asset Allocation
Citigroup WorldBIG	Citigroup World Broad Investment Grade Bond index
PRI	Principles for Responsible Investments
SBI	Swiss Bond Index

## About 1875 FINANCE

1875 FINANCE is positioned as both an innovative company and a guardian of the Geneva financial tradition, building its difference on three business lines, Institutional Asset Management, Private Banking and Multi-Family Office. As a PRI signatory, 1875 FINANCE provides effective sustainable asset management integrating Environmental, Social and Governance (ESG) criteria for all asset classes. Using a unique proprietary model, 1875 MAP, dedicated to dynamic tactical allocation management, and relying for the selection of securities on the analysis of partners, who are pioneers and key players in sustainable investing, 1875 FINANCE offers pension funds both balanced management and overlay services, but also global equity and global bond mandates.



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