

# MAP FUND MANAGEMENT

## SUSTAINABLE GLOBAL BONDS (CHF)

As at end of October 2015

### Investment profile

**Assets 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** : 78 securities

**Approach** : top down and bottom up

**Duration** : min. 2 Y – max. 8 Y

**Foreign currency** : min. 0% - max. 20%

**NAV 10.31.2015** : CHF 99.66

**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** : capitalization

**Classes** : S, Z, I

**Management fees / TER (p.a.)** : S: 0.8% / 1.0%; I: 0.4% / 0.6%

**Domicile** : Luxembourg

**Registration** : Switzerland, Luxembourg, France

**Representative / Correspondent** : Carnegie Fund Services / BNP Paribas

**Legal form** : SICAV - UCITS - open fund

**Initiator and 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

**Date of inception** : December 15, 2014

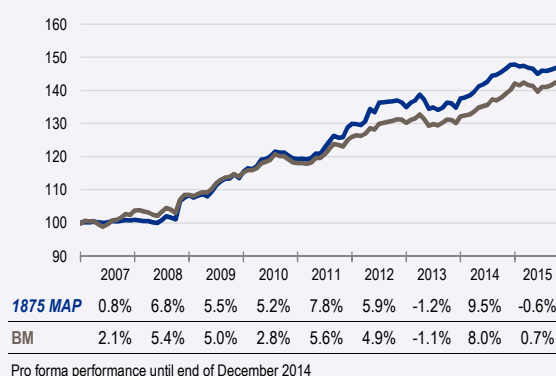
### Benchmark and tactical asset allocation

| Markets           | BM  | Margins |      | 1875 MAP |        |
|-------------------|-----|---------|------|----------|--------|
|                   |     | Min.    | Max. | Nov.15   | Oct.15 |
| Short term        | 0%  | 0%      | 70%  | 0%       | 0%     |
| CHF               | 40% | 10%     | 60%  | 43%      | 45%    |
| Duration CHF      | 6   | 2       | 8    | 7        | 7      |
| USD               | 26% | 15%     | 50%  | 29%      | 28%    |
| Duration USD      | 5   | 2       | 8    | 6        | 5      |
| EUR               | 20% | 5%      | 40%  | 15%      | 15%    |
| Duration EUR      | 6   | 2       | 8    | 5        | 4      |
| GBP               | 3%  | 0%      | 10%  | 4%       | 4%     |
| Duration GBP      | 9   | 2       | 10   | 10       | 10     |
| JPY               | 9%  | 0%      | 20%  | 3%       | 3%     |
| Duration JPY      | 9   | 2       | 10   | 4        | 4      |
| Miscellaneous     | 2%  | 0%      | 20%  | 6%       | 5%     |
| Duration Miscell. | 6   | 2       | 8    | 7        | 7      |

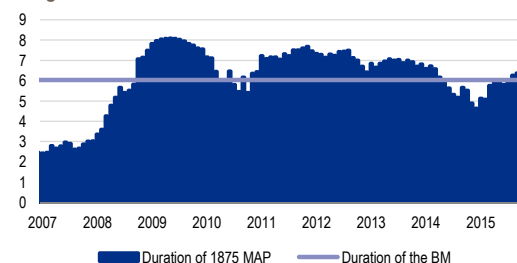
| Currency <sup>1</sup> | BM  | Margins |      | 1875 MAP |        |
|-----------------------|-----|---------|------|----------|--------|
|                       |     | Min.    | Max. | Nov.15   | Oct.15 |
| CHF                   | 95% | 80%     | 100% | 96%      | 98%    |
| Foreign               | 5%  | 0%      | 20%  | 4%       | 2%     |

<sup>1</sup> after hedge

### Performance



### Average duration



### Statistics

|                            | 1875 MAP      | BM           |
|----------------------------|---------------|--------------|
| Annual return (2006-2014)* | 4.99%         | 4.05%        |
| <b>YTD</b>                 | <b>-0.62%</b> | <b>0.69%</b> |
| <b>October 2015</b>        | <b>0.33%</b>  | <b>0.60%</b> |
| Maximum monthly drawdown*  | -1.63%        | -1.48%       |
| Volatility*                | 2.77%         | 2.74%        |
| Tracking-error*            | 0.99%         | -            |
| Sharpe ratio <sup>†</sup>  | 1.47          | 1.28         |
| Sortino ratio <sup>†</sup> | 3.49          | 2.67         |

<sup>†</sup> average risk-free rate (%) : 0.58

\* pro forma statistics

### 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 October, bonds markets were subject to contradictory influences, benefitting from deflationist pressure and mixed statistics while being affected by a drop in risk aversion. Comments from central bankers were also a main driver for developed countries government bonds. While paper in USD (-0.4%), GBP (-1.0%) and CAD (-0.5%) fell slightly, EUR paper (+0.9%) was sustained by Mario Draghi's mention of a possible additional Quantitative Easing; CHF and JPY papers were supported by the accommodating tone of the BNS and BoJ. Emerging bonds were up after the fears in relation to the Chinese growth were calmed (+1.74%). Credit risk premiums tightened in the wake of the reduction of systemic risk. As for currencies, USD has continued to appreciate vs. EUR and CHF while depreciating vs. GBP, mainly due to monetary policy anticipations.

The funds appreciated by 0.33% vs. 0.60% for its benchmark underperforming slightly because of the underweight of EUR and JPY bonds.

Despite their overvaluation, 1875 MAP selectively overweights bonds and retains an average duration in line with the strategic allocation. They remain an attractive alternative to cash in time of weak nominal growth and deflation. CHF-instruments are thus overweight due to continuing deflationist pressure, those in AUD and to a lesser extent in GBP as a result of deteriorating growth anticipations. The model is neutral on USD and CAD assets. It reduces the underweight of EUR bonds due to the European monetary policy. Paper in JPY is overvalued and remains markedly underweight. With very low real interest rates and no inflation, TIPS are still not favoured. Credit allocation to US corporates is also underweight but nevertheless increases due to an attractive valuation. In Europe, credit allocation is still overweight as the profit expectations continue to improve and corporate debt is low. Due to its overvaluation and the lower risk premium in the Euro zone, the exposure to CHF vs. EUR is brought back to neutral. The USD is overvalued and remains clearly underweight vs. EUR and CHF.

## 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.

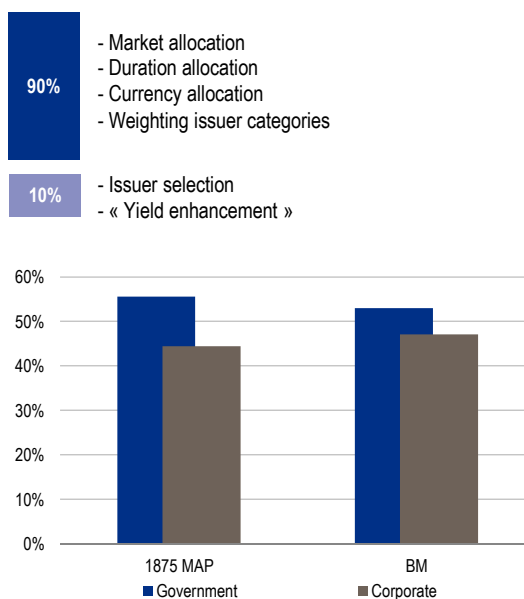


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## Sources of return (in order of importance)



## 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 to pension funds both balanced management and overlay services, but also global equity and global bond mandates.



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