

# MAP FUND MANAGEMENT

## SUSTAINABLE GLOBAL BONDS (CHF) - I

ISIN / TELEKURS: LU1121107129 / 25648374

NAV 30.06.2017: CHF 97.89

### 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

**Approach** : top down and bottom up

**Subscription / Redemption** : D+2 / D+5

**Minimum investment** : CHF 100'000

**Dividend distribution** : re-invested

**Management fees / TER (p.a.)** : 0.5% ; 1.09%

**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 / transfer agent** : FundPartner Solutions (Europe) S.A.

**Auditor** : Ernst & Young, Luxembourg

**Inception date** : December 15, 2014

Potentially lower reward ← → Potentially higher reward

Lower risk 1 2 3 4 5 6 7 Higher risk

### Benchmark and tactical asset allocation

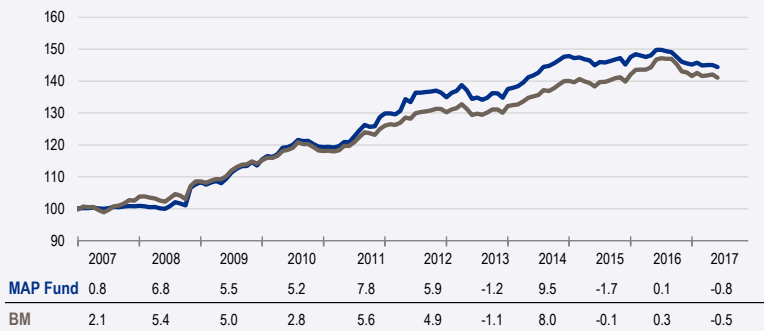
Markets	BM	MAP Fund	
		Jul.17	Jun.17
Short term	-	20.8%	31.7%
CHF	40.0%	34.7%	31.1%
USD	30.1%	24.9%	25.3%
EUR	17.4%	17.5%	10.8%
GBP	2.7%	-	-
JPY	7.7%	-	-
Miscellaneous	2.1%	2.1%	1.1%
Average duration	7.1	4.3	3.6

Government	52.4%	32.4%	30.5%
Corporate	47.6%	51.9%	48.8%

Currency <sup>1</sup>	BM	MAP Fund	
		Jul.17	Jun.17
CHF	95.0%	97.4%	97.5%
Foreign	5.0%	2.6%	2.5%

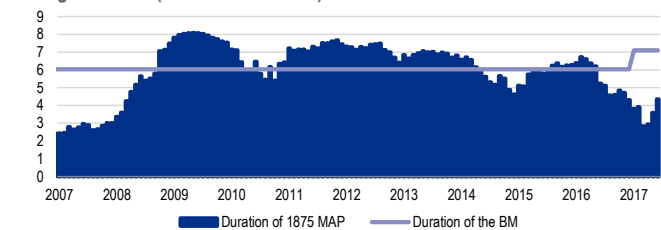
<sup>1</sup> after hedge

### Performance in %



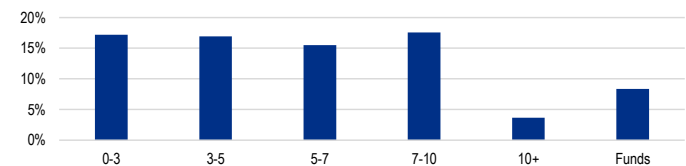
Pro forma performance prior to December 2014

### Average duration (min. 2 Y – max. 8 Y)



Pro forma prior to December 2014

### Yield curve positioning



### Statistics

	MAP Fund	BM
Pro forma annual performance 2007-2014*	4.99%	4.05%
<b>Annual performance since inception</b>	<b>-0.79%</b>	<b>-0.30%</b>
<b>YTD Performance</b>	<b>-0.82%</b>	<b>-0.51%</b>
<b>MTD Performance</b>	<b>-0.47%</b>	<b>-0.76%</b>
Maximum monthly drawdown*	-2.01%	-1.67%
Volatility*	3.20%	2.76%
Tracking-error*	1.37%	-
Sharpe ratio* <sup>†</sup>	1.34	1.18
Sortino ratio* <sup>†</sup>	3.07	2.34
Number of holdings		70

<sup>†</sup> average risk-free rate (%) : 0.37

\* pro forma performance

### 10 largest direct investments

Weight	Name	Weight	Name
11.0%	1.5% Switzerland 24.7.2025	1.8%	1.75% Canton Of Geneva 22.3.2033
5.7%	Ishares Us Agg Bnd Usd Dist	1.8%	0.2% Lgt Bank Ag 12.10.2026
2.4%	0.1% Roche Kapitalmarkt Ag 23.9.2024	1.7%	Ishares Core Euro Corp Bond
2.0%	0.125% Novartis Finance Sa 20.9.2023	1.7%	1.75% Swisscom Ag 10.7.2024
2.0%	1.5% Corp Andina De Fomento 13.8.2020	1.7%	1.25% Bk Nederlandse Gemeenten 30.4.2024

## Retrospective & perspective

Throughout June, government bond markets in developed countries (-0.3%) depreciated, influenced by the less accommodating tone of the central bankers and by expectations of a gradual normalisation of monetary policies. In contrast, emerging debt remained broadly firm. We note in particular the sharp decline in UK bonds (-2.1%), affected by the lack of unanimity among the members of the Bank of England's monetary committee, and the underperformance of Euro borrowings (-1.4%), which were hindered by the comments of the ECB. Despite declining commodity prices, commitments in AUD (-1.2%) and in CAD (-1.4%) declined tangibly. Borrowings in JPY (-0.3%) and USD (-0.2%) held up better, due to the persistence of a highly expansionary monetary policy for the former and the publication of lower-than-expected inflation figures for the latter. Having lost only 0.7%, investments in CHF showed themselves more robust in European comparison. As a result of the recovery in the banking sector, credit premiums tightened again.

In the previous month, foreign exchange markets were characterized by the continued rise of the Euro and the decline in the yen. The European currency benefited from the expectations of a more rapid normalisation of the ECB's monetary policy and the Japanese currency was affected by interest rates kept at a persistently low level by the Bank of Japan. We also note the appreciation of the Canadian and Australian dollar despite the decline in commodity prices. In Europe, the pound sterling and the Swiss franc declined moderately against the Euro, while the Swedish krona appreciated.

The fund depreciated by 0.47% vs. 0.76% for its benchmark.

Given their very expensive valuation levels, government bonds will continue on their downward trend. Real yields will continue to stiffen in line with the strengthening of global growth, thereby requiring a continued underweighting of fixed-income assets and the implementation of lower durations. In terms of currency allocation, AUD-denominated assets remain overweight due to an economic recovery which is limited to the short term and to weak inflationary pressures in Australia. While remaining below its benchmark, the duration on USD-denominated investments was increased due to a weakening of US price indices. Commitments in EUR, GBP, JPY and to a lesser extent in CHF remain heavily underweight due to their excessive valuation levels. Concerning debtor categories, corporate bonds are kept overweight in light of the further improvement in the financial health of companies. While being favoured over their USD-denominated counterparts, private borrowings in EUR have been somewhat reduced due to the deterioration in their levels of valuation.

The persistence of a reduced risk premium on the Euro combined with a decrease in the divergence between risk currencies argue in favour of maintaining the overweighting of the EUR against the USD. Despite the recent rise in the European currency, it remains undervalued compared to the greenback.

Due to the improvement in the economic fundamentals of the Eurozone and the continued undervaluation of the single currency, a gradual weakening of the franc is becoming increasingly probable and now advocates for its underweighting.

## Sources of return (in order of importance)

90%

- Market allocation
- Duration allocation
- Currency allocation
- Weighting issuer categories

10%

- Issuer selection
- « Yield enhancement »

## 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).

## Glossary

BM	Benchmark
Citigroup WorldBIG	Citigroup World Broad Investment Grade Bond index
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 (Principles for Responsible Investments) 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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