

# MAP FUND MANAGEMENT

## SUSTAINABLE GLOBAL BONDS (CHF) - I

As at end of September 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** : 78 securities  
**Approach** : top down and bottom up  
**Duration** : min. 2 Y – max. 8 Y  
**Foreign currency** : min. 0% - max. 20%  
**NAV 09.30.2016** : CHF 101.27  
**ISIN / Telekurs** : LU1121107129 / 25648374  
**Subscription / Redemption** : D+3 / D+5  
**Minimum investment** : CHF 100'000  
**Dividend distribution** : re-invested  
**Share classes** : S, Z, I  
**Management fees / TER (p.a.)** : 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

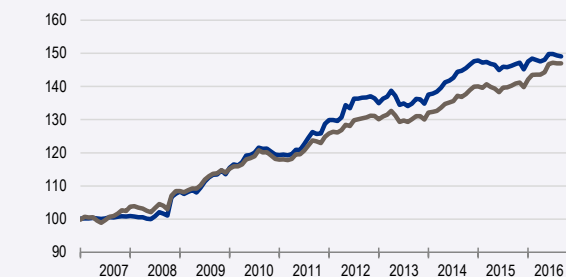
### Benchmark and tactical asset allocation

Markets	BM	Margins		1875 MAP	
		Min.	Max.	Oct.16	Sep.16
Short term	0.0%	0.0%	70.0%	6.0%	6.3%
CHF	40.0%	10.0%	60.0%	35.5%	36.7%
Duration CHF	7.0	2.0	8.0	5.4	5.8
USD	29.0%	15.0%	50.0%	27.0%	26.3%
Duration USD	6.0	2.0	8.0	4.6	4.4
EUR	18.0%	5.0%	40.0%	15.1%	16.2%
Duration EUR	7.0	2.0	8.0	4.5	4.7
GBP	2.9%	0.0%	10.0%	1.9%	1.9%
Duration GBP	10.0	2.0	10.0	5.0	4.8
JPY	8.0%	0.0%	20.0%	6.9%	6.0%
Duration JPY	10.0	2.0	10.0	7.9	6.5
Miscellaneous	2.0%	0.0%	5.0%	7.6%	6.6%
Duration Miscell.	5.9	2.0	8.0	6.0	6.0

Currency <sup>1</sup>	BM	Margins		1875 MAP	
		Min.	Max.	Oct.16	Sep.16
CHF	95.0%	80.0%	100.0%	93.5%	95.2%
Foreign	5.0%	0.0%	20.0%	6.5%	4.8%

<sup>1</sup> after hedge

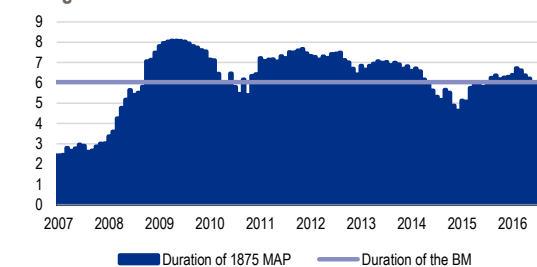
### Performance



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>1875 MAP</b>	0.8%	6.8%	5.5%	5.2%	7.8%	5.9%	-1.2%	9.5%	-1.7%	2.7%
<b>BM</b>	2.1%	5.4%	5.0%	2.8%	5.6%	4.9%	-1.1%	8.0%	-0.1%	5.1%

Pro forma performance prior to December 2014

### Average duration



### Statistics

	1875 MAP	BM
Pro forma annual performance 2007-2014 *	4.99%	4.05%
<b>Annual performance since inception</b>	<b>0.74%</b>	<b>3.11%</b>
<b>YTD Performance</b>	<b>2.71%</b>	<b>5.13%</b>
<b>MTD Performance</b>	<b>-0.18%</b>	<b>-0.02%</b>
Maximum monthly drawdown*	-2.01%	-1.48%
Volatility*	3.23%	2.68%
Tracking-error*	1.39%	-
Sharpe ratio* <sup>1</sup>	1.48	1.36
Sortino ratio* <sup>1</sup>	3.52	2.81

<sup>1</sup> average risk-free rate (%): 0.46

\* 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 September, government bond markets (-0.14%) continued their correction as a result of increased interest rate hike expectations in the United States and a more rapid normalization of monetary policies. Conversely, their emerging counterparts continued to progress (+1.25%). EUR-denominated assets made moderate progress, with Spanish bonds gaining (+0.79%) and Italy moving backwards in a counter-move by (-0.26%). GBP securities fell sharply (-2.47%). US Treasury bills crumbled (-0.14%) and AUD-denominated securities depreciated by 0.78%. CHF (+0.23%), JPY (+0.02%) and CAD (+0.03%) loans consolidated. In terms of credit, we note a further increase in premiums resulting from the rising default risk in the banking sector triggered by the difficulties encountered by Deutsche Bank. The environment on the foreign exchange markets was characterized by a falling USD against currencies sensitive to commodity prices (AUD -1.86%, RUB -3.69%, NOK -4.03%) but also against the JPY (-1.79%) and to a lesser extent to the EUR (-0.61%). The Euro continued its upward trend vis-à-vis the GBP (+1.94%) and fell against the CHF (-0.46%).

The fund depreciated by 0.18% vs. 0.02% for its benchmark. This underperformance is mainly related to the underweighting on CHF and EUR bonds.

Despite the correction in the bond markets, they remain overvalued. Under the effect of the recovery in global nominal growth during the 4th quarter, yields continue to tighten. Their rise will however be mitigated by the continued surplus in production resources and the very gradual normalization of monetary policies. Bond investments should therefore be kept underweight and with a duration below that of the benchmark. Because of the extensive purchases of government debt by central banks, interest rate curves will continue to flatten, favouring long maturities and requiring the implementation of barbell strategies. Loans in AUD and to a lesser extent in CAD remain overweight due to the continued cyclical risks faced by their economies. The underexposure to JPY loans has been reduced following the decrease of inflationary expectations in Japan. Commitments in USD, EUR, GBP, CHF remain underweight for reasons linked to valuation, but also in light of the decrease in deflationary pressures. In terms of debtor categories, we now recommend overweighting corporate bonds, with a more moderate underweighting of US corporate bonds and a greater increase in overweighting for their European counterparts.

The exposure to the EUR against the CHF is increased, following the widening of interest rate differentials between the EUR and CHF, and in consideration of the financial overvaluation of the franc.

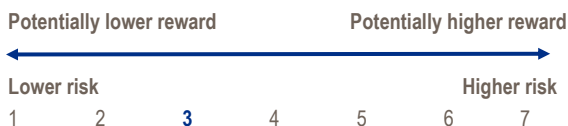
## Investment objectives

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

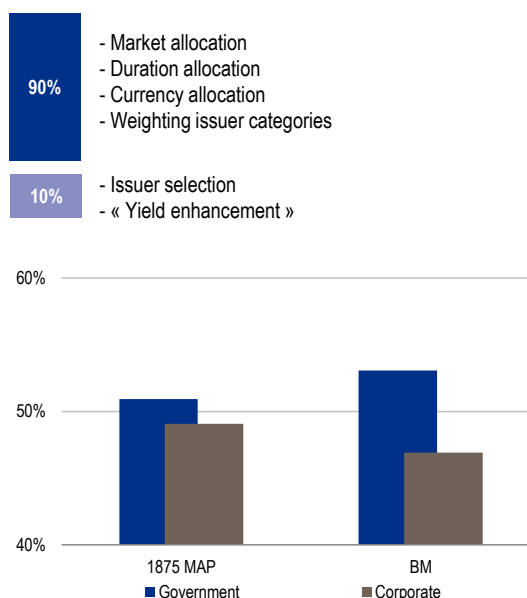
**Economic** : optimally allocate capital by integrating ESG criteria for the selection of issuers.

## Risk profile

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



## Sources of return (in order of importance)



## Glossary

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

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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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