FISCH » Asset Management

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»Global Convertible Bonds Defensive Strategy

Product Report 28 June 2019

Contents

The Fisch product report is intended for institutional investors and financial professionals only and provides an in-depth description of the investment strategy and the products based thereon. The Fisch product report should not be distributed to retail investors. The product report contains gross and net performance figures. Gross figures are suitable for benchmark strategy comparisons, for the evaluation of management performance and especially for comparisons of performance components/aspects (contribution, attribution, volatility, etc.). Net figures reflect the performance of a fund after costs.

Summary

Strategy

Defensive, Global Convertible Bonds

The defensive strategy invests globally in convertible bonds of a high to very high credit quality. The maximum high yield allocation is 10%. The focus is on convertible bonds that exhibit high convexity, in order to exploit the full asymmetric return profile of the asset class. The objective is to outperform the Thomson Reuters Global Focus Investment Grade Convertible Bond Index through active management. Particular emphasis is placed upon downside protection in times of equity market weakness.

Performance Summary as of 28.06.2019

Key Figures	Strategy	Benchmark	Relative
Month to Date Return	2.39%	1.55%	0.84%
Quarter to Date Return	1.86%	1.26%	0.59%
Year to Date Return	4.46%	3.39%	1.08%
Annualised Return since Inception (31.03.2009)	6.68%	4.17%	2.51%

Strategy Global convertible bonds, defensive EUR hedged, gross

Benchmark Thomson Reuters Global Focus Investment Grade (EUR hedged)

Launch Since 31st of March 2009, the defensive strategy has been implemented relative to the mentioned benchmark.

»Cyclicals on the up

Manager Report

Dr. Klaus Göggelmann
Lead Portfolio Manager

Leonardo Spangaro
Portfolio Manager

Stephanie Zwick
Senior Portfolio Manager

Market Overview

The upward trend in equity and credit markets resumed in impressive fashion in June after the temporary weakness in May. The main drivers were firm signals from the central banks that they intend to ease monetary policy. It was remarkable how quickly monetary policy responded to the first minor signs of weakness in the economy and financial markets. In past cycles liquidity was often still being tightened even as a recession began. The rapid intervention by the central banks has been facilitated by very moderate rates of inflation, and falling inflation expectations. A broad-based bias to monetary easing around the world was also in evidence. Alongside China, the central banks of Australia and New Zealand, and a number of other emerging markets, followed the lead of Europe and the US. Due to these developments, long-term government bond yields continued to fall sharply in the US and Europe, which gave equity and credit markets a further boost. Interestingly, this fall in interest rates at the long end did not lead the yield curves to flatten further, as rates also fell at the short end. A further flattening of yield curves would have been a serious recessionary signal. Various other early warning indicators (copper price, Baltic Dry and Harpex ship transport rates, credit growth) were stable or even slightly stronger, and so signalled that the growth momentum in the economy remains intact. Various risks, including the potentially dangerous situation in Iran, Brexit and the trade war only had a modestly negative impact on markets, thus giving the positive indication that they are technically robust.

Our macro model continues to give positive signals for equity and credit markets. The reaction of the central banks in the US, Europe and China and a series of other countries (Australia, New Zealand and various emerging markets) to the dip in global economic growth was impressive and exceptionally fast in historic terms. Very moderate inflation, and in particular the sharp fall in inflation expectations, made this approach possible, and at the same time also strongly increased the central banks' leeway to act. On top of this, the Chinese yuan remained relatively stable, in spite of the major problems the trade war has caused for China. This currency stability also enabled the Chinese central bank to continue easing the monetary and fiscal reins on a large scale and so to stabilise the economy, with a positive impact globally. Overall the significantly looser global monetary policy should once again be effective enough to prevent a major hit to growth and the financial markets. The current combination of accommodative monetary policy and a simultaneously mildly positive economic trend without any pressure from inflation represents an almost ideal Goldilocks environment. "Goldilocks" refers to a scenario where the key economic data is not too hot and not too cold, but just right. The favourable picture is rounded off with fair market valuation levels and stable to slightly positive leading indicators in most cases. Possible disruptive influences, such as events in Italy, Brexit, Iran and further escalations in the trade war have not gone away. However, before any impact relevant to financial markets can materialise, it should become visible in the leading indicators and so give us an early warning. The interest rate trend remains downwards for now. However, the ingredients for the return of higher rates and slightly higher inflation have been in place for some time and must be watched closely.

Portfolio

Convertible bond markets rose in June across all regions, in some cases sharply, benefiting from the positive mood in equity markets. The US and Asia led the way at a regional level, while Japan once again brought up the rear. At sector level cyclical names outperformed, including technology and consumer cyclicals in particular. Utilities lagged in this risk-on environment. Residential property companies came under pressure as a result of plans to impose a statutory rent freeze on residential apartments in Berlin.

The strategy (gross, EUR hedged) had a strong month. Cyclicals benefited particularly from the return of confidence in the markets, but defensive paper also performed well due to the continued fall in interest rates. The strategy outperformed the benchmark significantly. The higher delta, overweight in cyclical companies and security selection in particular were the key drivers of this. We were especially successful in overweighting outperformers and avoiding the underperformers at the individual bond level in June.

Overall, the strategy's delta is above the benchmark index due to the largely positive economic and financial market outlook. However, we are continuously taking profits and reinvesting the proceeds in balanced convertibles. The number of new issues rose significantly again before the summer break, although we only participated selectively in what we regarded as the most attractive bonds.

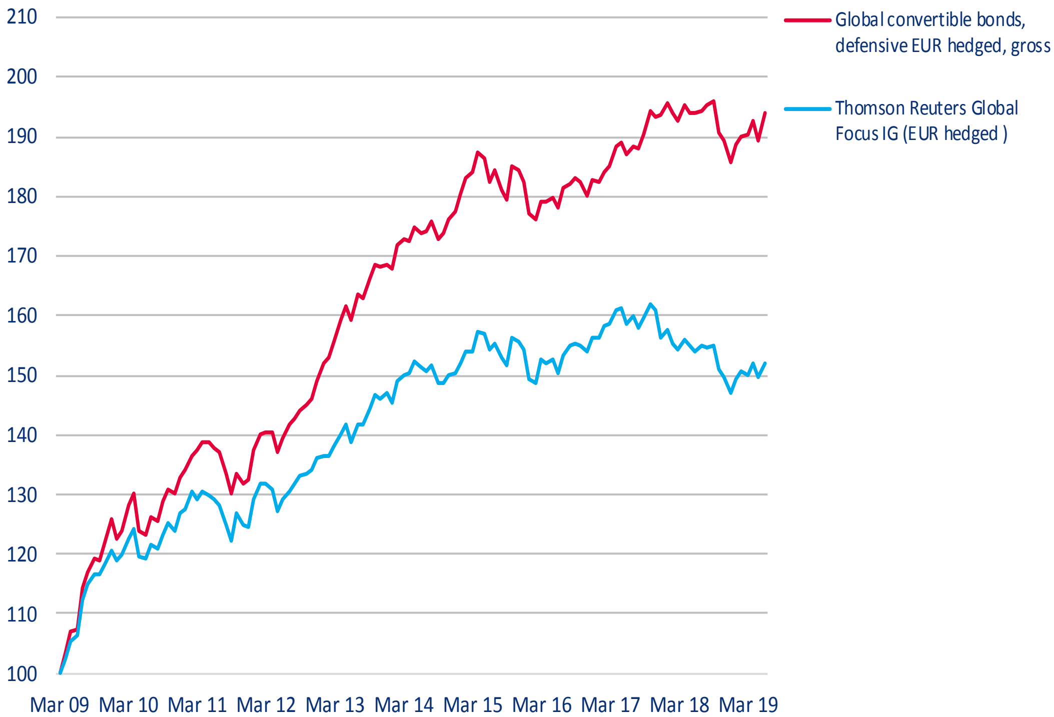
Portfolio

Performance Analysis of the Strategy

Performance

Performance (indexed)

The Global Convertible Bonds Defensive Strategy has been implemented in the portfolio relative to the mentioned benchmark Thomson Reuters index since 1st April 2009.



Strategy
Global convertible bonds, defensive EUR hedged, gross

Benchmark
Thomson Reuters Global Focus IG EUR hedged

Key Figures - EUR Hedged	Strategy	Benchmark	Relative
Month to Date Return	2.39%	1.55%	0.84%
Quarter to Date Return	1.86%	1.26%	0.59%
Year to Date Return	4.46%	3.39%	1.08%
Return 1 Year	0.11%	-1.32%	1.44%
Annualized Return 3 Years	2.89%	0.38%	2.51%
Annualized Return 5 Years	2.21%	0.11%	2.10%
Annualised Return since Inception (31.03.2009)	6.68%	4.17%	2.51%
Volatility 3 Years	3.98%	4.38%	-0.40%
Sharpe Ratio 3 Years	0.81	0.16	0.65
Max Drawdown 3 Years	-6.23%	-10.02%	3.79%

Strategy
Global convertible bonds, defensive CHF hedged, gross

Benchmark
Thomson Reuters Global Focus IG CHF hedged

Key Figures - CHF Hedged	Strategy	Benchmark	Relative
Month to Date Return	2.33%	1.51%	0.83%
Quarter to Date Return	1.72%	1.18%	0.54%
Year to Date Return	4.22%	3.21%	1.01%
Return 1 Year	-0.35%	-1.65%	1.30%
Annualized Return 3 Years	2.31%	0.01%	2.30%
Annualized Return 5 Years	1.50%	-0.32%	1.82%
Annualised Return since Inception (14.01.2010)	3.75%	1.98%	1.77%
Volatility 3 Years	3.97%	4.37%	-0.40%
Sharpe Ratio 3 Years	0.77	0.17	0.60
Max Drawdown 3 Years	-6.66%	-10.38%	3.72%

Strategy
Global convertible bonds, defensive USD hedged, gross

Benchmark
Thomson Reuters Global Focus IG USD hedged

Key Figures - USD Hedged	Strategy	Benchmark	Relative
Month to Date Return	2.62%	1.77%	0.85%
Quarter to Date Return	2.60%	2.00%	0.60%
Year to Date Return	5.99%	4.89%	1.10%
Return 1 Year	3.08%	1.52%	1.56%
Annualized Return 3 Years	5.21%	2.42%	2.80%
Annualized Return 5 Years	3.71%	1.49%	2.22%
Annualised Return since Inception (31.03.2009)	7.61%	4.87%	2.74%
Volatility 3 Years	3.96%	4.34%	-0.39%
Sharpe Ratio 3 Years	0.87	0.14	0.72
Max Drawdown 3 Years	-4.92%	-7.50%	2.58%

Strategy
Global convertible bonds, defensive EUR hedged, CHF hedged, USD hedged, gross

Benchmark
Thomson Reuters Global Focus IG EUR hedged, CHF hedged, USD hedged

Key Figures - Calendar Year	2014	2015	2016	2017	2018
EUR Strategy	5.15%	2.93%	0.08%	5.91%	-4.00%
EUR Benchmark	2.25%	2.68%	1.27%	0.09%	-5.94%
CHF Strategy	4.70%	1.64%	-0.58%	5.27%	-4.50%
CHF Benchmark	2.09%	1.87%	0.84%	-0.29%	-6.23%
USD Strategy	5.06%	3.07%	1.43%	7.72%	-1.41%
USD Benchmark	2.25%	2.94%	2.33%	1.64%	-3.53%

Contribution and Attribution

The contribution breakdown shows the extent to which a region or sector contributed to fund or benchmark performance (shown here year-to-date). The performance attribution breakdown highlights the extent to which a region or sector was responsible for out or underperformance versus the benchmark.

In the following three tables, all returns are given in local currency; therefore, changes in exchange rates and the cost of currency hedging are not included. For this reason, the returns are not directly comparable with fund returns or benchmark returns cited elsewhere in this document.

The Brinson Fachler model is used to break down the regional attribution into asset allocation and security selection. The effects of portfolio management decisions are quantified using this attribution model. The regional performance attribution is reflected in the following “Regional Contribution / Attribution (YTD)” table. The “Asset Allocation” column shows the results of the portfolio’s different regional weightings, which are based on the Top-Down and Bottom-Up analysis, relative to the benchmark. The “Security Selection” column shows the results of the various different returns on individual stocks or sectors within a region relative to the benchmark.

Regional Contribution / Attribution (YTD)

	Return [%]		Average Weight [%]		Contribution [%]		Asset Allocation [%]	Security Selection [%]	Total Attribution [%]
Region	**PF**	**BM**	**PF**	**BM**	**PF**	**BM**			
Europe	6.02	4.33	67	71	3.96	3.14	-0.02	0.98	0.96
North America	7.33	7.22	13	8	0.88	0.60	0.12	-0.01	0.12
Asia	3.44	2.52	9	11	0.14	0.22	-0.10	0.16	0.06
Japan	0.68	1.49	10	7	0.09	0.11	-0.17	-0.04	-0.21
Others	0.02	3.89	0	3	0.00	0.09	-0.02	0.00	-0.02
Cash	0.00	0.00	1	0	0.00	0.00	-0.03	0.00	-0.03
Total	**5.07**	**4.17**	**100**	**100**	**5.07**	**4.17**	**-0.20**	**1.09**	**0.89**

*Portfolio returns are local returns within the Global Convertible Bonds Defensive Strategy. Benchmark returns are local returns within the Thomson Reuters Global Focus Investment Grade Convertible Bond Index. Weights are calculated based on average daily holdings.

Next, the portfolio managers select the most promising securities from the sectors with the best prospects based on our Bottom-Up and Top-Down analysis. The resulting performance attribution of each sector is shown in the following “Sector Contribution /Attribution (YTD)” table. The “Asset Allocation” column reflects the results of the assigned portfolio sector weights relative to the benchmark. The “Security Selection” column depicts the results of the different returns achieved by the individual securities within each sector in relation to the benchmark. The results of the asset allocation and the security selection are consolidated in the “Total” row, which can be different depending on the grouping (by region on the previous page and by sector on this page).

Sector Contribution / Attribution (YTD)

Sector	Return [%]		Average Weight [%]		Contribution [%]		Asset Allocation [%]	Security Selection [%]	Total Attribution [%]
	PF	BM	PF	BM	PF	BM			
Utilities	4.73	-0.41	8	11	0.34	-0.03	0.12	0.36	0.48
Health Care	6.99	4.74	9	4	0.72	0.20	0.08	0.20	0.28
Communications	2.75	1.75	5	15	0.10	0.27	0.23	0.02	0.25
Financials	4.99	3.95	14	16	0.66	0.62	-0.02	0.18	0.17
Consumer Discretionary	6.37	6.53	13	6	0.80	0.39	0.17	-0.04	0.13
Materials	5.78	5.32	15	13	0.89	0.69	-0.05	0.09	0.03
Industrials	4.56	4.48	18	17	0.69	0.70	-0.02	0.01	-0.01
Energy	3.73	4.06	8	7	0.28	0.27	0.00	-0.03	-0.02
Consumer Staples	7.90	11.43	2	3	0.15	0.33	-0.04	-0.10	-0.14
Technology	8.51	9.72	8	8	0.43	0.74	-0.02	-0.23	-0.24
Cash	0.00	0.00	1	0	0.00	0.00	-0.03	0.00	-0.03
Total	**5.07**	**4.17**	**100**	**100**	**5.07**	**4.17**	**0.43**	**0.46**	**0.89**

*Portfolio returns are local returns within the Global Convertible Bonds Defensive Strategy. Benchmark returns are local returns within the Thomson Reuters Global Focus Investment Grade Convertible Bond Index. Weights are calculated based on average daily holdings.

The key driver of the performance of convertible bonds is the performance of the underlying shares. The nature of convertible bond issuance means that the equity exposure characteristics of the asset class will differ from those of the broader equity markets.

The table below shows the performance of regional MSCI equity indices together with the relevant convertible bond 'Parity Index'. The Parity Index is based on the underlying shares of the Thomson Reuters Global Focus Convertible Bond Index, split by region, weighted by the parity of each CB. The parity of a CB represents the value of the underlying shares that would be received by a holder if that CB was converted today. Finally, we show the performance of each regional sub-index within the Thomson Reuters Global Focus Convertible Bond Index, together with the relevant regional weight.

The universe of underlying shares for convertible bonds in any given region is smaller and therefore more concentrated than that represented by the corresponding MSCI regional equity index. Furthermore, the Thomson Reuters 'Focus' family of CB indices exclude those CBs whose underlying shares perform particularly strongly or weakly that the CB features no longer a balanced profile . This further explains why the performance of the relevant regional convertible bond Parity Index may differ materially from the corresponding MSCI regional equity index.

CB and Equity Markets Returns (YTD)

Relevant Region	MSCI TR Index Return	CB Global Focus IG Parity Return	CB Global Focus IG return	CB Global Focus IG avg. Weights
Europe	16.04%	13.04%	4.33%	70.76%
Asia	12.43%	4.88%	2.52%	10.84%
North America	18.30%	15.68%	7.22%	8.41%
Japan	5.81%	0.05%	1.49%	7.44%
Others	N/A	N/A	3.89%	2.54%
Total	**15.90%**	**11.05%**	**4.17%**	**100%**

*All returns are in local currency. The returns of the MSCI TR Index are based on the following regional sub-Indices: MSCI TR Net AC Asia Pacific ex Japan, MSCI TR Net AC Europe, MSCI TR Net North America, MSCI Daily TR Net Japan, MSCI AC World Daily TR Net.

Positioning

Securities

Total Number of Positions	64

Top 10 Positions	Weight
SIKA AG/0.15%/05.06.2025	4.35%
FORTIVE CORP/0.875%/15.02.2022	4.08%
STMICROELECTRON/0.25%/03.07.2024	4.01%
MICHELIN/0%/10.11.2023	3.91%
ILLUMINA INC/0%/15.08.2023	3.84%
IBERDROLA INTL/0%/11.11.2022	3.49%
TOTAL SA/0.5%/02.12.2022	3.39%
SONY CORP/0%/30.09.2022	3.37%
LINK 2019 CB/1.6%/03.04.2024	2.56%
INTL CONSOLIDAT/0.625%/17.11.2022	2.54%

Top 5 Overweights	Weight
MICHELIN/0%/10.11.2023	2.63%
INTL CONSOLIDAT/0.625%/17.11.2022	2.54%
CELLNEX TELECOM/1.5%/16.01.2026	2.35%
STMICROELECTRON/0.25%/03.07.2024	2.06%
IBERDROLA INTL/0%/11.11.2022	2.04%

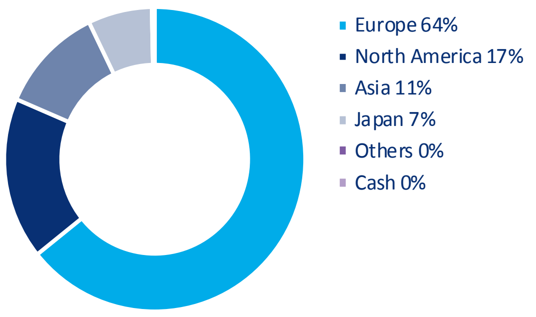
Top 5 Underweights	Weight
AMERICA MOVIL(KPN)/0%/28.05.2020	-5.96%
AIRBUS(DASSAULT AVIATION)/0%/14.06.2021	-3.08%
BAYER AG (COVESTRO)/0.05%/15.06.2020	-2.57%
TELENOR(VEON)/0.25%/20.09.2019	-2.25%
DP WORLD LTD/1.75%/19.06.2024	-2.23%

5 Best Positions by Underlyer (YTD)	Absolute		Relative
SIKA AG-BR/ST/CHF	0.44%	CELLNEX TELECOM/ST/EUR	0.35%
ILLUMINA INC/ST/USD	0.41%	KUNLUN ENERGY/ST/HKD	0.22%
MICHELIN/ST/EUR	0.39%	ILLUMINA INC/ST/USD	0.20%
CELLNEX TELECOM/ST/EUR	0.35%	SYMRISE AG/ST/EUR	0.20%
IBERDROLA SA/ST/EUR	0.33%	QIAGEN NV/ST/USD	0.17%

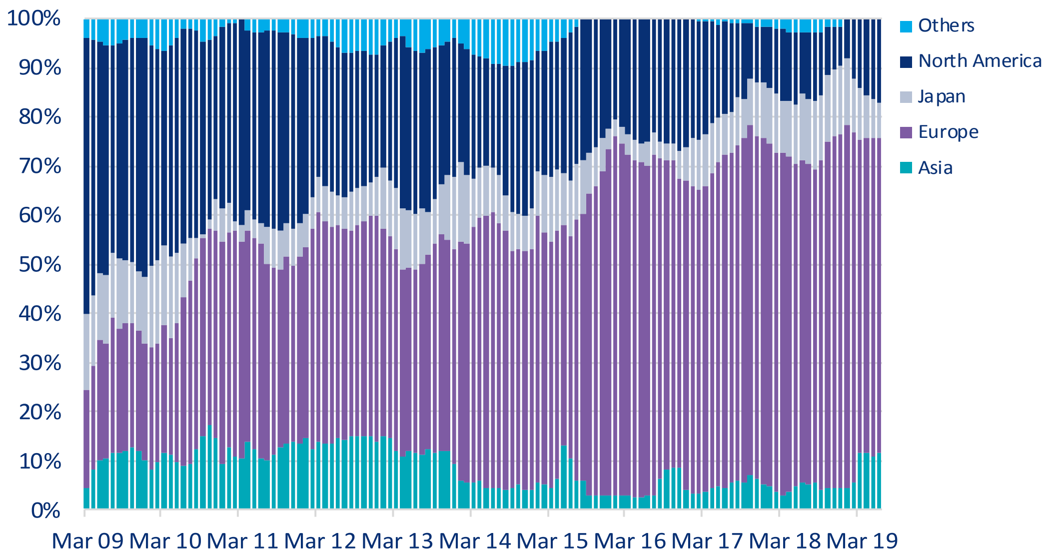
5 Worst Positions by Underlyer (YTD)	Absolute		Relative
DASSAULT AVIATIO/ST/EUR	-0.22%	DASSAULT AVIATIO/ST/EUR	-0.26%
CHINA RAIL CN-H/ST/HKD	-0.06%	STMICROELECTRONI/ST/EUR	-0.25%
HERBALIFE LTD/ST/USD	-0.05%	SIEMENS AG-REG/ST/EUR	-0.16%
KYUSHU ELEC PWR/ST/JPY	-0.04%	VOYA FINANCIAL I/ST/USD	-0.16%
DEUTSCHE WOHN-BR/ST/EUR	-0.04%	CARREFOUR SA/ST/EUR	-0.13%

Regions

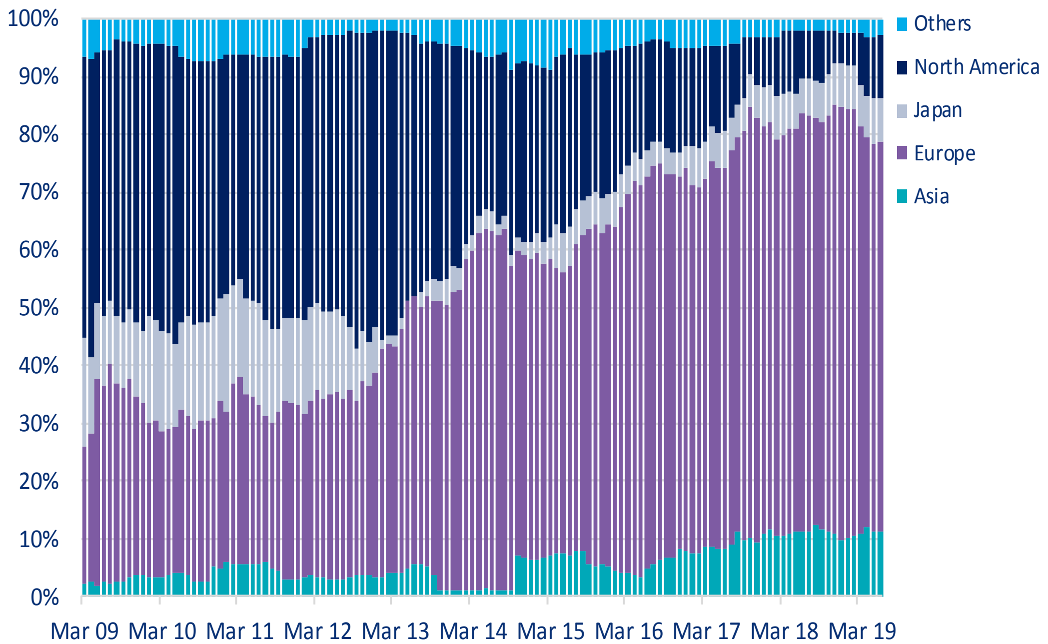
Regional Allocation	Weight	Relative
Europe	64.25%	-3.41%
North America	17.20%	6.42%
Asia	11.36%	0.27%
Japan	6.88%	-0.67%
Others	0.00%	-2.91%
Cash	0.30%	0.30%
Total	**100%**	**0%**



Monthly Regional-Allocation (Portfolio)

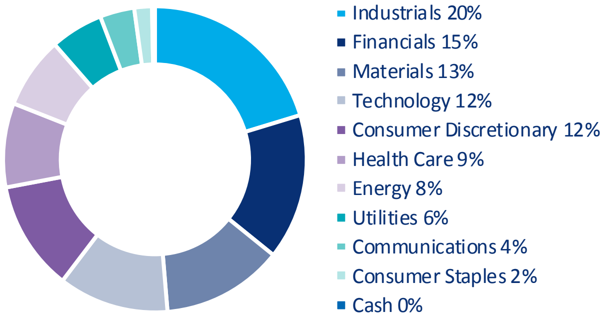


Monthly Regional-Allocation (Benchmark)



Sectors

Sector Allocation	Weight	Relative
Industrials	20.33%	1.36%
Financials	15.42%	-1.06%
Materials	12.92%	-0.28%
Technology	11.75%	3.57%
Consumer Discretionary	11.63%	7.34%
Health Care	8.90%	4.54%
Energy	7.57%	0.84%
Utilities	5.62%	-5.13%
Communications	3.67%	-11.22%
Consumer Staples	1.89%	-0.26%
Cash	0.30%	0.30%
Total	**100%**	**0%**



Equity Sensitivity

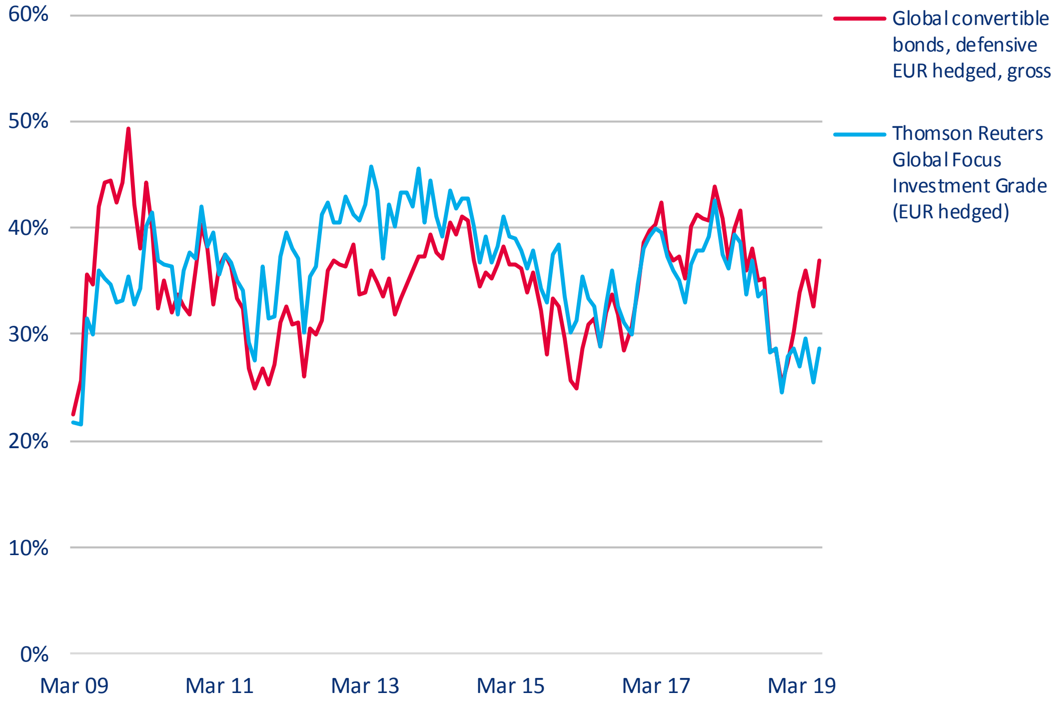
The **delta** (also known as the hedge ratio) of a convertible bond indicates by how much the absolute value of the convertible (e.g. in EUR, USD or CHF) changes if the underlying equity package rises or falls by one unit (EUR, USD or CHF). For percentage observations and aggregation at the portfolio level, the delta is not suitable. The absolute changes must be converted for percentage observations. This results in the so-called equity exposure.

The **equity sensitivity** (also known as the **equity exposure** or delta%) of a convertible bond portfolio indicates how strongly the portfolio or an individual convertible reacts to equity market fluctuations. The equity sensitivity of a convertible bond is between 0% and 100%. A value of 50% means that the portfolio (or an individual convertible) participates at a rate of 50% in the price movement of the equity market (or of the underlying equity).

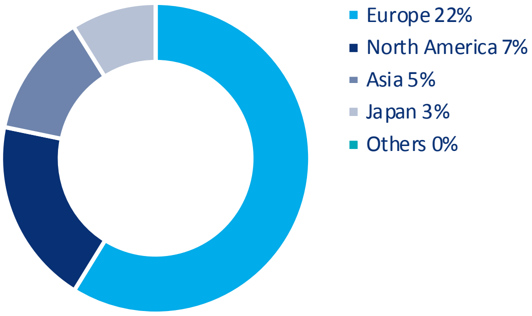
The **beta-adjusted equity sensitivity** also takes into account the beta of the underlying equity. If the underlying equity moves more strongly (high beta) or less strongly (low beta) than the overall market, the equity sensitivity is adjusted accordingly.

Equity Sensitivity	Portfolio	Benchmark
Delta	46.71%	37.11%
Equity Exposure	36.85%	28.67%
Equity Exp Beta Adj	37.19%	28.63%

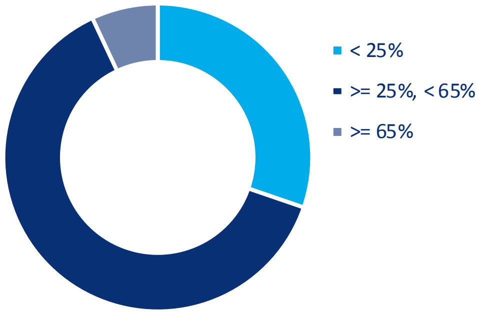
Historical Equity Sensitivity (Equity Exposure)



Equity Exposure Allocation	Weight	Relative
Europe	21.68%	5.41%
North America	7.15%	3.14%
Asia	4.74%	-0.11%
Japan	3.28%	0.54%
Others	0.00%	-0.80%
Total	**36.85%**	**8.18%**



Equity Exposure Allocation	Weight	Relative
< 25%	30.27%	-17.02%
>= 25%, < 65%	62.77%	16.74%
>= 65%	6.96%	0.28%
Total	**100%**	**0%**



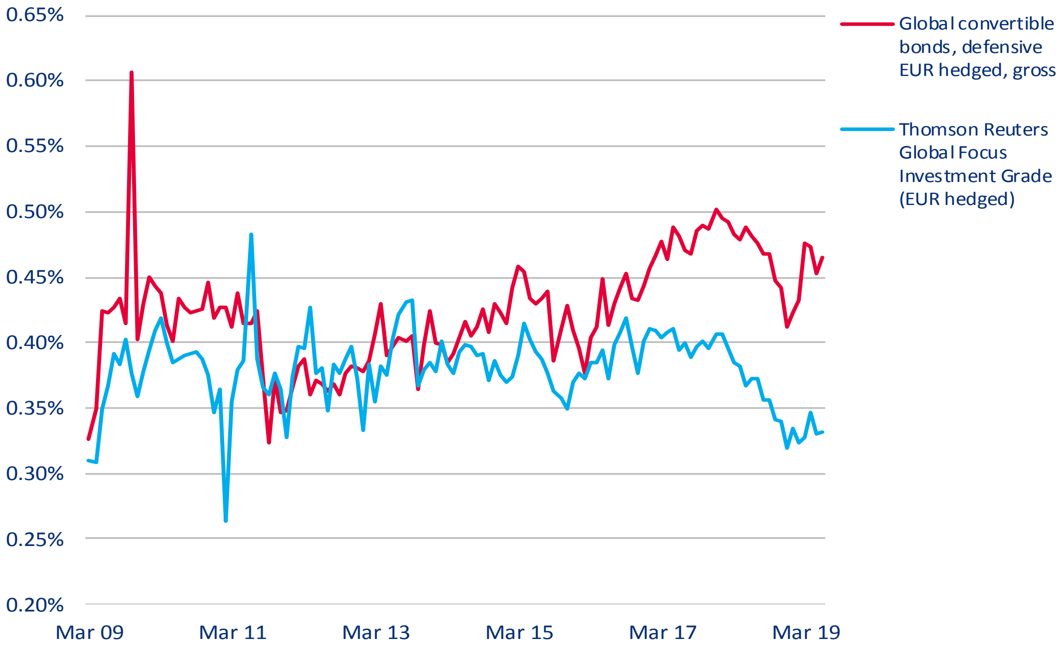
Volatility Sensibility

The volatility sensitivity of a convertible bond portfolio is referred to as **vega**. This figure indicates how strongly a convertible rises/falls in percentage terms if the volatility of the equity market changes. The following holds true: If volatility is rising, the value of a convertible increases, and vice versa. This effect offers an added protection if stock exchanges are falling, because in such an environment the volatility usually rises. The volatility sensitivity (vega) can be calculated for individual convertible bonds as well as for the entire portfolio.

The **implied volatility** is the convertible pricing model volatility input that brings the fair value of a convertible into line with its market price. A value of 25% could, on the one hand, be interpreted to mean that the convertible bond investors expect future stock exchange volatility of 25%. On the other hand, the implied volatility is a measure of the price of the call option and is independent from the demand for convertible bonds.

Volatility Sensitivity	Portfolio	Benchmark
Vega	0.47%	0.33%
Implied Volatility	29.02%	29.66%

Historical Volatility Sensitivity (Vega)



Interest Rate Sensitivity

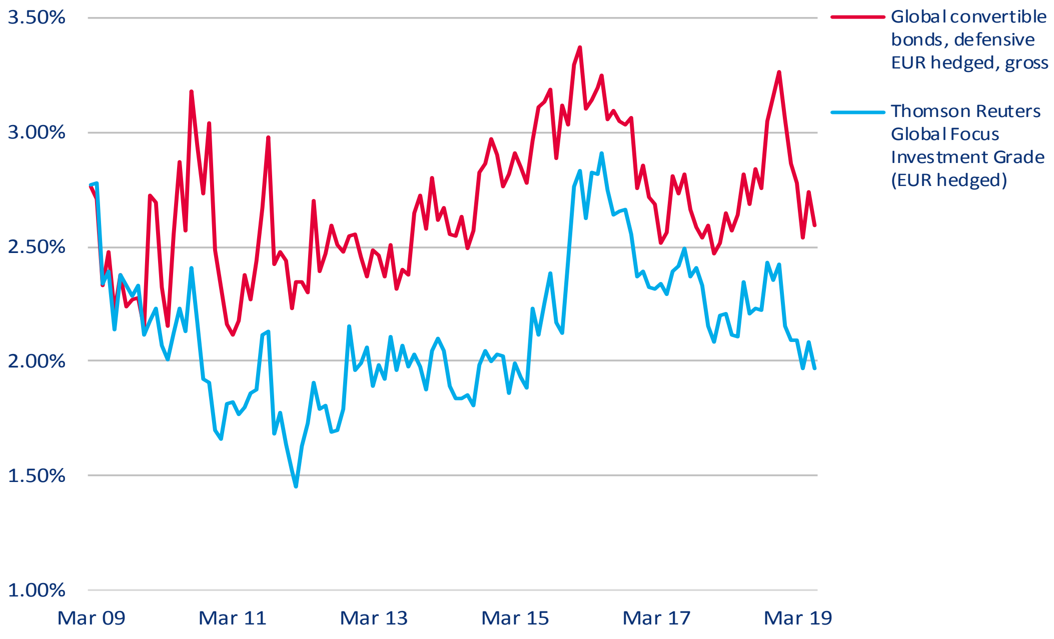
The **modified duration** of a convertible bond expresses the interest rate sensitivity of the bond component. Since this figure does not take into account any possible right to put the bond back to the issuer or the conversion right, however, the figure is misleading in the case of convertible bonds.

The **duration to put or residual maturity** takes into account any possible put feature but continues to ignore the conversion right.

Effective Duration (Rho) measures the sensitivity of the convertible price to movements in interest rates. It is expressed as the percentage increase (or decrease) in the convertible price for a one percentage point fall (or rise) in interest rates (in the currency of the convertible). Frequently in the case of convertible bonds, the duration or the residual maturity is mistakenly used as a measure of the interest rate sensitivity. But these figures do not go far enough. On the one hand, put features often exist, and on the other hand, the convertible contains a conversion option, and these have a mitigating influence on the interest rate sensitivity. Due to put features and the conversion option, convertible bonds have extremely modest interest rate sensitivity and are therefore very attractive in times of rising interest rates (inflation).

Interest Rate Sensitivity	Portfolio	Benchmark
Duration	4.50%	3.13%
Effective Duration (Rho)	2.59%	1.97%

Historical Interest Rate Sensitivity (Effective Duration)



Credit Risk

The **credit spread** is a measure of the estimated creditworthiness by the market.

The **official rating** is given by a rating agency (S&P, Moody's, etc.) for the credit quality of a security.

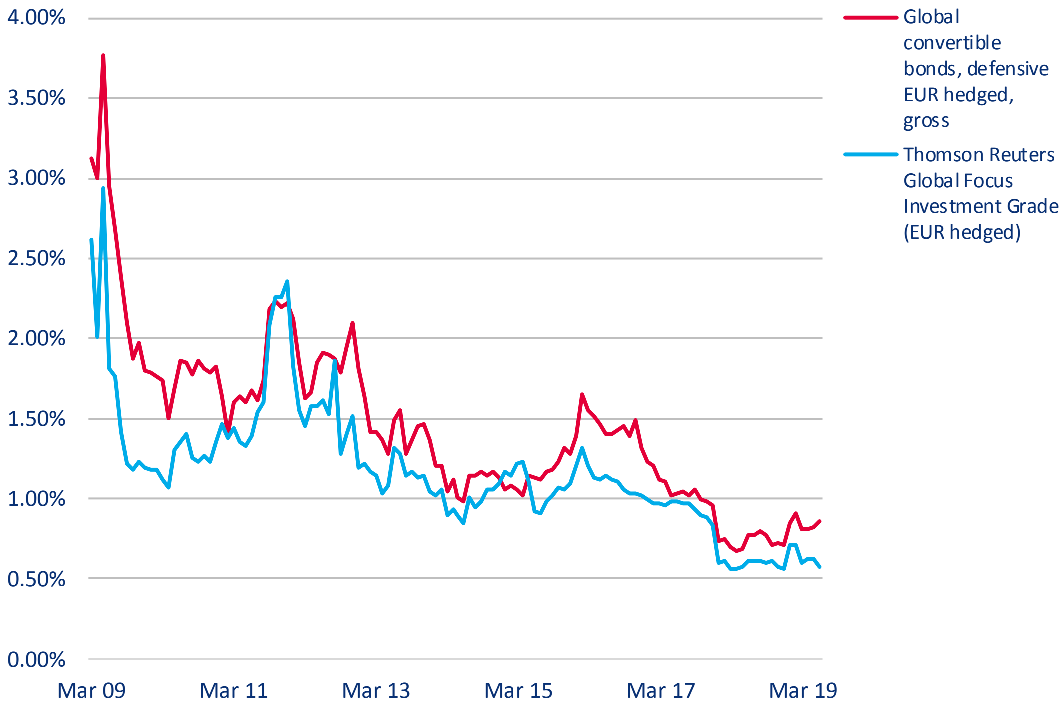
If a convertible bond (or its issuer) does not have an official rating, an **implied rating** can be ascertained. The implied rating is a measure of how the issuer quality is rated by the market. Implied ratings react much more quickly than official ratings to changes in credit quality or new information.

In the case of **official/implied rating**, the official rating is taken into account if available. Otherwise, the implied rating is used.

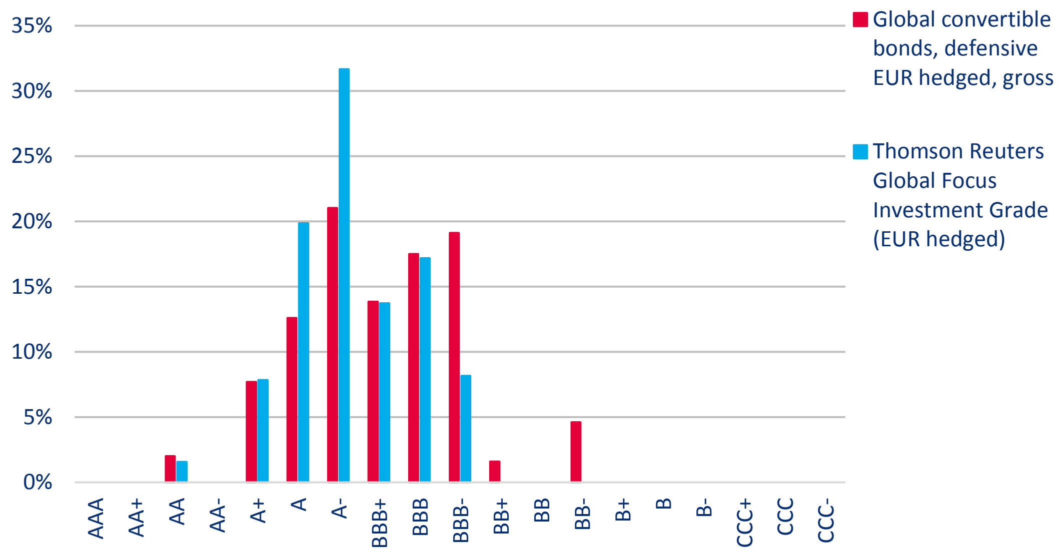
Omicron measures the sensitivity of the convertible price to changes in the credit spread. It is expressed as the percentage increase (or decrease) in the convertible price for a one percentage point narrowing (or widening) of the credit spread.

Credit Risk	Portfolio	Benchmark
Credit Spread	0.86%	0.57%
Implied Rating	A-	A+
Official Rating else Implied Rating	BBB+	A-
Omicron	3.01%	2.25%

Historical Credit Spread



Rating Allocation (Official/Implied Rating)



Investment Grade vs High Yield Allocation	Strategy	Benchmark
Investment Grade	93.80%	100.00%
High Yield	6.20%	0.00%
Total	**100%**	**100%**

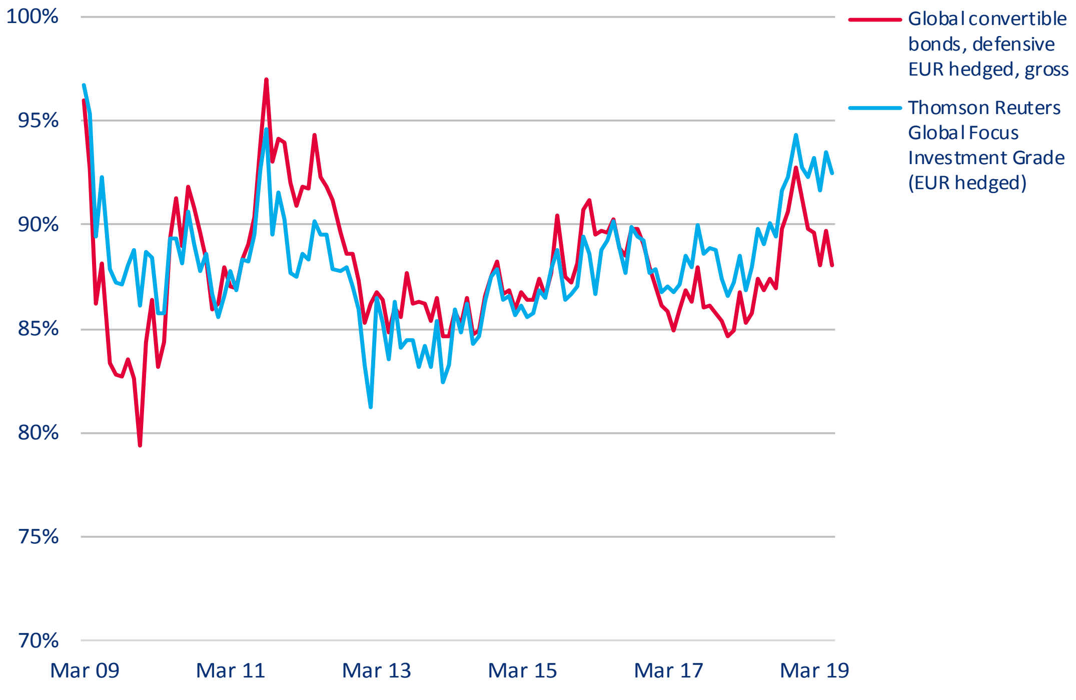
Bond Floor

The **bond floor** represents the present value of all cash flows of a convertible bond and hence ignores the conversion option, calls, puts, etc. The bond floor is thus equivalent to the value of a straight bond of the same issuer with an identical maturity and coupon. The difference between the bond floor and the convertible bond price represents the option value of the convertible bond. The bond floor is expressed here as a percentage of the market value of the convertible bond portion of the portfolio. For example, if the nominal bond floor was 80 and the market value of all bonds was 160, this would indicate a bond floor of 50%. This allows the bond floor of a portfolio to be comparable to that of the convertible bond benchmarks we use.

The bond floor is not a risk measure that charts the price movements of the convertible bond during changing market conditions. For an assessment of the behaviour of the portfolio during market changes, please refer to the scenario analysis.

Bond Floor	Portfolio	Benchmark
Bond Floor	88.06%	92.49%

Historical Bond Floor



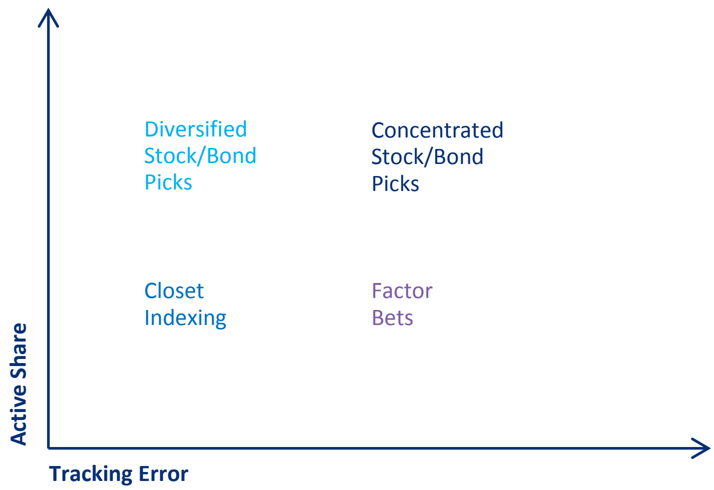
Active Share and Tracking Error

Active share and **tracking error** are metrics used to measure the degree of active management in a portfolio.

Active share is the percentage of a portfolio that differs from its benchmark. It considers the overweights and underweights of the portfolio's constituent holdings relative to their weights in the benchmark. An active share of zero means the portfolio is identical to the benchmark, whereas a value of 100 means there is no overlap with the benchmark.

Tracking error is another metric that measures deviation versus the benchmark. Whereas volatility measures the absolute standard deviation of a portfolio, tracking error measures the volatility relative to the benchmark. In other words, it measures the volatility of the differences in returns between a portfolio and benchmark.

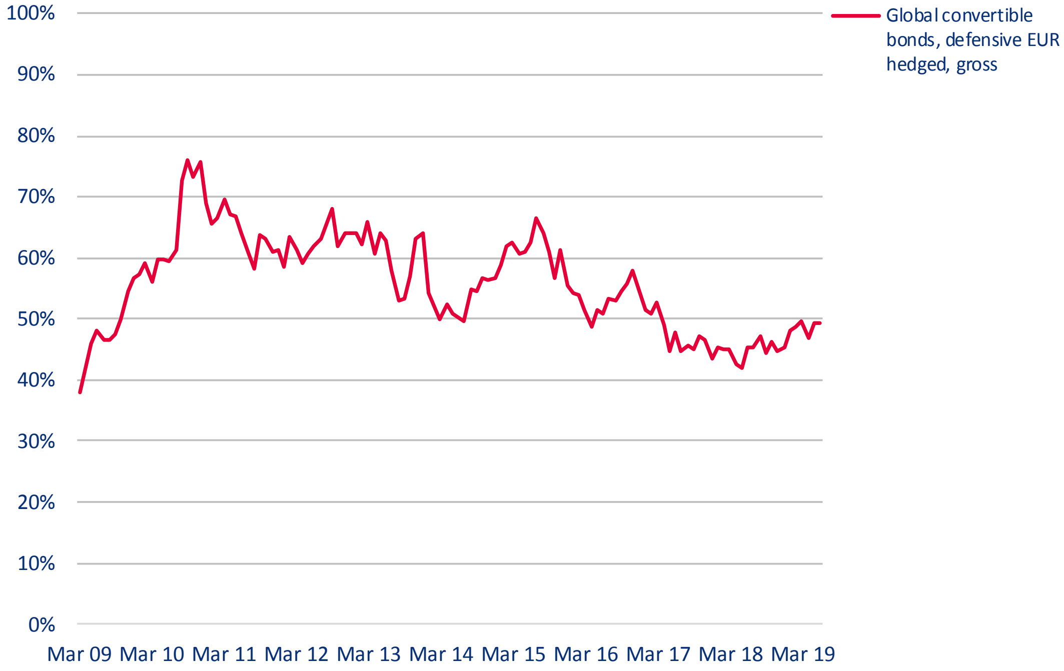
Cremers and Petajisto[1] compare these two metrics for measuring active management. Tracking error focuses on factor timing, which involves bets on systematic risk factors. In contrast to this, active share looks at the individual stock/bond picks. Based on the two metrics, Cremers and Petajisto distinguish between four different types (see diagram below). A diversified stock/bond picker can be very active despite the low tracking error because the security selection within certain sectors can result in significant deviation from the benchmark positions. Compared with this, a fund that focuses on factor bets can have a large tracking error even if there are no substantial deviations from the benchmark positions at the security level. The authors conclude in their study that among the funds they examined, those with the highest active share outperform their benchmarks both before and after costs on a statistically significant basis.



[1]: K. J. M. Cremers and A. Petajisto, 2009, How Active Is Your Fund Manager? A New Measure That Predicts Performance, *Review of Financial Studies*, 22(9):3329-3365

Active Share and Tracking Error	Portfolio
Tracking Error 1 Year	1.33%
Annualized Tracking Error 3 Years	2.11%
Annualized Tracking Error since Strategy Start (31.03.2009)	1.89%
Active Share	49.42%

Historical Active Share



Scenario Analysis

The table below shows the effect of two market scenarios on the current convertible bond portfolio.

In the **„Bull“** scenario, a strong rise in the equity markets is assumed. In this positive economic environment, rising interest rates and a simultaneous narrowing of credit spreads as well as volatility can also be expected.

In the **„Bear“** scenario, a sharp drop in the equity markets is assumed. In this negative economic environment, falling interest rates and a simultaneous widening of credit spreads can be expected. Volatility rises strongly.

In addition, the current coupon income and the time decay of the portfolio on an annualised basis are included in both scenarios.

The input values used in both scenarios are in line with historically plausible constellations. Changes in the convertible bond portfolio are determined by the input variables (equity markets, interest rates, volatility and credit spreads) used in the scenario analysis.

Our model calculates the prices of each individual security in the portfolio corresponding to the changed input values, which provides a more precise result than the simulation with the risk sensitivities (‘Greeks’). The results of the individual risk factors relate solely to the change in the factor itself, without any influence from changes in the other factors (‘ceteris paribus’ rule). The total result, however, takes into account the changes in all factors together and is therefore not additive to the individual factors.

Scenario „Bull“	Movement	Portfolio
Equity Markets	25.00%	11.24
Credit Spreads	-1.80% HY/ -0.90% IG	2.18
Interest Rates	1.00%	-2.52
Volatility	-2.00%	-0.91
Coupon		0.18
Time Value		-0.39
Total*		**9.71**

Scenario „Bear“	Movement	Portfolio
Equity Markets	-25.00%	-6.94
Credit Spreads	1.80% HY/ 0.90% IG	-2.77
Interest Rates	-1.00%	2.80
Volatility	4.00%	1.88
Coupon		0.18
Time Value		-0.39
Total*		**-5.62**

*The total is not equal to the sum of the individual factors (see explanation above).

»The defensive strategy invests in the most attractive convertible bonds worldwide. The aim of this broadly diversified strategy is to outperform the benchmark.

Investment Strategy | Track Record

Investment Objective

The investment objective of this strategy is to outperform the Thomson Reuters Global Focus Investment Grade Index over the market cycle by 2% per annum through active management. The investment universe comprises all global convertible bonds sufficient liquidity with a focus on the asymmetric area. The issue size should be at least USD 100 million. We allow a maximum exposure of 10% to sub-investment grade. Subject to the restrictions and top-down guidelines, the fund may invest in all convertible bonds.

Investment Philosophy

We aim to produce long-term outperformance versus the benchmark through active management. The defensive qualities of convertible bonds in weak markets are a central element of our investment philosophy.

We believe that this goal is best achieved by finding the most attractive opportunities in the global convertible bond market using both top-down and bottom-up processes to build a portfolio. As our expertise centers on convertible bond management, we hedge currency exposure to deliver pure asset class performance for our clients.

We believe the key performance drivers of our convertible bond strategies to be:

— the momentum of the underlying equities
— the credit quality of the issuers and thus the resilience of the bond floor of the convertibles
— the asymmetry of individual issues

We therefore place particular emphasis on credit research and quantitative trend analysis.

We believe that working as a team delivers better results than could be achieved by any one individual. We have devoted significant resources to our credit research team and our proprietary analytical models. Our rigorous team approach with clearly defined responsibilities provides us with a clear view on each security in the investment universe.

As a result, we are well positioned to identify the best potential opportunities that the market offers at any given time. In applying our broad convertible bond market expertise, we are able to deliver exceptional investment solutions to our clients.

Four Fisch Convertible Bond Strategies

Description of the strategies

Fisch Asset Management offers a range of investment strategies in the field of convertible bonds. The core strategies comprise the Defensive, the Opportunistic and the Dynamic strategy. Additionally, Fisch offers a strategy focused on sustainable investment.

The **defensive strategy** invests globally in convertible bonds of a high to very high credit quality. The maximum high yield allocation is 10%. The focus is on convertible bonds that exhibit high convexity, in order to exploit the full asymmetric return profile of the asset class. The objective is to outperform the Thomson Reuters Global Focus Investment Grade Convertible Bond Index through active management. Particular emphasis is placed upon downside protection in times of equity market weakness.

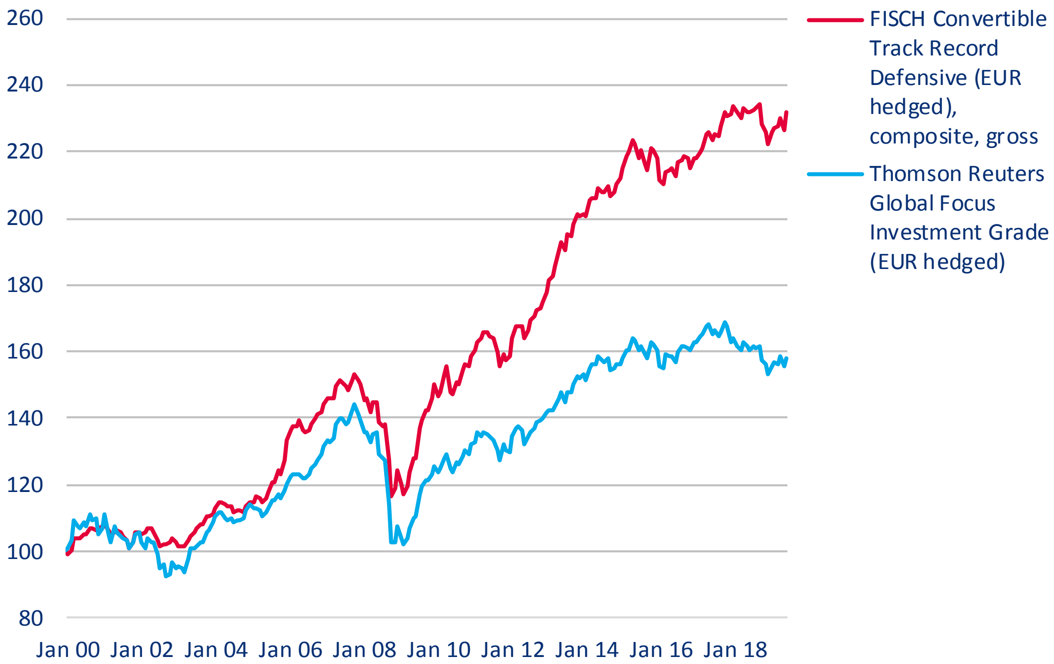
The **opportunistic strategy** invests globally in convertible bonds. The focus is on convertible bonds that exhibit high convexity, in order to exploit the full asymmetric return profile of the asset class. There are no restrictions on credit quality. The objective is to outperform the Thomson Reuters Global Focus Convertible Bond Index through active management. Particular emphasis is placed upon downside protection in times of equity market weakness.

The **dynamic strategy** invests globally in convertible bonds, including those with high convexity as well as equity-like or bond-like profiles. This means that performance drivers across the whole spectrum of the asset class can be utilised in the portfolio. This allows for enhanced participation in rising equity markets without sacrificing the downside protection typically offered by convertible bonds during weaker markets. The objective is to outperform the Thomson Reuters Global Vanilla Convertible Bond Index through active management.

The **sustainable strategy** invests globally in convertible bonds issued by companies that are classified as sustainable. The sustainability approach is based on a combination of exclusion criteria and best-in-class/best-of-class criteria. The focus is on convertible bonds that exhibit high convexity, in order to exploit the full asymmetric return profile of the asset class. The objective is to outperform the Thomson Reuters Global Focus Convertible Bond Index through active management. Particular emphasis is placed upon downside protection in times of equity market weakness.

Track Record of the Defensive Strategy

Performance (indexed)



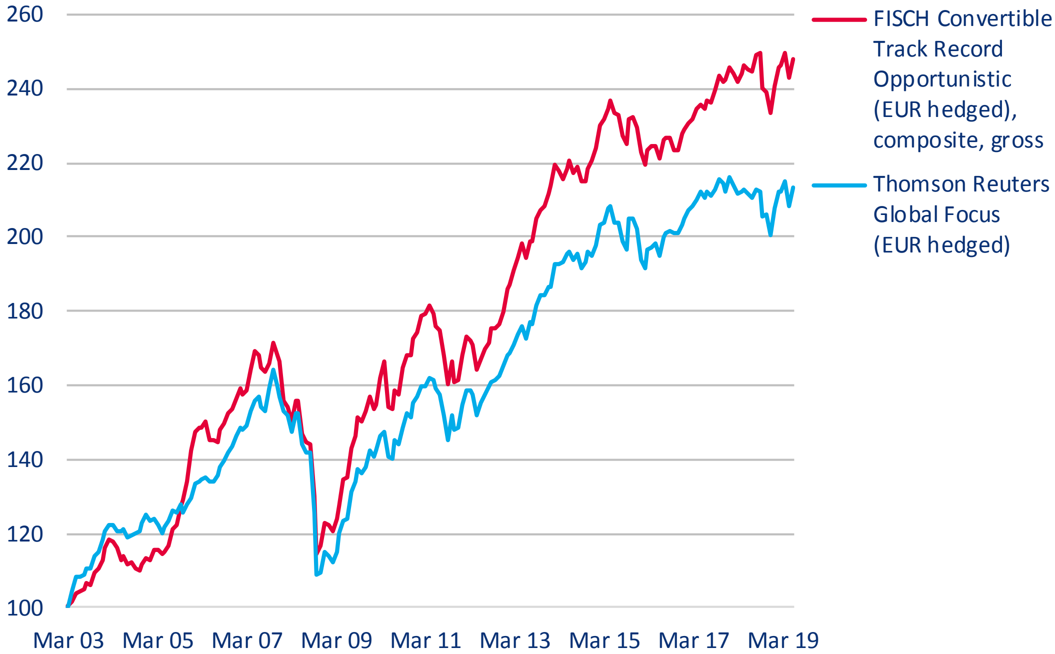
Defensive
FISCH Convertible Track Record Defensive (EUR hedged), gross Composite

Benchmark
Thomson Reuters Global Focus Investment Grade (EUR hedged)

Key Figures - EUR Hedged	Defensive	Benchmark	Relative
Month to Date Return	2.39%	1.55%	0.84%
Quarter to Date Return	1.86%	1.26%	0.59%
Year to Date Return	4.46%	3.39%	1.08%
Return 1 Year	0.11%	-1.32%	1.44%
Annualized Return 3 Years	2.89%	0.38%	2.51%
Annualized Return 5 Years	2.23%	0.11%	2.12%
Annualised Return since Inception (01.01.2000)	4.41%	2.38%	2.03%
Volatility 3 Years	3.98%	4.38%	-0.40%
Sharpe Ratio 3 Years	0.81	0.16	0.65

Track Record of the Opportunistic Strategy

Performance (indexed)



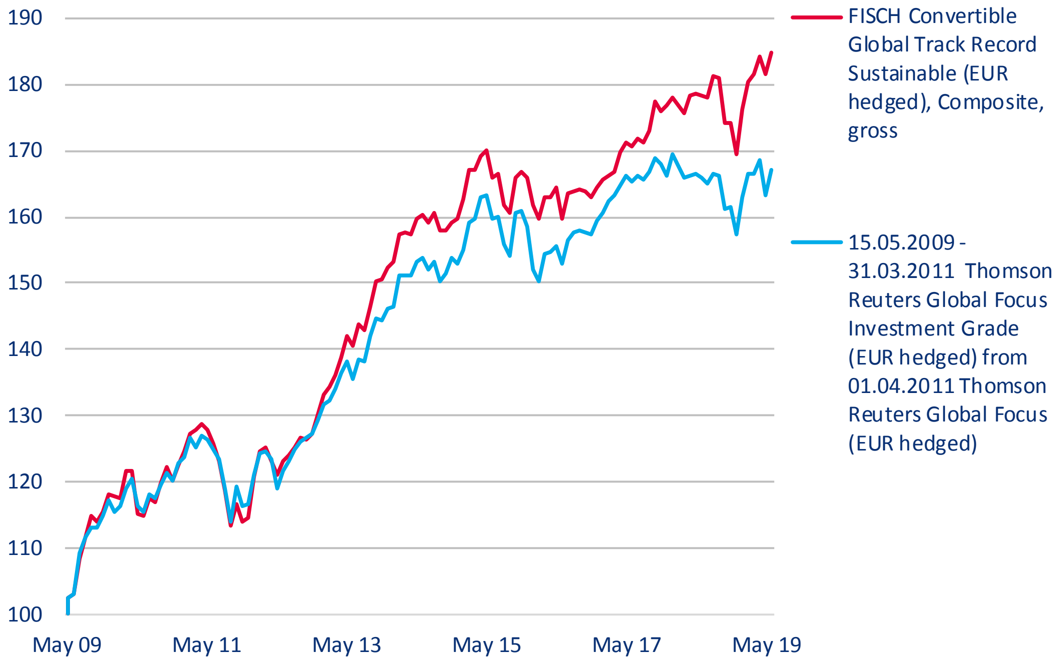
Opportunistic
FISCH Convertible Track Record Opportunistic (EUR hedged), gross Composite

Benchmark
Thomson Reuters Global Focus (EUR hedged)

Key Figures - EUR Hedged	**Opportunistic**	**Benchmark**	**Relative**
Month to Date Return	2.19%	2.41%	-0.22%
Quarter to Date Return	0.77%	0.42%	0.35%
Year to Date Return	6.19%	6.31%	-0.12%
Return 1 Year	1.08%	0.82%	0.25%
Annualized Return 3 Years	3.87%	3.03%	0.84%
Annualized Return 5 Years	2.39%	1.70%	0.69%
Annualised Return since Inception (01.03.2003)	5.72%	4.75%	0.97%
Volatility 3 Years	4.95%	5.01%	-0.05%
Sharpe Ratio 3 Years	0.85	0.67	0.18

Track Record of the Sustainable Strategy

Performance (indexed)



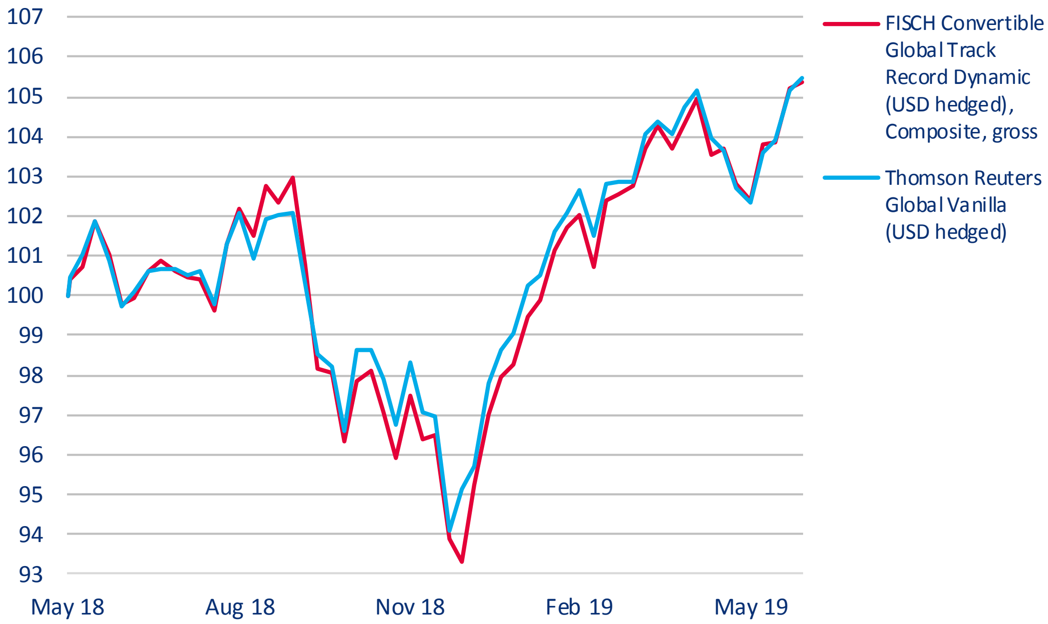
Sustainable
FISCH Convertible Track Record Sustainable (EUR hedged), gross Composite

Benchmark
15.05.2009 - 31.03.2011 Thomson Reuters Global Focus Investment Grade (EUR hedged) from 01.04.2011 Thomson Reuters Global Focus (EUR hedged)

Key Figures - EUR Hedged	Sustainable	Benchmark	Relative
Month to Date Return	1.81%	2.41%	-0.61%
Quarter to Date Return	1.80%	0.42%	1.38%
Year to Date Return	9.04%	6.31%	2.74%
Return 1 Year	3.73%	0.82%	2.91%
Annualized Return 3 Years	4.98%	3.03%	1.96%
Annualized Return 5 Years	2.89%	1.70%	1.18%
Annualised Return since Inception (15.05.2009)	6.26%	5.80%	0.46%
Volatility 3 Years	4.97%	5.01%	-0.04%
Sharpe Ratio 3 Years	1.07	0.67	0.40

Track Record of the Dynamic Strategy

Performance (indexed)



Strategy
Global convertible bonds, dynamic USD hedged, gross (implemented in the portfolio FISCH Convertible Global Dynamic Fund)

Benchmark
Thomson Reuters Global Vanilla USD hedged

Key Figures - USD Hedged	Dynamic	Benchmark	Relative
Month to Date Return	2.87%	3.08%	-0.21%
Quarter to Date Return	2.53%	2.54%	-0.01%
Year to Date Return	10.68%	10.53%	0.14%
Return 1 Year	5.59%	5.77%	-0.19%
Annualised Return since Inception (31.05.2018)	4.96%	5.07%	-0.11%

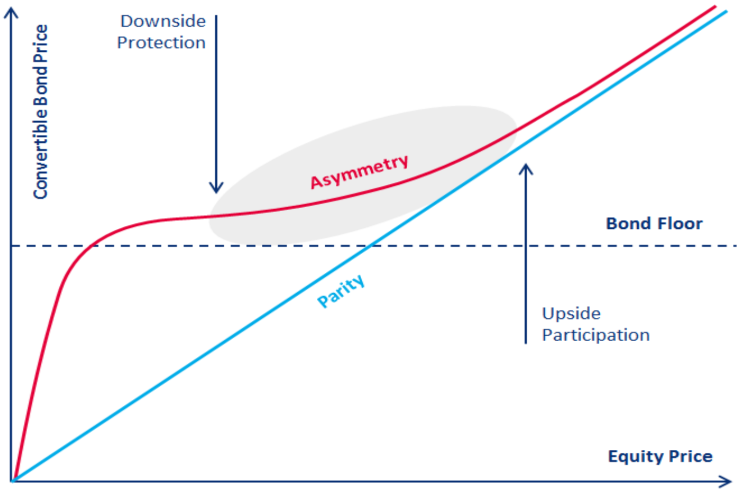
»Convertible bonds have shown very attractive returns relative to the bond and equity markets, together with a significantly lower volatility than equities.

Convertible Bond Market

Characteristics of Convertible Bonds

A convertible bond is a combination of a bond (=debt security) and a conversion right (=call option) into a fixed number of shares. This option provides asymmetric participation in share price movements. Rising share prices have a stronger impact on the price trend of a convertible than to falling share prices because the bond floor limits the decline in the convertible bond's value. The asymmetry of a convertible is at its peak in the hybrid area (a delta of 0.4 to 0.6).

Asymmetry



Source Fisch Asset Management

Advantages of Convertible Bonds

Automatic Timing Effects

The equity exposure of a convertible adapts automatically to changes in share price. Exposure increases as share prices rise and declines as share prices fall, which has an automatic risk-reducing effect. Through this asymmetry, the convertible bond becomes more equity-like as share prices rise and provides downside protection as share prices fall. This protection stems from the fact that the bond will be repaid at 100% at maturity, assuming there is no default.

Risk Premiums

An investor who buys a convertible bond simultaneously acquires four special risk premiums that promise above-average returns in the medium term: a liquidity premium (a convertible is often less liquid than a straight bond and a separate call option), a premium due to the long maturity of the call option, a credit risk premium on the option and a growth premium since convertibles are often issued by relatively small companies from growth industries. Given that a convertible bond combines all these risk premiums in one instrument, investors usually receive a package discount (because of the above-mentioned liquidity premium).

Advantages in Special Market Situations

Protection during Rising Interest Rates

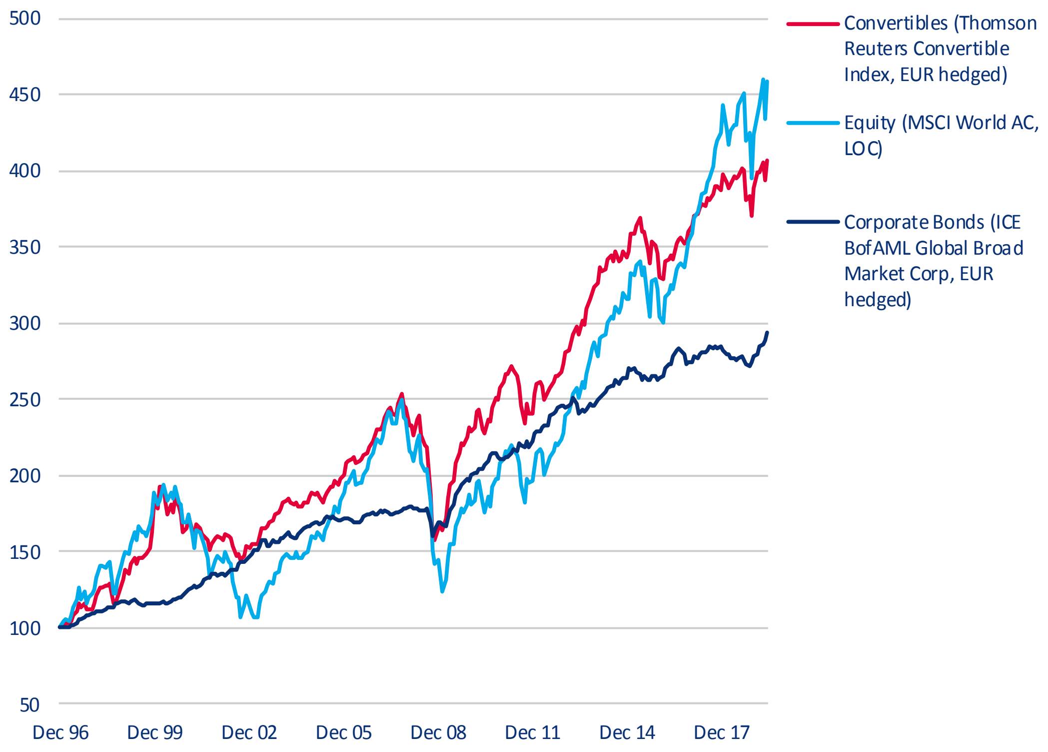
In times of rising interest rates, especially due to positive economic prospects, convertible bonds have the advantage that they lose less value than straight bonds or can even manage to produce positive returns. This is attributable to the generally shorter duration, to the value of the conversion right and to the investor’s implied put option on the bond component at conversion (exotic bond put).

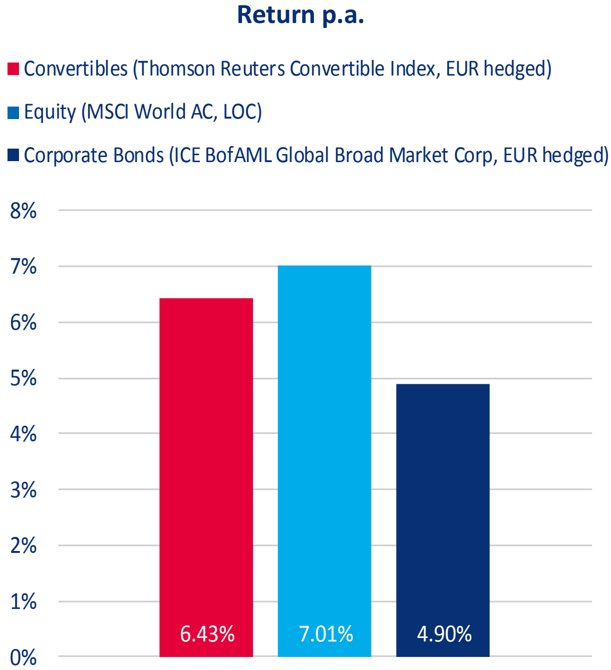
Protection in falling equity markets (volatility effects)

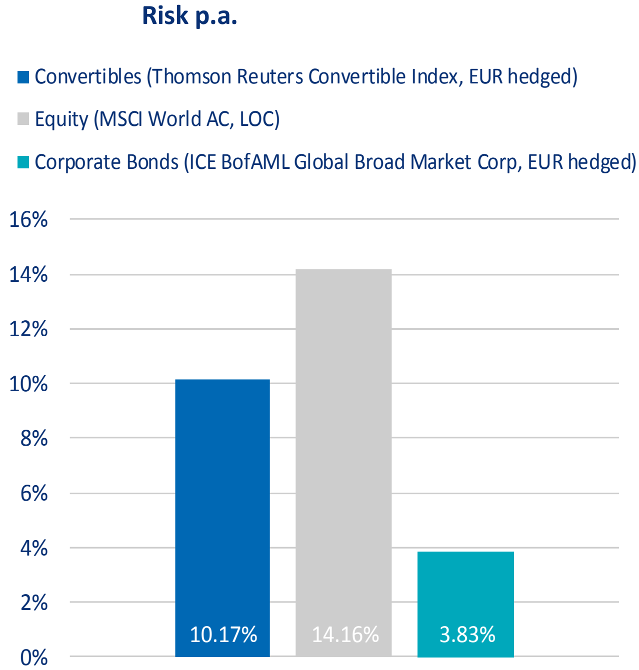
When share prices fall sharply, market volatility generally rises significantly. The conversion right corresponds to a call option, which increases in value in response to market volatility. Through this negative correlation of equity markets and volatility, convertible bonds offer an additional reduction of downside risk in phases of market stress.

Historical performance Comparison

Performance Chart (indexed)







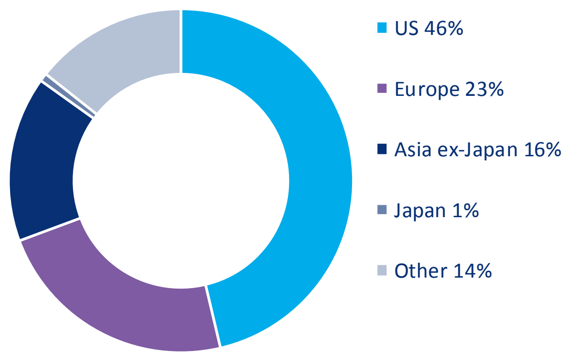
Since the inception of the relevant indices (1996), convertible bonds have demonstrated very attractive returns relative to bond and equity markets, plus significantly lower volatility than equities.

Convertible Bond Market

The size of the convertible bond universe is approximately USD 500 billion, and convertibles have an average credit rating of about BB+. Most convertible bonds are issued in the USA and Europe. Issuers are very frequently from growth industries. By offering investors a conversion right, the issuers lower the required interest payments on a bond.

Issuing Activity

Regional as of 28.06.2019



Annual convertible bonds issuance in USD bn

Year	USA	Europe	Asia ex-Japan	Japan	Others	Total
1999	41.0	35.0	4.3	9.0	4.7	94.1
2000	67.3	33.8	6.8	5.1	10.0	123.0
2001	101.9	48.4	8.8	4.4	2.0	165.5
2002	55.9	23.7	11.2	7.9	2.1	100.8
2003	96.1	50.8	17.0	12.6	3.6	180.1
2004	50.7	19.9	22.1	18.3	5.8	116.9
2005	44.3	18.5	13.3	4.7	3.8	84.5
2006	74.9	22.9	18.5	13.9	6.9	137.0
2007	102.3	41.4	33.9	10.6	14.8	203.0
2008	69.3	18.5	11.2	8.9	6.1	114.0
2009	38.5	38.3	12.9	4.8	9.5	104.1
2010	37.5	21.3	26.6	4.8	13.1	103.4
2011	25.3	15.5	20.4	4.5	6.9	72.6
2012	23.0	21.5	7.4	3.7	5.9	61.5
2013	46.1	29.5	9.6	6.9	4.3	96.5
2014	49.0	26.6	9.3	8.8	4.1	97.8
2015	35.4	23.1	7.9	7.7	8.0	82.0
2016	36.3	27.7	7.3	4.3	2.2	77.9
2017	41.2	23.6	24.5	6.6	4.5	100.4
2018	47.6	14.5	19.4	5.9	9.9	97.2
2019 (Ann.)	41.9	20.8	14.1	0.7	13.0	90.6

Source Thomson Reuters, June 2019

»Transparency, open communication, entrepreneurial spirit and mutual respect are the principles that define our corporate culture, and which we put into practice every day. These are key factors for our long-term performance as an asset manager, and hence for the success of our investors.

Fisch Asset Management

Brief Profile

Kurt Fisch
Founder

Dr. Pius Fisch
Founder

Fisch Asset Management is an asset manager specialising in select investment strategies. It offers convertible bond, corporate bond and absolute return solutions. Its objective is to create added value for long-term investors through active management. The company's core strength lies in its long experience in the fields of credit and momentum.

Founded in Zurich in 1994 by two brothers, Kurt Fisch and Dr Pius Fisch, Fisch Asset Management has made a name for itself as an independent asset manager and as a global leader in convertible bonds.

We view our corporate culture, which includes transparency, open communication, mutual respect, team spirit and entrepreneurial incentives, as the basis for our long-term success. We are proud of the tremendous success that Fisch has achieved over the past 25 years thanks to this enduring corporate philosophy.

Fisch Asset Management has recorded a strong rise in assets under management in the past years. As of 28.06.2019 the assets under management amount to CHF 10.55 bn.

Our offering

Actively managed mutual fund and segregated account solutions in three asset classes:

Convertible bonds (since 1994)

We manage four different global strategies (Defensive, Opportunistic, Dynamic and Sustainable) covering the entire spectrum with a range of risk profiles.

Corporate bonds (since 2006)

We manage five strategies (Global High Yield, Global Corporates, Emerging Market Corporates Defensive, Emerging Market Corporates Opportunistic and Bond CHF Investment Grade).

Absolute Return (since 2009)

We manage two strategies (Absolute Return Fixed Income and Absolute Return Multi Asset).

Investment Team

Investment Team	Function	At Fisch since	Years of Investment experience	Years of Industry experience	Research Responsibility
Portfolio Management Convertible Bonds					
Stephanie Zwick	Head Convertible Bonds, Senior PM	2010	9	16	-
Dr. Klaus Göggelmann	Senior PM/Analyst	2007	20	35	North America / Financials
Ute Heyward	Senior PM/Analyst	2011	13	17	North America / Communications, Healthcare
Roland Hotz	Senior PM	2001	18	42	-
Stefan Meyer	Senior PM/Analyst	2008	25	25	Asia / Information Technology
Filip Adamec	PM/Analyst	2016	13	14	Global Credit / Materials, Energy / Yield Monitor
Gerrit Bahlo	PM/Analyst	2018	6	8	Europe / Consumer Disc. & Staples
Leonardo Spangaro	PM/Analyst	2015	4	8	Japan / Industrials, Utilities
Portfolio Management Corporate Bonds					
Meno Stroemer	Head Portfolio Management, Head Corporate Bonds, Senior PM/Analyst	2014	19	27	Central Europe, Middle East, Africa
Philipp Good	Senior PM, CEO	2007	17	24	-
Hannes Boller	Senior PM/Analyst	2008	11	14	Asia
Theodore Holland	Senior PM/Analyst	2018	12	12	Central Europe, Middle East, Africa
Peter Jeggli	Senior PM/Analyst	2005	32	32	North America
Kyle Kloc	Senior PM/Analyst	2016	19	19	North America, Europe
Oliver Reinhard	Senior PM/Analyst	2013	11	18	Europe
Sergio Coviello	PM/Analyst	2012	4	7	Global
Maria Stäheli	PM/Analyst	2018	8	14	Europe
Portfolio Management Absolute Return					
Reto Baumgartner	Head Absolute Return, Senior PM	2005	14	14	Asset Allocation
Robert Koch	Senior PM	2016	12	12	Asset Allocation
Vlad Balas	PM	2010	9	11	Asset Allocation
Dzemo Fazli	PM	2012	7	7	Asset Allocation
Dr. Olivier Schmid	Senior PM	2012	14	14	Trends
Dr. Patrick Wirth	Senior PM	2015	14	21	Trends
Bilgi Sakarya	Senior Product Specialist	1996	30	32	Trends
Investment Office					
Beat Thoma	CIO	2000	27	34	Asset Allocation
Kurt Fisch	Founder	1994	35	41	Asset Allocation
Marco Müller	Senior Analyst	2007	22	26	Quantitative Analysis
Martin Haycock	CB Senior Product Specialist/Analyst	2015	24	24	Quantitative Analysis
Credit Research Fisch					
Atish Suchak	Senior Analyst	2017	18	18	Global
Magashlin Chetty	Senior Analyst	2019	12	16	Global
Nissant Naganathi	Analyst	2013	1	6	Global
Daniela Savoia	Analyst	2018	6	8	Latin America
Credit Research Independent Credit View (I-CV)					
Daniel Pfister	Senior Analyst, CEO I-CV	2005	32	32	Credit Analysis
Gabriele Baur	Senior Analyst	2013	32	32	Credit Analysis
Michael Dawson-Kropf	Senior Analyst	2016	25	25	Credit Analysis
Christian Fischer	Senior Analyst	2007	12	19	Credit Analysis
René Hermann	Senior Analyst	2009	19	19	Credit Analysis
Dr. Kurt Hess	Senior Analyst	2009	28	28	Credit Analysis
Thomas Isler	Senior Analyst	2012	33	33	Credit Analysis
Fabian Keller	Senior Analyst	2014	15	15	Credit Analysis
Marc Meili	Senior Analyst	2010	7	9	Credit Analysis
Robin Schmidli	Senior Analyst	2012	10	10	Credit Analysis
Guido Versondert	Senior Analyst	2011	24	24	Credit Analysis
Ernst Zbinden	Senior Analyst	2005	43	43	Credit Analysis
Patrick Kunz	Analyst	2018	1	1	Credit Analysis

Investment Professionals Overview	Count	Average years At Fisch	Average years Investment experience	Average years Industry experience
PMs	10	11	14	19
PM/Analysts	14	6	14	18
Analysts	21	8	21	22
Total	**45**	**8**	**17**	**20**

The Investment Team for Convertible Bonds

Filip Adamec, Portfolio Manager, CFA
(13 years of investment experience)
With Fisch Asset Management since 2016
Research responsibility: Focused on Global Credit / Materials, Energy / Yield Monitor
Portfolio responsibility: Portfolio Manager of the FISCH Convertible Global Dynamic Fund, JSS Bond Global Convertible Fund, FISCH Convertible Global Sustainable Fund and mandate portfolios

Gerrit Bahlo, Portfolio Manager, CFA
(6 years of investment experience)
With Fisch Asset Management since 2018
Research responsibility: Security analysis focused on Europe / Consumer Disc. & Staples
Portfolio responsibility: Portfolio Manager of mandate portfolios

Dr. Klaus Göggelmann, Senior Portfolio Manager, CFA
(20 years of investment experience)
With Fisch Asset Management since 2007
Research responsibility: Member of Investment Committee, security analysis focused on North America / Financials
Portfolio responsibility: Lead Portfolio Manager of FISCH Convertible Global Defensive Fund, FISCH Bond Global CHF Fund and mandate portfolios

Ute Heyward, Senior Portfolio Manager, CAIA
(13 years of investment experience)
With Fisch Asset Management since 2011
Research responsibility: Security analysis focused on North America / Communications, Healthcare
Portfolio responsibility: Lead Portfolio Manager of the FISCH Convertible Global Dynamic Fund and mandate portfolios, Portfolio Manager of FISCH Convertible Global Opportunistic Fund

Roland Hotz, Senior Portfolio Manager
(18 years of investment experience)
With Fisch Asset Management since 2001
Research responsibility: -
Portfolio responsibility: -

Stefan Meyer, Senior Portfolio Manager, CFA, FRM, CMT, CAIA (25 years of investment experience)
With Fisch Asset Management since 2008
Research responsibility: Security analysis focused on Asia / Information Technology
Portfolio responsibility: Lead Portfolio Manager of FISCH Convertible Global Sustainable Fund, JSS Bond Global Convertible Fund and mandate portfolios

Leonardo Spangaro, Portfolio Manager, CFA (4 years of investment experience)
With Fisch Asset Management since 2015
Research responsibility: Security analysis focused on Japan / Industrials, Utilities
Portfolio responsibility: Portfolio Manager of FISCH Convertible Global Defensive Fund, FISCH Bond Global CHF Fund and mandate portfolios

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