

» *Global*  
*Convertible Bonds*  
*Sustainable*  
*Strategy*

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Product Report 30 August 2019

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The Fisch product report is intended for professional investors 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. Such costs and commissions result in a decrease of the achieved performance.

## Summary

### Strategy

#### Global Convertible Bonds (sustainable companies)

The fund invests globally in convertible bonds of sustainable companies. Sustainable research is provided by Bank J. Safra Sarasin & Cie AG. The asymmetric risk-/ reward profile combined with credit- and sustainability research analysis offer additional protection to investors.

Active management is intended to achieve outperformance against the Thomson Reuters Global Focus Index, particularly when stock markets are falling. The relevant benchmark performance will be achieved when markets are on the rise.

From May 2009 to March 2011, the sustainable strategy had a more defensive positioning, characterised by a low equity exposure. For this reason, we used the Thomson Reuters Global Focus Investment Grade Index as the benchmark index during this period. The strategy has been managed opportunistically since April 2011, similar to the Thomson Reuters Global Focus Index.

#### Performance Summary as of 30.08.2019

| Key Figures - EUR                              | Strategy | Benchmark | Relative |
|--|----------|-----------|----------|
| Month to Date Return                           | -0.52%   | -1.63%    | 1.11%    |
| Quarter to Date Return                         | 0.23%    | -0.81%    | 1.04%    |
| Year to Date Return                            | 9.29%    | 5.44%     | 3.85%    |
| Return 1 Year                                  | 2.16%    | -0.46%    | 2.62%    |
| Annualized Return 3 Years                      | 4.19%    | 1.73%     | 2.46%    |
| Annualized Return 5 Years                      | 2.90%    | 1.59%     | 1.30%    |
| Annualised Return since Inception (15.05.2009) | 6.17%    | 5.61%     | 0.56%    |

**Strategy** Global convertible bonds sustainable EUR hedged, gross

**Benchmark** The Global Convertible Bonds Sustainable Strategy has been implemented relative to the aforementioned Thomson Reuters Index since 1<sup>st</sup> April 2011. From 15 May 2009 to 31 March 2011, it was implemented relative to the Thomson Reuters Global Focus Investment Grade (EUR hedged).

**Important Note** The return difference of the strategy versus benchmark includes not only the active management of the portfolio manager, but also the influence of the sustainability filter.

# » *Outperformance in weak environment thanks to good security selection*

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## Manager Report



**Stefan Meyer**  
Lead Portfolio Manager

### Market Overview

In August, there was a sizeable correction in US, European and Japanese equity markets. As it was, China had been weaker in July and this trend continued to a slightly lesser extent. The reason for the tough market conditions was a surprise escalation in the trade war between the US and China. The conflict is reaching farther and farther around the world and has the potential for global impact. Interestingly, credit markets managed to hold up quite well. Even the cyclical high yield segment was robust, and was down only slightly. This was a sign that financial markets and the global economy are on a solid footing, which is withstanding the external shock waves of the trade war for the moment. However, a few ominous cracks began to appear in important leading indicators. On the one hand, global yield curves flattened further; some even inverted. This has historically always been a sign of recession. On the other hand, the price of copper also tended to weaken at times; another signal that problems are growing within the global economy. In addition, the Chinese yuan was weaker than it has been for a long time. This restricts the Chinese central bank's capacity to act in the future, as further loosening (interest rate cuts) would put extra pressure on the currency, triggering inflation or the flight of capital, with a resultant dampening effect on the economy. However, an increasingly loose monetary policy worldwide, falling interest rates as well as buoyant consumer sentiment in many countries were all positive for markets. In addition, talk about fiscal stimulus measures intensified. On the whole, financial markets walked a very fine line between positive and negative forces.



**Gerrit Bahlo**  
Portfolio Manager

Our model scores for equity and credit markets have weakened, and are now neutral. In addition, our models are signalling further falls in interest rates, the reasons being further flattening of yield curves, falling leading indicators (copper) and the weakening of China's currency. We have also reduced our confidence in the cycle sub-model, as the current factors (trade war) cannot be fully accounted for. Our economic indicators – which had been quite robust to date – have weakened a good deal due to the escalation of the trade conflict. In particular, falling interest rates and the fact that some yield curves are now inverted are a serious warning sign. The price of copper is now also weaker (reliable indicator of the global economy), as is the Chinese yuan – a development that is, to some extent, reducing the Chinese central bank's room to manoeuvre on the monetary front. In the medium term this will greatly limit its ability to cushion the impact of the trade conflict, and is of global relevance. The money supply dynamics remain relatively positive, as does the expected monetary easing on the part of other important central banks, as well as the signals from various transport indices (ATA Truck Tonnage, Baltic Dry, Harpex), market technicals (market breadth, sentiment) and global consumer behaviour. The current situation is strongly influenced by the rhetoric in the trade conflict. This makes it difficult to assess the market using traditional macro models and indicators. The situation can change at any time, and the usual indicators do not react quickly enough. Therefore, at the moment there is a very unstable balance between positive indicators on the one hand and strong warning signals on the other. However, as there is enough of a spark left in the global economic and financial system, even the slightest easing of tensions in the trade conflict could fire markets back up.

## Portfolio

Driven by another escalation of the trade conflict and the fast-approaching Brexit deadline, equity markets were initially weak in August. As the month progressed, however, most markets stabilised and even clawed back some of the losses. However, it was not enough for markets to end the month up in any region. Seasonally low liquidity accentuated the moves in both directions. Hong Kong remained very weak, with the combination of ongoing demonstrations in the city and global problems having a negative effect on investor sentiment. But where there are losers there are often winners as well. And in this instance safe investments – especially in the form of long-dated sovereign bonds – were again to the fore. Thus bond markets made considerable gains again, despite the historically low level of interest rates.

The strategy (gross, EUR hedged) ended August down owing to the weak equity markets, but outperformed the benchmark despite a higher equity exposure. Security selection in the technology sector had a positive effect, as we managed to avoid software companies whose share prices underwent sharp corrections following the announcement of disappointing outlooks. We also benefited from our positioning in the utilities segment, where Iberdrola and Snam, for example, emerged as relative winners in this volatile environment, and the industrial sector, where the French company Vinci and the Spanish telecommunications supplier Cellnex rose sharply. Security selection in the healthcare sector detracted from performance.

The portfolio structure changed only slightly over the month. We took profits on convertibles that had performed well and become equity-sensitive. We also sold convertible bonds whose equity momentum was flagging. On the other hand, we participated selectively in new issues, such as by the US software company Akamai.

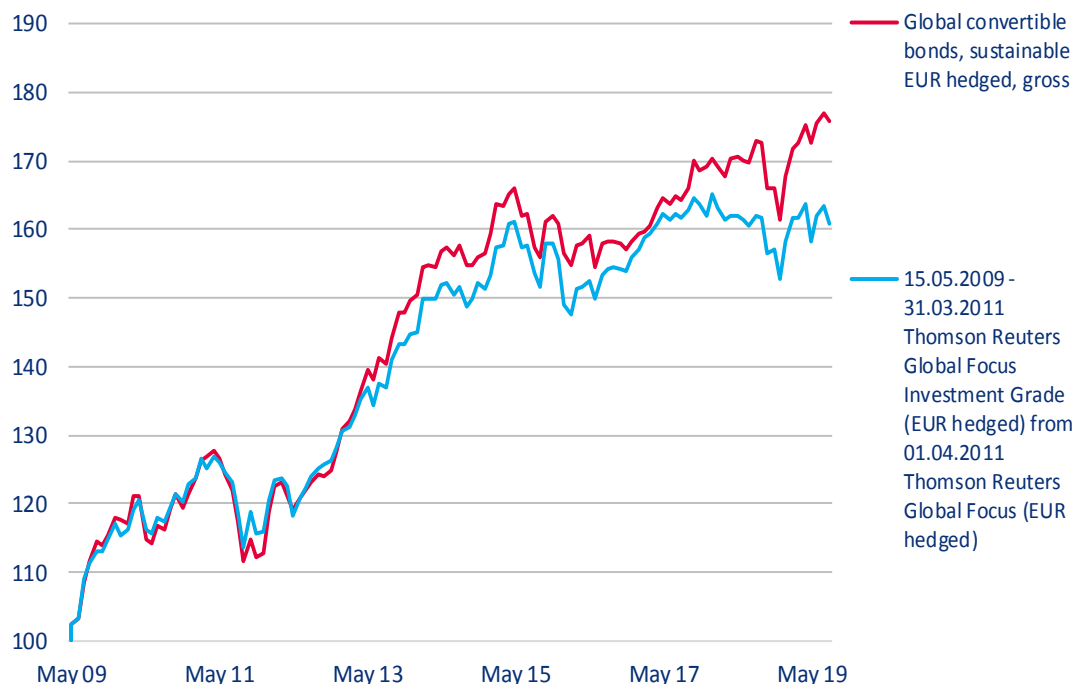
# Portfolio

## Performance Analysis

### Performance

#### Performance (indexed)

The Global Convertible Bonds Sustainable Strategy has been implemented relative to the aforementioned Thomson Reuters Index since 1<sup>st</sup> April 2011. From 15 May 2009 to 31 March 2011, it was implemented relative to the Thomson Reuters Global Focus Investment Grade (EUR hedged).



#### Strategy

Global convertible bonds, sustainable, EUR hedged, gross

#### Benchmark

15<sup>th</sup> May 2009 until 31<sup>st</sup> March 2011 Thomson Reuters Global Focus Investment Grade (EUR hedged). Since 1<sup>st</sup> April 2011 Thomson Reuters Global Focus (EUR hedged)

| Key Figures - EUR                              | Strategy | Benchmark | Relative |
|--|----------|-----------|----------|
| Month to Date Return                           | -0.52%   | -1.63%    | 1.11%    |
| Quarter to Date Return                         | 0.23%    | -0.81%    | 1.04%    |
| Year to Date Return                            | 9.29%    | 5.44%     | 3.85%    |
| Return 1 Year                                  | 2.16%    | -0.46%    | 2.62%    |
| Annualized Return 3 Years                      | 4.19%    | 1.73%     | 2.46%    |
| Annualized Return 5 Years                      | 2.90%    | 1.59%     | 1.30%    |
| Annualised Return since Inception (15.05.2009) | 6.17%    | 5.61%     | 0.56%    |
| Volatility 3 Years                             | 4.87%    | 4.97%     | -0.10%   |
| Sharpe Ratio 3 Years                           | 0.93     | 0.41      | 0.51     |
| Max Drawdown 3 Years                           | -8.16%   | -9.31%    | 1.14%    |

| Strategy<br>Global convertible bonds,<br>sustainable, CHF hedged,<br>gross   | Key Figures - CHF                              | Strategy             | Benchmark | Relative |
|--|--|----------------------|-----------|----------|
|  |  | Month to Date Return | -0.56%    | -1.65%   |
|  | Quarter to Date Return                         | 0.14%                | -0.87%    | 1.01%    |
|  | Year to Date Return                            | 8.96%                | 5.22%     | 3.75%    |
| Benchmark<br>15 <sup>th</sup> May 2009 until<br>31 <sup>st</sup> March 2011<br>Thomson Reuters Global<br>Focus Investment Grade<br>(CHF hedged). Since 1 <sup>st</sup><br>April 2011 Thomson<br>Reuters Global Focus<br>(CHF hedged) | Return 1 Year                                  | 1.67%                | -0.78%    | 2.44%    |
|  | Annualized Return 3 Years                      | 3.61%                | 1.37%     | 2.24%    |
|  | Annualized Return 5 Years                      | 2.21%                | 1.16%     | 1.05%    |
|  | Annualised Return since Inception (15.05.2009) | 5.64%                | 5.25%     | 0.39%    |
|  | Volatility 3 Years                             | 4.89%                | 4.97%     | -0.08%   |
|  | Sharpe Ratio 3 Years                           | 0.89                 | 0.42      | 0.46     |
|  | Max Drawdown 3 Years                           | -8.41%               | -9.56%    | 1.15%    |

| Strategy<br>Global convertible bonds,<br>sustainable, USD hedged,<br>gross   | Key Figures - USD                              | Strategy             | Benchmark | Relative |
|--|--|----------------------|-----------|----------|
|  |  | Month to Date Return | -0.31%    | -1.43%   |
|  | Quarter to Date Return                         | 0.68%                | -0.36%    | 1.04%    |
|  | Year to Date Return                            | 11.34%               | 7.46%     | 3.87%    |
| Benchmark<br>3 <sup>rd</sup> November 2009 until<br>31 <sup>st</sup> March 2011<br>Thomson Reuters Global<br>Focus Investment Grade<br>(USD hedged). Since 1 <sup>st</sup><br>April 2011 Thomson<br>Reuters Global Focus<br>(USD hedged) | Return 1 Year                                  | 5.06%                | 2.41%     | 2.65%    |
|  | Annualized Return 3 Years                      | 6.53%                | 3.89%     | 2.64%    |
|  | Annualized Return 5 Years                      | 4.42%                | 3.07%     | 1.36%    |
|  | Annualised Return since Inception (03.11.2009) | 6.04%                | 5.37%     | 0.67%    |
|  | Volatility 3 Years                             | 4.86%                | 4.96%     | -0.10%   |
|  | Sharpe Ratio 3 Years                           | 0.96                 | 0.41      | 0.55     |
|  | Max Drawdown 3 Years                           | -7.42%               | -7.15%    | -0.27%   |

| Strategy<br>Global convertible<br>bonds, sustainable EUR<br>hedged, CHF hedged,<br>USD hedged, gross  | Key Figures - Calendar Year | 2014         | 2015  | 2016   | 2017   | 2018   |
|---|-----------------------------|--------------|-------|--------|--------|--------|
|   |                             | EUR Strategy | 4.95% | 3.92%  | -0.96% | 7.60%  |
|   | EUR Benchmark               | 4.74%        | 3.60% | 0.58%  | 4.39%  | -5.45% |
|   | CHF Strategy                | 4.69%        | 2.81% | -1.61% | 6.93%  | -4.65% |
| Benchmark<br>3 <sup>rd</sup> November 2009<br>until 31 <sup>st</sup> March 2011<br>Thomson Reuters<br>Global Focus Invest-<br>ment Grade (EUR<br>hedged, CHF hedged,<br>USD hedged). Since 1 <sup>st</sup><br>April 2011 Thomson<br>Reuters Global Focus<br>(EUR hedged, CHF<br>hedged, USD hedged) | CHF Benchmark               | 4.58%        | 2.78% | 0.15%  | 3.99%  | -5.74% |
|   | USD Strategy                | 4.71%        | 3.96% | 0.31%  | 9.42%  | -1.66% |
|   | USD Benchmark               | 4.73%        | 3.83% | 1.59%  | 6.00%  | -3.01% |

## 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)

| Region        | Return [%]   |             | Average Weight [%] |            | Contribution [%] |             | Asset Allocation [%] | Security Selection [%] | Total Attribution [%] |
|---------------|--------------|-------------|--------------------|------------|------------------|-------------|----------------------|------------------------|-----------------------|
|               | PF           | BM          | PF                 | BM         | PF               | BM          |                      |                        |                       |
| Europe        | 9.36         | 5.30        | 50                 | 32         | 4.40             | 1.78        | -0.03                | 1.95                   | 1.92                  |
| North America | 18.74        | 11.10       | 23                 | 34         | 4.81             | 3.53        | -0.27                | 1.89                   | 1.62                  |
| Asia          | 4.66         | 4.63        | 8                  | 17         | 0.14             | 0.62        | 0.07                 | 0.29                   | 0.36                  |
| Japan         | -0.43        | -0.20       | 11                 | 14         | 0.11             | -0.03       | -0.18                | 0.08                   | -0.10                 |
| Others        | 22.96        | 31.88       | 4                  | 3          | 0.89             | 1.00        | 0.19                 | -0.43                  | -0.24                 |
| Cash          | 0.00         | 0.00        | 4                  | 0          | 0.00             | 0.00        | -0.12                | 0.00                   | -0.12                 |
| <b>Total</b>  | <b>10.36</b> | <b>6.91</b> | <b>100</b>         | <b>100</b> | <b>10.36</b>     | <b>6.91</b> | <b>-0.34</b>         | <b>3.79</b>            | <b>3.45</b>           |

\*Portfolio returns are local returns within the Global Convertible Bonds Sustainable Strategy. Benchmark returns are local returns within the Thomson Reuters Global Focus 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          |                      |                        |                       |
| Technology             | 20.56        | 12.42       | 18                 | 20         | 4.00             | 2.47        | 0.13                 | 1.27                   | 1.40                  |
| Industrials            | 11.60        | 5.87        | 14                 | 8          | 1.62             | 0.47        | 0.03                 | 0.90                   | 0.93                  |
| Utilities              | 12.25        | 0.07        | 6                  | 6          | 0.75             | 0.00        | 0.13                 | 0.73                   | 0.86                  |
| Consumer Discretionary | 11.75        | 7.13        | 17                 | 13         | 1.88             | 1.05        | -0.02                | 0.77                   | 0.75                  |
| Consumer Staples       | 13.70        | -6.70       | 4                  | 3          | 0.50             | -0.19       | -0.21                | 0.85                   | 0.65                  |
| Energy                 | 4.27         | 1.19        | 1                  | 4          | 0.01             | 0.08        | 0.12                 | 0.05                   | 0.17                  |
| Materials              | 6.51         | 5.27        | 9                  | 9          | 0.55             | 0.52        | -0.07                | 0.07                   | -0.01                 |
| Communications         | 16.58        | 7.37        | 3                  | 13         | 0.31             | 0.90        | -0.15                | 0.13                   | -0.01                 |
| Financials             | 4.32         | 5.33        | 11                 | 15         | 0.44             | 0.81        | 0.01                 | -0.28                  | -0.27                 |
| Health Care            | 2.58         | 9.10        | 14                 | 9          | 0.29             | 0.79        | 0.06                 | -0.96                  | -0.90                 |
| Cash                   | 0.00         | 0.00        | 4                  | 0          | 0.00             | 0.00        | -0.12                | 0.00                   | -0.12                 |
| <b>Total</b>           | <b>10.36</b> | <b>6.91</b> | <b>100</b>         | <b>100</b> | <b>10.36</b>     | <b>6.91</b> | <b>-0.09</b>         | <b>3.54</b>            | <b>3.45</b>           |

\*Portfolio returns are local returns within the Global Convertible Bonds Sustainable Strategy. Benchmark returns are local returns within the Thomson Reuters Global Focus 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 Parity Return | CB Global Focus Return | CB Global Focus avg. Weights |
|-----------------|----------------------|-------------------------------|------------------------|------------------------------|
| North America   | 17.93%               | 11.45%                        | 11.10%                 | 33.74%                       |
| Europe          | 14.84%               | 12.16%                        | 5.30%                  | 31.86%                       |
| Asia            | 8.22%                | 3.66%                         | 4.63%                  | 17.06%                       |
| Japan           | 3.33%                | -6.29%                        | -0.20%                 | 14.12%                       |
| Others          | N/A                  | 30.82%                        | 31.88%                 | 3.22%                        |
| <b>Total</b>    | <b>14.62%</b>        | <b>7.82%</b>                  | <b>6.91%</b>           | <b>100%</b>                  |

\*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

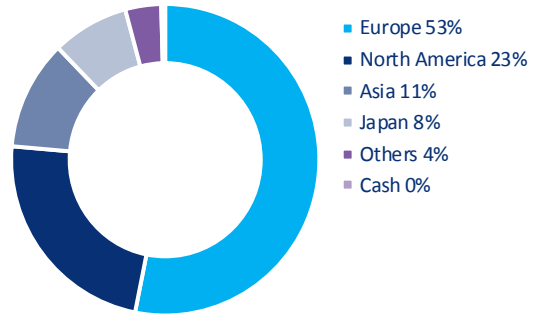
### Securities

| Total Number of Positions           | 81     |
|-------------------------------------|--------|
| <b>Top 10 Positions</b>             |        |
|                                     | Weight |
| VINCI SA/0.375%/16.02.2022          | 4.44%  |
| LINK 2019 CB/1.6%/03.04.2024        | 4.06%  |
| IBERDROLA INTL/0%/11.11.2022        | 3.74%  |
| QIAGEN NV/0.5%/13.09.2023           | 3.28%  |
| SNAM/0%/20.03.2022                  | 3.18%  |
| CELLNEX TELECOM/1.5%/16.01.2026     | 3.13%  |
| ILLUMINA INC/0%/15.08.2023          | 2.97%  |
| SIKA AG/0.15%/05.06.2025            | 2.67%  |
| ADIDAS AG/0.05%/12.09.2023          | 2.41%  |
| AKAMAI TECH/0.125%/01.05.2025       | 2.31%  |
| <b>Top 5 Overweights</b>            |        |
|                                     | Weight |
| VINCI SA/0.375%/16.02.2022          | 3.77%  |
| LINK 2019 CB/1.6%/03.04.2024        | 3.67%  |
| IBERDROLA INTL/0%/11.11.2022        | 3.25%  |
| QIAGEN NV/0.5%/13.09.2023           | 2.96%  |
| SNAM/0%/20.03.2022                  | 2.82%  |
| <b>Top 5 Underweights</b>           |        |
|                                     | Weight |
| AMERICA MOVIL(KPN)/0%/28.05.2020    | -2.48% |
| DISH NETWORK/144A/3.375%/15.08.2026 | -2.09% |
| CHINA EVERGRANDE/4.25%/14.02.2023   | -1.55% |
| PALO ALTO NET/0.75%/01.07.2023      | -1.35% |
| CHINA OVRS FIN 5/0%/05.01.2023      | -1.24% |

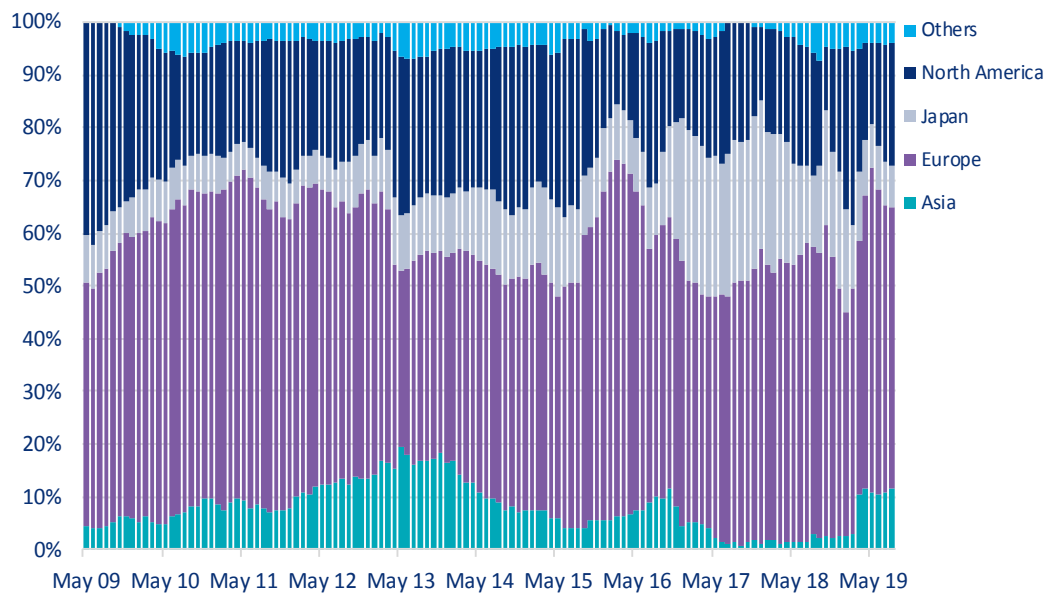
| 5 Best Positions by Underlyer (YTD)  |          | Relative                |        |
|--------------------------------------|----------|-------------------------|--------|
|                                      | Absolute |                         |        |
| CELLNEX TELECOM/ST/EUR               | 0.87%    | VINCI SA/ST/EUR         | 0.66%  |
| VINCI SA/ST/EUR                      | 0.77%    | CELLNEX TELECOM/ST/EUR  | 0.65%  |
| IBERDROLA SA/ST/EUR                  | 0.61%    | IBERDROLA SA/ST/EUR     | 0.53%  |
| MICROCHIP TECH/ST/USD                | 0.58%    | TWILIO INC - A/ST/USD   | 0.40%  |
| WAYFAIR INC- A/ST/USD                | 0.57%    | MONGODB INC/ST/USD      | 0.34%  |
| 5 Worst Positions by Underlyer (YTD) |          | Relative                |        |
|                                      | Absolute |                         |        |
| NUTANIX INC - A/ST/USD               | -0.18%   | EXACT SCIENCES/ST/USD   | -0.37% |
| FORTIVE CORP/ST/USD                  | -0.12%   | MERCADOLIBRE INC/ST/USD | -0.34% |
| VOCERA COMMUNICA/ST/USD              | -0.10%   | SEA LTD-ADR/ST/USD      | -0.27% |
| FRESENIUS SE & C/ST/EUR              | -0.08%   | TWITTER INC/ST/USD      | -0.19% |
| ENVESTNET INC/ST/USD                 | -0.08%   | CHARTER COMMUN-A/ST/USD | -0.17% |

## Regions

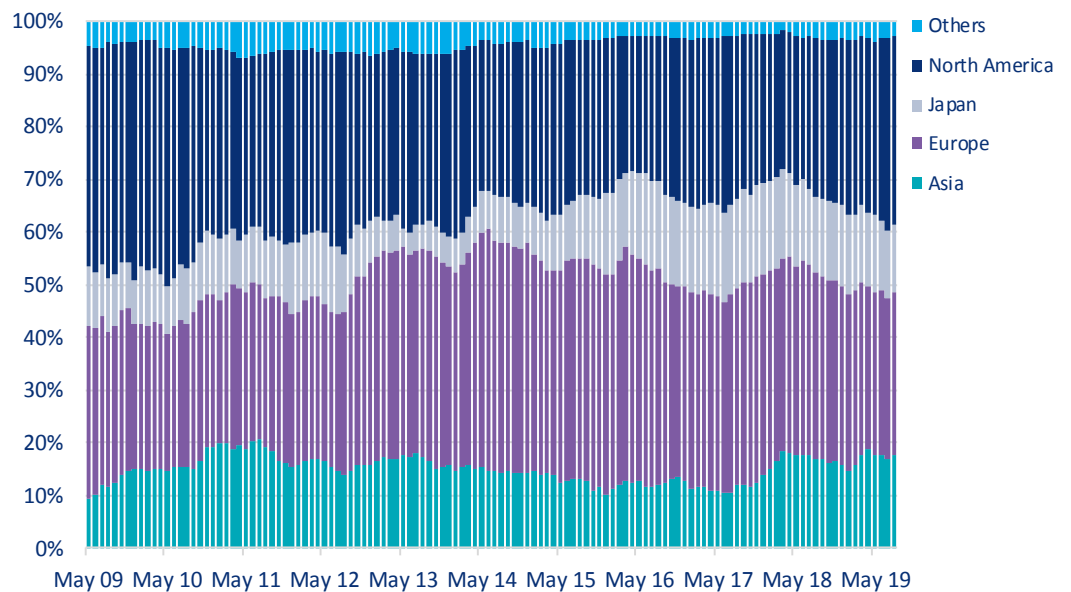
| Regional Allocation | Weight      | Relative  |
|---------------------|-------------|-----------|
| Europe              | 53.14%      | 22.30%    |
| North America       | 23.24%      | -12.46%   |
| Asia                | 11.37%      | -6.40%    |
| Japan               | 8.06%       | -4.80%    |
| Others              | 3.77%       | 0.94%     |
| Cash                | 0.42%       | 0.42%     |
| <b>Total</b>        | <b>100%</b> | <b>0%</b> |



### Monthly Regional Allocation (Portfolio)

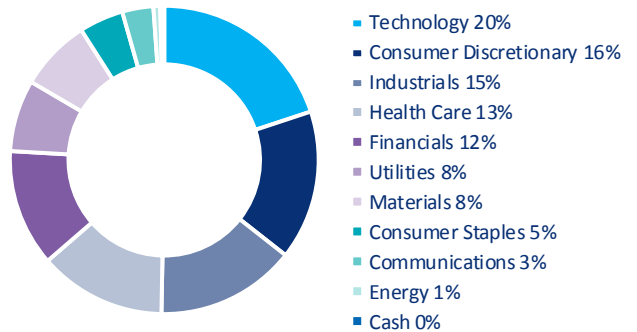


### Monthly Regional Allocation (Benchmark)



## Sectors

| Sector Allocation      | Weight      | Relative  |
|------------------------|-------------|-----------|
| Technology             | 19.92%      | -0.15%    |
| Consumer Discretionary | 15.69%      | 4.00%     |
| Industrials            | 14.68%      | 5.96%     |
| Health Care            | 13.34%      | 4.07%     |
| Financials             | 12.29%      | -2.35%    |
| Utilities              | 7.54%       | 2.13%     |
| Materials              | 7.51%       | -1.16%    |
| Consumer Staples       | 4.64%       | 2.74%     |
| Communications         | 3.26%       | -12.92%   |
| Energy                 | 0.71%       | -2.75%    |
| Cash                   | 0.42%       | 0.42%     |
| <b>Total</b>           | <b>100%</b> | <b>0%</b> |



## Equity Sensitivity

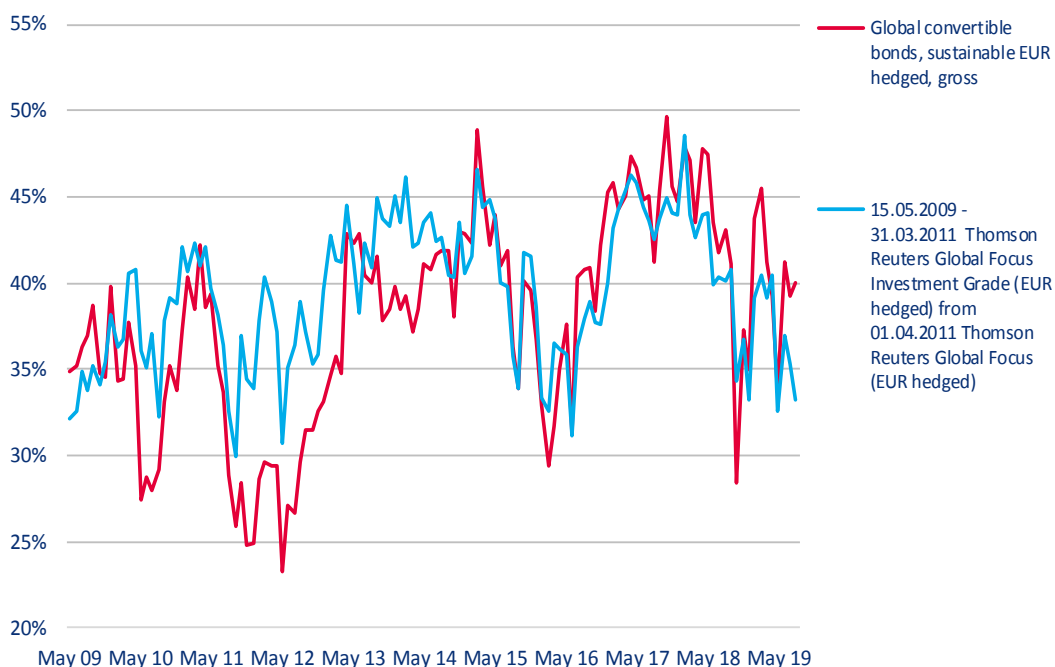
The **delta** (also known as the hedge ratio) of a convertible bond indicates by how much the absolute value of the convertible (e.g. in EUR, USD or CHF) changes if the underlying equity package rises or falls by one unit (EUR, USD or CHF). For percentage observations and aggregation at the portfolio 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).

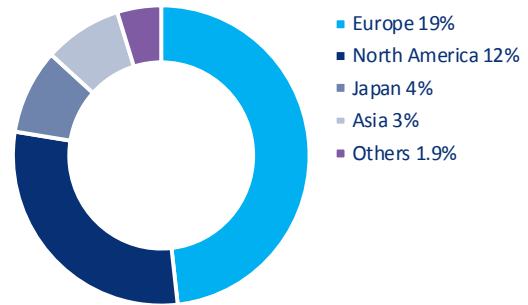
The **beta-adjusted equity sensitivity** also takes into account the beta of the underlying equity. If the underlying equity moves more strongly (high beta) or less strongly (low beta) than the overall market, the equity sensitivity is adjusted accordingly.

| Equity Sensitivity            | Strategy | Benchmark |
|-------------------------------|----------|-----------|
| Delta                         | 51.35%   | 46.25%    |
| Equity Exposure               | 40.00%   | 33.26%    |
| Equity Exposure Beta Adjusted | 37.83%   | 34.16%    |

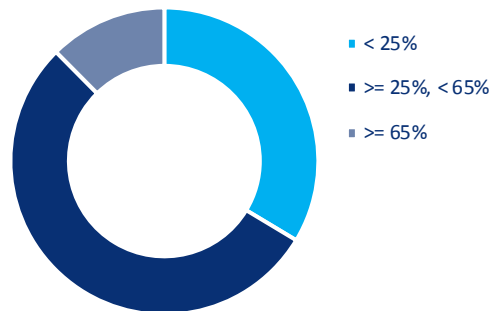
### Historical Equity Sensitivity (Equity Exposure)



| Equity Exposure Allocation | Weight        | Relative     |
|----------------------------|---------------|--------------|
| Europe                     | 19.29%        | 11.91%       |
| North America              | 11.73%        | -5.04%       |
| Japan                      | 3.67%         | 0.85%        |
| Asia                       | 3.40%         | -1.60%       |
| Others                     | 1.92%         | 0.62%        |
| <b>Total</b>               | <b>40.00%</b> | <b>6.73%</b> |



| Equity Exposure Allocation | Weight      | Relative  |
|----------------------------|-------------|-----------|
| < 25%                      | 33.62%      | -7.50%    |
| >= 25%, < 65%              | 53.96%      | 3.66%     |
| >= 65%                     | 12.42%      | 3.83%     |
| <b>Total</b>               | <b>100%</b> | <b>0%</b> |



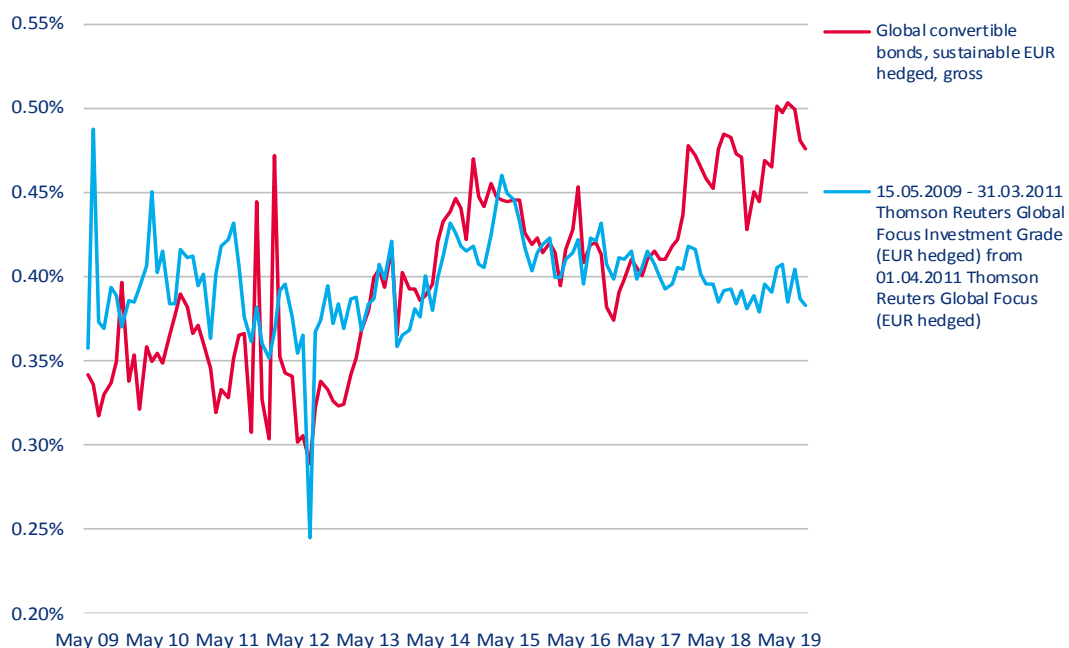
## Volatility Sensitivity

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 |          |           |
|------------------------|----------|-----------|
|                        | Strategy | Benchmark |
| Vega                   | 0.48%    | 0.38%     |
| Implied Volatility     | 28.32%   | 30.79%    |

### Historical Volatility Sensitivity (Vega)





## Interest Rate Sensitivity

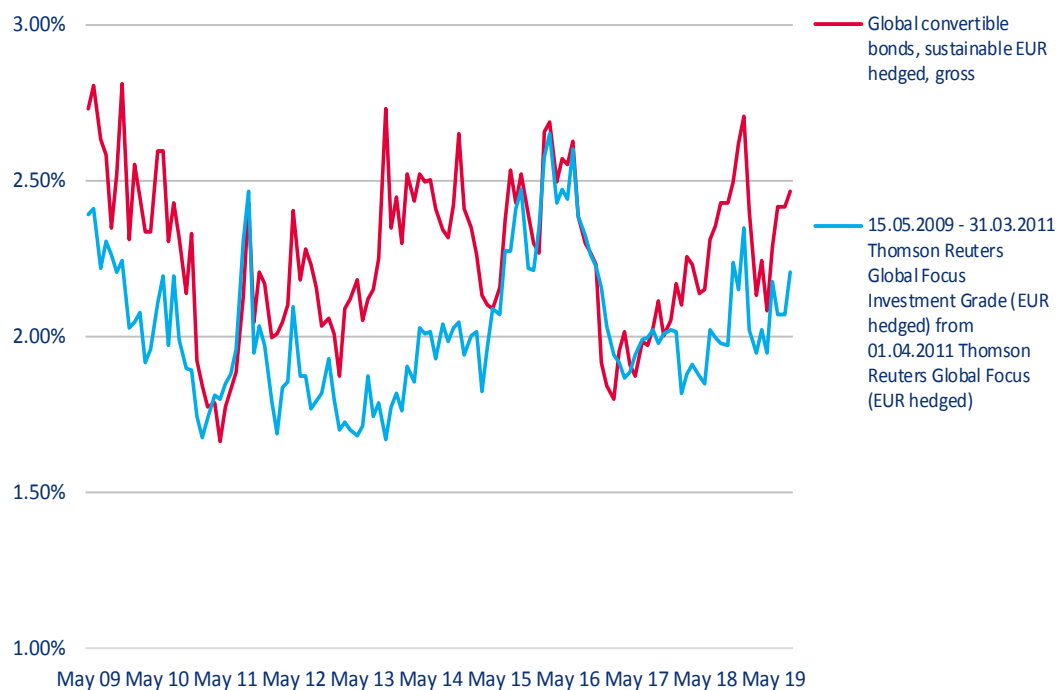
The **modified duration** of a convertible bond expresses the interest rate sensitivity of the bond component. Since this figure does not take into account any possible right to put the bond back to the issuer or the conversion right, however, the figure is misleading in the case of convertible bonds.

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 |          |           |
|---------------------------|----------|-----------|
|                           | Strategy | Benchmark |
| Duration                  | 4.17%    | 4.16%     |
| Effective Duration (Rho)  | 2.47%    | 2.21%     |

### 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.

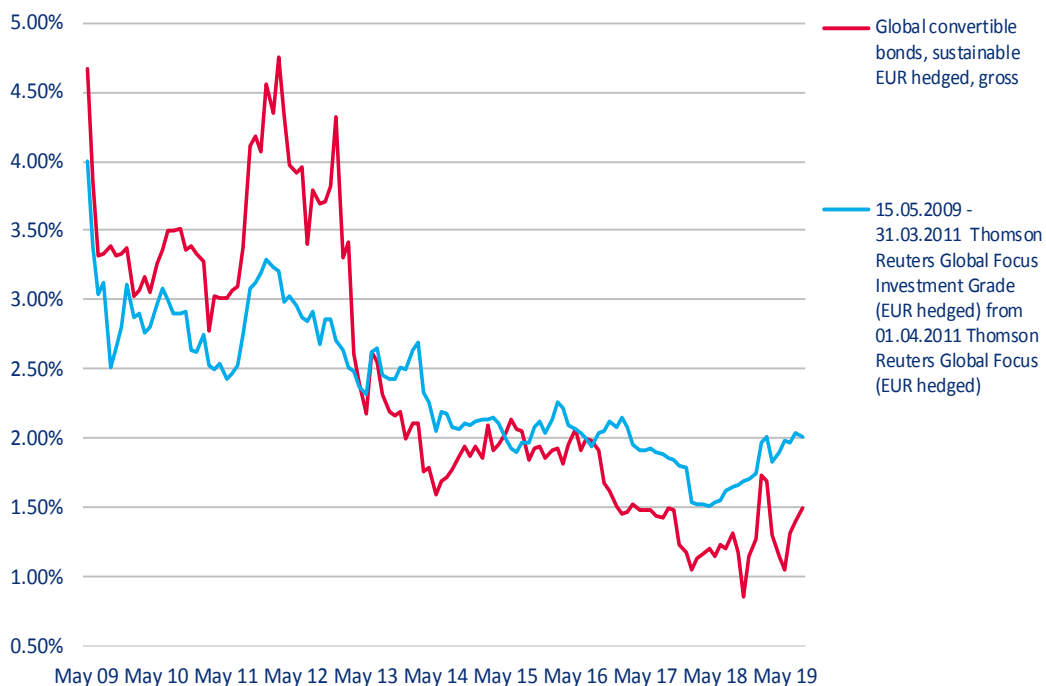
If a convertible bond (or its issuer) does not have an official rating, an **implied rating** can be ascertained. The implied rating is a measure of how the issuer quality is rated by the market. Implied ratings react much more quickly than official ratings to changes in credit quality or new information.

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

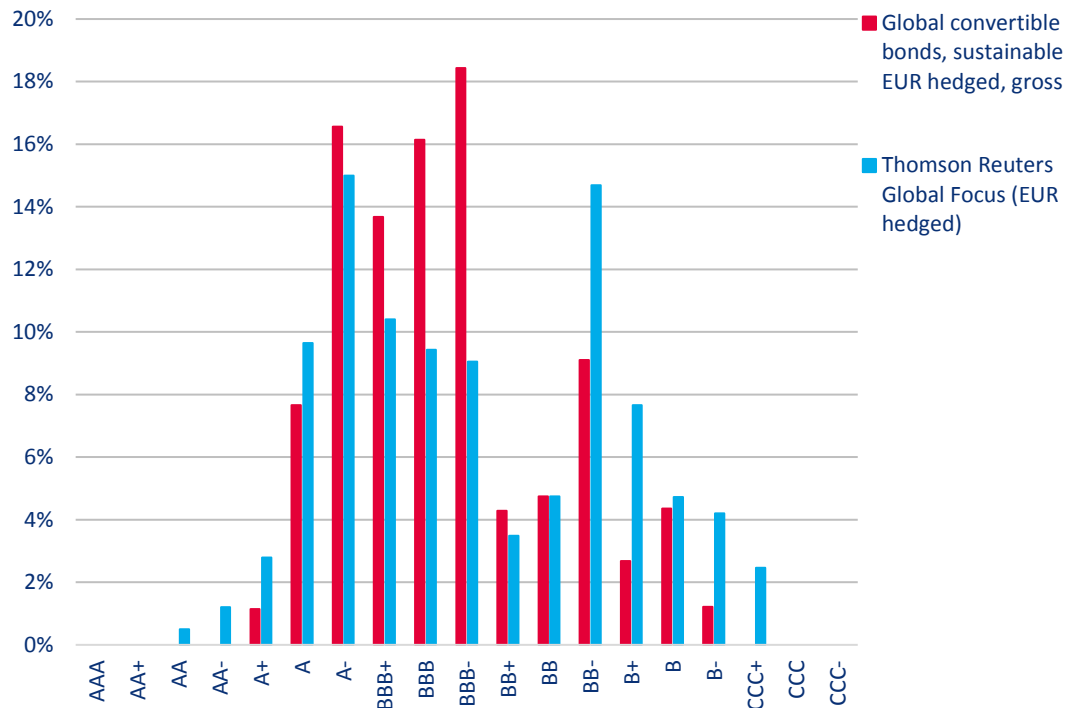
**Omicron** measures the sensitivity of the convertible price to changes in the credit spread. It is expressed as the percentage increase (or decrease) in the convertible price for a one percentage point narrowing (or widening) of the credit spread.

| Credit Risk                         | Strategy | Benchmark |
|-------------------------------------|----------|-----------|
| Credit Spread                       | 1.49%    | 2.01%     |
| Implied Rating                      | BBB      | BBB-      |
| Official Rating else Implied Rating | BBB      | BBB-      |
| Omicron                             | 2.83%    | 2.48%     |

### Historical Credit Spread



**Rating- Allocation (Official/Implied Rating)**



| Investment Grade vs High Yield Allocation | Strategy    | Benchmark   |
|---|-------------|-------------|
| Investment Grade                          | 73.62%      | 58.02%      |
| High Yield                                | 26.38%      | 41.98%      |
| <b>Total</b>                              | <b>100%</b> | <b>100%</b> |

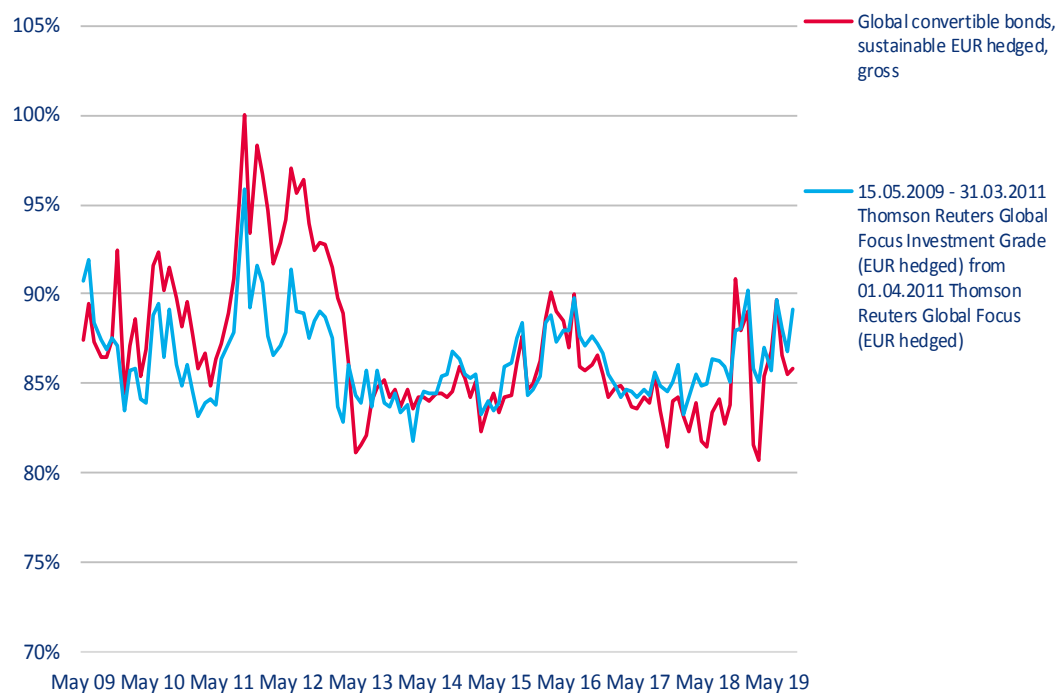
## Bond Floor

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 | Strategy | Benchmark |
|------------|----------|-----------|
| Bond Floor | 85.78%   | 89.19%    |

### Historical Bond Floor



## 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.

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

| Scenario „Bull“ | Movement                | Portfolio    | Scenario „Bear“ | Movement              | Portfolio    |
|-----------------|-------------------------|--------------|-----------------|-----------------------|--------------|
| Equity Markets  | 25.00%                  | 12.02        | Equity Markets  | -25.00%               | -7.94        |
| Credit Spreads  | -1.80% HY/<br>-0.90% IG | 2.79         | Credit Spreads  | 1.80% HY/<br>0.90% IG | -2.87        |
| Interest Rates  | 1.00%                   | -2.34        | Interest Rates  | -1.00%                | 2.66         |
| Volatility      | -2.00%                  | -0.91        | Volatility      | 4.00%                 | 1.89         |
| Coupon          |                         | 0.32         | Coupon          |                       | 0.32         |
| Time Value      |                         | -0.59        | Time Value      |                       | -0.59        |
| <b>Total*</b>   |                         | <b>10.99</b> | <b>Total*</b>   |                       | <b>-7.04</b> |

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

» *This strategy invests in convertible bonds of sustainable companies globally and without rating restrictions. The use of an optimal risk-reward profile combined with credit and sustainability analysis offers investor **high-quality sustainable investment.***

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## Investment Strategy | Track Record

### Investment Objective

The investment objective of this strategy is to outperform the benchmark Thomson Reuters Global Focus Index<sup>1</sup> over the market cycle by 2% per annum through active management. The investment universe comprises all global convertible bonds exhibiting sufficient liquidity with a focus on the asymmetric area. The issue size should be at least USD 100 million. Additionally, all convertible bond issues require a positive sustainability rating by Bank J. Safra Sarasin. 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 while focusing on securities with a high sustainability rating. The sustainability filter is provided via the sustainability research of Bank J. Safra Sarasin. 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.

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<sup>1</sup> Reference index: Thomson Reuters Global Focus Custom Sustainable Convertible Index, index applying sustainability filter of Bank J. Safra Sarasin

## 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.



# Sustainability-Research

## Principle

The sustainable investment research of Bank J. Safra Sarasin is based on exclusion criteria as well as a combination of best-of-class (industry rating) and best-in-class (company rating) approaches. The sustainability filter should minimise portfolio risks by leading to investment in convertible bonds of companies with less exposure to environmental, social and governance risks than that of other companies. These main risk categories comprise the following aspects:

- Environmental risks: regulatory changes, accidents, pricing of resources, environmental liabilities, protests, etc.
- Social risks: labour conflicts, supply chain issues, corruption, product liability, loss of reputation, etc.
- Governance risks: sustainability of business model, board culture, remuneration, communication with shareholders, etc.

## Process

The sustainability analysis of investments consists of three elements: exclusion criteria, industry rating and company rating.

In the initial step, the companies are screened to see if they satisfy the defined exclusion criteria. Companies are excluded from the investment universe if they generate more than five percent of their sales from one of the following activities:

- Nuclear power
- Coal, Oil Sands and Shale Oil & Gas
- Genetically modified organisms (agriculture and medicine)
- Defense & Armaments
- Tobacco
- Adult entertainment
- Violation of human rights

The remaining companies are then analysed to determine their sustainability. First of all, this involves an assessment of the industry in which the company operates (industry rating). The industry universe comprises 47 different industries, with each assigned a rating from low to high (best-of-class, x axis of the Sarasin Sustainability Matrix, diagram 9). There are five rating levels in total. Each industry is analysed in terms of its contribution to environmental and social risks. The main benchmark here is the industry's environmental relevance (e.g. airlines consume a lot of energy, whereas financial service providers consume far less) and social relevance. The assessment is based on the environmental and social impact across the lifecycle of products and services.

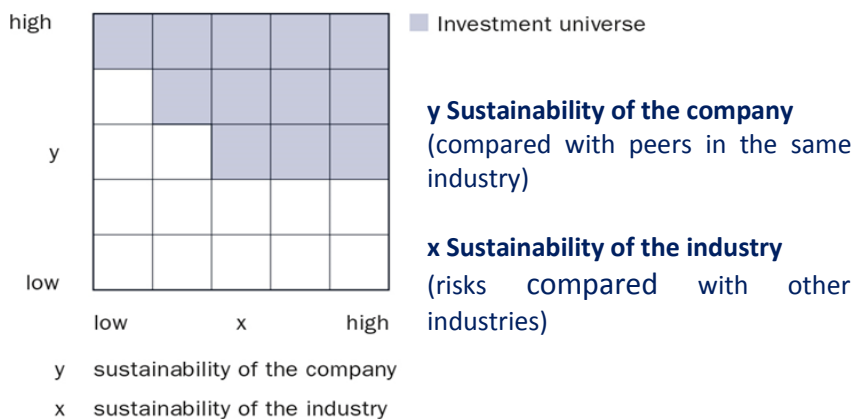
Secondly, the company is evaluated within its industry (company rating). The effective performance of each company is analysed relative to its industry. This is based on a lifecycle approach which examines the environmental aspects of pre-production sourcing, production processes, products and services as well as the environmental strategy / policy and the environmental management systems. The assessment of social considerations is based on a stakeholder approach and examines the company's relationship with its suppliers, investors and the public sector as well as with its employees, clients and competitors.

Depending on the industry, the environmental, social and governance evaluation criteria are weighted differently. The company is also assigned a rating from low to high across five levels, and this is used to rank the company within its peer group (best-in-class, y axis of the Sarasin Sustainability Matrix, diagram 9).

The industry and company ratings for each firm are subsequently combined in a matrix. This results either in a rating of 'sustainable' (shaded upper area) or 'unsustainable'. The lower the industry rating, the higher the company rating needs to be in order for the company to be rated as sustainable.

The information needed to perform this analysis is gathered by Bank J. Safra Sarasin from the following main sources: sustainability reports, company visits and conference calls. Additional information is obtained from external ESG data providers, the Factiva media database, conferences, trade literature, specialised institutions and NGOs.

**Sarasin Sustainability-Matrix**

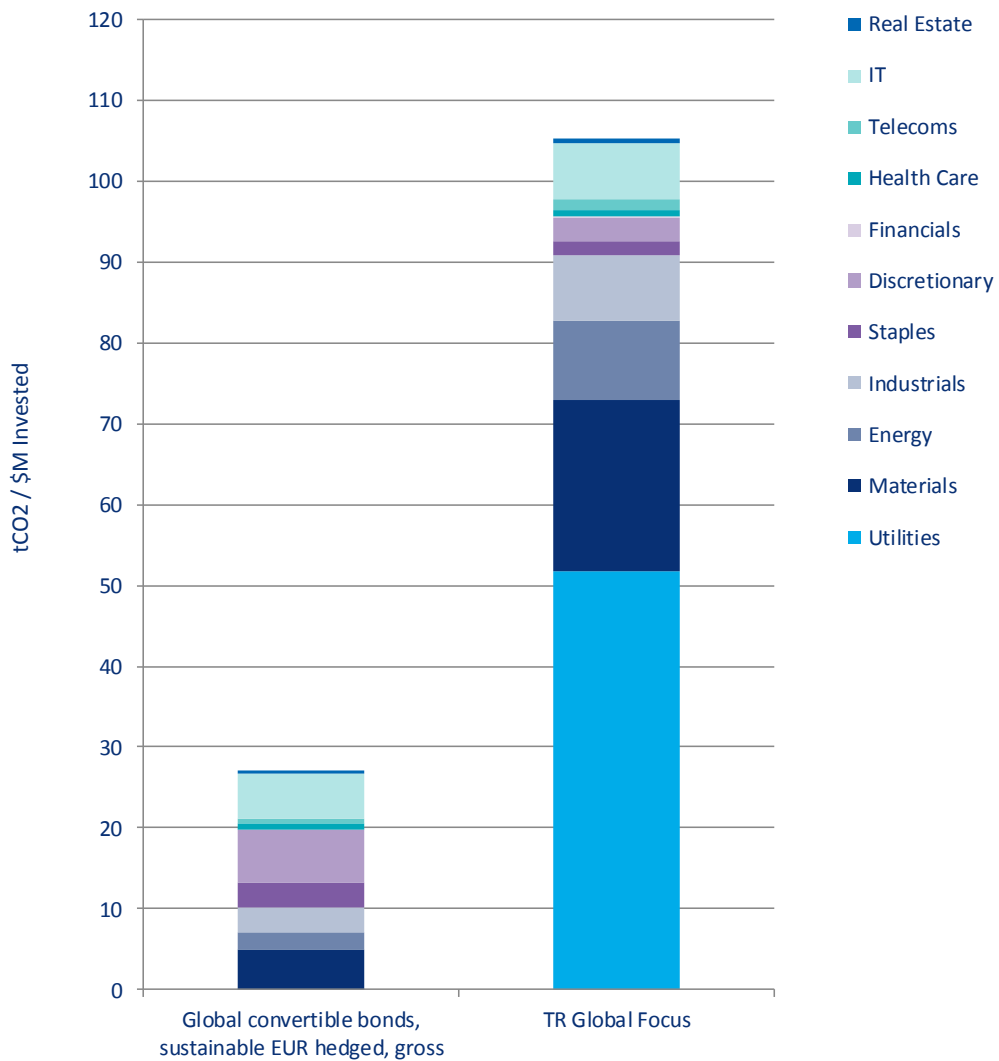


Source J. Safra Sarasin, Sarasin Sustainability-Matrix

## Carbon Footprint

### Carbon Footprinting Methodology

We calculate the portfolio’s carbon footprint based on the investors claim on each company’s assets, and allocated carbon emissions reported from those assets in 2016 to the invested capital.



Quelle Bank J. Safra Sarasin, MSCI CarbonMetrics, June 2019

### Carbon Footprint

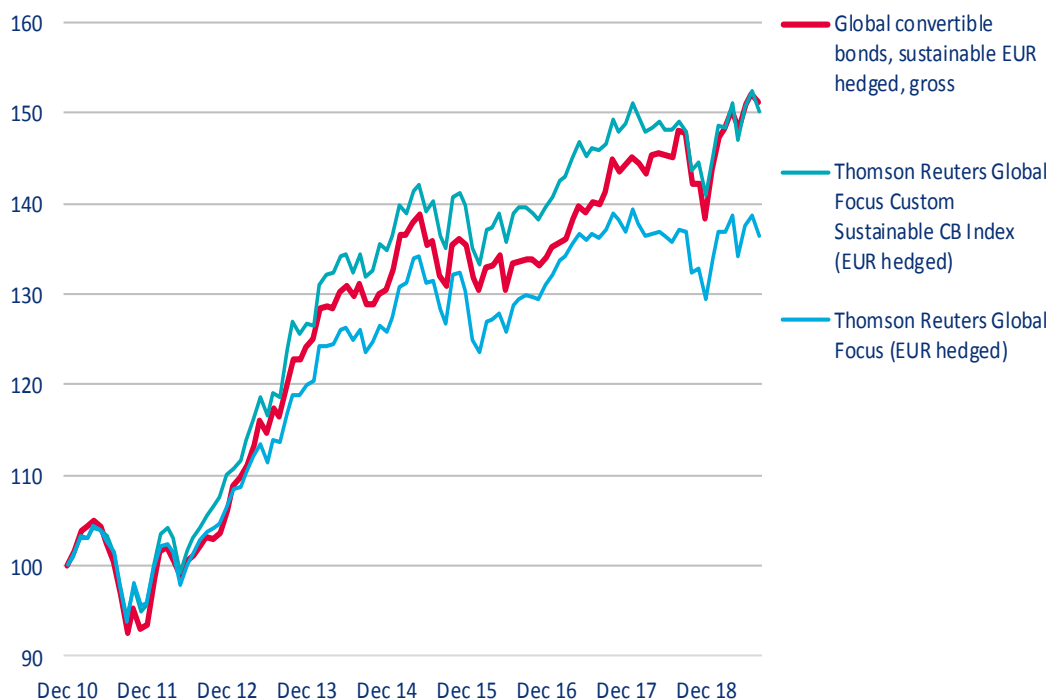
The portfolio has a significantly lower carbon exposure than the TR Global Focus. This is mainly due to the underweight allocations in Utilities, Energy and Industrial Sectors.



The pooled Global Convertible Bonds Sustainable Strategy has been awarded the FNG Label. Investment funds with the FNG Label meet the quality standard developed by Forum Nachhaltige Geldanlagen e. V. (FNG) for sustainable investments in the German-speaking countries. The fund has received one out of a possible three stars for its particularly ambitious and comprehensive sustainability strategy.

## Track Record of Reference Index with Sustainability Filter

### Performance (indexed)



**Sustainable**  
 FISCH Convertible  
 Global Track Record  
 Sustainable  
 (EUR hedged), gross  
 Composite. Inception  
 as of 15.05.2009 -  
 Indexed from  
 01.01.2011

**Reference index**  
 Thomson Reuters  
 Global Focus Custom  
 Sustainable  
 Convertible Index (EUR  
 hedged), index  
 applying sustainability  
 filter of Bank J. Safra  
 Sarasin - Indexed from  
 01.01.2011

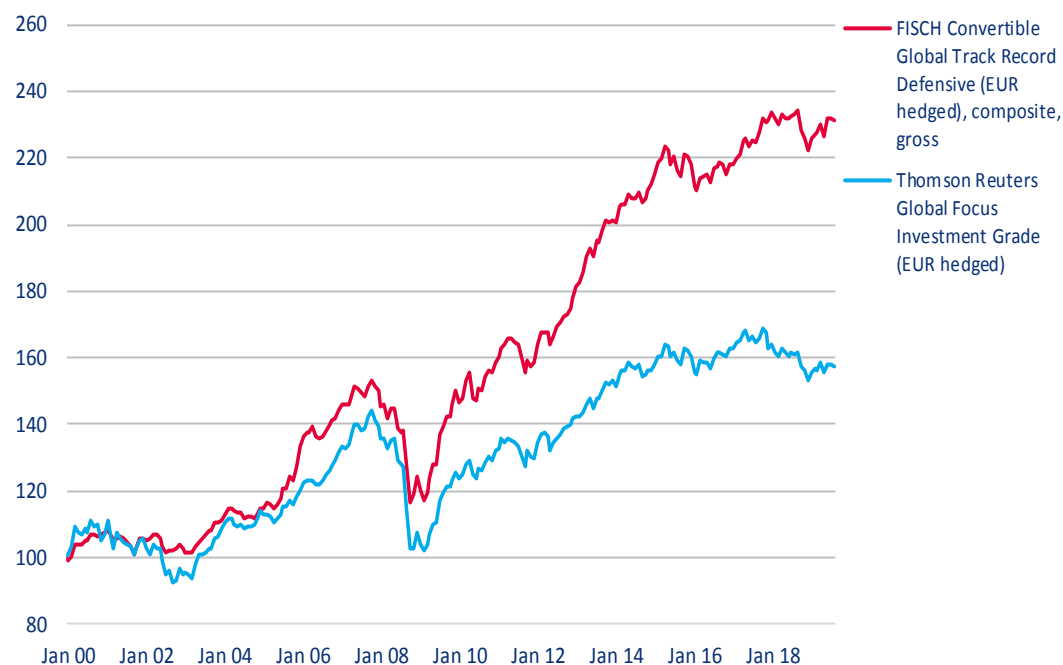
**Benchmark**  
 Thomson Reuters  
 Global Focus (EUR  
 hedged) - Indexed  
 from 01.01.2011

| Key Figures - EUR                              | Strategy | Reference index | Benchmark | Relative* |
|--|----------|-----------------|-----------|-----------|
| Month to Date Return                           | -0.52%   | -1.53%          | -1.63%    | 0.11%     |
| Quarter to Date Return                         | 0.23%    | -0.41%          | -0.81%    | 0.41%     |
| Year to Date Return                            | 9.29%    | 6.52%           | 5.44%     | 1.08%     |
| Return 1 Year                                  | 2.16%    | 0.61%           | -0.46%    | 1.07%     |
| Annualized Return 3 Years                      | 4.19%    | 2.46%           | 1.73%     | 0.73%     |
| Annualized Return 5 Years                      | 2.90%    | 2.23%           | 1.59%     | 0.64%     |
| Volatility 3 Years                             | 4.87%    | 4.86%           | 4.97%     | -0.11%    |
| Sharpe Ratio 3 Years                           | 0.93     | 0.57            | 0.41      | 0.16      |
| Annualised Return since Inception (01.01.2011) | 4.89%    | 4.79%           | 3.64%     | 1.15%     |

The sustainable investment universe (TR Global Focus Custom Sustainable CB Index (EUR hedged)) has been considered representative since 2011, as over 40 percent of the securities have been part of the TR Global Focus universe since that time. \*Relative Performance is between the Reference Index and Benchmark.

## Track Record of the Defensive Strategy

### Performance (indexed)



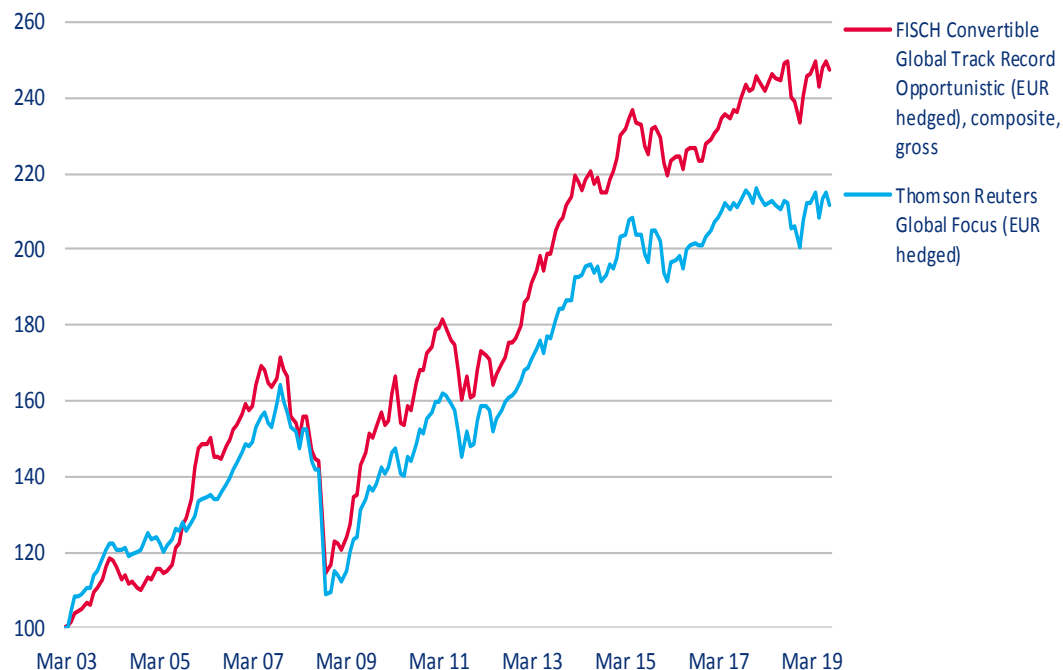
**Defensive**  
 FISCH Convertible  
 Global Track Record  
 Deensive  
 (EUR hedged), gross  
 Composite

**Benchmark**  
 Thomson Reuters  
 Global Focus  
 (EUR hedged)

| Key Figures - EUR                              | Defensive | Benchmark | Relative |
|--|-----------|-----------|----------|
| Month to Date Return                           | -0.36%    | -0.49%    | 0.13%    |
| Quarter to Date Return                         | -0.27%    | -0.68%    | 0.42%    |
| Year to Date Return                            | 4.19%     | 2.68%     | 1.51%    |
| Return 1 Year                                  | -0.85%    | -2.37%    | 1.53%    |
| Annualized Return 3 Years                      | 2.07%     | -0.87%    | 2.94%    |
| Annualized Return 5 Years                      | 1.97%     | -0.11%    | 2.07%    |
| Annualised Return since Inception (01.01.2000) | 4.35%     | 2.32%     | 2.03%    |
| Volatility 3 Years                             | 3.88%     | 4.18%     | -0.30%   |
| Sharpe Ratio 3 Years                           | 0.62      | -0.13     | 0.75     |

## Track Record of the Opportunistic Strategy

### Performance (indexed)



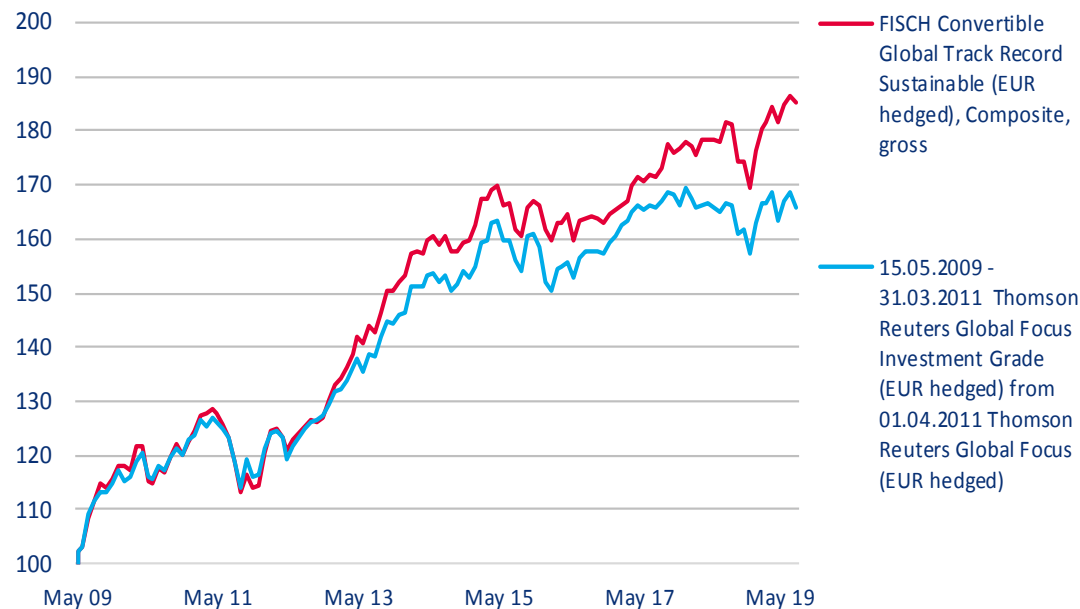
**Opportunistic**  
 FISCH Convertible  
 Global Track Record  
 Opportunistic  
 (EUR hedged), gross  
 Composite

**Benchmark**  
 Thomson Reuters  
 Global Focus  
 (EUR hedged)

| Key Figures - EUR                              |  | Opportunistic | Benchmark | Relative |
|--|--|---------------|-----------|----------|
| Month to Date Return                           |  | -0.96%        | -1.63%    | 0.67%    |
| Quarter to Date Return                         |  | -0.24%        | -0.81%    | 0.58%    |
| Year to Date Return                            |  | 5.94%         | 5.44%     | 0.50%    |
| Return 1 Year                                  |  | -0.57%        | -0.46%    | -0.11%   |
| Annualized Return 3 Years                      |  | 2.93%         | 1.73%     | 1.20%    |
| Annualized Return 5 Years                      |  | 2.46%         | 1.59%     | 0.87%    |
| Annualised Return since Inception (01.03.2003) |  | 5.64%         | 4.64%     | 1.00%    |
| Volatility 3 Years                             |  | 4.88%         | 4.97%     | -0.09%   |
| Sharpe Ratio 3 Years                           |  | 0.67          | 0.41      | 0.25     |

## Track Record of the Sustainable Strategy

### Performance (indexed)



**Sustainable**  
 FISCH Convertible  
 Global 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                              |  | Sustainable | Benchmark | Relative |
|--|--|-------------|-----------|----------|
| Month to Date Return                           |  | -0.52%      | -1.63%    | 1.11%    |
| Quarter to Date Return                         |  | 0.23%       | -0.81%    | 1.04%    |
| Year to Date Return                            |  | 9.29%       | 5.44%     | 3.85%    |
| Return 1 Year                                  |  | 2.16%       | -0.46%    | 2.62%    |
| Annualized Return 3 Years                      |  | 4.19%       | 1.73%     | 2.46%    |
| Annualized Return 5 Years                      |  | 2.90%       | 1.59%     | 1.30%    |
| Annualised Return since Inception (15.05.2009) |  | 6.17%       | 5.61%     | 0.56%    |
| Volatility 3 Years                             |  | 4.87%       | 4.97%     | -0.10%   |
| Sharpe Ratio 3 Years                           |  | 0.93        | 0.41      | 0.51     |

## Track Record of the Dynamic Strategy

### Performance (indexed)



**Strategy**  
Global convertible bonds, dynamic USD hedged, gross

**Benchmark**  
Thomson Reuters Global Vanilla USD hedged

| Key Figures - USD                              |  | Dynamic | Benchmark | Relative |
|--|--|---------|-----------|----------|
| Month to Date Return                           |  | -0.63%  | -1.18%    | 0.56%    |
| Quarter to Date Return                         |  | 0.65%   | 0.13%     | 0.52%    |
| Year to Date Return                            |  | 11.39%  | 10.67%    | 0.72%    |
| Return 1 Year                                  |  | 3.74%   | 3.44%     | 0.30%    |
| Annualised Return since Inception (15.05.2009) |  | 4.80%   | 4.46%     | 0.34%    |



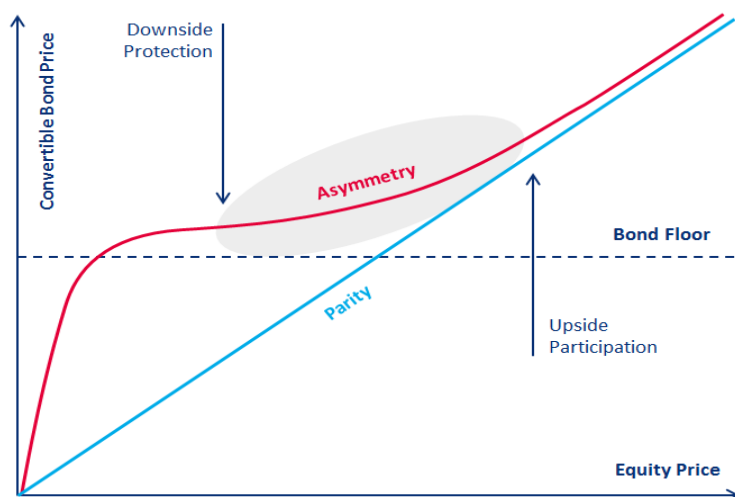
**» *Convertible bonds have shown very attractive returns relative to the bond and equity markets, together with a significantly lower volatility than equities.***

## 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

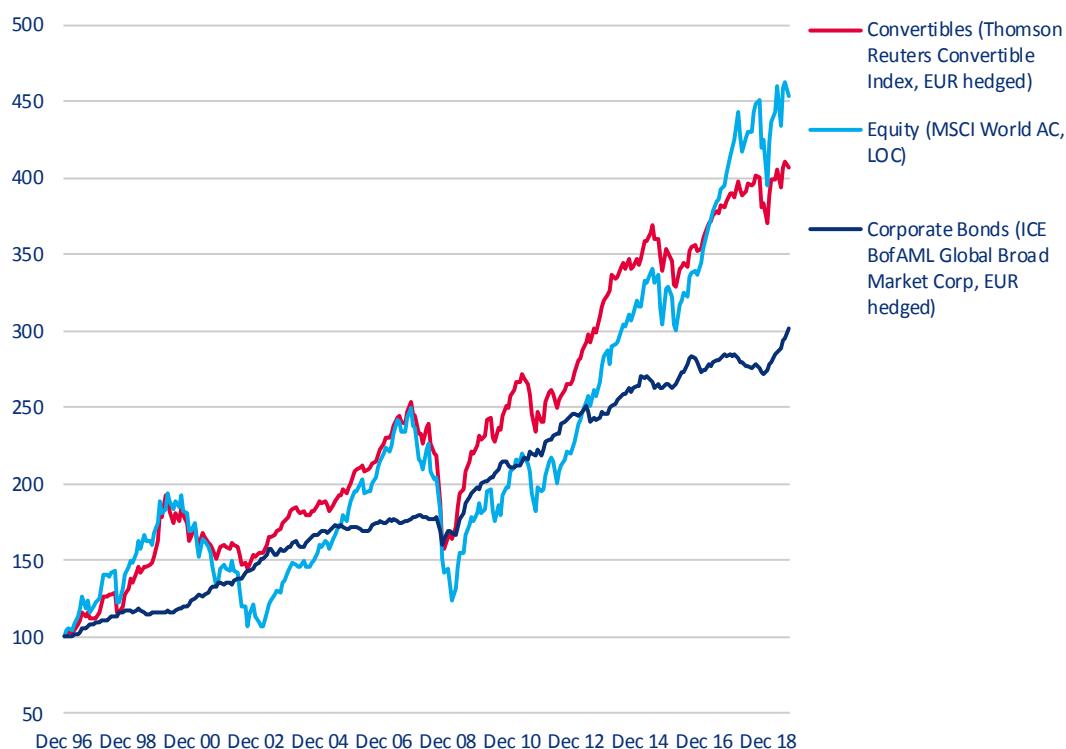
In times of rising interest rates, especially due to positive economic prospects, convertible bonds have the advantage that they lose less value than straight bonds or can even manage to produce positive returns. This is attributable to the generally shorter duration, to the value of the conversion right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

### Protection in falling equity markets (volatility effects)

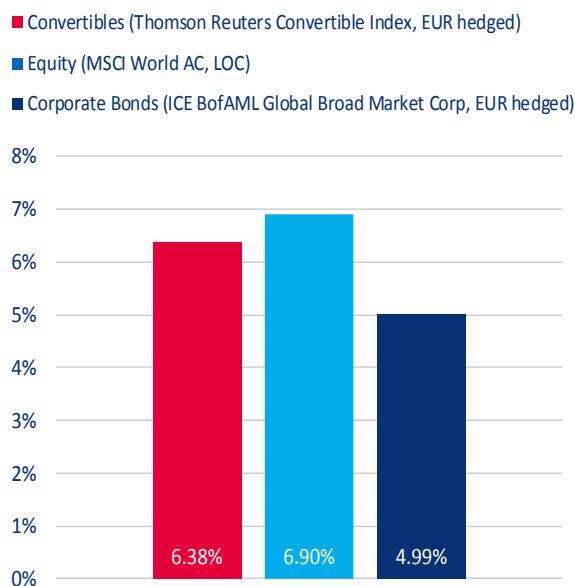
When share prices fall sharply, market volatility generally rises significantly. The conversion right corresponds to a call option, which increases in value in response to market volatility. Through this negative correlation of equity markets and volatility, convertible bonds offer an additional reduction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

## Historical performance Comparison

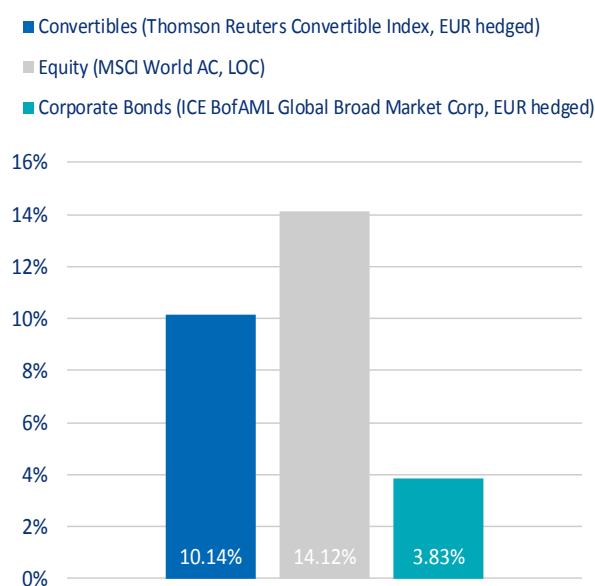
Performance Chart (indexed)



### Return p.a.



### Risk p.a.



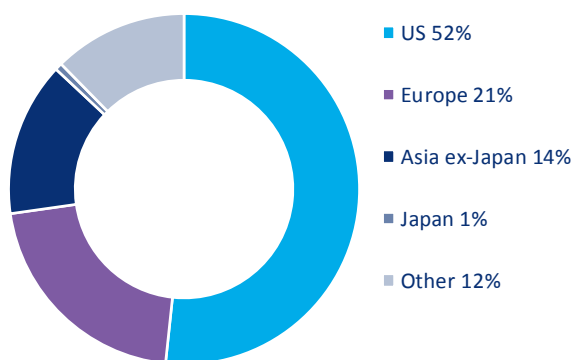
Since the inception of the relevant indices (1996), convertible bonds have demonstrated very attractive returns relative to bond and equity markets, plus significantly lower volatility than equities.

## 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 30.08.2019



### 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        | 47.5  | 14.6   | 19.4          | 5.8   | 9.9    | 97.3  |
| 2019 (Ann.) | 46.1  | 18.8   | 12.7          | 0.6   | 11.0   | 89.2  |

Source Thomson Reuters, August 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

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.



**Dr. Pius Fisch**  
Founder

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                                       |  | At Fisch since | Years of              |                     | Research Responsibility                      |
|---|--|----------------|-----------------------|---------------------|--|
|   |  |                | Investment experience | Industry experience |  |
| Function  |  |                |                       |                     |  |
| <b>Portfolio Management Convertible Bonds</b>         |  |                |                       |                     |  |
| Stephanie Zwick                                       | Head Convertible Bonds, Senior PM                                  | 2010           | 9                     | 16                  | -  |
| Dr. Klaus Göggelmann                                  | Senior PM/Analyst  | 2007           | 20                    | 35                  | North America, Financials, Utilities         |
| 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                 |
| Gerrit Bahlo  | PM/Analyst   | 2018           | 6                     | 8                   | Europe, Consumer Disc. & Staples, Energy     |
| Leonardo Spangaro                                     | PM/Analyst   | 2015           | 4                     | 8                   | Japan, Industrials, Materials, Yield Monitor |
| Martin Haycock  | Senior Product Specialist  | 2015           | 24                    | 24                  | Quantitative Analysis                        |
| <b>Portfolio Management Corporate Bonds</b>           |  |                |                       |                     |  |
| Meno Stroemer   | Head Portfolio Management, Head Corporate Bonds, Senior PM/Analyst | 2014           | 19                    | 27                  | Emerging Markets                             |
| Theodore Holland                                      | Senior PM/Analyst  | 2018           | 12                    | 12                  | Emerging Markets                             |
| Peter Jeggli  | Senior PM/Analyst  | 2005           | 32                    | 32                  | North America, Europe (HY)                   |
| Kyle Kloc   | Senior PM/Analyst  | 2016           | 19                    | 19                  | North America, Europe (HY)                   |
| Oliver Reinhard                                       | Senior PM/Analyst  | 2013           | 11                    | 18                  | North America, Europe (IG)                   |
| Maria Stäheli   | PM/Analyst   | 2018           | 8                     | 14                  | North America, Europe (IG)                   |
| Sergio Coviello                                       | PM/Analyst   | 2012           | 4                     | 7                   | Global                                       |
| <b>Portfolio Management Absolute Return</b>           |  |                |                       |                     |  |
| 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                                       |
| <b>Investment Office</b>                              |  |                |                       |                     |  |
| 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                        |
| <b>Credit Research Fisch</b>                          |  |                |                       |                     |  |
| Atish Suchak  | Senior Analyst   | 2017           | 18                    | 18                  | High Yield (DM)                              |
| Filip Adamec  | Senior Analyst   | 2016           | 13                    | 14                  | High Yield (DM)                              |
| Nissant Naganathi                                     | Analyst  | 2013           | 1                     | 6                   | High Yield (DM)                              |
| Magashlin Chetty                                      | Senior Analyst   | 2019           | 12                    | 16                  | Asia   |
| Daniela Savoia  | Analyst  | 2018           | 6                     | 8                   | Latin America                                |
| <b>Credit Research Independent Credit View (I-CV)</b> |  |                |                       |                     |  |
| 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 Versoedert                                      | Senior Analyst   | 2011           | 24                    | 24                  | Credit Analysis                              |
| Ernst Zbinden   | Senior Analyst   | 2005           | 43                    | 43                  | Credit Analysis                              |
| Tomas Lehotsky  | Analyst  | 2019           | 6                     | 7                   | Credit Analysis                              |
| Patrick Kunz  | Analyst  | 2018           | 1                     | 1                   | Credit Analysis                              |

| Investment Professionals Overview | Count     | Average years |                     |
|-----------------------------------|-----------|---------------|---------------------|
|                                   |           | At Fisch      | Industry experience |
| PMs                               | 8         | 9             | 17                  |
| PM/Analysts                       | 12        | 6             | 19                  |
| Analysts                          | 22        | 8             | 21                  |
| Product Specialists               | 2         | 14            | 28                  |
| <b>Total</b>                      | <b>44</b> | <b>8</b>      | <b>20</b>           |

## The Investment Team for Convertible Bonds



**Stephanie Zwick, Head of Convertible Bonds, Senior Portfolio Manager, CFA (9 years of investment experience)**

With Fisch Asset Management since 2010

**Research responsibility:** -

**Portfolio responsibility:** Lead Portfolio Manager of FISCH Convertible Global Opportunistic 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:** Lead Portfolio Manager of mandate portfolios, Portfolio Manager of FISCH Convertible Global Defensive Fund and FISCH Convertible Global Sustainable Fund



**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:** Lead Portfolio Manager of mandate portfolios, Portfolio Manager of FISCH Convertible Global Dynamic Fund and FISCH Bond Global CHF Fund

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