

» *Corporate Bonds*  
*Global High Yield*  
*Strategy*

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**Product Report 31 December 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 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.).

## Summary

### Strategy

#### Investments in attractive, high yield corporate bonds

The FISCH Bond Global High Yield Strategy invests globally in attractive high yield corporate bonds. Through focused implementation of the five independent and complementary alpha sources: credit exposure, regional/sector allocation, duration, issuer assessment and relative value, we achieve a stable portfolio alpha.

### Summary as of 31 December 2019

Performance Key Figures - EUR	Strategy	Benchmark	Relative
Month to Date Return	1.95%	1.57%	0.37%
Quarter to Date Return	2.63%	2.16%	0.47%
Year to Date Return	12.22%	11.14%	1.08%
Return 1 Year	12.22%	11.14%	1.08%
Annualized Return 3 Years	4.60%	3.91%	0.69%
Annualized Return 5 Years	5.88%	4.59%	1.29%
Annualised Return since Inception (01.04.2012)	7.08%	5.48%	1.59%

Portfolio Key Figures	Strategy	Benchmark
Yield to Worst (EUR hedged)	2.9%	3.2%
Credit Spreads (bps)	333	365
Average Rating	BB-	B+
Spread Duration	3.3	3.3
Modified Duration to Worst	3.2	3.1

**Strategy** Global high yield corporate bonds (gross of fees, EUR hedged)

**Benchmark** ICE BofA Merrill Lynch Global High Yield Index (HW00) EUR hedged. These returns are calculated on the basis of the official calendar month end prices.

# » *Outperformance for the 8th year in a row*

## Manager Report



**Kyle Kloc**  
Lead Portfolio Manager

The high yield bond market was up by 1.6% in December (benchmark index: ICE BofAML Global High Yield Index, EUR hedged), making it the third-best month in what was a very good year. Despite an underweight in credit risk, the strategy outperformed markedly, which was due to good bond selection for the most part. The full-year performance of the benchmark index after hedging costs was 11.1% in EUR, 10.7% in CHF and 14.5% in USD. This means that the strategy has outperformed in every calendar year since its launch in April 2012. We achieved this alpha despite a strategic underweight in credit risks. This positioning is based on our conviction that CCC bonds do not add value over the credit cycle.



**Peter Jeggli**  
Senior Portfolio Manager

December was dominated by a sharp fall in spreads of 39 basis points (bps) to 374 bps (benchmark index: ICE BofAML Global High Yield Index, EUR hedged). The rally was broad-based and each of the three best sectors – energy, healthcare and telecommunications – rose by between 1.7% and 1.9%. Bottom of the heap were financials, banks and media, at between 0.6% and 0.8%. The stand-out was the energy sector, which became a “hate sector” in 2019. Many managers held a distinct underweight in this sector and benefited in 2019 from its poor performance for the year. December proved, however, that even relatively limited movements in prices (WTI oil price rose from USD 57 to USD 61) can have a significant effect on an oversold sector. The illiquidity towards the end of the year additionally supported prices given the renewed demand. Despite the performance for the month of +1.8%, it remained the weakest sector for the year by far (+6.5%).

In spite of the market’s excellent performance, 2019 was an extremely challenging year, as it began with a storming start when the 4.0% return in January made up for all the Q4 2018 losses (-3.6%) in just four weeks. Investors who had significantly reduced risks when the market was weak in 2018 therefore struggled to produce a good return in January. The timing of the late rally in energy bonds (see above) was just as difficult to predict as the sharp falls in interest rates in euro and USD, which took many market participants by surprise. The outperformance of BB bonds was also just as pronounced as the underperformance of CCCs, caused by idiosyncratic risks. Default rates rose in Europe and the US by 0.5-1 percentage points and some well-known issuers, including Thomas Cook, ended up on the list of companies undergoing restructuring.

We regard the macroeconomic environment as still intact, but continue to expect sluggish global growth rates and modestly rising default rates. However, we do not expect a recession in the US in 2020 in what is an election year. On the flip side there are geopolitical risks, uncertainty about whether the decades-long globalisation trend has reached its end and current market valuations. Accordingly, our positioning for 2020 is cautious and we expect ongoing high volatility at the individual security level. While we are underweight in CCC bonds and Asia, we have an overweight in B bonds and Europe. The portfolio’s compensation for risk is 3.7% over risk-free government bonds. The portfolio’s average quality is BB- and the spread duration is 3.2 compared to 4.1 at the beginning of 2019.

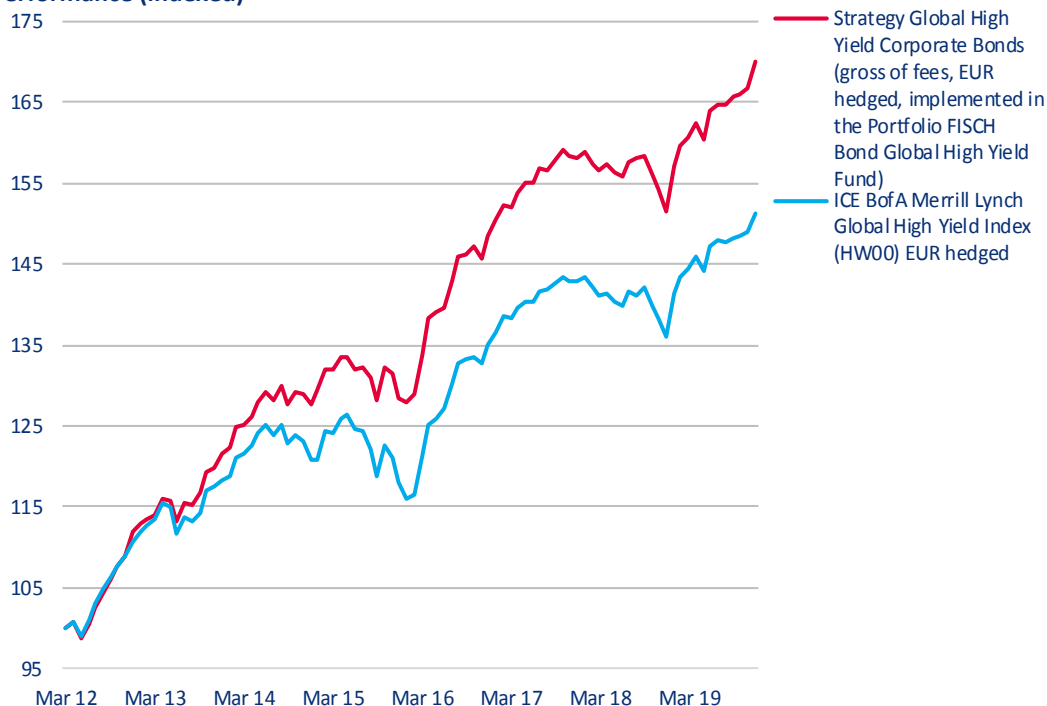
# Portfolio

## Performance Analysis of the Strategy

### Performance

The Global High Yield Corporate Bonds Strategy has been implemented in the portfolio relative to the benchmark index since 1<sup>st</sup> April 2012.

Performance (indexed)



**Strategy**

Global High Yield Corporate Bonds (gross of fees, EUR hedged)

**Benchmark**

ICE BofA Merrill Lynch Global High Yield Index (HW00) EUR hedged

Key Figures - EUR	Strategy	Benchmark	Relative
Month to Date Return	1.95%	1.57%	0.37%
Quarter to Date Return	2.63%	2.16%	0.47%
Year to Date Return	12.22%	11.14%	1.08%
Return 1 Year	12.22%	11.14%	1.08%
Annualized Return 3 Years	4.60%	3.91%	0.69%
Annualized Return 5 Years	5.88%	4.59%	1.29%
Annualised Return since Inception (01.04.2012)	7.08%	5.48%	1.59%
Volatility 3 Years	3.83%	3.71%	0.11%
Sharpe Ratio 3 Years	1.29	1.14	0.15
Max Drawdown 3 Years	-5.20%	-5.74%	0.53%

**Strategy**

Global High Yield  
Corporate Bonds  
(gross of fees,  
CHF hedged)

**Benchmark**

ICE BofA Merrill Lynch  
Global High Yield Index  
(HW00) CHF hedged

<b>Key Figures - CHF</b>		<b>Strategy</b>	<b>Benchmark</b>	<b>Relative</b>
Month to Date Return		1.90%	1.52%	0.38%
Quarter to Date Return		2.52%	2.05%	0.47%
Year to Date Return		11.69%	10.74%	0.95%
Return 1 Year		11.69%	10.74%	0.95%
Annualized Return 3 Years		4.03%	3.49%	0.54%
Annualized Return 5 Years		5.16%	4.01%	1.16%
Annualised Return since Inception (01.04.2012)		6.47%	5.02%	1.45%
Volatility 3 Years		3.83%	3.72%	0.11%
Sharpe Ratio 3 Years		1.24	1.14	0.11
Max Drawdown 3 Years		-5.81%	-6.07%	0.26%

**Strategy**

Global High Yield  
Corporate Bonds  
(gross of fees,  
USD hedged)

**Benchmark**

ICE BofA Merrill Lynch  
Global High Yield Index  
(HW00) USD hedged

<b>Key Figures - USD</b>		<b>Strategy</b>	<b>Benchmark</b>	<b>Relative</b>
Month to Date Return		2.21%	1.83%	0.38%
Quarter to Date Return		3.30%	2.90%	0.40%
Year to Date Return		15.44%	14.54%	0.90%
Return 1 Year		15.44%	14.54%	0.90%
Annualized Return 3 Years		7.13%	6.67%	0.47%
Annualized Return 5 Years		N/A	N/A	N/A
Annualised Return since Inception (01.07.2015)		7.79%	6.68%	1.11%
Volatility 3 Years		3.83%	3.71%	0.12%
Sharpe Ratio 3 Years		1.34	1.26	0.08
Max Drawdown 3 Years		-4.30%	-4.00%	-0.30%

**Strategy**

Global High Yield  
Corporate Bonds  
(gross of fees,  
EUR hedged, CHF  
hedged, USD hedged)

**Benchmark**

ICE BofA Merrill Lynch  
Global High Yield Index  
(HW00) EUR hedged,  
CHF hedged, USD  
hedged

<b>Key Figures - Calendar Year</b>		<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
EUR Strategy		5.19%	0.61%	15.63%	6.52%	-4.27%
EUR Benchmark		2.30%	-2.50%	14.43%	5.86%	-4.67%
CHF Strategy		4.75%	-0.47%	14.78%	5.84%	-4.76%
CHF Benchmark		2.03%	-3.45%	13.73%	5.38%	-5.04%
USD Strategy*		None	-2.46%	17.14%	8.43%	-1.76%
USD Benchmark*		None	-5.83%	14.76%	8.00%	-1.90%

\*Since Inception – 01.07.2015

## Attribution and Contribution:

January – August 2019: Page 7 - 8

September – December 2019: Page 9 – 11

The contribution breakdown shows how much each factor contributed to the absolute performance. In contrast, the attribution breakdown explains the impact of each factor on a relative basis.

### Factor Contributions (YTD) (January - August 2019)\*

	Relative [%]
Interest Rate	-0.09%
Carry	0.03%
Allocation & Selection	0.38%
<b>Total</b>	<b>0.32%</b>

\*Performance calculation based is on the old investment book of records, only covering the period between January 2019 – August 2019.

### Issuer-Contributions (YTD) (January - August 2019)\*

Highest 5 relative contributors	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
Navient Corp	30.16	20.92	1.2	0.4	0.33	0.24
KB Home	23.11	14.17	0.9	0.1	0.19	0.18
Liberty Global Plc Class A	8.88	12.03	2.7	0.7	0.25	0.17
CIT Group Inc.	13.25	13.94	1.2	0.2	0.17	0.15
Bausch Health Companies Inc.	11.85	15.93	2.7	1.0	0.29	0.14

\*Performance calculation based is on the old investment book of records, only covering the period between January 2019 – August 2019.

Lowest 5 relative contributors	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
Denbury Resources Inc.	-11.22	-6.42	0.6	0.1	-0.15	-0.14
Chesapeake Energy Corporation	-11.11	-9.11	0.7	0.3	-0.10	-0.09
Community Health Systems, Inc.	0.00	18.38	0.0	0.5	0.00	-0.09
Vine Oil & Gas LP	-25.12	-24.68	0.4	0.0	-0.09	-0.08
PetSmart, Inc.	0.00	57.37	0.0	0.2	0.00	-0.07

\*Performance calculation based is on the old investment book of records, only covering the period between January 2019 – August 2019.

## Segment-Contributions (YTD) (January - August 2019)\*

Regions	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
Europe	8.88	8.68	25.2	19.2	2.17	0.65
South America	9.33	6.29	7.7	8.3	0.68	0.20
Africa	11.94	9.56	1.8	1.3	0.18	0.10
Mid East	9.51	2.22	0.8	2.0	0.07	0.03
Others	0.00	0.00	0.0	0.0	0.00	0.00
North America	8.67	8.91	58.6	57.7	5.32	-0.01
Pacific	20.03	13.83	0.4	1.0	0.07	-0.07
Eastern Europe	6.73	9.18	2.3	3.7	0.15	-0.18
Asia	8.57	7.67	2.2	6.7	0.15	-0.32
Cash etc.	0.00	0.00	0.9	0.0	0.00	-0.08
<b>Total</b>	<b>8.79</b>	<b>8.47</b>	<b>100</b>	<b>100</b>	<b>8.79</b>	<b>0.32</b>

\*Performance calculation based is on the old investment book of records, only covering the period between January 2019 – August 2019.

Sectors	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
Basic Industry	10.00	9.12	16.8	11.0	1.69	0.71
Telecommunications	9.76	9.61	14.6	10.1	1.38	0.46
Financial Services	21.15	12.71	4.8	5.0	0.85	0.40
Consumer Goods	13.60	10.57	4.2	3.4	0.51	0.22
Automotive	10.07	6.26	3.0	2.3	0.29	0.16
Healthcare	8.59	6.96	8.2	7.8	0.73	0.16
Services	12.19	9.38	3.9	4.3	0.41	0.07
Media	9.05	10.08	8.2	7.3	0.74	0.00
Consumer Non-Cyclical	10.80	0.00	0.0	0.0	0.05	0.00
Government Guaranteed	0.00	0.00	0.0	0.0	0.00	0.00
Utility	8.06	7.81	3.1	3.3	0.27	-0.01
Leisure	9.49	10.40	3.5	3.8	0.34	-0.06
Retail	14.09	10.10	2.5	4.3	0.27	-0.09
Transportation	2.76	7.84	0.1	1.7	0.02	-0.13
Banking	10.61	8.29	4.5	7.3	0.43	-0.13
Insurance	2.82	13.65	0.4	1.2	0.02	-0.15
Real Estate	9.01	7.60	2.3	5.3	0.18	-0.19
Technology & Electronics	9.04	8.60	1.1	3.9	0.10	-0.23
Capital Goods	1.58	8.10	4.4	5.0	0.09	-0.34
Energy	0.57	4.06	14.2	12.9	0.41	-0.44
Cash etc.	0.00	0.00	1.0	0.0	0.00	-0.08
<b>Total</b>	<b>8.79</b>	<b>8.47</b>	<b>100</b>	<b>100</b>	<b>8.79</b>	<b>0.32</b>

\*Performance calculation based is on the old investment book of records, only covering the period between January 2019 – August 2019.



## Segment-Contributions (YTD) (January - August 2019)\*

Ratings	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
AAA	0.00	0.00	0.0	0.0	0.00	0.00
AA	0.00	0.00	0.0	0.0	0.00	0.00
A	0.00	0.00	0.0	0.0	0.00	0.00
BBB	9.78	11.26	1.5	0.9	0.28	0.17
BB	10.52	9.67	52.2	50.6	5.12	0.38
B	8.47	8.46	36.3	34.5	2.75	0.00
CCC	5.99	6.08	7.3	9.7	0.43	-0.23
CC	0.00	0.00	0.2	0.6	-0.02	-0.02
C	0.00	0.00	0.1	0.1	-0.13	-0.14
Not Rated	9.53	1.79	3.5	3.7	0.36	0.24
Cash etc.	0.00	0.00	-1.0	0.0	0.00	-0.08
<b>Total</b>	<b>8.79</b>	<b>8.47</b>	<b>100</b>	<b>100</b>	<b>8.79</b>	<b>0.32</b>

\* Performance calculation based is on the old investment book of records, only covering the period between January 2019 – August 2019.

## Attribution and Contribution (September – December 2019)

## Factor-Contributors (September – December 2019)\*

	Relative
Interest Rate	0.04%
Carry	-0.08%
Allocation & Selection	0.88%
<b>Total</b>	<b>0.84%</b>

\*Performance calculation is based on the new investment book of records, starting 1st September 2019. The performance between the Investment book of records and accounting book of records could differ due to each having independent price sources.

## Issuer-Contributions (September – December 2019)\*

Highest 5 relative contributors	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
GALAXY FINCO LTD	20.88	20.27	0.5	0.0	0.10	0.09
DENBURY RESOURCES INC	18.25	15.25	0.5	0.1	0.10	0.09
VIRGIN MEDIA RECEIVABLES FINANCING	8.35	4.85	1.1	0.5	0.09	0.07
PETROBRAS GLOBAL FINANCE BV	7.30	2.76	1.8	1.9	0.12	0.07
FIRST QUANTUM MINERALS LTD	11.94	9.77	0.7	0.3	0.09	0.06

\*Performance calculation is based on the new investment book of records, starting 1st September 2019. The performance between the Investment book of records and accounting book of records could differ due to each having independent price sources.

Lowest 5 relative contributors	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
ANTERO RESOURCES CORP	-5.26	-6.08	0.7	0.1	-0.08	-0.07
CHESAPEAKE ENERGY CORPORATION	-19.00	-16.14	0.3	0.2	-0.07	-0.04
CHS/COMMUNITY HEALTH SYSTEMS INC	2.36	7.78	0.3	0.6	0.01	-0.04
DIGICEL LTD	0.00	21.83	0.0	0.1	0.00	-0.03
WHITING PETROLEUM CORP	-5.26	0.02	0.4	0.1	-0.03	-0.03

\*Performance calculation is based on the new investment book of records, starting 1st September 2019. The performance between the Investment book of records and accounting book of records could differ due to each having independent price sources.

## Segment-Contributions (September – December 2019)\*\*\*

Regions	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
Western Europe	3.51	2.64	27.6	18.9	0.94	0.40
North America	1.49	0.94	54.8	56.7	0.82	0.28
Africa	7.16	1.36	1.6	1.2	0.11	0.10
Latin America	5.57	4.14	8.0	8.0	0.42	0.08
Pacific	-0.68	-0.67	0.4	1.1	0.00	0.00
Other	0.00	-0.30	0.0	0.1	0.00	0.00
Middle East	10.36	6.28	0.7	1.8	0.08	-0.03
Eastern Europe	3.79	3.07	2.5	4.0	0.09	-0.04
Asia	3.26	2.37	3.5	7.9	0.11	-0.07
Derivatives*	0.00	0.00	0.0	0.0	0.00	0.00
Cash**	0.00	0.00	0.9	0.3	0.71	0.11
<b>Total</b>	<b>3.28</b>	<b>2.43</b>	<b>100</b>	<b>100</b>	<b>3.28</b>	<b>0.84</b>

\*For comparison purposes, the "Derivatives" allocation (usually US Treasury Futures) reflects the weight based on economic exposure instead of the market value.

\*\*Cash includes FX performance.

\*\*\*Performance calculation is based on the new investment book of records, starting 1<sup>st</sup> September 2019. The performance between the Investment book of records and accounting book of records could differ due to each having independent price sources.

Sectors	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
Basic Industry	2.73	1.37	13.8	10.7	0.39	0.21
Energy	4.30	1.66	10.4	11.4	0.36	0.18
Media	1.95	0.63	8.1	7.5	0.15	0.11
Consumer Goods	3.41	1.91	4.6	3.7	0.17	0.10
Capital Goods	3.61	1.58	5.3	5.4	0.16	0.08
Telecommunications	1.17	0.98	14.4	9.7	0.17	0.07
Financial Services	2.28	1.33	4.4	4.9	0.13	0.06
Insurance	13.16	3.39	0.8	1.1	0.10	0.06
Services	1.37	0.60	4.6	4.8	0.07	0.04
Asset Backed	9.05	0.00	0.4	0.0	0.04	0.04
Retail	3.59	2.13	2.8	4.1	0.10	0.02
Healthcare	2.74	3.13	9.0	7.5	0.24	0.01
Transportation	6.05	2.20	0.8	1.7	0.04	0.00
Automotive	3.64	4.73	3.2	2.5	0.10	-0.01
Leisure	0.06	0.82	2.5	4.1	0.01	-0.02
Utility	1.19	2.13	4.5	3.6	0.05	-0.03
Real Estate	4.58	3.09	3.4	6.3	0.15	-0.04
Technology & Electronics	1.71	1.90	1.4	3.6	0.01	-0.06
Banking	1.96	2.53	4.9	7.0	0.11	-0.07
Derivatives*	0.00	0.00	0.0	0.0	0.00	0.00
Cash**	0.00	0.00	0.9	0.3	0.71	0.11
<b>Total</b>	<b>3.28</b>	<b>2.43</b>	<b>100</b>	<b>100</b>	<b>3.28</b>	<b>0.84</b>

\*For comparison purposes, the "Derivatives" allocation (usually US Treasury Futures) reflects the weight based on economic exposure instead of the market value.

\*\*Cash includes FX performance.

\*\*\*Performance calculation is based on the new investment book of records, starting 1<sup>st</sup> September 2019. The performance between the Investment book of records and accounting book of records could differ due to each having independent price sources.

## Segment-Contributions (September – December 2019)\*\*\*

Ratings	Return [%]		Avg. Weight [%]		Contribution [%]	
	PF	BM	PF	BM	Absolute	Relative
AAA	0.00	0.00	0.0	0.0	0.00	0.00
AA	0.00	0.00	0.0	0.0	0.00	0.00
A	0.00	0.00	0.0	0.0	0.00	0.00
BBB	4.01	1.08	1.4	0.1	0.06	0.06
BB	1.67	1.30	52.8	55.3	0.89	0.15
B	3.41	2.09	36.2	34.9	1.23	0.48
CCC	4.44	3.61	6.3	9.3	0.24	-0.09
Not Rated	8.45	-15.79	2.3	0.1	0.15	0.12
Derivatives*	0.00	0.00	0.0	0.0	0.00	0.00
Cash**	0.00	0.00	0.9	0.3	0.71	0.11
<b>Total</b>	<b>3.28</b>	<b>2.43</b>	<b>100</b>	<b>100</b>	<b>3.28</b>	<b>0.84</b>

\*For comparison purposes, the "Derivatives" allocation (usually US Treasury Futures) reflects the weight based on economic exposure instead of the market value.

\*\*Cash includes FX performance.

\*\*\*Performance calculation is based on the new investment book of records, starting 1<sup>st</sup> September 2019. The performance between the investment book of records and accounting book of records could differ due to each having independent price sources.

## Positioning as of 31.12.2019

## Securities

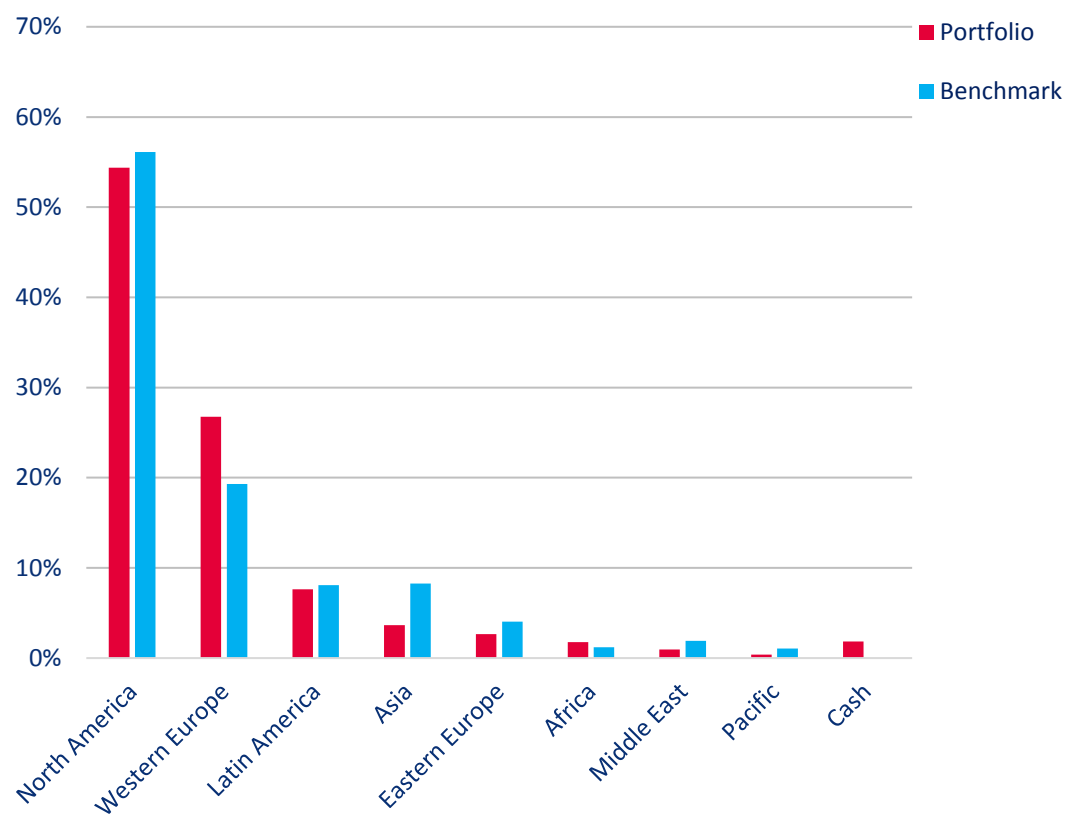
**Total Number of Positions** **250**

## Top 10 Positions

	Country	Sector	Weight
BAUSCH HEALTH COMPANIES INC	United States	Healthcare	2.61%
SPRINT CORP	United States	Telecommunications	1.88%
PETROBRAS GLOBAL FINANCE BV	Brazil	Energy	1.75%
ALTICE FRANCE SA (FRANCE)	France	Telecommunications	1.49%
T-MOBILE USA INC	United States	Telecommunications	1.46%
TENET HEALTHCARE CORPORATION	United States	Healthcare	1.45%
CALPINE CORP	United States	Utility	1.30%
NAVIENT CORP	United States	Financial Services	1.26%
CCO HOLDINGS LLC	United States	Media	1.21%
LENNAR CORP	United States	Basic Industry	1.20%

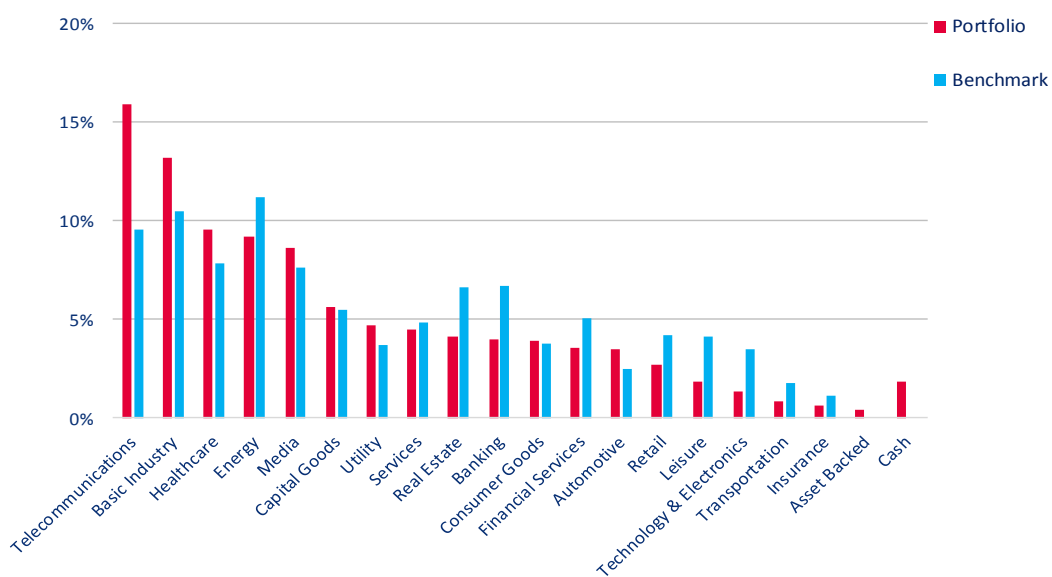
## Regions

Regional Allocation		
	Absolute	Relative
North America	54.38%	-1.72%
Western Europe	26.76%	7.45%
Latin America	7.61%	-0.49%
Asia	3.65%	-4.61%
Eastern Europe	2.64%	-1.40%
Africa	1.79%	0.58%
Middle East	0.97%	-0.95%
Pacific	0.37%	-0.68%
Cash	1.83%	1.83%
<b>Total</b>	<b>100%</b>	<b>0%</b>



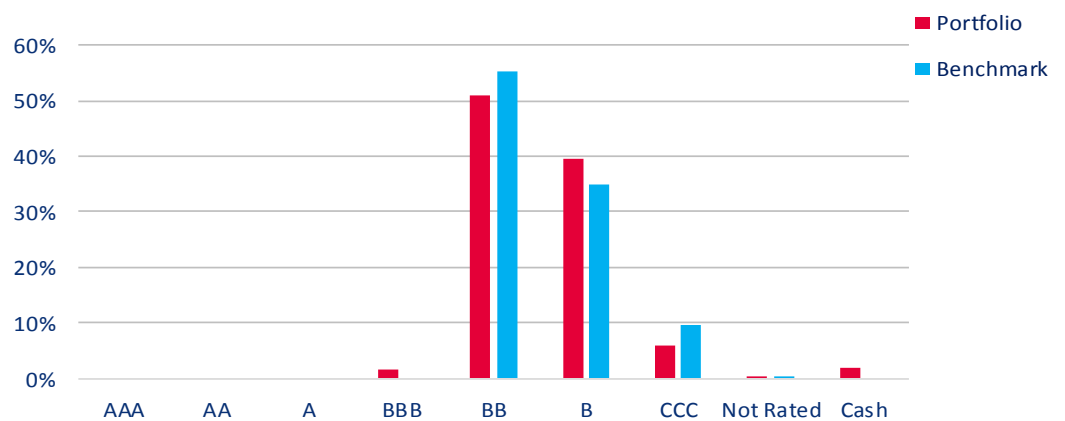
## Sectors

Sector Allocation	Absolute	Relative
Telecommunications	15.93%	6.35%
Basic Industry	13.18%	2.70%
Healthcare	9.53%	1.70%
Energy	9.23%	-1.94%
Media	8.65%	1.05%
Capital Goods	5.62%	0.16%
Utility	4.69%	0.97%
Services	4.48%	-0.35%
Real Estate	4.13%	-2.50%
Banking	4.02%	-2.69%
Consumer Goods	3.88%	0.08%
Financial Services	3.56%	-1.46%
Automotive	3.48%	0.97%
Retail	2.73%	-1.44%
Leisure	1.86%	-2.24%
Technology & Electronics	1.36%	-2.14%
Transportation	0.81%	-0.95%
Insurance	0.65%	-0.47%
Asset Backed	0.38%	0.38%
Cash	1.83%	1.83%
<b>Total</b>	<b>100%</b>	<b>0%</b>



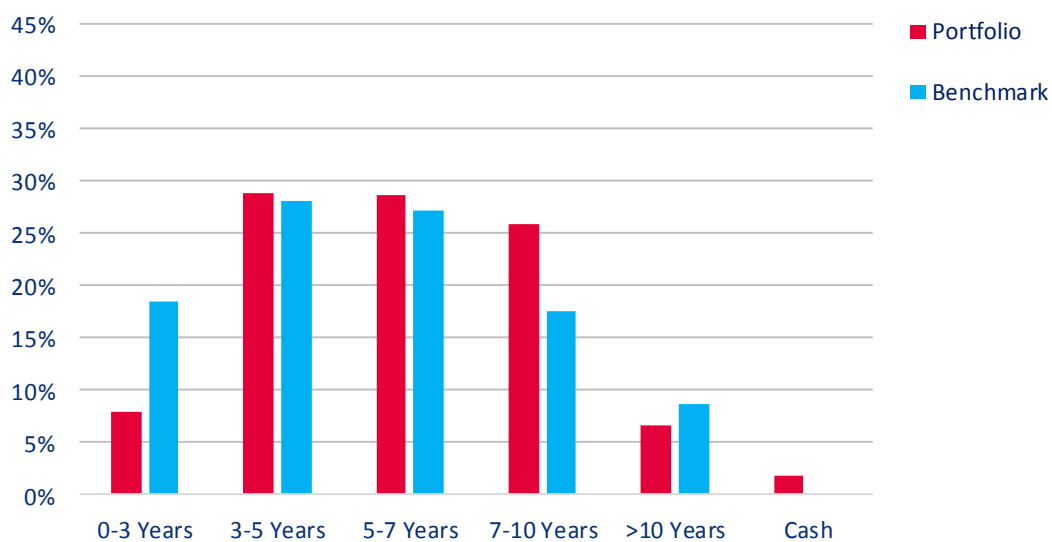
## Ratings

Rating Allocation	Absolute	Relative
AAA	0.00%	0.00%
AA	0.00%	0.00%
A	0.00%	0.00%
BBB	1.49%	1.49%
BB	50.98%	-4.35%
B	39.55%	4.56%
CCC	5.77%	-3.87%
Not Rated	0.39%	0.34%
Cash	1.83%	1.83%
<b>Total</b>	<b>100%</b>	<b>0%</b>



## Terms

Term Structure	Absolute	Relative
0-3 Years	8.00%	-10.51%
3-5 Years	28.85%	0.72%
5-7 Years	28.68%	1.49%
7-10 Years	25.91%	8.42%
>10 Years	6.73%	-1.95%
Cash	1.83%	1.83%
<b>Total</b>	<b>100%</b>	<b>0%</b>



## Credit Exposure

The credit risks in the portfolio are measured through credit exposure. At the bond level, this corresponds to the product of credit spread and spread duration, i.e. the product of risk premium and its sensitivity. At the portfolio level, this corresponds to the sum of the weighted credit exposures of all bonds.

The advantage of this steering parameter is that it includes not only the credit spreads but also their sensitivity. Short-term bonds with very high spreads can be just as risky as long-term bonds with very low spreads. It is therefore crucial to steer both elements when managing a fixed income portfolio. Moreover, it is empirically proven that a stable relationship exists between spread level and spread volatility, i.e. the higher the credit spread of a bond, the higher its volatility.

If the targeted credit exposure is not reached through pure security selection, it can be approached through credit default swaps.

Credit Exposure	Portfolio	Benchmark	Relative Difference
Credit Exposure	10.88	11.90	-8.52%

### Historical Credit Exposure Difference





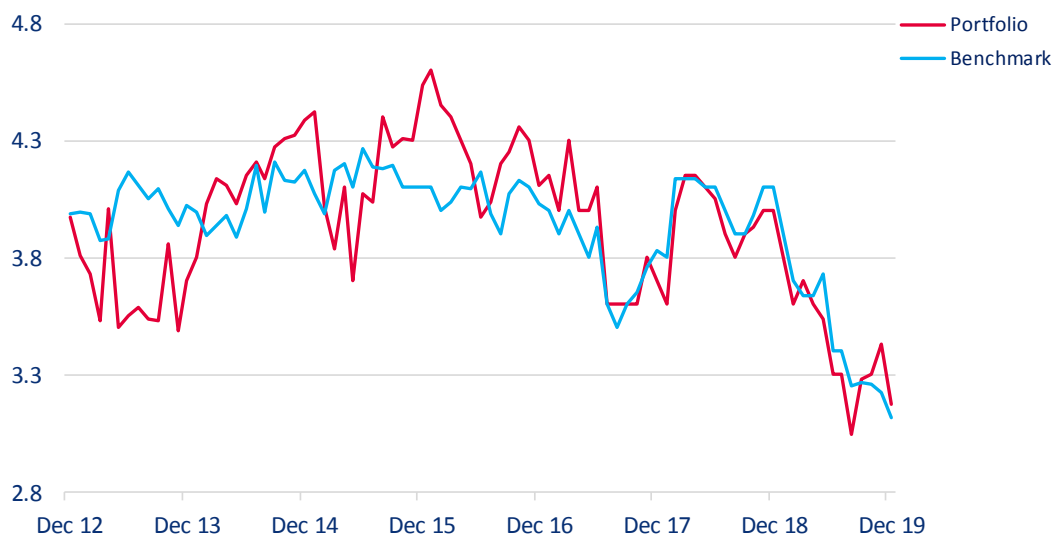
## Duration

The interest rate risks in the portfolio are expressed by means of duration. The Macaulay duration is a measure of the average length of time for which money is invested. It represents the weighted average term to maturity of the cash flows from a bond. The modified duration measures the sensitivity of a bond to changes in interest rates.

Modified Duration			
	Portfolio	Benchmark	Difference
Modified Duration to Worst	3.2	3.1	0.1

### Historical Effective Duration

Up to June 2017, the graph represents the effective duration, since July 2017 it reflects the modified duration to worst.



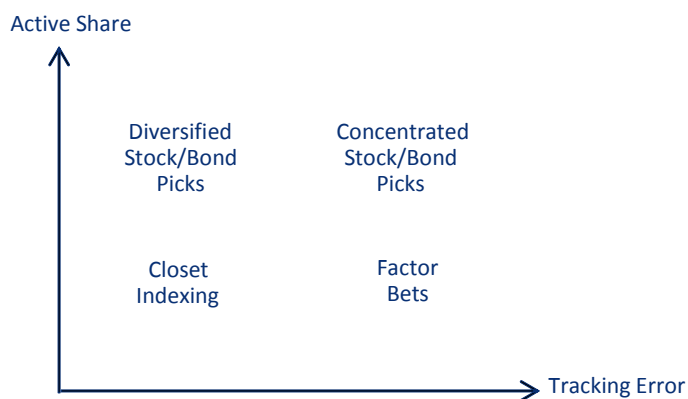
## Active Share and Tracking Error

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 issuer 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.

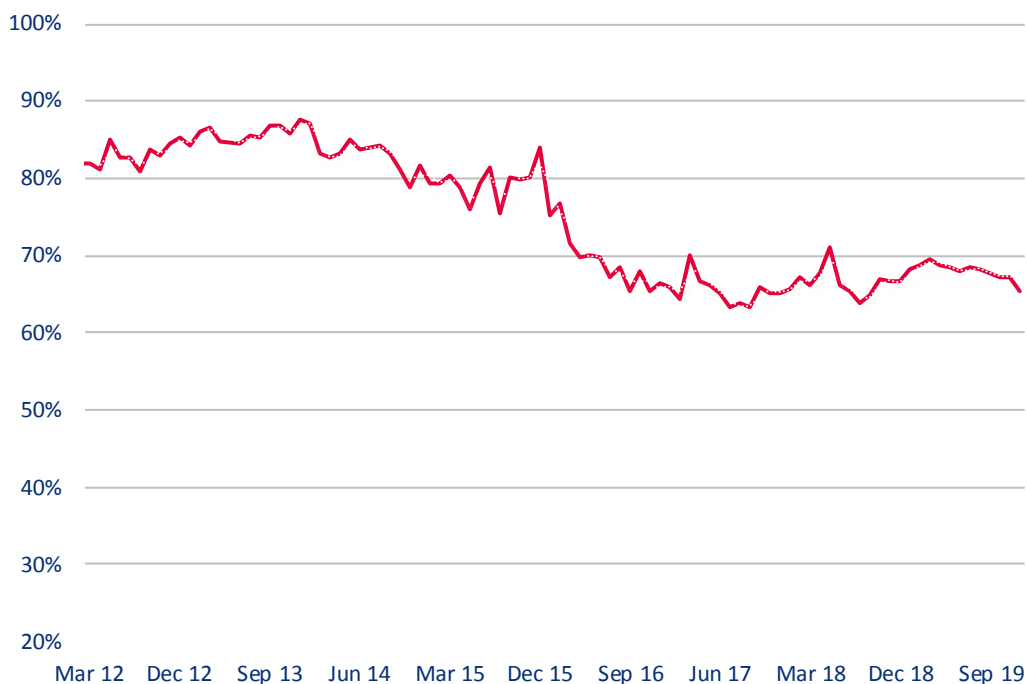
Cremers and Petajisto<sup>1</sup> compare these two metrics for measuring active management. Tracking error focuses on factor timing, which involves bets on systematic risk factors. In contrast to this, active share looks at the individual stock/bond picks. Based on the two metrics, Cremers and Petajisto 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.



<sup>1</sup>: K. J. M. Cremers und 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	0.57%
Annualised Tracking Error 3 Years	0.68%
Annualised Tracking Error since Strategy Start (01.04.2012)	1.07%
Active Share	65.31%

### Historical Active Share



## Scenario Analysis

Data as of December 2019

Scenario analysis: Total Return	Good Case	Base Case	Bad Case
Credit spread change	-100 bps	None	+200 bps
Interest rate change	+50 bps	None	-50 bps
	Expected Total Return		
Default rate 2%	6.9%	5.3%	0.5%
Default rate 4%	6.2%	4.6%	-0.1%
Default rate 6%	5.5%	4.0%	-0.7%

Source ICE BofA Merrill Lynch Global Research

The future performance of the portfolio is influenced by various factors. Three key influence factors are the credit spreads, the interest rate level and the default rates. Excluding all other performance drivers, we expect the following performance developments for the portfolio in the next 12 months. A scenario analysis is not a forecast, but rather indicates the magnitude of influence factors (the credit spread, interest rate level and default rates in this case). The current Key Figures of the Global High Yield Universe:

Key Figures of the Global High Yield Universe	Benchmark
Duration to Worst	3.1
Yield to Worst	3.2%
Credit Spread (bps)	365
Average Rating	B+

Source ICE BofA Merrill Lynch Global High Yield Index (HW00)

The calculations are based on the benchmark ICE BofA Merrill Lynch Global High Yield and the 5-year US Treasury yield. The recovery value is estimated to be 40%.

Good case: negative correlation between credit spread and interest rate movements. The credit spreads fall by 100 bps, whereas the 5-year US Treasury yield rises by 50 bps.

Base case: no movement in credit spreads or interest rates.

Bad case: negative correlation between credit spread and interest rate movements. The credit spreads rise by 200 bps, whereas the 5-year US Treasury yield falls by 50 bps.

**» Added return through investment in substantially undervalued high yield bonds in combination with proven credit research expertise and an active top-down approach.**

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## Investment Strategy | Track Record

### Investment Objective

The investment objective of our global high yield corporate bond strategy is to outperform the benchmark by 1% p.a. throughout the credit cycle by means of active management. We manage the strategy against the ICE BofAML Global High Yield Index (HW00). We seek to deliver systematic excess returns in stressed markets and to match benchmark returns in positive market environments.

### Investment Philosophy

We aim to produce outperformance versus the benchmark through active management, with the objective to deliver systematic excess returns in stressed markets, while at least matching benchmark returns in positive market environments.

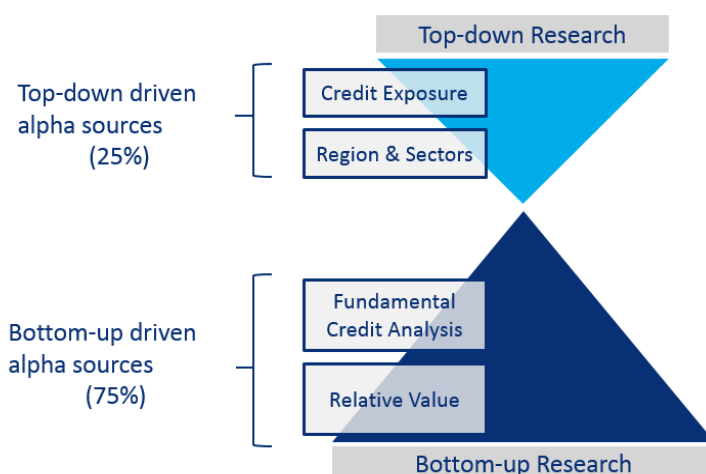
We believe that this is best achieved through a disciplined portfolio construction process that reflects the systematic implementation of four independent and complementary sources of alpha:

#### Top-down

- Credit exposure
- Region / sector allocation

#### Bottom-up

- Fundamental issuer analysis
- Relative value



We view the following steps as performance drivers:

- Rigorous macroeconomic assessment
- Credit quality assessment of issuers and securities
- Relative value determination of individual securities

Through our team approach and disciplined investment process that is supported by strong credit research as well as proprietary models, we are able to cover a broad spectrum of the global high yield bond universe.

As a result, we are well positioned to identify the best potential opportunities that the market offers at any given time.

## Investment Universe

The investment universe is determined by the benchmark universe, which comprises >3,000 bonds globally. Senior bonds represent the bulk of the investment universe. Subordinated bonds account for around 10%. The credit quality of the benchmark index has historically averaged B+.

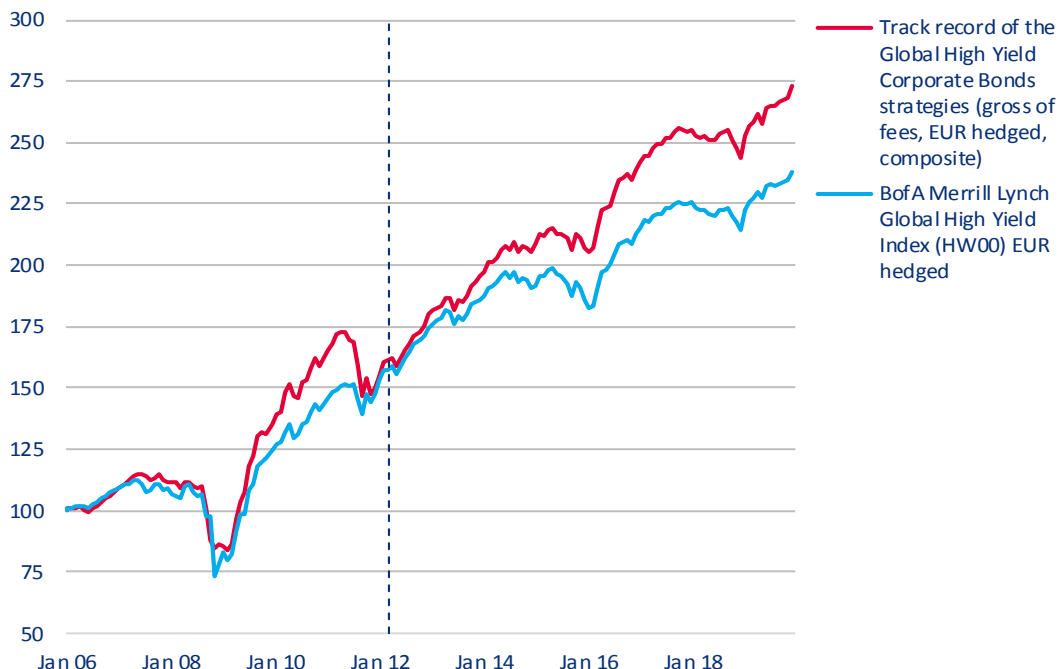
In line with the benchmark index, the investment universe of our global high yield corporate bond strategy includes issuers across all industry sectors. Also in line with the index, we do not invest in loans. 80% of the global high yield corporate bond strategy is invested in bonds with a minimum issue size of USD 250 million.

As off-benchmark investments, we invest opportunistically in corporate bonds that are still officially rated as investment grade but trade as high yield bonds (market implied rating), floating-rate notes and unrated bonds. We will also consider convertible bonds that trade close to their bond floor (leveraging our deep expertise in convertible bonds). Off-benchmark investments comprise a maximum of 10% of the portfolio.

## Track Record of the Global High Yield Corporate Bonds Strategies

Fisch has managed high yield portfolios since 23.01.2006.

The Global High Yield Corporate Bonds strategy has been managed relative to the ICE BofA Merrill Lynch Global High Yield Index (HW00) since 01.04.2012



### Portfolio

Track record of the Global High Yield Corporate Bonds strategies (gross of fees, EUR hedged, composite)

### Benchmark

ICE BofA Merrill Lynch Global High Yield Index (HW00) EUR hedged

### Performance Key Figures

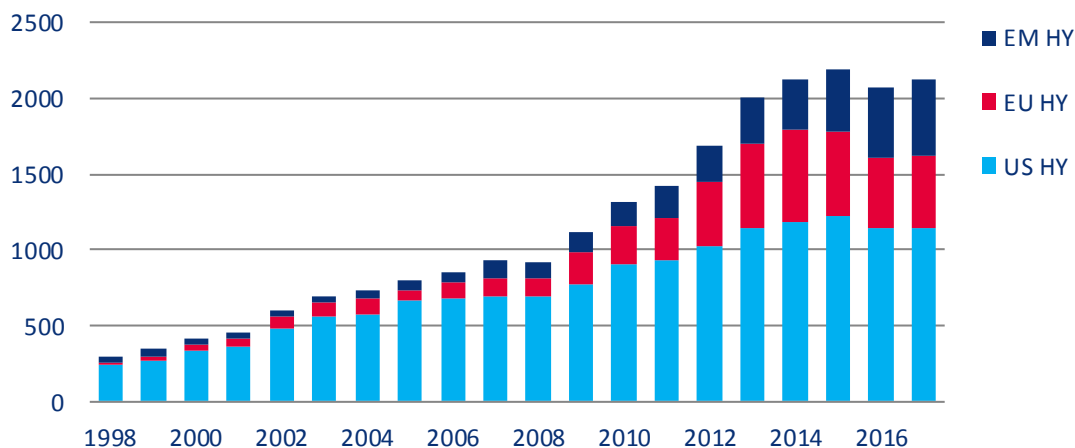
	Strategy	Benchmark	Relative
Month to Date Return	1.95%	1.57%	0.37%
Quarter to Date Return	2.63%	2.16%	0.47%
Year to Date Return	12.22%	11.14%	1.08%
Return 1 Year	12.22%	11.14%	1.08%
Annualised Return 3 Years	4.60%	3.91%	0.69%
Annualised Return 5 Years	5.88%	4.59%	1.29%
Annualised Return since Inception (23.01.2006)	7.48%	6.43%	1.05%
Volatility since Inception (23.01.2006)	8.73%	9.53%	-0.81%
Sharpe Ratio since Inception (23.01.2006)	0.73	0.56	0.17

**Note:** Before 01.04.2012 the Global High Yield strategy was managed benchmark agnostic and had no outperformance target. With 30-80 positions the portfolio was more concentrated. Since 01.04.2012 the strategy has been managed relative to the ICE BofA Merrill Lynch Global High Yield index (HW00).



# Global High Yield Bonds

## Market Size

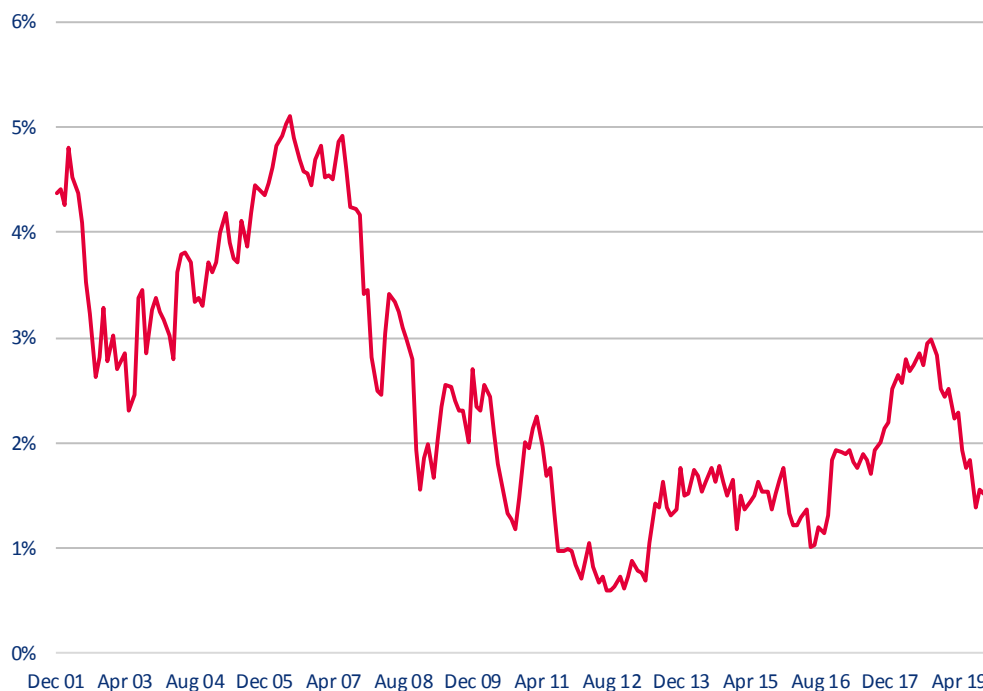


Source ICE BofA Merrill Lynch Global Research, S&P LCD

The total market of high yield corporate bonds has grown rapidly in recent years. Since the financial market crisis of 2008, the market depth in European bonds has nearly doubled. This has come about as a result of the negative ratings trend of several countries – without a rise in the default rates for industrial bonds. Hence, the market is more broadly based regionally.

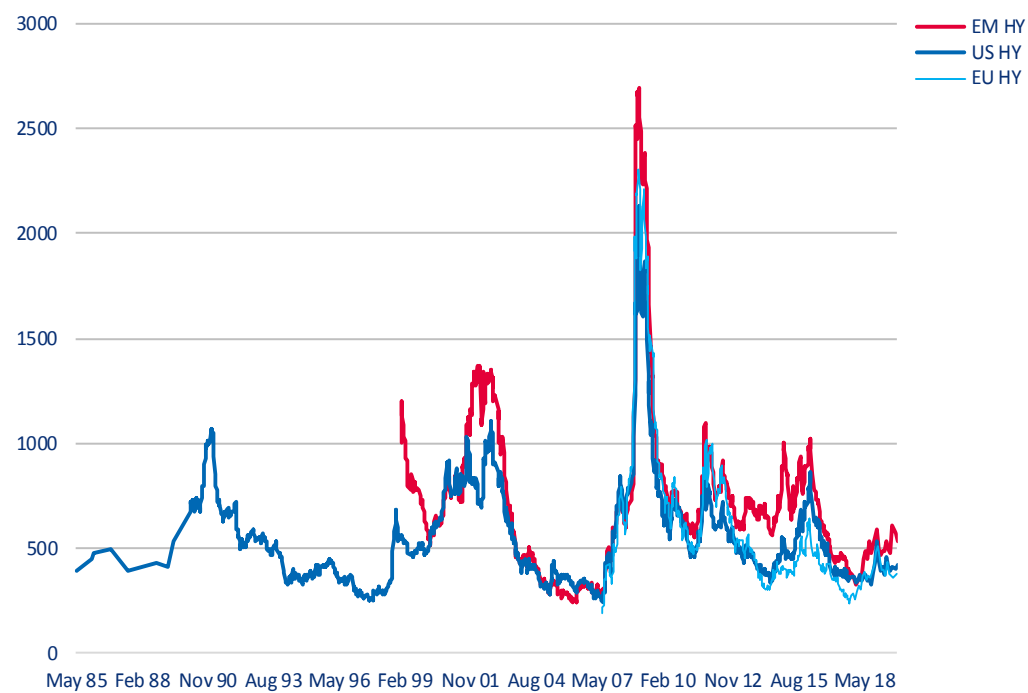
The developments in Europe together with the trend towards disintermediation in emerging market regions open up new opportunities for globally focused strategies in high yield bonds. The majority of issuers are still from North America, followed by Europe. Issuers from Asia, Latin America and the Middle East provide additional diversification.

### Interest Rate Trend for 5-Year US Treasury



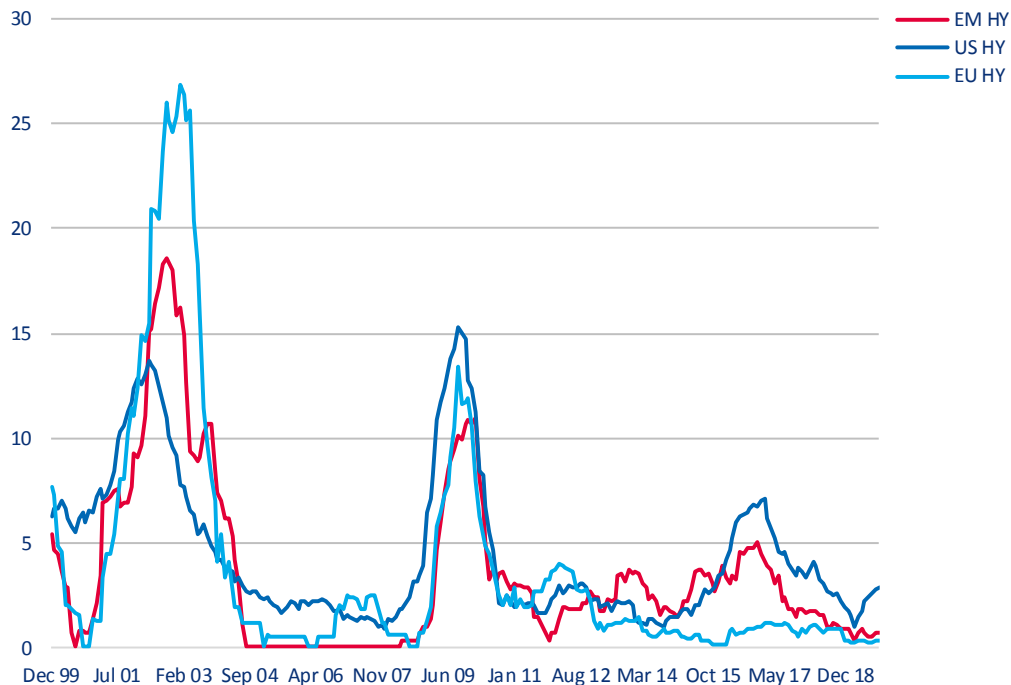
The bonds in which FISCH Bond Global High Yield Fund invests are largely denominated in USD.

### Credit Spreads (bps)



Emerging market high yield bonds (EM HY) exhibit the highest credit spreads relative to US Treasuries over time.

## Default Rates in Per Cent (LTM Issuer Default Rate)



Source ICE BofA Merrill Lynch Global Research

Default rates are a key indicator of the strength of economic momentum. In times of high default rates (recession, restrictive monetary policy, high debt, currency crises), investors demand a high credit spread. By historical standards, the default rates are currently low in all regions, owing to the low interest rates and moderate global economic growth.

**» *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 31.12.2019 the assets under management amount to CHF 10.63 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
Function	Investment experience		Industry experience		
<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
<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	CEO I-CV, Senior Analyst	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 Versoondert	Senior Analyst	2011	24	24	Credit Analysis
Tomas Lehotsky	Analyst	2019	6	7	Credit Analysis
Patrick Kunz	Analyst	2018	1	1	Credit Analysis
<b>Investment Professionals Overview</b>		<b>Average years</b>			
	Count	At Fisch	Investment experience	Industry experience	
PMs	8	9	12	17	
PM/Analysts	12	6	14	19	
Analysts	21	8	18	20	
Product Specialists	1	23	30	32	
<b>Total</b>	<b>42</b>	<b>8</b>	<b>16</b>	<b>19</b>	

## Contact Person

For further information please visit our Homepage [www.fam.ch](http://www.fam.ch) or contact our Sales Team: [fisch\\_asset\\_management@fam.ch](mailto:fisch_asset_management@fam.ch), +41 44 284 24 24.

### Switzerland and Liechtenstein



**Mauro Gerli**  
Leiter Sales & Relationship  
Management Switzerland  
+41 44 284 24 96  
[mauro.gerli@fam.ch](mailto:mauro.gerli@fam.ch)



**Gaëtan Croix**  
Senior Sales & Relationship  
Manager Switzerland  
+41 44 284 28 16  
[gaetan.croix@fam.ch](mailto:gaetan.croix@fam.ch)



**Moritz Natmessnig**  
Sales & Relationship  
Manager Switzerland  
+41 44 284 28 36  
[moritz.natmessnig@fam.ch](mailto:moritz.natmessnig@fam.ch)

### Germany and Austria



**Sikandar Salam**  
Head of Sales &  
Relationship Management  
Germany and Austria  
+41 44 284 28 09  
[sikandar.salam@fam.ch](mailto:sikandar.salam@fam.ch)



**Markus Becker**  
Senior Sales & Relationship  
Manager Germany  
+49 174 317 76 65  
[markus.becker@fam.ch](mailto:markus.becker@fam.ch)



**Holger Leppin**  
Senior Sales & Relationship  
Manager Germany and  
Austria  
+41 44 284 24 37  
[holger.leppin@fam.ch](mailto:holger.leppin@fam.ch)



**Sebastian Grund**  
Senior Sales & Relationship  
Manager Germany  
+41 44 284 24 05  
[sebastian.grund@fam.ch](mailto:sebastian.grund@fam.ch)



**Brandon Bieberstein**  
Sales & Relationship  
Manager Germany  
+41 44 284 24 74  
[brandon.bieberstein@fam.ch](mailto:brandon.bieberstein@fam.ch)



**Nicole Wyss**  
Sales & Relationship  
Manager Germany  
+41 44 284 24 27  
[nicole.wyss@fam.ch](mailto:nicole.wyss@fam.ch)

### International



**Dr. Hansjörg Herzog**  
Head of Sales &  
Relationship Management  
International  
+41 44 284 24 40  
[hansjoerg.herzog@fam.ch](mailto:hansjoerg.herzog@fam.ch)



**Daniel Keller**  
Senior Sales & Relationship  
Manager International  
+41 44 284 24 95  
[daniel.keller@fam.ch](mailto:daniel.keller@fam.ch)



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