

Julius Bär

**QUANTO USD 3 YEARS 100% CAPITAL PROTECTED NOTE**  
WITH 100% PARTICIPATION TO  
AVIVA GLOBAL HIGH YIELD BOND FUND (EUR)

**Julius Baer Structured Products**  
Tailored Solutions Group  
January, 2017

# INVESTOR RATIONALE

## Gaining Exposure to Global High Yield (HY) Bonds with downside protection

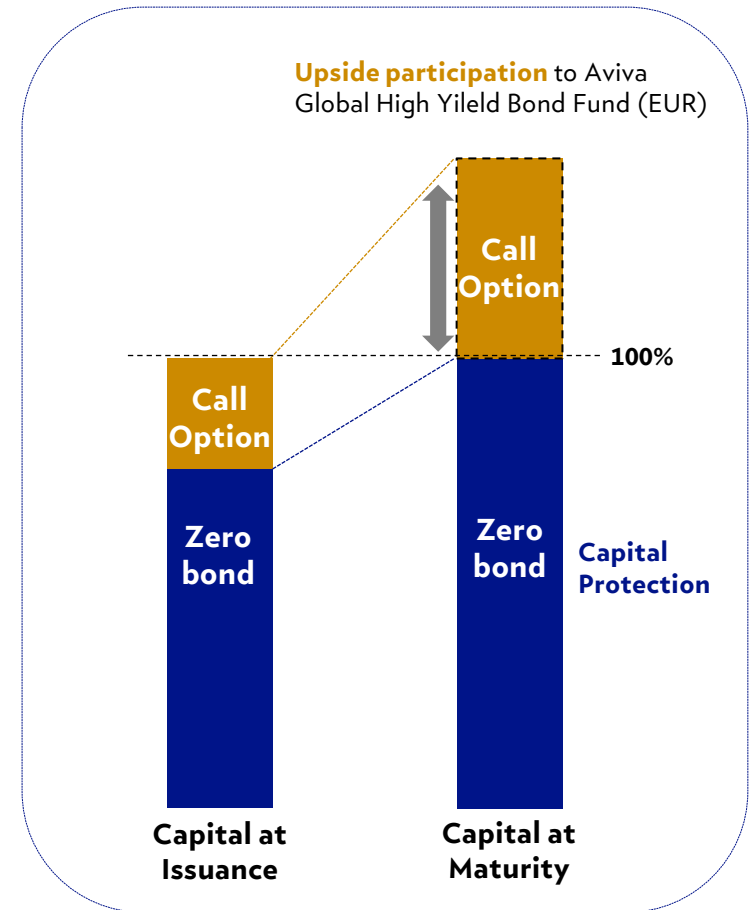
### Investor Rationale

- BJB currently has a **cautious view on High Yield** market: **Neutral rated**
- Asset class is trading at **historical low yields**
- **US tax reform might trigger volatility** for US HY bond segment due to partial ending of tax deductibility of interest expenses
- Clients looking to **gain new Exposure** or to **lock in existing profits while keeping the Exposure to HY** segment, can do this **via a Capital Protection Note (CPN)**
- The CPN offers at maturity **full downside protection** and **100% Exposure to the Underlying Performance**

### Key Product Characteristics

- **100% Capital protection** at maturity
- **100% Participation** to Aviva Global High Yield Bond Fund (EUR)
- Benefits from **increasing volatility**, **decreasing interest rates** (during lifetime) and **positive underlying performance**
- **Clear payoff** at maturity
- Daily **liquidity**

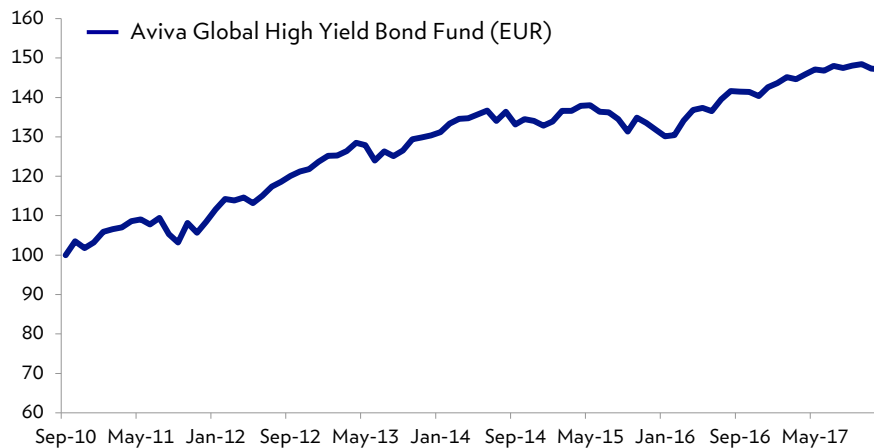
### Product Mechanics



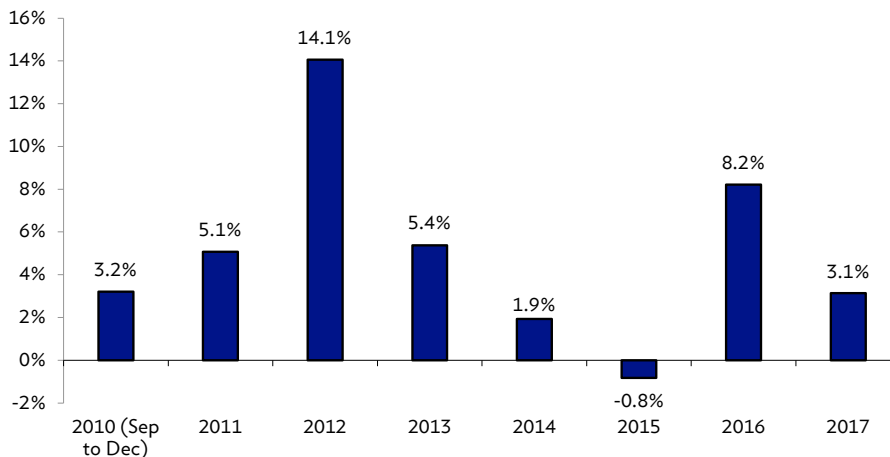
# AVIVA GLOBAL HIGH YIELD BOND FUND (EUR)

## Analysis of the Historical Returns of the Underlying

### Historical Returns



### Annual Returns



Aviva Global HY Bond Fund	
Return p.a.	5.5%
Current Level*	147.1%
Volatility p.a.	5.2%
Maximum Drawdown	-5.7%

\*The current level is based on the observation period starting from September 2010.

# ILLUSTRATIVE TERMS & CONDITIONS\*

## USD Note with 100% Principal Protection and 100% Participation

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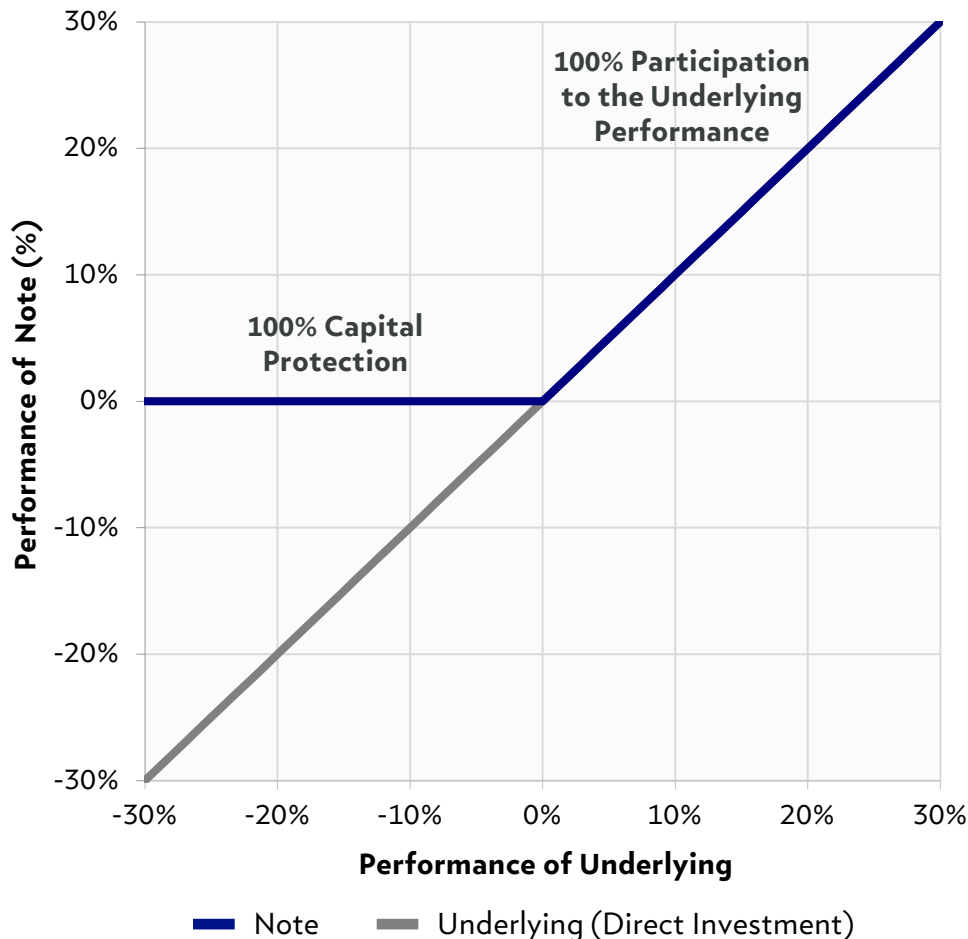
<b>Issuer</b>	Bank Julius Baer & Co. Ltd., Guernsey Branch
<b>Issuer Rating</b>	A2 (Moody's)
<b>Arranger &amp; Manager</b>	Bank Julius Baer & Co. Ltd., Zurich Branch
<b>ISIN / Valor</b>	39577633 / CH0395776336
<b>Subscription Period</b>	until 26 January 2018, 10am CET
<b>Indicative LTV</b>	85%
<b>Performance Component</b>	<b>Aviva Investors Sicav Global High Yield Bond Fund (EUR)</b> (Bloomberg: AVGHYBE LX Equity / ISIN: LU0432679735)
<b>Tenor</b>	3 Years
<b>Currency &amp; Denomination</b>	USD 10,000 (Quanto)
<b>Issue Price</b>	100%
<b>Principal Protection</b>	100% of principal at maturity
<b>Participation Rate</b>	100%
<b>Call Option Strike</b>	100%
<b>Investment Methodology</b>	Zerobond + Call Option
<b>Liquidity</b>	Daily

\* Illustration only. All terms and conditions are subject to change without prior notice. No warranty given to completeness. This is not a term sheet.

# 3 YEARS 100% CAPITAL PROTECTED NOTE

## Payoff scenarios at maturity

### Payoff Chart at Maturity\*



Payoff of Underlying at Maturity	Redemption at maturity in %	Note Return
-20.0%	100.0%	0.0%
-18.0%	100.0%	0.0%
-16.0%	100.0%	0.0%
-14.0%	100.0%	0.0%
-12.0%	100.0%	0.0%
-10.0%	100.0%	0.0%
-8.0%	100.0%	0.0%
-6.0%	100.0%	0.0%
-4.0%	100.0%	0.0%
-2.0%	100.0%	0.0%
0.0%	100.0%	0.0%
2.0%	102.0%	2.0%
4.0%	104.0%	4.0%
6.0%	106.0%	6.0%
8.0%	108.0%	8.0%
10.0%	110.0%	10.0%
12.0%	112.0%	12.0%
14.0%	114.0%	14.0%
16.0%	116.0%	16.0%
18.0%	118.0%	18.0%
20.0%	120.0%	20.0%

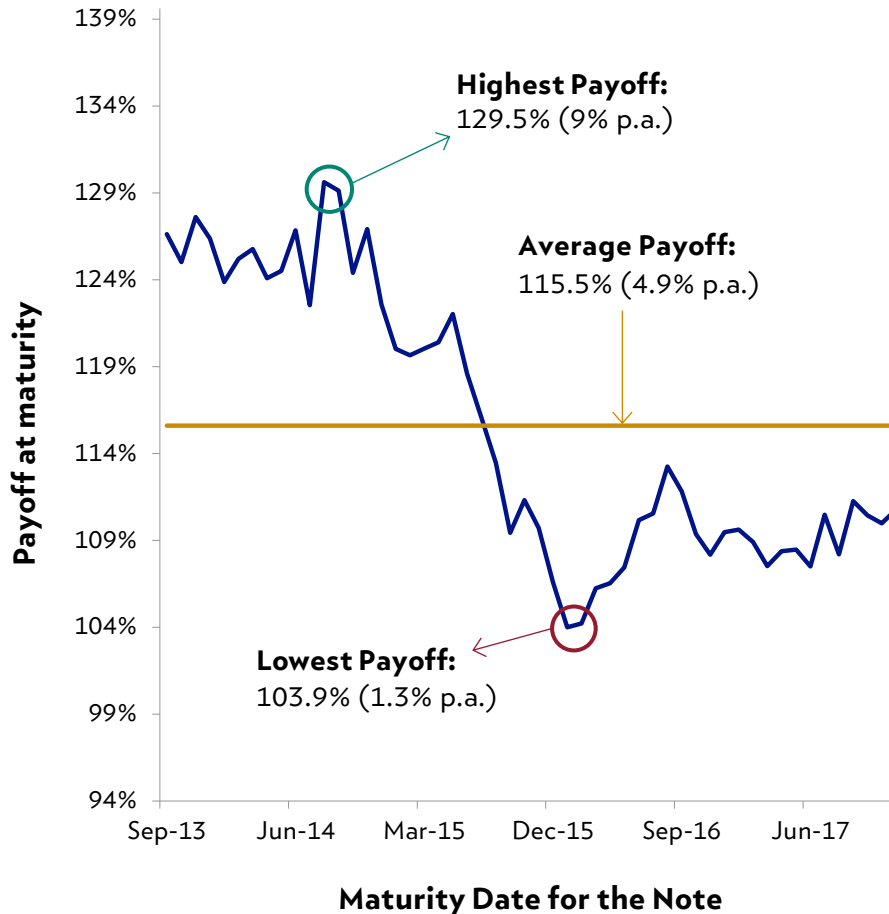
#### \* Repayment at Maturity

$$= 100\% + 100\% * \text{MAX}(\text{Underlying Performance}; 0\%)$$

# HISTORICAL BACKTEST

Average NAV at Maturity of 115.5% (4.9% p.a.)

## Historical Backtest\*



- The backtest (simulation) shows 52 different 3 Years 100% Principal Protected Notes
- These backtested notes have varying entry points (Investment Dates)
- The first backtested 3 years Note starts in September 2010 and matures in September 2013. Thereafter, each month a new Note is simulated, maturing 3 years later (e.g. October 2010 – October 2013)

<b>Lowest Payoff</b>	<b>103.9% (1.3% p.a.)</b>
<b>Average Payoff</b>	<b>115.5% (4.9% p.a.)</b>
<b>Highest Payoff</b>	<b>129.5% (9% p.a.)</b>

# KEY RISKS AND SENSITIVITIES

## Main Risks and Sensitivities of the Note

<b>Principal Protection at Maturity</b>	The Note comes with 100% Principal Protection at maturity. The price of the Note could theoretically drop below this level before maturity.
<b>Price Sensitivity to the Underlying (Delta)</b>	The Note provides a fixed participation at maturity. Ceteris Paribus, the closer to maturity, the higher the delta. The initial sensitivity (Delta) is approximately 50% times the Participation Rate. Therefore if e.g. the fund goes up by 10% first day, the Note is expected to be up by about 5%.
<b>Interest Rates</b>	The Principal is protected via a built-in Zerobond. This component will vary in price depending on changes in interest rates. Hence the price of the Note will tend to rise with falling interest rates and vice versa.

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