

Julius Bär

BENEFIT FROM THE WEAKER SWISS FRANC
INVEST IN SWISS EXPORT COMPANIES

Julius Baer Structured Products

Tailored Solutions Group

May, 2018



INVESTOR RATIONALE

CHF Tracker and Long-Short Certificates long Swiss export companies

- For the first time since the Swiss National Bank (SNB) surprisingly let go of the minimum exchange rate of CHF 1.20 per EUR in January 2015, the **Euro has regained the level of the currency floor.**
- Fundamentally, little speaks against a further weakening of the Swiss franc, even beyond the threshold of 1.20. According to our currency strategist, **exchange rates towards EUR/CHF 1.30 would be possible, which is closer to fair value.**
- We believe that the SNB will only **very cautiously** initiate its policy normalization, as they have signaled their **satisfaction with the recent development of the franc exchange rate.**
- Investors who expect the Swiss franc to **stay around these levels**, or even believe that the Swiss currency could have **further downside potential**, should consequently **focus on Swiss export-oriented companies. Companies that were able to withstand the strengthening Swiss franc in the past should now benefit.**
- At the same time, recent economic indicators signal **on-going resilient global growth.**
- We offer two Certificates. Clients that are **bullish on equity markets in general**, can buy a **Tracker Certificate with 100% exposure to a Basket of Swiss export companies.**
- Clients that are concerned regarding the **recent increase of volatility** and a **possible correction in equity markets**, can buy a 200% Long-Short Certificate going **Long the basket of Swiss exporters versus Short SMI Index**. This allows to **reduce market risk** and **profit from an outperformance of the export companies over the SMI Index.**

EUR/CHF Performance since June 2014



ILLUSTRATIVE TERMS & CONDITIONS*

CHF Tracker and Long-Short Certificates long Swiss export companies

Tracker Certificate

Issuer	BJB & Co. Ltd., Zurich Branch
Issuer Rating	A2 (Moody's)
Arranger & Manager	BJB & Co. Ltd., Zurich Branch
Valor/ISIN	33226367 / CH0332263679
Subscription Period	28 May 2018 – 22 June 2018, 12:00 CET
Underlying	
Long only	Portfolio of Swiss export companies
Exposure	100%
Tenor	1 Year
Currency	CHF
Denomination	CHF 10,000
Issue Price	CHF 10,125
Capital Protection	None

200% Long-Short Certificate

Issuer	BJB & Co. Ltd., Zurich Branch
Issuer Rating	A2 (Moody's)
Arranger & Manager	BJB & Co. Ltd., Zurich Branch
Valor/ISIN	39453525 / CH0394535253
Subscription Period	28 May 2018 – 22 June 2018, 12:00 CET
Underlying	
Long leg	Portfolio of Swiss export companies
Weight Long leg	100%
Short leg	Generic 1st 'SMI' Future (SM1 Index)
Weight Short leg	-90% (adjusted for portfolio Beta of 0.9)
Initial Exposure	200% (static, no rebalancings)
Tenor	1 Year
Currency	CHF
Denomination	CHF 10,000
Issue Price	CHF 10,175
Capital Protection	None
Funding cost	1% p.a.
Stop-Loss Level	@ 40% Certificate NAV

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

PORTFOLIO OF SWISS EXPORT COMPANIES

Potential beneficiaries of a weaker Swiss Franc as selected by our equity analysts

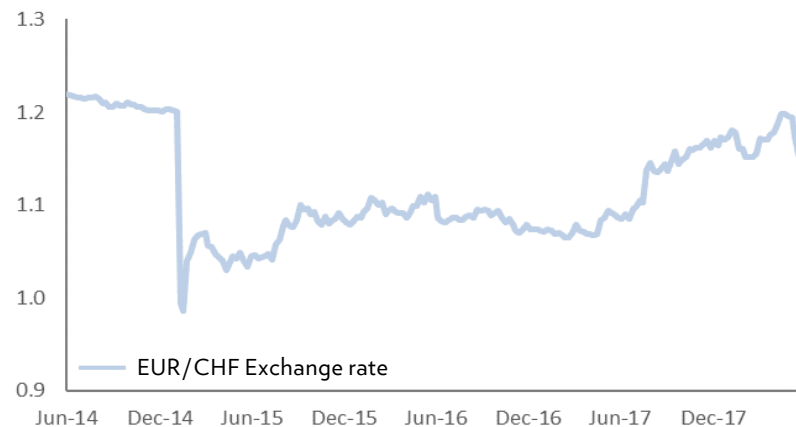
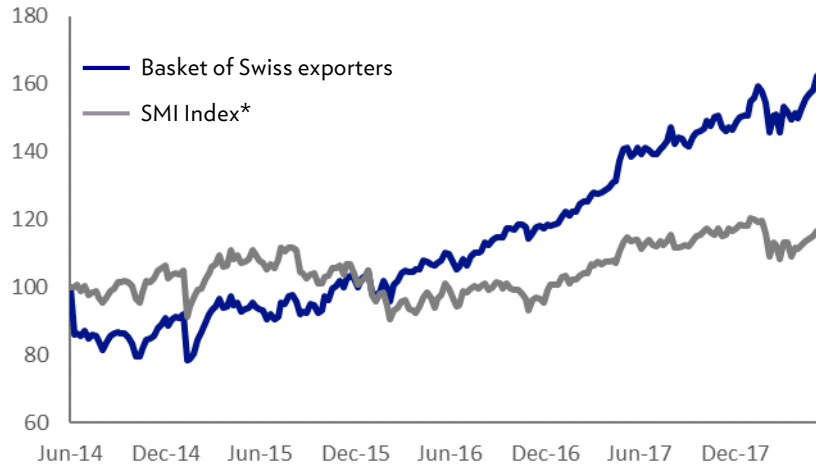
Company	ISIN	Sector	Sales*	Sales*	Costs*	JB Rating	Weight
			EUR	USD	CHF		
Geberit	CH0030170408	Industrials	67%	3%	20%	Buy	7.1%
Partners Group	CH0024608827	Financials	50%	20%	40%	Buy	7.1%
Richemont	CH0210483332	Consumer cyclical	29%	17%	30%	Buy	7.1%
Schindler	CH0024638196	Industrials	31%	30%	4%	Buy	7.1%
Swiss Life	CH0014852781	Financials	30%	0%	0%	Buy	7.1%
Tecan	CH0012100191	Healthcare	36%	43%	35%	Hold	7.1%
UBS Group	CH0244767585	Financials	30%	40%	50%	Hold	7.1%
Georg Fischer	CH0001752309	Industrials	50%	14%	25%	Hold	7.1%
OC Oerlikon	CH0000816824	Industrials	39%	19%	10%	Hold	7.1%
Clariant	CH0012142631	Materials	34%	18%	4%	Hold	7.1%
Swiss Re	CH0126881561	Financials	20%	50%	10%	Hold	7.1%
EMS-Chemie	CH0016440353	Materials	55%	16%	50%	Hold	7.1%
EMMI	CH0012829898	Consumer defensive	17%	28%	65%	Hold	7.1%
Swatch	CH0012255151	Consumer cyclical	31%	9%	50%	Hold	7.1%

* Shows percentage of total sales/costs in specific currency. Companies with a large portion of costs in CHF and sales in EUR or USD are expected to benefit the most from a weakening CHF.

1) CHF 100% EXPOSURE TRACKER CERTIFICATE

Historical Tracks*

Historical Tracks:



Return Statistics for June 2014 to May 2018:

	Swiss exporters		SMI Index
Return p.a.	12.7%	Return p.a.	3.2%
End Level	161.1%	End Level	113.6%
Volatility p.a.	17.1%	Volatility p.a.	15.4%

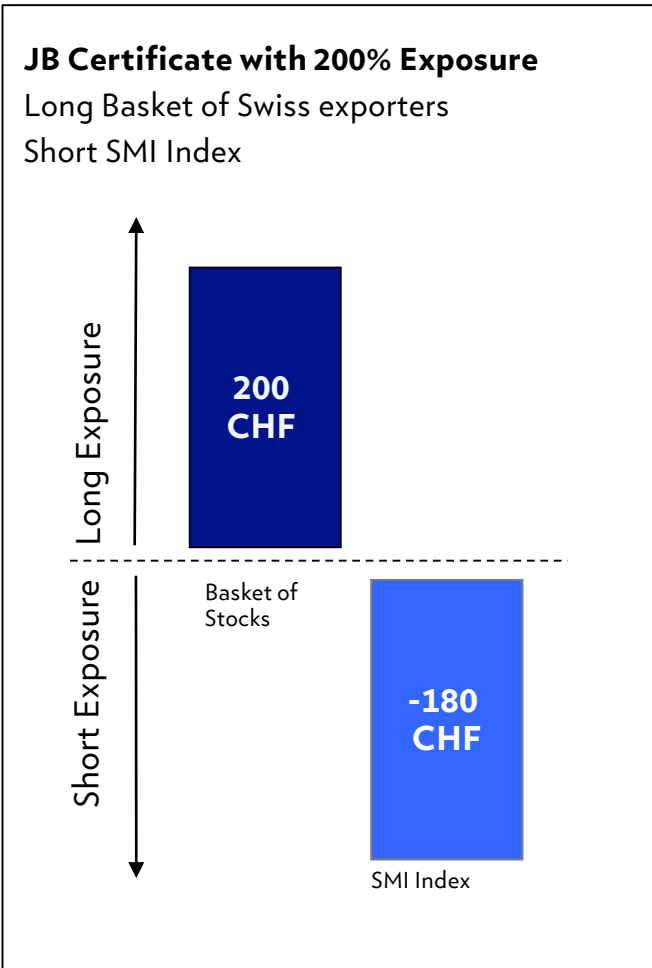
- Swiss export companies were forced by the strong CHF to **restructure and become more efficient in order to stay competitive**
- The **continuing weakening of the CHF** is supporting them now, furthermore, **economic indicators signal on-going resilient global growth**
- This product is suitable for investors that are **bullish on equity markets** and believe that **Swiss exporters will benefit from a weakening CHF**, after being able to withstand the strengthening CHF in the past

* Total Returns have been used. For SMI Index the iShares SMI ETF CH (CSSMI SW Equity) has been used as proxy.

2) CHF 200% LONG-SHORT CERTIFICATE

Mechanics

Illustrative Numerical Example with Client Investment of 100 CHF

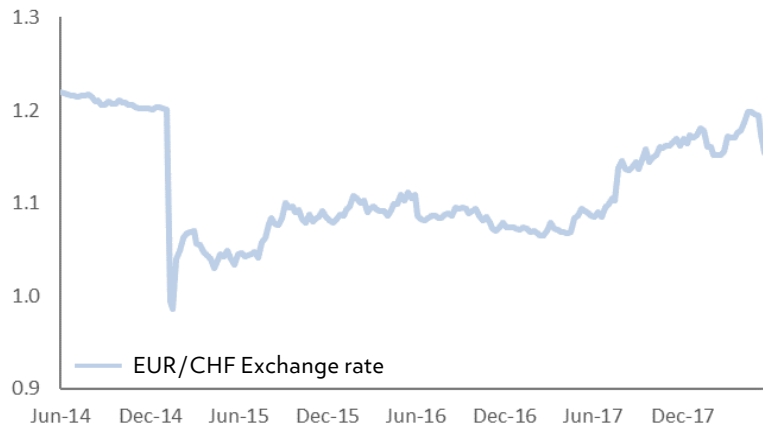
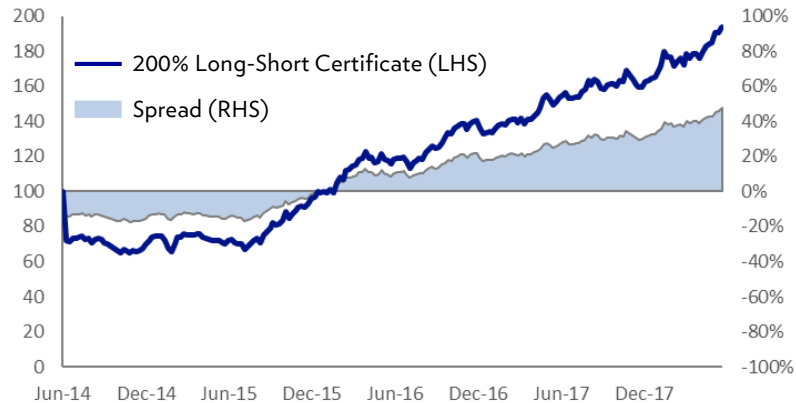


- Client invests 100 CHF into a Julius Baer issued **200% Exposure Certificate** long a Basket of Swiss export companies and short the SMI Index.
- Within the Certificate, while the **client deploys 100 CHF** in capital, **200 CHF worth of the stocks are bought** and simultaneously **180 CHF worth of SMI Index** are sold via futures contracts.
- The ratio 200/180 is to **adjust for the sensitivity of the stock portfolio compared to the market** (Beta of 0.9).
- The **performance of the certificate is positive as long as the stock basket outperforms the SMI index**.
- The **leverage is built into the Certificate** directly (instead of account-level leverage).
- The Certificate gives leverage on a **non-recourse** basis and **without margin calls**. Non-recourse means that the **maximum loss** the client can incur, is **limited to its investment into the Certificate**. Any additional loss will be borne by the bank.
- Instead of margin calls, the Certificate will come with a **Stop-Loss**, where the exposure in the Underlying Stock is sold in the market.

2) CHF 200% LONG-SHORT CERTIFICATE

Historical Tracks*

Historical Tracks:



Backtest for June 2014 to May 2018:

200% Long-Short Cert

Return p.a.	18.0%
End Level	193.7%
Volatility p.a.	15.2%

- By shorting the Swiss Market Index (SMI Index) against the basket of export companies, the **investor significantly reduces the market risk.**
- This product is suitable for **investors that expect Swiss exporters to benefit from a weakening CHF and, therefore, outperform the Swiss Market Index**
- The certificate can have a **positive performance even if there's a correction in equity markets as long as the basket of exporters outperforms the SMI**

Illustrative Example (ignoring fees for simplicity):

Performance Basket of exporters: -5%

Performance SMI Index: -10%

Performance Certificate: $-5\% \times 200\% - (-10\%) \times 180\%$
= +8%

* Total Returns have been used. For SMI Index the iShares SMI ETF CH (CSSMI SW Equity) has been used as proxy.

2) CHF 200% LONG-SHORT CERTIFICATE

Key Features and Risks

Key Features

- The **leverage** (funding amount) is **built into the Certificate** and is off balance sheet for the client. Hence **no credit documentation** needs to be signed by the client
- The **leverage is non recourse**, hence the **client's maximum loss is limited to his investment into the Certificate**.

Key Risks at the Certificate Level*

Leverage Risk

- Due to the built-in leveraged exposure in the underlying, the Certificate's NAV will have a **significantly higher volatility and drawdown risk** compared to an unleveraged direct investment.

Stop-Loss Trigger

- The exposure (leverage) to the underlying spread is **static and will not change as long as the Trigger is not reached**. Nevertheless, there is the possibility that the leveraged Certificate's NAV hits the Trigger. At the Trigger, the Certificate will be sold and has no longer exposure to the underlying spread.

* These represent major risks involved in the mentioned investment and are not meant to be exhaustive.

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