



# Julius Bär

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## BI-WEEKLY PRODUCT IN FOCUS CAPITAL PROTECTED NOTE LINKED TO PIMCO GIS INCOME FUND (EUR) IN QUANTO USD

Structured products with 100% capital protection have become a rarity in today's low-interest rate environment. Julius Baer offers a 100% capital protected note on the Pimco GIS Income Fund (EUR), which is one of the world's largest income funds with about USD 48 billion in assets.

### At a glance:

- Underlying: Pimco GIS Income Fund (EUR)
- Currency exposure hedged: Quanto USD
- Participation: 100% at expiry
- Maturity: 3 years

### Summary

#### Julius Baer 100% capital protected note linked to Pimco GIS Income Fund (EUR)

(product type: SSPA 1100)

Issuer	Bank Julius Baer & Co. AG, Guernsey	Initial fixing date	15 September 2017, 12:00 CET
Lead manager	Bank Julius Baer & Co. AG, Zurich	Issue date	22 September 2017
Issue price	100%	Final fixing date	15 September 2020
Denomination	CHF 5'000.00 (Quanto)	Expiry date	15 September 2020
Issue price	100%	Final redemption date	22 September 2020
Participation	100%	Security no.	37905272
Capital protection	100%	ISIN	CH0379052720
Underlying	Pimco GIS Income Fund (EUR)		

### Experienced management, successful concept

One of the golden rules of investing is not to put all one's eggs in a single basket. Indeed, through adequate diversification into several asset classes, losses in one investment can be offset by gains on others. In particular, fixed-income investments have a stabilising influence on any portfolio. One of the largest such funds is the Pimco GIS Income

Fund, actively managed by finance whizzes Dan Ivascyn and Alfred T. Murata and with invested assets of almost USD 48 billion. The fund uses a broad range of fixed-income securities to maximise current income, while maintaining a relatively low-risk profile. In addition, it has a secondary goal of long-term capital appreciation and a look back shows the fund managers have been very

successful. After costs, the distributing variant of the Pimco GIS Income Fund (EUR) has yielded a return of 7.27% over the past 12 months. Since issuance in November 2012, the return has been 6.55% p.a. – a remarkable achievement, particularly since ECB boss Mario Draghi lowered the eurozone's key rate from 1.0% to 0.0% in this period. This gives the fund managers the flexibility to pick out the best sources of return from the global fixed-income universe. They are also free to vary duration – i.e. the interest rate sensitivity – between zero and eight years, meaning that the fund can be positioned in a rising rate paradigm. Currently, the portfolio's duration is set at 1.8 years. Ivascyn and Murata's investment focus is on bond market sectors and countries with healthy balance sheets and copper-plated fundamentals. The largest region represented, based on duration-weighted exposure, is the US. Overall, more than half the investment portfolio consists of investment-grade paper.

«100% capital protection with 100% participation on the Pimco GIS Income Fund (EUR) at expiry»

### Strong potential returns with capital protected

Julius Baer is giving investors a unique opportunity to participate on the positive performance of the Pimco GIS Income Fund, which is generally reserved for institutional investors. The EUR tranche has been selected as underlying, as the USD/EUR interest rate differential will assist in delivering 100% participation at expiry. The product itself – with its investment currency in USD – offers full participation in the underlying price and a principal that is fully protected at maturity. In other words, investors are offered access to one of the world's leading investment managers on rock-solid terms. Pimco, Allianz's asset management subsidiary, was founded more than 45 years ago, but its current record beats anything achieved in the past. In the second quarter, Pimco attracted record net new money totalling about USD 51 billion? – a sign that the damage resulting from the shock departure of the firm's founder Bill Gross three years previously has finally been undone. With Julius Baer's new capital-protected product, investors will not only ride the wave of the Pimco success story, the Pimco GIS Income Fund (EUR) will also give them a broadly diversified bond portfolio with an impressive track record. Julius Baer has carried out a historical backtest on the note and the result shows a strong pay-out profile. In all, 20 cases were tested over a period of three years. The highest

return was 6.3% p.a., the lowest 2.8% p.a. On average, the backtest showed a pay-out of 4.1% p.a. Thus, investment in the capital-protected note is the perfect way to optimise the risk-return on one's own portfolio.

### Product features

This structured product («certificate/product») is an investment instrument that guarantees either full or partial capital protection, depending on design, and enables participation in the positive underlying performance. It is intended for investors that expect a positive performance by the underlying, although significant price corrections cannot be ruled out.

### Risk

Potential drawdown for bearers of the Julius Baer capital-protected note at redemption is limited to the difference between the issue price and the indicated protection of principal. During the investment period, the value of the product will be influenced in particular by the performance of the underlying and in general by interest rate developments. It may even quote substantially below the indicated capital-protected amount. In contrast to collective investment schemes, investors in structured products do not benefit from specific asset protection in the event of issuer insolvency.

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