



Julius Bär

22 MARCH 2018, 09:06 CET

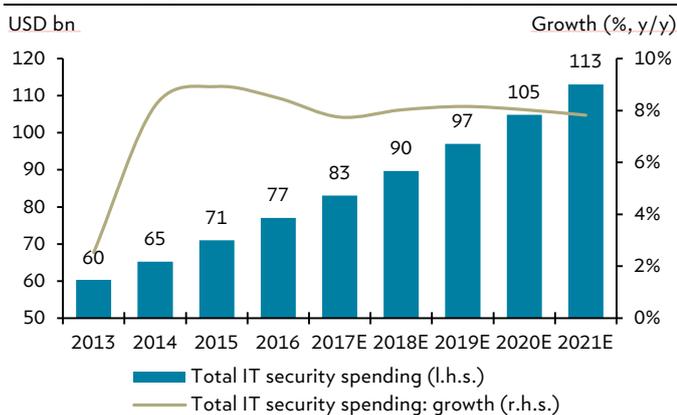
MARKETING MATERIAL

CYBERSECURITY: A MUST HAVE INVEST IN THE WINNERS OF TOMORROW

WHAT'S THE STORY?

Cyberattacks are posing a serious threat to individuals, companies and governments alike. Businesses around the world dependent on a global integrated supply chain, but also critical infrastructure such as electricity grids and water processing plants, are at risk. Individuals were targeted in 2017 via the 'WannaCry' ransomware crypto worm, which blackmailed users into paying to regain control of their computers. It is estimated that the total loss from this attack amounted to about USD 4 billion. Not surprisingly, cybersecurity spending is expected to grow by 8% each year to 2021, twice the rate of overall IT spending, to an annual sum of USD 113 billion.

Cybersecurity growing twice as fast as IT spending



Source: Gartner, IDC, Citigroup, Julius Baer; **Note:** Market includes IT security services such as consulting; y/y = year-on-year, E = estimate

While the outlook for the industry is highly attractive, at firm-level companies are facing the challenges of a scarcity of human talent and the strong underlying forces shaping the industry. These forces include the continuing evolution of cybersecurity threats, which are becoming increasingly difficult to predict and mitigate; a shift in the technological landscape, such as the move to cloud-based solutions; the growth of a workforce connected via mobile devices; and the increasing use of artificial intelligence and 'Big Data'.

These dynamics are opening up opportunities for new, innovative firms, often well financed by venture capital companies, to offer their solutions. Consequently, the industry remains quite fragmented – this is typical of industries offering highly attractive growth prospects for the most pioneering firms, favouring specific segments with ample consolidation potential. Hence, winners in cybersecurity are likely to emerge over time, resulting from the consolidation of best-of-breed solutions on their platforms. This represents an opportunity for investors today to invest in the winners of tomorrow.

Source: Julius Baer Next Generation Thematic Research, Research Focus: [Cybersecurity – Remaining top of mind, but be selective](#), 14 March 2017

OUR IDEAS FOR DIVERSIFIED PORTFOLIOS

Please note that the ideas shown are not individually tailored investment solutions. Please consult your Julius Baer representative (relationship manager/investment advisor) for more specific solutions to suit your individual circumstances.

Take a diversified approach but be selective

We recommend investing in a range of cybersecurity-related companies to profit from the sector's attractive growth opportunities and we advise investors to take a diversified approach due to the considerable volatility, consolidation potential and technology risks.

Buy an actively managed fund that invests purely in the Next Generation equity universe

The topic of cybersecurity is covered by our Next Generation Thematic Research team, which seeks out sustained growth opportunities by identifying companies with a competitive advantage in structurally-growing markets. Investors could gain exposure to all of our Next Generation themes by investing in a fund.

Source: Julius Baer Investment Publishing

INVESTMENT PRODUCTS

Take a diversified approach but be selective – Pictet Security Fund

Investment case

- Trends within cybersecurity point towards a platform approach whereby one vendor ideally covers all security needs with one single solution. We will likely see increased acquisitions going forward.
- The Pictet Security Fund invests worldwide in shares of companies experiencing high growth and/or those operating in less accessible niches in the security area.

Fund description

- This fund provides a global exposure to companies that are providers of physical and IT-based products and services that contribute to safeguarding the integrity, health and freedom of individuals, companies and governments.
- The investments in the portfolio are biased towards the information technology and industrials sectors, and are supported by three main long-term trends and growth drivers: innovation, urbanisation and regulation.
- The investment process starts with the identification of companies with relevant theme-related activities. This is followed by quantitative screening and bottom-up analysis, where the trading liquidity is checked, together with the companies' fundamentals and valuation, as well as industry and risk factors. Finally, the portfolio is constructed with 65 to 75 names with solid fundamentals and attractive risk/return potential.

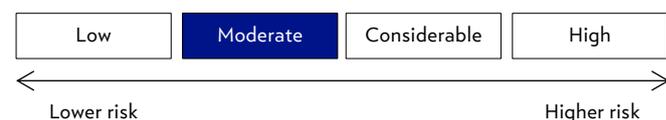
Key risks

- The strategy is biased towards cyclical stocks that tend to have a higher volatility profile than those in the comparison index. The fund may thus suffer from short- to medium-term underperformance.
- In line with the fund's strategy, the portfolio may include holdings in smaller sized companies. These are often less liquid and more volatile than companies with larger market capitalisations.
- The product may be exposed to foreign exchange fluctuations which may negatively impact its performance.

Source: Julius Baer Funds

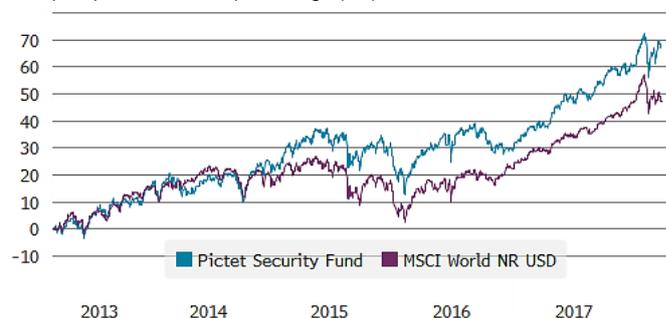
Please contact your Julius Baer representative (relationship manager/investment advisor) for further information on this fund and its suitability given your individual investment profile.

Julius Baer product risk rating



Fund performance

Five-year performance, in percentage (net)



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As of 21 March 2018, 14:43 CET

Source: Bloomberg Finance L.P., Julius Baer Investment Publishing

Past performance is not a reliable indicator of future results. Performance returns take into account all ongoing charges but not transaction fees. The value of your investment may go down as well as up meaning that you may not get back your initial investment.

Fund characteristics

Benchmark	MSCI World NR USD
Currency	USD
Other currencies	CHF, EUR, GBP
ISIN	LU0256846139
NAV as of 19.03.2018	USD 238.25
Size as of 28.02.2018	USD 4 101.72 million
Domicile	Luxembourg
Inception date	31.10.2006
Ongoing charge	2.01% p.a.
Sales Registrations	AT, BE, CH, DE, ES, FR, HK, IT, LU, NL, SG, UK, others

As of 21 March 2018, 14:44 CET

Source: Julius Baer Funds, MorningStar Schweiz GmbH, Fund Provider

Additional Information: Fund provider: Pictet Asset Management (Europe) SA; Swiss paying agent: Banque Pictet & Cie SA; Swiss representative: Pictet Asset Management SA

Please find supporting documents (fund fact sheet, prospectus, annual report, etc.) on www.fundinfo.com, or contact your Julius Baer representative for further information.

Take a diversified approach but be selective – Julius Baer Tracker Certificate on the Cybersecurity Basket 2018

Investment case

- Strong growth segments within the cybersecurity sector include cloud security, next generation endpoint security (remote access of a corporate network), email security, threat vulnerability, and identity and access management.
- To gain exposure to these high-growth segments, investors may want to consider investing in the Julius Baer Tracker Certificate on the Cybersecurity Basket 2018, which is available in the secondary market.

Product description

- Tracker certificates allow the investor to fully participate in the performance of the underlying.
- The investor gets exposure to 13 equally weighted (at issuance) technology companies whose operations have a high thematic exposure to the topic of cybersecurity or which are major technology companies with integrated cybersecurity solutions.

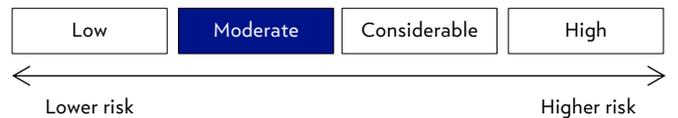
Key risks

- This tracker is not actively managed during the tenor of the product.
- Julius Baer provides a secondary market for the product, but investors should be aware of the spread risk (bid/ask margin).
- The investor is exposed to the credit risk of Bank Julius Baer & Co. Ltd., Zurich (Moody's: A2).

Source: Julius Baer Structured Products Advisory

Please contact your Julius Baer representative (relationship manager/investment advisor) for further information on this product and its suitability given your individual investment profile.

Julius Baer product risk rating



Product characteristics

Underlying	JB Tracker Certificate on the Cybersecurity Basket 2018
Currency	USD
ISIN	CH0332263547
Number of holdings	13
Participation	100%
Issue date	16.03.2018
Issue price	USD 100.00
Ask price as of 21.03.2018	USD 98.50
Redemption date	15.03.2019
Settlement	Cash
Issuer	Bank Julius Baer & Co. Ltd., Zurich
Issuer rating	A2 (Moody's)

As of 21 March 2018, 15:53 CET

Source: Julius Baer Structured Products Advisory, Julius Baer Investment Publishing

Term sheet: [Julius Baer Tracker Certificate on the Cybersecurity Basket 2018](#)

Buy an actively managed fund that invests purely in the Next Generation equity universe – Julius Baer Equity Next Generation Fund

Investment case

- Julius Baer's Next Generation investment philosophy is a thematic investment approach with a focus on long-term structural growth.
- The five key investment themes cover global megatrends that have the potential to deliver superior returns: Arising Asia, Digital Disruption, Energy Transition, Feeding the World and Shifting Lifestyles.

Fund description

- The fund provides access to industries with high entry barriers and investors can benefit from a one-stop-shop solution with exposure to tomorrow's winners, today. The neutral allocation is 20% to each investment theme; the maximum deviation is +/- 20%.
- The investment process is based on top-down industry analysis followed by bottom-up stock selection, which results in a well-diversified and actively monitored portfolio.
- The investment universe is composed of 40 to 100 single stock positions with a minimum market capitalisation of USD 0.5 billion. In some cases a broad industry exposure may be achieved via equity-equivalent investment vehicles.
- The fund is expected to outperform its benchmark, the MSCI AC World Index Daily Total Return Net USD, over a period of more than ten years.

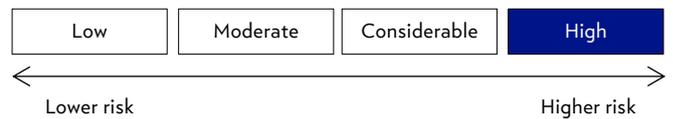
Key Risk

- This fund is suitable only for investors with a high risk tolerance – such investors must be capable of bearing longer periods of low or negative investment performance.
- It provides a well-balanced risk through investing across the five key Next Generation themes, with a greater focus on the technology sector. Please note, however, that the value of the fund may suffer in times of high volatility.

Source: Julius Baer Funds

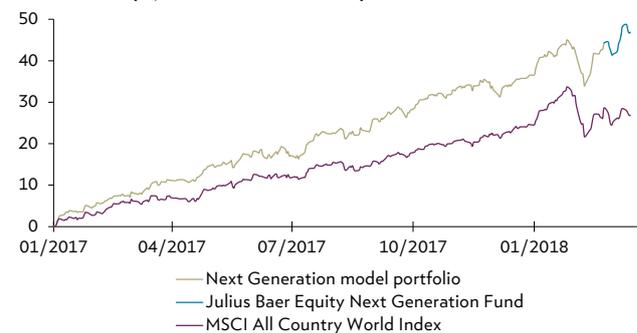
Please contact your Julius Baer representative (relationship manager/investment advisor) for further information on this fund and its suitability given your individual investment profile.

Julius Baer product risk rating



Performance of model and actual portfolio*

Performance (% total return USD basis)



As of 20 March 2018

Source: Bloomberg Finance L.P., Julius Baer Investment Publishing

***Remarks:** Up until the 22 February 2018, the performance chart above reflects the model portfolio performance. This is hypothetical performance data resulting from the application of the corresponding model or tactical allocation strategy which aims to show performance results that would have been achieved if this model/allocation had been in place during this period. From 23 February 2018 onwards, the performance chart above reflects the actual fund performance. As the performance chart partly reflects a model portfolio, it does not show returns of an actual investment product over the entire period, and thus is shown for indicative purposes only; past performance is not indicative of future results; all performance is calculated on a USD total return (TR) basis, gross of fees and other costs for the Next Generation model portfolio.

Fund characteristics

Benchmark	MSCI ACWI GR USD
Currency	USD
Other currencies	CHF-h, EUR-h
ISIN	LU1649332456
NAV as of 19.03.2018	USD 100.65
Size as of 28.02.2018	USD 57.71 million
Domicile	Luxembourg
Inception date	23.02.2018
Ongoing charge	1.50% p.a.
Sales Registrations	AT, BE, CH, DE, ES, FR, IE, LU, NL, SG, UK, others

As of 21 March 2018, 14:56 CET

Source: Julius Baer Funds, MorningStar Schweiz GmbH, Fund provider

Additional Information: Fund provider: GAM (Luxembourg) SA; Swiss paying agent: State Street Banks GmbH, Munich (Zurich Branch); Swiss representative: GAM Investment Management (Switzerland) AG

Please find supporting documents (fund fact sheet, prospectus, annual report, etc.) on www.fundinfo.com, or contact your Julius Baer representative for further information.

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Methodologies

Please refer to the following links for more information:

Research Methodology: www.juliusbaer.com/research-methodology

Funds Methodology: www.juliusbaer.com/fund-methodology

Structured Products Methodology: www.juliusbaer.com/structuredproducts-methodology

Price information

Unless otherwise stated, the price information reflects the closing price of the previous trading day.

Net Asset Value (NAV) information: The Net Asset Value is calculated on the basis of the fund's dealing frequency and will be published with a delay.

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No further specific disclosures.

Recommendation history

Please refer to the following link for more information on the recommendation history:

www.juliusbaer.com/investment-recommendation-history

Frequently used terms

Bbl	Barrel	Bn	Billion	Bu	Bushel
CCY	Currency	Conversion premium	Percentage amount of price paid for the convertible security exceeding its current straight price.	CPN	Coupon
Delta	The ratio comparing the change in the underlying asset to the corresponding change in the price of a derivative (in %)	DUR	Duration in years	DY	Dividend yield
EBIT	Earnings before interest and taxes	EBITDA	Earnings before interest, taxes, depreciation and amortisation	ECB	European Central Bank
EPS	Earnings per share	ETC	Exchange Traded Commodity	ETF	Exchange Traded Fund
Fed	United States Federal Reserve System	GDP	Gross Domestic Product	Incr.	Increment; smallest possible positive change of the nominal amount tradable (on top of the minimum nominal investment size)
ISIN	International Securities Identification Number	KG	Kilogram	Lb	Pound
mBtu	Million British Thermal Units	Mdy's	Moody's	Mn	Million
NAV	Net asset value	Nom.	Nominal; minimum nominal investment size (in respective currency)	Oz	Ounces
P/B	Price-to-book value	P/E	Price-to-earnings ratio	PEG	P/E divided by year-on-year EPS growth
Payment rank	Rank with respect to payment of distributions for the security.	QE	Quantitative easing	ROE	Return on equity
Stop loss	Typically a closing order to sell a security at a specified price in order to limit an investor's loss on a security position.	TER	Total expense ratio	T	tonne
YAS	Yield adjusted spread; option adjusted risk premium in basis points over respective government bond yield curve	YTC	Yield to Call; in %	YTM	Yield to maturity; in %
YTP	Yield to Put; in %	YTW	Yield to Worst; in %	y/y	Year-on-year

Indices

AEX	Amsterdam Exchange Index (Dutch stock market index)	CAC40	Cotation Assistée en Continu (French stock market index)	DAX	Deutscher Aktien Index (German stock market index)
FTSE100	FTSE Group Index (London stock market index)	HIS	Hang Seng Index (Hong Kong stock market index)	KFX	Copenhagen Index (Danish stock market index)
MEXBOL	Mexican Bolsa (Mexican stock market index)	OMX	Stockholm Index (Swedish stock market index)	SMI	Swiss Market Index
SPX	Standard & Poor's Index	TPX	Topix – Tokyo Stock Price Index (Japanese stock market index)		

Major currencies

AUD	Australian dollar	JPY	Japanese yen
CHF	Swiss franc	NZD	New Zealand dollar
EUR	Euro	SEK	Swedish krona
GBP	British pound	USD	US dollar

Other currencies

BRL	Brazilian real	MXN	Mexican peso
CNY	Chinese yuan (onshore version)	PLN	Polish zloty
CZK	Czech koruna	RMB	Chinese renminbi
HUF	Hungarian forint	RUB	Russian rouble
INR	Indian rupee	TRY	Turkish lira
KRW	Korean won	ZAR	South African rand

Methodologies

EQUITIES

Rating system (stocks)

Buy	Expected to outperform the MSCI regional industry group by at least 5% in the coming 9–12 months, unless otherwise stated.
Hold	Expected to perform in line ($\pm 5\%$) with the MSCI regional industry group in the coming 9–12 months, unless otherwise stated.
Reduce	Expected to underperform the MSCI regional industry group by at least 5% in the coming 9–12 months, unless otherwise stated.

Risk rating system

The risk rating (High/Medium/Low) is a measure of a stock's expected volatility and risk of losses in case of negative news flows. This non-quantitative rating is based on criteria such as historical volatility, industry, earnings risk, valuation and balance sheet strength.

Frequency of equity rating updates

The Buy-rated equities are updated quarterly. The Hold and Reduce-rated equities are updated semi-annually or on an ad-hoc basis.

FIXED INCOME

Rating system

Buy	Within its risk category, the issuer is highly recommended due to its financial and business condition (strong balance sheet, income statement, cash flow and good position in the industry). Debt instruments of the issuer are regarded as an attractive investment from a risk/return perspective.
Hold	Maintain position based on stable credit fundamentals and/or average expected return characteristics within peer group.
Sell	The rating is changed to Sell, depending on a significant deterioration in the fundamental data of the issuer in relation to the industry peers. The investment is no longer justified from a risk/return perspective for the relevant category.

Risk categories

Conservative	Incorporates supranational issuers, top-rated sovereign issuers and bodies that are directly and fully guaranteed by these institutions. These issuers are most likely to preserve their top rating throughout the business cycle.
Quality	Incorporates sovereign and corporate issuers that are very likely to service and repay debt within a five-year credit scenario. They are likely to preserve their investment-grade rating throughout a normal business cycle.
Opportunistic	Incorporates issuers that are quite likely to service and repay debt within the five-year credit scenario. Such issuers have an attractive risk/return profile in the current credit scenario but are subject to rating downgrade risk and, thus, might be exchanged periodically.
Speculative	Incorporates sub-investment-grade issuers in Europe and the USA as well as local issuers in emerging markets. Issuers are likely to service and repay debt in the current credit scenario. Investors must note that these issuers are subject to a higher downgrade and default frequency and that an active management of these positions is crucial.

Credit ratings, following the definitions and methodology of credit rating agencies

	Moody's	S&P	Fitch / IBCA	Credit rating definition
Investment grade	Aaa	AAA	AAA	Obligations rated Aaa are judged to be of the higher quality, with minimal credit risk.
	Aa1	AA+	AA	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
	Aa2	AA	AA-	
	Aa3	AA-		
	A1	A+	A+	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
	Baa2	BBB	BBB	
	Baa3	BBB-	BBB-	
Non-investment grade	Ba1	BB+	BB+	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Obligations rated B are considered speculative and are subject to high credit risk.
	B2	B	B	
	B3	B-	B-	
	Caa1	CCC+	CCC+	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
	Caa2	CCC	CCC	
	Caa3	CCC-	CCC-	
	Ca	CC C	CC+ CC CC-	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	D	DDD	Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.	

Frequency of issuer rating updates

The issuer ratings are updated semi-annually, on a rating change or on an ad-hoc basis.

COMMODITIES

Rating system

Bullish	We see upside to the futures curve.
Neutral	We believe the futures curve is fairly priced.
Bearish	We see downside to the futures curve.

CURRENCIES

Rating system

For each of the currencies in our universe we award a **bullish, neutral** or **bearish** ranking based on the following method of calculation. Calculation procedure: the currency ratings are based on the forecasted spot exchange rate against the US dollar. The forecasted spot exchange rates are used to determine the total expected returns by calculating the percentage deviation from the respective forward exchange rates. If forward exchange rates are not available, then non-deliverable forward exchange rates are used. The expected total return is adjusted by the implied volatility of the exchange rate. The resulting volatility-adjusted total returns are scaled by using a normal distribution function. Currencies in the top quartile of the scaled ranking are awarded with a bullish ranking while currencies in the bottom quartile receive a bearish ranking. The currencies in-between are ranked neutral.

The methodologies mentioned above are based on Julius Baer Research.

FUNDS

Investment styles

Independent growth	Aims to achieve positive return over a cash benchmark irrespective of market movements. May be appropriate for clients aiming to generate steady returns.
Opportunistic	Focus on investment ideas of high conviction managers which could also result in underperformance in the shorter term. May be appropriate for long term oriented investors.
Market exposure	Aiming to outperform the benchmark while providing a full and diversified exposure to the respective market. May be appropriate for investments in markets expected to outperform.
Prudent participation	Controlled exposure to the underlying universe with a higher focus on limitation of losses rather than fully capturing the upside. May be appropriate for clients aiming to achieve a cautious stance towards a market.

Distribution types

Accumulation	All capital income (e.g. dividends, interest income) is reinvested.
Income	Capital income (e.g. dividends, interest income) is distributed among investors. The amount of distributed capital income is at the discretion of the fund manager.

Julius Baer product risk rating

The Julius Baer Product Risk Rating divides financial instruments into four risk categories taking into account different risk factors, such as volatility, credit default risk, currency risk and other risk factors, depending on the instrument type. The risk category “Low” does not mean “risk free”. The Julius Baer Product Risk Rating is not aligned with the risk classification of the product provider (e.g. the SSRI for UCITS funds). For a full discussion of the risks associated with an investment in this fund, prospective investors should carefully review the current official fund documentation, such as the Prospectus, the Offering Memorandum, Product Highlight Sheet, Key Facts Sheet and the Key Investor Information Document (KIID), as applicable.

Low	Funds of the category “low” tend to experience small fluctuations of the investment value under normal market conditions, resulting in a very limited potential for capital losses but also have limited potential for income and capital growth.
Moderate	Funds of the category “moderate” offer a combination of modest income and growth potential but may experience short term losses and moderate fluctuations of the investment value.
Considerable	Funds of the category “considerable” may experience the risk of considerable fluctuation of the investment value while offering higher potential for capital growth and income.
High	Funds of the category “high” are exposed to significant risk and fluctuation including the loss of the investment value, while providing the potential to maximize long term growth opportunities.

Frequency of fund rating updates

The fund ratings are updated monthly. In some special cases, ratings may be updated more frequently than monthly. Due to specific investment philosophies you cannot expect a fund manager to outperform every calendar year and, therefore, actively managed funds are not appropriate for short-term investment.

STRUCTURED PRODUCTS

Frequency of structured products rating updates

The recommendations are not updated on a regular basis but are depending on their fixed duration.

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