Julius Bär

22 AUGUST 2018, 14:49 CET

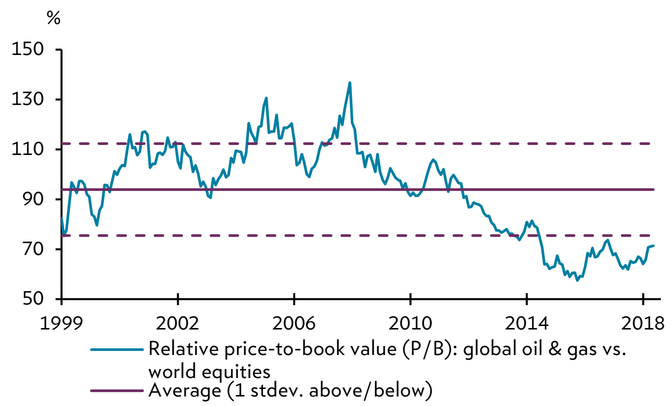
MARKETING MATERIAL

OIL & GAS EQUITIES ARE PURE VALUE
GROWTH AT ATTRACTIVE VALUATIONS

WHAT'S THE STORY?

The global oil & gas sector is the only pure value case in the developed market universe. For one, the sector is attractively valued relative to its own price history and compared with the broad market. In addition, earnings momentum is expected to be strong well into 2019.

Oil & gas equities are not expensive



As of 1 July 2018
Source: Thomson Reuters Datastream, Julius Baer Investment Publishing

Historically, changes in the price of oil have driven the relative performance of the sector vs global equities. However, oil & gas stocks have not kept up with the gain in the oil price since early 2017. Therefore, the sector is fundamentally cheap relative to the oil price, which offers downside protection in case of oil price weakness.

From a portfolio view, the oil & gas sector is also appealing. It offers protection against major risks to equities, such as rising oil prices and escalating geopolitical tensions. Also, the current mature stage of the economic expansion should be conducive to the sector's outperformance of the broad market.

Finally, the dynamics within the sector should also serve investors well. The combination of relatively high oil prices and oil producers' reluctance to invest in new projects should be good news to investors as it keeps costs contained and maximises free cash flow generation. Additionally, major oil & gas companies are diversifying into long-term growth segments, such as natural gas. Thus, we reiterate our Overweight stance on the sector and view setbacks as buying opportunities.

Source: Julius Baer Equity Research, Research Focus: Equities: Energy Sector, 10 August 2018

OUR IDEAS FOR DIVERSIFIED PORTFOLIOS

Please note that these are not individually tailored investment solutions. Please contact your Julius Baer relationship manager or investment advisor for more specific solutions to suit your individual circumstances.

Our equity analysts' favoured global oil & gas stocks

For investors who prefer investing in single equities, we recommend oil & gas producers which have access to low-cost resources and are able to fund attractive shareholder remunerations even in a much lower oil price environment. Among the service companies, we prefer those who would benefit from a recovery in activity outside North America.

A fund with a dedicated exposure to energy stocks

Funds can offer a diversified exposure either to the global or just the US energy sector with their evolving opportunities.

Source: Julius Baer Investment Publishing

INVESTMENT PRODUCTS

Our equity analysts' favoured global oil & gas stocks

Company	ISIN	Country	Ccy	Price	FY1 P/E	Div. yield	Julius Baer Research Rating	Julius Baer Research analyst
Eni	IT0003132476	Italy	EUR	16.23	13.70	5.13%	Buy	R. Cominotto
Royal Dutch Shell	GB00B03MLX29	Netherlands	EUR	28.08	12.02	5.78%	Buy	R. Cominotto
TechnipFMC	GB00BDSFG982	United Kingdom	EUR	25.66	22.37	1.74%	Buy	R. Cominotto
Enbridge	CA29250N1050	Canada	CAD	46.81	18.36	5.73%	Buy	R. Cominotto
TransCanada Corporation	CA89353D1078	Canada	CAD	57.56	16.99	4.88%	Buy	R. Cominotto
Chevron	US1667641005	United States	USD	117.94	14.90	3.81%	Buy	R. Cominotto
ConocoPhillips	US20825C1045	United States	USD	70.89	15.88	1.62%	Buy	R. Cominotto
Marathon Oil Corporation	US5658491064	United States	USD	20.21	26.25	0.99%	Buy	R. Cominotto
Occidental Petroleum	US6745991058	United States	USD	78.89	16.02	3.93%	Buy	R. Cominotto
Schlumberger	AN8068571086	United States	USD	64.76	35.12	3.09%	Buy	R. Cominotto

As of 22 August 2018, 13:08 CET
Source: Bloomberg Finance L.P., Julius Baer Investment Publishing

Please refer to the specific Baer®Insight research reports which are available on request for further information. Additionally, you may wish to contact your Julius Baer relationship manager or investment advisor to discuss the suitability of this offering given your individual investment profile.

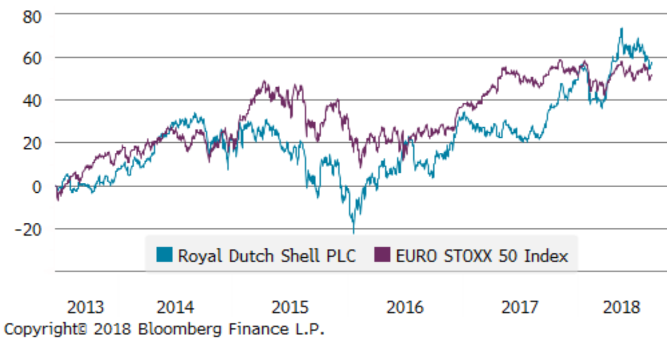
Our equity analysts' favoured global oil & gas stocks – Royal Dutch Shell

Key figures

ISIN	Country	Ccy	Price	FY1 P/E	Div. yield	Julius Baer Research Rating	Julius Baer Research analyst
GB00B03MLX29	Netherlands	EUR	28.08	12.02	5.78%	Buy	R. Cominotto

Performance

Over the last five years, in per cent (net)



As of 22 August 2018, 13:12 CET
Source: Bloomberg Finance L.P., Julius Baer Investment Publishing

Investment thesis

- Royal Dutch Shell (Shell) is one of the leading global independent oil & gas companies, engaging in the exploration, production and refining of petroleum.
- Shell has repositioned itself for a lower-for-longer oil price environment (although its base scenario is approximately USD 62 per barrel Brent) by cutting operating expenses and capital expenditure. It is now streamlined to harvest cash flows from the investments made earlier in this decade and from the acquisition of BG group.
- We expect the company to buy back USD 5 billion in 2018, and USD 10 billion (3.5% of market capitalisation) in 2019 and 2020 each, of its own shares. Together with a dividend yield of 5.5%, this represents an attractive shareholder remuneration.

Source: Julius Baer Equity Research

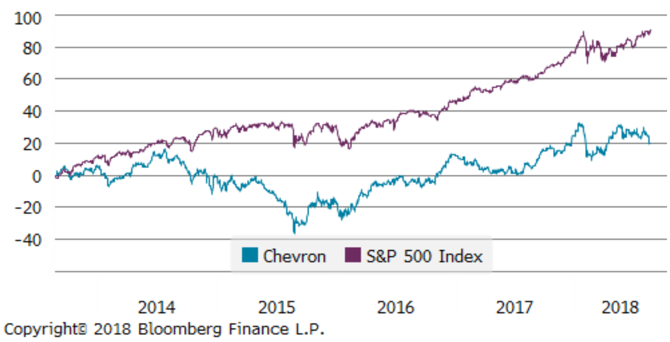
Our equity analysts' favoured global oil & gas stocks – Chevron

Key figures

ISIN	Country	Ccy	Price	FY1 P/E	Div. yield	Julius Baer Research Rating	Julius Baer Research analyst
US1667641005	United States	USD	117.94	14.90	3.81%	Buy	R. Cominotto

Performance

Over the last five years, in per cent (net)



As of 22 August 2018, 13:14 CET
Source: Bloomberg Finance L.P., Julius Baer Investment Publishing

Investment thesis

- Chevron is one of the world's largest integrated oil & gas companies. It has operations all over the world and is involved in every aspect of crude oil and natural gas.
- The company has entered a harvesting phase after a heavy investment period in the previous years. Due to the long-life nature of the investments in liquefied natural gas (LNG) projects with low maintenance requirements and project delay risks, the company benefits from a strong cash flow outlook.
- Chevron's underlying business continues to improve according to plan. The growing Permian Basin and the two giant Australian LNG projects Gorgon and Wheatstone will contribute to growing operating cash flows in the coming years.

Source: Julius Baer Equity Research

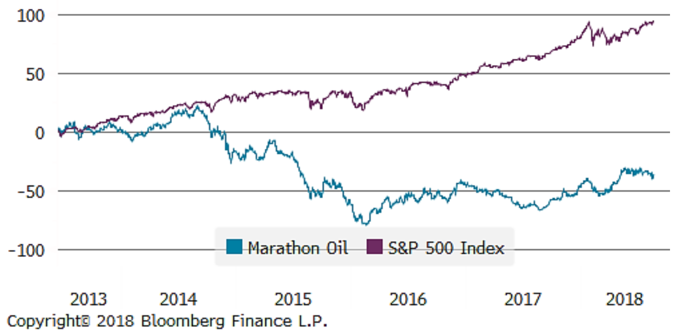
Our equity analysts' favoured global oil & gas stocks – Marathon Oil

Key figures

ISIN	Country	Ccy	Price	FY1 P/E	Div. yield	Julius Baer Research Rating	Julius Baer Research analyst
US5658491064	United States	USD	20.21	26.25	0.99%	Buy	R. Cominotto

Performance

Over the last five years, in per cent (net)



As of 22 August 2018, 13:16 CET
Source: Bloomberg Finance L.P., Julius Baer Investment Publishing

Investment thesis

- Marathon Oil (MRO) is an exploration and production company marketing liquid hydrocarbons and natural gas.
- Over the past three years, MRO has transformed into a leading diversified US shale oil producer. The divestiture of its oil sands operations and the acquisition of the Permian assets, along with cost controls, have particularly changed the investment case.
- The company is not only expected to grow production 10% to 12% annually, but it should also be able to fund capital expenditures and dividends with organic cash flows at an oil price of USD 50 a barrel.

Source: Julius Baer Equity Research

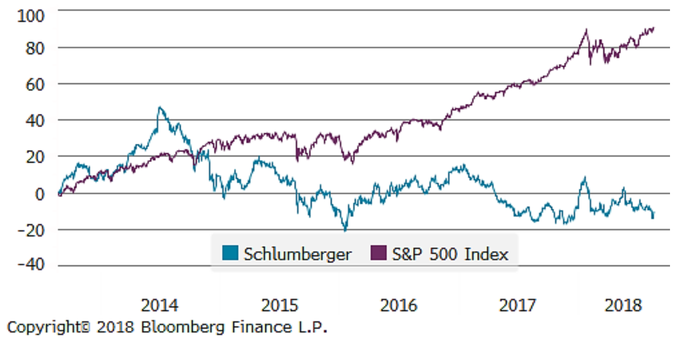
Our equity analysts' favoured global oil & gas stocks – Schlumberger

Key figures

ISIN	Country	Ccy	Price	FY1 P/E	Div. yield	Julius Baer Research Rating	Julius Baer Research analyst
AN8068571086	United States	USD	64.76	35.12	3.09%	Buy	R. Cominotto

Performance

Over the last five years, in per cent (net)



As of 22 August 2018, 13:19 CET
Source: Bloomberg Finance L.P., Julius Baer Investment Publishing

Investment thesis

- Schlumberger is the world's largest provider of oilfield services and equipment for global oil & gas companies.
- The company is ranked number one by market share across most of its product lines and its earnings are more than double that of its closest competitors.
- With global spare oil production capacity approaching the lowest level in ten years and industry underinvestment starting to impact long-cycle projects, many producers in international markets will need to increase spending in order to meet growing oil demand. Schlumberger is our favourite service company in such a scenario.

Source: Julius Baer Equity Research

Please refer to the specific Baer®Insight research reports which are available on request for further information. Additionally, you may wish to contact your Julius Baer relationship manager or investment advisor to discuss the suitability of this offering given your individual investment profile.

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.

An overview of the funds in our offering

	Guinness Global Energy Fund	**iShares S&P 500 Energy ETF**
Julius Baer Product Risk Rating	Moderate	Moderate
Geographical focus	Global	United States
Description	An actively-managed global energy sector fund.	A passive product tracking major US energy sector companies
Investment instruments	Equities	Equities
Differentiator	Experienced team of portfolio managers with an average of over 15 years experience in the energy sector	Cheap solution to get exposure to leading US energy companies
Investment process	The investment process follows the belief that performance will stem from a combination of top-down and bottom-up drivers.	ETF tracking the index as closely as possible
Investment universe	MSCI World Energy Index	S&P 500 Energy Index
Suitability	This fund is suitable for investors who wish to invest in the securities of companies that contribute to and profit from the energy sector’s value chain.	For investors looking for passive exposure to the US energy sector.

As of 17 August 2018
Source: Julius Baer Funds

A fund with a dedicated exposure to energy stocks – Guinness Global Energy Fund

Fund description

- This fund provides exposure to energy companies globally. This includes companies active in the exploration, production or distribution of oil, gas or other energy sources across the globe.
- Investors profit from a team of very experienced portfolio managers, who have an average of over 15 years of experience within the energy sector.
- The fund is expected to move in line with the underlying market and outperform its benchmark, the MSCI World Energy index, over an investment cycle.
- The investment process follows the belief that performance will stem from a combination of top-down and bottom-up drivers. The top-down work has at its core many different facets of analysis of the energy macro environment, while the bottom-up process is very stringent and includes disciplined screening of the global energy sector and due diligence at the stock level.
- In practice, 30 equally weighted investable ideas are selected, which are reflected in 30-45 single stocks based on the results of the bottom-up research.
- The fund has posted solid performance relative to the benchmark and peers over an investment cycle.

Key risks

- This is a sector equity fund, which means investors will be exposed to equity market risk and probably more volatility than with other more broadly diversified funds.
- As a sector fund focused solely on energy, commodity prices (in particular global oil prices) have a significant influence on the performance of the fund.

Source: Julius Baer Funds

Please contact your Julius Baer relationship manager or investment advisor for further information and to discuss the suitability of this offering given your individual investment profile.

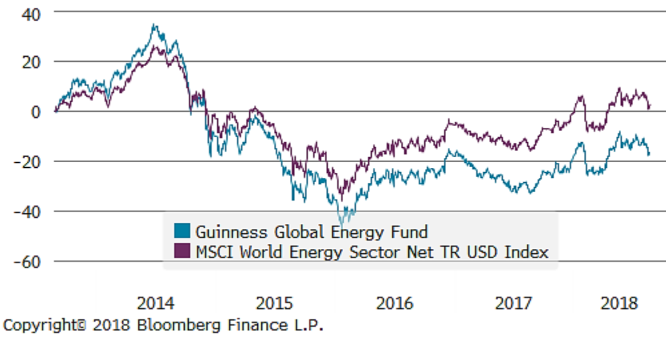
Julius Baer product risk rating

Low	**Moderate**	Considerable	High

Lower risk ⟷ Higher risk

Fund performance

Over the last five years, in per cent (net)



As of 22 August 2018, 13:24 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/Energy NR USD
Currency	USD
ISIN	IE00B2Q91V27
NAV as of 20.08.2018	USD 8.12
Size as of 31.07.2018	USD 303.85 million
Domicile	Ireland
Inception date	31.03.2008
Ongoing charge	1.99% p.a.

As of 22 August 2018, 13:25 CET
Source: Julius Baer Funds, MorningStar Schweiz GmbH, Fund provider

Additional Information: Fund provider: Guinness Asset Management Limited; Swiss paying agent: Banque Cantonale de Genève; Swiss representative: Carnegie Fund Services S.A.

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

A fund with a dedicated exposure to energy stocks – iShares S&P 500 Energy

Fund description

- This is an exchange traded fund (ETF) that seeks to track the performance of the S&P 500 Energy Index as closely as possible. The index offers exposure to leading US companies in the energy sector.
- This physical ETF offers an efficient and cost-effective way to access a portfolio of US energy equities with a single trade.
- iShares is the world's largest ETF provider with more than a decade of expertise and consistently delivers high-quality funds. iShares is powered by BlackRock, the world's largest asset manager.

Key risks

- The single market or sector in which this ETF invests may be subject to particular political and economic risks, and as a result, the ETF may be more volatile than more broadly diversified ETFs.

Source: Julius Baer Funds

Please contact your Julius Baer relationship manager or investment advisor for further information and to discuss the suitability of this offering given your individual investment profile.

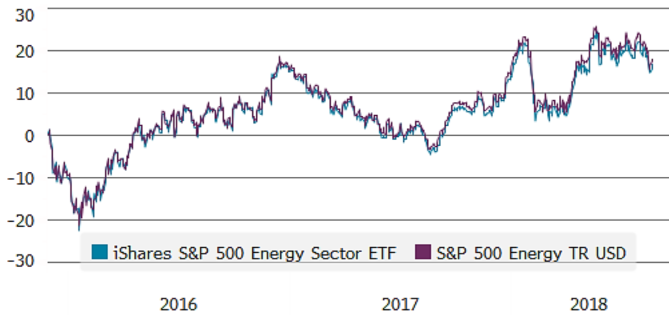
Julius Baer product risk rating

Low	**Moderate**	Considerable	High

Lower risk ← → Higher risk

Fund performance

Since inception, in per cent (net)



As of 22 August 2018, 13:26 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	S&P 500 Energy TR USD
Currency	USD
ISIN	IE00B42NKQ00
NAV as of 21.08.2018	USD 5.75
Size as of 31.07.2018	USD 571.02 million
Domicile	Ireland
Inception date	20.11.2015
Ongoing charge	0.15% p.a.

As of 22 August 2018, 13:27 CET
Source: Julius Baer Funds, MorningStar Schweiz GmbH, Fund provider

Disclosure: BlackRock Inc. holds voting rights in Julius Baer Group Ltd.

Additional Information: Fund provider: BlackRock Asset Management Ireland - ETF; Swiss paying agent: State Street Bank International GmbH, Munich, Zurich branch; Swiss representative: BlackRock Asset Management Schweiz 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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Authors

Michael Rist, Head Investment Publishing, michael.rist@juliusbaer.com [1)]

Roman Canziani, Head Investment Writing, roman.canziani@juliusbaer.com [1)]

[1)] This author is employed by Bank Julius Baer & Co. Ltd., Zurich, which is authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

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 convert-ible 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	M	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 (±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 / I BCA	Credit rating definition
Investment grade	Aaa	AAA	AAA	Obligations rated Aaa are judged to be of the higher quality, with minimal credit risk.
	Aa1 Aa2 Aa3	AA+ AA AA-	AA AA-	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
	A1 A2 A3	A+ A A-	A+ A A-	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
Non-investment grade	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
	B1 B2 B3	B+ B B-	B+ B B-	Obligations rated B are considered speculative and are subject to high credit risk.
	Caa1 Caa2 Caa3	CCC+ CCC CCC-	CCC+ CCC CCC-	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
	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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