Reasons to invest
LO Funds – Global Climate Bond

Why invest?

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Fixed Income

Publication issued by Lombard Odier Asset Management (Europe) Limited (or “LOIM”)

Lombard Odier Funds (in short LO Funds) is a variable capital investment company (SICAV) incorporated in Luxembourg as an Undertaking for Collective Investments in Transferable Securities (UCITS) subject to Luxembourg laws. Global Climate Bond is a Sub-Fund of LO Funds.

This marketing document is for retail investors located in the countries listed in the Key Facts section. It is not appropriate for Belgian retail investors unless the investment subscription is more than EUR 250,000. This document is also not intended for any US person. Please read the important information at the end of this document.

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A dedicated impact solution for a pressing need.
Product overview

ASSET CLASS
Fixed Income.

APPROACH
High Conviction.

Once occupying a niche space in investors’ portfolios, climate bonds form a fast-growing market\(^1\) that offers investment-grade bond investors the potential to add real impact.

The size and diversity of this market today makes it possible to design an investment strategy that is well-diversified in terms of credit rating, duration, region and sector.

\(^1\) Source: Climate Bonds Initiative, January 2018.
A pressing need...

23 million people
Displaced
every year since 2008
by climate disasters¹

250,000 people
Estimated to die
every year between 2030 and 2050
due to climate change²

-10% to -25%
Crop yields decrease
in 30 years if nothing is done³


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Reasons to invest

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Targeting yields in excess of the broad investment-grade bond market, with comparable credit quality, as well as measurable environment impact¹

“Proceeds raised from climate bonds fund a variety of projects, aimed at mitigating or helping the world adapt to climate change."²

A dedicated solution

Climate bonds provide capital for projects that have a verifiable impact in mitigating and helping the world adapt to the effects of climate change.

An additional estimated USD 700 billion of annual investment is needed to meet international commitments to limit climate change to 2°C above pre-industrial levels.³

Highly-rated issuers such as the World Bank are active in this field, as are many well-known organisations across the globe.⁴

The Sub-Fund taps into a growing investment universe which includes labelled green bonds and non-labelled climate-aligned bonds, both of which can help meet a pressing need for impact capital.

A wide-ranging opportunity set, in support of the transition to a low carbon economy⁶

Renewable energy

Wind and solar power have become an increasingly important source of energy in some countries, with the further benefit of local investment and job creation from a socio-economic perspective.

Transport

Urban transport systems help reduce high levels of traffic congestion and air pollution. Investing in capacity enhancements and hybrid equipment, for example, can help cities achieve a more sustainable and reliable system.

Infrastructure projects

Some international development institutions work with private sectors in developing economies. The building of schools, hospitals or energy access in underserved areas can have wider cross-sector and lasting community benefits.

¹ There can be no assurance that the Sub-Fund’s investment objective will be achieved or that there will be a return on capital or that a substantial loss will not be incurred. / ² Source: LOIM, June 2018. / ³ Source: World Economic Forum, COP 21. / ⁴ The portfolio information provided in this document is for illustrative purposes only and does not purport to be a recommendation of an investment in, or a comprehensive statement of all of the factors or considerations which may be relevant to an investment in, the referenced securities. / ⁵ Source: Environmental Finance, Green Bond fund of the year, May 2018; www.environmental-finance.com/content/awards/green-bond-awards-2018/winners. / ⁶ Examples shown for illustrative purposes only. May not be representative of the Fund’s past or future portfolio of investments as a whole. It should not be assumed that the recommendations made in the future will be profitable or will equal the performance of the securities discussed in this document.

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Investment strategy and philosophy

At Lombard Odier Investment Managers, we believe sustainability will drive future return potential

Lombard Odier Investment Managers has partnered with Affirmative Investment Management (AIM), the first asset manager dedicated to fixed income impact strategies, to create this exciting opportunity to finance positive climate and social impact.

A distinct approach

Our proprietary climate bond investment universe, SPECTRUM Bonds looks at the financial robustness of issuers, their ESG practices and how the use of bond proceeds contributes to preserving our environment in the long term.

Specialist expertise

AIM performs independent verification and monitoring to expand the investment universe to include non-labelled climate bonds. This deep analysis and engagement allows for enhanced market insight, credit analysis and risk management processes.

Impact reporting

We believe it is important to evidence the environmental and social outcomes arising from the Sub-Fund’s underlying investments. The portfolio is aligned to the UN Sustainable Development Goals and Paris Climate Change agreement. AIM’s reporting capability provides measurable insight into the aggregated positive impact of investors’ investments.

The end result

The result is a diversified bond portfolio that seeks to create a positive environmental and social impact, while aiming to provide a higher yield and lower turnover than a typical investment-grade portfolio.

The partnership

Stephen Fitzgerald
Managing Partner, AIM

Stuart Kinnersley
Managing Partner, AIM

Dr Judith Moore
Partner, Verification & Impact, AIM

Dr Christopher Kaminker
Head of Sustainable Investment Research & Strategy, LOIM

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1 There can be no assurance that the Sub-Fund’s investment objective will be achieved, that there will be a return on capital or that a substantial loss will not be incurred. / 2 Aligned to the UN Sustainable Development Goals and Paris Climate Change agreement. This marketing document is for retail investors located in the countries listed in the Key Facts section. It is not appropriate for Belgian retail investors unless the investment subscription is more than EUR 250,000.
Reasons to invest

Key facts about LO Funds – Global Climate Bond

Legal structure
SICAV – UCITS (Luxembourg)

Investment objectives
The objective of the Sub-Fund is to generate a regular income and capital appreciation by investing mainly in bonds whose use of proceeds are aimed at financing projects that have a positive impact on the environment. This Sub-Fund may not be appropriate for investors who plan to withdraw their money within 3 years.

Reference benchmark
None

Custodian bank/administration
CACEIS Bank, Luxembourg Branch

Sub-Fund launch
1 March 2017

Liquidity
Daily

Subscription/redemption details
Subscription deadline: T-1, 15:00 CET; Payment date: Up to T+3

Registered countries/Investor type
Registered for distribution to retail investors in: Austria (AT), Finland (FI), France (FR), Germany (DE), Italy (IT), Liechtenstein (LI), Luxembourg (LU), Netherlands (NL), Norway (NO), Spain (ES), Sweden (SE), United Kingdom (GB), Switzerland (CH): Registered for distribution to Swiss non-qualified investors with the FINMA. Belgium (BE): Not appropriate for Belgian retail investors unless the investment subscription is more than EUR 250,000. US: Not appropriate for any US person.

Reference currency
USD

Management fee
0.40%

Conversion fee
Up to 0.50% (of the total amount switched)

Taxation in the EU
Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Please consult your tax advisor for more details.

Share class
ISIN
SRRI
Entry charge
Ongoing charge1
Distribution fee
Min. investment (EUR)
Countries of registration

Global Climate Bond, (USD) P A
LU1490631295
3 Max. 5% 1.07% 0.40% 3,000
AT, BE, CH, DE, ES, FI, FR, GB, IT, LI, LU, NL, NO, SE

Global Climate Bond, Syst. Multi Ccy Hdg, (CHF) P A
LU1532733752
3 Max. 5% 1.07% 0.40% 3,000
AT, BE, CH, DE, ES, FR, GB, LI, LU, NL

Global Climate Bond, Syst. Multi Ccy Hdg, (EUR) P A
LU1532731541
3 Max. 5% 1.06% 0.40% 3,000
AT, BE, CH, DE, ES, FR, GB, IT, LI, LU, NL, NO, SE

Global Climate Bond, Syst. Multi Ccy Hdg, (EUR) R A
LU1532731897
3 Max. 3% 1.59% 1.51% 0.80% 1,000
AT, BE, CH, DE, ES, FR, GB, IT, LI, LU, NL

Global Climate Bond, (USD) R A
LU1490631451
3 Max. 3% 1.51% 0.80% 1,000
AT, BE, CH, DE, ES, FR, GB, IT, LI, LU, NL

1 Lombard Odier Funds ("LO Funds") is a variable capital investment company (SICAV) incorporated in Luxembourg as an Undertaking for Collective Investments in Transferable Securities (UCITS) subject to Luxembourg laws. Global Climate Bond is a Sub-Fund of LO Funds. /1 The ongoing charges figure is based on expenses for the 12-month period ending 31 January 2018. This figure may vary periodically. /1 The Sub-Fund is not appropriate for Belgian retail investors unless the investment subscription is more than EUR 250,000. / 25 May 2018.

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Understanding the risk and reward profile & Glossary

This indicator (SRRI) represents the annualised historical volatility of the Sub-Fund over a 5-year period. Where there are less than 5 years’ worth of data, missing returns are simulated using an appropriate benchmark. The SRRI may change over time and should not be used as an indicator of future risk or returns. Even the lowest risk classification does not imply that the Sub-Fund is risk-free or that capital is necessarily guaranteed or protected.

The following risks may be materially relevant but may not always be adequately captured by the synthetic risk indicator and may cause additional loss:

**Credit risk:**
A significant level of investment in debt securities or risky securities implies that the risk of, or actual, default may have a material impact on performance. The likelihood of this depends on the creditworthiness of the issuers.

**Liquidity risk:**
Where a significant level of investment is made in financial instruments that may under certain circumstances have a relatively low level of liquidity, there is a material risk that the fund will not be able to transact at advantageous times or prices. This could reduce the fund’s returns.

**Concentration risk:**
To the extent that the fund’s investments are concentrated in a particular country, market, industry, sector or asset class, the fund may be susceptible to loss due to adverse occurrences affecting that country, market, industry, sector or asset class.

Please also pay attention to the inherent risks of this Sub-Fund, such as for instance:

- Risks related to Fixed-income securities
- Risks related to below investment grade and distressed securities

Before taking any investment decision, please read the latest version of the Prospectus, the articles of incorporation, the Key Investor Information Documents (KIIDs) and the latest annual report and semi-annual report. Please pay particular attention to Appendix B “Risk Factors” of the Prospectus.

### Glossary

**Climate-aligned bonds (non-labelled)**
Non ring-fenced debt funding dedicated to climate-friendly sectors, requiring deeper impact verification expertise.

**Credit rating**
An independent assessment of a borrower’s ability to repay its debts i.e. default risk. Standard & Poor’s, Fitch and Moody’s are the three most prominent credit rating agencies.

**Debt recourse**
Rights to demand payment from the general or specific assets of the debtor.

**ESG**
Environmental, Social and Governance factors.

**Green bonds (labelled)**
Ring-fenced debt funding for projects with clear positive climate impact. External validation on the use of proceeds.

**Impact verification**
An objective assessment to qualify a project’s green, social or sustainability impact with measurement of those results.

**Investment Grade**
A bond with a credit rating of at least BBB- (Fitch), Baa3 (Moody’s) or BBB- (S&P).

**Yield**
The anticipated percentage return on a bond if held to its maturity date.