Reasons to invest
LO Funds – Asia Value Bond

Why invest?

A global hard currency bond sub-fund focused on navigating the changing Asian credit landscape.

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

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. Asia Value Bond is a Sub-Fund of LO Funds.

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A global hard currency bond sub-fund focused on navigating the changing Asian credit landscape.
Product overview

ASSET CLASS
Fixed Income.

APPROACH
High Conviction.

Asia has undergone tremendous structural reform in the past decades. Beyond export-oriented growth, the region has seen increased economic diversification, greater government transparency and deepening capital markets. To sustain continued growth, many Asian enterprises are increasingly tapping into the international USD debt markets.

As a result, the region offers a growing diversity of credit opportunities as well as improving credit quality.¹

In our view, Asian debt can provide attractive opportunities relative to its developed bond peers, and better fundamentals compared to other emerging markets.

¹ Source: Moody’s, JP Morgan, October 2018. 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.
Asia: a growing set of credit opportunities

USD 1 trillion market size
The Asian dollar bond universe has tripled over the last decade to support the region’s growth.¹

Up to 270bps spread pickup
Asian credit provides attractive spread pickups, compared to other markets.²

Engine of global growth
Asian economies are expected to contribute some 50% to global GDP growth in the coming decade.¹

>1,400 issuers⁴
Healthy issuance activity and domestic demand in recent years provide improving diversity and quality


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Reasons to invest

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A flexible fund designed to target an annualised return of between 4-5% and volatility within 4% p.a.¹

“A Asia has the ingredients for an attractive credit outlook: economic growth, improving fiscal balances and sustainable debt levels."

A dynamic search for value

**Go anywhere, within bounds:** The team actively targets what we consider the best bond opportunities across countries, industries, seniority and maturities, flexing for varying market conditions.

**Focus on fundamentals:** The team carefully assesses the quality and risks of each investment while considering the top-down positioning and overall portfolio risk limits.

**High conviction:** the portfolio is managed dynamically across 11 bond sub-segments in a benchmark-agnostic manner.² The goal: to generate both income and capital gain by investing in what we consider the best opportunities.

Awards and ratings³

In active pursuit of sustainable opportunities across Asia-Pacific¹

**Corporates**

Investment grade and high yield

**Example:**
A leading clean energy producer in India with strong shareholder support in the form of a large sovereign wealth fund investor as majority shareholder. The team invested in various bond issues of the company, expecting spreads to compress over time given its stable utilities profile.

**Financials**

Senior and subordinate debt – banks, insurers, broker-dealers

**Example:**
A bank’s callable bond had a high coupon and was deemed an attractive technical investment. The team recognised there was a risk of excessive leverage to fuel acquisitions, while noting that another investor would potentially share any further financing burden.

**Sovereigns**

Government and quasi-government debt

**Example:**
The team invested in the longer dated bond issue of a Chinese state-owned enterprise in the industrial sector. They believed the company could benefit from a potential future merger or an impending sovereign issue that would reprice this.

¹ Yields may vary. 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 For illustrative purposes only. Holdings/allocation are subject to change. / ³ Sources: Morningstar, 30 November 2018. Asia Bond category. See "https://s21.q4cdn.com/198919461/files/doc_downloads/other_disclosure_materials/MorningstarRatingforFunds.pdf" for more information on methodology. / Lipper Leaders – Thomson Reuters, 30 November 2018. Total Return and Consistent Return categories. See "http://lipperalpha.financial.thomsonreuters.com/wp-content/uploads/2015/11/S026849-Method-Lipper-Leaders-Ratings-System-International.pdf" for more information on methodology. Past performance is not a reliable indicator of future results.

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Investment philosophy

A flexible approach based on ongoing market conditions

1. Long-only total return
We aim to generate returns from both income and capital gains. This means both compounding interest income over the longer term as well as highly active management in a bid to capture other sources of returns.

2. High conviction
By freeing ourselves from market-cap based benchmark constraints, the portfolio is not tied to high concentrations of single countries or issuers that are more indebted. This allows us to seek to maximise ongoing market opportunities and mitigate risks.

3. Value orientation
Asia Value Bond is keenly focused on seeking value. Having a flexible approach allows the team to pursue what they believe are the most attractive opportunities across countries, sectors, issuers, seniority or maturity - at any given point of time.

The end result
The result is a diversified portfolio of c.140 holdings on average with a typical credit rating of BBB-. Risk management is embedded in the portfolio management process, with strict risk limits and natural hedges built in to reduce the impact of any sharp market movements.

The investment team

Dhiraj Bajaj
Portfolio Managers
12 years’ experience

Tracy Wang
Senior Credit Analyst
12 years’ experience

Kenneth Kwan
Credit Analyst
8 years’ experience

Love Sharma
Credit Analyst
7 years’ experience

Tobias Bracey
Credit Strategist & Product Manager
9 years’ experience

The Singapore-based investment management team of five has an average 10 years of experience, managing over USD 2.5 billion of assets under LOIM’s Asian Credit strategy. They are part of a 22-strong global fixed income team that manages USD 19 billion in global and regional strategies.

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 For information purposes only. Holdings/allocations are subject to change.

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Key facts about LO Funds – Asia Value Bond

Legal structure
SICAV – UCITS (Luxembourg)

Investment objective and policy
The Sub-Fund invests mainly in bonds, other fixed or floating rate debt securities and convertible bonds of sovereign and corporate issuers having their main activity in Asia-Pacific (including Japan).

Investor profile
The Sub-Fund may be appropriate for investors, who seek regular income and potentially capital gains from their investment; and are willing to take on the increased risks associated with the categories of assets described in the investment objective and policy; and can withstand volatility in the value of their Shares. This Sub-Fund may not be appropriate for investors who plan to withdraw their money within 3 years.

Custodian bank/administration
CACEIS Bank, Luxembourg Branch

Sub-Fund launch
1 December 2016

Liquidity
Daily

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

Registered countries
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. Chile: the Sub-Fund is not appropriate for retail investors. Singapore: Not appropriate for retail investors (restricted schemes). US: Not appropriate for any US person.

Reference currency
USD

Management fee
0.50% to 0.70%

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

Taxation in the EU
Tax treatments depend 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

<table>
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<th>Share class</th>
<th>ISIN</th>
<th>SRRI</th>
<th>Entry charge</th>
<th>Ongoing charge</th>
<th>Distribution fee</th>
<th>Min. investment (EUR)</th>
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The above share classes are for illustrative purposes only. Other share classes may be available in your country. The prospectus, the Key Investor Information Documents (KIID), the articles of incorporation as well as the semi-annual and annual reports are available on www.loim.com and can be requested free of charge at the registered office of the Sub-Fund.
Understanding the risks 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.

**Emerging market risk:** Significant investment in emerging markets may expose to difficulties when buying and selling investments. Emerging markets are also more likely to experience political uncertainty and investments held in these countries may not have the same protection as those held in more developed countries.

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

- Risks related to Currencies
- 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 Annex” of the Prospectus.

**Glossary**

- **Market cap (debt):** In a bond index, typically the aggregated weighted average price of selected bonds
- **Structural:** condition that changes how an industry or market operates, regardless of cyclical or short-term economic trends
- **Fundamentals (economic):** Statistics and information that affect an economy at large, such as monetary or fiscal policy, unemployment, supply and demand, growth, inflation and international trade.
- **Yield:** the amount of return an investor realizes on a bond, which can be expressed in measures such as current yield (annual interest income over its market price) or yield to maturity (internal rate of return if a bond is held to maturity and all scheduled payments are made).

**Credit spread:** the difference in yield between a corporate bond and a ‘risk-free’ government security of the same maturity, such as US Treasuries in the US.

**High conviction:** Seeking a more concentrated portfolio of investments that a manager has high confidence will do well in the future.

**Subordinate (debt):** debt that ranks below other debt securities with regard to claims on the issuer’s assets or earnings

Yield or Spread pickup: the additional interest rate an investor receives by selling a lower-yielding bond and buying a higher-yielding bond.

Please refer to [www.lombardodier.com/home/asset-management/glossary.html](http://www.lombardodier.com/home/asset-management/glossary.html) for an explanation of other terms.
Lombard Odier Funds (hereinafter the “Fund”) is a Luxembourg investment company with variable capital. The Fund is governed by the Luxembourg Supervisory Authority of the Financial Sector (CSSF) as an Undertaking for Collective Investments in Transferable Securities UCITS under Part I of the Luxembourg Law of the 17th December 2010 implementing the European directive 2009/65/EC, as amended (“UCITS Directive”). The Management Company of the Fund is Lombard Odier Funds (Europe) S.A. (hereinafter the “Management Company”), a Luxembourg based public limited company (SA), having its registered office at 291, route d’Arlon, 1150 Luxembourg, Grand Duchy of Luxembourg, authorised and regulated by the CSSF as a Management Company with the meaning of EU Directive 2009/65/EC, as amended. This marketing document relates to “Asia Value Bond”, a Sub-Fund of Lombard Odier Funds (hereinafter the “Sub-Fund”).

This marketing communication was prepared by Lombard Odier Asset Management (Europe) Limited. The prospects, the articles of incorporation, the Key Investor Information Document and the subscription form are available at www.loim.com and German information is available at www.loim.de. For further information on semi-annual reports are the only official documents of the Sub-Fund’s shares (the “Offering Documents”). The Offering Documents are available in English, French, German and Italian at www.loim.com and can be requested free of charge at the registered office of the Sub-Fund in Luxembourg: 291 route d’Arlon, 1150 Luxembourg.

The information contained in this marketing communication does not take into account any individual’s specific circumstances, objectives or needs and does not constitute investment advice. The Sub-Fund is suitable or appropriate to individual circumstances or that any investment or strategy constitutes a personal investment advice to any investor. This marketing communication is not intended to substitute any professional advice in the consideration of an investment in the Sub-Fund, an investor should read the entire Offering Documents, and in particular the risk factors pertaining to an investment in the Sub-Fund. We would like to draw the investor’s attention toward the long-term nature of delivering returns across the economic cycle and the use of financial derivative instruments as part of the investment strategy, which can result in increased leverage and volatility of the performance.

No benchmark/index is directly comparable to the investment objectives, strategy overall risk exposure of the Sub-Fund and the volatility of its Net Asset Value. Investors should take care to assess the suitability of such investment to his/her particular risk profile and needs. The information contained herein is intended to provide general information and advice in respect of risks, as well as any legal, regulatory, credit, tax, and accounting consequences. There can be no assurance that the Sub-Fund’s investment objective will be achieved or that there will be a return on capital. Past performance is not a reliable indicator of future results. Where the Sub-Fund is denominated in a currency other than an investor’s base currency, changes in the rate of exchange may have an adverse effect on price and income. Please take note of the risk factors. Any benchmarks/indexes cited herein are provided for information purposes only. No benchmark/index is directly comparable to the investment objectives, strategy overall risk exposure of the Sub-Fund and the volatility of its Net Asset Value. The performance of a benchmark shall not be indicative of past or future performance of any Sub-Fund. It should not be assumed that the relevance of any specific benchmark is suitable or appropriate nor should it be understood to mean that there is a correlation between such Sub-Fund’s returns and any index returns. Target performance/risk represents a performance/risk proxy representing investments in securities with a lower performance and/or a lower level of volatility.

The Morningstar Rating is an assessment of a fund’s past performance—based on both return and risk—which shows how similar investments compare with their relevant benchmark. A Morningstar Rating Portfolio Construction Goal. It does not represent past performance/risk and may not be representative of actual future performance/risk.

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Belgium – Financial services provider: CACEIS Belgium S.A. The Sub-Fund is not appropriate for Belgian retail investors unless the investment subscription is more than EUR 100,000. Please contact your tax advisor to identify the applicable withholding tax on your transactions, as well as the impacts of the withholding tax (“Précomptes mobiliers”). Lombard Odier has an internal Complaints Management Service. You can lodge a claim via your relationship manager or directly to Lombard Odier (Europe) S.A., 6, avenue des Morgines, 1213 Grand Chene, Switzerland.

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