

# LO Funds – Global Climate Bond

## 2017 Impact report executive summary

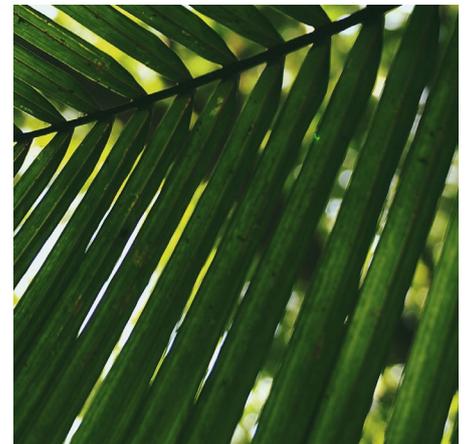
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### Impact Highlights

p.4



Fixed  
Income



Publication issued by Affirmative Investment Management (AIM) for Lombard Odier Funds and Lombard Odier Asset Management (Europe) Limited (LOIM).

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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.

This marketing document is for retail investors located in the countries listed in the section Key Facts. It is not appropriate for Belgian retail investors unless the investment subscription is more than EUR 250,000 and not appropriate for US persons.

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A partnership dedicated  
to spurring positive  
environmental and societal  
outcomes.

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*The LO Funds – Global Climate Bond was named ‘Green Bond Fund of the Year’ at Environmental Finance’s Green Bond Awards 2018.<sup>1</sup> This award recognises the strategic partnership between LOIM and AIM and the two organisations’ deep dedication to spurring positive climate-related outcomes by galvanising the fixed income markets to fund climate adaptation and mitigation initiatives and social resilience imperatives. This report demonstrates that commitment.*



**LOMBARD ODIER**  
INVESTMENT MANAGERS



‘Green Bond Fund of the Year’  
managed by



<sup>1</sup> Source: Environmental Finance, Green bond fund of the year, May 2018; [www.environmental-finance.com/content/awards/green-bond-awards-2018/winners](http://www.environmental-finance.com/content/awards/green-bond-awards-2018/winners).

## Management commitment to impact

Climate change is one of the great challenges of our time. It disrupts ecosystems, threatens entire populations and puts the sustainability of the global economy at risk. As investment professionals, we have a role to play: we can direct investment towards players who are making proactive steps to mitigate and adapt to climate change.

The partnership between Lombard Odier Investment Managers ('LOIM') with Affirmative Investment Management ('AIM') reflects an ongoing commitment to helping combat climate change. AIM is a world-renowned specialist in green bonds, and we are proud to unveil the first annual impact report for LO Funds – Global Climate Bond ('the Sub-Fund'). The 2017 Impact Report is an important component of the Sub-Fund because it documents the outcomes we are able to create through the underlying investments.

We believe companies that are well-positioned for a transition towards more sustainable economic, environmental and social models, and can navigate this change in an orderly fashion, have the potential to become the best performers of tomorrow. In our view, the positive economic impact they may generate can be reflected in their long-term results.<sup>1</sup>

We believe that a pure play approach to investing, founded on deep analysis and engagement, can be beneficial to both investors, in terms of financial returns, and to our broader societies, in terms of environmental and social outcomes.

AIM adopted a conservative approach in calculating the impact metrics. Nevertheless, this report presents a series of measurable outcomes all of which stem a portfolio of mainstream fixed income investments.

But we believe our potential doesn't stop here. As the fund size grows, so does the potential of positive impact resulting from all the underlying investments. Our hope, going forward, is that many of the impact metric numbers contained in this year's report will be higher in years to come.<sup>1</sup>



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INVESTMENT MANAGERS

**AIM** Affirmative  
Investment  
Management

<sup>1</sup> 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. Past performance is not a reliable indicator for future results. Investing in the Sub-Fund entails risks, such as 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. This executive summary is an extract of the full report, which may be available upon request. Details on the impact reporting methodologies used by AIM and their partners, ISS-Ethix Climate Solutions, are available in the full report. Please contact [lisa.wong@affirmativeim.com](mailto:lisa.wong@affirmativeim.com) to request a copy of the full report.

# LO Funds – Global Climate Bond: 2017 impact highlights

In 2017, the Sub-Fund invested in 66 impact bond frameworks, including two unlabelled pure play green bonds. AIM surveyed issuers, collected data and conservatively estimated the impact highlights from the impact bond funded activities below, adjusted for the Sub-Fund 2017 holdings.

## GHG emissions avoided



**78,431 tCO<sub>2</sub>e**

Per annum

Equivalent to taking  
16,795 passenger vehicles<sup>1</sup>  
off the road for a year

## Low carbon transport



**5,678 passengers**

Capacity supported daily

Equivalent to 2m passengers  
annually – greater than the  
population of Latvia<sup>2</sup>

## Green buildings



**5,760 square metres**

Of buildings with higher levels  
of energy efficiency

Equivalent to 68 average  
UK homes<sup>3</sup>

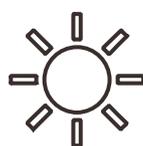
## Renewable energy capacity installed



**75 MW**

Equivalent to 0.2% of UK  
renewable energy installed  
capacity in 2016

## Energy generated from renewables



**244,500 MWh<sup>4</sup>**

Enough to power 19,644  
average homes in the  
United States for one year<sup>1</sup>

## Wastewater treated daily



**6,893 m<sup>3</sup>**

Equivalent to more than  
2 Olympic-size swimming  
pools a day

## Sustainable development goals



**17/17**

Sustainable Development  
Goals supported

## Financial inclusion



**5,687**

SME loans granted in  
17 countries

## Gender



**4,713**

Loans to women-owned micro,  
small and mid-sized businesses  
in emerging markets

<sup>1</sup> United States Environmental Protection Agency, 2017 (passenger vehicles are defined as 2-axle 4-tire vehicles, including passenger cars, vans, pickup trucks and sport/utility vehicles). / <sup>2</sup> UN World Population Prospects, 2017. / <sup>3</sup> Roberts-Hughes, Case for Space, Royal Institute of British Architects, 2011. / <sup>4</sup> AIM estimates.  
Source: Issuer Reports, AIM as of June 2018. For illustrative purposes only. Holdings/allocation are subject to change.

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**66**

Impact bond frameworks invested



**Over 1,000**

Projects/initiatives partially or fully supported by Sub-Fund invested impact bonds



**92**

Countries receiving impact bond commitments and disbursements<sup>1</sup>



**Over 95%**

Of the portfolio by average 2017 weights is covered in this report



**6**

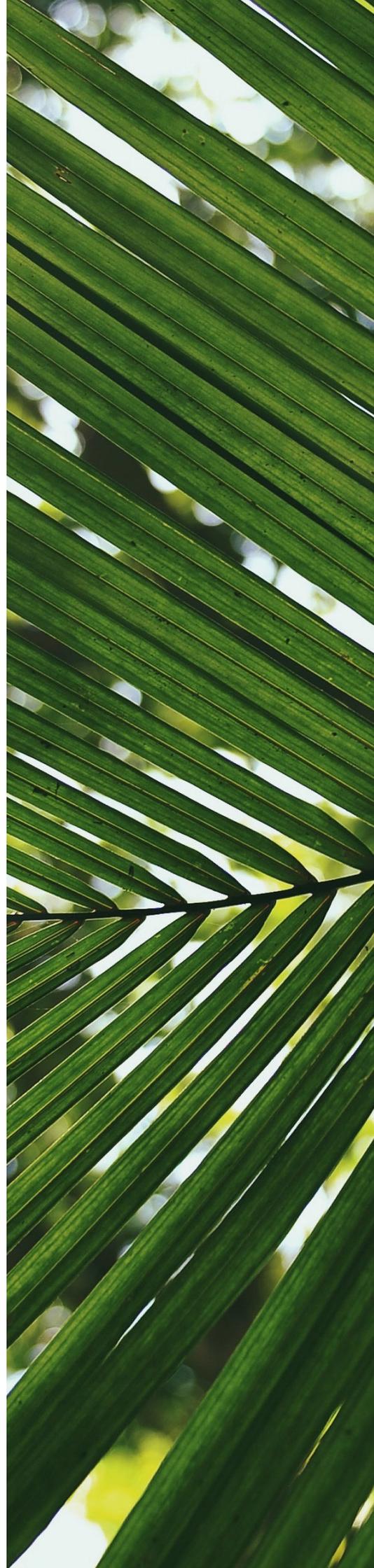
Environmental sectors supported



**5**

Social sectors supported

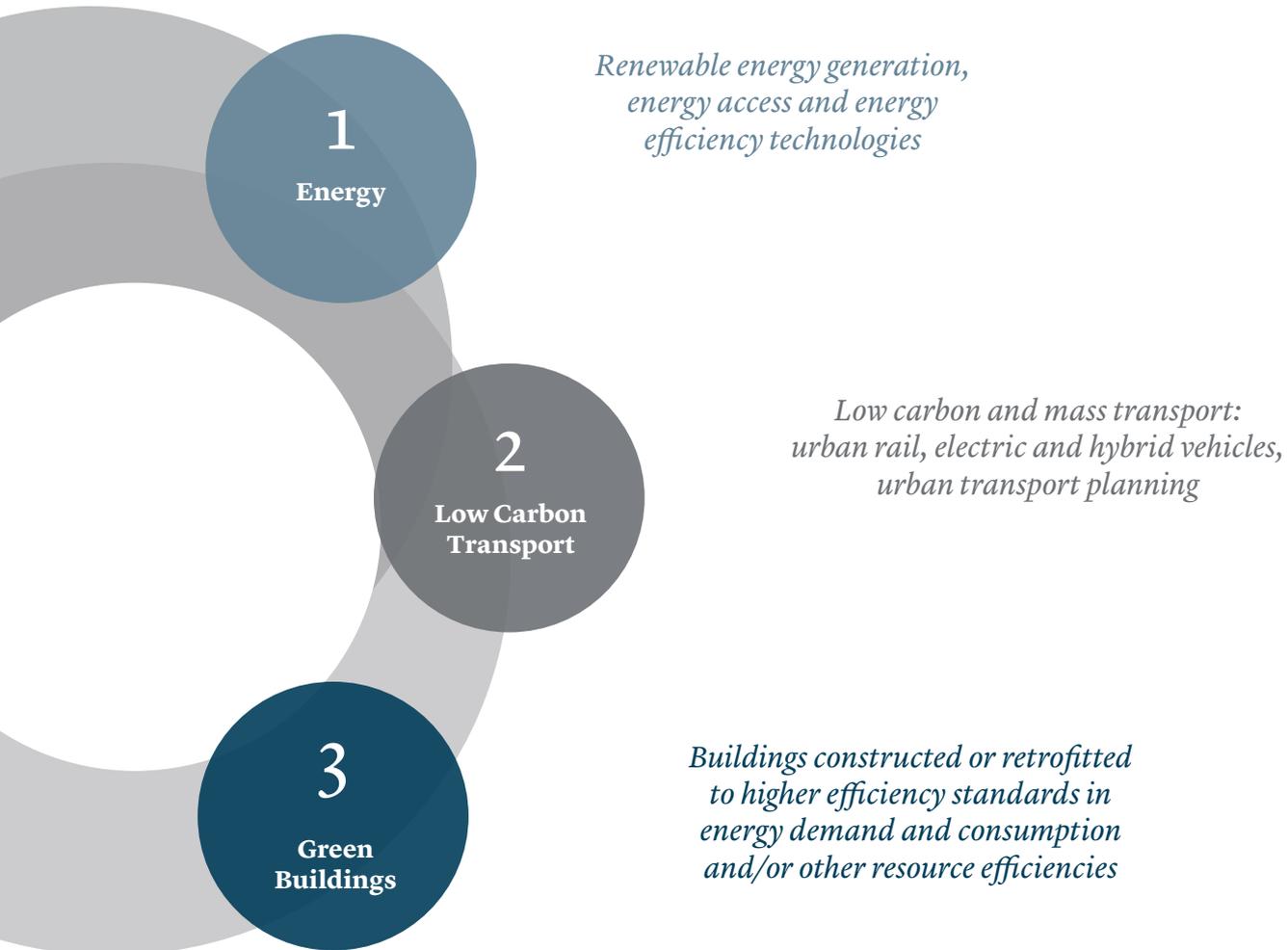
<sup>1</sup> Impact bond issuers may report on bond proceeds commitments and/or disbursements. A project may receive a total commitment from an impact bond in 2017 which was/is disbursed over multiple time periods. Source: Issuer Reports, AIM as of June 2018. For illustrative purposes only. Holdings/allocations are subject to change.



# Distribution of impact bond proceeds

LO Funds – Global Climate Bond invests in a range of environmental and social sectors that support the Paris Agreement, climate resilience and the SDGs.

In 2017, the top three sectors that impact bond proceeds were allocated to were environmentally-focused:



**75 MW** of renewable energy installed capacity

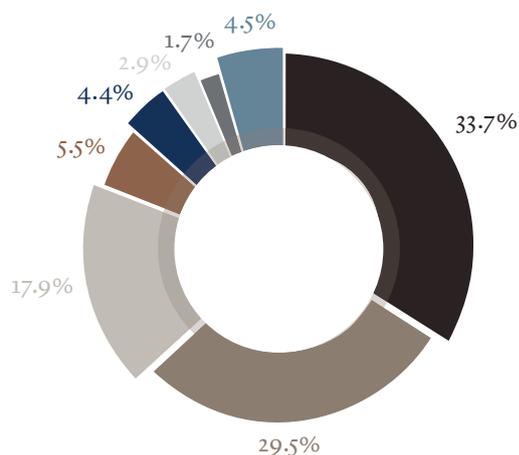
Over **2 million** passenger capacity in low carbon transport supported annually

Over **5,500 m<sup>2</sup>** of buildings constructed/refurbished to higher energy efficiency standards

Source: Issuer Reports, AIM, as of June 2018. For illustrative purposes only. Holdings/allocations are subject to change.

### 2017 sector distribution

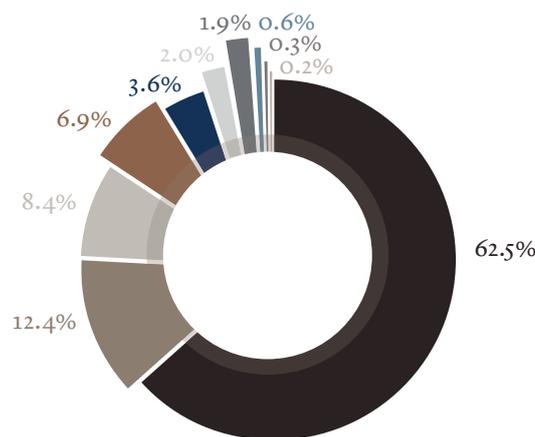
(Portfolio-weighted, USD equivalent)



- Energy
- Low-Carbon Transport
- Green Buildings
- Water Management
- Energy Infrastructure
- Financial Inclusion & Sustainable Enterprise
- Resilience Infrastructure Policy & Planning
- Others

### 2017 geographic distribution

(Portfolio-weighted, USD equivalent)



- Developed Europe
- Asia
- North America
- Oceania
- Latin America & Caribbean
- Central & Eastern Europe
- Middle East
- North Africa
- Global
- Sub-Saharan Africa

It is important to note that projects often provide cross-sector benefits and the above sector distribution chart illustrates categorisation by primary sector of relevance.

For example, a green building project, such as a new hospital built to higher energy and resource efficiency standards, could boost regional access to quality healthcare, while facilitating the reduction of GHG emissions through greater energy efficiency in the building. This example was included under the physical infrastructure sector as a green building. Overall, the green building projects supported by the LO Funds – Global Climate Bond included 71 schools and 16 hospitals.

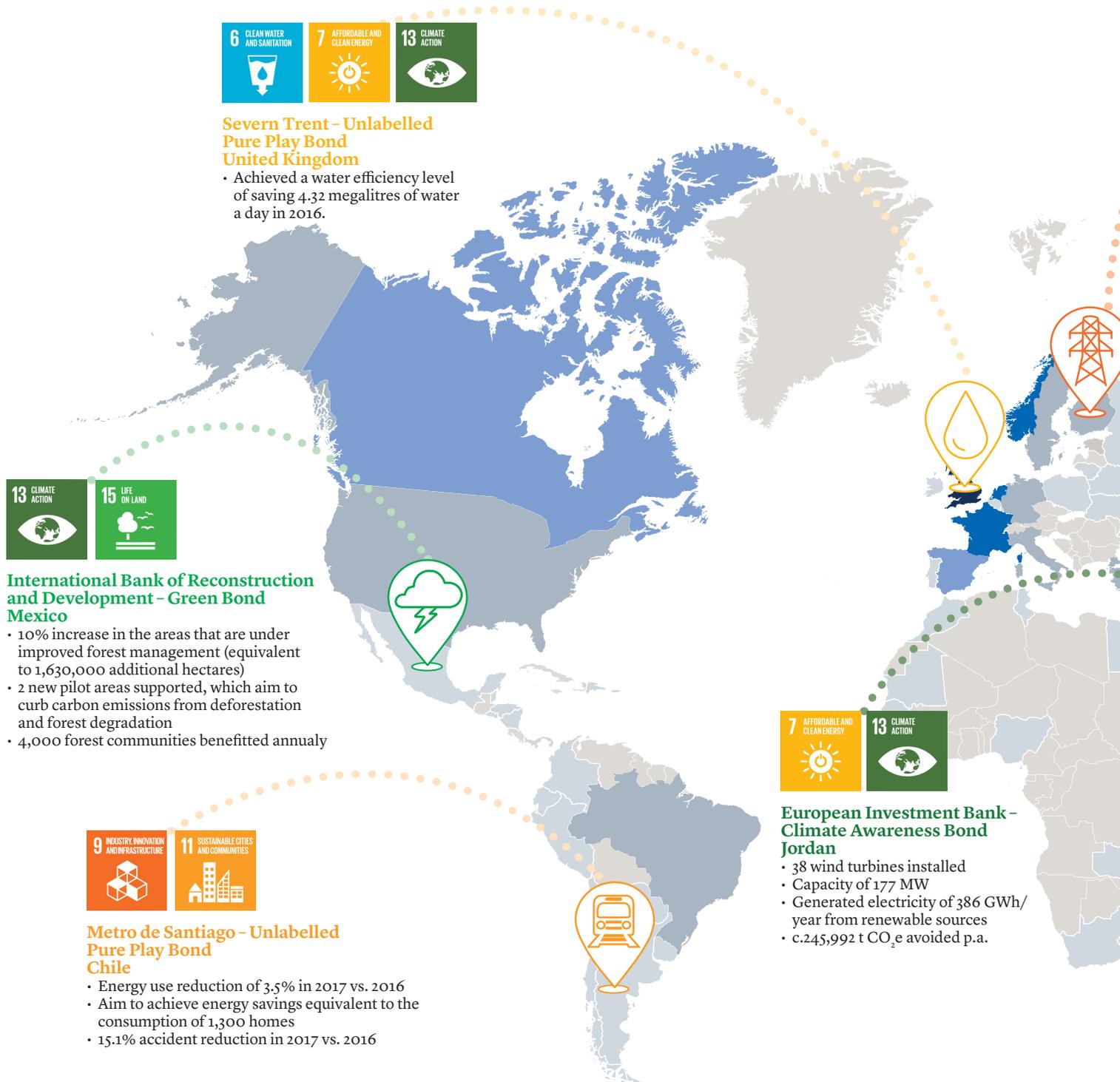
Over 70% of portfolio-weighted impact bond commitments were made within developed markets. The global category refers to projects/activities across developed and emerging markets combined.

Over 60% of 2017 portfolio-weighted supported projects were in developed Europe, followed by over 12% in Asia, including East, Central and South Asia.

Source: Issuer Reports, AIM, as of June 2018. For illustrative purposes only. Holdings/allocations are subject to change.

# LO Funds – Climate Bond 2017

## Map of project commitments<sup>1</sup>



Source: Issuer Reports, AIM, as of June 2018. For illustrative purposes only. Holdings/allocation are subject to change.

<sup>1</sup> Portfolio-weighted, USD equivalent. The projects illustrated here are examples only, further details are available in the full report.

LO Funds – Global Climate Bond invested in impact bonds supporting activities in

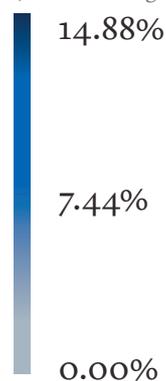
Over  
**90**  
countries



**Fingrid – Green Bond  
Finland**

- New 400/110 kV wind power transformer built
- 100 MW energy generation capacity connected in 2017

**Sub-Fund project commitments**  
(Portfolio-weighted, USD equivalent)



**Asian Development Bank –  
Green Bond  
China**

- Irrigation efficiency increased from 35% in 2009 to 56% by 2016
- Energy savings of c.49,410 MWh p.a.
- Wheat yield increased from 5.8 t/ha in 2009 to 7.2 t/ha in 2016



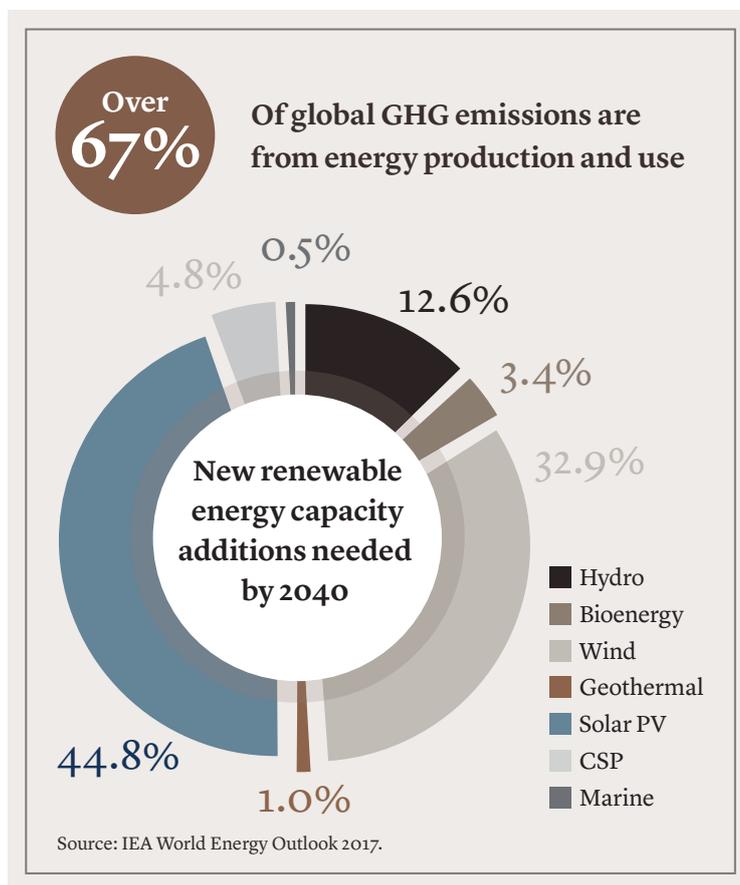
Source: Issuer Reports, AIM, as of June 2018. For illustrative purposes only. Holdings/allocations are subject to change. The projects illustrated here are examples only, further details are available in the full report.

# The importance of an energy transition

In 2017, the most prominent sector supported by LO Funds – Global Climate Bond was energy. The energy sector includes low carbon energy generation and products such as wind turbines and efficient technology such as LED lightbulbs.

The historic Paris Agreement<sup>1</sup> aimed to strengthen global efforts to limit the human-induced temperature increase from pre-industrial levels to two degrees Celsius. In the aftermath of the Paris Agreement, the IEA produced market-leading research on how to meet the agreement, referred to as the “2 degree scenario” (2DS). The 2DS analysis examines political, economic, social and financial efforts combined to limit global GHG emissions. The IEA posits that an integrated approach must be deployed in the 2DS, requiring greater diversity in energy sources and technologies from decarbonising our global energy mix to developing more energy efficient technologies. Energy production and use account for two thirds of global GHG emissions, making it a priority sector for meeting the Paris Agreement.<sup>2</sup>

In the IEA 2DS,<sup>3</sup> the global share of renewable energy, such as solar, wind and hydro, must grow substantially by 2040 – combined they need to form the majority of total installed capacity by 2040, at 67%. Wind and solar are particularly prominent and represent over 80% of additional global renewable energy installed capacity by 2040 in the 2DS.



## How AIM integrates 2DS research into our impact bond verification

The IEA produces an annual World Energy Outlook (WEO) report, which AIM uses in our sector research and SPECTRUM analysis. The WEO includes useful information about emission pathways and sectors, which illustrate potential paths to limit the global temperature rise to two degrees Celsius, to support the Paris Agreement.

When verifying impact bonds under the SPECTRUM framework, AIM seeks to prioritise sectors that are deemed by the IEA to be instrumental in achieving the 2DS goal. On the other hand, AIM does not penalise impact bonds that do not finance the 2DS priority

sectors, providing there are other environmental, climate or social outcomes, such as water management, enhancing resilience to climate events or improving access to quality basic services such as healthcare and education.

It is important to note that two degrees Celsius warming will change the planet fundamentally; warming of more than three degrees will likely be catastrophic for life on earth and many of its species. To put the gravity of global warming into perspective – the difference between global temperatures of today and those of the last Ice Age is a mere five degrees Celsius approximately.<sup>4</sup>

<sup>1</sup> The Paris Agreement, 2015. / <sup>2</sup> Energy and Climate Change, IEA, 2015. / <sup>3</sup> World Energy Outlook, IEA, 2017. / <sup>4</sup> Overview of Climate Change Research, Exploratorium <https://www.exploratorium.edu/climate/primer/index.html>. / For illustrative purposes only. Holdings/allocations are subject to change.

# Portfolio greenhouse gas emissions results

The table below estimates LO Funds – Global Climate Bond fund’s GHG impact over the expected lifetime of the investments and per annum. On average, we were able to estimate GHG figures based on 82% of issuer disbursements per issuer or over 86% of the portfolio in terms of time-weighted holdings.

## Independent GHG emissions avoided assessment<sup>1</sup>

(Portfolio-weighted tonnes of CO<sub>2</sub>e)

LO Funds – Global Climate Bond portfolio lifetime GHG emissions avoided

1,073,423

LO Funds – Global Climate Bond portfolio GHG emissions avoided per annum

78,431



Equivalent to the electricity usage of over

**11,500** average homes in the US annually in 2016<sup>2</sup>

## LO Funds – Global Climate Bond Portfolio Carbon Yield<sup>®</sup>

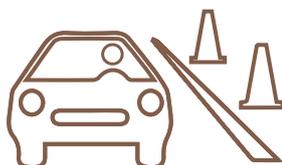
(Portfolio-weighted)<sup>1</sup>

0.28 tonnes of CO<sub>2</sub>e avoided per

**USD \$1,000**

per annum

Equivalent to **686** miles driven by an average passenger vehicle in the US in 2015



## Independent GHG emissions footprint assessment<sup>1</sup>

(Portfolio-weighted tonnes of CO<sub>2</sub>e)

LO Funds – Global Climate Bond annual scope 1 & 2 emissions (issuer level)

26,262

LO Funds – Global Climate Bond annual scope 3 emissions (funded projects level)

67,941

<sup>1</sup> The portfolio greenhouse gas emissions data was calculated with the assistance of ISS-Ethix Climate Solutions. The Carbon Yield<sup>®</sup> was co-developed by AIM, ISS-Ethix Climate Solutions and Lions Head Global Partners with funding from Rockefeller Foundation. Information about the methodologies is found in the full report and <http://carbonyield.org>. / <sup>2</sup> EPA, Greenhouse gas equivalences calculator.

Source: ISS-Ethix Climate Solutions, Issuer Reports, AIM Survey.

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# Project case studies

**SUSTAINABLE  
DEVELOPMENT**

**GOALS**



## Adaptation

According to the UNDP, development is contingent on adaptation. That is, some climate change adaptation measures must be in place to manage sustainable economic development in the future.

Some 'private' adaptation by individuals will automatically take place – people will adapt to changing climate conditions rendered by climate change. However, larger infrastructure projects, such as the construction of flood walls, may only be accomplishable by government, as private individuals lack the resources to fund such projects.

### Overview

Two thirds of the surface area in the Netherlands is vulnerable to flooding and 26% of the country is below sea level. Rising sea and water levels can pose a significant human threat, with the Netherlands being one of the most

densely populated countries in the world with significant surface area below sea level. Gaining more accurate and detailed water management data is critical in order to monitor changes in water and weather patterns.

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## Project

### Nederlandse Waterschapsbank (NWB) – Green Bond: SAT Water Remote Sensing Data for Water Management.

Water management is highly important in the Netherlands. The biggest city, Amsterdam, is located between two major European rivers, the Rhine and the Meuse, which could cause damage to the city's infrastructure and people in the event of a natural disaster. SAT Water works in partnership with various Dutch water authorities, such as Delta, De Dommel and Groot Salland and, on a daily basis, compiles countrywide information about precipitation rates, evaporation and crop growth. The data can also be used for monitoring groundwater levels and flood defence systems, in order to gauge when dyke heights must be adjusted, for example.

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## Context

### THE NETHERLANDS

- High total GHG emissions, 35/182 highest globally
- High vulnerability to natural disasters, 48 /182 most vulnerable
- Alarming ecological footprint per capita, 12/182 highest footprint – a measure of the ecological assets required to produce the natural resources that a population consumes

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## Impact

### OUTPUT (Issuer KPIs)

- Improved data on precipitation, evaporation, crop growth and groundwater levels
- Better understanding about the requirements of adequate climate change adaptation
- Early detection of potential climate disasters

### RELATED SDGs



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Source: Issuer Reports, AIM, as of June 2018. For illustrative purposes only. Holdings/allocations are subject to change. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or securities. 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.



## Resource efficiency

Industrial and agricultural pollution, city storm waters and human sewage create acute health and pollution issues in an increasingly urban world. Globally, 80% of sewage and wastewater flows back into the ecosystem untreated, which can cause water-borne disease, hinder economic development and damage the environment.

### Overview

China's heavy industrialisation and urbanisation in recent years, coupled with its large population, has exacerbated water stress. The project supports the Chinese government's goals to improve infrastructure for enhanced sewage and wastewater treatment capacity.

Efficient treatment of waste and wastewater is critical to the wellbeing of urban communities from both a social and an environmental perspective, promoting good health, maintaining water bodies and reducing GHG emissions from waste.

## Project

### Bank of China - Green Bond: Urban Sewage Treatment Plant

The project expands the urban sewage treatment plant based in Eastern China, together with laying supporting pipelines for the project. In order to meet its significant sewage and wastewater treatment demand, the Chinese government has set a target of 126,000km of new sewage pipes laid by 2020 – enough to circumnavigate the globe three times – to increase urban wastewater treatment capacity. China experiences extreme water pollution due to industrial wastewater discharge, untreated domestic sewage and heavy use of fertilisers in agriculture; the need to expand sewage and wastewater treatment capacity has become an urgent priority.

## Context

### CHINA

- Over 60% of China's overall ground water quality is rated "poor" or "very poor"<sup>1</sup>
- Over 30% of the surface water is deemed not fit for human contact<sup>1</sup>
- If China continues "business as usual," water supply will not meet demand by 2030<sup>2</sup>

## Impact

### OUTPUT (Issuer KPIs)

- Treatment capacity in 2017 of 31.39m tonnes
- Reduced Chemical Oxygen Demand (COD) 1,486.28 tonnes/year<sup>3</sup>
- Reduced Ammonia Nitrogen pollution (e.g. from fertilisers) of 253.32 tonnes/year

### RELATED SDGs



<sup>1</sup> Source: Ministry of Environmental Protection, State of the Environment in China, 2016. / <sup>2</sup> Source: China Water Risk estimates, China Water Crisis, 2013. / <sup>3</sup> COD denotes a measure of water treatment efficiency. The higher the amount of COD, the higher the amount of pollution. / Source: Issuer Reports, AIM, as of June 2018. For illustrative purposes only. Holdings/allocation are subject to change. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or securities. 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.

# Supporting the UN Sustainable Development Goals

The Sub-Fund supported 17 out of 17 Sustainable Development Goals (SDGs), which aim to eradicate poverty, fight inequality and tackle climate change.

## LO Funds – Global Climate Bond 2017 SDG alignment

(Portfolio-weighted, USD equivalent)



Source: Issuer Reports, AIM, as of June 2018. For illustrative purposes only. Holdings/allocations are subject to change.



The portfolio's SDG alignment maps impact bond funded projects to the SDGs, and is portfolio-weighted to 2017 LO Funds – Global Climate Bond holdings. Although not included in the chart below, which accounts only for impact bond funded activities, the Lombard Odier and AIM partnership is aligned to Goal 17, which includes private sector engagement in sustainable development, particularly in developing countries.

The portfolio-weighted impact bond commitments were most aligned with Goal 13: Climate Action, Goal 7: Affordable and Clean Energy, Goal 9: Industry, Innovation and Infrastructure, and Goal 11: Sustainable Cities and Communities.

Projects often support more than one goal – for example, a physical infrastructure project such as construction of a high school in a French city supports Goal 4: Quality Education, Goal 9: Industry Innovation and Infrastructure, and Goal 11: Sustainable Cities and Communities, and is therefore mapped against all three SDGs. The SDG-aligned case studies (pages 27-32 in the full report) provide more examples of how projects often support more than one SDG.

## Key facts about LO Funds – Global Climate Bond

Legal structure	SICAV – UCITS (Luxembourg) <sup>1</sup>
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.

<sup>1</sup> 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.

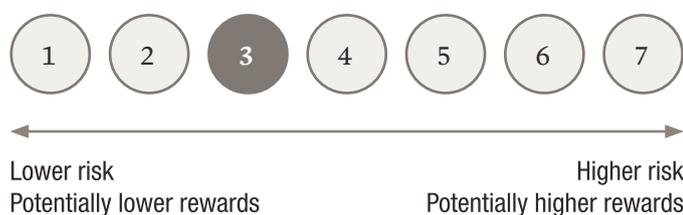
## Key facts about LO Funds – Global Climate Bond (Contd.)

Share class	ISIN	SRRI	Entry charge	Ongoing charge <sup>2</sup>	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, <sup>4</sup> 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, <sup>4</sup> 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, <sup>4</sup> CH, DE, ES, FI, FR, GB, IT, LI, LU, NL, NO, SE
Global Climate Bond, Syst. Multi Ccy Hdg, (EUR) R A	LU1532731897	3	Max. 3%	1.59% <sup>3</sup>	0.80%	1,000	AT, BE, <sup>4</sup> 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, <sup>4</sup> CH, DE, ES, FR, GB, IT, LI, LU, NL

*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 (KIIDs), the articles of incorporation as well as the semi-annual and annual reports are available on [www.loim.com](http://www.loim.com) and can be requested free of charge at the registered office of the Sub-Fund.*

<sup>2</sup> The ongoing charges figure is based on expenses for the 12-month period ending 25 January 2018. This figure may vary periodically. / <sup>3</sup> 25 May 2018. / <sup>4</sup> The Sub-Fund is not appropriate for Belgian retail investors unless the investment subscription is more than EUR 250,000.

## Understanding the risk and reward profile



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

Please refer to the glossary on [www.lombardodier.com/glossary](http://www.lombardodier.com/glossary) for further explanation on specific terminologies.

# Who we are

## About Affirmative Investment Managers

Affirmative Investment Management Partners Limited (AIM) is the world renowned dedicated impact bond manager focusing solely on bond and cash investments that generate positive environmental and social externalities. It is a private company owned by its employees, established in 2014 with 19 investment professionals and is headquartered in London with representatives in Washington and Sydney.

AIM investments support the 17 UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change (UN COP 21) and their approach is a fusion of mainstream portfolio management and sustainability principles.

Through its ongoing engagement with bond issuers to provide transparency and reporting, AIM provides an Annual Impact Report on the portfolio's impact from activities funded, such as water saved and CO<sub>2</sub> emissions avoided. This also allows AIM to ensure the bonds continue to meet the Sub-Fund's sustainability and ESG criteria and align to UN SDGs.

For more information visit: [www.affirmativeim.com](http://www.affirmativeim.com)

## About Lombard Odier Investment Managers

Lombard Odier Investment Managers is the asset management business of the Lombard Odier Group, which has been wholly owned and funded by its partners since its establishment in 1796.

Our independent structure and our partners' involvement in the day-to-day management of the firm allows us to focus entirely on our clients' needs, fostering trust and alignment of interest. Throughout our history, we have been rethinking the old and embracing the new in our efforts to help our clients achieve their objectives in a changing world.

We provide a range of investment solutions to a group of clients that are all long-term oriented in their many and diverse ways. Our heritage, and our combination of the best of conservatism and innovation, keeps us well-positioned to create lasting value for our clients. Our investment capabilities span Fixed Income, Convertible Bonds, Equities, Multi-Asset and Alternatives.

Sustainability is absolutely central to our investment philosophy; we believe it is the founding principle of economic outcomes, and will drive investment returns over the long term.

With more than 130 investment professionals, we are a global business with a network of 13 offices across Europe, Asia and North America and have assets under management of 49 billion CHF (as at 30 June 2018).

For more information visit: [www.loim.com](http://www.loim.com)

## The partnership



Stephen Fitzgerald  
Managing Partner, AIM



Stuart Kinnersley  
Managing Partner, AIM



Dr Judith Moore  
Partner, Verification & Impact, AIM



Dr Carolina Minio-Paluello  
Global Head of Solutions, Limited Partner, LOIM

## IMPORTANT INFORMATION

Lombard Odier Funds (hereinafter the “Fund”) is a Luxembourg investment company with variable capital (SICAV). The Fund is authorised and regulated 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 17 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 within the meaning of EU Directive 2009/65/EC, as amended. This marketing document relates to “Global Climate Bond,” a Sub-Fund of Lombard Odier Funds (hereinafter the “Sub-Fund”).

The investment manager of the Sub-Fund, Affirmative Investment Management Partners Limited is an independent private company established in 2014, domiciled in the United Kingdom and regulated by the Financial Conduct Authority (FCA). Authorised and Regulated by the Financial Conduct Authority FR N 658030. Licensed to provide investment advice and portfolio management services; Registered in England & Wales no. 09077671; Registered Office; 150 Aldersgate Street, London EC1A 4AB.

This marketing communication was prepared by Lombard Odier Asset Management (Europe) Limited and Affirmative Investment Managers Limited. The prospectus, the articles of incorporation, the Key Investor Information Documents, the subscription form and the most recent annual and semi-annual reports are the only official offering 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](http://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, Grand Duchy of 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 research or that any investment strategy 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 on investment in financial products. Before making 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 may result in a higher level of leverage and increase the 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 circumstances and, where necessary, obtain independent professional 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/indices cited herein are provided for information purposes only. No benchmark/ index is directly comparable to the investment objectives, strategy or universe of a Sub-Fund. 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 relevant Sub-Fund will invest in any specific securities that comprise any index, 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 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 250,000. Please contact your tax advisor to identify the impacts of the Belgian tax “TOB” (“Taxe sur les Opérations Boursières”) 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. Luxembourg, Belgium Branch, Claim Management Service, Avenue Louise 81, Box 12, 1050 Brussels, Fax: (+32) 2 543 08. Alternatively you can address your complaint free of charge to the national complaint service in Belgium, OMBUDSMAN: North Gate II, Boulevard du Roi Albert II, n°8 Boîte 22, 1000 Brussels, Tel: (+32) 2 545 77 70, Fax: (+32) 2 545 77 79, Email: [Ombudsman@Ombusfin.be](mailto:Ombudsman@Ombusfin.be).

France – Centralising agent: CACEIS Bank.

Germany – German Information and Paying agent: DekaBank Deutsche Girozentrale.

Italy – Paying agents: Société Générale Securities Services S.p.A., State Street Bank International GmbH – Succursale Italia, Banca Sella Holding S.p.A., Allfunds Bank S.A.U., Milan Branch, BNP Paribas Securities Services, CACEIS Bank, Italy Branch. Liechtenstein – Paying agent: LGT Bank AG.

Luxembourg – Depositary, central administration agent, registrar, transfer Agent, paying agent and listing agent: CACEIS Bank, Luxembourg Branch.

Netherlands – Paying agent: Lombard Odier Asset Management (Europe) Ltd, Netherlands Branch.

Spain – Paying agent: Allfunds Bank S.A.U. – CNMV Number: 498.

Sweden – Paying agent: Skandinaviska Enskilda Banken AB (publ).

Switzerland – The Sub-Fund is registered with the Swiss Federal Financial Market Supervisory Authority (FINMA). The Offering Documents together with the other Shareholders’ information are available free of charge at the Swiss Representative: Lombard Odier Asset Management (Switzerland) S.A., 6, avenue des Morgines, 1213 Petit-Lancy, Switzerland. Swiss Paying Agent: Banque Lombard Odier & Co Ltd, 11, rue de la Corratierie 1204 Genève, Switzerland. Publications about the Sub-Fund: [www.fundinfo.com](http://www.fundinfo.com). The issue and redemption prices and/or the net asset value (with the mention “excluding commissions”) of the Share classes distributed in Switzerland: [www.swissfunddata.ch](http://www.swissfunddata.ch) and [www.fundinfo.com](http://www.fundinfo.com). Bank Lombard Odier & Co Ltd is a bank and securities dealer authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

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Registered in England & Wales no. 09077671  
Registered Office; 150 Aldersgate Street, London EC1A 4AB



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