Julius Bär

Funds selection methodology

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Introduction and general description

This document has been produced by Bank Julius Baer & Co. Ltd., Zurich, which is authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). The methodology applies to Julius Baer Fund Offering and defines the methodology for fund selection, approval, monitoring, and rating within the Julius Baer Fund Universe.

General

The Julius Baer Fund Offering team provides holistic fund services for all Julius Baer clients globally across all asset classes, investment strategies, and risk profiles. The team leverages its international network within the fund industry to identify qualified fund managers and innovative investment concepts. The selection of funds follows a guided open-architecture approach. Overall, the Fund Offering team is responsible for maintaining the relationships with external asset managers, conducting fund analysis and monitoring, as well as providing advisory services for all funds covered by the framework.

The methodology described below is applied consistently to all fund types, including mutual funds (traditional) and alternative investment funds (AIFs) such as hedge funds and open-end and closed-end private market structures. Furthermore, the process ensures consistent governance across all fund categories while integrating additional due-diligence modules where required for alternative strategies.

Methodology

The selection of funds covered, structured by asset class, region, and investment style, combines quantitative analysis of performance and risk drivers with a qualitative assessment of their expected persistence, along with additional parameters (e.g., fund management). Thus, breaking down the fund's DNA plays a key role in selecting the right product for a specific investment purpose. Accordingly, the fund specialists do not simply select the best-performing funds based on historic performance figures but recommend those that ensure alignment with client needs, and, as such, advise front units as well as portfolio mandates on how to best implement fund-related strategies. Actively managed funds are not intended for short-term investment horizons, as performance dispersion across periods is inherent to active strategies.

The overall analysis includes both investment due diligence and operational due diligence, complemented by regulatory checks to ensure compliance with applicable laws and internal policies. The selection of funds is carried out by dedicated fund specialists. Coverage is split among the team, while each specialist has global responsibility for maintaining the selection and monitoring process for funds within a peer group. All fund specialists operate under a globally harmonised selection and monitoring framework to ensure the consistency of the Julius Baer fund recommendation list.

Onboarding new funds is subject to approval by the Global Fund Approval Board and requires the completion of the due-diligence process.

For all funds covered by the framework, the assigned fund specialists continuously monitor their respective sectors and ensure that fund recommendations continue to meet the defined standards. Funds with quantitative or qualitative issues are discussed in the Global Fund Monitoring Board to determine and implement appropriate actions.

Ratings and definitions

Funds are assigned one of the following rating categories within the fund selection framework:

Offered	Funds that pass the detailed due diligence by the Fund Offering team and meet all quantitative, qualitative, and regulatory criteria.
OK to keep	Funds that are under review by the responsible fund analyst, e.g. due to the most recent quantitative and/or qualitative observations. Existing positions may be maintained, but no new allocation of assets to this fund should be initiated until the review has been completed. The review's outcome determines whether the 'Offered' classification is reinstated or whether the fund is further downgraded.
Negative view	Based on the outcome of the qualitative and quantitative review by the fund analyst, and subject to a decision by the Global Fund Monitoring Board, a weak performance or (partial) capital loss is expected. The recommendation is to sell or reduce existing positions and not to allocate additional assets. The rationale for the downgrade is available for a limited time period, after which the fund is completely offboarded from the review processes and only factual information (e.g. fund price) remains available.

No bank view	Funds for which Julius Baer does not express a view on purpose. Multiple reasons can lead to a 'no bank view', including not fulfilling minimum due diligence criteria (fund size, length of track record, etc.) or specific regulatory restrictions.
Out of monitored	Funds that do not qualify to any of the above categories and criteria or have not been assessed by fund specialists.

Fund specific labels

The following fund labels are used to classify recommended funds by investment objective and risk profile:

Market exposure	Aims to outperform the benchmark while maintaining full and diversified exposure to the respective market. Intended for strategies that express a positive view on a specific market expected to outperform.
Prudent participation	Maintains controlled exposure to the underlying universe with stronger emphasis on limiting loss rather than fully capturing upside performance. Represents strategies with a cautious stance.
Independent growth	Aims to achieve positive return over a cash benchmark irrespective of overall market movements. Represents strategies seeking stable absolute returns.
Opportunistic	Focus on long-term, high-conviction positions that may experience short-term underperformance. Represents strategies with concentrated and high-conviction exposure.

Client communication and channels

Fund rating categories and related information are communicated through Julius Baer fund publications and dedicated Julius Baer client channels. These publications constitute marketing material and are prepared in accordance with applicable legal and regulatory requirements.

Any reference to "no immediate action is implied" reflects the general context of the communication only and does not constitute investment advice, as it is not based on any client's individual circumstances.

Communications may be updated as market conditions, fund-specific developments, due diligence findings or risk assessment evolve. Further detailed information on the application of this methodology, including rating allocation, is available upon request.

Methodology review

This methodology is reviewed on a regular basis and may be updated as necessary, in the event of material changes to the Julius Baer fund selection approach, market practices or regulatory requirements.

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