Julius Bär

Bond Rating Methodology

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1. 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). This document describes how bonds are selected, assessed and assigned a rating within the Julius Baer investment universe. The methodology applies to bond that are part of Julius Baer investment universe and are actively covered by Julius Baer Fixed Income Specialists.

2. General

The selection and assessment of bonds take place with the Julius Baer investment universe. The universe represents a pre-defined set of fixed income instruments considered relevant for advisory and investment activities, based on internal selection criteria such as liquidity, data availability and credit quality.

Within the investment universe, bonds are evaluated through a structured approach that combines issuer assessment, instrument-specific analysis, and relative value considerations. The objective is to identify bonds with an attractive risk/return profile while maintaining a diversified and investable set of opportunities. Only instruments meeting minimum standards in terms of credit quality and liquidity are considered. The selection does not aim to cover the entire market but focuses on a defined set of relevant and investable opportunities.

3. Methodology

The assessment of bonds follows a structured framework combining issuer analysis, instrument-specific characteristics and relative value considerations. The outcome of this process is a rating of Buy, Hold or Sell.

The investment universe is constructed to reflect a broad range of geographies, sectors, issuers, credit ratings, capital structures and maturities.

3.1 Issuer assessment:

Each bond is analysed in the context of its issuer. The assessment focuses on:

- credit quality based on external ratings and a Julius Baer proprietary scoring models
- financial strength and debt sustainability
- business model and sector positioning
- macroeconomic and market environment

The analysis establishes the underlying credit risk and forms the basis for further evaluation.

3.2 Instrument assessment:

Each bond is evaluated based on its specific features, including:

- maturity and position in the capital structure
- structural characteristics and embedded risks, including features specific to complex instruments such as contingent convertible bonds (CoCos)
- liquidity and tradability

This step determines how the individual bond behaves within its risk category.

3.3 Relative value assessment:

The assessment is primarily driven by relative value considerations. Bonds are compared with their respective peer group, considering:

- expected performance relative to similar instruments
- compensation for credit, liquidity and structural risks
- prevailing market conditions

The focus is on identifying instruments that offer a more attractive risk/return profile than comparable alternatives.

Based on the combined assessment, each bond is assigned one of the following Julius Baer bond ratings:

Classification	Description
Buy	The bond is considered attractive from a risk/reward perspective relative to its respective peer group or risk category over a targeted investment horizon of six months up to its repayment, or, in the case of "other currencies", the bond is expected to be liquid. All bonds labelled "Top Pick" have a Buy rating.
Hold	The bond is considered fairly valued from a risk/reward perspective relative to its respective peer group or risk category over its remaining lifetime. The issuer's ability to meet its payment obligations is considered satisfactory within the relevant risk category. The bond may continue to be held due to the relative stability, lack of more attractive alternatives or unfavourable switching conditions. For bonds denominated in other currencies, reduced liquidity may also influence the assessment.
Sell	The bond is expected to perform materially negative relative to its respective peer group or risk category over its remaining lifetime, and elevated downside or potential investment losses are considered likely. A Sell rating reflects the view that the bond's risk/return profile has deteriorated significantly due to the issuer-specific, structural, market-related or other relevant risk factors.

Ratings are subject to ongoing review and may be adjusted in response to changes in issuer fundamentals, market conditions or relevant risk factors.

4. Client communication and channels

Bond ratings and related information are communicated through Julius Baer fixed income publications and dedicated Julius Baer client channels. These publications constitute marketing communication material and are prepared in accordance with applicable legal and regulatory requirements. The communication may be updated as market conditions, issuer fundamentals or risk assessment evolve.

5. 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 fixed income investment approach, market practices or regulatory requirements.

6. Disclaimer

This document is provided for information purposes only and does not constitute investment advice, a recommendation, an offer or a solicitation. It does not take into account the specific objectives, financial situation or needs of any recipient. Any investment decision should be based on an independent assessment of the relevant risks and opportunities. The information contained herein is based on sources believed to be reliable; however, no representation or warranty is made as to its accuracy or completeness. The application of the methodology described herein does not constitute a guarantee of future performance. This document may not be reproduced, distributed or otherwise communicated, in whole or in part, without the prior written consent of Julius Baer.

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