Julius Bär

Equity Rating 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 the Julius Baer equity offering and defines the process for selecting, evaluating, monitoring and rating of equities within the Julius Baer Equity Investment Universe.

General

Julius Baer offers a comprehensive range of equity instruments spanning both developed and emerging markets, including companies across large-, mid-, and small-cap segments from a broad range of sectors and countries. The offering also extends beyond common shares to include a wide variety of equity types, such as depositary receipts (DRs), real estate investment trusts (REITs), and other listed equity instruments.

The client offering consists of instruments actively covered by dedicated Equity Specialists, who leverage insights from three sources of research coverage:

1. Julius Baer Equity Research: qualitative coverage based on secondary research and independent financial analysis
2. CFRA Equity Research: qualitative coverage derived from fundamental analysis by dedicated analysts
3. CFRA Equity Research: quantitative coverage based on computer modelling

Methodology

The Julius Baer and CFRA Equity Research views assign instrument a rating based on forward-looking total return potential over a 9- to 12-month horizon.

To complement the longer horizon 9- to 12-month research views from Julius Baer and CFRA Research, Equity Specialists adopt a short-to-medium term view of 1- to 9-months. The equity instruments selection and rating assignment follow specialist judgment by combining Julius Baer and CFRA

research views, company fundamentals, macroeconomic factors, momentum indicators, technical indicators and market trends as well as overall market relevance.
In general, instruments are screened by Equity Specialists:

- for attractive upside potential based on a risk/return perspective, with an absolute positive performance, supported by visible growth drivers, healthy leverage and balance sheet
- for valuation attractiveness, considering pricing relative to peers and intrinsic value estimates to ensure an appropriate risk/return profile

to support a well-diversified equity offering across relevant markets and sectors.

In addition, following criteria are applied:

- Equity instruments that are assessed as presenting material ESG-related concerns (e.g. significant Environmental, Social or Governance controversies) may be excluded from the investment universe and placed "under review"
- Exclusion of equity instruments that lack price transparency or liquidity
- Exclusion of equity instruments from companies which have filed for bankruptcy
- Exclusion of unsponsored ADR (American Depositary Receipts)/GDR (Global Depositary Receipts)

The resulting sub-universe serves as a basis for the final selection process, with the overarching goal to achieve a high level of diversification across geographies, sectors, company sizes and growth stages.

Rating Classification	**Description**
Stay invested and increase positions	**Moderately to strongly positive**: Accumulate the underlying either at current levels or at a specified level.
Stay on the sidelines	**Neutral to moderately negative**: Maintain the position; do not increase or reduce it.
Decrease positions	**Moderately to strongly negative:** Decrease the underlying either at current levels or at a specified level.
Take Profit	A specific level given as an indication for investors to take profit.
Stop Loss	A specific level given as indication for investors for cutting losses.

Note: Ratings are based on current information, assumptions and market conditions and are subject to change without notice. They do not constitute a guarantee of future performance.

Client communication and channels

Equity Specialists communicate both internally and to clients via various channels:

I. Overview of Client Communication

Equity ratings and related information are communicated through a range of Julius Baer publications and dedicated communication 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. The flagship publications are the following (not exhaustive list):

- **Equity Specialists' Updates:** Regular updates on individual instruments, primarily during earnings seasons, to provide timely insights on financial results and other significant company developments that meet our coverage criteria.
- **Market Opportunities:** Tactical, ad hoc single equity ideas that are not included in other active promotion lists but are supported by strong investment rationale.
- **Asia Top Picks:** The Asia Equity Specialists maintain a regionally focused *Top Picks* list comprising instruments that comply with local regulations in Hong Kong and Singapore. This list remains aligned with the broader global team's investment views.
- **Market Outlook:** Equity Specialists contribute equity ratings to Julius Baer's semi-annual Market Outlook publication. Ideas included in this list are typically maintained for up to 9 months or until a predetermined exit price is reached.

Methodology review

Further detailed information on the application of this methodology, including recommendation history and rating allocation, is available upon request.

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

Disclaimer

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