

# LO Funds (CH)

## Swiss Franc Credit Bond

### Newsletter

Regional Fixed Income • Fixed Income

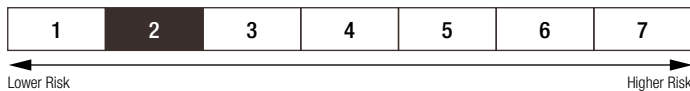
31 January 2025

#### PERFORMANCE

31.01.2025	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	5 Year Ann. Return	10 Year Ann. Return
LO Funds (CH) - Swiss Franc Credit Bond ID	02.06.2008	CHF 1617 mn	-0.44%	-0.44%	55.63%	0.32%	0.98%
LO Funds (CH) - Swiss Franc Credit Bond PD			-0.46%	-0.46%	48.23%	-0.03%	0.63%
SBI Total A-BBB®			-0.42%	-0.42%	39.54%	-0.11%	0.49%

Past performance is not a guarantee of future results. Performance is presented net of fees. AUM as of the date of the table.

#### RISK AND REWARD PROFILE



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 credit-worthiness 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.

**Risks linked to the use of derivatives and financial techniques:** Derivatives and other financial techniques used substantially to obtain, increase or reduce exposure to assets may be difficult to value, may generate leverage, and may not yield the anticipated results. All of this could be detrimental to fund

performance.

**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.

Before taking any investment decision, please read the latest version of the prospectus, the articles of incorporation, the Key Information Documents (KIDs) and the latest annual report and semi-annual report. Please pay attention to the Appendix B "Risk Factors Annex" of the prospectus.

Incorporation of extra-financial risks into the investment decision process may result in underweighting of profitable investments from the sub-fund's investment universe and may also lead the management of the sub-fund to underweight investments that will continue to perform. Sustainability risks may lead to a significant deterioration in the financial profile, profitability or reputation of an underlying investment and may therefore have a significant impact on its market price or liquidity.

#### MARKET REVIEW

January rang in the new year with some uptick in macro volatility, as start of year flows and positioning coincided with the return of Donald Trump to the White House. That said, fixed income ultimately posted strong returns for the month, led by high yield spread compression particularly in the US, while Euro duration was the laggard. From a sectoral perspective, the main exception to the spread rally was in Euro capital goods and basic industry, likely stemming from tariff concerns.

Early moves in markets to start the year largely followed the year end sentiment, with rates, particularly term premia, moving higher as concerns of fiscal profligacy lingered and uncertainty around the new Trump administration's international policy came to the forefront. The focus leading into Trump's Jan 20 inauguration focused on the prospect of sweeping trade tariffs, as markets wrestled to price the growth and inflationary impacts of such a move. However, rates reversed their global rise mid-month as rumours appeared to point towards less appetite than

#### PRODUCT SPECIALISTS

ZÜRICH Marco Di Fante +41 44 214 14 71

Please read important information at the end of this document. Past performance is not a guarantee of future results.

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.

For use of recipient only, do not forward. Monthly publication of Lombard Odier Investment Managers.

Newsletter · LO Funds (CH) - Swiss Franc Credit Bond · Data as at 31 January 2025

feared towards imminent tariffs from Trump's team. News flow for the rest of the month was erratic around this front, but fixed income markets ultimately looked through the noise and pricing as if they're expected to be specifically targeted or used more from a negotiating perspective, rather than a more damaging blanket implementation as alluded to in the build up to inauguration. Macro data itself continued its trend of gently declining inflation as lagged components of CPI normalize, whilst growth and labour markets continue robustly in the US but less so in the Eurozone. The continuation of this trend allowed for markets to find some footing after the aggressive rate sell off to start the year and was further supported by central bank meetings in line with expectations. The Fed paused the cutting cycle, as flagged at December's meeting, citing the need for more data on the inflation outlook, whilst the ECB cut again in the face of a drab growth picture. An outlier in the picture, and a trend that could have growing implications this year, was another 25bp hike from the Bank of Japan following a sharp pick up in headline CPI for December. This was the first move since their hike in the summer triggered a market rout as carry trades unwound. While market reaction was contained this time, with less than 35bps of hikes priced in for the year, further upside expectations for Japanese monetary policy is a trend to watch and could threaten another carry unwind if repricing happens suddenly. In Switzerland, the interest rate market volatility translated only marginally. Swiss rates in fact seem well anchored at the zero lower bound and expectations for two more rate cuts this year quite firm. PMIs have accelerated somewhat lately, predominantly in services, while inflation decelerated further and stands at 0.6% YoY. Another noteworthy development in the month came in the emergence of a perceived disruptor in the AI space out of China. The Chinese start-up named 'Deepseek' was flagged as offering a competitive product against more established models, but at a dramatically lower cost and being entirely open source. Due to its direct impact on mega-cap tech stocks in the US, headline moves in US equity markets were sizable. However, wider impacts were quickly retracted, with reports suggesting that the model itself is largely trained using competitor products, limiting the actual jump in innovation that was first expected. Nevertheless, in reality, the newsflow is only material for a handful of tech stocks, so from a credit perspective, we see little downside from such a development. All in all, we tend to try and look through start of year volatility or trends as large-scale repositioning can drive moves that warrant fading rather than putting weight behind. That said, rates and FX markets took the brunt of this start of year volatility, whilst credit volatility remained subdued and continued its impressive streak of resilience against macro uncertainty despite spreads being at historical tights. We see this as a sign of continued positive sentiment towards the strength of corporate balance sheets so continue to like accessing extra carry through spreads in quality companies. The rate repricing also opened interesting absolute and relative value entry points in duration, with European rates selling off in sympathy with US rates

despite less concerning inflation outlooks. We continue to see duration tactically as an opportunity for mark to market performance.

## PORTFOLIO ACTIVITY

In the CHF primary market, we participated in the new issues of Grande Dixence (GRANDX), Deutsche Bank (DB), Kernkraftwerke Leibstadt (KKWLEB), Barry Callebaut (BARY), AMAG Leasing (AMALEA) and Banco Santander (SANTAN) for alpha purposes. In the CHF secondary market, we bought Banco Santander (SANTAN) and Luzerner Kantonalbank (KBLUZE). We sold Axpo (AXPOSW), Banco de Credito e Inversiones (BCICI), Corp Andina de Fomento (CAF) and Muenchener Hypothekenbank (MUNHYP). In the foreign currency primary market, we participated in the new issues of Tereos (TEREOS), Teleperformance (RCFFP) and La Poste (FRPTT). In the foreign currency secondary market, we bought CPI Property (CPIGR) and Wayfair (W) and sold Eutelsat (ETLFP). In terms of sector allocation, we are overweight mainly in Real Estate and Financials while underweight mainly in Industrials, Materials and Healthcare.

## PERFORMANCE COMMENTS

CHF fixed income markets started 2025 off on a negative note, primarily due to a sell-off in Swiss government bonds in January. As such, the yield curve experienced an upward shift of about 10 bp in a parallel fashion. Over the same period, CHF credit spreads widened in a decompression pattern, with triple-As spreads tightening by 1 bp, while triple-Bs spreads widening by 6 bp. At the sector level, Utilities spreads remained flat, whereas Financials and Industrials widened by 4 bp. As a result, the total return for both the LOF (CH) - Swiss Franc Credit Bond and its benchmark, the SBI® A-BBB, was negative. In this market environment, the fund outperformed its benchmark, gross of fees, driven mainly by effective sector allocation.

## OUTLOOK

As expected, 2025 is shifting from typical business and monetary cycle analysis to seeing renewed importance of and emphasis on political developments. Indeed, trade tariff announcements with uncertainty towards the extent, potential retaliation and the impacts on inflation and growth are key questions to resolve in the near future. We believe the rates picture remains volatile. Nevertheless, high all-in yields are continuing to attract demand. In credit, fundamentals remain strong with rates close to neutral, monetary policy doesn't act as neither tail nor headwind. As a result, credit spreads stand at historically rather tight levels but continue to attract demand given the quite favourable backdrop. Indeed, we remain constructive on fixed income and credit for carry and prefer to stay in better quality credit given valuations.

**Please read important information at the end of this document. Past performance is not a guarantee of future results.**

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.

For use of recipient only, do not forward. Monthly publication of Lombard Odier Investment Managers.

Newsletter · LO Funds (CH) - Swiss Franc Credit Bond · Data as at 31 January 2025

## Characteristics

31.01.2025	Portfolio	Index
Number of instruments	642	627
Number of issuers	256	205
Coupon (%)	2.02	1.44
Yield to Worst (years)	1.19	1.03
Maturity (years)	4.39	4.40
Option Adjusted Duration (years)	4.41	4.12
Option Adjusted Spread (bps)	111.21	81.26
Alternatives (%)	3.54%	0
Out of the investment universe (%)	10.52%	0
Credit rating	BBB	A
Active share (%)	21.04%	0

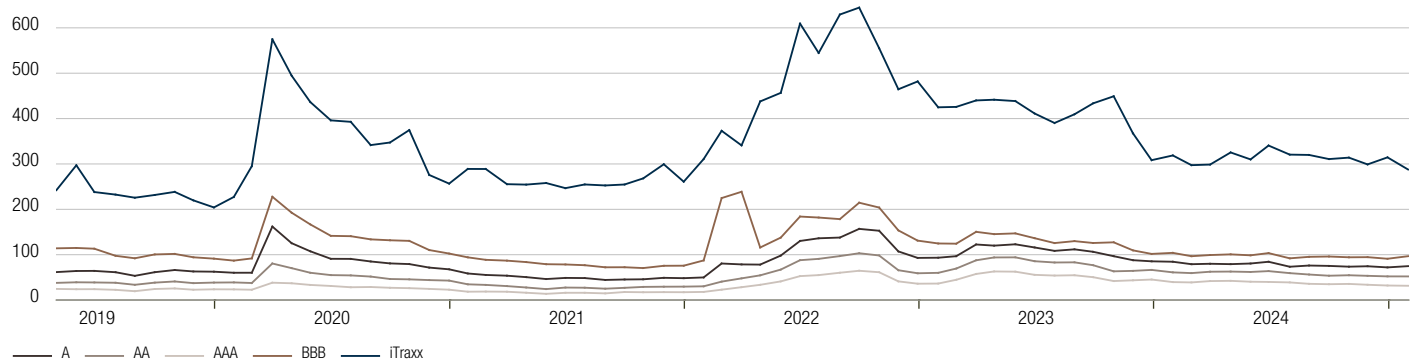
## Market Statistics

		Credit Spreads (bps)				Credit Spreads (bps)					Interest rates (%)	Bid-Ask Spreads (%)		
		AAA	AA	A	BBB	Covered	Financials	Industrials	Agencies	Utilities	10yr Swiss Govt rate	AAA-BBB	AAA-AA	A-BBB
Start Period	2024-12-30	32	52	72	91	45	76	70	49	83	0.33	0.84	0.9	0.61
End Period	2025-01-31	32	52	75	97	43	80	74	52	82	0.43	0.82	0.85	0.7
Delta		-1	0	3	6	-2	4	4	3	-1	0.1	-0.02	-0.05	0.09

## Swiss Government Bond Curve (%)

	31.01.2025	31.12.2024	31.12.2023
1 Year	0.11	0.05	1.16
2 Years	0.12	0.03	0.98
3 Years	0.14	0.05	0.86
4 Years	0.17	0.06	0.77
5 Years	0.21	0.1	0.72
6 Years	0.24	0.15	0.69
7 Years	0.27	0.18	0.68
8 Years	0.31	0.21	0.68
9 Years	0.35	0.24	0.66
10 Years	0.37	0.27	0.65
15 Years	0.46	0.39	0.63
20 Years	0.49	0.4	0.61
30 Years	0.46	0.35	0.5

## Credit Spreads vs Swiss Government Bonds - Ratings (bps)

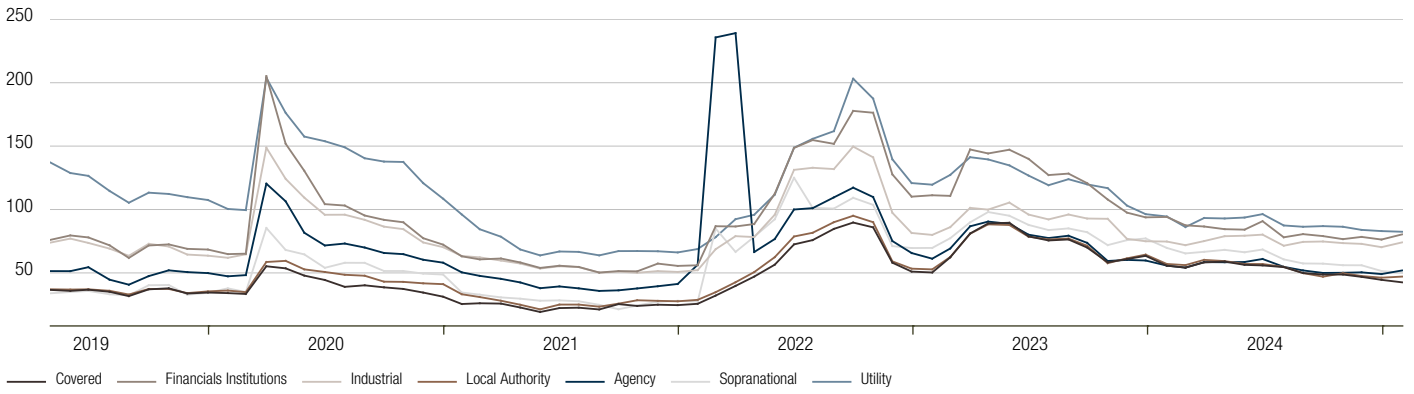


**Please read important information at the end of this document. Past performance is not a guarantee of future results.**

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.

For use of recipient only, do not forward. Monthly publication of Lombard Odier Investment Managers.

### Credit Spreads vs Swiss Government Bonds - Sectors (bps)



## IMPORTANT INFORMATION

This document is a **Marketing Communication** relating to **Lombard Odier Funds (CH)** and its **Sub-Fund ("LO Funds (CH) - Swiss Franc Credit Bond")** (altogether referred to as the "Fund"). This document is intended only for **Qualified and Professional Investors** in Switzerland where the Fund is registered for distribution, within the meaning of the Swiss Collective Investment Schemes Act (CISA) and is not intended for retail investors, nor for U.S. Persons as defined under Regulation S of the United States Securities Act of 1933, as amended.

This document is issued by **Lombard Odier Asset (Switzerland) S.A** (hereinafter the "Management Company"). The Management Company is authorised and regulated by the Swiss Financial Market Supervisory Authority FINMA (the "FINMA") and has its registered office at 6, av. des Morgines, 1213 Petit-Lancy, Geneva, Switzerland. The Management Company is clustered within the Lombard Odier Investment Management Division ("LOIM") of Lombard Odier Group. LOIM is a trade name. The LOIM entities support in the preparation of this document and LOIM is a trade name. The Fund is authorized and regulated by the FINMA as another Fund for traditional investments within the meaning of the Collective Investment Scheme Act of 23 June 2006, as amended.

**This document is the property of LOIM, is provided for information purposes only and is addressed for the recipient exclusively for its personal use.** It may not be reproduced (in whole or in part), transmitted, modified, or used for any other purpose without the prior written permission of LOIM. It is not intended for distribution, publication, or used for any other purpose without the prior written permission of LOIM.

**The Fund will not be, nor will its shares be, registered for public offering in any jurisdiction.** The contents of this document has not been reviewed by any regulatory authority in any jurisdictions and does not constitute an offer or a recommendation to subscribe for any securities or other financial instruments or products described herein.

It contains opinions of LOIM, as at the date of issue. These opinions and information contained herein in this document does not take into account all the specific circumstances of the addressee. Therefore, no representation is made that the investment strategies presented in this document are suitable or appropriate to the individual circumstances of any investors. Tax treatment depends on the individual circumstance of the investor and may be subject to change in the future. LOIM does not provide tax advice. Consequently, you must verify the above and all information provided in this document with the legal documents issued for the Fund or otherwise review it with your external tax advisors.

The information and analysis contained herein are based on sources believed to be reliable. While LOIM uses its best efforts to ensure that the content is created in good faith, with greatest care and with accuracy, it does not guarantee the timeliness, validity, reliability or completeness of the information contained in this document, neither does it warrant that the information is free from errors and omission not does it accept any liability for any loss or damage resulting from its use. All information and opinions as well as the prices indicated may change without notice. Particular contents of third parties are marked as such. LOIM assumes no liability for any indirect, incidental or consequential damages that are caused by or in connection with the use of such content.

The Source of the data has been mentioned wherever it was available. Unless otherwise stated, the data is prepared by LOIM.

An investment in the Fund is not suitable for all investors. The ownership of any investment decision(s) shall exclusively vest with the investor. Investment must be done after analysing all possible risk factors and by exercising of independent discretion. The investor must particularly ensure the suitability of an investment as regards with his/her financial situation, risk profile and investment objectives investing. **There can be no assurance that the Fund's investment objective will be achieved or that there will be a return on capital. Past or estimated performance is not necessarily indicative of future results and no assurance can be made that profits will be achieved, or that substantial losses will not be incurred.** The investor bears the risk of losses in connection with any investment. The information contained in this document does not constitute any form of advice on any investment or related consequences of making any particular investment decision in any particular investment decision in any Fund. Each investor shall make his/her own appraisal of risk, goals, liquidity, taxes and other financial merit of his/her investment decisions. Views, opinions and estimates may change without notice and are based on a number of assumptions which may or may not eventuate or prove to be accurate. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product.

**Investments are subject to a variety of risks.** The investments mentioned in this document may carry risks that are difficult to quantify and integrate into an investment assessment. In general, products such as equities, bonds, forex, or money market instruments bear risks, which are higher in the case of derivative, structured, and private equity products; these are aimed solely at investors who are able to understand their nature and characteristics and to bear their associated risks. On request, LOIM will be pleased to provide investors with more detailed information concerning risks associated with given instruments. The liquidity of an investment is subject to supply and demand. Some products may not have a well-established secondary market or in extreme market conditions may be difficult to value, resulting in price volatility and making it difficult to obtain a price to dispose of the asset. Where the 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. All performance figures reflect the reinvestment of interest and dividends and do not take account the commissions and costs incurred on the issue and redemption of shares/units; performance figures are estimated and unaudited. Net performance shows the performance net of fees and expenses for the relevant fund/share class over the reference period. This document does not contain personalised recommendations or advice and is not intended to substitute any professional advice on investment in financial products. Neither this marketing communication nor this document nor any part of it shall form the basis of, or be relied on in connection with, any contract to purchase or subscription to the Fund. Not all costs are listed in this document and the investor is recommended to refer to the Offering documents for more information.

The articles of association, the prospectus, the Key Information Document ("PRIIPS/KIDs"), and the subscription form are the only official Offering Documents of the Fund's shares (the "Offering Documents"). No party is authorised to provide information or make assurances that are not contained in the Offering Documents.

**Access to documents in country of registrations:**

The PRIIPS/KIDs are available in one of the official languages of your country and a Prospectus is available in English and French. The PRIIPS/KIDs and the Prospectus together with the Articles of Incorporation and the last annual and semi-annual financial report are available on [www.loim.com](http://www.loim.com) or can be requested free of charge at the registered office of the Fund or of the Management Company, from the distributors of the Fund or from the local representatives as mentioned below. These Offering Documents are provided for information and illustration and is not a contractually binding document or an information required by any legislative provisions and is not sufficient to take an investment decision.

Please refer to the prospectus and the PRIIPS/KIDs before making any final investment decisions. Before making an investment in the Fund, an investor should read the entire Offering Documents, and in particular the risk factors pertaining to an investment in the Fund, consider carefully the suitability of such investment to his/her particular circumstances and, where necessary, obtain independent professional advice in respect of **risks**, as well as any **legal, regulatory, credit, tax, and accounting consequences**.

LOIM recognises that conflicts of interest may exist as a consequence of the distribution of the Fund issued or managed by entities within the Lombard Odier Group. LOIM has a Conflict of Interests policy to identify and manage such conflicts of interest and a copy of this policy is available on <https://am.lombardodier.com/home/asset-management-regulatory-disc.html>.

A summary of investor's rights relating to regarding complaints and litigation is available in English on <https://am.lombardodier.com/home/asset-management-regulatory-disc.html>.

**Limitation on Sale:** The shares issued for this Fund may only be publicly offered or sold in countries in which such a public offer or sale is permitted. Therefore, unless the Management Company or representatives of the Management Company have filed an application with the local supervisory authorities and permission has been granted by the local supervisory authorities, and as long as no such application has been filed or no such permission granted by the supervisory authorities, this Fund does not represent an offer to buy investment shares.

**Not for US Person:** The Fund has not been registered pursuant to the 1933 United States Securities Act. This document is not intended for any "U.S. Person" as defined in Regulation S of the Act, as amended or pursuant to the 1940 United States Investment Company Act as amended and will not be registered pursuant to the 1940 United States Investment Company Act as amended, or pursuant to other US federal laws. Therefore, the shares will not be publicly offered or sold in the

United States. Neither this document nor any copy thereof may be sent, taken into, or distributed in the United States of America, any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a United States Person For this purpose, the term "United States Person" shall mean any citizen, national or resident of the United States of America, partnership organized or existing in any state, territory or possession of the United States of America, a corporation organized under the laws of the United States or of any state, territory or possession thereof, or any estate or trust that is subject to United States Federal income tax regardless of the source of its income.

**Important Information on Fund awards:**

**Morningstar: Morningstar Category:** Morningstar assigns ratings based on comparisons of all funds within a specific Morningstar Category, rather than all funds in a broad asset class. The information contained herein is proprietary to Morningstar and/or its providers, may not be copied or distributed and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are not responsible for any damages or losses arising from any use of this information. For more information about the Morningstar Category:

[https://www.morningstar.com/content/dam/marketing/shared/research/methodology/771945\\_Morningstar\\_Rating\\_for\\_Funds\\_Methodology.pdf](https://www.morningstar.com/content/dam/marketing/shared/research/methodology/771945_Morningstar_Rating_for_Funds_Methodology.pdf) and <http://www.morningstar.com>

**Morningstar stars:** The star rating is based on risk-adjusted performance. A fund must have a record of more than three years. Star ratings are graded on a curve: the top 10% of funds receive five stars, the next 22.5% receive four stars, the middle 35% receive three stars, the next 22.5% receive two stars and the bottom 10% get one star. A rating alone is an insufficient basis for an investment decision. A rating is drawn for illustration purposes only and is subject to change. It is not a recommendation to invest in the Fund. It does not predict future performance of the Fund. There is no guarantee that the investment objective of the Fund will be reached.

For details regarding the star rating method:

[https://www.morningstar.com/content/dam/marketing/shared/research/methodology/771945\\_Morningstar\\_Rating\\_for\\_Funds\\_Methodology.pdf](https://www.morningstar.com/content/dam/marketing/shared/research/methodology/771945_Morningstar_Rating_for_Funds_Methodology.pdf) and [www.morningstar.com](http://www.morningstar.com). Morningstar is not responsible for any damages or losses arising from any use of this information.

**Data Protection:** You may be receiving this Communication because you have provided us your contact details. If this is the case, note that we may process your personal data for direct marketing purposes. For more information on Lombard Odier's data protection policy, please refer to [www.lombardodier.com/privacy-policy](http://www.lombardodier.com/privacy-policy)