

## Key Information

SSPA Swiss Derivative Map®/ EUSIPA Derivative Map® Tracker Certificate (1300)

## Actively Managed Certificate on Nectar Smart Alternatives Strategy Portfolio

(the "Products")

### Participation on Actively Managed Notional Basket – Cash Settlement – USD

This document is for information purposes only and until the Initial Fixing Date the terms are indicative and may be amended.

A Product does not constitute a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes ("CISA"). Therefore, it is not subject to authorization by the Swiss Financial Market Supervisory Authority FINMA ("FINMA") and potential investors do not benefit from the specific investor protection provided under the CISA and are exposed to the credit risk of the Issuer. Under Singapore law, the Products are considered securities under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and its subsidiary legislation. They are not intended to be, and do not constitute, a collective investment scheme under the SFA.

The Products are linked to the performance of a dynamic, discretionary managed notional basket.

## I. Product Description

### Terms

<b>Issuer</b>	Bank Julius Baer & Co. Ltd., Guernsey Branch (Rating: Moody's A2) (Prudential Supervision: by the Swiss Financial Market Supervisory Authority FINMA)
<b>Lead Manager</b>	Bank Julius Baer & Co. Ltd., Zürich
<b>Swiss Security Number (Valor)</b>	39403804
<b>ISIN</b>	CH0394038043
<b>Issue Size</b>	Up to 5,000 Products (USD 50,000,000 - may be increased/decreased at any time)
<b>Issue Currency</b>	USD
<b>Subscription Period</b>	22 December 2017 – 15 February 2018 9am CET
<b>Issue Price</b>	USD 10,000.00 (per Product; including the Distribution Fee)
<b>Denomination</b>	USD 10,000.00

### Initial Fixing Date

**16 February 2018**, being the date during which the Initial Value and the initial composition of the Underlying are determined.

### Issue Date/Payment Date

**23 February 2018**, being the date on which the Products are issued and the Issue Price is paid.

### Final Fixing Date

**16 February 2028**

### Final Redemption Date

The date that is five Business Days after all cash proceeds have been received by the issuer following the earlier of:

- (x) the Final Fixing Date
- (y) the Extended Redemption Date or
- (z) the Call Date

being the date on which each Product will be redeemed at the Final Redemption Amount, unless previously redeemed, repurchased or cancelled.

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**Issuer Extension Right**

The Issuer may at its own discretion extend the term of the Products from 10 years by up to 12 years and may exercise this right any number of times to extend the term of the Products indefinitely, provided that there is always an applicable Extended Redemption Date.

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**Extended Redemption Date**

The date to which the term of the Products has been extended at any given time by the Issuer exercising its Issuer Extension Right.

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**Issuer Call Option**

Unless previously redeemed, repurchased or cancelled, on any Call Date the Issuer may exercise its right to redeem the Products, subject to 90 days notice, in whole but not in part, on the applicable Final Redemption Date at the Final Redemption Amount per Product by notifying the Holders of such exercise on or prior to such Call Date;

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**Call Date(s)**

Any Business Day on or after the Issue Date, subject to a one-month notice on the last trading day of the month, being the dates on which the Issuer may exercise its right to redeem each Product on the applicable Final Redemption Date at the Final Redemption Amount.

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**Underlying**

**Nectar Smart Alternatives Strategy Portfolio**

<b>Sponsor</b>	Bank Julius Baer & Co. Ltd., Zurich
<b>Advisor</b>	Nectar Digital Wealth AG Member of VQF (Centre of Competence for Compliance Services) which is a self-regulatory organization subject to the Swiss Financial Market Supervisory Authority FINMA
<b>Underlying Description</b>	The Underlying is a basket representing an actively managed notional portfolio managed with a systematic approach, mainly consisting of hedge funds and mutual funds (see also below the definition of Investment Universe), which notional composition and weighting is discretionary managed over the course of the term of the Products by the Advisor. <b>There is no obligation on the Issuer, the Sponsor or the Advisor or any other party to purchase, hold, manage and/or sell any components contained in the Underlying and there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Underlying is merely notionally comprised of components, the performance of which is used as a reference point for the purpose of calculating the value of the Underlying. References to any changes in the composition of the Underlying should not be construed as imposing an obligation on the Issuer, the Sponsor, the Advisor or any person to actually acquire or dispose of any securities, depositary receipts, futures, other investments, assets or other property but are references to the change in, and relate solely to the calculation of, the value of the notional Underlying which is relevant for the determination of amounts payable in respect of the Products.</b>
<b>Investment Strategy (Basic Parameters)</b>	The AMC on Nectar Smart Alternatives Strategy Portfolio is an actively managed notional portfolio, managed with a systematic approach, consisting of mainly hedge funds, mutual funds, exchange traded funds and cash, which is based on investment advice and recommendation of Nectar Digital Wealth AG. The investment process balances the use of artificial intelligence, big data, and human driven investment expertise.
<b>Investment Guidelines</b>	Only investments in investment products contained in the Investment Universe (as defined below) are permitted. Notional direct short selling is not permitted. The Advisor is permitted to change the notional composition of the Underlying on a daily basis. Nevertheless, the Sponsor is entitled to reject changes in the composition of the Underlying in case of more than 30 changes per year, and entitled to reject the adjustment of the leverage in case of more than 12 times per year. At any time, the Underlying contains a minimum of 8 and a maximum of 40 components (cash is excluded). The Advisor will manage the cash balance resulting out of secondary market activity. On the Initial Fixing Date, the Product tracks the performance of the Underlying with 100% target exposure. Upon instruction by the Advisor, the Product may have a maximum target exposure of 110% during its lifetime. Such leverage facility is dynamic and will be adjusted periodically based on the decision of the Advisor. The leverage facility can only be used as long as the value of the Product is above the Leverage Hurdle. Due to the non-recourse nature of leverage, the investor's maximum loss is limited to the initial investment. The Advisor has the possibility, but not the obligation to hedge the foreign currencies (see Foreign Exchange (if FX hedged)). There is no automatic rebalancing; rebalancing is at the sole discretion of the Advisor. The Investment Guidelines and the Investment Universe must be respected on the initial fixing of the Underlying and upon any change in the composition of the Underlying. The Advisor is free to correct infringements of the Investment Guidelines which might possibly occur thereafter. No liabilities are assumed by the Advisor or the Sponsor due to such infringements.

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<b>Diversification Rules</b>	<p>Maximum Exposure of 110%</p> <ul style="list-style-type: none"> <li>• Minimum number of components in the portfolio: 8</li> <li>• Maximum number of components in portfolio: 40</li> </ul> <p>The limits below are in percent of the total notional portfolio's value:</p> <ul style="list-style-type: none"> <li>• Each component (excluding cash position): maximum 12.5%</li> <li>• Combined weight of components that are tradable at least weekly: minimum 20%</li> <li>• Combined weight of components that are tradable maximum quarterly: maximum 40%</li> <li>• Combined weight of Structured Products: maximum 25%</li> </ul>
<b>Investment Universe</b>	<p>The notional Underlying can include hedge funds, mutual funds, listed ETFs and Julius Baer issued structured products.</p> <ul style="list-style-type: none"> <li>• Each hedge fund must have an AUM of at least 50 million USD equivalent and at least quarterly liquidity.</li> <li>• At least 85% of the exposure in the portfolio must be to hedge funds with AUM of at least 100 million USD</li> <li>• At any time, the portfolio cannot comprise more than 10% of the respective fund's AUM (master fund's level)</li> </ul> <p>The liquidity of potential security rights must be sufficient with respect to the issued volume of the Products. The Sponsor has the right to reject components which form part of the Investment Universe (see „Right of Objection“ below). Besides the aforementioned assets, the Underlying may contain a cash component in the Product's currency. This cash component may reach temporarily up to 100%. No interest is paid on this cash component. A negative interest rate may be applied due to market conditions.</p>
<b>Change of Basket Composition</b>	<p>The Sponsor will communicate with the Advisor on the viability of implementation of the Advisor's investment decisions (see "Right of Objection" below) as soon as practicable. This may take several days as the Sponsor might have to enter into respective hedging transactions relating to its obligations under the Products due to its position as Issuer of the Products. No assurance can be given that all investment decisions will be realized as intended by the Advisor. The Sponsor implements the changes in the notional composition of the basket on a discretionary basis at the respective net ask and bid prices available on the market or, if it considers this necessary due to the market constellation, the Sponsor implements it on a discretionary basis at the respective average net ask and bid prices of the assets.</p>
<b>Right of Objection</b>	<p>The Sponsor has the right to reject components selected by the Advisor if they don't adhere to the following conditions:</p> <ul style="list-style-type: none"> <li>• Minimum 75% of the funds in the portfolio must have a notice period of redemptions of not more than 90 days</li> <li>• Minimum 75% of the funds in the portfolio must have a notice period of subscriptions of not more than 10 business days</li> <li>• Minimum 75% of the funds in the portfolio must have an existing track record of at least 36 months</li> </ul> <p>In general, the Sponsor has the right to reject components selected by the Advisor at his sole discretion should any situation whatsoever arise whereby the Sponsor (a) due to applicable rules, regulations and internal or external restrictions, or (b) due to technical constraints cannot execute the Advisor's investment decision or (c) due to any other reasons is unable to hedge its position as Issuer of the Products, is not able to buy, hold or sell the Underlying or any component thereof (as if the Underlying is not notional).</p>
<b>No Reinvestment of the Returns</b>	<p>The Sponsor will not reinvest any returns into the corresponding Component(s), but will leave any return (net of any tax or retention) in cash.</p>
<b>Adjustments</b>	<p>The Sponsor decides according to the terms outlined in the Base Prospectus and the Final Terms how the basket is adjusted when dilution and concentration effects notionally affecting the Underlying occur, investors' rights change as well as in comparable situations. The adjustments are implemented on or around the respective trading day. No liabilities are assumed by the Sponsor due to possible infringements of the Investment Guidelines or the Investment Universe which might occur as a consequence of such adjustments. The value of the Underlying is not retroactively adjusted.</p>
<b>Responsibility</b>	<p>Subject to the Investment Guidelines and the Investment Universe, the Advisor is responsible for the composition of the Underlying and the weighting of the Underlying components. The performance of the Underlying - and therefore of the Product - depends, among other things, on the quality of the Advisor's investment decisions. The Sponsor is only responsible for the administration of the Product. Neither the Issuer nor the Sponsor assume responsibility whatsoever for the composition of the Underlying, any adjustments to the Underlying, and its impact on the performance of the Products.</p>
<b>Transaction Fee</b>	<p>0.1% on the notional value of each portfolio rebalancing transaction</p>
<b>Information about the Investment Strategy</b>	<p>Further Information about the Investment Strategy is free of charge available from the Issuer upon request.</p>

<b>Composition of the Underlying</b>	Information about the current composition of the Underlying is available from the Issuer upon request.
<b>Foreign Exchange (if FX hedged)</b>	Currency risk is hedged by holding a short position in the currency of the Underlying with the size of the market value of the relevant Components and by holding a corresponding long position in the denomination currency of the Product. The FX hedge will be rebalanced at the Advisor's sole discretion. The investors achieve a maximum possible participation in the actual performance of the price of the respective underlying, without any financial impairment were the exchange rates to decline but also without any additional opportunities for gains were the exchange rates to rise. The FX Hedging Effect comprises the following two items: Firstly, the hedge profits or costs incurred through the interest rate differential between the involved currencies (underlying currency and denomination currency). Secondly, the imperfectness of the hedges due to the fact that the hedge-rebalancing frequency is not continuous. Only deliverable and free convertible currencies can be hedged.
<b>Foreign Exchange (if not FX hedged)</b>	The individual Components are valued in the currency of the Product. The actual foreign exchange rates are used as exchange rates at the time of valuation.

### Redemption

<b>Final Redemption</b>	Unless previously redeemed, repurchased or cancelled, the Issuer shall redeem each Product on the Final Redemption Date by payment of the Final Redemption Amount to the Holder thereof. For the avoidance of doubt, there is no and will not be any pooling of contributions from holders of the Product and notional profits, income, payments or returns of the Underlying for the benefit of all holders of the Product. Payments under a Product will essentially be in the nature of a debt due from the Issuer to the redeeming holder of a Certificate separate and distinct from payments under any other Certificate.
<b>Final Redemption Amount</b>	A cash amount equal to the Strategy Value minus the accrued Recurring Fees calculated by the Calculation Agent on the Final Fixing Date in accordance with the following formula:

$$\text{Strategy Value}_t - \text{accrued Recurring Fees} + \text{Final Short Cash Position} + \text{Final FX Hedging Effect}_t$$

<b>Settlement Type</b>	Cash settlement
<b>Strategy Value<sub>t</sub></b>	The value of the Underlying, determined by the sum of the value of each of the assets contained in the Underlying at a point in time t (including the cash component), as determined by the Calculation Agent.
<b>Initial Value</b>	USD 10,000.00
<b>Leverage Upon Initial Fixing Date</b>	100%
<b>Initial Short Cash Position</b>	A negative amount per Certificate being equal to -0.00 USD
<b>Underlying Exposure Upon Initial Fixing Date</b>	10,000.00 USD per Product
<b>Maximum Exposure</b>	A max. exposure of 110% of the Value of the Underlying can be used by the Advisor at his discretion as long as the Value of the Certificate is above the Leverage Hurdle. This at the cost of the Reference Interest Rate + Spread  Leverage Hurdle: If the Value of the Certificate falls below the Leverage Hurdle, the Issuer will eliminate any open Leverage in the Certificate at its sole discretion. As long as the Value remains below the Leverage Hurdle, the Advisor cannot enter any new Leverage. As soon as the Valuation is above the Leverage Hurdle again, the Advisor can enter new Leverage within the next rebalancing.
<b>Leverage Hurdle</b>	USD 6,000.00 (60%)
<b>Short Cash Position</b>	On any day, a negative amount being equal to the absolute value of the cash loan position per Product, including the interest on cash loan accrued and compounded since the Initial Fixing Date at Reference Interest Rate + Spread, as determined by the Calculation Agent
<b>Reference Interest Rate</b>	1 month LIBOR (Floored at 0)
<b>Spread</b>	1.25% p.a.
<b>Final Short Cash Position</b>	the Short Cash Position on the Final Fixing Date

<b>Final FX Hedging Effect</b>	Since the Initial Fixing Date accumulated profit or loss from FX hedging activities on the Final Fixing Date
<b>Recurring Fees</b>	The Administration Fee and the Advisory Fee (the "Recurring Fees") The Recurring Fees are calculated and deducted from the Strategy Value by the Calculation Agent on a daily basis.
<b>Administration Fee</b>	0.50% p.a. of the Strategy Value
<b>Advisory Fee</b>	0.50% p.a. of the Strategy Value
<b>Distribution Fee</b>	1.00% of the Issue Price (incl. VAT, if any), amortized monthly over a term of 1 year; The Distribution Fee will be allocated / paid to the internal and/or external Distributor. For further details please see under section IV "Distribution Compensation/Distribution Allowances from and to Third Parties".
<b>Performance Fee</b>	10%  <u>Hurdle Rate:</u> the 1 year USD Swap at the official fixing (USISDA01 Index) on the first business day of each month, modified following. The Hurdle rate for the first Performance Fee Calculation is the USISDA01 Index on the 23.02.2018 divided by 12. In case of a short/long first period, the Hurdle Rate will be calculated on a pro-rata basis.  <u>High Watermark:</u> Applicable. For the first observation date the High Watermark is USD 10,000.00. Thereafter, if the certificate level on the observation date is higher than the previous high-water mark, the high-water mark is set to that level before deduction of the performance fee.  <u>Performance Fee Entitlement:</u> A performance fee is paid to the Advisor if the performance of the Certificate exceeds the Hurdle Rate at the observation date, subject to High Watermark. If $\frac{Strategy\ Value(t)}{High\ Watermark} - 1 > Hurdle\ Rate$ , then Performance fee applies  <u>Performance Fee Calculation:</u> $HighWatermark * \left( \left( \frac{Strategy\ Value(t)}{High\ Watermark} - 1 \right) - Hurdle\ Rate \right) * Performance\ fee$ Where Strategy Value (t)= Value of the certificate on the Performance fee calculation date, based on the available NAV of the underlying, as provided by the Advisor High Watermark= Highest level of the certificate on any of the previous Performance fee calculation dates. The Performance fee cannot be a negative number.  <u>Performance Fee Calculation Dates:</u> For the first time on the 29.03.2018, then on the the last business day of each month (modified following). The Final Fixing Date is also a Performance Fee Calculation Date. Inter-periodic flows are not considered.  <u>Performance Fee Payment Dates:</u> 5 business days after the NAV relative to the end of quarter has been published for all the underlyings .
<b>Early Redemption Fee</b>	1.00% of the Strategy Value on the relevant Redemption Date in case of the Early Redemption by the holder during the first 12 months after the Initial Fixing Date.

#### Swiss Taxation

<b>Stamp duty</b>	No stamp duty upon issuance. Issuance and secondary market transactions are in principle subject to the Federal Turnover Tax ("Umsatzabgabe") if a securities dealer ("Effekthändler"), as defined in the Swiss Federal Act on Stamp Duties ("Stempelabgabengesetz"), is a party to the transaction or acts as an intermediary thereto.
<b>Withholding tax</b>	No Swiss Federal withholding tax.
<b>Income tax</b>	For private investors (individuals) with tax residence in Switzerland, the Product is treated like a unit of a collective investment scheme. The Issuer informs the Swiss Federal Tax Administration about the capital gains/losses and the earnings on the assets on an annual basis. Only the declared net earnings on the assets are subject to income tax.

The aforementioned tax description is based on the relevant tax laws and regulations of the tax authorities valid at the time of launch of this issue. These laws and regulations may change at any time, possibly with retroactive effect. Furthermore the tax treatment may depend on the personal situation of the investor and may be subject to change in the future. This information is not purported to be a complete description of all potential tax effects. Potential investors are advised to consult their tax advisors to determine the special tax consequences of the purchase, ownership or disposition of the Product.

#### General Tax Information

Transactions and payments related to this product may be subject to additional (foreign) transaction taxes and or withholding taxes such as US withholding taxes pursuant to FATCA (Foreign Account Tax Compliance Act) or the Section 871(m) of the US Internal Revenue Code. Any amounts due, shall be paid net of such taxes. The issuer is not obliged to pay additional amounts with regard to amounts so withheld.

#### Product Description

The Products may be, depending on the Advisor's decision, leveraged products and therefore may allow the holder thereof to disproportionately benefit, due to leverage, from a positive performance of the Underlying, but they also may reflect the development of the Underlying disproportionately if its performance is negative. If the Advisor decides to apply leverage, any changes in the value of the Underlying will have a disproportionate effect on the value of the Product, which is the leverage effect. The leverage may vary during the term of the Product and is dependent on the Underlying performance and the Advisor's decision.

The Underlying is an actively managed notional basket of securities, as described below under section "Underlying Description".

On the Initial Fixing Date, the Product tracks the performance of the Underlying with 100% target leverage. Upon instruction by the Advisor, the Product may have a maximum target exposure of 110% during its lifetime. Such leverage facility is dynamic and will be adjusted periodically based on the discretionary decision of the Advisor. The leverage facility can only be used by the Advisor as long as the value of the Product is above the Leverage Hurdle. Due to the non-recourse nature of leverage, the investor's maximum loss is limited to the initial investment.

On the Final Redemption Date, the Product is redeemed at the Final Redemption Amount, which amount will be dependent upon the performance of the Underlying, and will also be adjusted for applicable Fees and costs.

The Products enable the holder thereof to benefit from an unlimited participation in any positive performance of the Underlying, subject to the terms of the Product. Therefore, if the Underlying performs positively, an investment in the Products directly reflects the positive performance of the Underlying. Likewise, if the Underlying performs negatively, an investment in the Products directly reflects the negative performance of the Underlying and a total loss of the amount invested in the Products is possible, although any such loss is limited to the amount invested.

The Products have a fixed maturity of 6 years.

It should be noted that the Underlying is a "notional" portfolio and there is no actual portfolio of assets to which any person is entitled or in which any person has an ownership interest. Investors in the Product should accordingly be aware that given the nature of the Product, the Underlying (or any hedges or investments made in connection therewith ("Hedge")) cannot and will not in any way be held by the Issuer for the benefit of the investors of the Product. For the avoidance of any doubt, the investors of the Product will not obtain any right, title, interest or benefit whatsoever to the Underlying (or its Hedge) and will not have any voting or other rights (including in any (notional) assets included in the Underlying (or its Hedge)). The Issuer is not obligated to buy, hold, manage or sell the Underlying or any securities referenced thereunder or to have any right, title, interest or benefit in relation to any of the foregoing. However, the Issuer may, at its sole discretion, buy, sell and/or hold assets, which may or may not be identical to the Underlying, for itself solely for hedging its risks in relation to the Certificates.

#### Product Documentation

The complete and legally binding terms and conditions of the Products are set forth in the base prospectus for the issuance of Participation Products of Bank Julius Baer & Co. Ltd. (the "Bank"), dated 19 June 2017, as supplemented from time to time (the "Base Prospectus") and the relevant final terms prepared in relation to the Products (the "Final Terms"). The Base Prospectus and the Final Terms may be obtained free of charge from Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland.

This document is designated for distribution and use in Switzerland. Neither the Issuer nor any other person assumes any responsibility for the compliance of this document with any applicable law and regulations in any other jurisdiction than Switzerland.

#### Details

<b>Risk Category</b>	Complex Product
<b>Product Category</b>	Participation
<b>Product Type</b>	Tracker Certificate
<b>SSPA Code</b>	1300
<b>Calculation Agent</b>	Bank Julius Baer & Co. Ltd., Zurich and any agents or other persons acting on behalf of such Calculation Agent and any successor appointed by the Issuer
<b>Paying Agent</b>	Bank Julius Baer & Co. Ltd., Zurich and any agents or other persons acting on behalf of such Paying Agent and any successor appointed by the Issuer
<b>Listing and Admission to Trading/Secondary Market Trading</b>	None

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<b>Minimum Investment Lot</b>	1 Certificate
<b>Quotation</b>	The Products are traded in units and are booked accordingly.
<b>Clearing System</b>	SIX SIS AG
<b>Form</b>	Uncertificated Securities
<b>Governing Law / Jurisdiction</b>	Swiss Law / Zurich 1, Switzerland
<b>Principal Protection at Maturity / Redemption</b>	None. The holder of any Product may lose the entire original amount invested

## II. Profit and Loss Prospects

This Product is aimed at investors who expect a positive performance of the Underlying. The potential return on a Product is dependent on the value of the Underlying, i.e. the investor benefits fully, with possible leverage, from an increase in the value of the Underlying over the term of the Product and the quality of the investment decisions of the Advisor.

The potential loss associated with an investment in the Products is also dependent on the value of the Underlying. Due to the possible leverage in the Products, a comparatively low negative performance of the Underlying may result in larger loss for the investor. A total loss may occur if the Underlying and the securities notionally contained in the actively managed basket, respectively, have no value on the Final Fixing Date.



### III. Significant Risks for Investors

The following risk disclosure cannot disclose all the risks associated with an investment in the Products. Therefore, potential investors in Products should consult the Base Prospectus and the Final Terms and their client advisor as to the product specific risks before making an investment decision.

#### 1. Issuer Risk

Investors bear the credit risk of the Issuer. The Products' retention of value is dependent not only on the development of the value of the Underlying, but also on the creditworthiness of the Issuer, which may change over the term of the Product. The credit rating of the Issuer is not a guarantee of credit quality. In case of the Issuer's insolvency or bankruptcy the investors in the Products may lose their entire investment.

The Products are direct, unconditional, unsecured and unsubordinated obligations of the Issuer. If the Issuer were to become insolvent, claims of investors in Products will rank equally in right of payment with all other unsecured and unsubordinated obligations of the Issuer, except such obligations given priority by law. In such a case, investors in Products may suffer a loss of all or a portion of their investment therein, irrespective of any favourable development of the other value determining factors, such as the performance of the Underlying(s).

The Products do not constitute bank accounts or deposits at Bank Julius Baer & Co. Ltd. The Products are less liquid than bank accounts or deposits and bear higher risks. An investment in Products will not be covered by any compensation or insurance scheme (such as a bank deposit protection scheme) of any government agency of Switzerland or any other jurisdiction and Products do not have the benefit of any government guarantee. Products are the obligations of the Issuer only and holders of Products must look solely to the Issuer for the performance of the Issuer's obligations under such Products. In the event of the insolvency of the Issuer, an investor in Products may lose all or some of its investment therein.

Bank Julius Baer & Co. Ltd. is a bank pursuant to the Federal Banking Act (BA; SR 952.0) and a securities dealer pursuant to the Federal Act on Stock Exchanges and Complex Products Trading (SESTA; SR 954.1) subject to the prudential supervision by the Swiss Financial Market Supervisory Authority FINMA in Berne (Laupenstrasse 27, CH-3003 Berne; <http://www.finma.ch>).

The Issuer, Bank Julius Baer & Co. Ltd, Guernsey Branch (a branch of Bank Julius Baer & Co. Ltd., Zurich, founded in Switzerland and under the supervision of the Swiss Financial Market Supervisory Authority FINMA), is licensed in Guernsey under the Banking Supervision (Bailiwick of Guernsey) Law 1994 and The Protection of Investors (Bailiwick of Guernsey) Law 1987. Neither the Guernsey Financial Services Commission (P.O. Box 128, Glatigny Court, Glatigny Esplanade, St. Peter Port, Guernsey, Channel Islands, GY1 3HQ) nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Issue or for the correctness of any of the statements made or opinions expressed with regard to it.

#### 2. Product Risks

An investment in Products entails certain risks, which vary depending on the specific type and structure of the relevant Products and the relevant Underlying(s).

An investment in Products requires a thorough understanding of the nature of Products. Potential investors in Products should be experienced with respect to an investment in complex financial instruments and be aware of the related risks. A potential investor in Products should determine the suitability of such an investment in light of such investor's particular circumstances. In particular, a potential investor in Products should:

- have sufficient knowledge and experience to make a meaningful evaluation of Products, the merits and risks of investing in Products and the information contained in the Base Prospectus and the applicable Terms and Conditions;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of such investor's particular financial situation, an investment in Products and the impact the relevant Products will have on such investor's overall investment portfolio;
- have sufficient financial resources to bear all the risks of an investment in the relevant Products;
- understand thoroughly the Terms and Conditions applicable to the relevant Products and be familiar with the behavior of the relevant Underlying(s) and financial markets;
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect such investor's investment and ability to bear the applicable risks of an investment in Products until their redemption; and
- recognize that it may not be possible to dispose of Products for a substantial period of time, if at all, before their redemption.

The trading market for securities, such as Products, may be volatile and may be adversely impacted by many events.

Products are complex financial instruments. Investors generally purchase complex financial instruments as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall investment portfolios. A potential investor should not invest in Products unless such investor has the expertise (either alone or with the help of a financial adviser) to evaluate how the relevant Products will perform under changing conditions, the resulting effects on the market value of the relevant Products and the impact such an investment will have on such investor's overall investment portfolio.

#### Risk of total loss

Products involve a high degree of risk, and prospective investors in the Products should recognize that, under certain circumstances, Products may have a redemption value of zero. Prospective investors should therefore be prepared to sustain a partial or total loss of the amount of their investment therein.

### **Derivative Risk, not Protected Investment**

This Product may contain embedded derivatives and involves a high degree of risk. It is not the same nor should it be treated as a substitute for traditional deposits. Hence it is not a protected investment.

### **Unpredictable Market Value for Products**

During the term of a Product, the market value of, and the expected return on, such Product may be influenced by many factors, some or all of which may be unpredictable. Many economic and market factors will influence the market value of a Product. The Issuer expects that, generally, the value and volatility of the Underlying(s) on any day will affect the market value of such Product more than any other single factor. However, a potential investor should not expect the market value of a Product in the secondary market to vary in proportion to changes in the value of the Underlying(s). The return on a Product (if any) may bear little relation to, and may be much less than, the return that the investor therein might have achieved if such investor had invested directly in the Underlying(s).

The market value of, and return (if any) on, a Product will be affected by a number of other factors, which may be unpredictable or beyond the Issuer's control, and which may offset or magnify each other, including, without limitation:

- supply and demand for such Product, including inventory positions of any other market maker;
- the expected frequency and magnitude of changes in the market value of the Underlying(s) (volatility);
- economic, financial, political or regulatory events or judicial decisions that affect the Issuer, the Underlying(s) or the financial markets generally;
- interest and yield rates in the market generally;
- the time remaining until the Final Redemption Date;
- if applicable, the difference between the Level or Commodity Reference Price, as applicable, and the relevant threshold specified in the applicable Terms and Conditions;
- the Issuer's creditworthiness, including actual or anticipated downgrades in the Issuer's credit ratings; and
- dividend payments on the Underlying(s), if any.

Some or all of these factors may influence the price of a Product. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors.

In addition, certain built-in costs are likely to adversely affect the market value of Products. The price at which the Issuer will be willing to purchase Products from a holder in secondary market transactions, if at all, will likely be lower than the original Issue Price.

### **Exposure to the performance of the Underlyings**

Each Product will represent an investment linked to the performance of the Underlying(s) and potential investors should note that any amount(s) payable or other benefit to be received under the Products will generally depend upon the performance of the Underlying(s). The past performance of the Underlyings is not indicative of the future performance.

### **No obligation on any other party to purchase and/or hold interests in the Underlying or any components contained in the Underlying**

Investors should be aware that there is no obligation on the Issuer or any other party to purchase and/or hold and/or manage and/or sell any interests in the Underlying or any components contained in the Underlying or to have any right, title, interest or benefit in relation to any of the foregoing and there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest.

### **Exchange Rate Risk**

The Underlying(s) may be denominated in a currency other than that of the Issue Currency or, if applicable, the Settlement Currency for such Product, or the Underlying(s) may be denominated in a currency other than, or the Issue Currency or, if applicable, the Settlement Currency may not be, the currency of the home jurisdiction of the investor in such Product. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets, which are in particular influenced by macroeconomic factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Therefore, fluctuations in exchange rates may adversely affect the market value of a Product or the value of the Underlying(s), regardless of the decision by the Advisor to execute any FX hedging

### **Hedge Funds specific risks**

Hedge Funds, including funds of funds, are unregistered private investment partnerships, funds or pools that may invest and trade in many different market strategies and instruments (including securities, non-securities and derivatives) and that employ different investment, hedging, leverage and arbitrage methodologies. Hedge Funds are not subject to the same regulatory requirements as mutual funds, including mutual fund requirements to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in Hedge Funds. Persons interested in investing in Hedge Funds should carefully note the following:

Hedge funds are not appropriate for all investors. Hedge funds can be speculative and may involve a high degree of risk, above and beyond those associated with traditional asset classes. An investor could lose all or a substantial amount of their investment. Investors should consider hedge funds as a supplement to an overall investment strategy.

Hedge funds may use leverage and other speculative investment practices that may increase the risk of investment loss. Hedge funds may have performance that is volatile.

The market in some of the investments made as part of a Fund's strategy may be relatively illiquid, giving rise to potential difficulties in valuing and disposing of such investments. Information for determining the value of investments held by a Fund may not be readily available which has corresponding implications for the overall valuation of a Fund. Accurate risk profiling of the Fund holdings may also not be readily available.

There may be restrictions on redeeming interests in the fund. A hedge fund manager may hold on to an amount when paying out a redemption request to account for any variations that may take place after a fund's audit is finalized (audit holdback).

The Hedge Funds which are part of the strategy can be “niche” funds with limited AUMs: this increases the potential illiquidity risk and redemption restrictions.

The fund manager has total trading authority over the fund. The use of a single advisor applying generally similar trading programs could result in a lack of diversification and, consequentially, higher risk.

#### Secondary Market

The Issuer cannot provide any assurances as to how the Certificates will trade in the secondary market or whether such market will be liquid or illiquid. Due to the composition of the Underlying and the potentially limited liquidity of its components, investors must also be aware of an increased spread risk compared to other structured products. This means that during the term of the Product, bid and offer prices may differ to a considerable extent. Although the Lead Manager, upon investor demand, intends to provide market making subject to normal market conditions, he is not obliged to do so. Further, the investor may only be able to sell the Product in the secondary market at a lower price than the original purchase price. It is important to note that if the Issuer decides to repurchase from the investor or sell to the investor Products on the secondary market, it cannot guarantee to take back/sell unlimited volumes of the Product at the prices provided by the Lead Manager. Investors purchasing Product units on the secondary market will increase the available cash quota within the Product while diluting, in percentage terms, all other holdings. Investors selling Product units on the secondary market will decrease the available cash quota within the Product while increasing, in percentage terms, all other holdings. If a situation arises where the available cash quota within the Product is insufficient to accommodate secondary market selling transactions by the investors, then the Advisor will advise the Calculation Agent about which holding shall be sold or reduced. If the Advisor cannot be reached in due time or doesn't provide any advice to the Calculation Agent, then the Calculation Agent has the right to reduce at its sole discretion any holding within the Product or has the right to reject to execute the secondary market selling transactions by the investors. The Issuer intends to provide a secondary market with monthly liquidity. However, if the available cash quota within the Product is insufficient, the Issuer can restrict the liquidity and postpone sales until when sufficient cash will be available.

Sale and purchase secondary market transaction orders from the investors will be executed at Mid Price -0.25% and Mid Price +0.25% respectively. The new resulting cash quota will be reflected in the Product the following business day. At no time does the Issuer have an obligation to repurchase/sell Products.

The Investor can purchase further Certificates during the lifetime of the Certificates monthly, provided that written notice has been given by 10:00 a.m. (CET) 10 business days prior to the last business day of the month and that purchases have not been suspended by the Calculation Agent and/or the Issuer, and are deemed issued upon receipt of cleared funds from the Investor. Where such day does not fall on a Business Day, purchase requests should be received by the Calculation Agent on the previous Business Day.

The Investors can sell the Certificates monthly before the Final Fixing Date provided that written notice has been received by the Calculation Agent by 09:00 a.m. (CET) 35 days prior to the last business day of the month, and provided that sales have not been

suspended or postponed by the Calculation Agent. Where such day does not fall on a Business Day, sale requests must be received by the Calculation Agent on the previous Business Day. Sale notices are binding and cannot be withdrawn upon receipt by the Calculation Agent.

#### Early Redemption

The investors must be aware of a possible early redemption of the Product.

Upon the occurrence of an extraordinary event, the Calculation Agent and the Issuer, acting together, have the right to, among other things, early redeem the relevant Products. If the Issuer exercises such early redemption right(s), investors should be aware that the early redemption price may be considerably lower than the Issue Price (or, if different, the price the relevant investor paid for such product) and/or the Final Redemption Amount that would otherwise have been paid on the Final Redemption Date.

#### Issuer Call Option

The Products provide for an Issuer Call Option (*i.e.*, the Issuer may, on any Call Date, exercise its right to redeem the Products, in whole but not in part, on the applicable Final Redemption Date at the Final Redemption Amount). The Issuer may exercise its Issuer Call Option at its own discretion.

#### Leverage Multiplier

Due to the possible leveraged nature of the Products, investors may participate disproportionately (in the amount of the Leverage Multiplier) in any negative performance of the Underlying. Due to such leverage effect the Products constitute a very speculative and high-risk form of investment, since a loss in value of the Underlying entails the risk of a disproportionately high loss up to a total loss of the capital invested on purchasing the Products including any related transaction costs.

#### Further product specific risks

The Products are complex financial instruments, may therefore involve a high degree of risk and are intended for use only by sophisticated investors who are capable of understanding and assuming the risks involved. Before entering into any transaction, an investor should determine if this Product is suitable with regards to the particular circumstances and should independently assess (together with the client advisor) the specific risks as described herein and any other legal, regulatory or credit consequences. The Issuer makes no representation as to the suitability or appropriateness of this Product for any particular investor. This document does not replace a personal discussion with your client advisor, which is tailored to your requirements, investment objectives, experience, knowledge and circumstances and which is recommended by the Issuer before the investment decision. Please ask your client advisor about supporting information regarding this Product.

The return on the Products depends on the performance of the Underlying. Since the notional basket of securities is actively managed by the Advisor, the performance of the Product depends on the quality of the investment decisions of the Advisor. As past performance is no guarantee of future development, the performance cannot be predicted at the time of the investment decision. Further, there is no assurance that all investment

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decisions intended by the Advisor will be realized and that its expectations regarding the performance of the Products will be met.

Investors should be aware that an investment in these Products generally results in a loss upon redemption if the value of the Underlying decreases. Consequently, the potential loss associated with an investment in such Products is linked to the negative performance of the Underlying. Investors in the Products should be prepared to sustain a partial or total loss of their investment.

Owning this Product is not the same as owning the Underlying or values covered by the Underlying or the securities referenced thereunder. The Issuer is not obligated to actually buy, hold or sell the Underlying or any securities referenced thereunder. Investors

in this Product should be aware that the Underlying or any part thereof will not in any event be held by the Issuer for the benefit of the holders of the Product. Accordingly, changes in the market value of the Underlying or the values covered by the Underlying may not result in a comparable change in the market value of the Product.

#### Further Information

For further details on the Product related risks please consult the risk disclosure brochure "Special Risks in Complex Products Trading" (Edition 2008) which is available on the Swiss Bankers Association's website:

<http://www.swissbanking.org/en/home/shop.htm> or may be obtained from your client advisor upon request.

## IV. Important Additional Information

If the Product is not listed on SIX Swiss Exchange, this document constitutes the simplified prospectus for the Products pursuant to Article 5 of the Swiss Federal Act on Collective Investment Schemes ("CISA") and is of summary nature with a view to include the information required by Article 5 CISA and the Guidelines of the Swiss Bankers Association dated July 2007 in relation to the Information for Investors in Structured Products. The simplified prospectus may be obtained free of charge from Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland. This document is not and will not be registered with the Monetary Authority of Singapore as a "prospectus" under Division 2 (Collective Investment Schemes) of Part XIII (Offers of Investments) of the SFA.

This document does not constitute an offer or invitation to enter into any type of financial transaction and the Issuer has no obligation to issue the Products. This document is not the result of a financial analysis and therefore, is not subject to the "Directives on the Independence of Financial Research" from the Swiss Bankers Associations. The content of this document does therefore not fulfill the legal requirements for the independence of financial analyses and there is no restriction on trading in this regard.

### Conflicts of Interest

The Issuer and affiliated companies may from time to time enter into transactions for their own account or for the account of a client that are related to the Products. These transactions may not be for the benefit of the investor and may have positive or negative effects on the value of the Underlying(s) and thus on the value of the Products. Companies affiliated to the Issuer may also become counterparties in hedging transactions. Accordingly, conflicts of interest may therefore arise with regard to obligations relating to the ascertainment of the values of the Products and other related determinations both among affiliated companies of the Issuer and between these companies and the investors. In addition, the Issuer and affiliated companies may exercise a different function, if applicable, in relation to the products, for example as calculation agent, paying agent or administrative office.

### Distribution Compensation/Distribution Allowances from and to Third Parties

In connection with the Products, the Issuer and/or its affiliates may pay to third parties or to each other, or receive from third parties one-time or recurring remunerations (e.g. placement or holding fees). Such remunerations, if any, are included in the Issue Price. Investors may request further information from Bank Julius Baer & Co. Ltd. By receiving payments in connection with the Products, the interest of the Issuer or such affiliate may be adverse to the interest of the investor in the Products.

### Amendments to the Product Conditions

Information regarding unforeseen changes to the conditions of the Product which may arise during the lifetime of the Products are not subject to this document but may be obtained from your client advisor upon request and will be published on:

<http://derivatives.juliusbaer.com>; corporate actions and/or [http://www.six-swiss-exchange.com/news/official\\_notices/-search\\_en.html](http://www.six-swiss-exchange.com/news/official_notices/-search_en.html). This document will not be amended throughout the term of the Products.

### Selling Restrictions

The Products were not registered with the local regulator and are not publicly distributable outside of Switzerland. The Products may not be offered in any jurisdiction in circumstances that would result in the Issuer being obliged to register any further prospectus relating to the Products in that jurisdiction. Potential purchasers of the Products are advised to read the detailed selling restrictions in the Base Prospectus and the Final Terms. Potential purchasers of the Products should seek specific advice before purchasing or selling-on a Product. Particular attention should be paid to the selling restrictions set out in the Base Prospectus and the Final Terms with respect to the following jurisdictions: European Economic Area (EEA), United States of America, United Kingdom, Guernsey, The Netherlands, Italy, Hong Kong, Singapore, Dubai International Financial Centre, United Arab Emirates, Kingdom of Bahrain, Israel, Uruguay, Panama. These restrictions must not be taken as conclusive guidance as to whether the Products can be sold in a jurisdiction. For investors located in Panama: Neither these securities, nor their offer, sale or transfer, have been registered with the Superintendence of the Securities Market (formerly the National Securities Commission). The exemption from registration is based on numeral 3 of Article 129 (Institutional Investors) of Decree Law 1 of July 8, 1999 as amended and organized into a single text by Title II of Law 67 of 2011 (the "Securities Law"). In consequence, the tax treatment established in Articles 334 to 336 of the Securities Law, does not apply to them. These securities are not under the supervision of the Superintendence of the Securities Market.

European Economic Area:

The document and the offer when made are only addressed to and directed at persons in member states of the European Economic Area ("EEA") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State of the European Economic Area) and any implementing measure in each relevant Member State of the EEA (the "Prospectus Directive") ("Qualified Investors"). In addition, in the United Kingdom ("UK"), this document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on (i) in the UK, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the UK, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to (i) in the UK, relevant persons, and (ii) in any member state of the EEA other than the UK, Qualified Investors, and will be engaged in only with such persons.



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Hong Kong:

The Products are not offered or sold, and will not be offered or sold, in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the SFO and any rules made

under the SFO; or (ii) in other circumstances which do not result in this document or any other document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of the Hong Kong SAR (the "Companies Ordinance")) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; The documentation have not been issued and will be issued for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Products, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Products which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

**Dividend equivalent payments**

Investors should note that "dividend equivalent" payments made in connection with the Products are subject to an U.S. federal withholding tax under Section 871(m) of the U.S. Internal Revenue Code. The Issuer will always apply a withholding of 30 percent on such dividend equivalent payments linked to stocks of U.S. corporations or certain indices containing U.S. corporations. Accordingly, the investor will receive less than the amount he would have otherwise received in the absence of such withholding.

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**Investors must be aware that conversations on trading lines are recorded. No objection is assumed.**

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