Est. 1995

Baumstein Capital

INDEPENDENT & UNCONVENTIONAL

BAUMSTEIN CAPITAL

INTRODUCTION

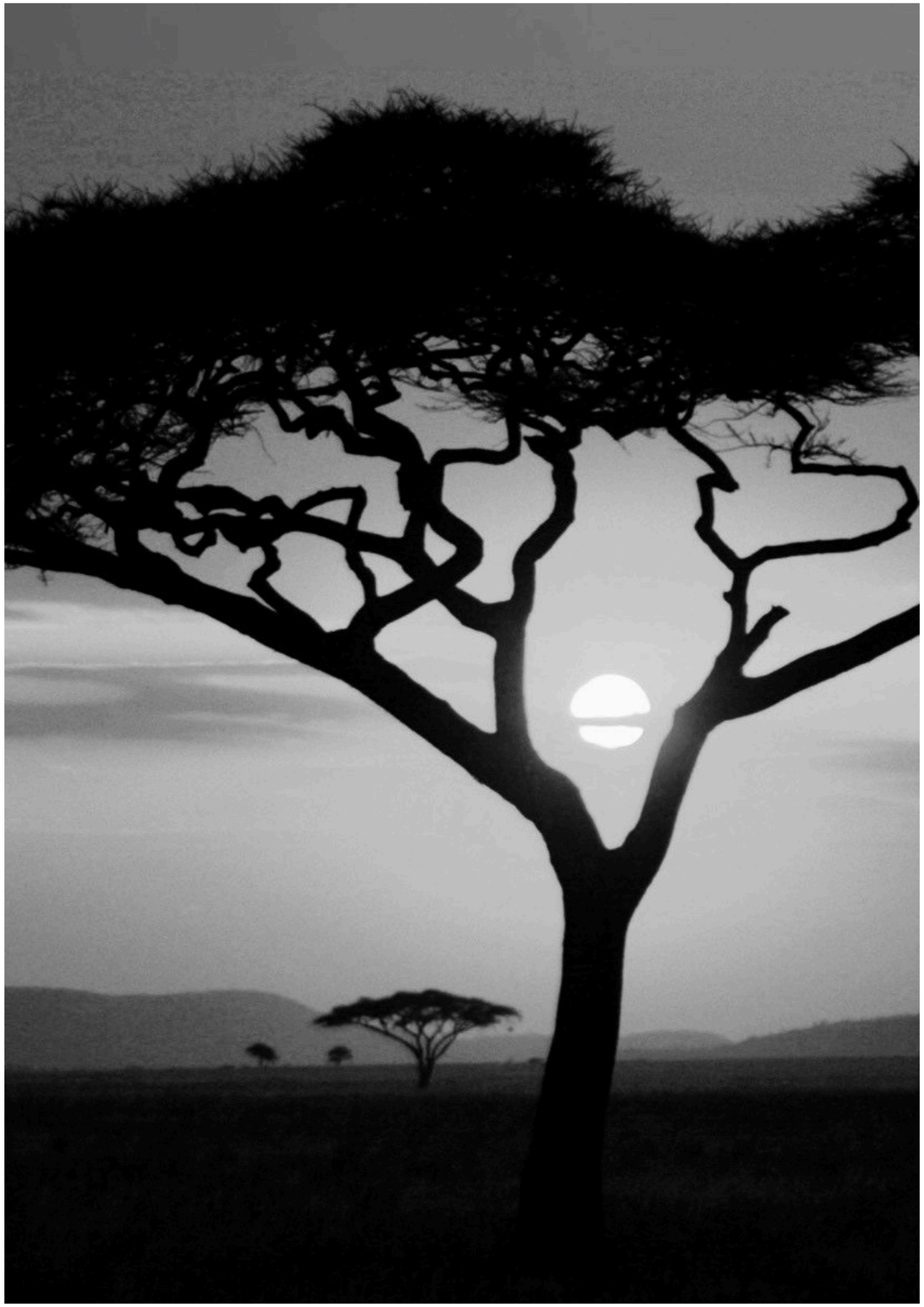
- Baumstein Capital is an alternative independent asset management firm since 1995 grounded in merging alternative economic-financial theory and practical application. Our experience and continuous studies have led us to the belief that "the behaviour of the whole is fundamentally different from that of basic components".
- We are proud to be an independent asset manager in Swiss Market. Our autonomy has been desired, conquered and cultivate with determination in order to offer effective alternative asset management and consulting solutions as developed on our own specific skills.

ABOUT US

- We are a diversified alternative asset managers and use an interdisciplinary not-traditional research-driven approach to identify opportunities and set up resilient portfolio stemming from our decades of accumulated know-how in the credit markets, structured finance as well as arbitrage and securities business.
- Baumstein Capital provides our clients - including institutional investors, such as pension funds, insurance companies, endowments, foundations, family offices, private banks and financial advisors - with an alternative systematic approach to portfolio construction.
- We do this by filtering out market noise identifying what can cause complexity and fragility so to isolate what matters most, and by implementing alternative ideas that, aware of interdependence and interconnection of numerous factors relating to the economic and financial modern world are bringing into question the idea of some form of stability.

HOW WE START

- With an extensive and decades long experience working in important financial institutions and with world wide asset managers, Broker & Dealers, Bank Treasury Offices and other financial service providers, a pool of macro-economic researchers and financial engineers settled on providing financial planning, asset management and trust services to High Net Worth Individuals, Endowments, Foundations, Pension Funds and other Institutional Investors using our alternative not classical research-driven investment approach.



OUR PHILOSOPHY

- The complexity is for us not only a concept, it's also a measure of vitality, sophistication and intricacy from a general perspective. Ultimately, it reflects the culture of a country. Countries with higher complexity may be viewed as more 'advanced' (not technologically!) but also less governable. Implementing reforms in such countries may be more difficult and it can affect stock-exchanges and fixed income performances.
- Therefore our research, examining thoroughly and without preconceptions the data provided by different real-time data providers, have revealed that there are decisively positive feedback in the financial markets and that there is certainly a long-term dependence on an event that, happening now in a given location, affects every other event anywhere else, and in the far future.
- Thence we provides our investors with customising investment portfolios characterised by high resilience and low complexity, capturing the impact of sustainability and mitigating the complexity of global markets and economy.

WEALTH MANAGEMENT

- Baumstein Capital's investment approach is grounded in alternative economic theory and backed by thousands of empirical researches and data analysis.
- Our investment strategy is based on a broad array of fixed income sectors and securities, having an average portfolio credit rating ranging from A and up that share certain characteristics which allow easy placement with third parties, in short getting easy the settlement of securities on the market, so offering strong risk-return tradeoff potential. It explains why so many HNWIs seek our expertise in meeting their financial challenges.
- Strong interconnection of current financial market, created especially in recent years by excessive derivatives trade *[at 30/06/2017 - Data Bank for International Settlements - Global OTC derivatives market was worth 542 trillion U$D]* and the increase of market participants, pursuing few investment opportunities and using similar strategies, leads the markets to cross the threshold of instability and more frequent and violent changes of prices.

OUR CONCEPT

- In the last years the placement of medium / long-term bank debentures on the wholesale market has emerged as an opportunity for banks to improve the mismatch of maturities between assets and liabilities and mitigate the dependence on ECB\FED funding.
- Bank Debenture Notes are not just attractive for issuers. While Banks with funding or capital needs can look to these notes as a cost saving instruments with lower execution risk than a public deal, investors holding excess cash or with specific needs can buy bank debentures, and do so at increasingly attractive levels. When a bank issues Bank Debenture Notes, the Bank Debenture holder becomes creditors for the bank. In return, the bank pays interest at a fixed and predetermined rate to the Debenture holder. Bank Debenture Note is a form of debt security instrument.
- Successful assets managing are built on the knowledge that not all private securities are created equal, and that strong covenants alone do not justify investing in a weak company. This is the reason we have extensive and decades long experience working with asset managers, Broker & Dealers, Banks (Treasury Offices) and other financial service providers.

COVENANTS DIFFERENTIATE PRIVATE AND PUBLIC ISSUES

- Covenants are a key differentiator between public and private bonds. They govern the relationship between the private bond issuer and the investor, protecting the bond holder. Skilful covenant evaluation when buying bonds can mitigate an investor's losses and improve recoveries in a default scenario.
- Our research department has noticed an increased interest from investors in the private placement format as it is perceived as a more 'tailor-made' product. In addition, issuers tend to be more selective when accessing the primary public market due to a perceived higher execution risk due to increased volatility and higher required new issue premiums versus secondary market levels.
- Other participants in the securities community see senior levels remaining steady. But they acknowledge the growth in tier two debt in Securities format and the increasing deal sizes.
- Thence for issuing Bank Debenture Notes, a bank has to duly file an application to the competent authority (Central Bank) and if the competent authority has no objections, the application shall receive approval and the latter shall become jointly and severally liable with.

OUR SKILLS

- Our investment strategy is based on a broad array of fixed income sectors and securities, having an average portfolio credit rating ranging from A and up, customising client's portfolio and defining alternative not classical research-driven strategies:

  a) Macro-economic analyses and of individual country as a whole;

  b) Analysis of some asset classes in particular, such as gold products;

  c) Studies on international negotiation outside the swift system;

  d) Financing through sovereign guarantees for major infrastructure;

  e) Bank Debenture Notes Issues;

  f) OTC interest rate derivatives in a variety of currencies;

  g) Complete and structured financial solutions for HNWIs.

FINANCIAL PLANNING

- Our smart area of competence includes:
  - Analysing all client financial information
  - Designing a saving and spending strategy
  - Aligning goals with resources
  - Risk tolerance
  - Income tax management
  - Estate planning
  - Tax management
  - Insurance
  - Trusts
  - Equity-based planning
  - Philanthropy
  - Legacy planning

- **Bank debenture notes[1]:** Debenture secured and unsecured notes are types of investments that pay interest. Banks issue them as a way to raise funds from investors. In return for your money, the bank promises to make regular interest payments, and return the money you lent them on a date in the future. Debentures, secured and unsecured notes usually offer higher interest rates than bank deposits. The interests can be as well floating rate.

  We only intend notes issued in Tier 1 from Top World Banks.

- **Tier 1:** Tier 1 capital, used to describe the capital adequacy of a bank, is core capital that includes equity capital and disclosed reserves. Equity capital is inclusive of instruments that cannot be redeemed at the option of the holder. Tier 1 capital is essentially the most perfect form of a bank's capital – the money the bank has stored to keep it functioning through all the risky transactions it performs, such as trading/investing and lending.

  From a regulator's point of view, Tier 1 is the core measure of the financial strength of a bank because it is composed of core capital.

- **Tier 1 Capital Ratio:** The Tier 1 capital ratio compares a bank's equity capital to its total risk-weighted assets (RWAs). RWAs are all assets held by a bank that are weighted by credit risk. Most central banks set formulas for asset risk weights according to the Basel Committee's guidelines.

[1]*Why bank debentures notes*? Because Banks may, in the event of insolvency, resort to central bank liquidity or the liquidity of the interbank. For this reason bank instruments are always considered solvency. Moreover, once they issued these debenture notes and got the "green light" from the Central Bank, the latter became "jointly and severally liable".

DISCLOSURE POLICY_1

Disclosed documents and relevant website (and the information on it) are directed only at persons who are Institutional/Wholesale/ Professional clients and Qualified Investors.

Under Swiss Law, the term «qualified» refers to investors as defined by article 10 par. 3, 3bis and 3ter of the Federal Act on Collective Investment Schemes (CISA) and article 6 of Collective Investment Schemes Ordinance (CISO):

- EXCERPT FROM CISA (AS OF 1ST JANUARY 2014):
  - Art. 10 par. 3:
    - A. regulated financial intermediaries such as banks, securities traders, fund management companies and asset managers of collective investment schemes, as well as central banks
    - B. regulated insurance institutions;
    - C. public entities and retirement benefits institutions with professional treasury operations;
    - D. companies with professional treasury operations;
  - Art. 10 par. 3bis:
    - A. High-net-worth individuals may declare in writing that they wish to be deemed qualified investors. In addition, the Federal Council may make such persons' suitability as qualified investors dependent on certain conditions, specifically technical qualifications.
  - Art. 10 par. 3ter:
    - A. Investors who have concluded a written discretionary management agreement as defined in Article 3 Paragraph 2b and c are deemed qualified investors unless they have declared in writing that they do not wish to be deemed as such.

DISCLOSURE POLICY_2

- EXCERPT FROM CISO (AS OF 1ST JANUARY 2015)
  - Art. 6 Qualified investors

1. A high-net-worth individual pursuant to Article 10 paragraph 3bis of the Act is any natural person who at the time of subscribing to the collective investment scheme meets one of the following conditions:

   A. Investors shall provide evidence that they:

      I. have the knowledge required to comprehend the risks of the investments based on their individual education and professional experience or based on comparable experience in the financial sector;

      II. hold assets of at least five hundred thousand Swiss francs.

   B. Investors shall confirm in writing that they hold assets of at least five million Swiss francs.

2. The financial investments directly or indirectly owned by the investors are attributed to the assets pursuant to paragraph 1, specifically:

   a. bank credit balances at sight or on demand

   b. trust funds

   c. securities including collective investment schemes and structured products;

   d. derivatives

   e. precious metals;

   f. life insurance policies with a surrender value.

3. Direct investments in real estate, social security entitlements and occupational pension assets are not financial investments pursuant to paragraph 2;

4. Assets pursuant to paragraph 1 letter b may comprise immovable assets of up to two million Swiss francs. Immovable assets are included at their net value. The net value is calculated on the basis of the market value less all debt associated with the immovable asset.

5. At the time of purchase, the investor must provide evidence of the assets pursuant to paragraph 1.

- Art. 6a Written declaration

(Art. 10 para. 3bis and 3ter CISA)

1. High-net-worth individuals wishing to be considered qualified investors pursuant to Article 10 paragraph 3bis of the Act shall confirm this in writing.

If a private investment structure is set up for one or more high net-worth individuals, confirmation may be provided by a person responsible for managing the investment structure provided he or she is authorised to do so by the investment structure.

2. The financial intermediary and the independent asset manager shall:

a. notify the investors pursuant to Article 10 paragraph 3ter of the Act that they are deemed a qualified investor;

b. explain the associated risks to them; and

c. refer them to the opportunity to be able to explain in writing that they do not wish to be deemed a qualified investor.

LEGAL POLICY

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Baumstein Capital

POLYASSET Asset Manager

OUR FOCUS IS ON YOU

Baumstein Capital AG
Scima Gron 147
6537 Grono - CH
T. +41 91 922 77 44
info@baumsteincapital.ch
www.baumsteincapital.ch