

**Product Profile**

<i>Fund Name</i>	BI SICAV Emerging Markets Corporate Debt I
<i>ISIN</i>	LU0253262702
<i>Investment universe</i>	Global Corporate Bonds
<i>Benchmark</i>	JP Morgan Corporate Emerging Markets Bond Index Broad Diversified hedged to EUR
<i>Base Currency</i>	EUR
<i>Earnings</i>	Distribution
<i>Inception date</i>	28/09/06
<i>Fund Volume</i>	EUR 60.94 m (all share classes: EUR 136.31 m) per 31/10/11
<i>Management Fee</i>	0.80 % p.a.
<i>TER</i>	1.15 % p.a.
<i>Fund Manager</i>	Søren Bertelsen
<i>Company</i>	BI SICAV
<i>Internet</i>	www.bankinvest.com

**Investor's Profile**

<i>Investment horizon</i>	mid-/long term
<i>Risk classification</i>	very high (compared with peer group)
<i>Return expectations</i>	annual outperformance of the benchmark 2 % - 2.5 % gross – over a 3 year period
<i>Loss Tolerance</i>	losses possible

**TELOS Comment**

The *BI SICAV Emerging Markets Corporate Debt I* is an actively managed bond fund, which invests exclusively in corporate bonds from emerging markets. Its benchmark is the JP Morgan Corporate Emerging Markets Bond Index Broad Diversified (hedged in EUR). The fund may hold up to 30 % of its assets in local currencies. Its US exposure is hedged against EUR.

The higher spreads and low default rates of corporate bonds from emerging markets are important reasons why *BankInvest* invests in emerging markets bonds. The fund is designed to give investors the opportunity of participating in the anticipated higher than average growth in emerging markets. *BankInvest's* philosophy is that corporate bonds from countries that are structurally weak or could enter a crisis should not be included in the portfolio owing to the higher default rates experienced there. The *BankInvest* Emerging Markets Debt team in Copenhagen observes the emerging markets. The investment process involves a combination of top-down and bottom-up approaches, taking both quantitative and qualitative factors into account. The top-down allocation is based on a country screening and uses proprietary country risk models, making assessments of a range of macroeconomic and political factors. The expert knowledge of an advisory board composed of top-class economic experts is also applied. Corporate bonds from those countries with relatively low country risks that have been selected during the process undergo quantitative and qualitative analysis, are included in the investment case and presented to the Credit Committee. Risk management is seen as an integral constituent of portfolio construction and has

gained in importance since last year. This is evidenced by the fact that the investment team now includes a risk manager, who previously worked outside the team, supporting the fund managers. The risk management still has no right to veto investment decisions. An important objective of risk reduction is to keep the fund diversified across a sufficiently large number of bonds. No more than 3 % may be invested in the bonds of a single issuer. The limit per country in investment grade bonds is 20 %. The maximum proportion for lower rated bonds is 10 %. When determining position sizes, great attention is paid to the DTS (duration time spread) ratio. The traditional examination of falling ratings and the likelihood of payment default by individual issuers is still an extremely important feature of risk management.

The strategy and benchmark were altered at the end of December 2008, so that the earlier performance balance is no longer relevant. The portfolio was restructured at the beginning of 2009. The fund now invests exclusively in corporate bonds from emerging markets. *Søren Bertelsen* has taken over as fund manager. The former sole fund manager *Troels Halck Petersen* is still involved in the process and is also a member of the Credit Committee. However, the investment process has not altered as a result. Since the change of strategy at the end of 2008, the fund has outperformed its benchmark. The excellent outperformance of the fund since its restructuring indicates great stability.

The *BI SICAV Emerging Markets Corporate Debt I* is still rated **AA+**.

## Investment Process

The *BI SICAV Emerging Markets Corporate Debt I* is managed by the *BankInvest Group*, one of the leading Danish asset managers, based in Copenhagen. Investments in emerging markets have been one of the key focuses of the *BankInvest Group* for many years. The fund manager *Søren Bertelsen*, who regularly compares views with his colleagues from the Emerging Markets Debt team, carries overall responsibility for the investment decisions. *Søren Bertelsen* is supported by his co-manager *Troels Halck Petersen*.

The investment universe comprises exclusively corporate bonds from emerging markets. The investment philosophy is based on the belief that emerging market corporate bonds are an undervalued asset class, which promises attractive returns at relatively low risk. According to the fund managers, companies from emerging markets are often rated lower than their financial and strategic strength would merit. As a result, the coupons for such risks are extremely attractively priced. The objective of the fund is to outperform its benchmark, JP Morgan Corporate Emerging Markets Bond Index Broad Diversified, by 2 % to 2.5 % over a 3 year period by active fund management. An investment strategy that represents a combination of top-down and bottom-up approaches is used to achieve this. The fund managers initially examine macroeconomic factors such as economic growth, fiscal policy, balance of payments, inflation and currency management, using proprietary country risk models for 27 selected emerging

markets. Structurally weak countries are filtered out. Political factors are also taken into account. All these factors are then assessed using a scoring model. Face-to-face meeting with the decision-makers from the individual countries are extremely important. Bonds are then selected from the bottom up, based on the top-down analyses of the Emerging Markets Debt team for the selected countries. The analyses are used to establish an investment case for the individual issuers, which is based on a scoring system using 7 factors (leverage, liquidity, industry, company, corporate governance, event risk and country). This investment case is used to make a recommendation to the Credit Committee. Recently, this has also included the results of analyses of ESG factors, which are conducted in-house for the SRI version of the fund and are made available. The committee comprises the fund manager *Søren Bertelsen* and his deputy *Troels Halck Petersen*, and also *Chresten Hagelund*. An investment is only made when both fund managers are in favour of it. Only one vote is needed for a sale. The weightings of the individual bonds are then selected on the basis of their investment case, risk/return ratio, taking into account liquidity aspects, issue sizes and with consideration to the DTS (duration time spread) ratio, with the bonds generally being weighted at 1 % - 2 %. Investment decisions taken by the Emerging Markets Debt team are implemented by the Trading team.

## Quality Management

Fund performance is analysed daily and is compared against the benchmark and peer group results. The fund's risk profile is analysed using the Algo Risk Service. Performance contributions are calculated by FactSet during an attribution analysis. The fund manager takes account of

these analyses during portfolio construction. The investment restrictions are automatically checked before orders are passed to the trading desk. The Compliance team also monitors the fund on a daily basis.

## Team

Since the strategy changed, *Søren Bertelsen* has managed *BI SICAV Emerging Markets Corporate Debt I*. The portfolio managers within the six man Investment team, who adopt a team approach, all have academic qualifications and also additional qualifications. They also have relevant experience in the asset class areas (corpor-

ates, sovereigns) and regions assigned to them for the fund. The Latin American region formerly covered by *Dorthe F. Nielsen* now falls within the remit of *Søren Bertelsen*. The Investment team is supported by an Advisory Board made up of three economic experts.

## Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Credit Spreads	Country allocation
Equity market (volatility)	Credit-worthiness
Economic environment	Asset selection
Country risk	Asset weighting
Liquidity	Maturity allocation

## Product History

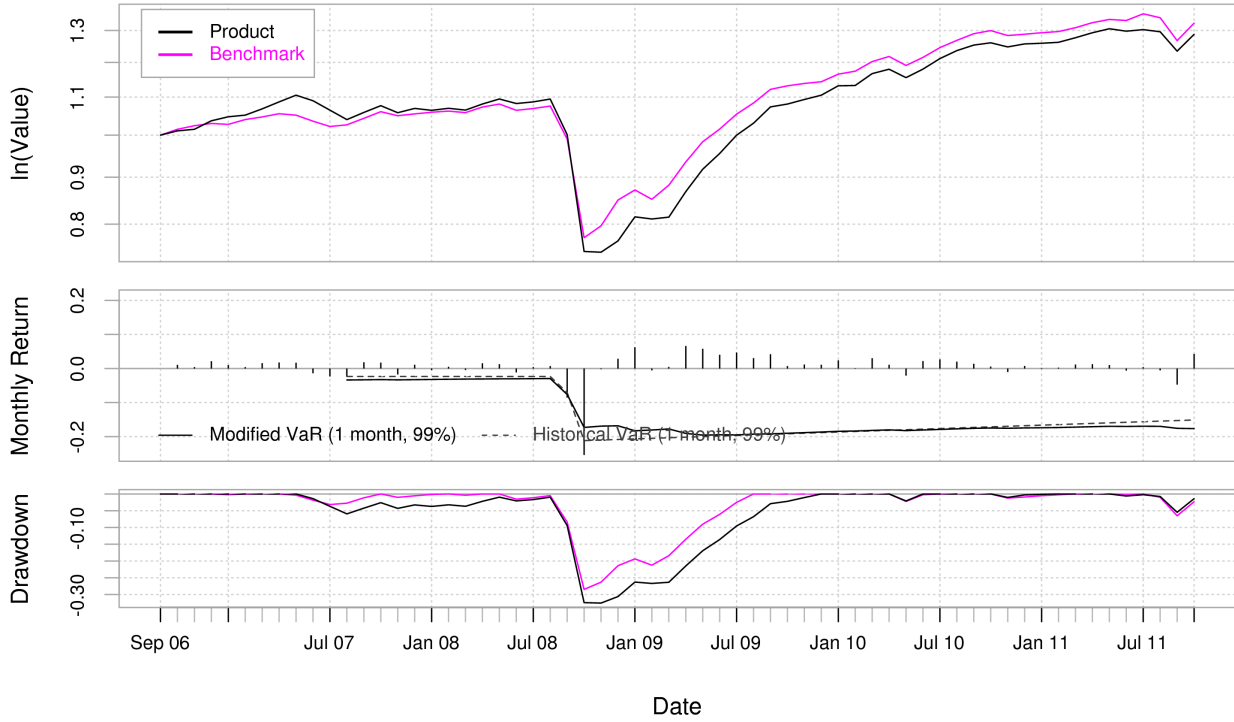
### Monthly Returns

	2006	2007	2008	2009	2010	2011
Jan	-	1.0	-0.5	6.2	2.4	0.2
Feb	-	0.4	0.5	-0.5	0.1	0.2
Mar	-	1.6	-0.4	0.5	3.0	1.2
Apr	-	1.8	1.5	6.6	1.1	1.3
May	-	1.7	1.3	5.8	-2.1	1.0
Jun	-	-1.4	-1.1	4.0	2.2	-0.6
Jul	-	-2.3	0.4	4.7	2.7	0.4
Aug	-	-2.3	0.7	3.1	2.0	-0.5
Sep	-	1.8	-8.5	4.2	1.4	-4.7
Oct	1.1	1.7	-25.4	0.7	0.6	4.3
Nov	0.4	-1.7	-0.2	1.2	-1.0	-
Dec	2.2	1.1	2.9	1.1	0.8	-
<b>Product</b>	<b>3.7</b>	<b>3.2</b>	<b>-28.3</b>	<b>44.1</b>	<b>13.7</b>	<b>2.4</b>
<b>Benchmark</b>	<b>3.0</b>	<b>2.4</b>	<b>-19.4</b>	<b>34.5</b>	<b>12.7</b>	<b>2.8</b>

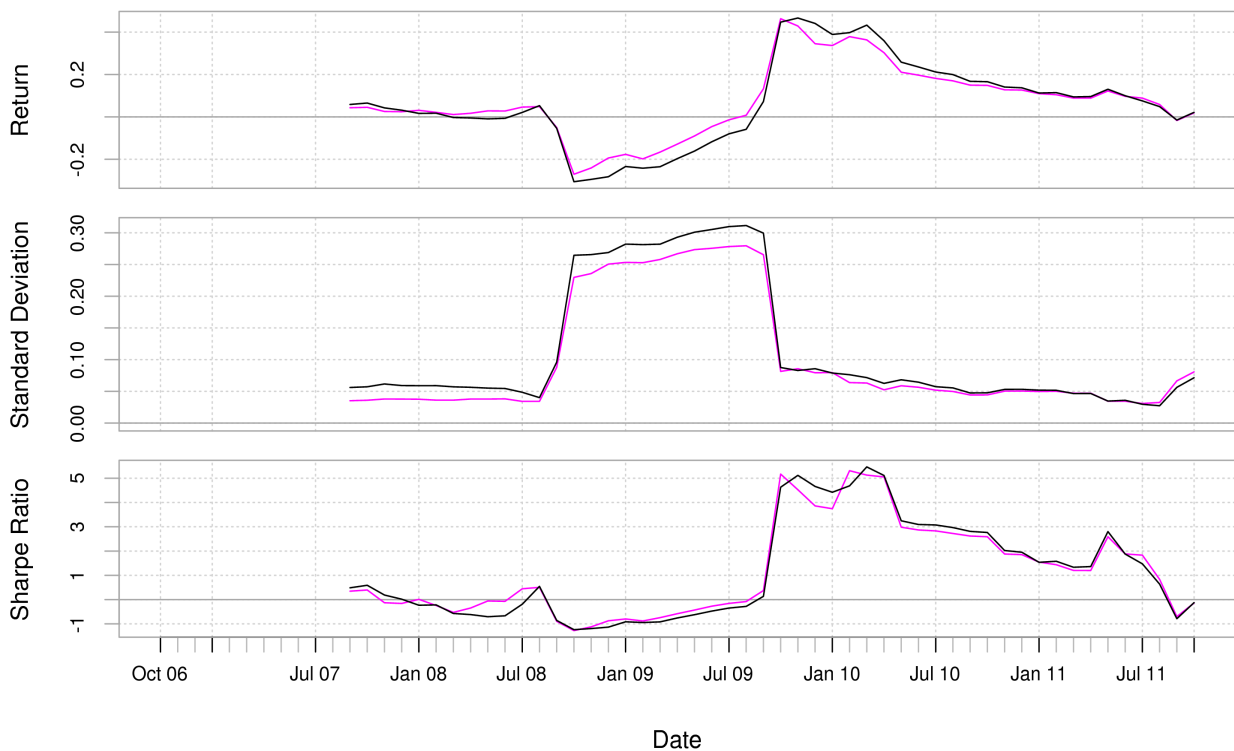
<i>Statistics per end of Oct 11</i>	<i>6 M</i>	<i>1 year</i>	<i>2 years</i>	<i>3 years</i>	<i>5 years</i>
<i>Performance (annualised)</i>	-0.82%	2.13%	9.12%	19.89%	4.96%
<i>Volatility (annualised)</i>	10.12%	7.15%	6.26%	8.11%	14.44%
<i>Sharpe-Ratio</i>	-0.38	-0.12	0.98	2.08	0.14
<i>Best monthly result</i>	4.29%	4.29%	4.29%	6.60%	6.60%
<i>Worst monthly result</i>	-4.74%	-4.74%	-4.74%	-4.74%	-25.38%
<i>Median of monthly results</i>	-0.07%	0.32%	1.05%	1.13%	1.01%
<i>Best 12-month result</i>		2.13%	16.60%	46.66%	46.66%
<i>Worst 12 month result</i>		2.13%	-1.51%	-1.51%	-30.62%
<i>Median of 12-month results</i>		2.13%	9.98%	16.60%	5.29%
<i>Maximum loss period</i>	5	5	5	5	30
<i>Maximum loss</i>	-5.46%	-5.46%	-5.46%	-5.46%	-32.55%

	<b>Fund vs. Benchmark (trailing 36 Months)</b>
<b>Jensen Alpha</b>	0.00
<b>Annualized Jensen Alpha</b>	0.03
<b>Beta</b>	0.84
<b>R-squared</b>	0.72
<b>Correlation</b>	0.85
<b>Tracking Error</b>	0.04
<b>Active Premium</b>	0.00
<b>Information Ratio</b>	0.06
<b>Treynor Ratio</b>	0.20

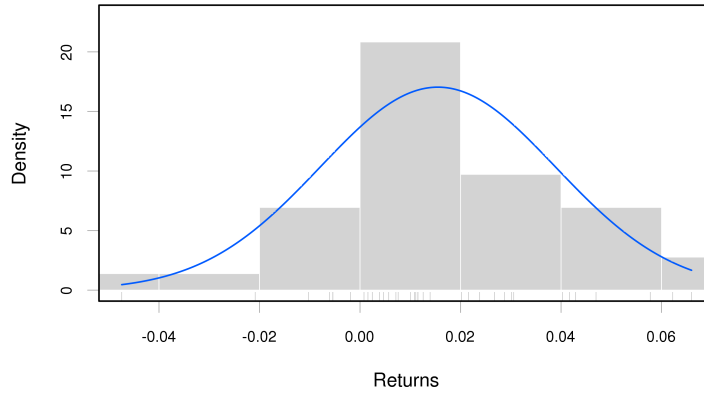
**Performance**



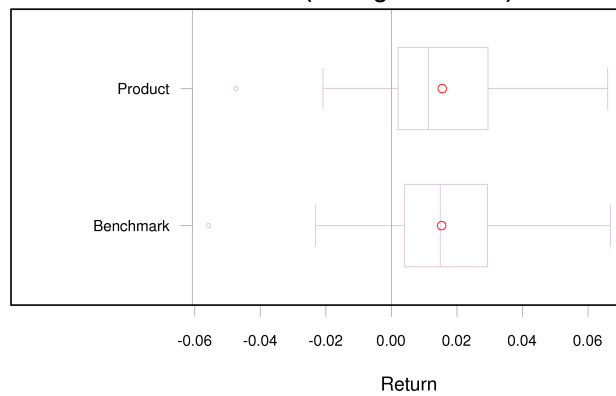
**Rolling 12-month- Performance**



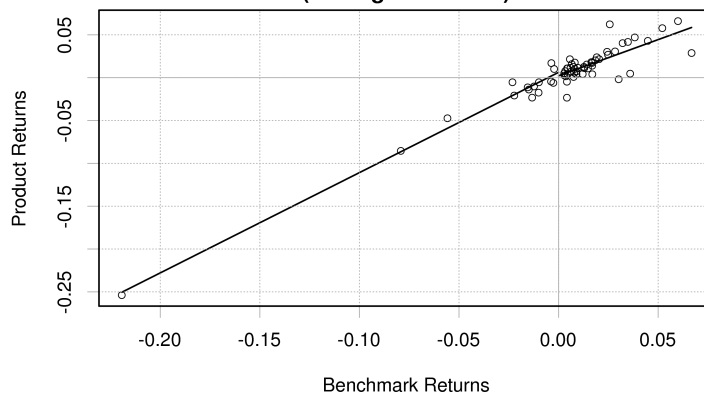
**Histogram of monthly Returns**  
 (trailing 36 Months)



**Boxplot of monthly Returns**  
 (trailing 36 Months)



**Conditional Beta of monthly Returns**  
 (trailing 36 Months)



## Explanations

### TELOS Rating Scale

AAA	The fund complies with highest quality standards
AA	The fund complies with very high quality standards
A	The fund complies with high quality standards
N	The fund does currently not comply with the TELOS quality standards
+ / -	further differentiate within a rating level

The **Product Profile** contains general information on the fund, the investment firm, and the responsible fund manager.

The **Investor's Profile** enables the investor to quickly match his or her expectations with the "official" classification of the product by the investment firm.

The **TELOS Comment** section summarises the main insights of the rating and constitutes an important supplement to the rating grade. The subsequent sections contain descriptive information on the investment process, the quality management, and the responsible team.

The **Investment Characteristics** lists – from the point of view of the fund management – the most important external determinants influencing the performance of the fund, as well as the essential factors employed for its control.

The **Product History** presents – by means of graphs and tables – the development of the fund in comparison with the money market and a benchmark (where appropriate) in respect of performance and risk criteria. All calculations are based on month-end data. Fund data and benchmark data are provided by the investment firm.

The **performance** of the fund is calculated based on reinvested prices: profit distributions are being invested in new shares of the fund immediately. Thereby, the performance of distributing and nondistributing funds is mutually comparable. This approach corresponds to the "BVI method" of performance calculation, advocated by the association of the German investment fund industry. If the fund management is guided by a *benchmark*, the performance of the latter is shown as well. Otherwise, a suitable comparative index is chosen for illustration purposes – in agreement with the investment firm.

The **Sharpe Ratio** provides information about the "excess return" of the fund with regard to a risk free financial investment – here represented by the money market – as a proportion of the total risk taken. The risk free rate used in this report is 3%, and the *volatility* is the annualised standard deviation of the monthly returns.

The **median of monthly results** is characterised by the fact that half of all monthly returns occurring in the observed period are either at least or at most as large as this value. As a result, this measure is less sensitive to

"outlier results" than, for instance, the mean (average) value of monthly returns. In an analogous way, the *median of 12-month results* should be interpreted. The *longest loss period* is the number of months needed by the fund in order to recover losses by reaching or exceeding a level that had been achieved previously in the period under consideration. If this level could not be reached again, the end of the period is used. Accordingly, the *maximum loss amount* is the largest loss which the fund suffered in the period under consideration – starting from the highest value reached earlier during this period.

**Jensen Alpha** measures the beta-risk-adjusted (cf. beta) outperformance of the fund versus the benchmark and is calculated using monthly returns. A positive value indicates the generation of added-value by the fund's management.

**Beta** is a measure of the fund's market risk exposure. A Beta larger (smaller) than one indicates that the fund will be more (less) volatile than the benchmark.

**R<sup>2</sup>** is the square of the correlation coefficient (cf. correlation). It is the measure of the quality of a linear fit on the fund's vs. the market's returns. It ranges between 0 (bad fit) and 1 (good fit).

**Correlation** is a measure of how the fund and the market move in relation to each other. Correlation ranges between -1 and +1. The extreme values i.e. -1/+1 indicate that the fund and the market always move in lockstep, for -1 in opposite directions, for +1 in the same direction. 0 indicates there is no clear relationship.

The **tracking error** is the standard deviation of differences between fund and benchmark returns. The lower the tracking error, the more closely the portfolio follows the index.

**Active Premium** or excess return measures the Out/Underperformance of a fund vs. its benchmark.

The **Information Ratio** is the active Premium divided by the tracking error. The higher the information ratio, the higher the active premium of the fund, given the same level of risk.

The **Treynor Ratio** is the return in excess of the riskfree rate, divided by beta. The Treynor ratio is a beta-risk-adjusted measure of outperformance vs the riskfree rate.

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**AA+**  
11/2011

## BI SICAV Emerging Markets Corporate Debt I

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