

<b>Product Profile</b>	
<i>Fund name</i>	Corps-Corent
<i>ISIN</i>	DE0005316285
<i>Investment universe</i>	Euro-denominated Corporate Bonds (Investment Grade)
<i>Benchmark</i>	iBoxx € Corporates Non-Financials
<i>Base currency</i>	EUR
<i>Earnings</i>	Distribution
<i>Inception date</i>	02/07/2001
<i>Fund volume</i>	EUR 51.7 m as of 31/01/2006
<i>Management Fee</i>	0.45% p.a. (since 01/01/2006, minimum investment EUR 250 000)
<i>TER</i>	0.37% p.a.
<i>Fund manager</i>	Roland Rübeseam, CEFA
<i>Company</i>	COMINVEST Asset Management GmbH
<i>Internet</i>	www.cominvest-am.com
<b>Investor's Profile</b>	
<i>Investment horizon</i>	medium- to long-term
<i>Risk classification</i>	medium to low (comparable to pure Euroland bond products)
<i>Return expectation</i>	appropriate, consistent return through participation at corporate bonds market (aim: higher return than government bonds)
<i>Loss tolerance</i>	short-term losses are possible

## TELOS Comment

The *COMINVEST Corps-Corent* is a fixed income fund with investment universe focused on Euro-denominated corporate bonds (investment grade). Diverging from its benchmark, the fund also acquires bonds from financial institutions when they are judged to be more attractive.

The investment process is a combination of top-down and bottom-up approaches, where on each stage both quantitative and qualitative factors are taken into account. The duration of the portfolio should in general differ only little from the benchmark's.

The top-down allocation employs in-house quantitative models and scorings based on qualitative criteria. Foundation for the security selection is an internal rating model for evaluating corporations. The model consists of an automated quantitative scoring based on balance sheet ratios as well as a qualitative evaluation of the issuer. Both of these components are aggregated to an overall rating which is compared to ratings of established rating agencies to ensure consistency. The focus is on primary research which is complemented by secondary research. The long-standing contacts to and experience with sell-side analyst are employed to review internal research findings and to adjust them if appropriate. The research results enter a model portfolio which supports the efficient implementation of

the strategy.

Well-established risk models and systems allow the fund management to take risk aspect into account while constructing the portfolio. An ex-post risk control as well as the monitoring of compliance with investment restrictions is performed by independent units. The models and methods applied within the investment process as well as the research quality are regularly validated. However, these controls could be formalised more strictly. The technical infrastructure has been updated, an automated ex-ante check of investment restriction is implemented.

The performance since inception is, after cost, slightly above benchmark. The utilised risk budget (tracking error), in particular since reducing duration differences, is relatively low. The Sharpe Ratio varies quiet strongly due to low returns compared with money market rates, although volatility has changed only very little.

The investment team disposes of qualified members who have been working for several year in this function at the company. A number of experienced staff contribute to the top-down decisions. On the other hand, the resources in bottom-up research could still be expanded.

The *COMINVEST Corps-Corent* is a sound, well-managed fund and receives the evaluation **AA**.

## Investment Process

The *Corps-Corent* is managed by *COMINVEST Asset Management GmbH* in Frankfurt, a subsidiary of Commerzbank, also located in Frankfurt. A total of 13 employees are involved in the investment process. Eight fund managers and two analysts examine issuers and issues, whereas the responsibilities are assigned by sectors. The fund manager, *Roland Rübeseam*, is accountable for the investment decision.

The investment universe is composed of Euro-denominated corporate bonds (investment grade), including financial institutions.

The foundation of the investment philosophy is the view, that the efficiency of financial markets is limited. From these inefficiencies and by making use of an adequate risk budget a performance above benchmark is to be generated.

In monthly strategy meetings, the weights of corporate bonds and rating categories are decided upon through a top-down approach. In addition to credit spreads, qualitative factors such as business cycle, yields as well as general rating developments play a significant role. Special situations (for instance technological development or M&A activities) are considered within the sector allocation. The duration of the portfolio should in general differ only little from the benchmark's.

In a bottom-up approach, issuers are selected for a

recommendation list and individual securities are assigned to the model portfolio. The latter provides guidance for the implementation of strategies into individual funds. Its starting point is an internal rating model for evaluating corporations, which is based on selected (current and forecasted) balance sheet ratios. Additionally, qualitative factors are considered. Both of these components are aggregated to an overall rating which is compared to ratings of rating agencies to ensure consistency. The selection of bonds is supported by relative value analyses. The consideration of issue-specific characteristics tops off the approach.

Through integrated risk management systems the fund management can take into account risk aspects while concluding the portfolio. In particular, the issuer risk (weight, contribution to duration) is taken into consideration. In addition, an early warning system is employed to spot large spread changes ahead of time. The factors considered are, among others, the development of CDS, stock price development and its volatility.

The resulting trades are entered in the front-office system, from where they are routed to a specialised bond-trading desk. A team of six traders is responsible for implementing them according to best execution principles. If required, the fund manager can trade with the broker himself.

## Quality Management

The Risk- and Investment Controlling department, which is organisationally independent, is responsible for risk budgeting and control. The risk profile is monitored daily by means of a multi-asset-class risk management system.

In addition, the fund's performance is calculated on daily basis and compared to a benchmark as well as to a peer group. The performance attribution is determined by a daily analysis. Further, performance

and risk are also supervised by respective committees.

The working group Fund Controlling Institutional is responsible for the monitoring of compliance with investment restrictions and other limitations. The price quality of brokers is also monitored continuously, the results play an important role in the regular review of the broker list.

## Team

The corporate bond team has been working together for many years, the average investment experience of the team is more than ten years. The fund has been managed by *Roland Rübeseam* virtually since its launch. All team members dispose of university

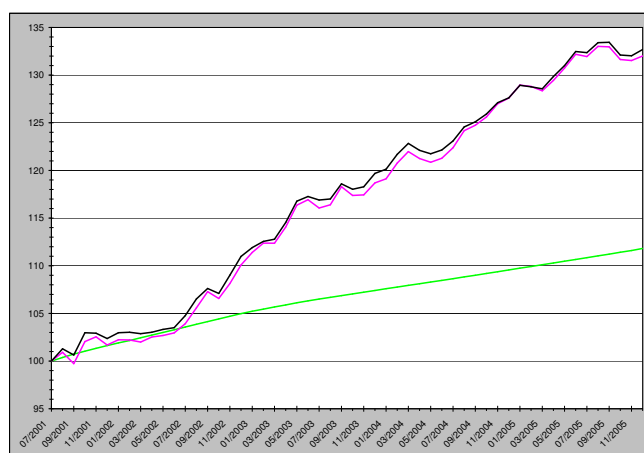
degrees and the majority have additional qualifications such as CEFA. Apart from a base salary in line with market conditions, employees receive a bonus payment depending on performance and risk.

## Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Long term interest rates (level)	Asset selection (issuer selection)
Credit spreads	Asset weighting
Sector development	Sector weighting & asset allocation
Swap spreads	Credit-worthiness
Term structure (shape)	Benchmark orientation

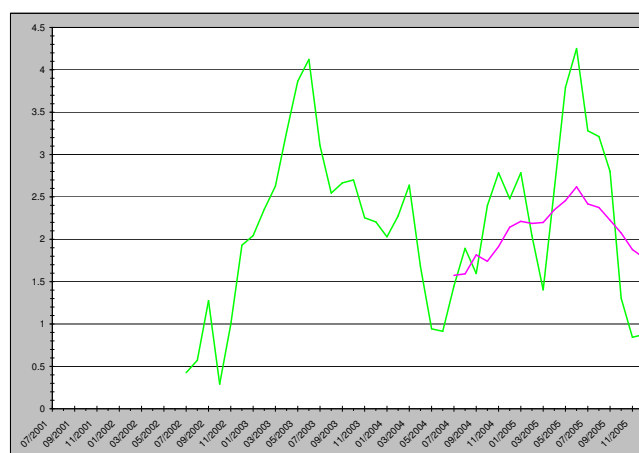
## Product History

### Performance



— Fund    — Benchmark    — Money Market

### Sharpe Ratio



— 1 Year    — 3 Years

<i>Statistics as of 12/2005</i>	<i>1 Year</i>	<i>2 Years</i>	<i>3 Years</i>	<i>5 Years</i>	<i>7 Years</i>	<i>10 Years</i>
Performance (annualised)	3.97%	5.29%	6.14%	—	—	—
Volatility (annualised)	2.18%	2.06%	2.25%	—	—	—
Sharpe Ratio	0.88	1.58	1.79	—	—	—
Best monthly result	1.12%	1.29%	1.95%	—	—	—
Worst monthly result	-1.00%	-1.00%	-1.00%	—	—	—
Median of monthly results	0.27%	0.47%	0.47%	—	—	—
Best 12-month result		8.46%	8.91%	—	—	—
Worst 12-month result		3.87%	3.87%	—	—	—
Median of 12-month results		6.63%	6.63%	—	—	—
Maximum loss period	3 M	3 M	3 M	—	—	—
Maximum loss	-1.07%	-1.07%	-1.07%	—	—	—

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## Explanations

### TELOS Rating Scale

AAA	The fund complies with <i>highest</i> quality standards
AA	The fund complies with <i>very high</i> quality standards
A	The fund complies with <i>high</i> quality standards
N	The fund does currently <i>not</i> 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 non-distributing 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 il-

lustration purposes – in agreement with the investment firm.

As a measure for the *money market*, the 1-month *LIBID* deposit rate in the fund's base currency is used, calculated via  $LIBID = LIBOR - 0.125\%$ . For periods before 1999, the respective DEM interest rates are used as a predecessor to EUR. Data source: British Bankers' Association; *LIBID(OR)* = London Interbank Bid (Offered) Rate.

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:

$$\text{Sharpe Ratio} = \frac{\text{fund return} - \text{money market return}}{\text{fund volatility}}$$

The *volatility* employed here 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 decisive.

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.

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