



AA+  
06/2009

#### Product Profile

Fund Name	Da Vinci Strategie UI Fonds
ISIN	DE000A0RE964
Investment universe	Derivates Instruments
Benchmark	-
Base Currency	EUR
Earnings	Distribution
Inception date	30/04/2009 inception of the Da Vinci Strategie UI fund, identical strategies are managed since July 2004
Fund Volume	8.5 Mio.as 30/06/2009
Management Fee	1.9% p.a. + Performance Fee (20% by a positiv performance, High-Water-Mark)
TER	2.60%
Fund Manager	Hendrik Klein
Company	Da Vinci Invest AG
Internet	www.davinci-invest.ch

#### Investor's Profile

Investment horizon	short term (2-12 weeks)
Risk classification	medium
Return expectations	10% -15% net
Loss Tolerance	short-term losses are possible

## TELOS Comment

The *Da Vinci Strategie UI Fonds* is an actively managed absolute return fund investing in derivatives. The fund seeks to identify inefficiencies and intransparencies on the option markets, and to profit from them. To this end, the fund uses a number of different option strategies, some of which are highly complex. In most cases, the investment horizon is relatively short (2-12 weeks). The Portfolio Managers endeavour to achieve positive performance in every market situation. Their ambitious goal is a return of 10-15% per annum, with volatility below 10% and a maximum monthly loss of 3%. The fund invests primarily in liquid, traded derivatives. No restrictions are set as regards the underlying securities. The clear focus is currently on bonds. However, since the management company adopts a very active approach and wishes to remain highly flexible, this is liable to change if inefficiencies on other option markets are considered more attractive. The fund is also characterised by active interest management. It has very little correlation with other traditional investment classes.

Fund construction also differs from that of other absolute return products, in that the five Portfolio Managers each take responsibility for a certain proportion of the fund volume. Dependent on where the greatest market ineffi-

ciencies are considered to be, the Portfolio Managers independently implement those trading strategies that they believe will offer the greatest potential to generate positive performance. They use strategies they have developed themselves alongside familiar option strategies. The individual strategies employed during a particular market phase depend on the expectations of the Portfolio Managers in relation to future volatility. For example, long strangle or long straddle positions are used during market phases in which increasing volatility is anticipated. If volatility is expected to decline, butterfly spread strategies are used primarily. Most of the strategies are market neutral. However, if a Portfolio Manager expects the market to move in a particular direction, he may employ call or put spread strategies.

Since its launch at the beginning of 2007, the fund's performance has been convincing, despite the difficult market environment, and it is one of the few products to have achieved a positive return in 2008. Viewed over a continuous 12 month period, the Sharpe ratio is clearly positive. If the fund outperforms its benchmark, a performance fee of 20% of the difference between the fund's performance and the benchmark is levied in addition to the management fee.

*Da Vinci Strategie UI Fonds* is rated **AA+**.

## Investment Process

The *Da Vinci Strategie UI Fonds* is managed by the *Universal-Investment-Gesellschaft mbH*, Frankfurt. The management company is the Swiss investment consultant *Da Vinci Invest*. Five Portfolio Managers are involved in the management process. The Head of Portfolio Management, *Hendrik Klein*, carries overall investment responsibility.

The fund's investment plan involves implementing a number of option strategies. It seeks to successfully exploit discrepancies between the implicit and anticipated volatility. The fund invests in liquid, traded derivatives. No restrictions apply as regards the range of underlying securities in which the fund may invest, provided the UCITS III guidelines are adhered to. Examples include both equity and bond indices, individual equities, plus currencies and commodities. Cash positions are actively managed. High liquidity is extremely important. An internal limit of 3% is set as the maximum monthly loss that is tolerated.

The fund construction is characterised by the fact that five Portfolio Managers operate more or less independently, and each implement those option strategies that they consider to be the most promising (multi-manager approach). The aim is to achieve a certain level of diversification while reducing dependence on specific individuals. The methods and focus of the individual Portfolio Man-

agers differ. For example, one of the Managers specialises in Euro-Bund bonds and another focuses more on interest rate curves. The Portfolio Managers also differ in terms of the analyses they use (macroeconomic, technical or fundamental). *Hendrik Klein* is responsible for central coordination.

Typically, the fund volume is redistributed among the five Portfolio Managers on a monthly basis, although redistribution may be more frequent if necessary. The Risk Managers allocate a certain volume of assets to each Manager, based on their recent performance. Further, the current risk budget for each Portfolio Manager is fixed, amounting to 3% of the volume of assets allocated to them. If a strategy reports a loss of 2%, 50% of the loss must be squared. If a loss exceeds 3%, the Portfolio Manager must close the position completely. Risk Management closely monitors adherence to these limits. The Portfolio Managers themselves implement their own investment decisions, although Risk Management must approve all intended investment activities before trading takes place. Orders are forwarded to the stock exchange in question via an automated order routing system. Brokers are selected on the basis of the best execution policy.

## Quality Management

Before the Portfolio Managers are allowed to implement one of their own new trading strategies, it must be approved by the Head of Portfolio Management, documented and approved by Risk Management. The two-man Risk Management team is made up of different people from the Portfolio Management and is organizationally in-

dependent. Monitoring of all open positions and all current strategies and profit & loss analyses takes place on a real-time basis. External risk management software is used to conduct daily stress tests and scenario analyses. If the internal limits are exceeded, Risk Management corrects the situation immediately.

## Team

The Portfolio Management team consists of five people and is headed by *Hendrik Klein*, one of the company's founding partners. All the team members are graduates. This highly innovative company is always on the look-out for good new recruits. Before a new Portfolio Manager is

taken on permanently, he must produce convincing positive performance. To this end, he is assigned a notional volume of assets to manage for a lengthy period. Although staff receive a basic salary, their remuneration is highly performance-orientated.

## Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Term structure (volatility)	Asset weighting
Term structure (shape)	Asset selection
Short term interest rates (level)	Currency weighting
Short term interest rates (volatility)	Liquidity allocation
Long term interest rates (volatility)	Maturity allocation

## Product History (Until the inception of the fund on the 30th April 2009 the performance and track record are based on the identical managed Da Vinci Arbitrage Fund)

### Monthly Returns

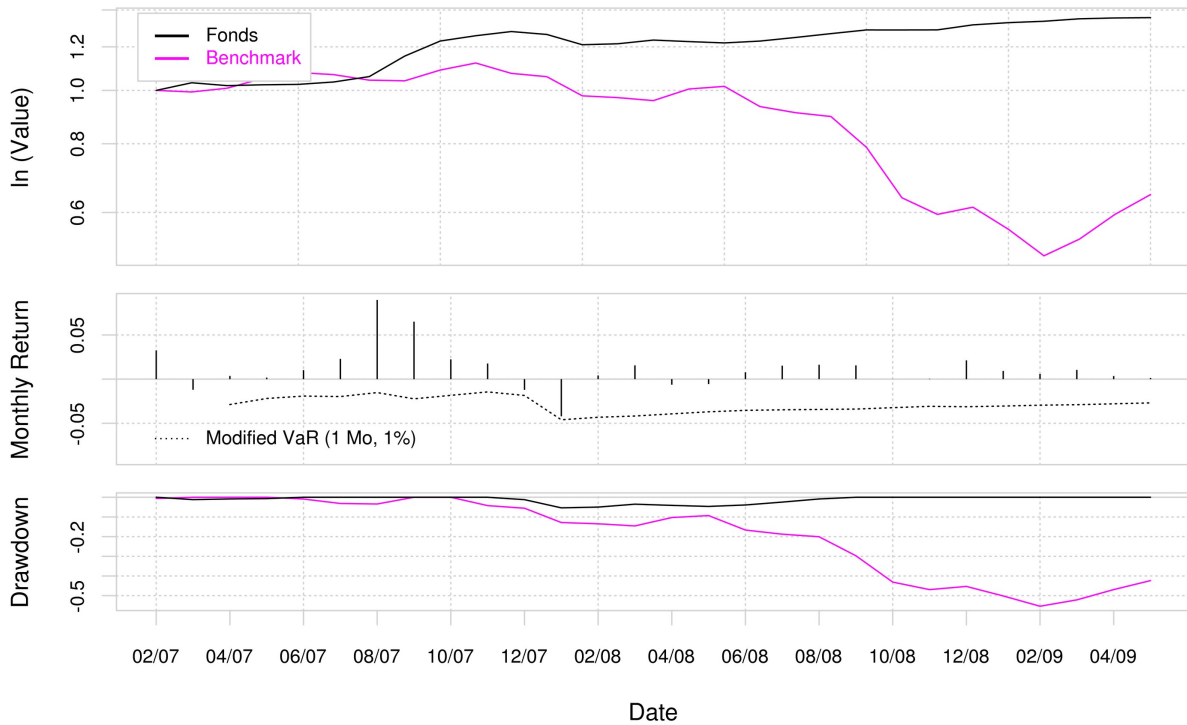
	2007	2008	2009
<b>Jan</b>	-	-4.2	0.9
<b>Feb</b>	3.2	0.4	0.6
<b>Mar</b>	-1.2	1.6	1.0
<b>Apr</b>	0.4	-0.6	0.3
<b>May</b>	0.2	-0.6	0.1
<b>Jun</b>	1.0	0.8	-
<b>Jul</b>	2.3	1.5	-
<b>Aug</b>	9.0	1.6	-
<b>Sep</b>	6.5	1.6	-
<b>Oct</b>	2.2	0.0	-
<b>Nov</b>	1.8	0.0	-
<b>Dec</b>	-1.2	2.1	-
<b>Fund</b>	26.4	4.1	3.1
<b>Benchmark</b>	5.9	-42.1	5.4

<i>Statistics per end of May 09</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>
<i>Performance (annualised)</i>	10.77%	11.15%	14.99%	-	-	-
<i>Volatility (annualised)</i>	2.45%	2.43%	8.55%	-	-	-
<i>Sharpe-Ratio</i>	2.77	2.94	1.29	-	-	-
<i>Best monthly result</i>	2.12%	2.12%	8.97%	-	-	-
<i>Worst monthly result</i>	0.13%	-0.01%	-4.21%	-	-	-
<i>Median of monthly results</i>	0.76%	0.85%	0.97%	-	-	-
<i>Best 12-month result</i>		11.15%	18.95%	-	-	-
<i>Worst 12 month result</i>		11.15%	0.70%	-	-	-
<i>Median of 12-month results</i>		11.15%	9.84%	-	-	-
<i>Maximum loss period</i>	0 M	1 M	9 M	-	-	-
<i>Maximum loss</i>	0.00%	-0.01%	-5.38%	-	-	-

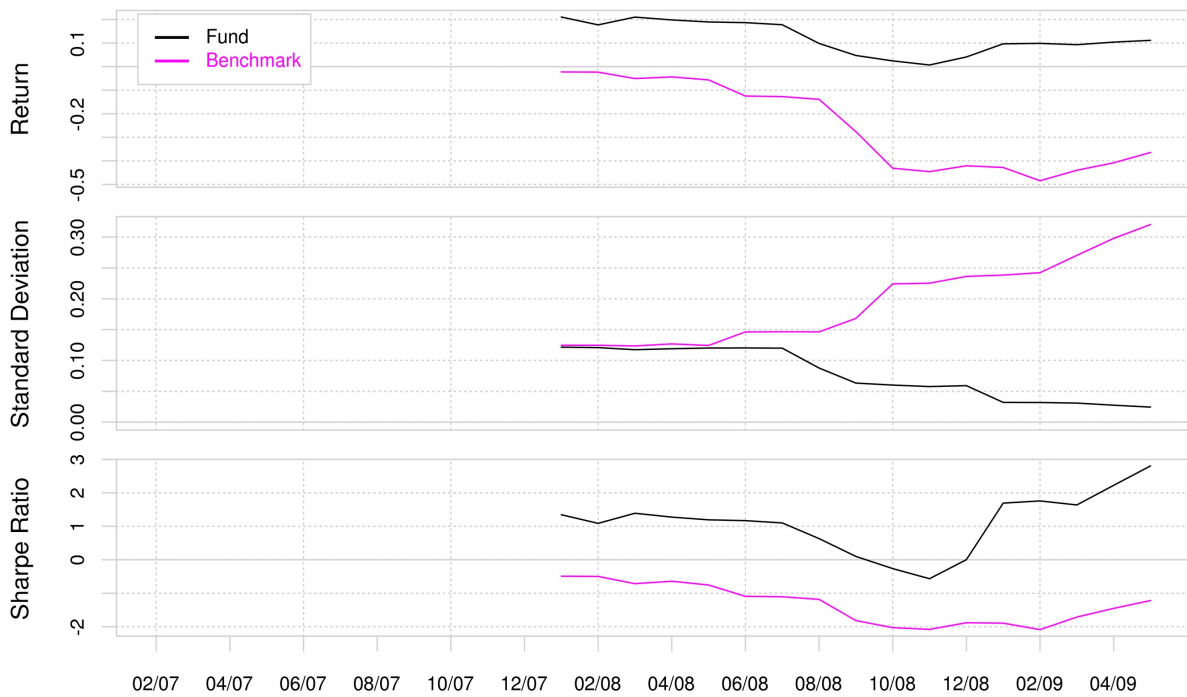
### Fund vs. Benchmark (trailing 24 Months)

<b>Jensen alpha</b>	0.01
<b>Annualized Alpha</b>	0.13
<b>Beta</b>	0.07
<b>R^2</b>	0.04
<b>Correlation</b>	0.19
<b>Tracking Error</b>	0.24
<b>Active Premium</b>	0.36
<b>Information Ratio</b>	1.50
<b>Treynor Ratio</b>	1.58

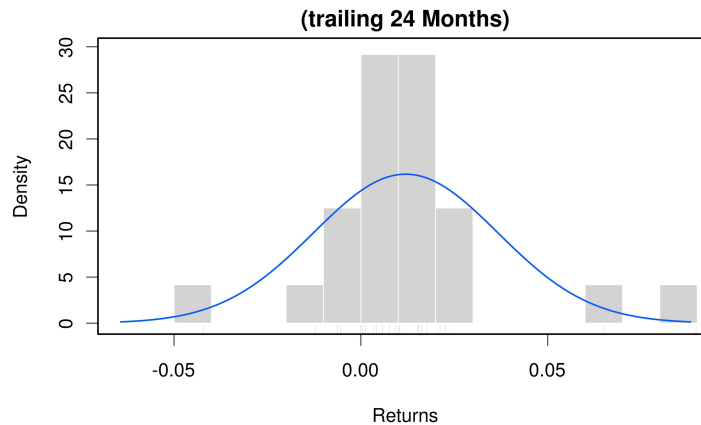
**Performance**



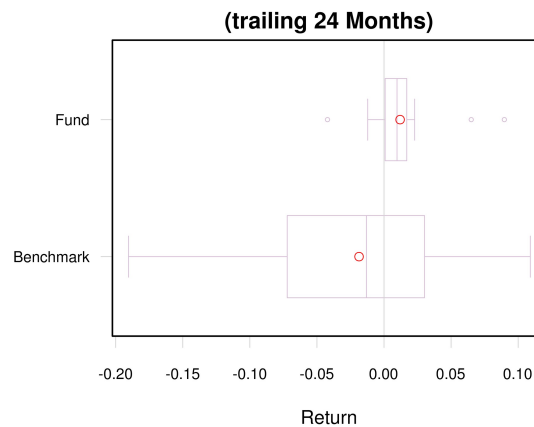
**Rolling 12-Month Performance (annualised)**



### Histogram of monthly Returns



### Boxplot of monthly Returns



## 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 ex-

ternal 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 re-invested prices: profit distributions are being invested in new shares of the fund immediately. Thereby, the performance of distributing and nondistributing funds is mutually



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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.

$R^2$  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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