

**Product Profile**

<i>Fund Name</i>	ESG Euro Investment Grade Corporate Credit
<i>Fund category</i>	Segregated Account (German Spezialfonds)
<i>Investment universe</i>	Euro-denominated corporates with a high ESG-Rating
<i>Benchmark</i>	iBoxx Euro Corporate All
<i>Base Currency</i>	Euro
<i>Earnings</i>	Accumulation
<i>Inception date</i>	01. Januar 2010
<i>Fund Volume</i>	Euro 106.2 m as of 31. December 2010
<i>Management Fee</i>	depending on the volume of the investor; minimum payment: Euro 75000 p.a.; standards for fix fees: <Euro 50 m 40 bp p.a., Euro 51-100 m 35 bp p.a., Euro 101-250 m 30 bp p.a., > Euro 250 m 25 bp p.a.; standards for performance based fees: <Euro 50 m 27 bp + 20% performance fee p.a., Euro 51-100 m 25 bp + 20% performance fee p.a., Euro 101-250 m 21 bp + 20% performance fee p.a., > Euro 250 m 18 bp + 20% performance fee p.a.
<i>TER</i>	-
<i>Fund Manager</i>	Christoph Klein and Michael Hess
<i>Company</i>	DB Advisors
<i>Internet</i>	<a href="http://www.dbadvisors.com">www.dbadvisors.com</a>

**Investor's Profile**

<i>Investment horizon</i>	medium-term (3-5 years)
<i>Risk classification</i>	medium (less than benchmark-oriented corporate bond product)
<i>Return expectations</i>	investment objective: 70 bp enhanced return compared to the benchmark but with lower volatility as the benchmark (over the interest cycle)
<i>Loss Tolerance</i>	short-term losses are possible

## TELOS Comment

The *ESG Euro Investment Grade Corporate Credit* is an actively managed fixed-income fund focused on euro-denominated corporate bonds, which in addition the fundamentals also takes into account the criteria of environment, social affairs and governance (ESG) when constructing the portfolio. There are on average 85 to 100 issuers and 120 to 150 bond issues represented in the fund's portfolio. IPOs are invested in for the most part. The portfolio construction is based on a two-step approach featuring a bottom-up securities selection. In the first step of the investment process, an in-depth analysis of the individual bond issues or issuers shaped by fundamental criteria is performed (e.g. cash flow, profitability, debt-to-equity ratio and transparency of information policy). Major significance is attached to direct contact with the companies, i.e. with the issuers, in this regard too. The goal is to only invest in qualitatively high-value securities and to prevent credit losses as far as possible. Various alpha sources can be determinative relative to how the performance of the bonds is expected to develop. The individual alpha sources are analyzed on the basis of models designed in-house for this value driver in particular. The responsibility for this rests with the fixed income specialists who specialize in the particular alpha source. The standardized approach to analysis ensures that the evaluations and recommendations among the fixed income analysts of *DB Advisors*, who are responsible for corporates world-wide, are comparable. Of the bonds that are deemed convincing on the basis of the fundamentals, the actual security selection is carried out in the second step which evaluates the adherence to ESG-factors. In doing so, a best-in-class

approach is pursued. As a result, investments are made in those companies that occupy a leading position in their industry in terms of the ESG-criteria. The relevant ESG-research is obtained from the external providers *Sustainalytics* and *Risk Metrics*. Up to 200 different ESG indicators are provided for one company in the course of this. An indicator is, for instance, a company's CO<sub>2</sub>-emission. The weighting of the individual ESG-criteria depends on the industry, however it is the same for all companies within an industry. The research relevant to the portfolios construction is largely conducted in house. External research is only used to check appraisals made internally. Buy or sell decisions are forwarded automatically via the order management system to the internal trading desk where the transaction is carried out using best-execution policy. A comprehensive process management is an essential part of every step in the investment process, beginning with the analysis through the alpha specialists to the portfolio construction of the segregated account (German Spezialfonds). In this regard, the quality of investment recommendations or decisions and of the investment performance is monitored and analyzed at every step in the process. In this way, performance drivers, but also potential sources of less than adequate performance, can be identified. The fund profits both in terms of the available research of individual security selection and with respect to risk management through the extensive capacities and resources of the Deutsche Bank group. The *ESG Euro Investment Grade Corporate Credit* is rated **AAA-**.

## Investment Process

The *ESG Euro Investment Grade Corporate Credit* is managed by *DB Advisors*, a subsidiary company of the Deutsche Bank responsible for institutional customers' asset management. Portfolio construction is carried out by the two-man *Portfolio Construction Team (PCT)*.

The fund's investment universe generally consists of euro-denominated corporate bonds with an issue volume of at least € 250 m., which have a rating in the investment grade range. In order to be included in the fund's portfolio, a security must, on the one hand, be classified as attractive on the basis of fundamental credit and issuer analysis, that means from an economic perspective. On the other hand, a company must also occupy a leading position in the adherence to ESG-factors (environment, social affairs and governance) from the PCT's point of view (best-in-class). Up to 20% of the investment volume can be invested in euro-denominated government securities. The duration of the fund may vary by +/- 0.25 from the benchmark. Derivatives may be used to control the duration and liquidity of the portfolio. The fund's investment objective consists in realizing a consistent outperformance compared to the benchmark. However, at the same time, the risk of loss should be less than the benchmark. *DB Advisors'* basic corporate portfolio, which is managed by a separate team, provides the starting point for the *PCT*. Security selection with respect to this basic portfolio is made on the basis of a comprehensive fundamental analysis of the corporate bonds, but without taking ESG-criteria into account. When selecting the corporate bonds for this basic portfolio, one can draw on the extensive range of analysis and research by *DB Advisors'* 40 alpha specialists in the area of investment grade corporates. The alpha specialists analyze various macroeconomic factors rele-

vant to the individual alpha sources and generate outlooks for the future price of these potential value drivers. In doing so, both a long-term (6-month horizon) and a short-term outlook (3-month horizon) is formulated for each. The credit analysts' estimates (so-called alpha signals) are recorded in the internal research platform. Here, the alpha signals indicate the relative attractiveness (long, short, neutral) of the underlying performance driver. Different review levels must also be set for each alpha source, in the course of which a check of the estimate must be run (e.g. profit review or stop loss). An automatic notification is generated upon reaching these levels.

*DB Advisors* use a proprietary method for determining the ESG-ratings. In doing so, weightings for each industry are defined for the three main sectors (environment, social affairs and governance), as well as for the associated individual indicators. A preliminary ESG-corporate point value is calculated by aggregating the indicator values with the associated weightings in each case. The corresponding ESG-rating (A to F) is determined for each company by comparing the standard deviation of this point value to the median point value of the universe or sector. The higher the point value of a company is in comparison to the median, the better the ESG-rating results. As long as the corporate bonds from the basic portfolio have an ESG rating of A to C, they are generally included in the *ESG Euro Investment Grade Corporate Credit* as well (approx. 85% of the basic portfolio). When selecting other bonds not represented in the basic portfolio, the *PCT* tries to keep the deviations from the basic corporate portfolio as low as possible (e.g. in terms of the beta or the industry weighting). The ESG-rating is updated monthly. The raw data used are obtained from Sustainalytics.

## Quality Management

The performance and risk profile of the segregated account (German Spezialfonds) is continuously monitored by the portfolio manager and by the separate *Asset Management Risk (AMR)* department. In this context, a wide range of relevant risk figures are calculated. Scenario analyses, stress tests and attribution analyses are also conducted. Deviations from the basic portfolio and from the benchmark are analyzed. Customer-specific inputs or

limits can be considered when constructing the portfolio. Adherence to all legal and, where applicable, even customer-tailored restrictions is checked pre-trade automatically and through system support. The quality and the investment performance of the fixed income specialists' recommendations and security selection by the *PCT* are the object of regular assessments.

## Team

The *ESG Euro Investment Grade Corporate Credit* is managed jointly by the head of non-financial credits *Christoph Klein* and *Michael Hess*, who constitute the *PCT* responsible for the fund. When constructing the portfolio, they can draw on the analysis and the research of the 40 worldwide analysts of the *Deutsche Bank* group specializing in corporate bonds in the investment grade range. In addition, the *PCT* is supported by an ESG-panel

of experts with representatives from science, industry and foundations. In all, the employees and alpha specialists involved in the investment process are very highly qualified. The quality and the success of the corporate specialists' investment recommendations and the portfolio manager's allocation decisions are also an integral feature of their compensation.

## Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Credit Spreads	Asset selection
Liquidity	Credit-worthiness
Economic environment	Sector weighting
Sector development	Asset weighting
Long term interest rates (level)	Benchmark orientation

## Product History

### Monthly Returns

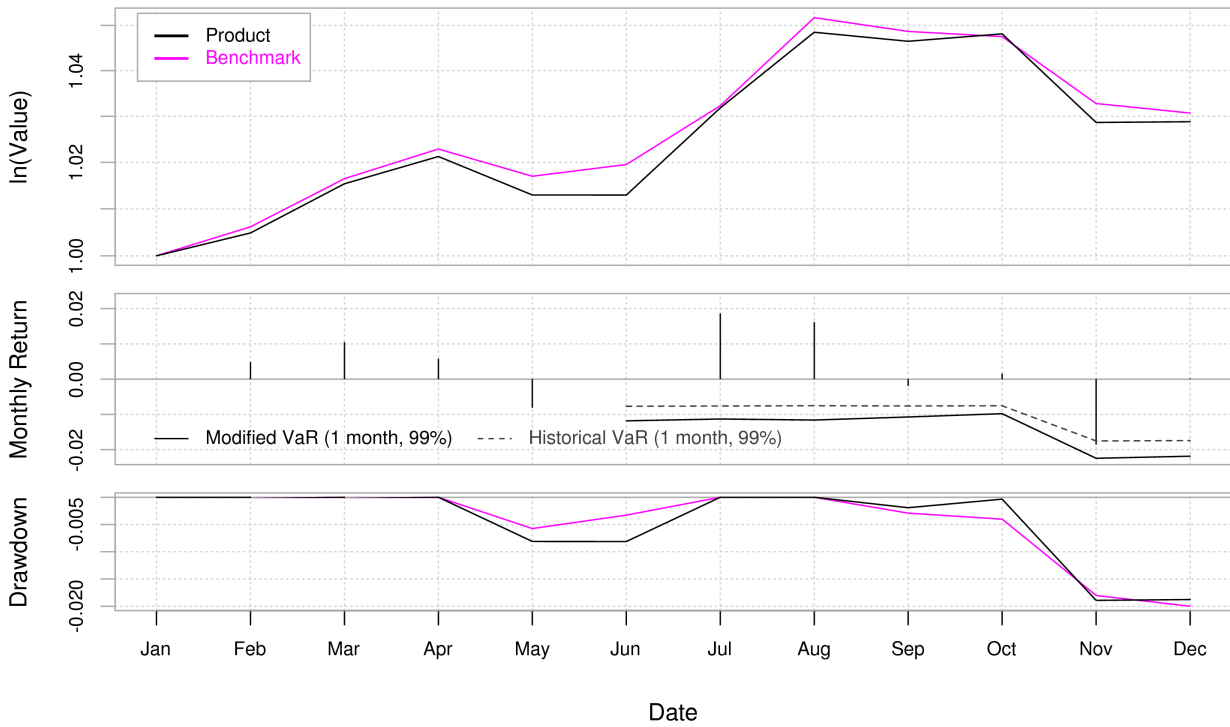
	2010
Jan	-
Feb	0.5
Mar	1.0
Apr	0.6
May	-0.8
Jun	-0.0
Jul	1.9
Aug	1.6
Sep	-0.2
Oct	0.2
Nov	-1.9
Dec	0.0
Product	2.9
Benchmark	3.1

### Statistics per end of Dec 10 6 M

Performance (annualised)	3.16%
Volatility (annualised)	4.69%
Sharpe-Ratio	0.03
Best monthly result	1.86%
Worst monthly result	-1.86%
Median of monthly results	0.09%
Best 12-month result	
Worst 12 month result	
Median of 12-month results	
Maximum loss period	4
Maximum loss	-1.89%

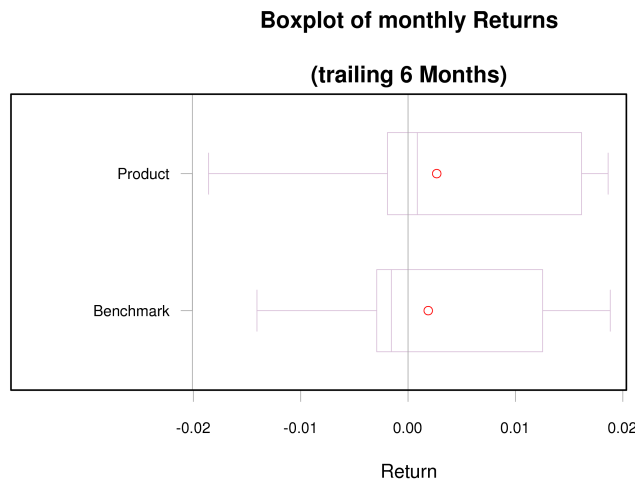
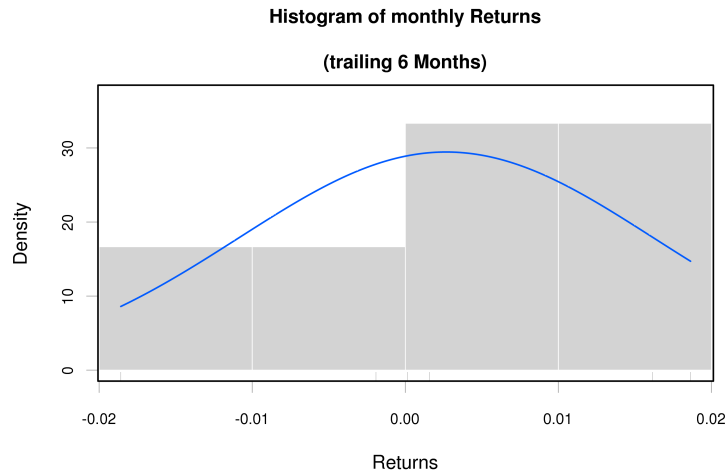
	Fund vs. Benchmark (trailing 6 Months)
Jensen Alpha	0.00
Annualized Jensen Alpha	0.01
Beta	1.10
R-squared	0.93
Correlation	0.96
Tracking Error	0.01
Active Premium	0.01
Information Ratio	0.71
Treynor Ratio	0.00

**Performance**



**Rolling 6-month- Performance**





## 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.

$R^2$  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 risk-free rate, divided by beta. The Treynor ratio is a beta-risk-adjusted measure of outperformance vs the riskfree rate.

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**AAA-**  
01/2011

**ESG**

**Euro Investment Grade Corporate Credit**

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