TELOS Fund Rating | AA 02/2007

Deka-GlobalOpportunities Plus

Product Profile	
Fund name	Deka-GlobalOpportuntiesPlus I
ISIN	LU0236908371 (LU0236907720 (CF Tranche))
Investment universe	European equity- and bond-index-futures, government bonds
Benchmark	-
Base currency	EUR
Earnings	Distribution
Inception date	2005–12–29
Fund volume	EUR 23.39 m as of 2007–02–28
Management Fee	0.85% p.a.
TER	n.a.
Fund manager	Dr. Thorsten Rühl und Team (Thomas Gwinner, Dr. Heiko Opfer, Michael Wegener, Gerald Weinhold)
Company	Deka Investment GmbH
Internet	www.deka.de
Investor's Profile	
Investment horizon	medium to long term (more than 7 years)
Risk classification	medium (less than benchmark-oriented equity product)
Return expectation	fund is geared to the equity market in the long term, but with low volatility
Loss tolerance	short-term losses are possible

TELOS Comment

The *Deka-GlobalOpportunities Plus* is a fund with exposure to the global equity and bond markets. The fund follows a well-structured quantitative investment process and is characterised by its use of derivatives in the form of futures, which are more cost-effective than direct investments. The fund invests directly in individual bonds only where no future contracts are available. The fund's philosophy is directed at the achievement of profits from mispriced markets. The fund may also contract short positions in order to take up opportunities for good returns in falling markets.
The overall fund construction is based on complex models developed by the company itself and does not allow itself to be influenced by any subjective considerations. Only fundamental data and indicators are used to calculate the long-term fair value of a market. The short- and medium-term price movements of incorrectly valued markets are then calculated from both market data and fundamental data. The subsequent model-based optimisation not only permits the risks inherent in the forecasting process and transaction costs to be taken into account, but also allows all relevant risk aspects and the defined risk budgets to be incorporated at the portfolio construction stage already. In addition, a team independent of the fund management conducts extensive subsequent risk control and performance analysis.
The establishment of a separate team, with responsibility for translating the model portfolio devised by the fund management into an actual fund portfolio, has proved worthwhile and has helped to improve efficiency. There is an unimpeded flow of communication between the fund management team and the implementation team.
The entire fund management process is characterised by a team approach. All team members are involved both in ongoing development and optimisation of the models and in portfolio construction.
The fund is available in two share classes, which differ only in respect of their fee structure. Since no historical figures are available for the fund, no substantive statements can be made yet in relation to its performance and other ratios. Although the fund management adopts a total return approach, the possibility of temporary losses cannot be excluded.
The *Deka-GlobalOpportunities Plus* fund receives an **AA** rating, not least due to the stringent implementation of the quantitative approach, the consistent use of cost-effective futures contracts and the systematic portfolio construction procedure.

Investment Process

The *Deka-GlobalOpportunities Plus* fund is managed by *Deka Investment GmbH* (Deka) in Frankfurt. The five-man Asset Allocation/Capital Preservation Team within the Quantitative Products Unit is involved in the investment process. The team is headed by *Dr. Thorsten Rühl*, who takes overall responsibility for investment decisions.
The fund's investment universe consists of 13 global equity markets of developed countries, in which investments are made in the form of index futures. In addition, the fund invests in bond futures in developed countries, and occasionally also directly in high-rated government bonds. The focus is on cost-effective implementation. The investment objective is to achieve the same return as an international equity investment (over the course of a full market cycle), with lower risk than that of the equity investment. The fund management does not follow a benchmark.
The investment approach assumes that the use of derivatives makes it possible to benefit from incorrectly valued markets, provided short positions may be contracted. The entire investment process is based on quantitative models developed by the company itself. The underlying data is procured externally, using a number of data sources, and checked to ensure plausibility. Risk management is an integral aspect of the entire investment process. Fixed limits apply as regards the fund's risk exposure towards individual markets and the maximum value at risk.
The first stage of the monthly fund construction process (which may take place more frequently if necessary), involves determination of incorrectly valued markets as well as calculation of these markets' long-term fair values based on fundamental data, using a cointegration model. The anticipated short-term correction potential is then calculated for each of these markets by means of an error correction model, at which point sentiment factors are also taken into account. The next stage involves portfolio optimisation using an adjusted Black-Litterman model. In addition to the forecasts, data and information acquired up to this point, interdependencies and correlations between individual markets, plus transaction costs and the fund's permissible risk profile, are also taken into consideration. The fund management produces a final model portfolio from the portfolio that has been derived from this optimisation process.
A separate implementation team is responsible for implementation into the actual fund portfolio. The team is also part of the Quantitative Products Unit and combines transactions for the individual funds. Investment decisions are recorded in the front office and automatically forwarded to a specialist order desk, where they are executed on the basis of the best execution policy.

Quality Management

An independent unit, which uses a risk management system to continuously monitor the portfolio, is responsible for risk control and performance measurement. Fund performance is measured on a regular basis and compared against that of the fund's peer group. Contributions to performance by individual components are identified using detailed attribution analyses. Adherence to the fund's permissible risk profile is an integral component of the investment process and is already monitored during portfolio optimisation. Furthermore, regular value-at-risk reports are prepared by the company's Investment Controlling Unit, value-at-risk of individual investment instruments is also calculated.
Observance of statutory investment restrictions is ensured by means of automatic supervision in the front office before ordering and also on an ex-post basis.
The broker list is reviewed twice a year using a post-trade tool.

Team

Since its launch in December 2005, the fund has been managed by the *Asset Allocation*-Team headed by *Dr. Thorsten Rühl*, who has been with the company since 2001. The current team has been working together since 2004. All the team members have academic qualifications and a number of years' experience in quantitative investments and investment strategies.

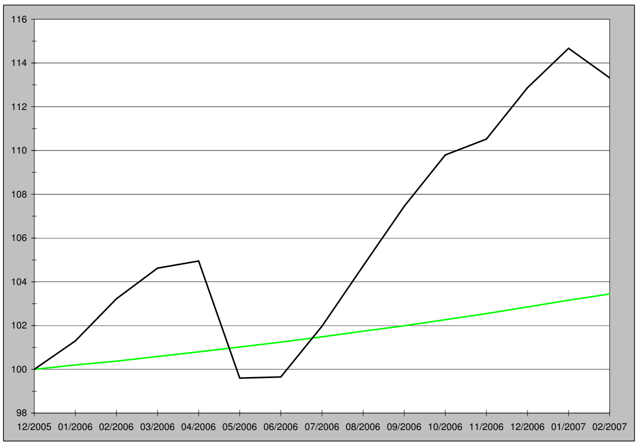
In addition to a basic salary in line with the market, staff receive a bonus linked to investment performance.

Investment Characteristics

Important external factors	***Important control factors***
Economic environment	Asset selection
Equity market (level)	Asset weighting
Long term interest rates (level)	Country allocation
Equity market (volatility)	Leverage
Long term interest rates (volatility)	Cash holdings

Product History

Performance



Fund *Benchmark* *Money Market*

Sharpe Ratio

1 Year

Statistics as at the end of 02/2007	*1 Year*	*2 Years*	*3 Years*	*5 Years*	*7 Years*	*10 Years*
Performance (annualised)	9.78%	–	–	–	–	–
Volatility (annualised)	7.30%	–	–	–	–	–
Sharpe Ratio	0.92	–	–	–	–	–
Best monthly result	2.70%	–	–	–	–	–
Worst monthly result	–5.10%	–	–	–	–	–
Median of monthly results	1.48%	–	–	–	–	–
Best 12-month result		–	–	–	–	–
Worst 12-month result		–	–	–	–	–
Median of 12-month results		–	–	–	–	–
Maximum loss period	4 M	–	–	–	–	–
Maximum loss	–5.10%	–	–	–	–	–

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 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 illustration 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:

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

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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