

Product Profile

<i>Fund name</i>	Deka-DividendValue Europa CF
<i>ISIN</i>	DE000DK0A0H2 (DE000DK0A0C3 (TF Tranche))
<i>Investment universe</i>	European Equities (Value)
<i>Benchmark</i>	no benchmark (indicativ: MSCI Europe NR)
<i>Base currency</i>	EUR
<i>Earnings</i>	Distribution
<i>Inception date</i>	2005-06-15
<i>Fund volume</i>	EUR 186.76 m as of 2007-02-28
<i>Management Fee</i>	1.25% p.a.
<i>TER</i>	n.a.
<i>Fund manager</i>	Sven Thießen
<i>Company</i>	Deka Investment GmbH
<i>Internet</i>	www.deka.de

Investor's Profile

<i>Investment horizon</i>	medium to long term (at least 7 years)
<i>Risk classification</i>	comparable to MSCI Europa
<i>Return expectation</i>	in the longer term: MSCI Europa + 2% after costs
<i>Loss tolerance</i>	comparable to MSCI Europa

TELOS Comment

The *Deka-DividendValue Europa* is an actively managed, value-oriented European equity fund. Portfolio construction is undertaken on a purely quantitative basis, making it free of subjective influences, within a well-structured process. The underlying investment approach has been successfully applied in the company for a number of years, although for this fund the permitted tracking error was increased against the broad market.

The entire fund management process is oriented towards the identification of stocks that have been given a low valuation with respect to traditional value criteria. Core decision criteria, coupled with other factors, include a higher than average dividend yield or a low price-earnings ratio (P/E). The approach is intentionally targeted at the identification of stocks that can be classified as deep value, despite the fact that their dividend yield may possibly be low. Following an initial screening process, a successful combination of a number of fundamental valuation models developed internally, such as the dividend discount model or the residual income model, is applied. The purely quantitative procedure permits a number of relevant factors, including risk aspects, to be taken into account concurrently during portfolio construction and optimisation. A team independent of the fund management also con-

ducts 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 fund manager was instrumental in the establishment of the company's Quantitative Products Unit and made a critical contribution to the development of quantitative investment strategies. The team approach is central to the entire investment process and to the ongoing enhancement and optimisation of the models.

The fund is available in two share classes, which differ only in respect of their fee structure. Since its launch in June 2005, the fund has recorded significant growth in line with the movements of the global equity markets. Viewed over a continuous 12 month period, the Sharpe ratio is clearly positive.

Due also to the successful adaptation of a well-proven approach to a new product, the clear focus on fundamental company valuation and the systematic portfolio construction procedure, the *Deka-DividendValue Europa* fund receives **AA+**.

Investment Process

The *Deka-DividendValue Europa* fund is managed by *Deka Investment GmbH* (Deka) in Frankfurt. Four members of the Quantitative Products Equities Team within the Quantitative Products Unit are involved in the investment process. The team is headed by *Sven Thießen*, who takes overall responsibility for investment decisions.

The fund's investment universe comprises around 850 equities from the Stoxx 600 and the MSCI Europe, with a market capitalisation of at least one billion euro. The investment objective is to maximise the Sharpe ratio. The maximum permissible tracking error against the MSCI Europe is 6%. The fund is invested in an average of 100 to 150 stocks with a weighting of between 0.15% and 3%. Derivatives may be used for profit as well as hedging purposes. Currency risks against the euro are not hedged.

The investment approach is directed towards the identification of high underlying value equities using a multi-stage analysis of fundamental company data. 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 investment process. Clear limits are set in relation to the permissible risk budget of individual sectors or stocks. Dividends are reinvested and distributed annually to the investors.

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 its peer group and the broad market. Contributions to performance by individual components are identified using detailed attribution analyses. Analysis of the fund's risk profile is an integral component of the investment pro-

cess and already takes place during portfolio optimisation. In addition, the company's Investment Controlling Unit produces regular value-at-risk reports. 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.

The initial stage of the monthly fund construction process (which may take place more frequently if necessary) involves screening the investment universe to identify stocks that offer positive return prospects and have attractive dividend yields, price-earnings ratio (P/E) and price-to-book-value (PBV). The selected stocks are then examined in greater depth using two fundamental valuation models: the dividend discount and residual income models. A momentum indicator, which is designed to optimise the timing of investments, is also constructed. Portfolio optimisation takes place during a subsequent process described as alpha refinement, during which consideration is given to all the indicators calculated so far, together with their correlations, the risks inherent in the forecasting process, the market impact, transaction costs and the risk profile of the fund. 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 of 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.

Team

Since its launch in June 2005, the fund has been managed by *Sven Thießen*, the head of the Quantitative Products Equities Team. He has been part of the Quantitative Products Unit since its formation in 1997 and was involved in the development of the company's quantitative investment strategies. All

the team members hold academic degrees and some are additionally qualified CFAs. The average investment experience within the team is 10 years.

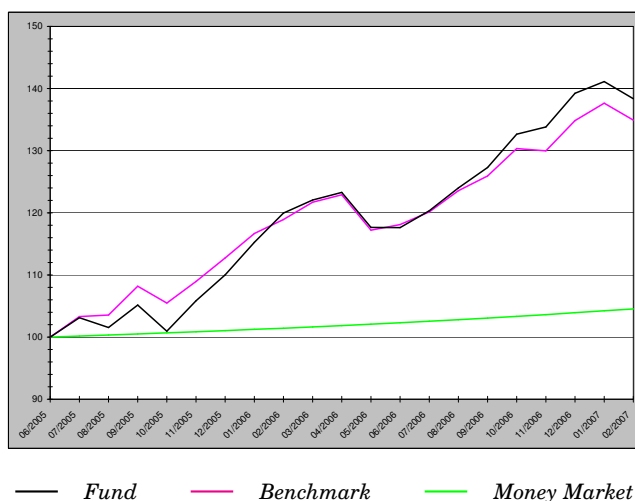
In addition to a basic salary in line with the market, staff receive a bonus linked to investment performance.

Investment Characteristics

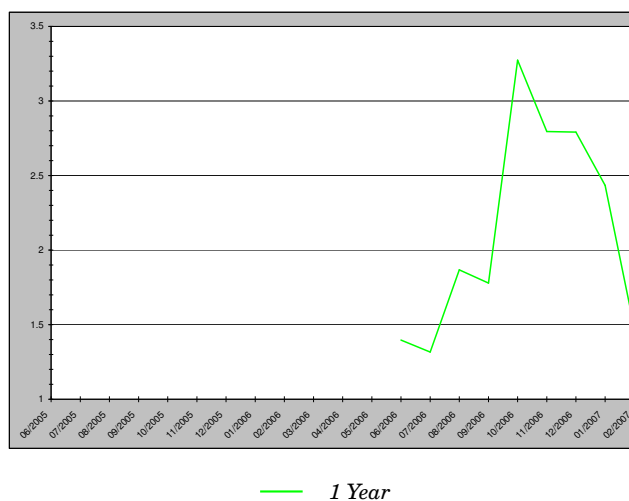
<i>Important external factors</i>	<i>Important control factors</i>
Sector development	Sector weighting
Equity market (level)	Asset selection
Economic environment	Asset weighting
Credit spreads	Country allocation
Commodity prices	Currency weighting

Product History

Performance



Sharpe Ratio



<i>Statistics as at the end of 02/2007</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)	15.35%	—	—	—	—	—
Volatility (annualised)	8.31%	—	—	—	—	—
Sharpe Ratio	1.48	—	—	—	—	—
Best monthly result	4.21%	—	—	—	—	—
Worst monthly result	-4.56%	—	—	—	—	—
Median of monthly results	1.55%	—	—	—	—	—
Best 12-month result	—	—	—	—	—	—
Worst 12-month result	—	—	—	—	—	—
Median of 12-month results	—	—	—	—	—	—
Maximum loss period	3 M	—	—	—	—	—
Maximum loss	-4.58%	—	—	—	—	—

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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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