



AA  
06/2008

Deka-  
EuropaPotential

### Product Profile

<i>Fund Name</i>	Deka-EuropaPotential CF
<i>ISIN</i>	DE0009786277
<i>Investment universe</i>	European Equities Small Cap Growth
<i>Benchmark</i>	Dow Jones Stoxx Mid 200
<i>Base Currency</i>	EUR
<i>Earnings</i>	Distribution
<i>Inception date</i>	15. 09. 1999
<i>Fund Volume</i>	EUR 90.1m as 31.05.2008
<i>Management Fee</i>	1.5% p.a.
<i>TER</i>	1.63% p.a.
<i>Fund Manager</i>	Matthias Bussemer
<i>Company</i>	Deka Investment GmbH
<i>Internet</i>	www.deka.de

### Investor's Profile

<i>Investment horizon</i>	medium to long-term (more than 7 years)
<i>Risk classification</i>	high
<i>Return expectations</i>	return expectations returns are long-term higher than that of standard equity products, with a higher volatility
<i>Loss Tolerance</i>	short-term losses are possible

## TELOS Comment

*Deka-EuropaPotential* is a stockpicking fund that focuses on European second-line stocks. The fund invests in small and mid caps that generate growth and have already proved to have a well-functioning business model.

The investment team pursues a bottom-up approach, with no top-down restrictions in relation to sector, country and currency allocation. The fund's investments are broadly diversified throughout Europe in 150 to 200 equities, which are selected in a multi-stage process from a universe of around 7000 stocks. The investment process begins with a quantitative and entirely objective filtering operation. Insufficiently liquid securities are excluded. The remaining stocks are selected purely on the basis of fundamental factors (quality of the company, valuation and profit growth) and price information, from a systematic selection process using a proprietary database. An investment case is prepared for the companies that clear this hurdle, enabling the fund manager to compare equities from different sectors and countries. Personal meetings and contacts are arranged with the management, during which the analysts gain first hand experience on site and are given the opportunity to question the

senior management. There is no specific geographic or sector-based portfolio weighting. The portfolio includes around 5% Eastern European shares. Futures are used mainly to reduce the beta, but in some cases also to increase it. The currency risk is not hedged.

Risk management primarily involves broad diversification and adherence to strict selling rules. Underperforming stocks undergo a review procedure, and if they have not picked up after 3 months they are sold and, where possible, replaced by relatively stronger stocks. No stock within the portfolio carries a weighting of more than 3%.

The similarity of the qualifications and age of the team members is a distinguishing feature, especially given the small size of the team. Instead of the normal grouping by sectors, the analysts team is grouped by regions.

The fund has outperformed its benchmark since its launch. When the fund outperforms its benchmark, a performance fee of 25% against the benchmark falls due (no high water mark), which *Deka Investment* is permitted to levy for *Deka-EuropaPotential*. The Sharpe ratio has been negative for the past 2 years.

*Deka-EuropaPotential* is rated AA.



## Investment Process

*Deka-EuropaPotential* is managed by *Deka Investment*. Two fund managers and two analysts from the Small and Mid-Caps team are responsible for the investment process. The fund manager, *Matthias Bussemer*, is ultimately responsible for all investment decisions.

*Deka-EuropaPotential* invests in European small and mid caps, but seeks to outperform its benchmark, the Dow Jones Stoxx Mid 200, subject to risk adjustment.

The investment universe consists of around 7000 European second-line stocks, which first undergo a quantitative filtering operation. Stocks with sufficient minimum liquidity (daily turnover of over € 500,000) are selected during the first stage, which is followed by a bottom-up stock selection from amongst the potential candidates. The focus during this selection is on both fundamental factors such as profit growth rates and on price movements (relative strength of the share). The remaining companies undergo what may be described as a quality check, during which the management track record and the company's

financial stability and valuation are closely examined. The analysts prepare an investment case for the remaining stocks, enabling the fund manager to compare companies from different sectors and to select the most attractive stocks. Analysts from local brokerage firms are called upon to provide information about the companies and the sector- and country-related factors that affect them. The analysts also meet with the management of a large number of companies every year, in order to gain first hand experience on site. The 25 man Deka sector team is also able to provide the necessary expertise in relation to the sector. The portfolio is not constructed with the benchmark in mind, and no model portfolios are used.

The fund manager implements transactions directly. The Portfolio Manager records the resulting orders in the front office, from where they are automatically transferred to an order desk, for execution with a view to market impact and 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 monitored during portfolio optimisation. Regular value-at-risk reports are also prepared by the company's Investment Controlling Unit, during which the 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.

## Team

*Matthias Bussemer* has been managing the fund since August 2004; he also heads the Small and Mid Caps team. The fund manager and his deputy *Henrick Lier* have been working together since 2005 and both have many years of investment experience. All the team members are graduates. Clearly defined

requirements are set out in relation to the professional qualification and experience of new members of the team. In addition to a basic salary in line with the market, staff receive a performance-related bonus.

## Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Sector development	
Economic environment	
Commodity prices	
Currencies	
Liquidity	

## Product History

### Monthly Returns

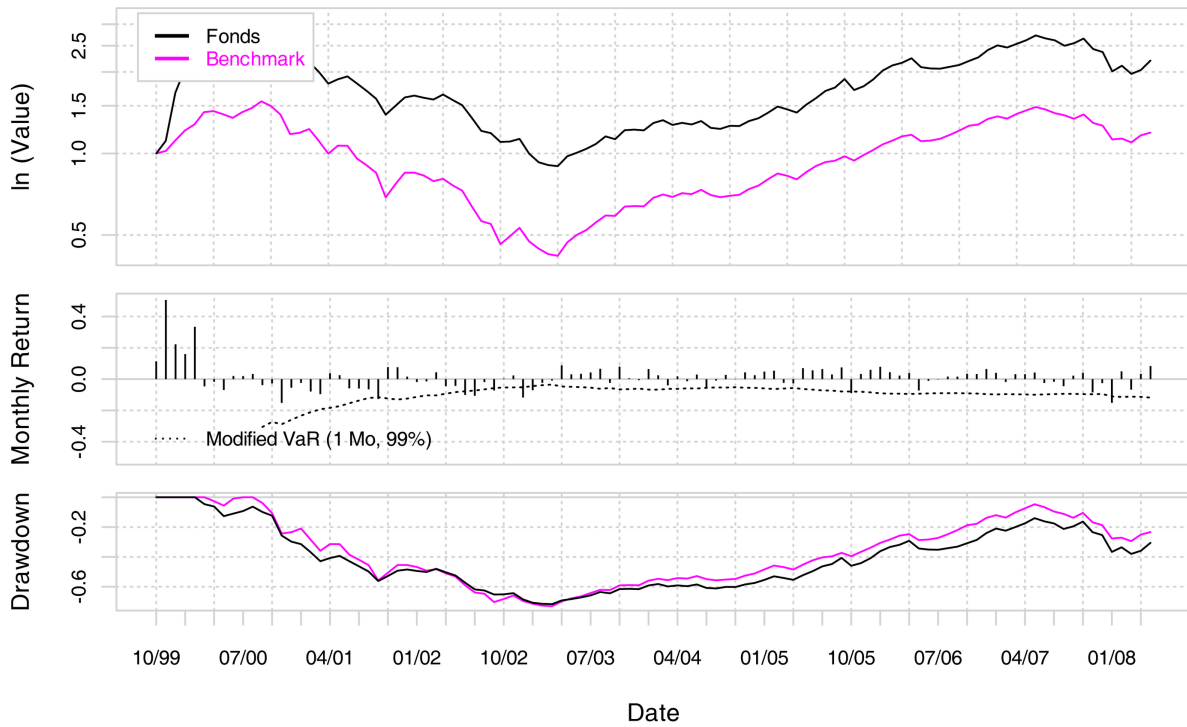
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Jan</b>	-	16.0	-2.4	-1.9	-7.1	6.4	4.8	7.9	4.0	-15.1
<b>Feb</b>	-	33.4	-7.9	-1.4	-2.4	2.4	5.4	4.4	-1.8	4.9
<b>Mar</b>	-	-4.6	-9.6	4.3	-0.9	-3.9	-2.4	2.2	3.1	-6.7
<b>Apr</b>	-	-1.6	3.8	-4.5	8.8	1.8	-2.7	3.9	3.1	3.3
<b>May</b>	-	-6.9	2.5	-4.3	3.0	-1.3	7.0	-7.3	4.2	8.4
<b>Jun</b>	-	2.0	-5.9	-10.1	3.4	2.9	5.6	-1.1	-2.5	-
<b>Jul</b>	-	1.9	-6.0	-10.6	4.2	-5.6	6.4	-0.2	-1.7	-
<b>Aug</b>	-	3.3	-6.5	-1.9	6.6	-0.9	2.9	1.6	-4.5	-
<b>Sep</b>	-	-3.8	-12.7	-7.2	-2.4	2.6	7.5	1.6	2.2	-
<b>Oct</b>	11.4	-2.7	7.6	0.3	7.9	-0.2	-8.9	3.4	4.0	-
<b>Nov</b>	50.6	-15.2	7.6	2.3	0.5	4.3	3.3	3.2	-8.5	-
<b>Dec</b>	22.2	-5.5	1.6	-11.8	-0.6	2.5	6.0	6.4	-2.6	-
<b>Fund</b>	105.0	8.7	-26.6	-38.9	21.8	10.9	39.1	28.4	-1.8	-6.9
<b>Benchmark</b>	21.6	-1.9	-28.7	-44.3	34.7	19.3	35.4	30.2	-5.6	-5.7

<i>Statistics per end of May 08</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>	-19.23%	2.85%	13.30%	16.97%	1.94%	-
<i>Volatility (annualised)</i>	22.85%	18.14%	18.51%	16.41%	18.83%	-
<i>Sharpe-Ratio</i>	-1.02	-0.06	0.50	0.79	-0.11	-
<i>Best monthly result</i>	8.37%	8.37%	8.37%	8.37%	8.79%	-
<i>Worst monthly result</i>	-15.14%	-15.14%	-15.14%	-15.14%	-15.14%	-
<i>Median of monthly results</i>	-2.08%	1.89%	3.14%	2.78%	1.69%	-
<i>Best 12-month result</i>		30.98%	37.50%	58.66%	58.66%	-
<i>Worst 12 month result</i>		-22.50%	-22.50%	-22.50%	-45.61%	-
<i>Median of 12-month results</i>		7.31%	19.61%	20.32%	14.63%	-
<i>Maximum loss period</i>	12 M	12 M	12 M	12 M	55 M	-
<i>Maximum loss</i>	-27.88%	-27.88%	-27.88%	-27.88%	-53.38%	-

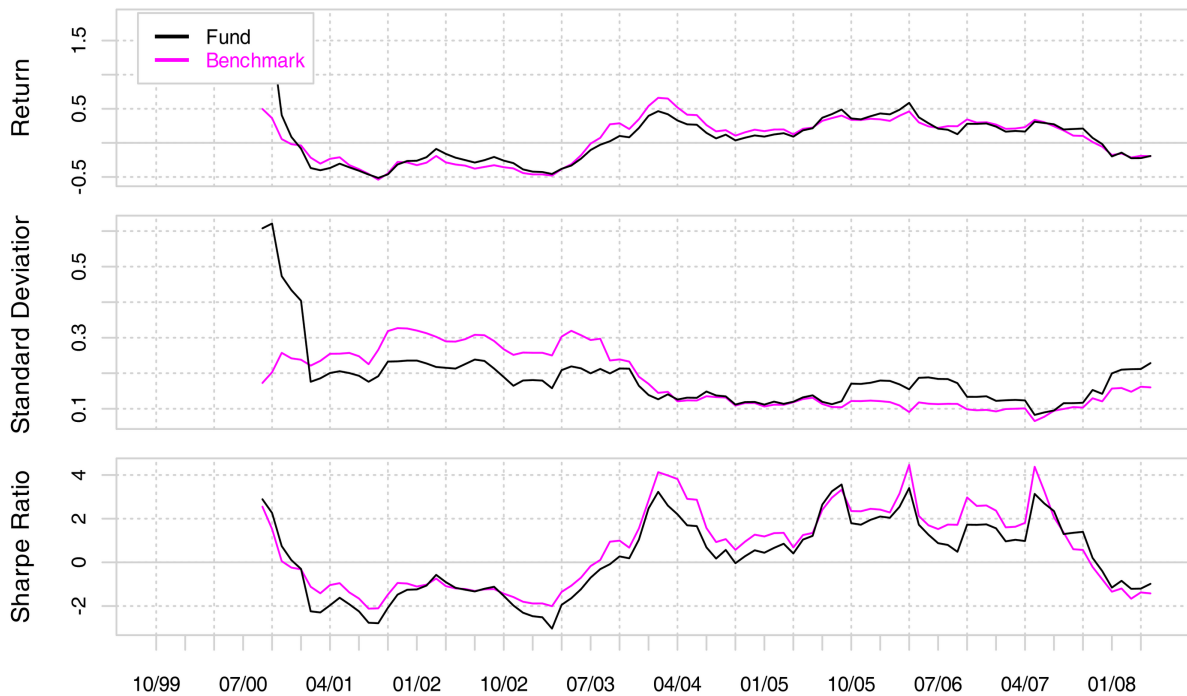
### Fund vs. Benchmark (trailing 36 Months)

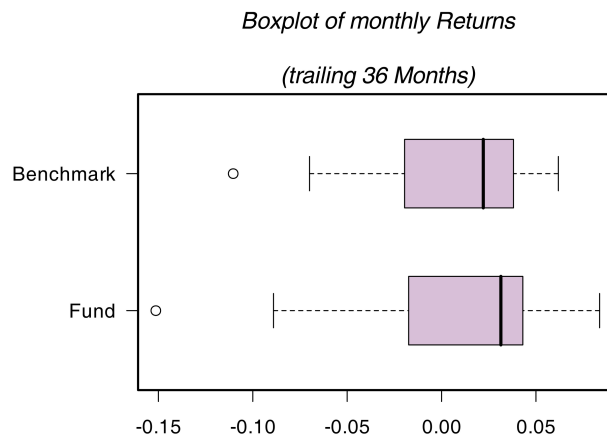
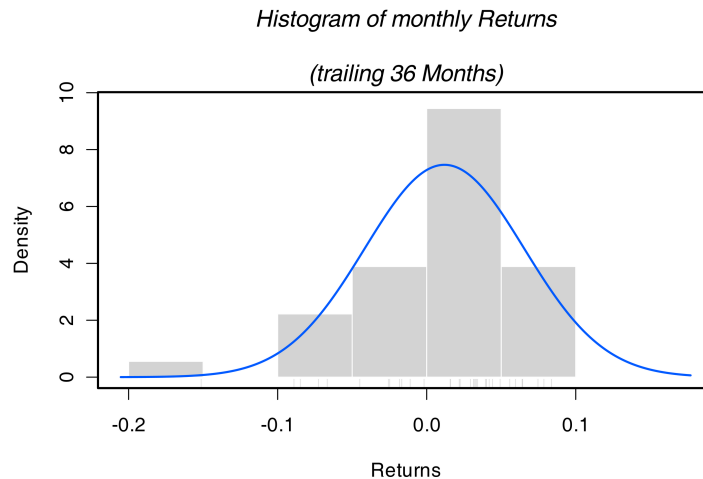
<b>Jensen alpha</b>	0.00
<b>Beta</b>	1.22
<b>R^2</b>	0.79
<b>Annualized Alpha</b>	0.00
<b>Correlation</b>	0.89
<b>Tracking Error</b>	0.09
<b>Active Premium</b>	0.01
<b>Information Ratio</b>	0.16
<b>Treynor Ratio</b>	0.07

Performance



Rolling 12-Month Performance (annualised)





#### **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

## **Explanations**

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 in-

vestment 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 cri-

teria. 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 4%, 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 active premium divided by beta..The Treynor ratio is a beta-risk-adjusted measure of excess return.

All rights reserved. The current version of this report can be obtained from our website [www.telos-rating.de](http://www.telos-rating.de). This rating report is based on facts and information taken from sources believed reliable, but we cannot warrant their accuracy and/or completeness. TELOS GmbH accepts no liability for any loss or damage arising from errors or matters of opinion expressed. Neither the presented figures nor the actual historical performance permit future predictions. Ratings and views presented are subject to revision and should not solely be relied upon for investment decisions. The Fund rating is no offer or recommendation or request to buy, sell or hold the product(s) being discussed in this publication. The current version of this report may be obtained from our [website](http://www.telos-rating.de).



**AA**  
06/2008

**Deka-  
EuropaPotential**

## **Contact**

TELOS GmbH  
Abraham-Lincoln-Straße 7  
D-65189 Wiesbaden  
[www.telos-rating.de](http://www.telos-rating.de)

Telephone : +49-611-9742-100  
Fax : +49-611-9742-200  
E-Mail: [tfr@telos-rating.de](mailto:tfr@telos-rating.de)