



AA-  
03/2008

Deka-Global  
ConvergenceRenten

### Produktprofil

<i>Fund Name</i>	Deka-Global ConvergenceRenten CF
<i>ISIN</i>	LU0245287742
<i>Investment universe</i>	Emerging Markets Government Bonds & FX
<i>Benchmark</i>	55% JPM GBI-EM Div unhedged in EUR, 45% JPM EMBI Global Dev. hedged in EUR
<i>Base Currency</i>	EUR
<i>Earnings</i>	Distribution
<i>Inception date</i>	03.05.2006
<i>Fund Volume</i>	Euro 1088.82 m as 29.02.2008
<i>Management Fee</i>	1.2% p.a.
<i>TER</i>	1.21% p.a.
<i>Fund Manager</i>	Michael Discher-Remmlinger
<i>Company</i>	Deka-International S.A., Luxembourg
<i>Internet</i>	<a href="http://www.deka.de">www.deka.de</a>

### Investor's Profile

<i>Investment horizon</i>	medium- to long-term
<i>Risk classification</i>	low to medium
<i>Return expectations</i>	Benchmark +50BP
<i>Loss Tolerance</i>	Benchmark -50BP

## TELOS Comment

*Deka-Global ConvergenceRenten* is a global bond fund investing in government bonds from emerging markets. The actively managed fund focuses on the converging emerging market economies. As a result, it offers attractive potential returns, although the associated risks are also high. The fund is designed to give investors the opportunity of participating in the anticipated higher than average growth in these regions. Its global diversification means that the fund should also benefit from the higher interest rates in emerging markets.

*Deka-Global ConvergenceRenten* invests primarily in Asia and in Central and Eastern Europe. The fund invests in bonds, which are not only denominated in hard currencies such as the euro, US dollar and Japanese yen, but also in local currencies. The aim is to allow the fund to benefit from any revaluation in the national currency and from the convergence process. Conversely, *Deka-Global ConvergenceRenten* would also participate in any currency devaluation. Hard currencies are as a matter of principle hedged. Various foreign exchange, interest rate and credit derivatives are used in order to generate additional

income or to selectively reduce exposure.

Owing to the emphasis on government bonds, the investment process is heavily top-down. It focuses on fundamental analysis of both quantitative and qualitative factors. The purpose of such analysis is to make the best possible assessment of country risks in order to exclude risks. The company's own scoring model, Deka Country Risk Indicator (DCRI) is used. This enables adequate assessment of the country risks of the individual emerging markets.

Risk is managed via the 4% tracking error and by defining minimum and average ratings. The greater proportion of the research is internal, and personal meetings with decision-makers play an important role. External research is used to review the company's own opinions and to generate new ideas.

Since its launch, the fund has not managed to outperform the selected benchmark. When it does outperform its benchmark, a performance fee will be levied (no high water mark). Viewed over a continuous 12 month period, the Sharpe ratio is negative.

*Deka-Global ConvergenceRenten* is rated AA-.



AA-  
03/2008

Deka-Global  
ConvergenceRenten

## Investment Process

*Deka-Global ConvergenceRenten* is managed by *Deka-International S.A*, Luxembourg. Four fund managers, along with the Head of the Bonds unit, are involved in the investment process. The fund manager, Michael Discher-Remmlinger, is ultimately responsible for all investment decisions.

The fund invests primarily in bonds from emerging markets, which are striving to catch up with developed industrialised countries through economic, political or structural reform. In addition to government bonds, the fund may purchase corporate bonds, bonds issued by government authorities and by government-owned international organisations. In this way, investors should be able to benefit directly from the success of local economic policy and anti-inflationary efforts, and also from any revaluation of local currencies. The fund seeks to outperform the selected benchmark on a sustained basis.

The fund may invest in both hard currencies and in the local currencies of the investment countries, with an average of 55% of the portfolio being invested in local currencies, in order to benefit from exchange rate fluctuations. No rating restrictions are applied to bond purchases. Unrated stocks are also purchased, although the proportion of these is kept as low as possible. Strict buy and sell rules are applied (stop

loss).

The investment process is broadly top-down, using both quantitative and qualitative scoring. The heavy concentration on government bonds and on bonds issued by government-funded enterprises means that economic investigations and assessments carry considerable weight throughout the investment process. Fair value assessment at the market price is applied for individual stock selection, based on an econometric regression approach, in order to forecast a fair spread over hard currency bonds. Special quantitative factors such as inflation, trade balance development, economic growth, plus the money market interest rate and the volatility index, are extremely important. Markets that look extremely attractive when considered are subsequently examined in depth via fundamental analysis. The company's own quality indicator, the DCRI, is used to give an indication of the way the country risks are developing on the basis of macroeconomic ratios and two quality indicators. This model enables comparison between internal assessment and external rating.

The Portfolio Manager records the resulting orders in the front office, from where they are automatically transferred to an order desk, where they are executed subject to best execution policy.

## Quality Management

The organisationally independent Risk and Investment Controlling unit is responsible for risk budgeting and control. The fund's risk profile is monitored on a daily basis using risk management systems that cover a number of different asset classes. Fund performance is also calculated daily and daily benchmark and peer group comparisons are made.

An in-house committee also monitors performance and risk. Investment Controlling in Frankfurt is responsible for monitoring compliance with investment restrictions and other requirements. Broker price quality is also subject to continuous monitoring. The results are critical to the regular review of the broker list.

## Team

The fund has been managed by *Michael Discher-Remmlinger*, since 1 September 2007. All the team members are graduates and most of them are also qualified CFAs. 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 bonus linked to investment performance and also to the successful generation and implementation of ideas.



## Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Credit Spreads	Asset weighting
Currencies	Country allocation
Long term interest rates (level)	Currency weighting
Country Risk	
Term structure	

## Product History

### Monthly Returns

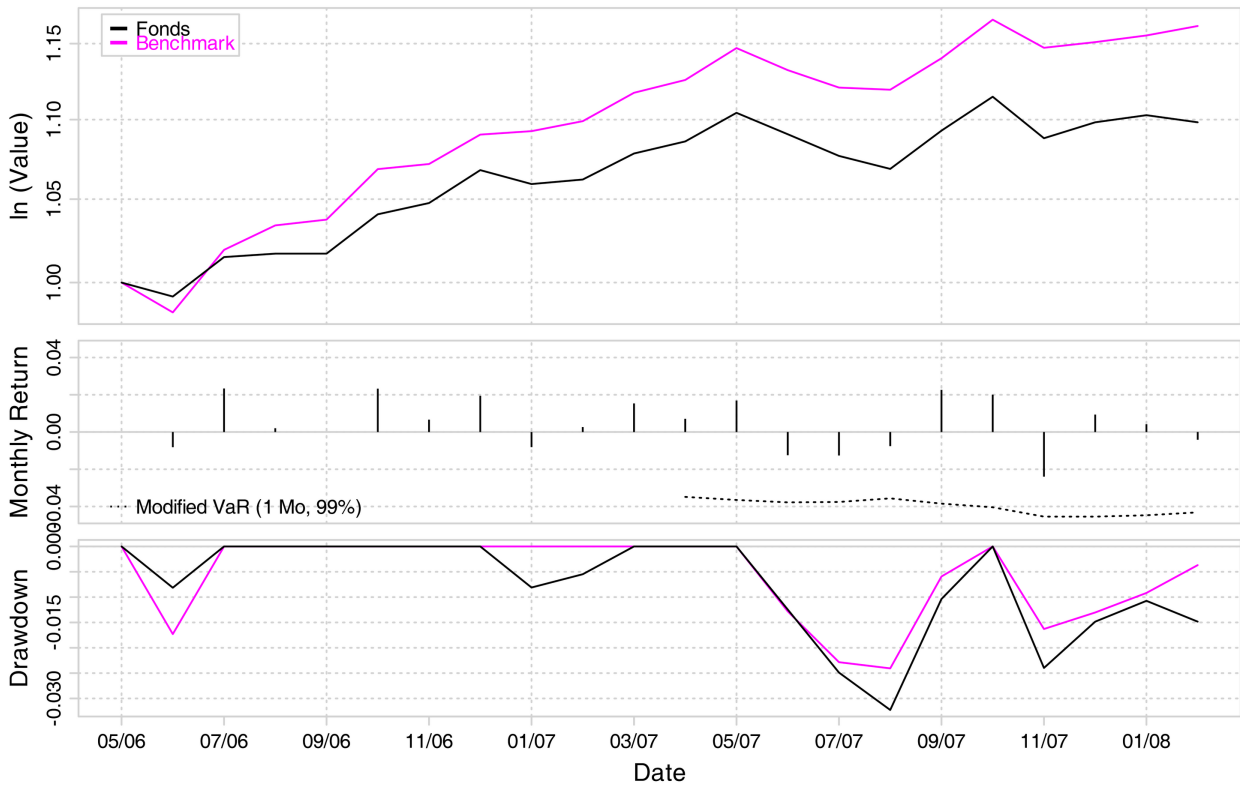
	2006	2007	2008
<b>Jan</b>	-	-0.8	0.4
<b>Feb</b>	-	0.3	-0.4
<b>Mar</b>	-	1.5	-
<b>Apr</b>	-	0.7	-
<b>May</b>	-	1.7	-
<b>Jun</b>	-0.8	-1.2	-
<b>Jul</b>	2.3	-1.3	-
<b>Aug</b>	0.2	-0.8	-
<b>Sep</b>	0.0	2.3	-
<b>Oct</b>	2.3	2.0	-
<b>Nov</b>	0.7	-2.4	-
<b>Dec</b>	1.9	0.9	-
<b>Fund</b>	6.8	2.8	0.0
<b>Benchmark</b>	9.0	5.6	0.9

<i>Statistics per end of Feb 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>	3.40%	-	-	-	-	-
<i>Volatility (annualised)</i>	5.17%	-	-	-	-	-
<i>Sharpe-Ratio</i>	-0.12	-	-	-	-	-
<i>Best monthly result</i>	2.26%	-	-	-	-	-
<i>Worst monthly result</i>	-2.40%	-	-	-	-	-
<i>Median of monthly results</i>	0.56%	-	-	-	-	-
<i>Best 12-month result</i>		-	-	-	-	-
<i>Worst 12 month result</i>		-	-	-	-	-
<i>Median of 12-month results</i>		-	-	-	-	-
<i>Maximum loss period</i>	4 M	-	-	-	-	-
<i>Maximum loss</i>	-3.23%	-	-	-	-	-

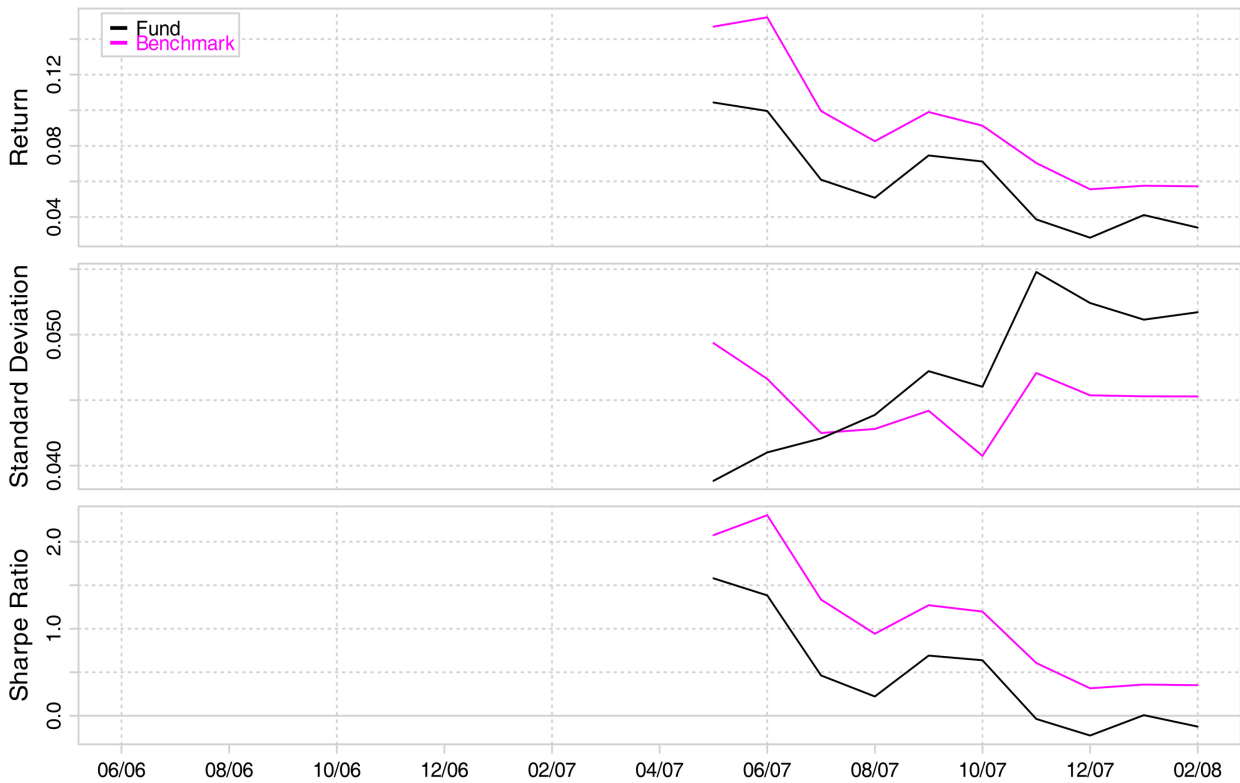
### Fund vs. Benchmark (trailing 12 Months)

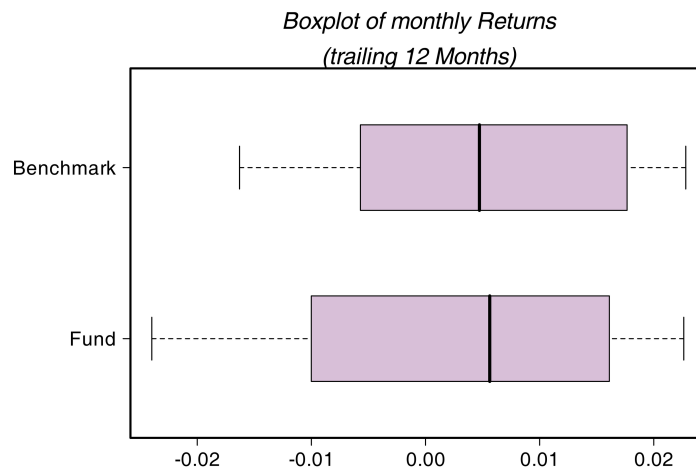
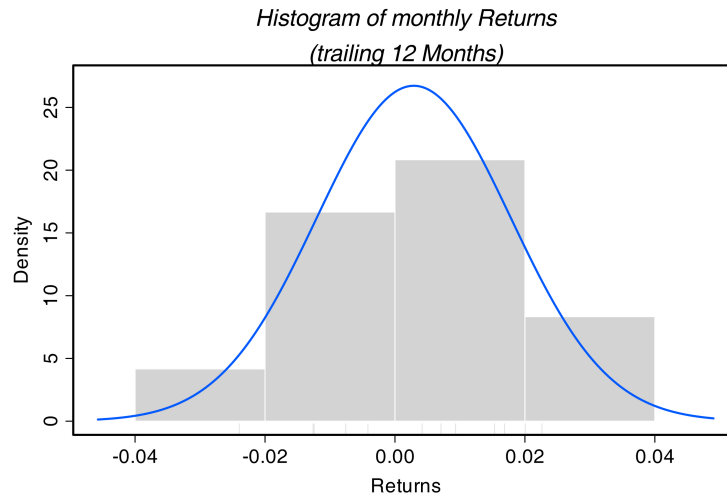
<b>Jensen alpha</b>	-0.00
<b>Beta</b>	1.09
<b>R^2</b>	0.91
<b>Annualized Alpha</b>	-0.02
<b>Correlation</b>	0.96
<b>Tracking Error</b>	0.02
<b>Active Premium</b>	-0.02
<b>Information Ratio</b>	-0.97
<b>Treynor Ratio</b>	-0.01

Performance



Rolling 12-Month Performance (annualised)





## 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 compar-



AA-  
03/2008

Deka-Global  
ConvergenceRenten

ison 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 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-  
03/2008

Deka-Global  
ConvergenceRenten

## 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)