



AAA-
06/2007

TrendConcept Fund Automatic Asset Allocator

Product Profile

<i>Fund Name</i>	TrendConcept Fund Automatic Asset Allocator
<i>ISIN</i>	LU0178876701
<i>Investment universe</i>	European Equities (Large Caps), Euro Sovereign Bonds
<i>Benchmark</i>	50% DJEXX50, 50% REXP
<i>Base Currency</i>	EUR
<i>Earnings</i>	Accumulation
<i>Inception date</i>	1 Dec 2003
<i>Fund Volume</i>	EUR 19.23 m as of 30. Jun 07 (all share-classes: EUR 64.1 m)
<i>Management Fee</i>	1.5 % p.a.
<i>TER</i>	1.66 % p.a.
<i>Fund Manager</i>	Frank Huttel
<i>Company</i>	TrendConcept Vermögensverwaltung GmbH
<i>Internet</i>	www.trendconcept.com

Investor's Profile

<i>Investment horizon</i>	medium term (3-5 Jahre)
<i>Risk classification</i>	medium (less than benchmark-oriented equity product)
<i>Return expectations</i>	in the longer term: equity market
<i>Loss Tolerance</i>	short term losses possible

TELOS Comment

TrendConcept Fund Automatic Asset Allocator is a fund managed according to a technical-quantitative, rule-based approach, with the flexibility to invest all its assets in European equities, government bonds, the money market or in a combination of these asset classes. The asset allocation chosen is based on the underlying medium-term trend, which is ascertained using the proprietary TrendConcept-systematic, which the company has used since its establishment in 1994 and has been updating ever since. The weekly market closing prices, which the fund managers see as the most meaningful prices for the week, are fed into the company's proprietary model. The fund's aim is to avoid capital losses for investors, and consequently serious price slumps on the equity markets, whilst still enabling investors to derive as much profit as possible from rising equity markets. In the opinion of the fund management, historical studies prove that this is possible in the long term using a quantitative approach, which does not permit any subjective influences to be considered.

This fund represents a successful combination of the results of two other funds managed by the company: a higher growth, riskier equity fund and a

lower growth, but less risky bond fund. The result is an overall security-oriented fund aimed at capital preservation, which is nevertheless capable of profiting significantly from rising equity markets during periods of stable upward trends. The underlying model was developed and tested using data going back to 1973.

TrendConcept's partnership organisation increases the fund managers' commitment to the company and consequently the stability of both the investment team and the investment process.

In addition to the share class under consideration here, the fund is also available in a distributing and two institutional shares classes, thereby meeting the requirements of several target groups. In contrast to other funds, the *TrendConcept Fund Automatic Asset Allocator* only levies a performance fee when an absolute positive performance has been realised, and not when investors have suffered capital losses despite the fact that the fund has outperformed the benchmark.

TrendConcept Fund Automatic Asset Allocator is rated **AAA-**, not least owing to the successful implementation of a flexible and dynamic approach within an well structured investment process.



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Investment Process

The *TrendConcept Fund Automatic Asset Allocator*, is managed by TrendConcept Fund S.A. in Luxembourg. The management team is part of the Wiesbaden firm *TrendConcept Vermögensverwaltung GmbH*, which was founded in 1994. The management team comprises three members of staff, with the fund manager *Frank Huttel* taking overall responsibility.

The fund invests in European equities that are listed on the Dow Jones Euro Stoxx 50 index, 10 year government bonds from the euro zone (investment grade) and the euro money market. The fund also invests in related equity and bond futures, where this is deemed cost-efficient. The investment objective is a consistently positive performance with a lower volatility than that experienced from investment solely on equity markets.

During management of the *TrendConcept Fund Automatic Asset Allocator*, the results of an equity and a bond fund managed by the company, the *TrendConcept-Universal-Fonds-Aktien-Europa* and the *TrendConcept-Universal-Fonds-EU-Bond*, are combined. The overall fund management is based on a technical-quantitative model, which was developed internally and seeks to identify market trends and trend reversals.

Portfolio construction takes place weekly on Friday

Quality Management

The performance of the fund is calculated regularly and is compared against the target performance and the benchmark results. The portfolio risk is measured using various relevant ratios such as VaR and volatility.

The quality of the underlying model used to identify trends is the subject of regular review and is adjusted whenever necessary.

Team

Since its launch in 2003, the fund has been managed by *Frank Huttel*, who has been working for *TrendConcept* since 2002 and who is also a partner in the firm. The deputy fund manager *Jürgen Reitz*, who is also a partner, was one of the company's founders. The fund managers hold a academic quali-

afternoons, based on the closing prices of the current week. The first stage involves determining the equity investment quota based on the underlying equity fund. *TrendConcept Fund Automatic Asset Allocator's* equity investment quota may be between 0 and 100% and is calculated using a bottom-up approach. To this end, the individual shares listed on the DJ Euro Stoxx 50 index are analysed. Each share delivers a signal, which contributes to the total equity quota of the fund. If *TrendConcept Fund Automatic Asset Allocator* invests in equities, then all the stocks listed on the Dow Jones Euro Stoxx 50 are included in the portfolio, based on their respective weightings within the index, or else the same allocation is represented in the form of appropriate equity index futures.

During the second stage, the bond investment level is determined for the remaining fund volume, using the same principle, in this case based on *TrendConcept-Universal-Fonds-EU-Bond*. The remainder is invested in the risk-free money market.

The fund managers implement the investment decisions immediately on Fridays. Orders are almost entirely automated, using an internally developed portfolio management system under consideration of best-execution-policy.

Adherence to internal and external investment restrictions is reviewed by TrendConcept, using its portfolio management software, and also by Hauck & Aufhäuser Investment Gesellschaft, prior to order execution. Both partners also perform an additional check against the investment guidelines. Broker price and execution quality is reviewed regularly.

fication and they have many years investment expertise. As the portfolio managers are also owners of the company, their variable remuneration is profit-based, and thereby is strongly dependent on the realized investment performance.



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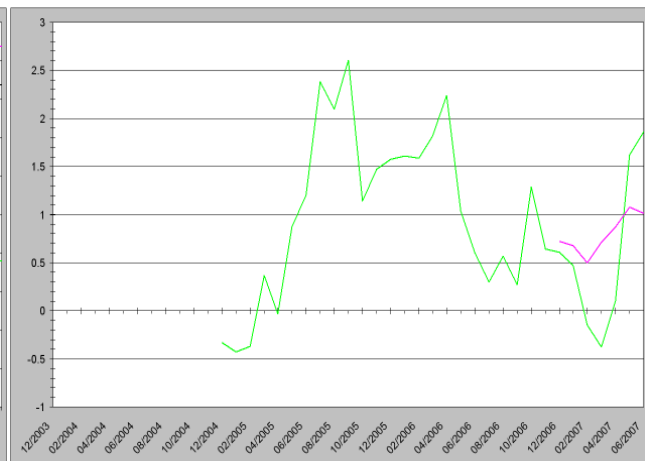
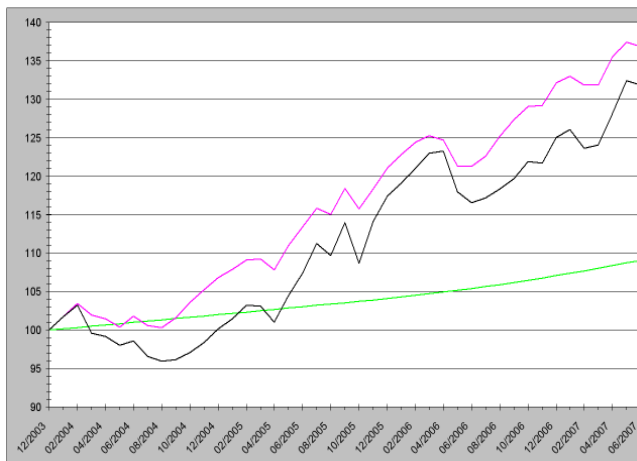
Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Economic environment	Asset selection
Equity market (level)	-
-	-
-	-
-	-

Product History

Performance

Sharpe-Ratio



— Fund — Benchmark — Money Market — 1 year — 3 years — 5 years

<i>Statistics per end of 01/2007</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>
<i>Performance (annualised)</i>	13.13%	10.81%	10.16%	—	—	—
<i>Volatility (annualised)</i>	5.19%	8.19%	7.46%	—	—	—
<i>Sharpe-Ratio</i>	1.86	0.97	1.01	—	—	—
<i>Best monthly result</i>	3.36%	4.99%	4.99%	—	—	—
<i>Worst monthly result</i>	-1.92%	-4.67%	-4.67%	—	—	—
<i>Median of monthly results</i>	0.89%	1.05%	1.05%	—	—	—
<i>Best 12-month result</i>		13.13%	21.98%	—	—	—
<i>Worst 12-month result</i>		0.87%	0.87%	—	—	—
<i>Median of 12-month results</i>		6.53%	12.17%	—	—	—
<i>Maximum loss period</i>	2 M	7 M	7 M	—	—	—
<i>Maximum loss</i>	-1.92%	-5.44%	-5.44%	—	—	—

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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.

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 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.

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