



Product Profile

Fund Name	cominvest ABS-Cofonds
ISIN	DE0007957276
Investment universe	ABS (focus on Euroland)
Benchmark	70% 3-Monats-EURIBOR, 30% Morgan Stanley ABS fixed
Base Currency	EUR
Earnings	Distribution
Inception date	23.06.2003
Fund Volume	321.93m as 31.10.2007
Management Fee	0.5% p.a.
TER	0.51% p.a.
Fund Manager	Stefan Lachhammer
Company	cominvest Asset Management GmbH
Internet	www.cominvest.de

Investor's Profile

Investment horizon	medium- to long-term
Risk classification	medium to low (comparable to pure Euroland bond product)
Return expectations	appropriate, consistent return through participation at ABS market
Loss Tolerance	short-term losses are possible

TELOS Comment

The *cominvest ABS-Cofonds* is a fixed income fund with an investment universe focusing on European Asset Backed Securities (ABS). The fund was launched in Germany and is subject to a more restrictive regulatory environment than competing products from abroad. The objective is to achieve at low volatility – less than 1% as a target risk – and over the investment horizon a performance of 50 basis points above 3 Month– EURIBOR.

The investment process has a multi-level design and combines top-down with bottom-up elements, where complex quantitative analyses are conducted while a number of qualitative factors are also taken into account. The top-down allocation is based mainly on the ongoing monitoring of each market and ABS-sector, but also draws on macro- and microeconomic research and relative value analyses. The resulting allocation to ABS-sectors enters into a model portfolio which supports the efficient implementation of the strategy.

In the bottom-up analysis, a very detailed analysis of individual securities takes place. The research relies on long-time contacts. In addition, there is a regular exchange with an ABS-team of *Commerzbank Europe* based in Dublin.

The multi-asset-class risk controlling of *cominvest* as well as ABS-specific risk models and systems provided by rating agencies enable the fund management to take into account risk aspects for constructing the portfolio while regularly monitoring credit quality. At the same time, the risk is supposed to be limited by defining an average minimum rating and by avoiding cluster risks, duration is low and close to benchmark levels. An ex-post risk control and the monitoring of compliance with investment restrictions are conducted by independent units.

The performance since inception was above benchmark until the subprime crisis. The subprime crisis led to the fact that the targets for volatility and performance – over a 3 year horizon – could not be achieved.

The investment team consists of qualified staff, who has been working together in the same company for several years. The team's main pillars are the expertise of the fund manager and the integration with the credit team of *cominvest*. Despite the link-up with the ABS-team in Dublin, resources are limited and not easy to replace or expand.

The *cominvest ABS-Cofonds* is rated **AA-**.



AA-
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Investment Process

The *ABS-Cofonds* is managed by *cominvest Asset Management GmbH* in Frankfurt, a subsidiary of *Commerzbank AG*, also located in Frankfurt. The ABS-team is integrated with the credit team within the fixed income area and consists of two fund managers as well as three analysts. In addition, they can draw on the expertise of an ABS-team of *Commerzbank Europe* based in Dublin. The fund manager, *Stefan Lachhammer*, is responsible for investment decisions.

The investment universe of the fund is focused on European ABS with a minimum rating of BBB-. Due to regulatory reasons, at least 30% of the assets have to be invested in liquid interest-paying securities. However, this limitation can be mitigated by the possibilities provided in the German derivatives directive (*Derivateverordnung*).

The objective is to generate returns above the variable part of the benchmark by exploiting existing premiums for liquidity and credit risk in the ABS markets. The prescribed portion of liquid instruments is also used to obtain additional returns from the yield curve structure. Volatility is to remain low, duration should be close to benchmark levels. In a top-down approach ABS-sectors are preselected with respect to risk and valuation. This analysis is based on macro- and microeconomic factors. Additionally,

Quality Management

The Risk- and Investment Controlling area, which is organisationally independent, is responsible for risk budgeting and control. This includes daily calculation of the fund's Value at Risk. The fund performance is calculated daily and compared to a benchmark and a peer group. The performance attribution is determined by a daily analysis. Further, performance and risk are also supervised by

Team

The fund was designed by *Stefan Lachhammer* and has been managed by him since inception. He has many years of experience and special expertise in the ABS area. All team members have university

trends in the individual ABS-sectors are taken into account and relative value analyses are conducted. The resulting allocation to ABS sectors enter into a model portfolio. Potential investment opportunities within each sector are analysed in detail if minimum requirements (e.g. regarding rating, diversification or maturity) are satisfied. The analysis takes both qualitative and quantitative aspects into account. For instance, collateral, operator and servicer as well as the manager are evaluated according to qualitative criteria, mainly using external research material (e.g. from rating agencies or brokers). The team also keeps in direct contact with the parties involved in the emission as well as the rating agencies. The ABS-structures, in particular CDOs, are subjected to a quantitative analysis. The fund management utilised risk model and systems - provided by rating agencies - which are specific to the ABS-sector, to simulate cash-flows, for instance. The portfolio does not have synthetic structures. Due to its complexity and the required experience, the trading in ABS-structures is performed by the fund management. Other trades are entered in the front-office system, from where they are routed to a specialised bond-trading desk. A team of six traders is responsible for the execution according to best execution principles.

respective committees.

The working group Fund Controlling Institutional is responsible for the monitoring of compliance with investment restrictions and other limitations. The price quality of brokers is also monitored continuously, the results play an important role in the regular review of the broker list.

degrees and some have additional qualifications such as CEFA. In addition to a base salary in line with market conditions, employees receive a bonus payment depending on performance and risk.



Investment Characteristics

<i>Important external factors</i>	<i>Important control factors</i>
Credit Spreads	Credit-worthiness
Swap Spreads	Asset selection
Short term interest rates (level)	Maturity allocation
Sector development	Sector weighting
Liquidity	Country allocation

Product History

Monthly Returns

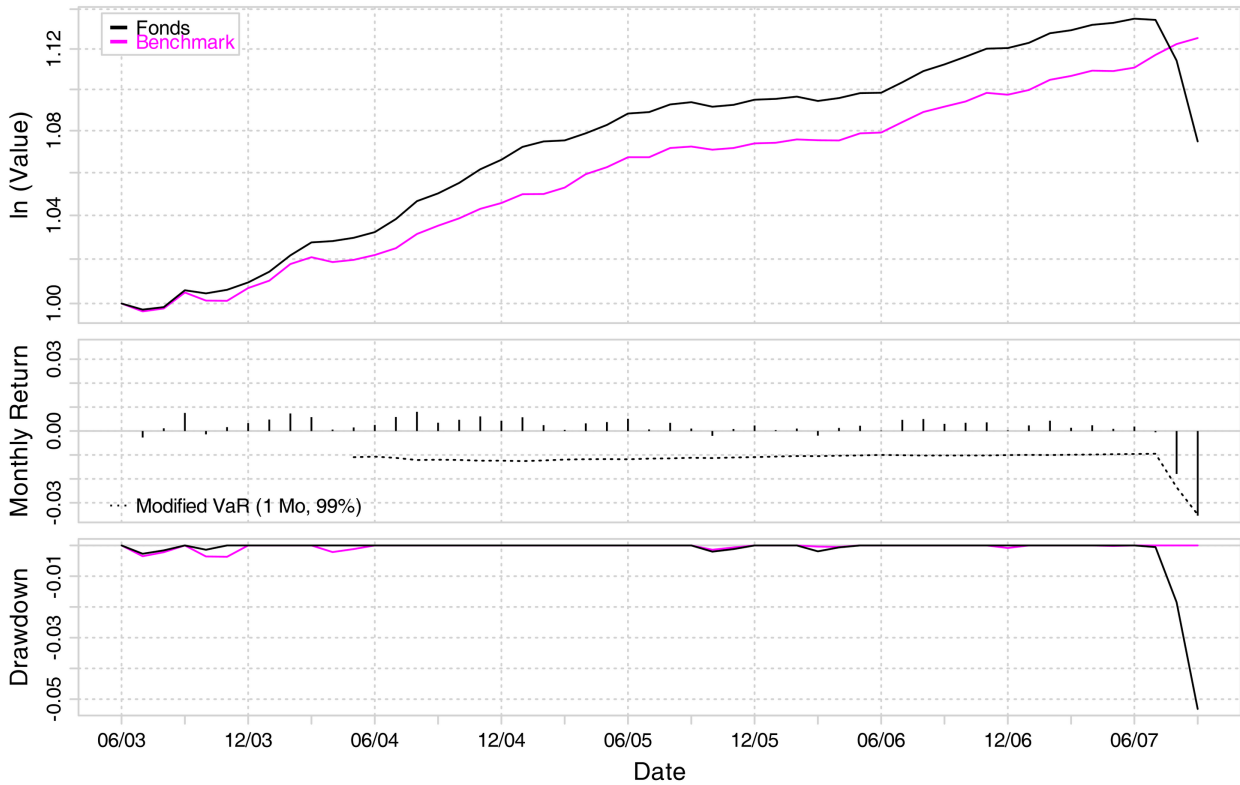
	2003	2004	2005	2006	2007
Jan	-	0.5	0.6	0.0	0.2
Feb	-	0.7	0.2	0.1	0.4
Mar	-	0.6	0.0	-0.2	0.1
Apr	-	0.1	0.3	0.1	0.2
May	-	0.1	0.4	0.2	0.1
Jun	-	0.3	0.5	0.0	0.2
Jul	-0.3	0.6	0.1	0.5	-0.1
Aug	0.1	0.8	0.3	0.5	-1.8
Sep	0.8	0.3	0.1	0.3	-3.5
Oct	-0.1	0.5	-0.2	0.3	-
Nov	0.2	0.6	0.1	0.4	-
Dec	0.3	0.4	0.2	0.0	-
Fund	0.9	5.6	2.7	2.3	-4.1
Benchmark	0.7	3.9	2.7	2.2	2.6

<i>Statistics per end of Sep 07</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>	-3.37%	-0.87%	0.77%	-	-	-
<i>Volatility (annualised)</i>	4.10%	2.98%	2.53%	-	-	-
<i>Sharpe-Ratio</i>	-1.80	-1.64	-1.27	-	-	-
<i>Best monthly result</i>	0.43%	0.50%	0.61%	-	-	-
<i>Worst monthly result</i>	-3.54%	-3.54%	-3.54%	-	-	-
<i>Median of monthly results</i>	0.16%	0.13%	0.22%	-	-	-
<i>Best 12-month result</i>		3.35%	4.14%	-	-	-
<i>Worst 12 month result</i>		-3.37%	-3.37%	-	-	-
<i>Median of 12-month results</i>		2.53%	2.33%	-	-	-
<i>Maximum loss period</i>	3 M	3 M	3 M	-	-	-
<i>Maximum loss</i>	-5.32%	-5.32%	-5.32%	-	-	-

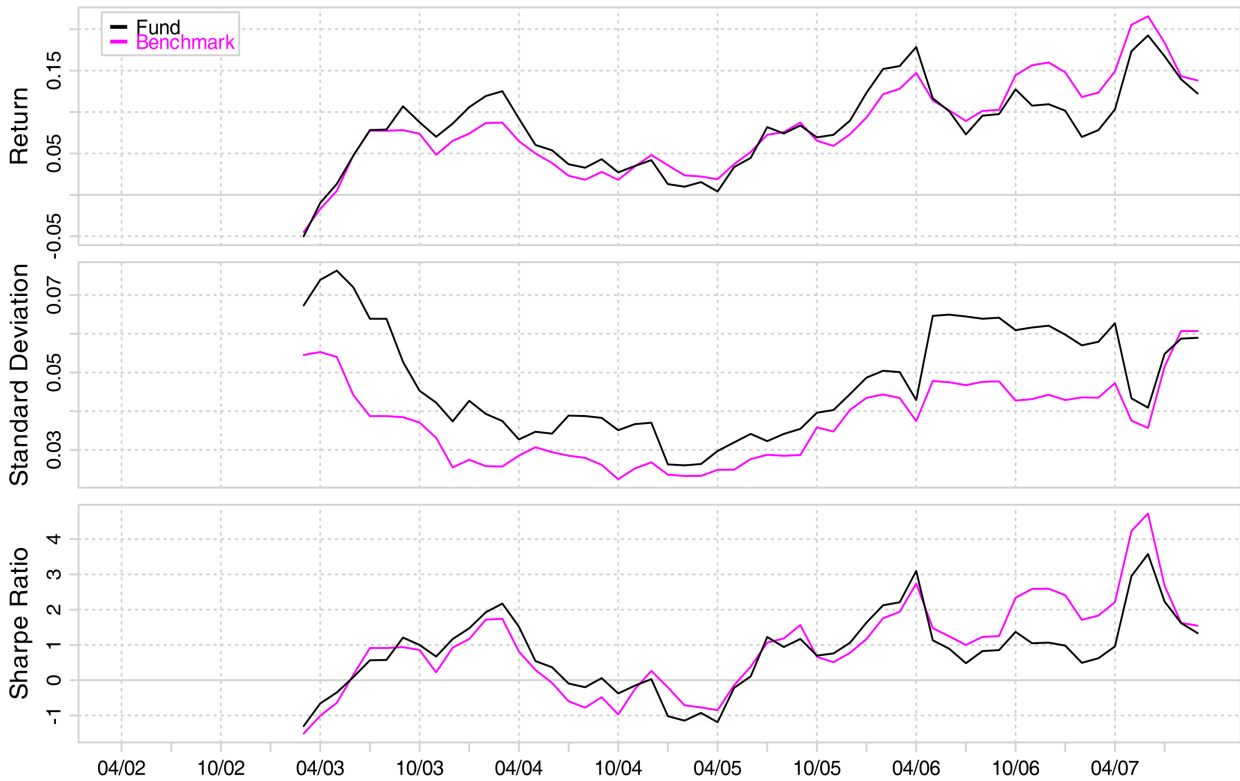
Fund vs. Benchmark (trailing 36 Months)

Jensen alpha	-0.00
Beta	0.22
R^2	0.00
Annualized Alpha	-0.03
Correlation	0.06
Tracking Error	0.03
Active Premium	-0.02
Information Ratio	-0.57
Treynor Ratio	-0.15

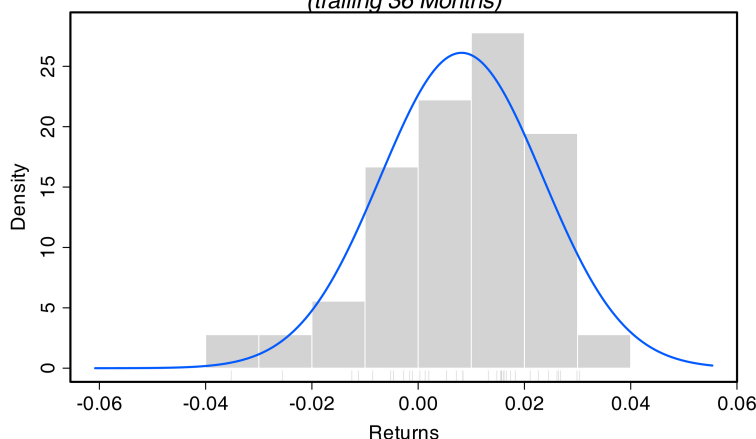
Performance



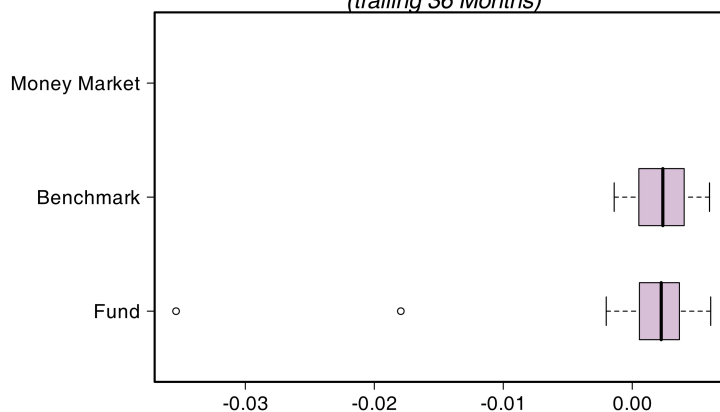
Rolling 12-Month Performance (annualised)



Histogram of monthly Returns
(trailing 36 Months)



Boxplot of monthly Returns
(trailing 36 Months)



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 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 perform-



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ance 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 pos-

itive 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.

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