

| <b>Product Profile</b>     |  |
|----------------------------|--|
| <i>Fund Name</i>           | cominvest Convertible Bonds  |
| <i>ISIN</i>                | DE0006292360   |
| <i>Investment universe</i> | Corporate Bonds (focus on Euroland)  |
| <i>Benchmark</i>           | Merrill Lynch Investment Grade Europe FX hedged                                  |
| <i>Base Currency</i>       | EUR  |
| <i>Earnings</i>            | Distribution   |
| <i>Inception date</i>      | 08.03.2002   |
| <i>Fund Volume</i>         | 154.34m as 30.09.2007  |
| <i>Management Fee</i>      | 0.6% p.a.  |
| <i>TER</i>                 | 0.62% p.a.   |
| <i>Fund Manager</i>        | Thomas Lange   |
| <i>Company</i>             | cominvest Asset Management GmbH  |
| <i>Internet</i>            | www.cominvest.de   |
| <b>Investor's Profile</b>  |  |
| <i>Investment horizon</i>  | medium- to long-term   |
| <i>Risk classification</i> | medium to low  |
| <i>Return expectations</i> | appropriate, consistent return through participation at convertible bonds market |
| <i>Loss Tolerance</i>      | short-term losses are possible   |

## TELOS Comment

The *cominvest Convertible Bonds* is a fixed income fund which invests exclusively in European convertible bonds (investment grade), although the investment in other interest-paying securities would be possible. The investment objective is to produce a steady income through participation in the development of equity markets, while at the same time limiting the sensitivity to market price movements. The return as well as the volatility of the fund are both supposed to be roughly in the middle between those of both asset classes equities and fixed income.

The investment process integrates quantitative and qualitative approaches with macro, sector, equity and bond analyses. The basis for the fund's positioning is the sector allocation of the equities and fixed income teams and *cominvest*'s asset allocation. The recommendations of the equities sector teams are the starting point for the convertible bonds selection. Individual securities are selected based on these recommendations as well as ratios such as delta, convexity, rho and implied volatility. The research results enter a model portfolio, which supports the efficient implementation of the strategy.

Well-established risk models and systems enable

the fund management to analyse the portfolio according to risk aspects. In addition, specific risk models from external providers are used. The risk control is, above all, exercised through the tracking error and the sensitivity to market price movement. An ex-post risk control as well as the monitoring of compliance with investment restrictions is performed by independent units. The performance attribution, which is conducted regularly, covers all aspects of the fixed income performance.

The performance was clearly above those of comparable fixed income products at a relatively low volatility of under seven percent. In the rolling 12-month calculation, the Sharpe Ratio lay always in the positive territory.

The investment team has qualified members who have been working for several years at the company. The fund manager has extensive investment experience in the convertible bonds segment, his deputy brings valued know-how from equity research. The convertible team benefits from the integration into the credit team and the close contacts to the equities area.

The *cominvest Convertible Bonds* is rated **AA**.

## Investment Process

The *Convertible Bonds* is managed by *cominvest Asset Management GmbH* in Frankfurt, a subsidiary of *Commerzbank*, also located in Frankfurt. The convertible team is integrated into the credit team within the fixed income area and includes two fund managers who conduct specific convertible research. They obtain input and support from staff in the equities and fixed income areas. The fund manager, *Thomas Lange*, is responsible for investment decisions.

The investment universe of the fund consists largely of euro-denominated convertible bonds with ratings in the investment grade range. Issues without external rating are evaluated and monitored internally. The fund's performance is strongly linked to the performance of the underlying shares and the overall equity market.

The basis of the investment philosophy is the view, that the efficiency of financial markets is limited. From these inefficiencies and by making use of an adequate risk budget a performance above benchmark is to be generated.

The multi-stage investment process combines top-down and bottom-up approaches. The starting point of the top-down analysis is a central macro-economic scenario, which is determined in close co-operation between the equities and the fixed income departments.

The scenario is also the basis for determining the

## Quality Management

The Risk- and Investment Controlling department, which is organisationally independent, is responsible for risk budgeting and control. The risk profile is monitored daily by means of a multi-asset-class risk management system.

In addition, the fund's performance is calculated

## Team

The fund manager *Thomas Lange* has eight years experience in the convertible bonds segment. His deputy, who is also portfolio manager for bonus shares and low-ranking bonds, was previously in equity research. Both have university degrees and

strategy in these areas. Both areas contribute a sector allocation each by means of model portfolios. Fundamental and technical models are used to define the equity sensitivity of the fund.

Starting point of the bottom-up analysis are the recommendation lists of the equities sector teams, which are compiled based on quantitative rankings while taking into account a number of qualitative factors. Each convertible bond is selected on the basis of ratios such as delta, implied volatility and above all convexity. In addition, financial strength and duration play a role for the security selection. The portfolio has synthetic structures and contains approximately 60 – 70 securities. A reduction of the delta of the portfolio by the sales of futures can be carried out in order to hedge the position.

At the end of the investment process, all insights from top-down and bottom-up analyses are consolidated into a model portfolio.

Due to its niche character, the trading in convertible bonds is performed by the fund manager, although he is bound to the broker list and best execution. Other trades are entered in the front-office system, from where they are routed to a specialist bond-trading desk. A team of six traders is responsible for the execution according to best execution principles.

on a daily basis and compared to a benchmark as well as to a peer group. Further, performance and risk are also supervised by respective committees. The working group Fund Controlling Institutional is responsible for the monitoring of compliance with investment restrictions and other limitations.

the additional qualification 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>    |
|-----------------------------------|-------------------------------------|
| Equity market (level)             | Asset weighting (delta)             |
| Equity market (volatility)        | Asset selection (underlying)        |
| Sector development                | Sector weighting (asset allocation) |
| Credit Spreads                    | Credit-worthiness                   |
| Long term interest rates (level)  | Benchmark orientation               |

## Product History

## Monthly Returns

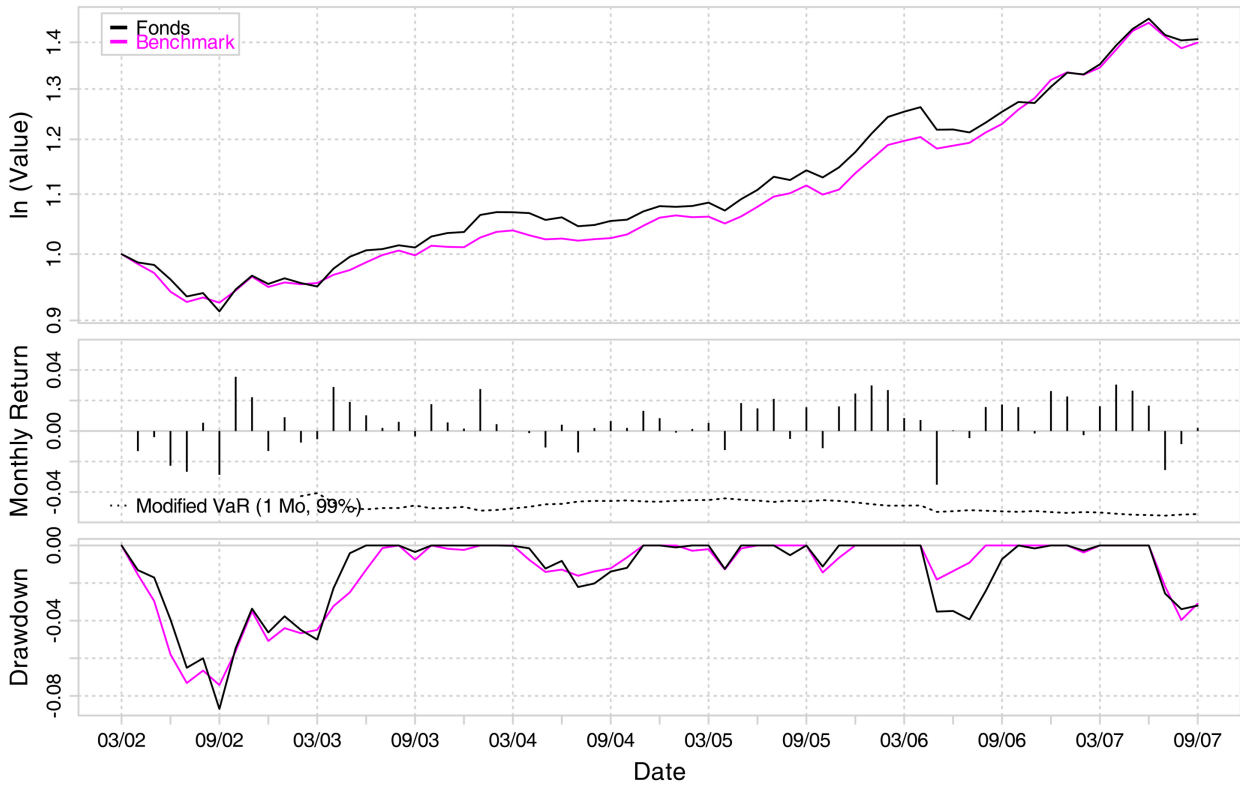
|                  | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------------------|------|------|------|------|------|------|
| <b>Jan</b>       | -    | 0.9  | 2.7  | -0.1 | 3.0  | 2.3  |
| <b>Feb</b>       | -    | -0.8 | 0.4  | 0.1  | 2.7  | -0.3 |
| <b>Mar</b>       | -    | -0.5 | 0.0  | 0.5  | 0.8  | 1.6  |
| <b>Apr</b>       | -1.3 | 2.9  | -0.1 | -1.2 | 0.7  | 3.0  |
| <b>May</b>       | -0.4 | 1.9  | -1.1 | 1.8  | -3.5 | 2.6  |
| <b>Jun</b>       | -2.3 | 1.0  | 0.4  | 1.5  | 0.0  | 1.7  |
| <b>Jul</b>       | -2.7 | 0.2  | -1.4 | 2.1  | -0.5 | -2.6 |
| <b>Aug</b>       | 0.5  | 0.6  | 0.2  | -0.5 | 1.6  | -0.9 |
| <b>Sep</b>       | -2.9 | -0.3 | 0.6  | 1.6  | 1.7  | 0.2  |
| <b>Oct</b>       | 3.6  | 1.8  | 0.2  | -1.1 | 1.6  | -    |
| <b>Nov</b>       | 2.2  | 0.6  | 1.3  | 1.6  | -0.2 | -    |
| <b>Dec</b>       | -1.3 | 0.2  | 0.8  | 2.5  | 2.6  | -    |
| <b>Fund</b>      | -4.6 | 8.6  | 4.2  | 9.0  | 10.9 | 7.9  |
| <b>Benchmark</b> | -5.1 | 6.5  | 4.8  | 7.3  | 16.0 | 6.1  |

| <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>     | 12.23%        | 10.98%         | 10.11%         | 9.04%          | -              | -               |
| <i>Volatility (annualised)</i>      | 5.90%         | 6.03%          | 5.29%          | 5.00%          | -              | -               |
| <i>Sharpe-Ratio</i>                 | 1.40          | 1.16           | 1.15           | 1.01           | -              | -               |
| <i>Best monthly result</i>          | 3.04%         | 3.04%          | 3.04%          | 3.55%          | -              | -               |
| <i>Worst monthly result</i>         | -2.56%        | -3.52%         | -3.52%         | -3.52%         | -              | -               |
| <i>Median of monthly results</i>    | 1.59%         | 1.57%          | 1.08%          | 0.62%          | -              | -               |
| <i>Best 12-month result</i>         |               | 19.25%         | 19.25%         | 19.25%         | -              | -               |
| <i>Worst 12 month result</i>        |               | 6.99%          | 6.94%          | 0.41%          | -              | -               |
| <i>Median of 12-month results</i>   |               | 10.94%         | 10.77%         | 8.77%          | -              | -               |
| <i>Maximum loss period</i>          | 3 M           | 5 M            | 5 M            | 5 M            | -              | -               |
| <i>Maximum loss</i>                 | -3.39%        | -3.93%         | -3.93%         | -3.93%         | -              | -               |

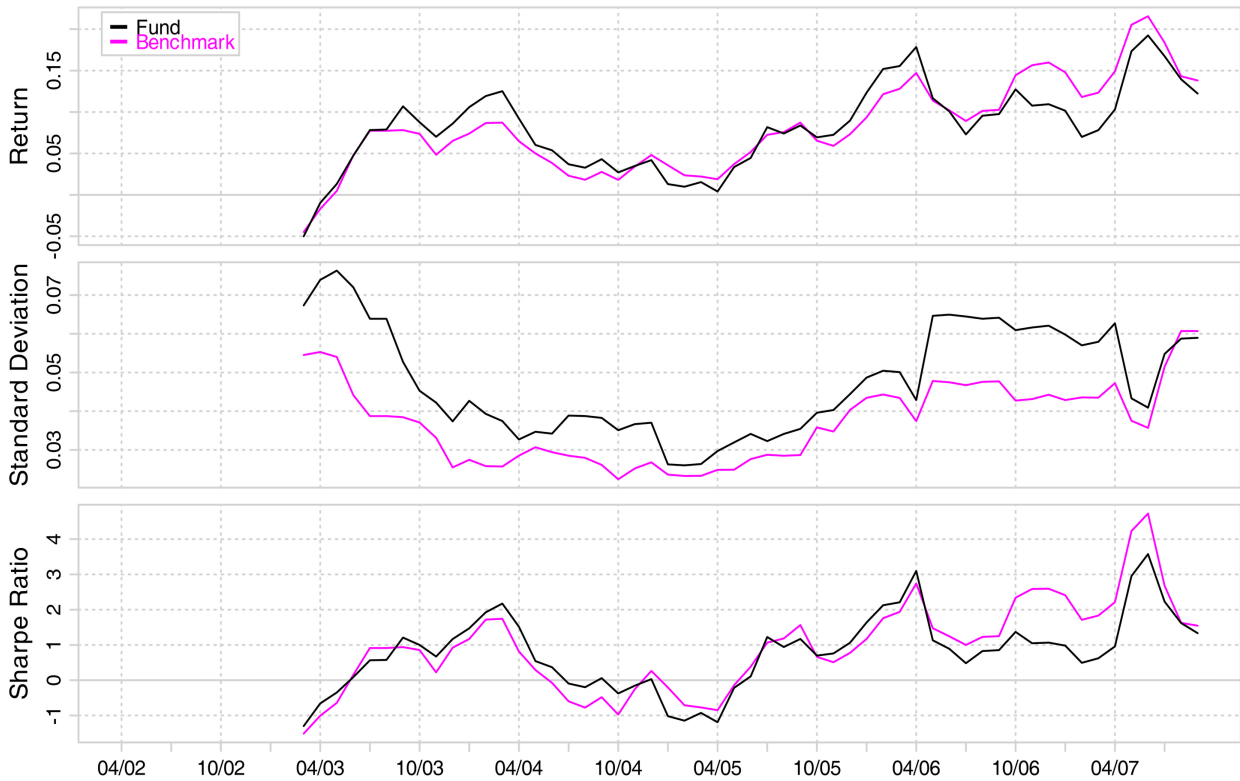
## Fund vs. Benchmark (trailing 36 Months)

|                          |       |
|--------------------------|-------|
| <b>Jensen alpha</b>      | -0.00 |
| <b>Beta</b>              | 1.02  |
| <b>R^2</b>               | 0.80  |
| <b>Annualized Alpha</b>  | -0.01 |
| <b>Correlation</b>       | 0.89  |
| <b>Tracking Error</b>    | 0.01  |
| <b>Active Premium</b>    | -0.01 |
| <b>Information Ratio</b> | -0.63 |
| <b>Treynor Ratio</b>     | 0.06  |

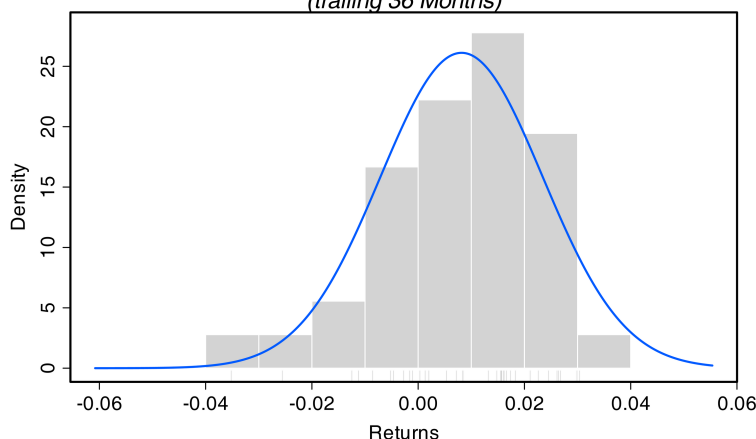
Performance



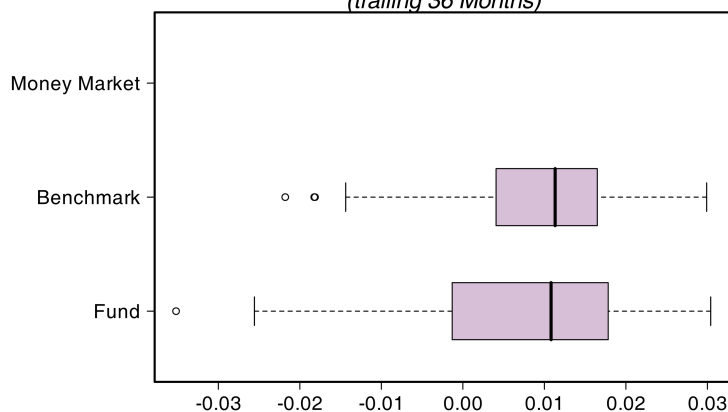
Rolling 12-Month Performance (annualised)



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-

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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