



### Product Profile

<i>Fund Name</i>	cominvest Emerging Market Bonds P
<i>ISIN</i>	DE009769646
<i>Investment universe</i>	Emerging Market Debt
<i>Benchmark</i>	JPM USD EMBIG Diversified – Euro Hedged
<i>Base Currency</i>	EUR
<i>Earnings</i>	Distribution
<i>Inception date</i>	14.08.1996
<i>Fund Volume</i>	EUR 70.96 m as 31.07.2008
<i>Management Fee</i>	1.15 % p.a.
<i>TER</i>	1.21 % p.a.
<i>Fund Manager</i>	Wolfgang Zecha
<i>Company</i>	cominvest Asset Management
<i>Internet</i>	www.cominvest.de

### Investor's Profile

<i>Investment horizon</i>	long-term
<i>Risk classification</i>	compared to fixed-income funds: high
<i>Return expectations</i>	aim: higher returns than funds with investment-grade bonds
<i>Loss Tolerance</i>	short-losses are possible

## TELOS Comment

The *cominvest Emerging Market Bonds* is a fixed-income fund with its investment universe focused on emerging markets bonds of low credit rating denominated in Dollar or Euro. As substitute or complement, corporate bonds of these countries can be purchased. Recently, a further diversification of the portfolio can be achieved by taking positions in local currencies of the emerging markets. As a result the fund may benefit from revaluations of local currencies as well as from convergence processes.

Due to the main emphasis on government loans the investment process is mainly top-down. The well-structured investment process consists of three stages where both a quantitative scoring is carried out and qualitative aspects are taken into account. Economic research and evaluations have high significance in all stages of the process. Relative value considerations are relevant for the security selection. The research focus is on primary research. Direct contact with issuers takes place through their regular visits in Frankfurt. Secondary research sources are drawn on to challenge and thus further strengthen proprietary results. Well-established risk models and systems allow the fund management to take risk aspects into account while constructing the portfolio. Risk controlling is predominantly performed through the tracking error and by fixing minimum and average ratings as well as through cash

holdings. An ex-post risk control as well as the monitoring of compliance with investment restrictions is performed by independent units. The fund's management utilises an attribution-analysis-system in order to better identify performance contributions. This analysis system is in the process of further refinement. The risk budget (tracking error) is currently not fully utilised.

In May 2008 the new portfolio manager *Wolfgang Zecha* joined the emerging-markets-debt-team. His speciality is the management of emerging markets bond portfolios ("hard"- as well as local currencies). Except for the new portfolio manager the investment team is characterised by a high degree of stability. The team consists of qualified employees who have been working at the company for many years. Their skill set is complementary, in terms of both experience and expertise in emerging markets.

In the recent past the performance of the fund was below benchmark which is not least due to the difficult market environment (among others spread-increase and general risk aversion). In terms of rolling measurements over a two year observation period the Sharpe-ratio lies in the negative range.

*cominvest Emerging Market Bonds* is rated **AA+**.



## Investment Process

The *cominvest Emerging Market Bonds* is managed by *cominvest Asset Management GmbH* in Frankfurt, a subsidiary of *Commerzbank AG*, also located in Frankfurt. The whole five-strong emerging market debt team is involved in the investment process. The fund manager, *Wolfgang Zecha* has overall responsibility for all investment decisions.

The investment universe is mainly composed of Euro- and Dollar-denominated bonds of emerging economies with a credit rating outside the investment grade range. However, the minimum rating is defined to be B-. As a substitute, corporate bonds and state-related entities of comparable rating can be purchased. Positions in local currencies have been included to a limited amount. In the longer-term, the relative proportion of these issues is supposed to be increased up to 15% of assets under management. Hard currencies, this means mainly the US-Dollar, are generally hedged against the Euro.

The foundation of the investment philosophy is the view, that the efficiency of markets for emerging markets bonds is limited and that they show different liquidity conditions as well as time lags in the information processing. From these inefficiencies and by making use of systematic processes and an adequate risk budget an outperformance of the benchmark *JPM USD EMBIG diversified-Euro hedged* is sought, net of fees. A performance fee is not charged.

The first step of a three-stage investment process

## 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 on a daily basis and compared to a benchmark as well as to a peer group. Further, performance and risk are also su-

pervised by respective committees. The Investment Controlling in Frankfurt 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.

includes the strategic alignment of the fund with respect to duration and currency as well as the positioning in the credit cycle. Among others, the global interest rate development, liquidity and risk aversion as well as spreads relative to high yield corporate bonds are considered. The second step starts with conducting the strategic country allocation. This takes place through a quantitative scoring based on economic indicators and forecast values, but also proprietary expectations. In addition, the tactical country positioning is carried out taking into account qualitative and quantitative aspects. The third step of the investment process covers the securities selection based on relative value analyses and the estimation of changes in the spread curve. Deviations from the spread curve serve as buy or sell signals. Furthermore, issues-specific characteristics are taken into account.

The fund invests on average in 60 to 65 securities. The maximum quantity of securities has been increased from 65 to 80 under the new funds manager. Cash holdings are drawn on as a strategic instrument for risk management. The tracking error is high in comparison and is allowed to reach 6.5%.

Because of the low liquidity in emerging markets bonds trading is mainly done by the fund management. Other orders are entered in the front-office system, from where they are routed to a specialised bond-trading desk and where the execution occurs under the terms of best-execution-policy.

## Team

Since May 2008 the fund has been managed by *Wolfgang Zecha*. *Klaus Röttger* acts as vice fund manager who had previously managed the fund since 1996. Almost all team members hold university degrees and the majority have additional qualifications such as CEFA. The average

investment experience is 15 years. Apart from a base salary in line with market conditions, employees receive a bonus payment depending on performance and risk.



## Investment Characteristics

Important external factors	Important control factors
Commodity Prices	Asset selection, country allocation
Liquidity	Maturity allocation
Economic environment	Asset weighting
Short term interest rates (level)	Cash Holding
Country Risk	-

## Product History

### Monthly Returns

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Jan	-	2.0	1.4	1.2	1.0	3.1	0.2	2.8	0.6	1.1	1.0	0.2	0.1
Feb	-	1.3	1.3	0.6	1.7	0.0	1.1	2.7	0.1	1.2	1.0	0.7	-0.3
Mar	-	-1.1	1.5	2.4	2.1	-0.5	2.0	0.0	2.5	-1.8	-1.0	0.2	-2.2
Apr	-	1.5	0.0	4.4	-0.2	0.4	-0.4	5.3	-3.0	1.2	-0.4	0.6	1.4
May	-	0.7	-0.7	0.5	-0.8	2.4	-1.6	3.0	-0.5	1.2	-1.1	0.4	0.5
Jun	-	1.3	-1.1	0.8	1.7	0.9	-7.9	-0.8	1.9	1.8	-2.6	-0.3	-1.5
Jul	-	0.7	0.5	0.0	1.7	-4.8	-6.6	0.8	2.5	0.6	3.5	-1.9	0.4
Aug	-	-0.1	-17.9	0.3	1.4	2.2	8.7	1.0	3.0	0.9	1.6	-0.5	-
Sep	1.4	0.7	-1.3	0.4	0.0	-3.5	-2.7	2.4	0.9	1.5	0.4	1.3	-
Oct	1.0	-3.0	3.6	0.9	-1.5	0.2	5.1	0.7	0.7	-1.2	1.3	1.1	-
Nov	1.1	0.3	6.3	1.4	-0.3	2.9	5.0	1.7	0.8	1.0	0.4	-1.5	-
Dec	0.9	0.3	1.0	1.4	2.1	-1.3	3.1	1.5	1.0	0.6	0.9	0.7	-
<b>Fund</b>	<b>4.5</b>	<b>4.5</b>	<b>-7.3</b>	<b>15.2</b>	<b>9.3</b>	<b>1.4</b>	<b>4.9</b>	<b>23.1</b>	<b>10.9</b>	<b>8.4</b>	<b>4.9</b>	<b>1.0</b>	<b>-1.7</b>
<b>Benchmark</b>	<b>-</b>	<b>3.6</b>	<b>3.9</b>	<b>7.7</b>	<b>8.9</b>	<b>-13.1</b>	<b>10.1</b>	<b>16.0</b>	<b>12.1</b>	<b>7.0</b>	<b>5.2</b>	<b>4.7</b>	<b>1.4</b>

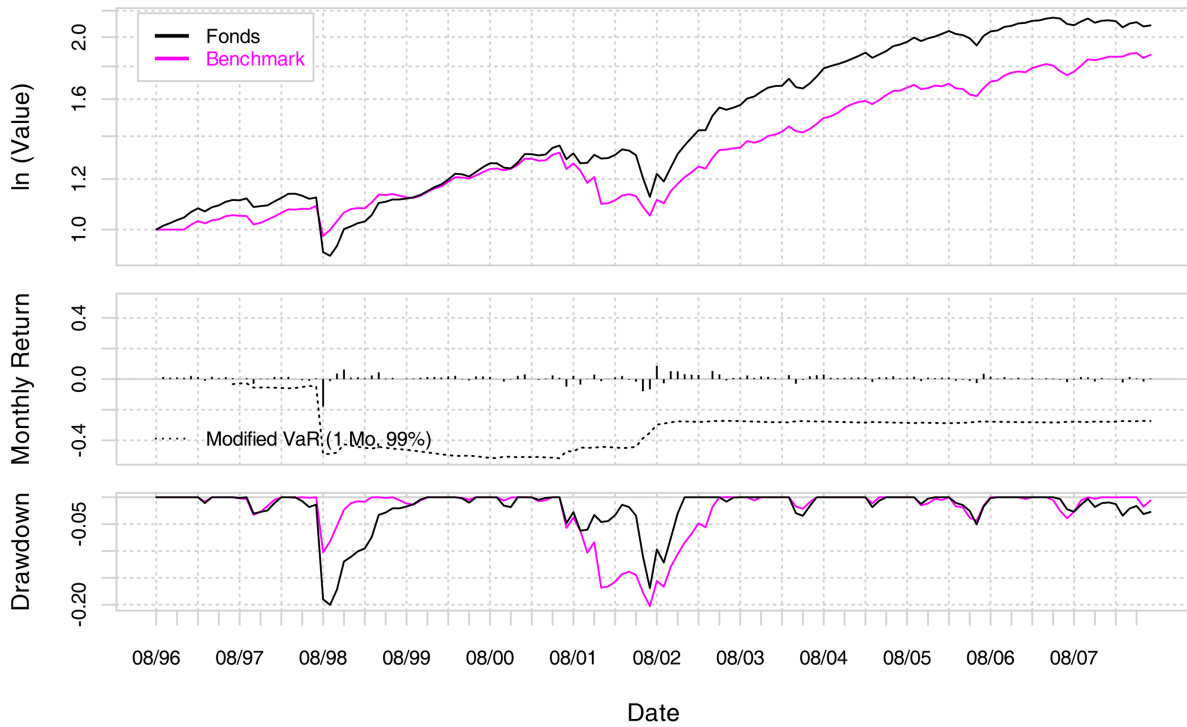
Statistics per end of Jul 08	1 year	2 years	3 years	5 years	7 years	10 years
Performance (annualised)	-0.51%	1.92%	2.32%	6.11%	7.13%	-
Volatility (annualised)	4.13%	3.62%	4.30%	4.56%	7.85%	-
Sharpe-Ratio	-1.09	-0.58	-0.39	0.46	0.40	-
Best monthly result	1.38%	1.61%	3.51%	3.51%	8.66%	-
Worst monthly result	-2.19%	-2.19%	-2.56%	-2.96%	-7.87%	-
Median of monthly results	0.27%	0.37%	0.39%	0.73%	0.74%	-
Best 12-month result		4.40%	10.16%	14.43%	37.90%	-
Worst 12 month result		-2.80%	-2.80%	-2.80%	-12.70%	-
Median of 12-month results		0.90%	3.13%	6.11%	7.85%	-
Maximum loss period	9 M	14 M	6 M	6 M	8 M	-
Maximum loss	-3.13%	-3.43%	-5.05%	-5.05%	-15.73%	-

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

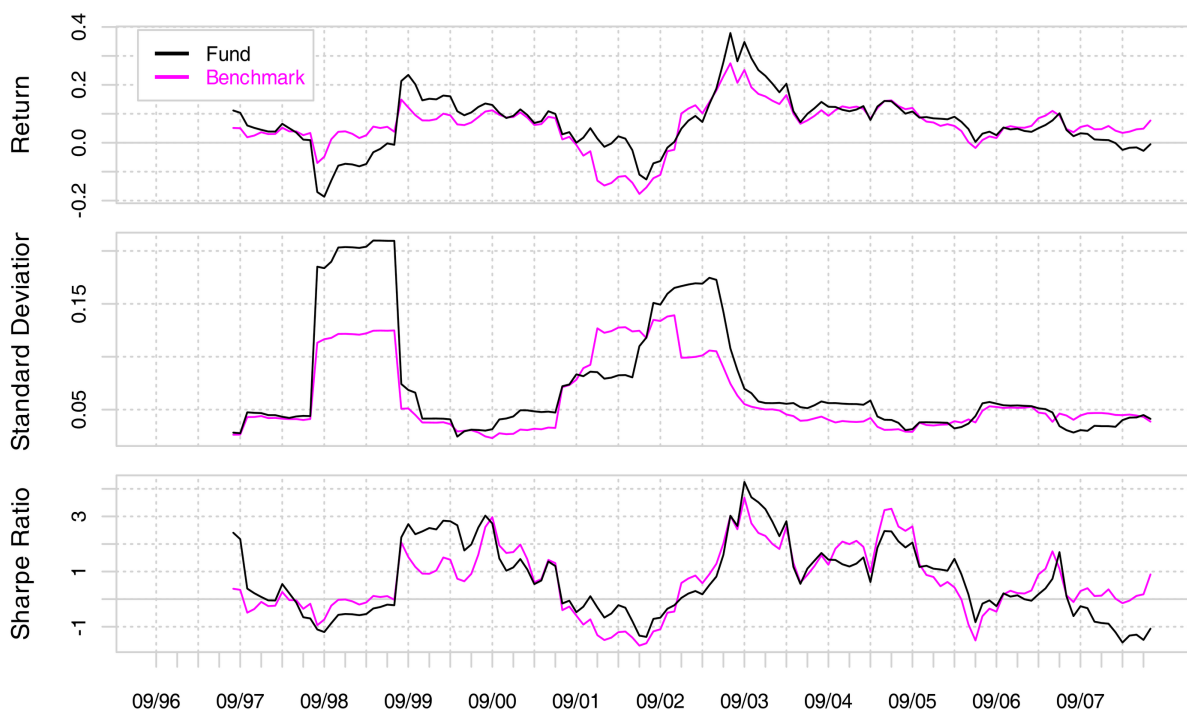
Jensen alpha	-0.00
Beta	0.75
R^2	0.57
Annualized Alpha	-0.02
Correlation	0.76
Tracking Error	0.04
Active Premium	-0.02
Information Ratio	-0.57
Treynor Ratio	-0.02



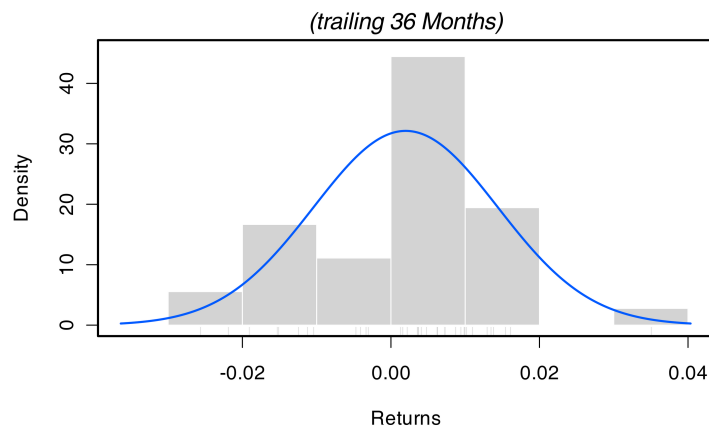
Performance



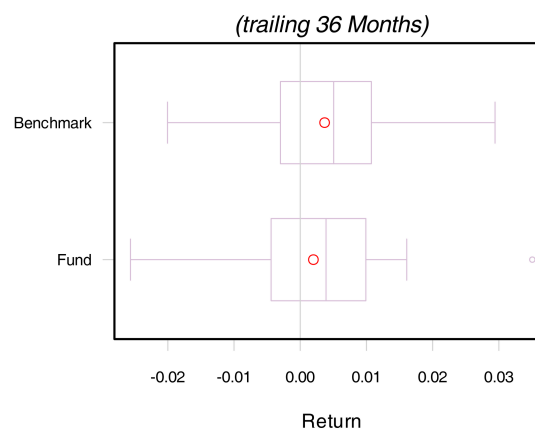
Rolling 12-Month Performance (annualised)



Histogram of monthly Returns



Boxplot of monthly Returns



## 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 re-invested 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.

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**AA+**  
08/2008

**cominvest**  
**Emerging Market Bonds**

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