

Investor Info

News from
ARVEST Funds AG

ARVEST GLOBAL STARS FUND *The global stock fund with active management*

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Quarterly Report from Fund Manager
Beyzade Han

Performance from 10/03/2000 to 06/30/2010 in CHF



General market environment



Although volatility in the global stock markets increased during the past quarter, no major changes took place versus the previous quarter. Even though the NBER (National Bureau of Economic Research) has not yet confirmed the end of the recession in the US, it is now generally assumed that the recession is over. The ARVEST Investment Committee shares this view. However, the end of a recession does not automatically signal a long-lasting economic growth phase. As mentioned in previous publications, the economy typically recovers more slowly from a recession when accompanied by a financial crisis. There are also significant risks that could once again quickly and negatively impact the fragile state of the Western financial and real economy.

These risks include the real estate market, strong currency fluctuations within short time periods, continued high unemployment figures and, above all, the still-weak balance sheets of many banks, whose existence directly or indirectly depends on government support. Despite this support, in all likelihood more banks will be forced to file for bankruptcy in the US this year than in 2009.

Meanwhile, in the near future the mood in the market will continue to be heavily and primarily dependent on economic development in China. Even if China's influence on the world economy is not yet comparable to that of the US, the Middle Kingdom is nevertheless having a psychologically important, mood-lightening effect on the rest of the world thanks to its continued robust economic growth.

A look back

No securities were sold from ARVEST Global Stars in the past quarter. New securities purchases included Telstra and Guangdong Electric Power. Both companies represent recent new additions to the ARVEST investment world.

Telstra is an Australian telecommunications company with over 43,000 employees. The company pays excellent dividends, similar to other firms like Deutsche Telekom, of around 9% currently. However, it has better balance sheet numbers than other telephone companies and, with a P/E ratio of 10, is by all means classifiable as a good value.

Guangdong Electric Power Development was founded in 1992 and operates in the

energy industry in the Chinese province of Guangdong with just under 2,000 employees. The company builds power plants and sells its own, self-generated power. The province has demonstrated high economic growth for the past 25 years, resulting in an increased demand for energy. This should continue to be a source of profit for the company in the future. Besides a capital gain on the stock price, the investment also stands a realistic chance of benefiting from the likely appreciation of the Chinese yuan.

From the beginning of the year through the end of June, ARVEST Global Stars posted positive performance of 1.2%. Although the fund fell by 4.5% versus the first quarter, its performance can be considered satisfactory as its benchmark index, the S&P 1200, fell by 11.7% in the same period. ARVEST Global Stars thus outperformed the index since the start of the year by about 8.7%, thanks to comparatively more defensive positioning. Since its launch in 2000, the fund's relative outperformance has been thanks to active fund management around 75.5%.

Outlook and strategy

Based on the current situation, it remains difficult to make a reliable prediction with regard to future developments. The most likely scenario for the ARVEST Investment Committee remains presumably weak growth in the West and continued economic expansion in Asia. Only once the dampening effects on economic growth, such as those caused by the weak housing market in the US, have slowed can the overall economic outlook for the West become brighter. In the view of the Investment Committee, however, this may take some time. The second half of the year will likely shed more light on whether we are actually on the verge of a robust economic recovery based on corporate profits. In fact, most analysts appear downright optimistic with regard to corporate profits. One reason the Investment Committee doesn't quite share this optimism to the same degree is the fact that the next

phase of economic growth will need to take place with less credit financing than in the past. While this is good news for the national economy in the long run, in the short and medium term growth will be limited.

Due to the lack of clear signals, I will continue to keep the risk profile of ARVEST Global Start below that of the global stock market.

July 2010, Beyzade Han

The ten largest share positions (in % of the total fund volume)

| | |
|-----------------------------------|--------------|
| 1. Novartis | 4.0% |
| 2. Barrick Gold Corp. | 3.9% |
| 3. Toyota Motor Corp. | 3.6% |
| 4. Ratchaburi | 3.5% |
| 5. Total | 3.5% |
| 6. Nong Shim | 3.2% |
| 7. GD Electric Power | 3.0% |
| 8. Nokia | 2.9% |
| 9. Coca Cola | 2.8% |
| 10. Walgreen | 2.8% |
| Total 10 largest positions | 33.2% |

Key figures - Arvest Global Stars Fund

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|----------------------------|--|
| Inventory value per share: | CHF 1'214.39 (30/06/10) |
| Fund volume: | CHF 30.3 million (30/06/10) |
| Securities number: | 1,125,057 |
| Fund domicile: | Switzerland |
| Fund management: | ARVEST Funds AG |
| Depositary bank: | ARVEST Privatbank AG |
| Accounting currency: | CHF (Swiss francs) |
| Issue/repurchase: | On any bank working day |
| Management fees: | 0.80 % p.a. |
| Profit sharing: | 10% of the annual net asset growth. Any losses must first be compensated before any further profit sharing can take place. |
| Escrow fees: | 0.15 % p.a. |
| Issue commission: | 2 % |
| Auxiliary costs: | 1 % for issue and repurchase (in favour of the fund) |
| Repurchase commission: | None |
| Sales: | Sales only in Switzerland |

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