

Investor Info

News from
ARVEST Funds AG

ARVEST GLOBAL STARS FUND

The global stock fund with active management

Volume 9, Issue 3
July 2009

Quarterly Report from the Fund Manager
Beyzade Han

Performance from 10/03/00 to 06/30/09 in CHF



General market environment



Early last summer, the ARVEST Investment Committee had distanced itself from the prevailing, rather optimistic assessment of the economy. However, we do not as a rule position ourselves against the general consensus. Based on the events of recent months, the Investment Committee is now closer to sharing in the general consensus of an economic recovery. In contrast to the market, however, we do not expect a long-term economic upswing. Nevertheless, thanks to the basis effect, the Investment Committee does consider a slight increase in GDP probable in developed, industrialized nations for some quarters as of Q4 2009. The lack of euphoria in our assessment is based on two very relevant considerations in our view:

First, the expected slight economic growth will primarily be the result of government expen-

ditures and government-stimulated private consumption. However, long-term upswings are typically and primarily characterized by increased private sector investment. Currently, no such activity is being observed. To the contrary: The economy continues to focus primarily on reducing its production capacities.

Second, government measures following the Lehman collapse have indeed been successful in stabilizing the financial sector. However, the number of financially weak financial institutions has barely dropped. As such, the problems of the financial sector remain virulent for the overall economy. Growing government borrowing in an effort to rescue formal and informal banks has also reduced the creditworthiness and stability of governments. This additional burden on governments will negatively impact the future growth potential of their nations' economies.

A look back

Since March 9, 2009, stock prices have begun to recover from their lows across the board. Fortunately, this trend continued last quarter. Although the ARVEST Global Stars Fund as a whole remained rather defensively positioned, it also profited strongly from last quarter's stock price rally. Our active management of the stock portfolio has contributed positively in this regard:

Stocks in Russian-based Gazprom and Sberbank, purchased in Q1, were sold last quarter. For both these stocks, I opted for a shorter holding period based on sharp price increases. Capital gains of 78% for Sberbank (see April's Investor Info for details) and 40% for Gazprom were realized. Recently, I expanded our position in shares of Takashimaya. Takashimaya is Japan's leading department store chain, with 10,000 employees and a

market share of about 12%. In contrast to Karstadt in Germany, most of Takashimaya's retail locations are directly owned by the company. Based on our anti-cyclical investment strategy, despite a downturn in consumption in Japan, I decided that there would rarely be a more economically opportune time to purchase such high-quality securities at a low price. If this reminds you of the old market adage "buy on bad news," you would not be far off.

In all, the ARVEST Global Stars Fund was invested in 42 stocks at the end of last quarter. From the beginning of the year to the end of June, the fund grew by +8.4%, once again beating the performance of its benchmark index: In the same period, the S&P Global 1200 grew by +6.7%.

Since its inception, ARVEST Global Stars has outperformed its benchmark index by +62.1%. The rating firm Morningstar has once again awarded the fund a maximum score of five stars.

Outlook and strategy

As mentioned at the beginning of this report, the ARVEST Investment Committee does not expect a long-term economic upswing. Even in China, where high growth rates continue to prevail, further economic expansion is based on government-ordered lending to banks, presumably without careful review of the borrower's creditworthiness.

This year, however, there is a good chance that current stock prices can be maintained through the end of the year. The question of whether government interventions will ultimately be successful in once again ramping up private consumption and investment in the economy remains open at this time. The answer will become readily apparent next year in how market indices develop.

July 2009, Beyzade Han

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

1. Novartis	4.2%
2. Walgreen	3.9%
3. Barrick Gold Corp	3.6%
4. Nong Shim	3.2%
5. Samsung	3.1%
6. Nokia	3.1%
7. Glaxosmithkline	2.8%
8. Takashimaya	2.7%
9. 3M Company	2.7%
10. Total	2.7%
Total 10 largest positions	32.0%

Key figures - Arvest Global Stars Fund

Inventory value per share:	CHF 1'059.17 (30/06/09)
Fund volume:	CHF 24.2 million (30/06/09)
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

ARVEST Funds AG

Churerstrasse 82 CH-8808 Pfäffikon SZ
 Tel. +41 (0)55 415 65 90 Fax +41 (0)55 415 65 99
 funds@arvest.ch www.arvest.ch