



The global, actively managed stock fund

Performance from 10/04/00 to 03/31/11 in CHF



General market environment



The events of the recent past have once again increased the volatility of most stock markets around the world, the most important of them being the political upheaval in the Arab world and the triple catastrophe in Japan. Both events have one thing in common: we all knew they would happen someday. Of course, the exact time and extent of the consequences were not foreseeable. The developments rocked the financial markets, as seen in various indicators. This time, the mood of the market was reflected in the price of oil as well, which was directly impacted by both events. As expected, the price of Brent crude rose as a result of uncertain supplies in the Arab world from USD 95 at the start of the year to around USD 115 at the beginning of March, accelerating noticeably as of mid-

February. In contrast, the catastrophe in Japan had a dampening effect on prices, as disruptions in the increasingly delicate global value chain were expected. Currently, oil prices are back to pre-Japanese crisis levels. This indicates that the market does not currently seem to expect any long-term negative effects from the events in Japan.

A look back

In the past quarter, our portfolio underwent some shifts: shares of US-based **Archer-Daniels-Midland** and **Home Depot** and Japan-based **Takashimaya** and **Hoya** were sold. Three Chinese stocks, **China Mobile**, **Chaoda Modern Agriculture** and **Uni-President China**, were added to the portfolio. As a result of these shifts, the proportion of stocks in the portfolio fell from 85% to around 83% as of the end of March.

Shares in US-based **Archer-Daniels-Midland** and **Home Depot** were sold because the fair, intrinsic value of the stocks was exceeded. However, the two stocks will remain part of the ARVEST investment universe until further notice in order to take advantage of potential buy-low opportunities.

The two Japanese stocks, **Takashimaya** and **Hoya**, were sold despite the fact that they are fundamentally not overpriced. Rather, the sale was prompted primarily by the negative events in Japan. It wasn't the earthquake and the subsequent tsunami that moved me to sell

as much as the risk of widespread nuclear contamination, the long-term effects of which would exceed even the long-term investment horizon of value investors like ARVEST. The sale of these two stocks lowered the proportion of Japanese investments in the fund from 22.3% at the beginning of the year to 15.7% at the end of March.

Stocks from China Mobile, Chaoda Modern Agriculture and Uni-President were newly added to the portfolio. All these stocks represent primarily Chinese-based operations.

China Mobile is the world's largest mobile phone service provider with a market share of around 70% in China. I purchased shares of the company for the portfolio once the stock price had reached a reasonable level of half its peak price of HKD 154 at the end of 2007. The two other investments, **Uni-President China** and **Chaoda Modern Agriculture** (both leading food manufacturers), were based on the expectation that domestic food consumption in China will increase along with the rising standard of living. However, the performance of Chaoda stock has disappointed thus far due to rumors in the market that the company's figures may not be entirely credible. However, our investment strategy is not based on rumors. The fund will therefore remain invested in this low-priced stock.

Overall in the last quarter, the fund was not able to perform as well as the market due to the effects of Japan and our defensive positioning. Despite a 2.9% growth of the market since the beginning of the year, the fund's performance was -0.7%. Since its inception, the fund's relative outperformance of the market is +73.1%.

Outlook and strategy

Despite the sale of Japanese stocks, the ARVEST Investment Committee maintains a positive attitude toward Japan. We will,

however, seek to adjust our stock selection strategy. Because upward pressure on the Japanese yen is expected to be replaced by downward pressure in the medium to long term, it makes sense to focus more heavily on export-oriented Japanese companies in the future.

Beyzade Han,
Fund Manager

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

1. Nong Shim	4.9%
2. Toyota Motor Corp.	3.8%
3. Total	3.8%
4. Coca Cola	3.6%
5. Novartis	3.6%
6. Walgreen	3.4%
7. Ratchaburi	3.4%
8. Chaoda Modern	3.3%
9. Huaneng Power	3.1%
10. Venture Corp.	2.6%
Total 10 largest positions	35.5%

Key figures - Arvest Global Stars Fund

Inventory value per share:	CHF 1,236.01 (03/31/11)
Fund volume:	CHF 42.3 million (03/31/11)
Securities number:	1,125,057
Fund domicile:	Switzerland
Fund management:	ARVEST Funds AG
Depository bank:	ARVEST Privatbank AG
Accounting currency:	CHF (Swiss francs)
Issue/repurchase:	On any bank working day
Management fees:	1.2% 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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