ARVEST

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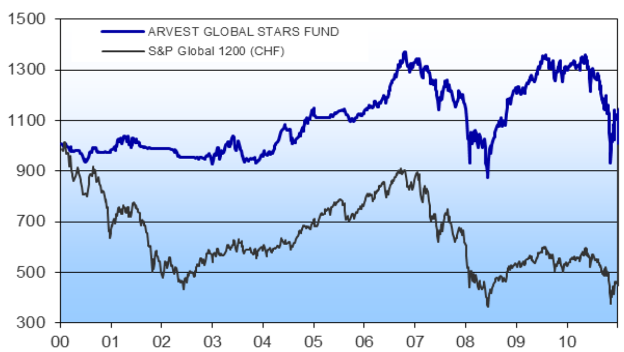
Investor Info
ARVEST Global Stars Fund

The Global Stock Fund with Active Management

Performance from 10/04/2000 to 12/30/2011 in CHF



General market environment

Simply speaking, the stock market year 2011 can be divided into two phases. In the first phase, the World Equity Index rose by about 10% in USD terms by the end of July. In the second half of the year, the market gave up not only all of those gains, but fell to the same extent that it had previously risen. The corresponding reversal of market sentiment from bullish to bearish was above all caused by the ever increasing attention paid to the debt problems of individual European countries. The euro-crisis increasingly hid serious problems in the USA such as persistent high unemployment, stagnating consumption, and continuing drastic increases of public debt (budget deficit to GDP ratio of 8.6%[1]). It should also not be forgotten that in contrast to the euro-zone, the USA has been recording current account deficits for many years despite a weakening US dollar. However, stock market movements are not always the result of real economic factors, but, as was the case in 2011, an expression of perceived problems on the part of investors. Due to that, the performance of international stock markets varied widely. While numerous stock market indices in Europe and Asia fell 20%, the S&P 500 which includes the 500 largest US companies, closed the year unchanged. Accordingly, the annual performance can be divided into two parts not only temporally, but also geographically, which led to the following differences in market valuations: While the Eurostoxx 50 currently trades on a dividend yield above 5%, the corresponding yield on the S&P 500 is barely over 2%. As some analysts hope, the high valuation of the S&P 500 might not be corrected by rising corporate earnings, because profit margins are already at levels roughly as high as they were before the crisis of 2007.

A look back

The divergence in valuation across markets was used to make portfolio shifts.

Positive quarterly results by **Intel** were used to take profits on the stock which had been held in the portfolio since 2008 and added to in 2010. The position in **Samsung**, being in the same sector, was also sold. In contrast to Intel, the Samsung position just sold had been added to

[1] as of September 2011

the portfolio as recently as August of 2011. Contrary to our policy of holding investments for the long-term, this sale was opportunistic and resulted in a 50% profit stemming from stock market and currency volatility. Regardless of this short-term trade, Samsung is still counted among the most interesting IT stocks, and for that reason I will be looking for opportunities to buy it back.

Among others the following stocks were added to the portfolio: **Shanghai Electric** (China), **Vallourec** (France), **Vale** (Brazil), and **Lukoil** (Russia). All four are cyclical stocks and as such will profit from economic growth. Although prospects for economic growth have on balance rather deteriorated, I decided to buy these stocks because based on a long-term view their valuations were compelling. It is now too early to expect positive news flow supportive of those stocks, but such phases typically offer good buying opportunities.

The ARVEST Global Stars Fund closed the year with a negative performance of -8.0%. The benchmark index, the S&P 1200 (in CHF), performed marginally better registering -6.9%. Since the launching of the fund in 2000 the fund has outperformed its benchmark by 68.9% and achieved an absolute rate of return of 19.7%.

Outlook and strategy

As already mentioned, there was in some cases significant divergence in the performances of the major markets during the past year. Similarly, the ARVEST Investment Committee rates the risk/reward profiles for individual markets quite differently for 2012. Based on historical valuation criteria, we rate the European and Asian markets as comparatively attractive. The USA has a higher risk of a correction, because in our view companies will have extreme difficulty in maintaining the current historically high profit margins. The stock market has not fully discounted that risk and other factors that may dampen economic growth. A correction in the USA might depress global equity markets, but the European markets are already rather attractively valued. Accordingly, the downside risks are smaller here than in the USA. Should a more or less workable solution be found to the European debt crisis, while the USA struggles with a debt crisis of similar magnitude, the chance for a return to normal market valuations in Europe is far greater than in the USA.

Beyzade Han, MBA
Fund Manager

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

1.	Total	4.8%
2.	Novartis	4.4%
3.	Toyota Motor Corp.	3.7%
4.	Gazprom	3.5%
5.	Lukoil Oil Company	3.5%
6.	Vale	3.3%
7.	Walgreen	3.3%
8.	Huaneng Power	3.3%
9.	Uni-President China Holdings	3.0%
10.	China Mobile	3.0%
Total 10 largest positions		**35.8%**

Key figures - ARVEST Global Stars Fund

Inventory value per share:	CHF 1,132.73 (12/30/11)
Fund volume:	CHF 36.8 million (12/30/11)
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:	1.2% p.a.
Profit sharing:	10% of 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:	max. 5%
Auxiliary costs:	0.5 % for repurchase (in favor of the fund)
Repurchase commission:	None
Sales:	Sales only in Switzerland

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