ARVEST

July 2013 | Issue No. 90

Investor Info

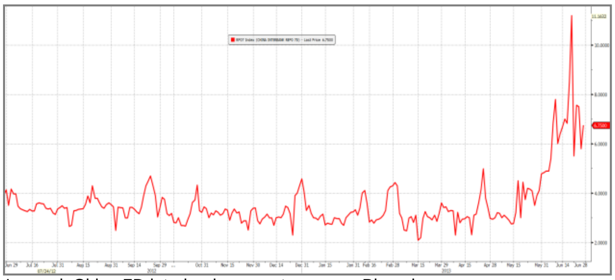
ARVEST Global Stars Fund

The actively managed global equity fund

Performance 04.10.00 to 28.06.13 in CHF

General market environment

Two topics have recently led to increased uncertainty amongst investors and as a result to significant corrections in the equity markets. China has irritated the markets not only because its economic growth seems to be losing momentum. Reports have also been circulating that previously unidentified risks could be lying dormant in the Chinese financial sector. A sharp increase in interbank interest rates (see chart on the right) quickly raised fears of a Chinese liquidity crunch similar to the one that occurred in connection with the liquidity crisis in the USA and Europe.
On the other hand, the markets were adversely impacted by fears that the US Federal Reserve Bank could again gradually scale back its extremely relaxed monetary policy. In particular, Bernanke announced that the Fed could begin to gradually reduce the volume of bond purchases during the course of the current year. Should the US economy continue to recover and the unemployment rate fall, the bond purchase programme could even be completely terminated by the middle of 2014. Good figures from the real estate sector and the surprisingly sharp increase in consumer confidence in the US fuelled these fears, which is why equity, bond and commodity markets have significantly retreated. This reaction to the markets shows that many market participants had aligned their positions not in line with real economic trends but primarily on the basis of the monetary policy of the central banks. This clearly



Legend: China 7D interbank repo rate, source Bloomberg

illustrates that the link between stock market and economic cycles has been broken. However, as long as the stock market cycle remains dependent on the market intervention of central banks, caution should be exercised in making market forecasts on the basis of economic data.

Review of the Fund

In the last Investor Info I informed you that, as a result of different market valuations, the ARVEST Investment Committee is favouring attractively priced European and Asian shares as opposed to somewhat expensive North American stocks. Transactions entered into during the last quarter were predominantly within this framework. Shares in BHP, LG Chem and Hyundai were newly added to the portfolio. On the other hand equity positions in Vestas Wind Systems (holding period 33 months, -59%), Microsoft (holding period 7 months, +33%) and Micron Technology (holding period 22 months, +165%) were wound down in full. Whereas the investments in the last two US companies realised a good to excellent return, the shares held in the Danish manufacturer of wind turbines, Vestas Wind Systems, were sold at a substantial loss. The share price of the company peaked at about DKK 700 in 2008, which we considered at that time to be completely unwarranted. We only decided to acquire shares in the company when the share price had been subject to a correction of about 75%, as we saw more opportunities in wind rather than solar energy in the area of alternative energy generation. Since then the profitability and consequently the balance sheet quality of the company has decreased significantly as a result of the considerable upheavals in the sector and a trend reversal is not apparent. In the meantime Vestas Wind Systems is no longer meeting the high requirements that we as value investors place on a company. As the share is becoming increasingly speculative in nature, it is only suitable for investors with a very high risk appetite, which led me to liquidate the position.

Overall, the quarterly performance of ARVEST Global Stars was not very satisfactory. The relative underperformance of 3.1% compared to the benchmark index is primarily attributable to decreases in the share prices of gold mining companies, whose earnings potential and depreciation risk is closely linked to the gold price.

Outlook

The ARVEST Investment Committee does not share to the same extent the concerns of the market regarding the “tapering” announced by the US Federal Reserve Bank, as the Fed is making its exit from the expansionary monetary policy conditional on real economic data. Whether the upturn in the USA will increase at a faster pace as it is currently expected by the market remains unclear. The Investment Committee would have more confidence in a sustained recovery, if, amongst other things, the rate of inflation were to increase, which is typical during an economic upturn. Instead, the rate of inflation has been falling since autumn 2011. Should this trend continue, discussions regarding the US economy are likely to be shaped by deflation fears in the not too distant future. Despite the global increase in yields on the bond markets the equity markets remain more attractive, which is why we are not intending at the present time to reduce the equity allocation even in light of expected higher volatility.

On behalf of the Investment Committee
Beyzade Han, MBA
Fund manager

The 10 largest share positions
(in % of the total fund volume)

1.	Toyota Motor Corp.	6.0%
2.	Vallourec	4.1%
3.	Total	3.8%
4.	GD Electric Power	3.6%
5.	Shanghai Electric Group	3.6%
6.	Roche	3.4%
7.	Lukoil Oil Company	3.4%
8.	Gazprom	3.3%
9.	Nestle	3.0%
10.	Cisco Systems	3.0%
Total of 10 largest positions		**37.2%**

Key figures - ARVEST Global Stars Fund

Inventory value per share:	CHF 1,263.82 (28/06/13)
Fund volume:	CHF 41.6 million (28/06/13)
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 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:	max. 5%
Auxiliary costs:	0.5% for issue and repurchase (in favour of the fund)
Repurchase commission:	None
Sales:	Sales only in Switzerland

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