



The actively managed global equity fund

Performance 04.10.00 bis 30.09.14 in CHF



General market environment

The overall macroeconomic picture in the USA remains very positive. Consumer confidence has risen for five years and has again reached new highs in the post-crisis phase. The mood is also very positive in companies due to increasing sales, which is also reflected in the continuing fall in unemployment figures. Furthermore, the budget deficit has improved, decreasing from -10% in 2009 to a current level of about -3%. The US stock exchange has benefited from this positive climate to an extent that it is now virtually impossible to find shares in qualitatively good companies at an attractive price.

The world is not so rosy outside the USA. It would appear that Europe has shot itself in the foot by imposing sanctions on Russia. As was to be expected, the sanctions have not

achieved their stated purpose. Instead, the tender shoots of economic recovery have withered again following the reaching of an economic bottom in Europe. For the time being anyway the economic data is again pointing downwards, which is also clearly reflected in the fact that investors as well as the European Central Bank are currently more concerned about possible deflation than inflation.

Economic growth is also continuing to weaken in China. However, with regard to the Chinese economy, it is not crucial whether the gross national product grows by 7.5% or less. What is even more important is the detailed composition of the growth. Growth would be more sustainable as a whole if its composition was able to shift more strongly towards domestic consumption. This means that significantly more positive stimuli for the global economy would be possible even with lower growth rates.

Review of the Fund

Only two relevant transactions were concluded by ARVEST Global Stars Fund during the entire past quarter, under which positions were wound down in both cases.

In March 2013 I had built up a significant equity position in the American aluminium producer, Alcoa. I started this year to unwind this position again with the sale of a first sub-

position in March. The positions have now been fully liquidated again following further sales in May and most recently in July 2014. This investment has been worthwhile throughout. On the winding down of the last sub-position a total return in USD of just over 100% was generated. The total return in CHF was somewhat lower at about 90%, as the CHF appreciated against the USD during the holding period.

In contrast to Alcoa the positions in Shanghai Electric have been held for a significantly longer period. I had already acquired the initial positions in October 2011 (see Investor Info No. 82). At that time the current market sentiment was clearly not in favour of investing in the company, which was precisely the reason which led me to analyse it more closely. Simply put, shares can only be acquired at reasonable prices if no-one else wants them, which was the case with Shanghai Electric. The purchase has also paid off in retrospect, as a total return of just over 60% was generated on the sale of a sub-position in September.

The equity ratio in the ARVEST Global Stars Fund decreased in the past quarter from 91% to the current level of 87% due to these partial sales.

Outlook

The ARVEST Investment Committee's outlook for the equity markets over the coming months remains constructive. We do not expect that there will be a renewed deep recession in the eurozone. Despite the current weakening in the economy we anticipate growth - albeit at a very low level - over the next 12 months.

In contrast, the US economy is on a solid growth path and it is expected that this trend will continue over the next few quarters. This more positive environment increases the attractiveness of the USD against the EUR and thus the CHF as well. We currently consider that this strengthening has not yet finished, which is why a shift in the portfolio or

hedging in favour of the USD should continue to be worthwhile.

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

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

1.	Shanghai Electric Group	6.4%
2.	Gazprom	6.2%
3.	China Mobile	5.6%
4.	Toyota Motor Corp.	5.0%
5.	Vallourec	4.4%
6.	Lukoil Oil Company	4.3%
7.	Banco Santander	4.3%
8.	Takeda Pharmaceutical	4.1%
9.	Roche	4.0%
10.	Cisco Systems	4.0%
Total 10 largest positions		48.3%

Key figures - Arvest Global Stars Fund

Inventory value per share:	CHF 1,402.32 (30/09/14)
Fund volume:	CHF 23.5 million (30/09/14)
Securities number:	1,125,057
Fund domicile:	Switzerland
Fund management:	ARVEST Funds AG
Depository bank:	Swissquote Bank SA
Accounting currency:	CHF (Swiss francs)
Issue/repurchase:	weekly
Management fees:	1.2% p.a.
Profit sharing:	10%, provided that previous impairments were offset relative to the high watermark
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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