



The actively managed global equity fund

Performance 04.10.00 to 31.03.14 in CHF



General market environment

The news has recently been dominated by the Crimean crisis. The risk aversion of market participants increased markedly at times as it was feared that the situation could escalate. However, the local conflagration did not spread further to the relief of all participants. Although the crisis resulted in higher volatility on the financial markets, it is apparent that there has been not a widespread market correction, at least up to now. This is astonishing, as market valuations are now high in light of the rally in recent years and minor events can result in greater fluctuations at such valuation levels. The US stock exchanges in particular, which have a high price-earnings ratio even on a cyclically adjusted basis, are among the currently expensive stock markets. The high valuation levels in the USA are supported by a high profit margin for corporates, taking into account in this respect that the influence of the IT sector on the average profit margin of

the entire market has increased. The well-known global players within the IT sector such as Apple, Google or Facebook in particular contributed to this remarkable increase in margins. As many of these IT firms are positioned with their products in the premium segment or generate their income mainly from advertising revenues, the sensitivity of profits to the economic cycle should have increased. This means that a corresponding contraction in margins is to be expected in the event of an economic downturn. However, the indicators for the USA observed by us currently show no sign of such a downturn.

Review of the Fund

The ARVEST fund range is characterised in particular by the fact that our fund management is not passively aligned to an index. Instead, the asset allocation is actively managed on the basis of our market expectations. However, active asset management does not mean that we have to continually execute transactions. Therefore, it is quite possible that we may have to only execute a few or no transactions in a quarter. Despite the Crimean crisis, only two transactions were executed for example in the past quarter –regardless of this crisis -, as no major changes were expected.

Roche is one of the leading global players in the pharmaceutical sector. The company operates in over 150 countries and employs over 85,000 staff and is considered by ARVEST to be one of those companies that

should not be missing in a portfolio. I built up positions for the ARVEST Global Stars Fund in the past in three stages (September 2008, July 2010 and October 2010). The average purchase price was about CHF 151. After an initial partial sale in August 2013 I sold a further sub-position in February 2014 at a share price of about CHF 257. This resulted in a total profit (including dividends) of about +83% compared to the average purchase price. The sale was not made because of a shift in opinion regarding the company but simply for diversification reasons and valuation considerations.

The US company, Alcoa, is the fourth largest aluminium producer accounting for approximately 9% of world production and has over 60,000 employees. Together with its competitors the company suffered in the past from high stock levels, overcapacity and the resultant sharp fall in aluminium prices. I used the pessimistic economic forecasts for aluminium producers to invest in the company at favourable terms, as the long-term outlook for the company was still positive in the opinion of the ARVEST Investment Committee. An initial profit of 45% was realised on the sale of sub-positions in March 2014. Further transactions were not executed.

Outlook

The ARVEST Investment Committee still expects that the global economy as a whole will be in an upswing phase, whereby some regions such as, for example, Europe, are only at the beginning of this phase, whereas other regions such as the USA are further down this road, as they were able to overcome the recession earlier. Market valuations will vary accordingly.

Due to the lack of any alternatives we will also continue to focus on equities in the future. However, the issue regarding geographical allocation is becoming increasingly important within this strategy. Those emerging countries with solid underlying macroeconomic data should in particular provide interesting long-

term investment opportunities for investors with an increased risk tolerance.

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

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

1.	Gazprom	6.3%
2.	Shanghai Electric Group	6.2%
3.	Total	5.6%
4.	Vallourec	4.9%
5.	Banco Santander	4.8%
6.	Nestle	4.5%
7.	Toyota Motor Corp.	4.4%
8.	Geox	4.4%
9.	Lukoil Oil Company	4.4%
10.	Takeda Pharmaceutical	4.2%
Total 10 largest positions		49.7%

Key figures ARVEST Global Stars Fund

Inventory value per share:	CHF 1,322.08 (31.03.14)
Fund volume:	CHF 23.5 million (31.03.14)
Securities number:	1,125,057
Fund domicile:	Switzerland
Fund management:	ARVEST Funds AG
Depository bank:	Swissquote Bank SA
Accounting currency:	CHF (Swiss francs)
Issue/redemption:	weekly
Management fees:	1.2% p.a.
Profit sharing:	10%, if previous losses were offset against the high-water mark
Escrow fees:	0.15% p.a.
Issue commission:	max. 5%
Auxiliary costs:	0.5% for issue and repurchase (in favour of the fund)
Redemption	none
Repurchase	none
commission:	
Sales:	Sales only in Switzerland

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