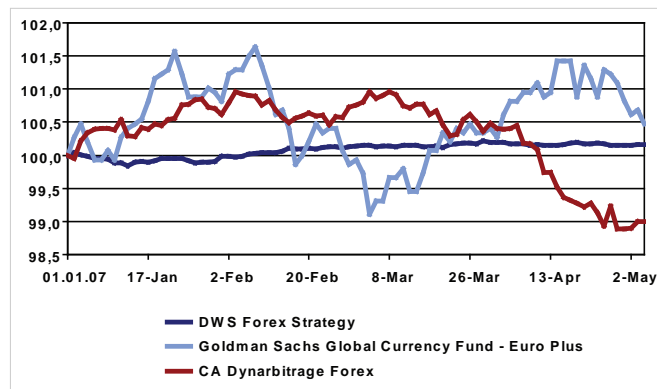


## CURRENCIES



### Fund's performance vs. it's competitors

Source: DWS, Datastream

## DWS FOREX STRATEGY

**Focus:** • Fund exploits exchange-rate volatility around the world via transactions in currency forwards and options combined with long and short positions in more than 30 currencies that are balanced in size

- Fund was re-launched on the 01.06.05 (it shifted from being a multi-manager to a single manager fund)

**Strengths:**

- Daily liquidity
- Low correlation to traditional asset classes

**Weaknesses:** • In order to avoid sharp draw downs, the fund avoids carry strategies (pure market beta)


**Opportunities:** • Low transaction costs; global foreign exchange market turnover, daily average USD1.9 trn







- Diversification - as an asset class currencies have a low correlation to traditional asset classes

**Threats:** • Lack of volatility, sideways trending markets can challenge performance

## Risk Management


Low Low / Moderate Moderate Moderate to High High

- Fund's major risk: **shrinking risk premia** owing to low volatility
- How risk is managed and mitigated : "RiskMetrics" and via its business risk dept. (stress tested daily - against risk scenarios such as the Russian Rouble crisis, Mexican Peso crisis, a 10% breakdown of USD overnight)
- Proven FX skills: 
- Trading leverage related risk: **can up to 5x** (but since the re-launch in June 05– hasn't been deployed)
- Bank's Credit rating: **S&PAA**

- Success achieved:
  - In translating macro economic views into profitable trades :  
strategic: gamma trading : 50 % and tactical and traded transaction: 65%
  - In identifying market inefficiencies: 
  - in identifying risk: 
  - Market timing: (crucial to tactical approach) 
  - Relative value trades: 
  - Trading and execution skills: 
  - In effectively implement risk budgeting: 

## Performance Parameters

■ Insufficient ■■ Adequate ■■■ Satisfactory ■■■■ Good ■■■■■ Outstanding

- Avg. no. of trades: 8
- Fund's avg. annualised performance since re-launch: 6.53%
- Sensitivity to FX cycles: trending fundamental, flow driven and high volatility cycles
- Since re-launch, consistency in delivering targeted returns: 
- Fund's correlation to:
  - Monthly returns S&P 500 EUR based and EUR/USD: +0.07
  - Monthly Returns 10year Government Bonds for EUR-based Investor and EUR/USD: -0.33
  - Commodities annualised (CRBI): -0.03

- **Diversification:**
  - Geographic:
    - Non-OECD currencies +/- 33%; Non-deliverable currencies: +/- 10%
  - OECD-currencies:
    - AUD, CAD, CHF, CZK, DKK, EUR, GBP, ISK, JPY, HUF, KRW, NOK, NZD, MXN, PLN, SEK, SGD, SKK, TRY, USD
  - Non-OECD currencies
    - HKD, ILS, RON, RUB, THB, ZAR
  - Non deliverable currencies
    - ARS, BRL, CLP, CNY, COP, EGP, IDR, INR, KRW, KZT, MYR, PHP, TWD, UAH
  - Strategies: relative value, trend following – discretionary blended
  - Time horizon: strategic 6 months. Tactical: weekly & ad hoc opportunistic

## Outlook

- Barriers to entry: daily liquidity, currency expertise, experience
- Threat posed by competitors: exists but has no bearing on performance
- Outlook for investing in the FX as an asset class: opportunities will always exist
- Outlook for a fund such as DWS: upside to range bound
- Fund's ability to deliver targeted return's over:
  - 1 year 70%
  - 3-5 years 100%

- Fund tends to outperform when:  
Volatility in FX markets exists and it has the ability to capture risk premia
- Worst case scenario: as is being experienced currently - a break down of  
FX volatility, fundamentally unjustified FX strengths
- Suitability for inclusion in:
  - Conservative portfolio: high
  - Balanced/growth portfolio: high
  - Aggressive portfolio: fairly high

## Investment

- Fund is targeted at: **sophisticated investors**
- Current AuM: **EUR292mn**
- Targeted AuM: **EUR 500mn**
- Recommended holding period to optimise returns: **min 3 year**
- Fund's base currency: **EUR**

- German regulated hedge fund vehicle
- Fund's complexity for an investor: **simple**
- Transparency provided to investors: **full transparency and daily liquidity**
- Ratings/rankings/awards: **S&P: 3 stars**

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