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Asset Backed Securities

This product is designed for investors looking for exposure to the European ABS market, which over the last few years has become of growing importance. The product offers a broadly diversified investment in an asset class with an attractive risk/reward profile and positive diversification effects within the context of investors overall asset allocation. ABS generally offer a higher spread over Euribor than corporate bonds of comparable credit quality. The premium over corporate bond spreads compensates the investor for lower liquidity and higher complexity of the instruments but does not reflect a higher credit risk.

Investment Universe

The fund invests primarily in Euro-denominated ABS with investment grade rating. Any non-Euro positions are hedged into Euro. The fund invests in a broad range of ABS, e.g.:

- RMBS (Residential Mortgage Backed Securities)
- CMBS (Commercial Mortgage Backed Securities)
- ABS backed by
 - auto loans
 - credit cards
 - other consumer loans
- CDOs (Collateralised Debt Obligations)
- ABS backed by a Pool of ABS/CDOs

Benchmark

Citigroup 3 Month Eurodeposit Index or other money market indices.

Objective

The objective of the Sub-Fund is to provide a total return well above the return of the benchmark on a rolling three year basis.

Investment Process

The investment process for ABS is bottom up oriented with a general sector assessment. This approach comprises an analysis of the instrument's structure, underlying asset pool, adequacy of credit enhancement and the quality of involved parties as well as sector fundamentals.

The structural analysis includes the legal and regulatory environment of each security, the capital structure (e.g. subordination, cash flow "waterfall"), guarantees, ratings and limitations for replacement of assets.

The analysis of the underlying asset pool varies based on the type of asset. Standard elements, however, are the analysis of the structure by size of individual credits (minimum, maximum, average), maturity/seasoning of credits, payment terms and diversification.

The aim of the analysis of the credit enhancement is to assess how robust the structure of the instrument is within different scenarios for the performance of the asset pool (stress testing). In this section the use of cash flow models and simulation tools play a significant role.

The analysis of the involved parties looks thoroughly at the originator and the servicer of the deal, trustees, guarantors and hedging counterparties in order to better assess the overall quality of the investment.

Investment Team

The responsibility for the product is with a team of four specialists who are part of the Investment Grade Credit Team. The team is based in Düsseldorf.

Product Options

The product is offered as a segregated account as well as a pooled investment vehicle.

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