

Risk-oriented portfolio management with Exchange Traded Products (ETFs/ETCs)



“Active management with ETFs/ETCs and risk management are equally important links in the AVANA investment chain. Your investment success is only as good as the weakest link in your own investment chain.”

»About us

We are an asset manager who **actively controls investment grades, limits risks** and maintains the highest levels of transparency.

Based on pioneering experience, we are the specialists for comprehensive and innovative **ETF/ETC-based solutions with strict risk management** which addresses the sophisticated requirements of institutional investors.

»Asset allocation based on ETFs/ETCs

Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs) are ideal investment tools. The question is: which ETF do I pick?

Let us help you. Strategic asset allocation is responsible for 90% of the investment success.*

This process requires strict management. Our investment concept equally combines the advantages of ETFs/ETCs – including transparency, liquidity and unmatched cost advantages – with strict risk management.

»Strict risk management

The AVANA trend following system forms the centrepiece of the rule-based investment process, as it allows for strict risk management. With this system, we control investment grades from zero to one hundred percent, allowing us to limit your investment risk by excluding personal allocation decisions. Our key risk figure is *Maximum Drawdown*, which denotes the maximum price loss within a selected observation period; this value is significantly more concrete than value at risk and volatility.

»Investment objective

Our investment process pursues the objective of positive absolute returns. Our primary aim is to maintain your capital particularly during difficult market phases – also in the long term. Both back tests as well as actually achieved results show that the AVANA trend following system can achieve better performance than a buy & hold strategy over a market cycle. At the same time, the risk is significantly lowered.



Risk-oriented portfolio management with Exchange Traded Products (ETFs/ETCs)

»Trading for your benefit

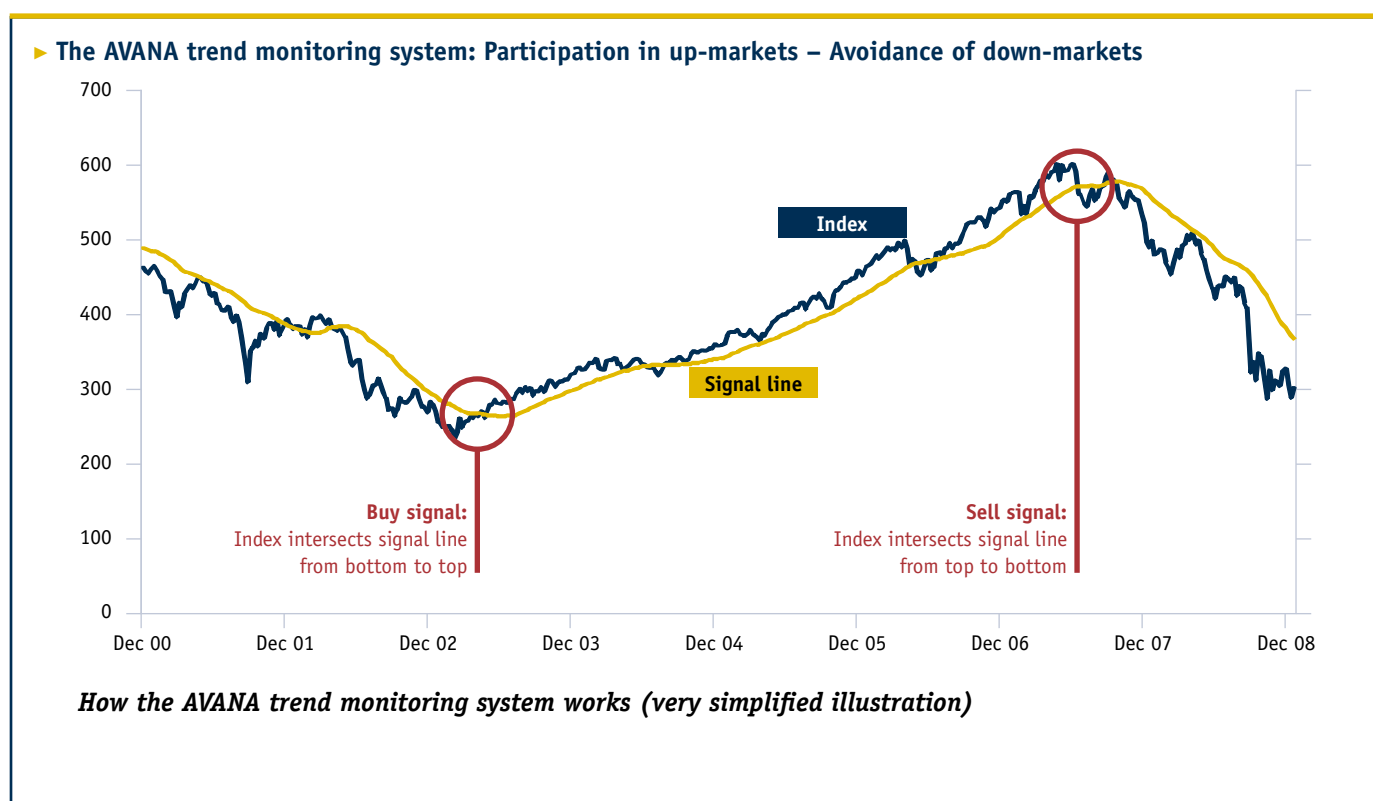
Your investment expectations play a crucial role in the implementation of our investment approach. Depending on the specifications for investment objective, term and risk profile, and in light of current market conditions, we will select the appropriate ETFs/ETCs tailored to your individual requirements. We maintain absolute objectivity when it comes to selecting products. Our sole aim is to secure your success.

»The AVANA trend following system

Our investment process is based on the principle of technical trend following, and focuses on identifying and taking advantage of trend movements in markets. An optimisation process applied to industries or markets defines individual signal lines, whereby the points at which they intersect with the

associated long-term history of closing prices can be used to derive purchase or selling signals.

The figure below illustrates how the AVANA trend following system works. Its **advantage**, compared to conventional investment approaches, is that during periods of decline, losses can – for the most part – be avoided (approx. 50% to 60%) by converting into non-risk money market ETFs. At the same time one participates in profits during upward movements (approx. 60% to 80%). By using Short ETFs/ETCs, it is possible to achieve positive performance and hence negative correlations to equity markets during downturns. When evaluating the signals, portfolio management also takes into account the stability of parameters over time.



AVANA Equity Europe Strategy with ETF products

»Investment Universe and Objective

Equity ETFs are financial instruments that track the performance of equity indexes usually representing the equity market of a country, region or sector. As those products are very liquid – due to market maker support – you can easily gain exposure to almost any equity market. The AVANA Equity Europe Strategy with ETF products is based on a European sector approach. It is implemented in the AVANA IndexTrend Europa Dynamic mutual fund, the winner of the 2010 Feri EuroRating award for the most innovative product in the German speaking fund universe. The investment universe consists of all European sector ETFs as well as ETFs on the European broad market that meet the AVANA quality standards. These are in particular low management and transaction fees, and most important a low tracking error.

The main objective is to achieve a stable and positive performance in all market conditions by using long and short ETFs if available. This approach leads normally to considerably changing risk characteristics during a business cycle, i.e. strong positive correlation to the STOXX® Europe 600 index in market up-trends with similar volatility and lower volatility with negative correlation during market downtrends. Major drawdowns should be considerably lower than those of the STOXX® Europe 600 index.

»Portfolio Construction and Investment Process

The investment process for the AVANA Equity Europe Strategy with ETF products is based on a trend following approach on the 18 sector indexes and the STOXX® Europe 600 index. Our goal is to earn absolute returns independent of the market environment through identification of up and down trends for those indexes by using our proprietary AVANA trend following system. The complete investment process for the AVANA Equity Europe Strategy with ETF products is graphically outlined in the back page diagram [▶] and described in detail in the following paragraph.

Sector level ■

Generally, we assume an equal weighting of all sectors in the portfolio. In contrast to capitalization weighted indexes like the STOXX® Europe 600 index this approach avoids procyclical investment in overvalued sectors. Additionally, the trend following system issues quality ratings (stability factors) for its signals which may lead to a temporarily underweighting or exclusion of some sectors.

Sectors with a buy signal will be weighted with a maximum weight of 11.1%. In case of a sell signal, if a short ETF is available, we need a confirming sell signal by the general market index (STOXX® Europe 600). In this case, short ETFs will be bought with a maximum weight of 2.8%. If the general market is not generating a sell signal, the “short” sector will not be considered in the portfolio. Since we have different maximum weights for long and short ETFs, a final scaling of the sectors may be necessary. If the sum of all maximum sector weights exceeds 100%, all sector weights will be equally scaled down so that the sum of all weights equals 100%.

General market level ■

When the portfolio is not fully invested in sector ETFs, up to 50% of the assets will be invested in an overall STOXX® Europe 600 long or short ETF according to its trend signal.

Money market level ■

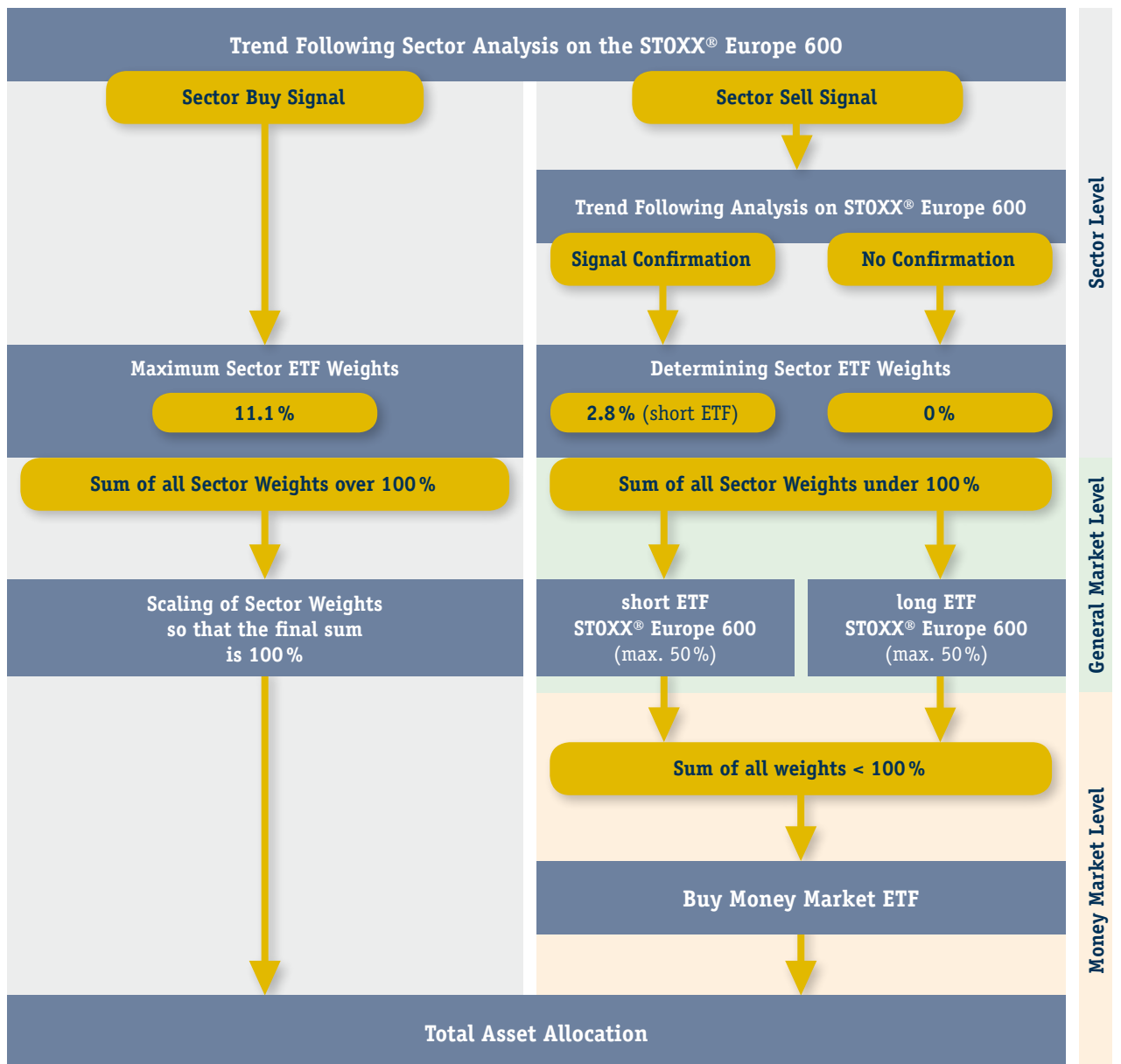
If there is still some cash left for investment, we allocate the remaining assets to money market ETFs.

»Results

With our rule based investment process you can enhance your portfolio with a dynamic and benchmark independent management approach. With varying risk exposure you can take advantage of the opportunities in the European equity markets. As we use short ETFs, you can even profit from declining equity markets. Due to its low correlation to other asset classes, adding the AVANA Equity Europe Strategy with ETF products to an existing portfolio will improve the risk-return profile of the entire portfolio.

AVANA Equity Europe Strategy with ETF products

► Investment Process for the AVANA Equity Europe Strategy with ETF products



AVANA Fixed Income Strategy Europe with ETF products

»Investment Universe and Objective

Bond ETFs are financial instruments that track the performance of bond indexes usually representing the government or corporate bond market of a country, region, duration or certain credit quality. As those products are very liquid – due to market maker support – you can easily gain exposure to a wide range of bond markets.

The AVANA Fixed Income Strategy Europe with ETF products is based on a duration approach on government bonds. We implement this investment process in the AVANA IndexTrend Europa Control mutual fund.

The investment universe consists only of European investment grade bond ETFs with medium and long durations, that meet the AVANA quality standards. These are in particular low management and transaction fees and most important a low tracking error.

For the time being, because of the growing debt burden of some European countries along with deteriorating credit quality ratings and increasing spread risk, we invest in German government bond ETFs only.

The portfolio is based on the following indexes:

<i>Signal giving Index</i>	<i>Max. Weight</i>
<i>EFFAS Germany Gov. Bd. 3 – 5</i>	<i>25 %</i>
<i>EFFAS Germany Gov. Bd. 5 – 7</i>	<i>25 %</i>
<i>EFFAS Germany Gov. Bd. 7 – 10</i>	<i>25 %</i>
<i>EFFAS Germany Gov. Bd. 10+</i>	<i>10 %</i>
<i>EFFAS Germany Gov. Bd. >1 Y</i>	<i>25 %</i>

The main objective is a stable and positive performance in all market conditions by using long ETFs and short Bund Futures. This approach leads normally to considerably changing risk characteristics of the fund during a business cycle, i.e. strong positive correlation to the bond market index in market uptrends with similar volatility and negative correlation with lower volatility during bond market downtrends.

Major drawdowns should be considerably lower than those of a long only bond portfolio.

»Portfolio Construction and Investment Process

The complete investment process for the AVANA Fixed Income Strategy Europe with ETF products is graphically outlined in the back page diagram [►] and described in detail in the following paragraph.

In a first step we analyze the individual bond indexes for buy and sell signals. When our trend following system generates buy signals for our index universe, we invest with the corresponding target weights in bond ETFs with the same duration. In case of buy signals for all segments the duration of the portfolio will be roughly between 5.5 and 7 years.

In case we receive sell signals for less than three maturity classes below 10 years we will shift these maturities into a money market fund and thus achieve a shortening of the portfolio duration. If we receive sell signals for a minimum of three maturity classes below 10 years, we short bund futures up to 50% of the portfolio. The modified duration of the portfolio then falls to a minimum of about minus 4 years.

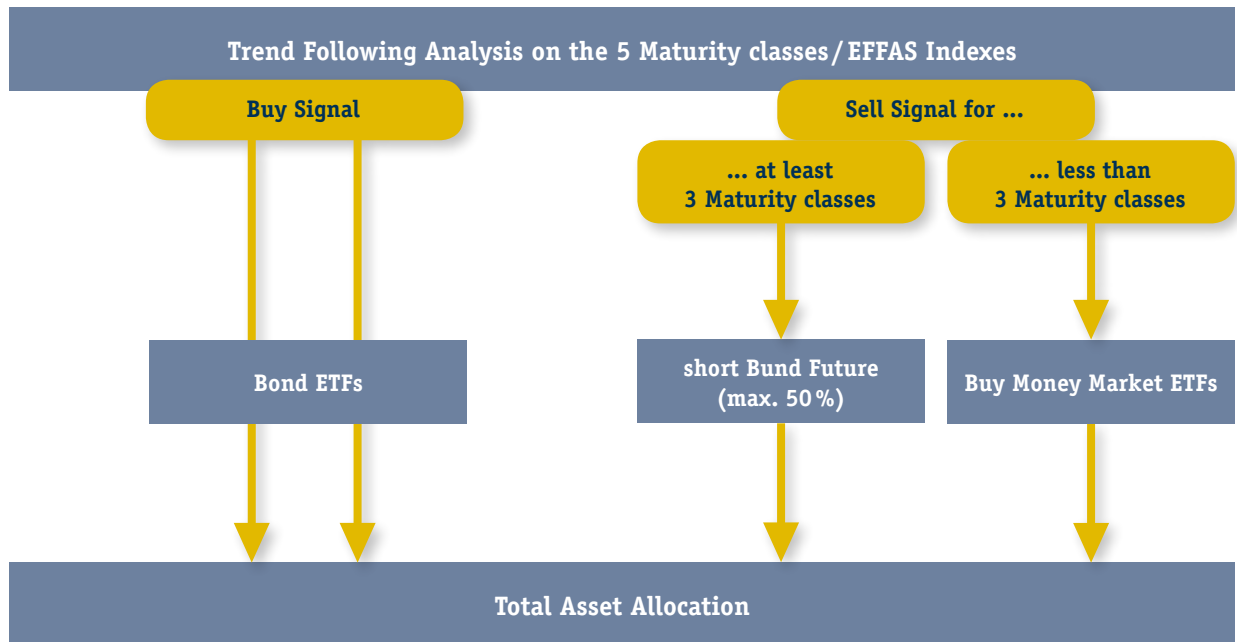
»Results

From our point of view the national debt crisis calls for a strict and rule based risk management for government bond portfolios. The AVANA Fixed Income Strategy with ETF products offers you a dynamic and benchmark independent management approach with varying risk exposure. You can even profit from declining bond markets with a negative portfolio duration.

Due to its low correlation to other asset classes, adding the AVANA Fixed Income Strategy with ETF products to an existing portfolio will improve the risk-return profile of the entire portfolio.

AVANA Fixed Income Strategy Europe with ETF products

► Investment Process for the AVANA Fixed Income Strategy Europe with ETF products



AVANA Emerging Markets Equity Strategy with ETF products

»Investment Universe and Objective

Equity ETFs are financial instruments that track the performance of equity indexes usually representing the equity market of a country, region or sector. As those products are very liquid – due to market maker support – you can easily gain exposure to almost any equity market.

The AVANA Emerging Markets Equity Strategy with ETF products is based on a country/regional approach and is implemented in the AVANA IndexTrend Emerging Markets and Cash mutual fund. A similar investment approach is being used by the AVANA IndexTrend Europa Dynamic, the winner of the 2010 Feri Euro-Rating award for the most innovative product in the German speaking fund universe.

In general the investment universe consists of all emerging market equity ETFs that meet the AVANA quality standards. These are in particular low management and transaction fees and most important a low tracking error.

The main objective is a stable and positive performance in all market conditions by using emerging market equity ETFs or money market ETFs. This approach leads normally to considerably changing risk characteristics of the fund during a business cycle, i. e. strong positive correlation to Emerging Market indexes with similar volatility in market uptrends and almost zero volatility and correlation during market downtrends when the portfolio is completely invested in money market ETFs. Major drawdowns should be considerably lower than those of the MSCI Emerging Market Index.

»Portfolio Construction and Investment Process

The investment process for the AVANA Emerging Markets Equity Strategy with ETF products is based on a trend following approach on the 11 most important emerging markets on which ETFs are available. As more ETFs become available we will consider them for investment.

Our goal is to deliver a market independent positive performance through identification of up and down trends by using our proprietary AVANA trend following system for each individual emerging market index.

The complete investment process for the AVANA Emerging Markets Equity Strategy with ETF products is graphically outlined in the back page diagram [►] and described in detail in the following paragraph.

In case of a buy signal, the portfolio weighting of a country or region depends on its GDP (Gross Domestic Product) in relation to the total GDP of the portfolio's universe. The maximum weighting is capped at 25%. The current target weights for individual countries/regions are listed in the back page diagram.

When the trend following system generates a sell signal for a country/region the corresponding target amount will be invested in a risk free money market ETF. This process modifies the portfolio's equity exposure between 0% and 100%. If short ETFs become available for emerging markets in the future, we plan to integrate them into our investment process to enhance the risk-return profile of our portfolio.

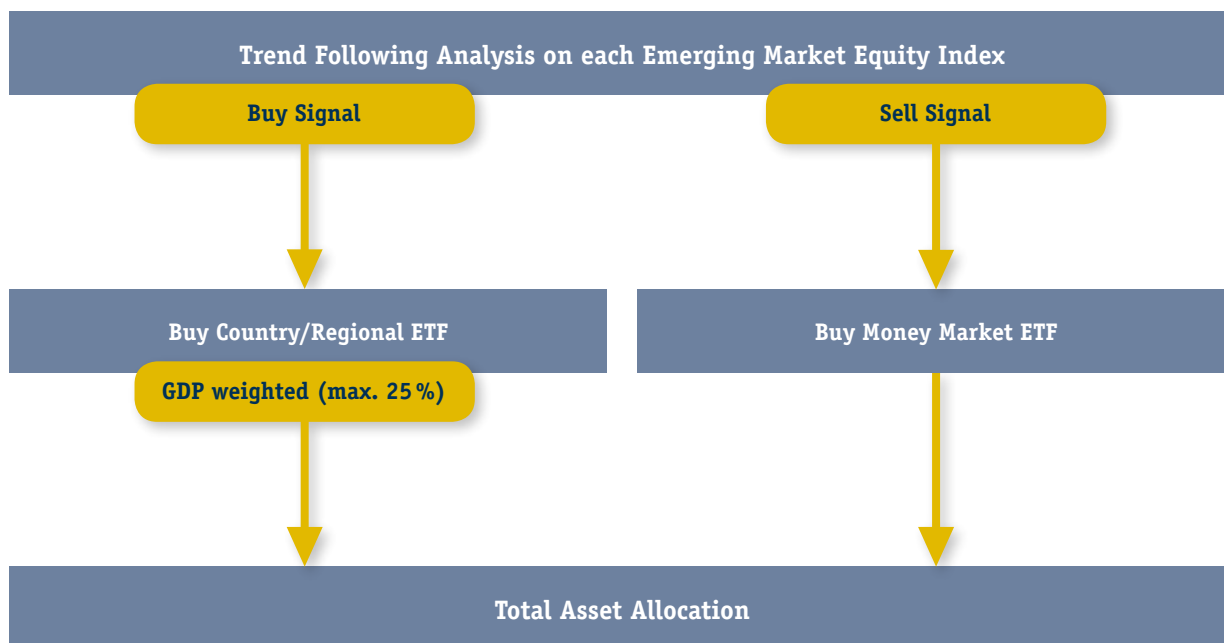
»Results

With our rule based investment process you can enhance your portfolio with a dynamic and benchmark independent management approach. With varying risk exposure you can take advantage of the opportunities in the emerging equity markets.

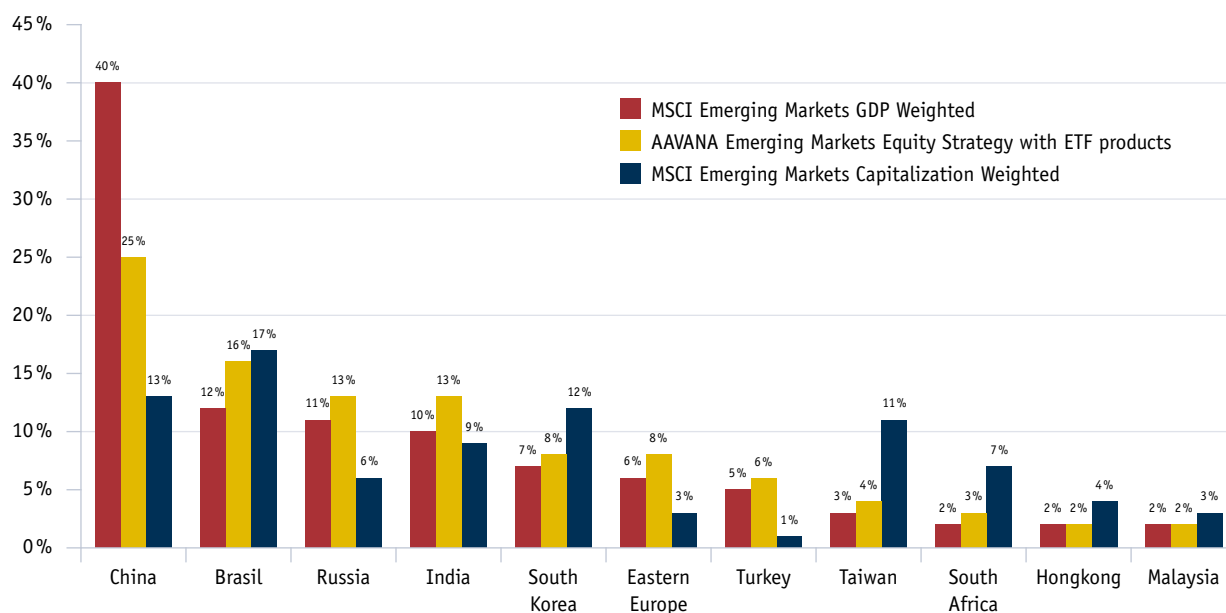
Due to its low correlation to other asset classes, adding the Emerging Markets Equity Strategy with ETF products to an existing portfolio will improve the risk-return profile of the entire portfolio.

AVANA Emerging Markets Equity Strategy with ETF products

Investment Process for the AVANA Emerging Markets Equity Strategy with ETF products



Target allocation for the AVANA Emerging Markets Equity Strategy with ETF products determined by GDP weightings in preceding year



AVANA Commodity Strategy with ETC/ETF products

»Investment Universe and Objective

Commodity ETCs and ETFs are financial instruments that track the performance of commodity indexes or individual commodities. As those products are very liquid – due to market maker support – you can easily gain exposure to the commodity markets.

The AVANA Commodity Strategy with ETC/ETF products is based on a sector approach on the Dow Jones UBS Commodity Index universe and implemented in the AVANA IndexTrend Commodities and Cash mutual fund. A similar investment approach is being used by the AVANA IndexTrend Europa Dynamic, the winner of the 2010 Feri EuroRating award for the most innovative product in the German speaking fund universe.

The investment universe consists of commodity and money market ETCs/ETFs that meet the AVANA quality standards. These are in particular low management and transaction fees and most important a low tracking error.

The main objective is to achieve a stable and positive performance in all market conditions by using long and short ETCs/ETFs. This approach leads normally to considerably changing risk characteristics during a business cycle, i.e. strong positive correlation to the major commodity market indexes with similar volatility in market uptrends and lower volatility with negative correlation during market downtrends. Major drawdowns should be considerably lower than those of the Dow Jones UBS Commodity Index.

»Portfolio Construction and Investment Process

The Investment process for the AVANA Commodity Strategy with ETC/ETF products is based on a trend following approach on the five commodity sectors energy, precious metals, industrial metals, agricultural commodities, and livestock. The weightings are derived from broad market indexes with an overweight in exhaustible commodities.

Our goal is to deliver a market independent positive performance through identification of up and down trends by using our proprietary AVANA trend following system for each individual sector and the overall Dow Jones UBS Commodity Index. The complete investment process for the AVANA Commodity Strategy with ETC/ETF products is graphically outlined in the back page diagram [▶] and described in detail in the following paragraph. On the back page you will also find a table with the target weights for each sector.

At the beginning of our process we analyze the individual commodity sectors and the broad market (represented by the Dow Jones UBS Commodity Index) with the trend following system developed by AVANA Invest. For the energy sector we require a confirmation by the broad market, i.e. only when the trend following system produces a buy signal for both the energy sector and the broad market we invest in ETCs/ETFs of the energy sector. For all other sectors a buy signal for the corresponding index is sufficient. The reason for this approach is that we also invest in short ETCs/ETFs for the energy sector when we receive a sell signal for both the sector and the broad market.

In case we don't have a confirmation for the energy sector or we have a sell signal for the other sectors we invest the corresponding target weights into US-Dollar money market funds.

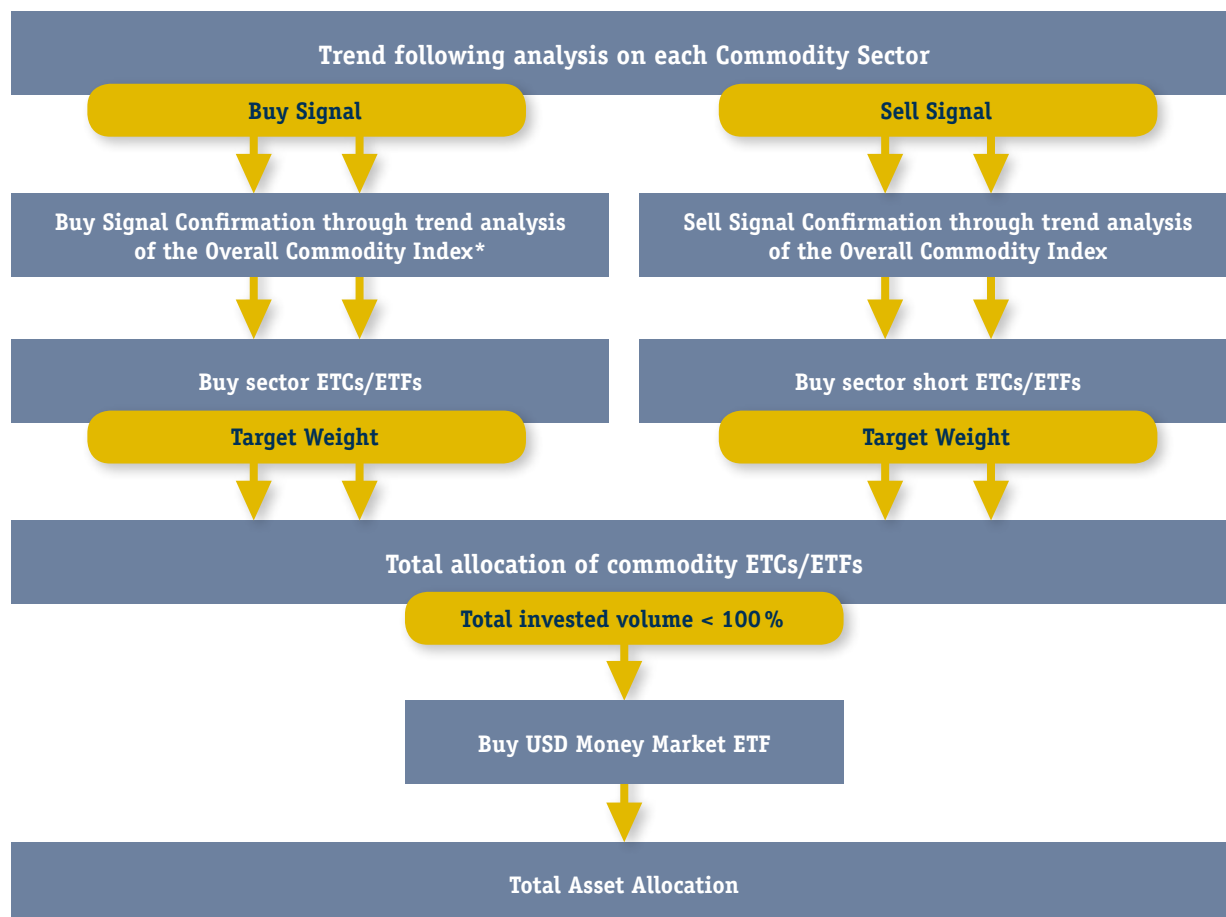
»Results

The result of the rule based investment process is a dynamic and benchmark independent management approach with varying risk exposure. With limited risk you can take advantage of the opportunities the commodity markets offer. You can even profit from declining markets with short ETCs/ETFs.

Due to its low correlation to other asset classes, adding the AVANA Commodity Strategy with ETC/ETF products to an existing portfolio will improve the risk-return profile of the entire portfolio.

AVANA Commodity Strategy with ETC/ETF products

► Investment Process for the AVANA Commodity Strategy with ETC/ETF products



* only for Energy Sector

► The current target weights for the AVANA Commodity Strategy with ETC/ETF products

	Index Weights			AVANA Commodity Strategy with ETC/ETF products	
	as of January 2010			Target	
	DJUBS	RICI	CRB	Long	Short
Energy	33.0 %	44.0 %	39.0 %	40.0 %	40.0 %
Livestock	5.7 %	3.0 %	7.0 %	5.0 %	0.0 %
Agriculture	30.2 %	31.9 %	34.0 %	10.0 %	0.0 %
Industrial Metals	18.8 %	14.0 %	13.0 %	25.0 %	0.0 %
Precious Metals	12.4 %	7.1 %	7.0 %	20.0 %	0.0 %



AVANA Invest is a member of:

Bundesverband Investment
und Asset Management e.V.



Verband unabhängiger Vermögensverwalter
Deutschland e.V.

AVANA Invest GmbH
Thierschplatz 6 – Lehel Carré
80538 München
Telefon: +49 | 89 | 2102358-0
Telefax: +49 | 89 | 2102358-51
info@avanainvest.com
www.avanainvest.com

Disclaimer The sole purpose of this brochure is to act as a basis for discussion with regard to our investment services. The statements and hypotheses outlined therein only have limited expressive power without additional explanations provided by one of our advisers. We reserve the right to make changes to these documents. While the documents are based on information which we believe to be reliable, we cannot guarantee that they are correct and complete.

This brochure is not intended as a general investment guideline or as a concrete investment recommendation, nor does it contain an offer to purchase or any recommendations with regard to an investment strategy or specific investment goals, since investment strategies and goals are dependent on the specific situation of an investor. Information regarding market indices, composite indices or benchmarks (collectively "benchmark") only serves as a comparison guideline. Calculations contained in this document are not to be understood as yield promises; they are purely indicative and based on data and assumptions which may not occur in practice, or may only occur with different values or at other points in time. As a result, there is a risk that lower yields or even losses, including a total loss, may occur in practice. An indication of a benchmark does not mean that your portfolio will reflect this benchmark or that the performance of your portfolio will correspond or even exceed that of the benchmark. Historical value developments of portfolios and benchmarks do not forecast future value developments of these portfolios and benchmarks.

Please note that AVANA Invest GmbH does not provide legal or tax-related advisory services. We recommend that you obtain the services of a trusted legal and tax adviser for the purpose of examining the suitability of specific products.