

Foreign bond management with floor funds

Our partnership with Dynagest

BCV Dynagest International Bond Expo (CHF)

BCV Dynagest International Bond Expo (CHF) is a subfund of the umbrella AMC Fund.

It is designed to take advantage of investment opportunities in long-term bonds denominated in foreign currencies, while keeping risk firmly under control, i.e., by reducing the impact of adverse performance factors (interest rates and exchange rates).

INVESTMENT APPROACH

We have developed a dynamic portfolio insurance technique for our foreign-currency bond and currency investments that allows us to optimize a portfolio's risk/return profile and reduce its volatility.

The technique has two main aims:

- To protect investments against market downturns and limit downside risk, while retaining upside exposure.
- To invest in foreign-currency bonds while keeping risk at a comparable level to that shown by Swiss-franc bond investments.

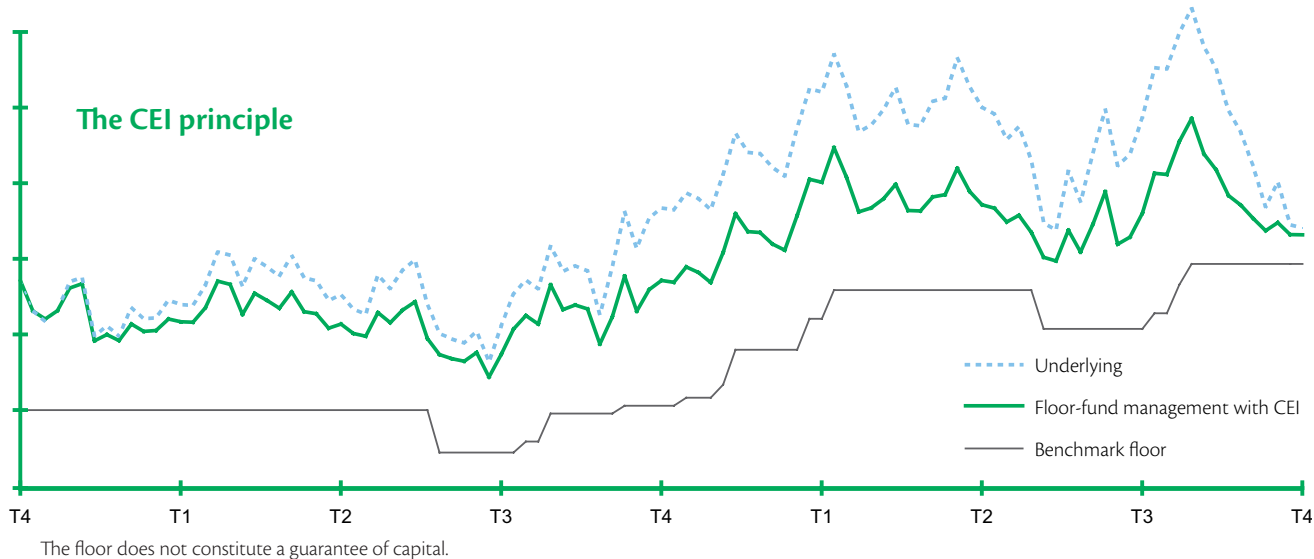
BENCHMARK INDEX

With the portfolio insurance approach, we use an index which offers a good representation of bond performance across all maturities. We have created a synthetic index made up of the Lehman Brothers (LB) Global Treasuries index (1/3) and the LB Euro Treasuries index (2/3). In order to clarify the impact of our rising-floor currency-hedging strategy, we use both the unhedged and the fully hedged Swiss-franc indexes.

WHAT WE OFFER

- Simultaneous management of interest-rate and currency exposure during upward and downward phases.
- Systematic approach to hedging interest-rate and currency risk.
- Ability to switch between low-risk assets (cash, term deposits, short-term bonds) and riskier assets (long-term bonds, derivatives based on long-term bonds, currencies).
- Optimized investment returns.

OUR METHODOLOGY



Three principles

Our method is based on the following three principles:

- CPPI (Constant Proportion Portfolio Insurance). This involves the systematic and separate management of interest-rate and currency risk when markets fall. CPPI means that a sharp correction in the market will result in a less severe decline in the fund.
- Floor-fund management. This involves systematic management of exposure in bull markets. The rising-floor technique protects profits that accumulate as markets rise.
- Conditional exposure increase (CEI). This is used when a market is recovering after a substantial decline, and is intended to enhance the performance of floor-fund management in these situations. We use a statistical model that measures the extent of the decline and triggers an increase in exposure to the asset concerned, on the basis of a supplementary annual risk budget.

Investment universe

Our investment universe consists mainly of bonds denominated in euro, US dollars, yen and sterling. Bonds denominated in other currencies may be considered, provided that there is an organized and efficient derivatives market related to these bonds that allows effective implementation of the proposed investment approach.

In addition to government bonds, we buy corporate bonds if they have a rating of at least AA (S&P) or Aa (Moody's).

Bond investment

Bond investment consists primarily of allocating assets between the four markets selected (bonds denominated in EUR, USD, JPY and GBP).

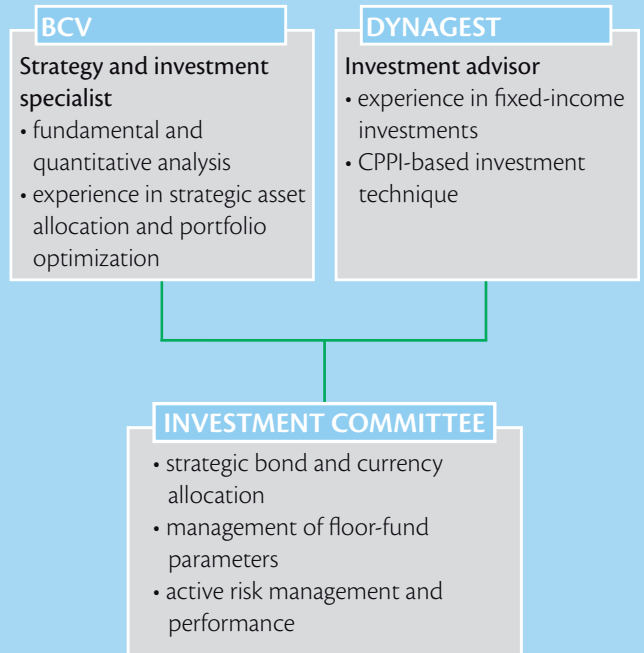
We then focus on yield-curve position. Our bond investment approach is based on the method described above, i.e., taking positions on long-term bonds with systematic CPPI-style hedging. Depending on interest-rate movements, the duration of a portfolio managed in this way lies between that of long-term bonds and the near-zero duration of short-term paper.

Currency exposure

Currency allocation is independent of bond allocation, and is the final phase in our decision-making process. The currency allocation reflects BCV's approach, in which two-thirds of currency risk originates from Continental Europe (EUR, CHF) and one-third from elsewhere (USD, JPY, GBP).

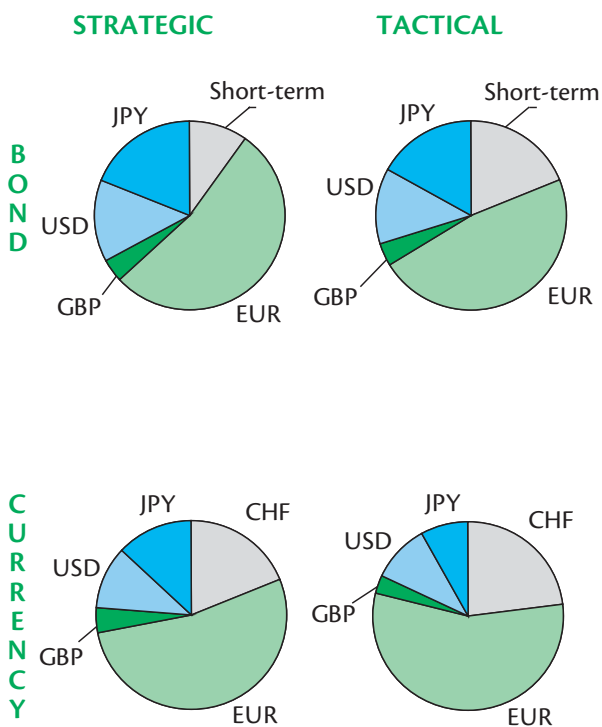
The CPPI method described above is also applied to the management of currency risk. Based on the currency allocation adopted, this technique is aimed at limiting the downside risk if a currency falls, while keeping a substantial position open in the event that the currency rises. The CPPI approach is used as an overlay, and involves derivatives (forwards, futures and options).

INVESTMENT PROCESS



Strategic and tactical allocations: example

The example below illustrates our method for the separate management of bond and currency exposure, showing both strategic and tactical allocations.



Dynagest: market-leading expertise

Dynagest SA is the investment advisor for this fund. Based in Geneva, Dynagest is a pioneer in floor-fund asset management, with an unrivalled track record dating back to its foundation in 1993.

FUND FEATURES

Name of fund	AMC FUND-BCV DYNAGEST International Bond Expo (CHF)
Legal status	Luxembourg-registered fund
Fund management company	Gérfonds (Luxembourg) SA
Investment advisor	Dynagest SA, Geneva
Custodian bank	Banque et Caisse d'Epargne de l'Etat, Luxembourg
Launch date	17/01/2006
Base currency	CHF
Close of financial year	31 December
Issue/redemption	Weekly
All-in commission	Class A: 1.20% Class B: 0.90% (minimum investment of CHF 5m) Class C: 0.50% (minimum investment of CHF 30m)
Issue and redemption commissions	See your advisor
Benchmark index	Lehman Brothers Treasuries (1/3 LB Global Treasuries, 2/3 LB Euro Treasuries)
Security number	Classe A: 2 388 558 Classe B: 2 388 563 Classe C: 2 388 566
Publication of prices	Le Temps, NZZ Reuters: 0#GERI1= Bloomberg: GERI1 Telekurs: 85,BCVL5
Activity report	Quarterly

Contact

For advice and the latest updates, please:

- call one of our advisors on 021 212 23 86
- or visit www.bcv.ch/am
www.gerifonds.ch



Legal information

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