

### Named portfolio manager(s):

Erwin Deseyn (since launch), Paul Smets (since January 2009)

Peer group: global bonds in EUR hedged

Location: Brussels

Launch date: September 2000

Fund size (January 2011): €312m

Contact group: +352 437 436 000 or

www.capitalatwork.com

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)



Report date February 2011

### Investment style

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			
ABS/MBS			

### Performance statistics

Three years

Fund	16.43%
Standard & Poor's peer median	11.89%
Index**	16.74%
Fund rank	59/225
Volatility Adjusted Ranking	125/225

Note: returns are cumulative

### Three year risk characteristics

Maximum monthly drawdown (%)	-6.1
Volatility	7.3
Correlation	0.5
Beta	1.2

### Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank 9, with tenth decile as rank 1.

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### Standard & Poor's opinion (February 2011)

Corporate Bonds at Work has performed well since its mandate changed at the end of 2008 to focus on investing in straight corporate bonds. Within the S&P euro hedged global bonds sector the fund has achieved top quartile performance in each of 2009 and 2010. The improved credit environment has benefited relative performance given the fund's above-average exposure to corporate bonds within the global bonds peer group.

However, we have also looked at how the fund would have performed within the Eurozone corporate bonds peer group (given that it also has a geographical bias to Europe). Relative performance is robust within the alternative peer group, showing performance just outside of the top quartile in 2009 and within the top decile in 2010. The fund also shows significant outperformance relative to its benchmark BarCap Euro Aggregate Corporate index, even after deducting fees.

The investment process emphasises bottom-up security selection, which is led by Paul Smets making use of the group's team of 13 enterprise value analysts. However, joint manager, Erwin Deseyn, who sits on CapitalatWork's asset allocation committee, is prepared to make some top-down adjustments to limit exposure to macro risks and to benefit from major trends within the fixed income markets. Outperformance has come from a combination of top-down calls and security selection during the review period.

We welcome the good performance since the fund's mandate was cleaned up and have retained the A (New)/V4 rating.

### Fund manager & team

CapitalatWork manages €1.4bn in fixed income funds. Fund managers Erwin Deseyn and Paul Smets are supported by a team of 13 analysts who focus on enterprise value and operating cash flow.

Deseyn is also a member of the group's five-strong asset allocation committee and therefore has final responsibility for the fund's overall portfolio positioning, while Smets oversees the security selection.

Erwin Deseyn - fund manager - economics (Katholieke Universiteit Leuven), started his career in 1991, working at Bacob and Générale Bank, before joining CapitalatWork in 1999. He specialises in fixed income and sits on the group's asset allocation committee.

Paul Smets - MBA (Katholieke Universiteit Leuven), started his career in 1988 at Generale Bank (now Fortis) as a financial analyst. He moved to Bank Dewaay (now KBL/KBC) in 1993 and then Smeets, Verbaet (now Delta Lloyd). He joined CapitalatWork in 1994, becoming head of research and a portfolio manager in January 2009.

### Management style

The fund is benchmarked against the BarCap Euro Aggregate Corporate index.

The fund only invests in cash market securities and the manager does not use credit derivatives to manage exposures or mitigate risk. Nor will the fund manager invest in structured issues.

Security selection is driven by bottom-up research, emphasising the idiosyncratic risk associated with individual credits. The team uses a proprietary discounted cashflow model to value securities. Close attention is paid to funding and liquidity analysis, together with the distribution of the debt maturity profile.

The portfolio may hold up to 10% in high quality government bonds.

There is a formal limit on cash and equivalents (duration less than 1 year) of 49%. However, the fund is normally close to fully invested.

The allocation to sub-investment grade is capped at 10%.

Unhedged foreign currency exposure is limited by the guidelines to a maximum 50% but the manager is unlikely to go above 25%.

Duration can range from 4 to 7 years.

Other constraints include a maximum 10% invested in an issuer's outstanding debt, and the fund does not hold non-quoted securities.

# CORPORATE BONDS AT WORK

Sub-fund of Luxembourg domiciled Sicav - Part 1

Fund owner: CapitalatWork

Fund manager/adviser: CapitalatWork

# STANDARD & POOR'S



## Portfolio & performance analysis (January 2011)

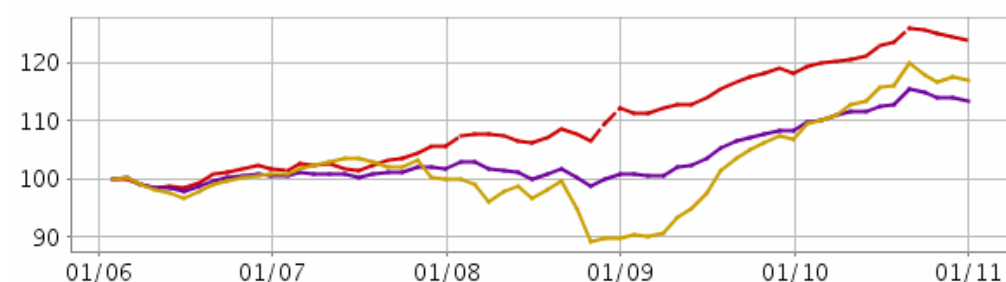
The fund's mandate was changed late in 2008 to focus on straight corporate bonds. Previously, significant use was made of credit derivatives, and structured products and reverse convertibles were held. Therefore the prior track record is of limited relevance. The portfolio had been largely cleaned up by the start of 2009 but it still held some legacy inflation-linked corporate bonds that were sold in the summer.

The fund has performed well since the end of 2008. Within the S&P euro hedged global bonds sector the fund has achieved top quartile performance in both 2009 and 2010. The improved credit environment has benefited relative performance given the fund's above-average exposure to corporate bonds within the global bonds peer group. However, outperformance of the fund's corporate bonds benchmark by a wide margin in each year, even after fees (18.2% against 15.7% in 2009 and 8.9% against 5.0% in 2010) is evidence of significant added value from active decision making.

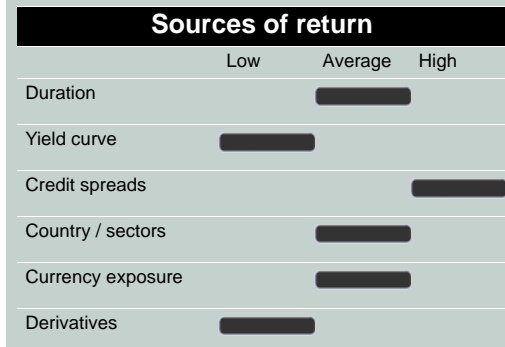
Avoiding the PIIGS and diversifying away from the euro into the US dollar and Norwegian krone have been important contributors to this outperformance, along with duration positioning. The latter was increased steadily from 6 years at the end of 2009 to 6.9 by August 2010 when it was reduced back to 5.8 by end December 2010. While the biggest contribution to relative performance has come from top-down calls in 2010, security selection has also made a positive contribution.

The portfolio remained very underweight financials (less than 10%) at the time of review, and within this was focused on senior debt. This was balanced by an emphasis on lower ratings within industrials and the maximum 10% allocation to sub-investment grade at the end of December 2010. Half of this was held through a 5% investment in the BlueBay Emerging Markets Corporates Fund (the team's analysts do not cover emerging markets). Deseyn's macro view is that emerging markets generally have sounder fiscal positions currently.

## Cumulative performance



— Capital at Work – Bonds at Work I — global bonds in EUR hedged  
 --- Barclays Capital Global Aggregate TR EURH



### Portfolio characteristics \* (1 January 2011)

Effective duration (years)	5.8
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### Credit rating breakdown

	Long	Short	Net
AAA	0.48	0.00	0.48
AA	0.29	0.00	0.29
A	1.94	0.00	1.94
BBB	2.6	0.00	2.6
BB & below	0.39	0.00	0.39

### Duration breakdown

	Long	Short	Net
0-3 years	0.04	0.00	0.04
3-5 years	0.6	0.00	0.6
5-10 years	3.66	0.00	3.66
10+ years	1.5	0.00	1.5

### Asset allocation

	Long	Short	Net
Govern./supranational	0.43	0.00	0.43
Corporates	5.36	0.00	5.36

\* Credit rating exposures are expressed in spread duration terms. All others expressed in interest rate duration years.

## Discrete performance (calendar years)

	2006		2007		2008		2009		YTD 31/12/2010	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	1.24	52/176	-0.67	124/198	-10.37	185/225	18.82	30/246	9.32	52/301
Index**	1.48		3.89		6.04		5.14		4.7	
Median	0.44		0.405		1.16		6.215		4.76	

\*\* Barclays Capital Global Aggregate TR EURH

Fund Benchmark: BarCap Euro Aggregate Corporate Bond Index

Share class screened: LU0184243557 (I)

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## Symbols and definitions

### Long-only fund ratings

**AAA** The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**AA** The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**A** The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-funds ratings

#### Absolute return fund ratings

#### Specialist fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

### Ucits III flexible beta fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

### All fund ratings

**Not Rated (NR)** Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

**Under Review (UR)** Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

**(New)** Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

**Tenure Review (TR)** The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

**Long-term fund management rating LTFMR** The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

**V1** Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

**V2** Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

**V3** Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

**V4** Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

**V5** Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

**V6** Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.