

Approach on economic and financial analyses and investment strategies

February 2012

Introduction

This memo describes the approach Jyske Global Asset Management (JGAM) uses when producing economic and financial analyses, hereunder what pre-assumptions JGAM adhere to.

Further, the memo describes the various investment strategies used by JGAM.

Assumptions

JGAM's investment strategies, and the analyses which underlie those strategies, are based on the assumptions that financial markets are not always efficient and that always they do not reveal all the information needed to explain present prices, and that in the financial markets deviations from "fair value" frequently occur. These assumptions of non-efficiency of markets and over- and under-valued financial assets form the basis for JGAM's advice to its clients. For Managed Asset Allocation Accounts, JGAM seeks to minimize the risk-return ratio by allocating investments across different asset classes (risk diversification). For Managed FX Accounts, the investments are limited to USD and other currencies, and the risk is controlled through limits to the allocation size of each position and the requirement of stop/losses.

JGAM further assumes that financial markets are dominated by investors following one or more of three types of investment strategies:

- Speculative strategies, relying on changes in supply and demand factors that immediately affect prices. This group of strategies is often referred to as "sentiment driven" and often consists of short-term strategies with a horizon of hours, days or weeks.
- Arbitrage or relative value strategies, exploiting pricing inefficiencies between assets. This group of strategies typically consists of medium-term strategies with a horizon of weeks or months.
- Fundamental or value strategies, discounting long-term cash-flow expectations and often based on forecasting of fundamental economic factors. The time-horizon of this group of strategies is normally long-term with months or years as reference.

Economic and financial analyses

JGAM makes financial analyses on an aggregate level, i.e. on asset classes. JGAM also produces fundamental economic analyses including analysis on currencies. Its analyses are supplemented with analyses from outside sources that have proven to be reliable and valuable in the past. JGAM does not produce analyses on specific securities, but relies on outside resources to produce analyses for specific securities that might fund an asset class strategy decided by JGAM.

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JGAM analyses cover all three above-mentioned investment strategies. Hence, JGAM seeks to determine and describe market sentiments, arbitrage possibilities and fundamental long-term value investments.

Investment strategies

When forming and executing an investment decision JGAM make use of all three strategies described above:

- Short-term market sentiments are used to time the execution of an investment decision and/or to take a speculative short-term position in an asset or – more frequently – in a currency pair.
- Arbitrage opportunities are often used to select certain securities within an asset class, e.g. to favor undervalued equities and to avoid overvalued equities based on a benchmark or index used by JGAM as a reference.
- Fundamental or value investments are made with a long-term perspective and often determine the relative weighting between asset classes. Fundamental business cycle analysis forms a key factor for this type of investment strategy.

Further, JGAM offers products based on both relative and absolute investment strategies. Relative strategies are investments managed relative to a neutral position. In a relative investment strategy JGAM takes an active strategic position that deviates from the neutral position if its speculative, relative and/or fundamental analysis supports a deviation. Otherwise, JGAM stays invested at the neutral position. In an absolute investment strategy JGAM will be invested only if its speculative, relative and/or fundamental analysis supports being invested. Otherwise, under an absolute investment strategy, JGAM stays non-invested, i.e. hold cash.

Both relative and absolute investment strategies can make use of benchmarks.

JGAM's analysis, recommendations and investment decisions on Managed Accounts are published on www.jgam.com/investment-news and will be provided on request. Further, clients are informed by email when portfolios have been updated.

Material risks involved

All investments are subject to risk. Each of the three investment strategies used by JGAM involves risk. The speculative strategy is especially affected by short-term price volatility. The relative and fundamental value strategies are more exposed to risks related to uncertainty about company specific data and macro economic data. The expectations of investors based on this data also adds risks to these strategies.

When an investment is denominated in a currency other than the investor's base currency, the investor risks that changes in exchange rates may have an adverse effect on the value and price of or return on an investment.

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Bond investment involves risk. Many factors, including the country's/corporation's credit quality, willingness to pay, liquidity, social conditions and economic developments may affect the price of a bond. Indirect factors may also affect the price of a bond, for instance global economic factors, global risk tolerance and geopolitical risks.

Equity investments are associated with risk. Movements in the equity market, the sector and/or news flow, etc. regarding the company may affect the price of the equity. In connection with an ADR or similar papers, the foreign exchange risk exists relative to the currency in which the underlying equity trades. The price of emerging-market securities can be extremely volatile.

Alternative investments (including commodity investments) involve risk. Movements in the credit market, the sector and/or the news flow, etc. regarding the issuer may affect the price of an alternative investment. Leveraged investments are very risky, exposed to all the above mentioned factors as well as a fall in the value of collaterals combined with an increase in the value of the loan currencies. Leveraged investments are only recommended for investors with a suitable risk profile.

The above mentioned risk factors should not be regarded as exhaustive.

Type of security

JGAM does not primarily recommend any particular type of security. JGAM offers advice and investment recommendations in relation to the following four asset classes:

Fixed income: covers bonds as well as currency deposits other than USD on-demand account. Bonds are defined as government bonds, mortgage bonds, corporate bonds or other bonds.

Equities: (or stocks) covers instruments which represent ownership of share of companies, so the shareholders become co-owners of the company in question.

Alternatives: includes investments which cannot be considered ordinary equity and fixed income investments or cash investments. Such investments may include, e.g. , hedge funds, mutual fund units or ETFs or similar pooled products/ funds in commodities, property or structured products. Alternatives may consist of combinations of several asset types.

Cash: is defined as the balance on the USD account only.

Mutual fund units, structured products, certificates and hedge funds and other financial instruments may be included in the respective asset classes where appropriate.

Further details on security types can be found on "Instruments Category" available on www.jgam.com/terms and will be provided on request.

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The logo for JYSKE GLOBAL ASSET MANAGEMENT, featuring a stylized circular icon to the left of the text.

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