STANDARD & POOR'S

PEH EMPIRE

PEH Wertpapier AG

German domiciled open-ended investment fund

Report Issued: December 2004

Peer Group:
Asset Allocation Global Flexible

Fund Manager:
Klaus-Dieter Wild (since launch), Günther Gerstenberger (since October 2003)

Location:
Frankfurt

Launch Date: April 1998

Fund Size (November 2004):
€29m

Group Contact No:
49 6171 63310

Website:
www.peh.de

S&P ID Number: OS988006

Underlying Share Class:

For additional details see Fund Charges and Group Profile information.

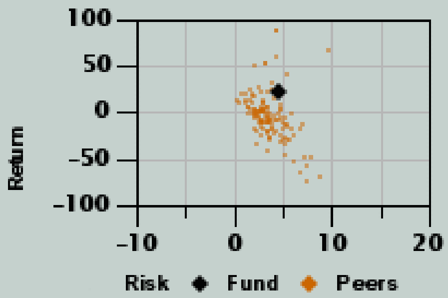
Fund Management Rating: A

All statistical data on this report has been run to 29/10/2004 on NAV to NAV basis, with gross income reinvested, in US Dollars.

INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

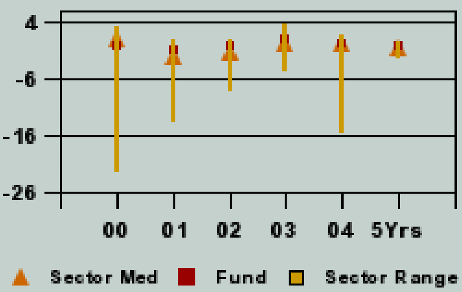
RISK RETURN (STD DEVIATION) OVER 5 YEARS



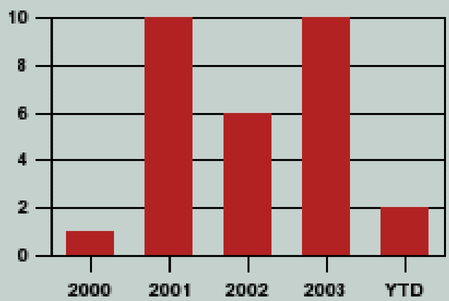
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown	Low	-12.3
Volatility	Low	16.7
Correlation	High	0.5
Beta	Medium	0.6

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Please see page 2 for required research analyst certification disclosure.

STANDARD & POOR'S OPINION (NOVEMBER 2004)

PEH Empire fund is managed by Dr Klaus-Dieter Wild, who is the external adviser. The fund is categorised in the asset allocation global flexible sector, which means that it is permitted to include both equities and bonds, and either asset class may range between zero and 100%. The fund invests using the whole of the permitted range and aims to outperform its benchmark (70% MSCI World, 30% JPM World Govt Bond) significantly over the longer term.

The essence of the investment process and the main driver of performance is the EvoPron Welt (Evolutory Optimised Prognoses net) system, which Wild has developed and augmented over 20 years. The EvoPron Welt system is a neural network, designed using artificial intelligence, which forecasts interest rates and market returns. These are then used to determine asset allocation at the individual country level, using a variance-covariance, Markowitz process. Stock selection uses a variety of technical analytical measures, which narrow the choice considerably, but final selection rests with the manager.

The transfer of an intellectual idea into a practical tool for fund management appears to have been successful. While performance compared with the sector is relatively volatile on a calendar year assessment, long-term returns are well above average with the fund ranking top decile over three and five years cumulatively.

Wild is highly experienced in his field and very motivated. This, combined with the long-term success of the product, results in the achievement of A-rated status.

FACT FILE

Group: Formed in 1981, PEH Wertpapier AG provides asset management services to pension funds, private clients and retail funds. It is 50% owned by its management and is the only listed asset manager in Germany.

Team: Wild works alone. Co-manager Günther Gerstenberger is the link with the team at PEH, headed by Martin Stürner. More important is his expertise built up through his years of investing in the sector.

Fund Manager: Wild has been developing the process since 1980. In 1990 he began using it to offer investment advice through his company EvoPro Financial Research. He has been adviser to PEH Empire since 1998.

Style: Key to the process is the EvoPron Welt system - a composition of different, highly developed forecasting models - which determines asset allocation.

Performance: Over the five years to 29/10/2004, the fund has returned 50.4%, compared with 17.4% for the sector median, ranking 10/85.

FUND MANAGER & TEAM

Klaus-Dieter Wild effectively works alone, although Günther Gersterberger (named as co-manager on the fund) provides the link with PEH and the five-strong investment team, headed by Martin Stürner. More important, however, are the systems he uses to construct the portfolio.

Klaus-Dieter Wild - physics, maths & economics (TU Stuttgart & Freiburg University), PhD business admin/finance (university of Frankfurt), began his career with Bayerischen Vereinsbanch, Munich, before setting up his own company EvoPro Financial Research GmbH, of which he is managing director. He has been adviser to PEH Empire since 1998.

Günther Gerstenberger - fund manager - economics (Augsburg), began his career as an analyst and associate director at Bankhaus B Metzler in 1991, subsequently moving to Deka Investment Management as a fund manager in 1995. At Deka, he was a member of the strategy team for international equities. Joined PEH in 2003.

PORTFOLIO CHARACTERISTICS

No. of holdings	31
Turnover ratio (%)	N/A
% in top 10	44

TOP 10 HOLDINGS (01/11/04)

	%
5.25% Bund 7/10	7.7
Draegerwerk GS	7.1
Wheaton River	5.3
Petrobras	4.4
Turkcell Iletisim	4.1
Bank Austria	4.0
OMV	3.2
ABSA	3.1
China Travel	2.9
Telekomunikasi	2.7

** In top 10 holdings a year ago*

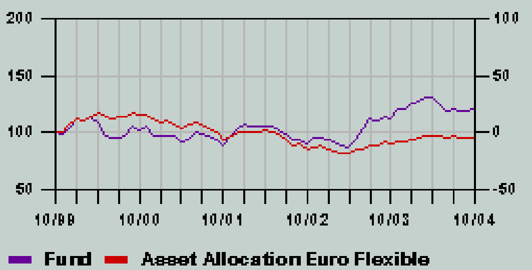
ALLOCATION BREAKDOWN (01/11/04)

	Peer Avg %	Fund %
EQUITY		
North America	10	25
United Kingdom	59	0
Europe ex UK	13	26
Japan	5	2
Pacific ex Japan	5	18
Others	3	3
FIXED INTEREST		
United Kingdom	2	0
Others	0	8
CASH	3	18

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	78.6%	50.4%
Standard & Poor's Peer Median	35.7%	17.4%
Fund Rank	5/144	10/85
Standard Deviation	16.7	-
Relative Standard Deviation	1.5	-
Volatility Adjusted Ranking	37/144	-

CUMULATIVE PERFORMANCE



PEH EMPIRE

Peer Group: Asset Allocation Global Flexible

Fund Management Rating: A

MANAGEMENT STYLE

- Key to the process is the EvoPron Welt system. This is a composition of different, highly developed forecasting models - neural subsystems and econometric models with neural input. The output is forecast values for stock price movements in the next month for more than 40 countries.
- Asset allocation is determined using a Markowitz process. The variance-covariance matrix of future profits in the different markets and the forecasted returns determine the percentage in each of the 40 countries and in bonds. A hedging model is applied to reduce risk.
- Technical filters (moving averages, momentum, relative strength) help Wild create a buy/sell list. Share prices must be trending upwards (and/or have recovery potential). Charts - turnover, resistance lines, trend lines, formations - are an important part.
- Fundamental selection looks at p/e (below 10), PEG (below 1) and price/sales (below 1) ratios and also assesses the quality of profits, quality of management and historical success. Strategic evaluation is also taken into consideration.
- All stocks are scored (out of three) for the five main elements of the process. Scores less than 11 are sold and replaced with the highest scores.

PORTFOLIO REVIEW

At the time of the review the portfolio was concentrated in 31 holdings with 54% in the top 10. A concentrated profile is fairly typical for the fund, although it will be even more so when it has a substantial percentage in bonds. The 22% in bonds (shown in this report) has recently been reduced to around 8%.

It is more meaningful to look at the portfolio broken down by country than by broad region. Interestingly, the largest single country exposure is Indonesia, which accounted for over 14%. Other large weightings were Germany and Austria (10% each), Canada (8%) and South Africa (7%). Major exclusions from the fund were the UK and Japan.

By sector the most important exposure was to electronics (12%) with energy (9%), telecoms (9%), banking (8%) and raw materials (8%) also important components.

It is important to remember that all weightings derive directly from the models and do not reflect the manager's view on sectors.

PERFORMANCE ANALYSIS (OCTOBER 2004)

The fund has achieved its objective of outperforming the benchmark - 21% in Euro terms against a fall of 23% for the benchmark - for five years to October 2004. It has, moreover, produced returns well above the S&P peer group median and the fund ranks top decile over three and five years cumulatively. Relative performance is volatile on a calendar year basis, essentially because it is the split between equities and bonds that drives rankings within this sector.

Consequently, the very strong performance in 2003 was due largely to the fund's 100% equity weighting at a time when markets rallied. By Q3 2003 equities had been substantially reduced (to around 60%) in favour of bonds, but those equities held (oil, gold and Asia) helped to maintain strong outperformance until March 2004.

In Q2 2004 the fund hit severe problems as equities underperformed German government bonds and the Asian bias was particularly damaging. Equities were reduced to 45%; performance has improved more recently.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2000		2001		2002		2003		YTD 29/10/2004	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	-19.0	85/90	5.3	2/119	1.8	54/153	63.3	8/210	-2.8	274/290
Median	-9.9		-13.3		-4.9		29.6		3.2	