



Why Invest in Foreign Exchange

There are numerous positive reasons to invest in the foreign exchange market. For one, significant alpha exists in the currency market. Data from 1996 to 2003 shows speculators systematically generate positive returns and that even simple strategies provide positive returns.

The FX market abounds with opportunities. About 70% of the total market flows come from non-profit seeking participants such as hedgers and tourists, which implies potential for professional investors to extract returns. The market is open 24 hours with total trading volume reaching 1.9 trillion a day. Moreover, the market requires minimal capital and has low transaction costs.

The simplest way to access currency market return is through active fund managers. Evidence suggests active management has generated alpha over the long term. Its low correlation to other asset classes also provides diversification opportunities for any portfolio.

WHY ASIA

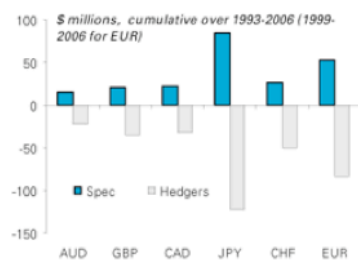
Asia is one of the most attractive regions globally for investment driven by the region's strong economic fundamentals. With the global financial crisis, the developed world is likely to experience a period of stagnant economic growth. In contrast, Asia's GDP growth has been in solidly positive territory. Most Asian countries have healthy current account surpluses, ample foreign exchange reserves, and low public sector debt. More than in any other period, Asia today has considerable long-term growth potential thanks to its urbanization which is a key factor in driving long-term economic growth.

Evidence for currency market Alpha

Data shows speculators systematically generate positive returns

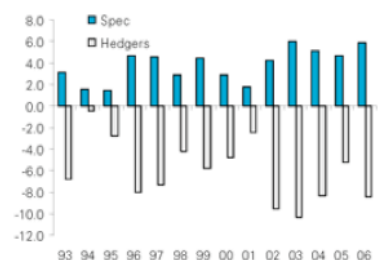
An un-optimised portfolio of 3 simple trading strategies (carry, momentum and valuation)

P&L of Hedgers and Speculators Using IMM Data (1993-2006)



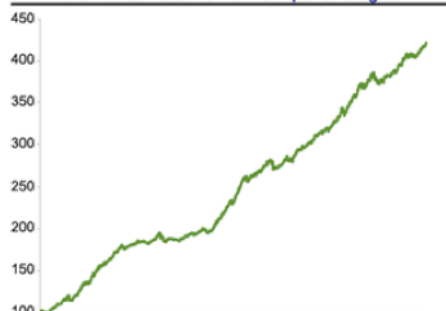
Source: IMM and Deutsche Bank

P&L Across Time Trading G5 FX



Source: IMM and Deutsche Bank

Combined Returns from Simple Strategies



Source: Deutsche Bank

Statistics (Apr'86 – Dec'06)

Combined Returns	
Net Total Return	8.4%
Max. Drawdown	6.1%
Return/Max D.D	1.38
Sharpe Ratio	0.76
Sortino Ratio	0.69
Volatility	3.5%
Worst Month	-4.4%
Best Month	5.8%
% Positive Months	78%
% Negative Months	22%

Source: Deutsche Bank