



# RCP & Partners GmbH

Risk rating of asset managers: the investor's measure of trust

## Delta Lloyd Investment Managers GmbH (DLI)



Fiduciary Rating	2002-09-23		Previous Rating	
	Business Rating	Investment Rating		
Business Rating	A1+	Very good	○	○
Investment Rating	5	Good	○	○
Outlook	↗	Positive	○	○
Asset Classes	Equities, Fixed Income, Money Market, Balanced		○	
Geographic Universe	Europe, Euroland		○	
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Business Rating	Fiduciary Rating	Investment Rating	
Institutional Grade	AAA	Excellent	1
	AA1		2
	AA2	Very good	3
	A1		4
	A2	Good	5
A3	6		
Sub-Institutional Grade	BBB		Fair
	BB1	8	
	BB2	Unsatisfactory	9
	B1		10
Outlook			
↗ Positive	→ Neutral	↘ Negative	

### Assets under Management

2002-06-30	EUR m	Share	Portfolios
Total	3 876.1	100.0%	24
Institutional funds <sup>1</sup>	1 179.1	30.5%	9
Mutual funds	66.6	1.7%	5
Advisory	48.7	1.3%	5
Others <sup>2</sup>	2 572.8	66.5%	3

<sup>1</sup> Spezialfonds

<sup>2</sup> Management of insurance companies' financial portfolios

The rating confines itself to the *institutional* and *retail* business of **Delta Lloyd Investment Managers (DLI)**, Wiesbaden. Both, the *Business Rating* and the *Investment Rating* apply to the whole company.

The asset classes that were investigated are *European Equities*, *Euroland Bonds* and *Money Market*, as well as *European Balanced portfolios*.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>✗ diversified range of services (management of funds and financial portfolios, "KAG platform")</li> <li>✗ transparency with respect to products and costs ("transparent funds", Total Expense Ratio)</li> <li>✗ well-structured risk management</li> <li>✗ advanced automation of order processing</li> </ul>	<ul style="list-style-type: none"> <li>✗ investment process partly lacks transparency</li> <li>✗ assets under management mainly sourced from its own group</li> <li>✗ separation of functions partly insufficient</li> <li>✗ no certified PPS-compliant data available as yet; short history</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>✗ increasing demand regarding outsourcing of KAG functions</li> <li>✗ increasing inclusion of funds in group's insurance products</li> <li>✗ size of company eases process definitions and their implementation</li> </ul>	<ul style="list-style-type: none"> <li>✗ increasing competition with respect to KAG services</li> <li>✗ dependence on group's insurance distribution</li> <li>✗ trend towards market consolidation of investment companies within Germany</li> </ul>

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Business Rating	RCP Score	Investment Rating	RCP Score
Financial Strength	☆☆☆☆	Investment Process	☆☆☆
Business Management	☆☆☆	Research	☆☆☆
Administration and Risk Management	☆☆☆☆	People	☆☆☆☆
Client Care	☆☆☆☆	Performance	☆☆☆
Checks and Balances	☆☆☆☆	Client Diversity and Stability	☆☆☆
Coherence	☆☆☆☆	RCP Score: Minimum = ☆, Maximum = ☆☆☆☆☆	

## Business Rating

Delta Lloyd Investment Managers GmbH (DLI) is integrated with Delta Lloyd Deutschland AG (DLD), which is owned by the British AVIVA plc, one of the five largest financial services groups in Europe. DLI acts largely independently, conflicts of interest are not visible.

In terms of Assets under Management as of 2002–06–30, DLI has a 0.03% share of the German market for mutual funds (rank 44 of 47) and a 0.25% share of the Spezialfonds market (rank 44 of 55) according to BVI. The range of DLI's fund products is rather narrow, but DLI also manages insurance companies' financial portfolios, which are sourced from its own group — like more than 90% of its total Assets under Management.

Due to the integration with an insurance company, DLI can draw on the group's insurance distribution network. However, in order to increase its market share, DLI should extend other distribution channels. Meanwhile it differs from competitors in offering the management of financial portfolios and a "KAG-platform" as additional services.

Towards their clients DLI pursues an open information policy. Examples are existing "transparent funds" and the disclosure of Total Expense Ratios, which is scheduled for October.

Duties and responsibilities are well-structured. Some executives handle more than one key responsibility, for instance in risk management. However, this lack of separation in functions is balanced by control mechanisms. Top and upper management have several years of experience in the investment business.

Compliance procedures are in accordance with international practice and are diligently monitored by the compliance officer. Risk management includes a risk scoring model that allows a distinct and strongly formalised presentation and monitoring of risks.

## Investment Rating

Equities are selected based on fundamental criteria, embedded in sector considerations. Fixed-income management aims at the generation of outperformance through exploitation of duration, credit, and yield-curve risk, also investing in corporate bonds and participation certificates. The approach used for managing insurance companies' financial portfolios differs from that for pooled assets, since attention must be paid to the specific requirements of German VAG law. The appropriate know-how in this area is available within the company. Moreover, DLI works with several external advisers, e.g. in the management of sustainability products and multi-manager funds. The asset allocation takes into account a TAA model of Delta Lloyd Asset Management (DLAM), Amsterdam.

Individual portfolio managers are free to select investment procedures but must be able to justify their choice. This freedom is preferred to clarity and discipline in the investment process. However, the management control of positions and risk taken is ensured. In general, the investment process appears rather less transparent, an edge over competitors is not clearly discernible.

Research is not performed by DLI itself. The managers cooperate with several brokers or utilise research from other group companies.

Order processing and the monitoring of investment restrictions and guidelines are widely automated. Performance measurement for DLI funds is provided by DPG, certification of Performance Presentation Standards is currently not available. Due to the recent foundation of the company, the available performance data only record a short history.

## Outlook

Based on the existing strengths in the business area (diversified service range, transparency, risk management) we anticipate more opportunities than risks and grade the Outlook as Positive.

Company	<b>DLI</b> — Delta Lloyd Investment Managers GmbH
Address	Gustav-Stresemann-Ring 1 D-65189 Wiesbaden
Phone	+49-611-7341-0
Internet	www.deltalloyd.de
Founded	1998 <sup>1</sup>
Employees	24
Services	Management of pooled assets according to the German KAGG and insurance companies' financial portfolios.

<sup>1</sup> DLI was founded 1998 as Schroder Investment Management GmbH