



RCP & Partners GmbH

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

DWS Investment GmbH (DWS)



Fiduciary Rating	2002–11–12		Previous Rating	
Business Rating	AA1	Excellent	○	○
Investment Rating	3	Very good	○	○
Outlook	→	Neutral	○	○
Asset Classes	Equities, Balanced, Fixed Income, Money Market		○	
Geographic Universe	Global, 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		5
	A3	Good	6
Sub-Institutional Grade	BBB	Fair	7
	BB1		8
	BB2	Unsatisfactory	9
	B1		10
Outlook			
↗ Positive	→ Neutral	↘ Negative	

Assets under Management

	EUR m	Share	Portfolios
2002–10–31			
Total ¹	88 704	100.0%	292
Institutional funds ²	4 313	4.9%	26
Mutual funds ³	84 391	95.1%	266
Advisory	0.0	0.0%	0
Others	0.0	0.0%	0

¹ without Franken-Invest

² managed by DVG (9) und DWS (17, formerly Zürich Invest (ZI))

³ managed by DWS, DWS (Lux), DVG; including institutional mandates, mutual funds for managed accounts, and former ZI mutual funds

The rating confines itself to the legal entities **DWS Investment GmbH (DWS)** and **Deutsche Vermögensbildungsgesellschaft mbH (DVG)**, both located in Frankfurt, as well as **DWS Investment S.A. (DWS (Lux))**, located in Luxembourg. Other entities belonging to the DWS group were not taken into consideration.

The *Business Rating* applies to each of the aforementioned companies as a whole, while the asset classes investigated for the *Investment Rating* are **Global Equities, European Equities, Fixed Income Euroland, Balanced and Money Market**, all managed in Frankfurt.

Strengths	Weaknesses
<ul style="list-style-type: none"> ✗ financial strength, market position, brand awareness, and distribution network ✗ broad product range, significant ability to innovate, and strong marketing ✗ access to international research network (<i>Deutsche Asset Management</i>) 	<ul style="list-style-type: none"> ✗ inadequate documentation of investment processes for equity and balanced mandates ✗ investment process for balanced mandates lacks transparency ✗ PPS-certified performance data not available
Opportunities	Threats
<ul style="list-style-type: none"> ✗ standardisation and formalisation of quantitative valuation approach for equities ✗ replacement of inhouse-developed front-/back-office systems by standard software with improved functionality ✗ extension of European market position with unified appearance and harmonised product range 	<ul style="list-style-type: none"> ✗ changing environment for the taxation of investment funds in Germany ✗ integration of acquired investment companies and their portfolios

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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

With a market share of over 25% the DWS group has established itself as the un-contested market leader in the German mutual funds industry. This position is extended consistently by organic growth and acquisitions, of which the latest are *Zürich Invest* and *Franken-Invest*. At the same time, it also plays the dominant role in the European asset management business of *Deutsche Bank* (DBK) group.

DWS is a highly profitable investment firm with a solid equity base, which is bolstered even further by a statement of financial support from *Deutsche Bank*.

Its mutual funds are distributed through the branch network of DBK as well as through a series of partners (e.g. DVAG), which, together with third party banks, have gained importance. Apart from a brand awareness due to being a part of the DBK group, DWS possesses a strong brand of its own with innovative and award-winning products, which provide the foundation for a European product family currently under construction. All activities are supported by active public relations work and effective marketing.

The management of DWS has long-standing experience in the investment industry, which should ensure the continuation of the current, successful strategy despite the change at the top announced for the end of this year.

A comprehensive service range is offered to distribution partners and retail clients. This includes an internet platform as well as an efficient call center.

The in-house developed front-office and back-office systems are currently being replaced by new standard software, which, among others, offers the possibility to employ control modules — e.g. for *ex ante* verification of investment restrictions or quality control of trade execution.

Compliance and internal audit are integrated with the respective organisations of DBK. The majority of members of the supervisory board does not belong to the DBK group. The management of operational risk is institutionalised.

Investment Rating

The fixed income investment process stands out for its clear structure and decision-making procedure. It is based on a fundamental top-down approach combined with scenario analyses and targeted risk management. The corporate bonds segment draws upon a proprietary credit research team which is responsible for the intense investigation of issuers and which covers — apart from conventional bonds — structured products (e.g. ABS) as well. The latter, in particular, is also of relevance and benefit for the management of money market funds.

The equities segments investigated here (global/European) are based on a philosophy shaped by the long-standing experience and investment style of Klaus Kaldemorgen. Key factors are sector weights and company selection. The quantitative valuation approach of securities has been changed over to a uniform model this year. Research is performed by the portfolio managers themselves. However, they have access to the global research platform set up by DeAM (*Deutsche Asset Management*) as a source of information.

Allocation decisions for balanced mandates are dominated by assessments made by the equity specialists. Overall, the process is less transparent than for the other asset classes.

The team structure in the investment area, too, is marked by strong growth in the years 1999 to 2000.

Risk-adjusted performance of equity, balanced and money market funds is predominantly good, while fixed income funds do not draw a uniform picture. Performance data are only available for individual mutual funds, PPS-compliant composites are not available.

Outlook

Based on the available information, there are no foreseeable changes regarding fiduciary risks in the near future. We therefore grade the Outlook as Neutral.

Company	DWS — DWS Investment GmbH	DWS (Lux) — DWS Investment S.A.	DVG — Deutsche Vermögensbildungsgesellschaft mbH
Address	Grüneburgweg 113–115 D–60323 Frankfurt am Main	2, Boulevard Konrad Adenauer L–1115 Luxembourg	Feldbergstr. 22 D–60323 Frankfurt am Main
Phone	+49–69–71909–0	+35–2–42101–1	+49–180–311–1213
Internet	www.dws.de	www.dws.lu	www.dws.de
Founded	1956	1987 ¹	1970
Employees	645	114	4
Services	Management and distribution of mutual funds	Management and distribution of mutual funds	Management and distribution of Spezialfonds and mutual funds

¹ as International Investment Management S.A. (IIM), later renamed to DB Investment Management S.A. (DBIM)