Enter the New Value Investing Era of CROCI through the DB CROCI Fund

Market Overview
In the past months and especially in the month of May, global equity markets suffered sharp declines on concerns over the EZ debt debacle. U.S. S&P500 fell by 8 percent, and major stock indices in China also retreated approximately 10 percent in May amidst soaring volatilities. Although, it may be too early for bottom fishing, we expect coming earnings report season to come in strong and the onslaught in the global equities markets may be overdone. We may not be able to market time the bottom, but we foresee professional value stock picking opportunities may arise in the coming months. Therefore, the CROCI value investment stock screening may be a strong proposition for the active investor.

Investment Objective
The DB CROCI Fund Series are tracking the DB CROCI Indices, which utilize a simple but a powerful quantitative model. The CROCI (Cash Return on Cash Invested) model is a proven stock selection methodology previously only accessible to institutions, but now made readily available to individual investors through the POWERPLUS platform. The indices are equally-weighted and rebalanced monthly from a pool based solely on their economic P/E ranking. The proprietary research model makes in-depth adjustments to a company's financial statements in order to make economic ratios comparable globally across sectors.

DB CROCI Performance
Fidelity and Templeton may be the most well known mutual funds which are highly attractive to the investors offering diversified returns. Fidelity's flagship fund, the Magellan fund may be the most well known mutual fund and also widely recognized as a top performer in the investment industry. During the period when the value investor Peter Lynch was at the helm between 1977 and 1990, the Magellan fund returned an astonishing average 29.2% per annum, a return which even exceeds the performance of the investment guru known to everyone, namely Warren Buffet. In recent years however, the Magellan fund has been closely resembling the S&P 500 Index, or even from time to time underperforming its benchmark index. Franklin Templeton is equally well known to Fidelity and was originally founded in year 1947. It is a highly reputable fund house, and several Templeton funds are yearly awarded various performance awards and in year 2009 Franklin Templeton Investments was awarded Asia Asset Management Best of the Best Awards as the Best Retail House in Hong Kong. Despite its history and legacy, the renowned fund house has been hit hard by the financial crisis in year 2008 and it has seen its assets dropping from US$600 billion to US$300-400 billion. Templeton funds have also been criticized for being allowed to grow too large, which inhibits its performance. Most recently, we have also seen some key personnel departure from the company.

In our research we have found that the returns of Fidelity and Templeton compared to their benchmark may not be consistent over the years, which may depend on the portfolio manager at the helm at that specific period and there might even be a random element affecting the returns. We conclude that for unbiased value investing, a quantitative approach which does not rely on a single analyst or a single portfolio manager may be more robust over the years.
In the chart below it can be seen that Templeton’s U.S. Equity Fund is closely tracking the S&P 500 Index, whereas Fidelity’s Japan Fund is outperforming its benchmark, the TOPIX. It can also be shown that Deutsche Bank’s most successful equity research model over time outperforms its top peers and its benchmark significantly. The CROCI model has truly over the past decade shown to be an alpha machine resembling the DNA of Peter Lynch.

DB CROCI Fund Series Outperforming Top Tier Peers

Source: STI Research, Deutsche Bank, Bloomberg