



DII NEWSLETTER JANUARY 2018

Return of 3.7% in the year 2017

Dear investors,

following a well above average value increase of 11.8% in the year before 2017, the DII achieved in the past year only a below average return of 3.7%.

INCREASE IN VALUE 2016 AND 2017 (IN EUR)

INVESTMENT	31.12.15 - 31.12.16	31.12.16 - 31.12.17
Tareno Diversified Index Investing Equities, Bonds, Real Assets	+ 11,8%	+ 3,7%
Category: Mixed funds EUR aggressive – Global	+ 3,7%	+ 7,4%
Difference	+ 8,1%	- 3,7%

Source: Morningstar Germany

This below-average result was caused by a strong increase in the Euro exchange rate in relation to all other major currencies. This increase resulted in a corresponding loss of all investments in other currencies:

EXCHANGE RATES 31.12.2016 – 31.12.2017 (IN EUR)

CURRENCY	31.12.2016	31.12.2017	LOSS OF VALUE
1 Dollar (USD)	0,95€	0,84€	- 11,8%
1 Swiss Franc (CHF)	0,93€	0,86€	- 7,8%
100 Yen (JPY)	0,81€	0,74€	- 9,0%
1 Yuan (CNY)	0,14€	0,13€	- 6,4%

Source: Onvista



Stocks and bonds in these major currencies thus suffered, only because of the reduction in exchange rates, a loss in value of up to 12%. Due to its extremely broad international diversification, the DII was particularly affected by this currency effect, because the share of Euro investments (stocks and bonds) in the overall portfolio amounts to not more than approximately 20%. Against this background a positive return of 3.7% on the total portfolio is a rather satisfactory result.

In comparison with the DII, most actively managed mixed funds display a significantly higher share of stocks and bonds in Euro, because most fund managers prefer to overweigh their home market, just as retail investors do („home bias“). In the long run this home bias is not advantageous, because the portfolio is less diversified, but in the last year it had, because of the strong Euro, a positive effect on the return.

We uphold our basic principle to not rely on uncertain forecasts, but to keep stable our globally diversified allocation in index funds. Indeed, the same experts who now expect a further decline of the Dollar predicted only one year ago an increase of the Dollar exchange rate against the Euro. Long-run investment success is not based on forecasts, but on a robust strategic asset allocation and the discipline to stick to this allocation even during temporary setbacks.

We thank you sincerely for your trust.

Best regards,

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