



Deutsche Bank ETFs

Accessing China A-Shares Market via ETFs

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Passion to Perform





Deutsche Bank ETFs

- More than 200 ETFs listed in 11 stock exchanges globally¹
- Over USD 50 billion in assets¹
- Top 2 in Europe and Top 5 Globally²
- #1 ETF provider in Singapore and Hong Kong with 47 ETFs listed on SGX and 30 on the SEHK³

Deutsche Bank ETFs – Winner across Asia

- Exchange-traded funds, Asia Pacific
by AsianInvestor Investment Performance Awards 2010, 2011 and 2012.
- ETF Market Leader in Asia – Regional
by Asia Asset Management 2011.
- Best ETF House
by The Asset Triple A Investment Awards 2011.
- Best-in-Class Provider of the Year – ETF
by Benchmark Fund of the Year Awards 2011.
- PRO Choice Award 2011 (ETF)
by Capital Weekly.
- Hong Kong Leaders' Choice 2012 – Excellent Brand of ETF Product Issuer
by Metro Finance.



Source: (1) Deutsche Bank ; (2) Blackrock ETF Landscape end Jun 2012; (3) HKEX and SGX website, Aug 2012

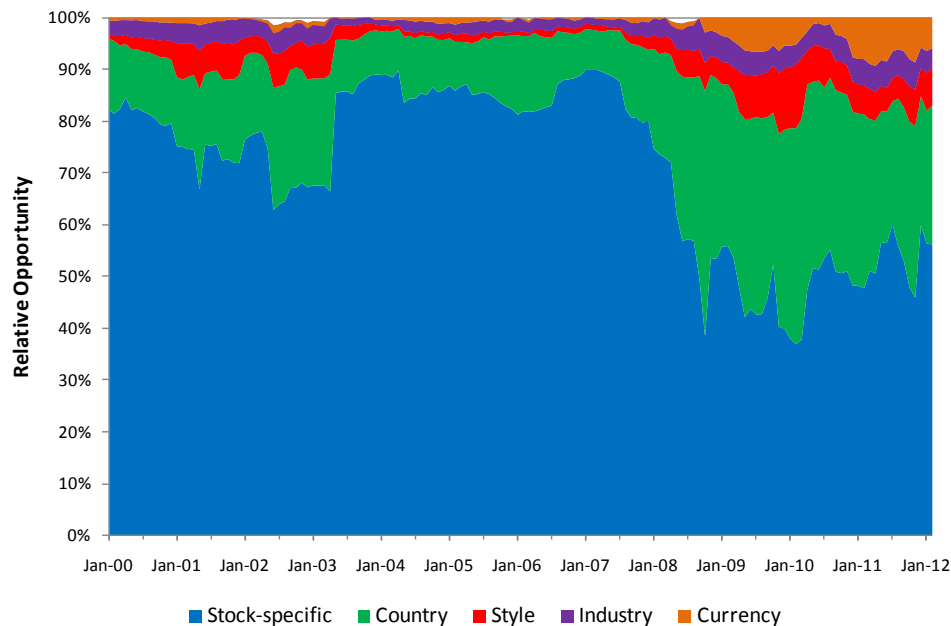


Why ETFs now ?

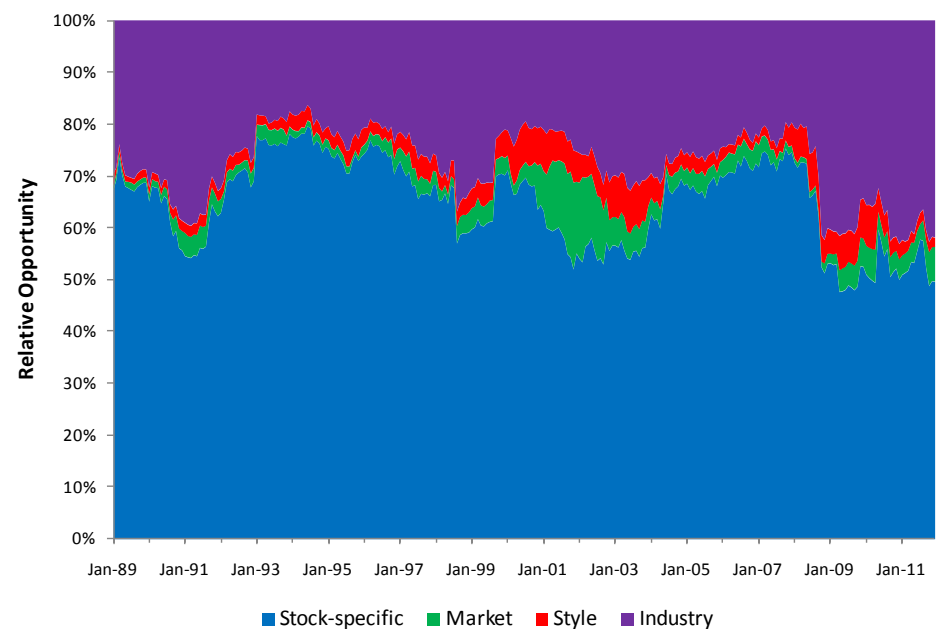
The opportunity set explained by macro timing is at all-time highs

- Globally, stock-selection opportunity used to account for approximately 80% of the total opportunity set, but now it falls to around 40%. In the US, stock-selection opportunity also drops to 50%, from about 70% prior to 2008 financial crisis.
- The opportunity set explained by macro timing (e.g., country selection, industry rotation, and style timing) is close to all-time highs.

Global – decomposition of opportunities



US – decomposition of opportunities



Source: Bloomberg Finance LP, Compustat, Haver, IBES, Russell, S&P, Thomson Reuters, Worldscope, Deutsche Bank Quantitative Strategy

Trend of active managed mutual fund in US

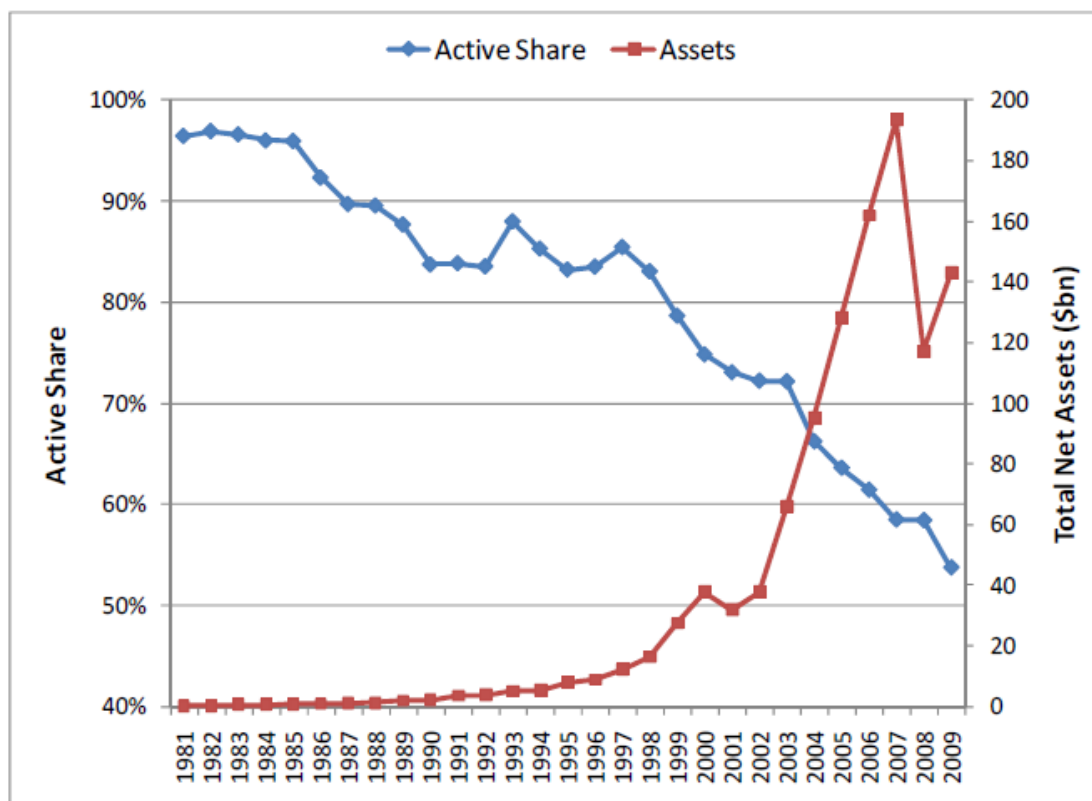


Figure 4. Active Share and assets of the Growth Fund of America.

Active Share and total net assets are shown at the end of each year.

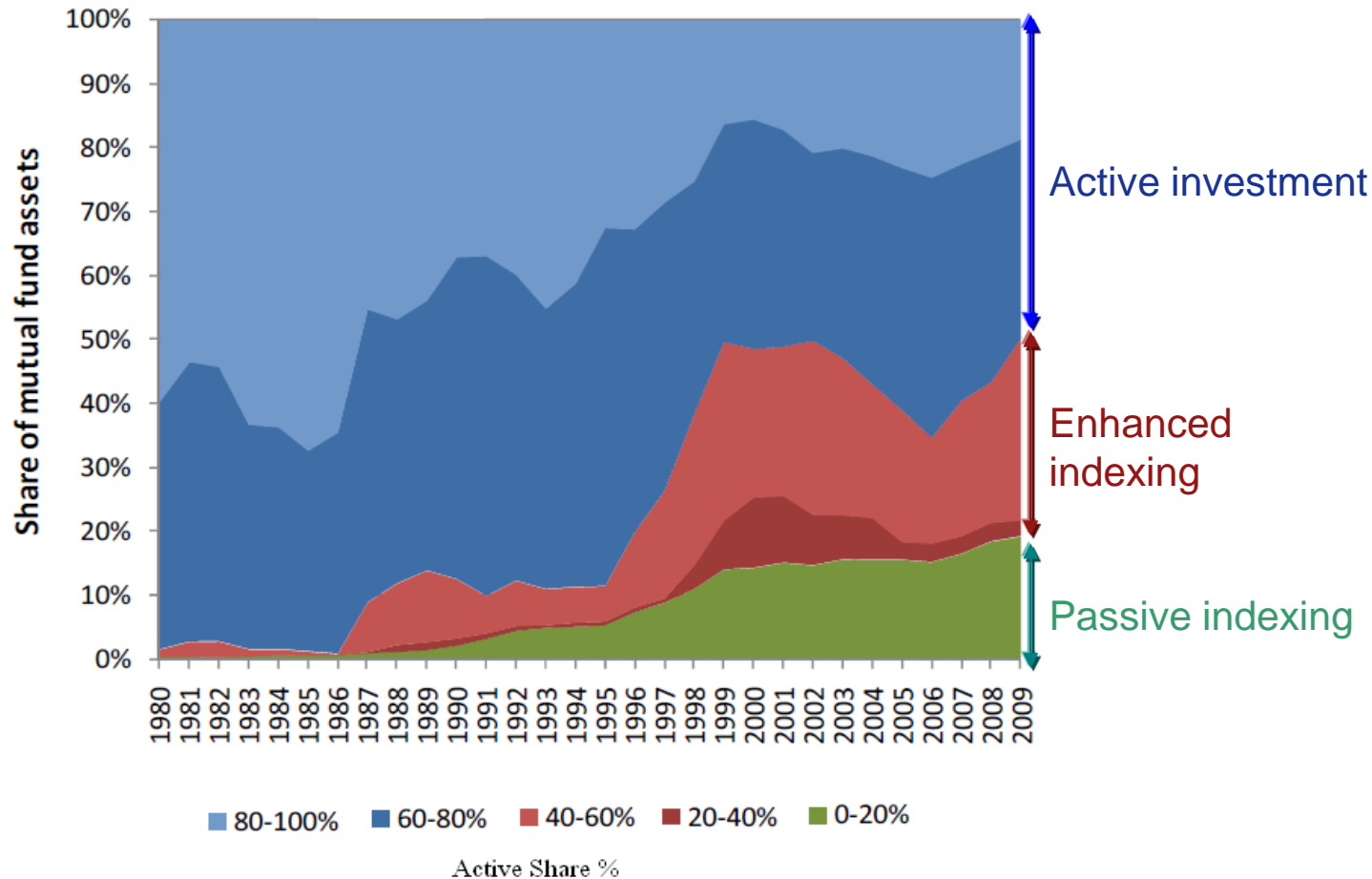
- The asset growth of US mutual fund AUM is on upward trend
- But the % of active management strategy is decreasing



Why? What are the other investment strategies present in US fund management?

Source: "Active Share and Mutual Fund Performance," by Antti Petajisto of the NYU Stern School of Business, September 2010

Investment strategies in US mutual fund industry



-% of assets that employs Active investment strategy is **declining**

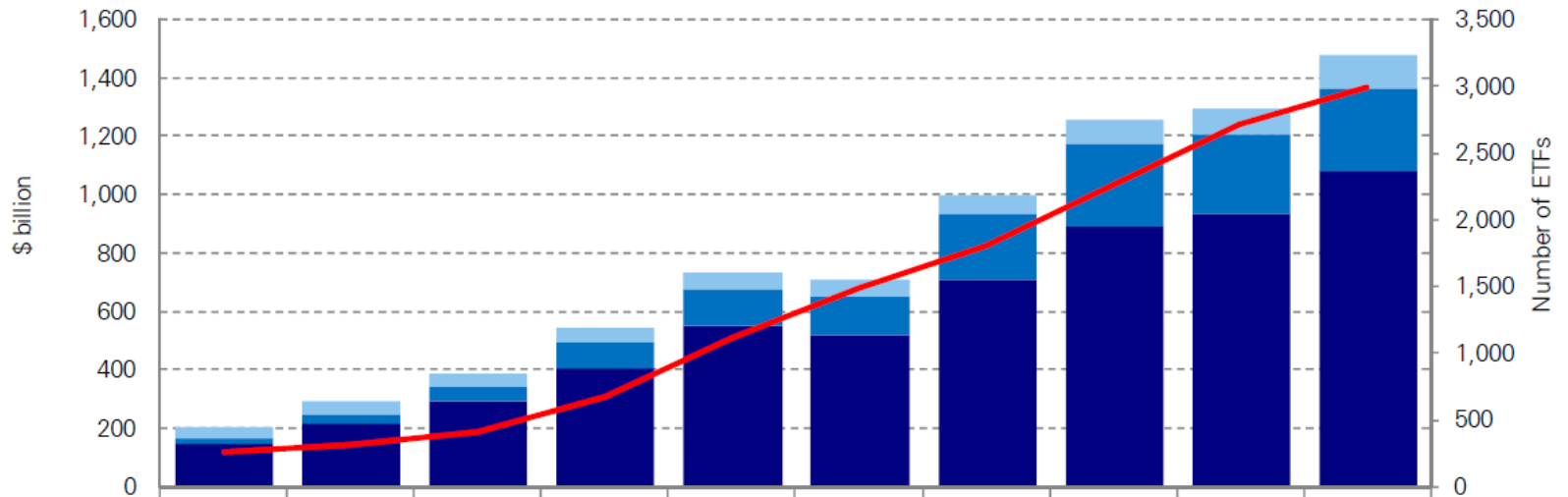
-% of assets that adopts Enhanced indexing and Passive indexing strategies are **increasing**

Source: "Active Share and Mutual Fund Performance," by Antti Petajisto of the NYU Stern School of Business, September 2010

Growth of the ETF Market Worldwide



Global ETF regional asset growth



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012**
Asia Pacific (\$)	34.8	39.9	42.8	48.4	60.0	52.2	64.3	83.5	90.8	112.4
Europe (\$)	20.5	32.3	50.0	89.4	127.1	137.8	226.8	283.8	269.9	285.7
US (\$)	144.1	217.4	292.0	404.5	548.8	516.3	706.3	893.6	938.8	1,082.9
US, Europe & Asia Pacific (\$)	199.5	289.7	384.8	542.3	735.9	706.3	997.5	1,261.0	1,299.5	1,481.0
Europe (€)	16.3	23.8	42.2	67.8	86.9	99.1	158.3	211.6	207.9	232.0
Number of ETFs*	257	310	415	677	1,115	1,483	1,803	2,255	2,721	2,993

Source: Deutsche Bank, Bloomberg Finance LP, Reuters.

*Number of ETFs at the end of the year is net of delistings for the period.

Source: Deutsche Bank Research, data as of end July 2012

Growth of the ETF Market and assets distribution



Date	Metric	Global [\$]	Europe [\$]	US [\$]	Asia [\$]
31.12.11	Assets ¹	1,299.5	269.9	938.8	90.8
30.07.12	Assets ¹	1,481.0	285.7	1,082.9	112.4
07.12 YTD	Cash flows ¹	118.7	9.9	87.9	20.9
YTD	Total growth	14.0%	5.9%	15.3%	23.7%
[07.12]	Cash flow growth	9.1%	3.7%	9.4%	23.0%
	Market growth	4.8%	2.2%	6.0%	0.7%

¹ Figures in billion

As of 31/7/2012	Europe	US	Asia
Asset Class	Assets in %	Assets in %	Assets in %
Other	0.70%	0.80%	0.30%
Commodity	11.20%	8.70%	3.00%
Fixed Income	21.10%	20.00%	5.30%
Equity	67.10%	70.50%	91.40%
Total	100.00%	100%	100.00%

Source: Deutsche Bank, Bloomberg, Reuters, as of 3 Aug 2012

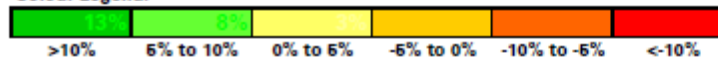


Global Fund Flow

Figure 1: Heat map* showing the flows as % of total assets into various fund classes

Fund Category	2004	2005	2006	2007	2008	2009	2010	2011	2012 YTD
Total Equity Funds	4%	3%	3%	1%	-3%	2%	2%	-1%	0.2%
Total Developed Market Equity Funds	4%	2%	2%	-1%	-3%	-1%	0%	0%	-0.2%
International Equity Funds	8%	6%	7%	6%	-4%	4%	1%	1%	0.7%
US Equity Funds	1%	-1%	-1%	0%	0%	-4%	0%	0%	-0.1%
Western Europe Equity Funds	1%	-1%	7%	-13%	-12%	1%	-3%	-2%	-4.3%
Japan Equity Funds	52%	44%	0%	-27%	-18%	-19%	-3%	5%	15.3%
Pacific Equity Funds	7%	-3%	12%	-1%	-16%	17%	8%	-8%	-0.1%
Total Emerging Market Equity Funds	3%	16%	11%	12%	-7%	27%	16%	-5%	2.8%
Global Emerging Market Equity Funds	-10%	3%	4%	10%	-4%	32%	23%	-1%	7.8%
EMEA Equity funds	27%	40%	-6%	-2%	-8%	11%	20%	-11%	-2.6%
Latin America Equity Funds	10%	81%	27%	46%	-12%	48%	4%	-12%	-5.8%
Asia Pacific Ex-Japan Funds	21%	22%	27%	14%	-9%	21%	10%	-7%	-2.4%
Total Bond Funds	14%	4%	8%	-2%	-10%	24%	16%	4%	8.6%
International Bond Funds	12%	12%	10%	-2%	-24%	25%	23%	3%	3.9%
Corporate High Yield Bond Funds	NA	-18%	-2%	-4%	-5%	40%	15%	4%	15.5%
US Bond Funds	NA	-17%	-9%	4%	-2%	23%	10%	6%	9.5%
Western Europe Bond funds	NA	1%	58%	-8%	-46%	29%	-7%	-28%	-3.4%
Germany Bond funds	NA	NA	NA	NA	NA	NA	29%	25%	-6.6%
Switzerland Bond funds	NA	NA	NA	NA	NA	NA	-65%	-19%	-2.8%
United Kingdom Bond funds	NA	22%	-17%	-141%	-26%	64%	8%	-3%	4.3%
Emerging Markets Debt Funds	12%	24%	18%	9%	-21%	19%	54%	7%	15.6%
Asia ex-Japan Bond funds	NA	4%	3%	16%	-10%	2%	71%	25%	7.8%
Emerging Europe Bond funds	NA	40%	-12%	-18%	-37%	-19%	-8%	-39%	-11.3%
Lat-Am Bond funds	NA	-28%	-22%	-33%	-30%	19%	46%	38%	52.8%
Money Market Funds	NA	NA	NA	NA	31%	-17%	-15%	-4%	-2.8%

Colour Legend:

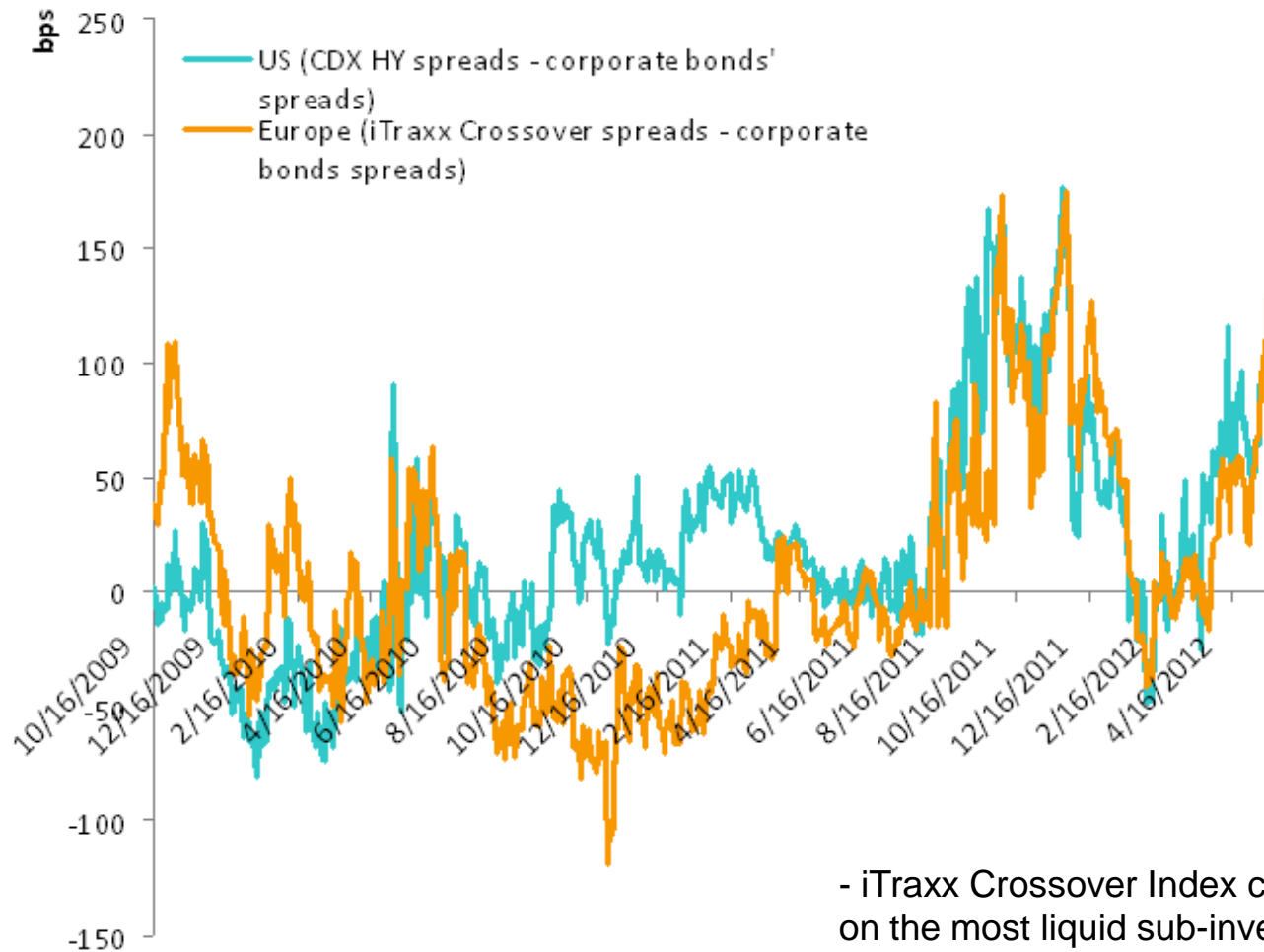


Source: EPFR / Deutsche Bank calculations

Source: Weekly Fund Flows, 10 August 2012, Deutsche Bank Research



HY CDS spreads compared to corporate bonds in Europe and in the US

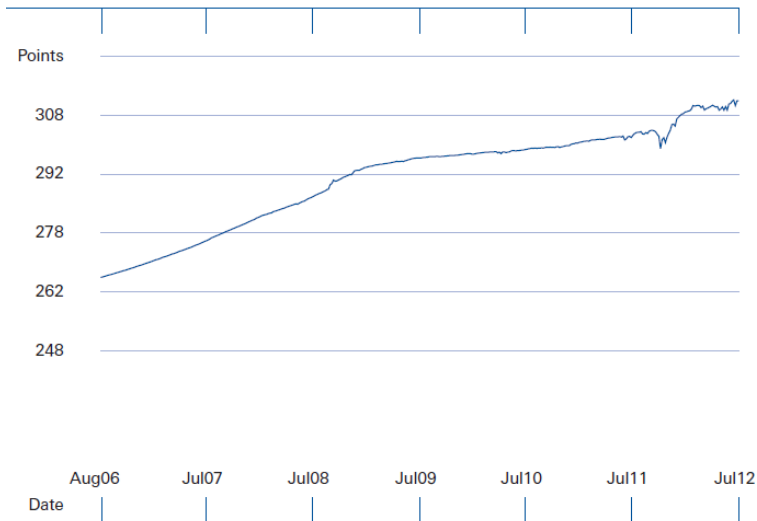


- iTraxx Crossover Index comprises 50 equally weighted CDS on the most liquid sub-investment grade European corporate entities.
- Markit CDX North America High Yield Index is composed of 100 non-investment grade entities, distributed among 2 sub-indices: B, BB.



MTS Italy Ex-Bank Of Italy BOT Index

MTS Italy BOT – ex-Bank of Italy Index



Source: Bloomberg, 31 July 2012
Past performance is not a reliable indicator of future results.

Shares outstanding of ETF



Performance Figures as of 31 July 2012

	2012	2011	2010	2009	Since ETF launch
MTS ITALY BOT – EX-BANK OF ITALY*	2.10%	1.65%	0.76%	1.39%	1.22%
MTS Ex-Bank of Italy BOT ETF	-	-	-	-	1.13%

- Zero coupon bonds with a maximum maturity of 12 months
- Yield to Maturity: 1.781%
- Duration: 0.42 years
- Convexity: 0.46
- Respective ETF raised 140 mn EUR within a month

Source: Bloomberg (as of 20 Aug 2012)



Focus on high dividend

Name of Index	Percentage Change	Annualized Return
<u>MSCI Asia ex-Japan High Dividend Yield</u>	<u>435.86%</u>	<u>16.47%</u>
MSCI EM Asia	278.16%	12.84%
MSCI Asia Pacific ex-Japan	256.31%	12.24%
<u>MSCI Asia ex-Japan</u>	<u>241.24%</u>	<u>11.80%</u>

Data as of 31 July 2001 - 31 July 2012, index all considered on USD basis. Past performance not indicative of future performance.

Source: Bloomberg and MSCI data.

Key Economic Forecasts

ETF

For Institutional Clients Only



	Real GDP (%)			
	2011E	2012F	2013F	
Emerging Europe, Middle East & Africa	4.7	3.2	3.6	✓
Russia	4.3	4.0	4.1	✓
Saudi Arabia	7.1	5.2	3.3	
South Africa	3.1	2.7	3.6	
Turkey	8.5	3.0	4.5	
Ukraine	5.2	3.5	4.0	
United Arab Emirates	4.2	2.4	2.5	
Asia (ex-Japan)	7.3	6.4	6.9	✓
China	9.2	7.9	8.4	✓
Hong Kong	5.0	1.5	2.8	✓
India	7.0	6.3	6.5	✓
Indonesia	6.5	6.3	6.5	✓
Korea	3.6	3.0	3.5	✓
Malaysia	5.1	4.5	5.3	✓
Philippines	3.9	5.5	6.0	✓
Singapore	4.9	2.5	3.5	✓
Sri Lanka	8.3	7.0	7.5	✓
Taiwan	4.0	2.1	3.3	✓
Thailand	0.1	5.4	4.2	✓
Vietnam	5.9	4.7	5.5	✓
Latin America	4.3	2.9	3.9	✓
Argentina	7.7	1.6	2.3	
Brazil	2.7	1.5	4.2	✓
Chile	6.2	4.7	4.3	✓
Colombia	5.9	4.8	4.8	
Mexico	3.9	3.7	3.5	✓
Peru	6.9	6.0	6.0	
Venezuela	3.9	4.3	3.0	
Memorandum Lines: 1/				
G7	1.4	1.5	1.8	
Industrial Countries	1.4	1.3	1.7	
Emerging Markets	6.2	5.1	5.6	✓
BRICs	7.3	6.3	6.9	✓

1/ Aggregates are PPP-weighted within the aggregate indicated. For instance, EM growth is calculated by taking the sum of each EM country's individual growth rate multiplied by its share in global PPP divided by the sum of EM PPP weights.

Source: Deutsche Bank

Green – Annual GDP Growth expected to increase and maintain at above 5% in 2013

Yellow – GDP Growth expected to increase by 1% or more in 2013 compared to 2012 (but stay below 5% GDP growth)

Red – Drop in GDP growth expected in 2013 compared to 2012

Asia coverage





Ways to Access China

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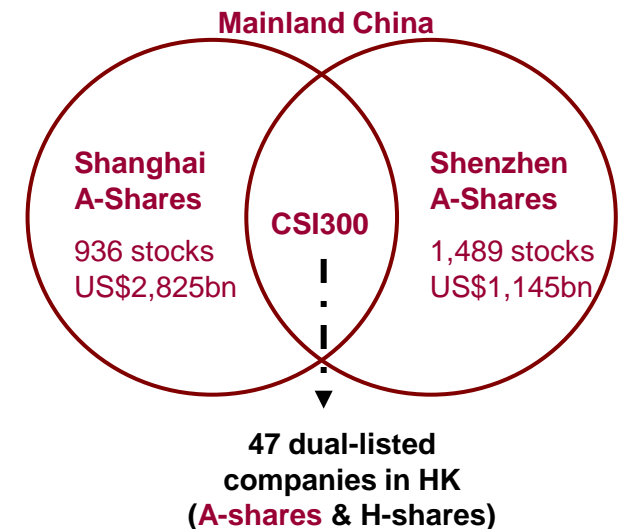
Ways to Access China

A-Shares

- **Stocks of Chinese companies quoted in RMB, listed in Shanghai or Shenzhen**
- **Available to mainland Chinese residents or foreign institutional investors (via quota significantly increasing in recent years)**
- Example of recognized indices: CSI300, FTSE China A50

H-Shares

- **Stocks of Chinese companies quoted in HKD, listed in Hong Kong**
- **Available to foreign institutional investors or mainland Chinese residents (via quota significantly increasing in recent years)**
- Example of recognized indices : FTSE China 25, HSCEI



The same company can issue H-shares & A-shares but out of the 300 CSI stocks only 47 are listed in HK as H Shares



Other forms of China-theme related shares

B-Shares

- Securities of Chinese incorporated companies that trade on the Shanghai Stock Exchange, quoted in USD, or the Shenzhen Stock Exchange, quoted in HKD.
- Tradable by both residents or non-residents of PRC.

Red Chip Shares

- Red chips companies are incorporated outside of the PRC
- Trades in Hong Kong Stock Exchange
- Red chip company is defined as with at least 30% shares held directly or indirectly by mainland Chinese entities, and at least 50% sales revenue or operating assets from Mainland China.

P- Shares

- P Chip companies are companies that trade on SEHK with at least 50% of sales revenue / operating assets derived from mainland China
- Typically from private sector and incorporated in the Cayman Islands, Bermuda and the British Virgin Islands

Foreign Listed Shares

- Shares of Chinese companies incorporated and listed outside of China (e.,g. in NYSE, NASDAQ etc.) but have their main business operations in China

Source: Bloomberg, China Securities Index Co Ltd, as of 9 Jul 2012; Blackrock China ETFs Industry Review 2009; Deutsche Bank

Comparison between CSI300 vs. H shares indices



	CSI 300	HSCEI	FTSE/China 25
Number of Constituents	300	40	25
Market Cap (bil. USD)	2,235	1,626	1,808
Diversity (top 3 sectors)	Top 3 sectors: 65.49% 36.88% Financials 15.77% Industrials 12.84% Materials	Top 3 sectors: 90.13% 56.29% Financials 24.99% Energy 8.85% Materials	Top 3 sectors: 87.3% 54.21% Financials 18.14% Telecom 14.95% Energy
Exposure to CNY	Direct	Indirect	Indirect

Source: Bloomberg, China Securities Index Co Ltd, as of 9 Jul 2012

Comparison between different A shares indices



	CSI 300	FTSE A50
Number of Constituents	300	50
Market Cap (bil. USD)	2,235	1,851
Diversity (top 3 sectors)	Top 3 sectors: 65.49% 36.88% Financials 15.77% Industrials 12.84% Materials	Top 3 sectors: 81.55% 60.65% Financials 11.19% Industrials 9.71% Consumer Goods

Source: Bloomberg, China Securities Index Co Ltd, Issuer Website, as of 9 Jul 2012



Key features of China A-Shares ETFs

- LIQUID ACCESS TO A RESTRICTED MARKET
- MORE COMPREHENSIVE EXPOSURE TO CHINA THAN VIA H SHARES
- EXPOSURE TO CNY



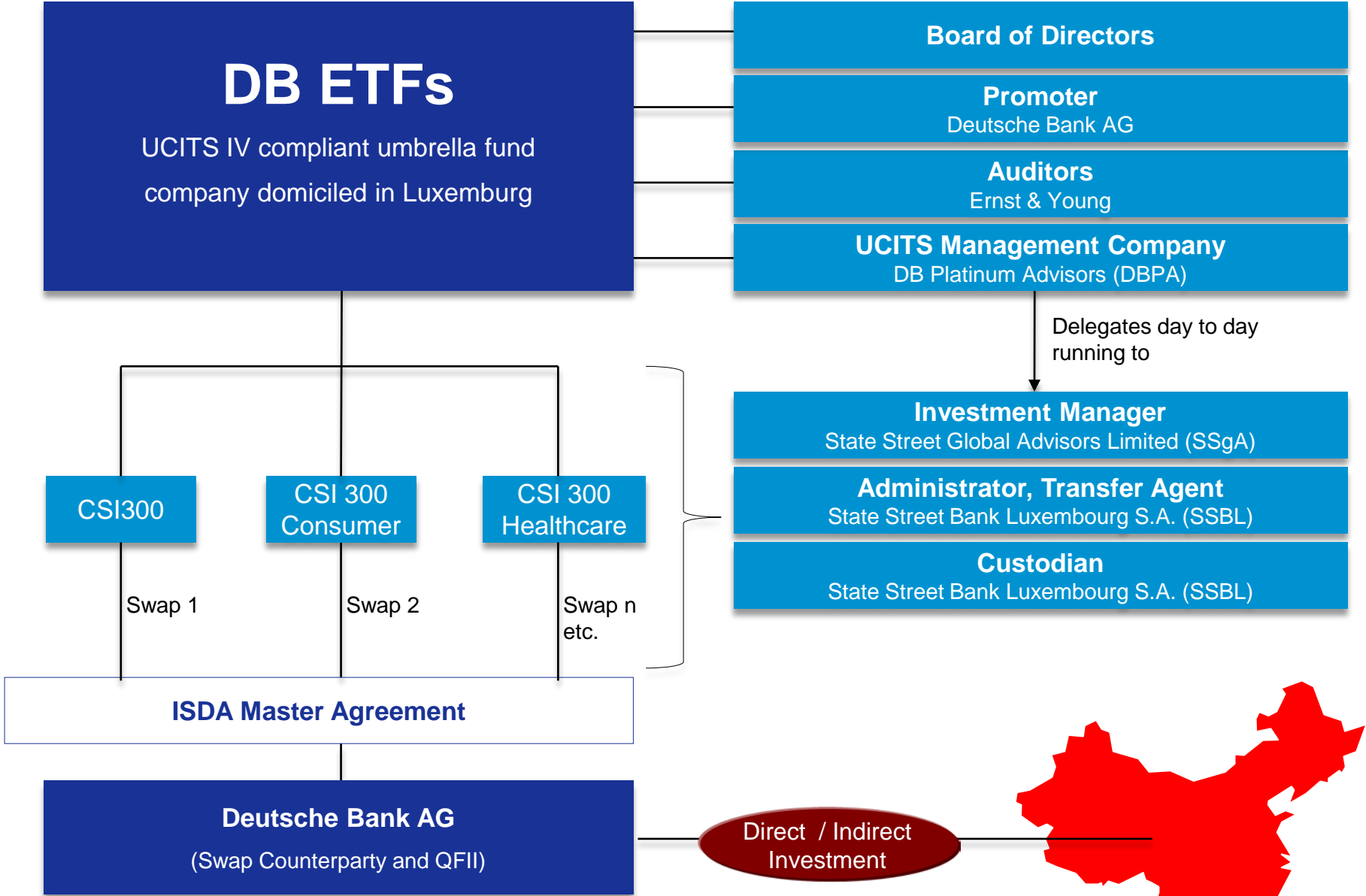
DB China A-shares ETFs Series

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Structure of the China A-Shares DB ETFs





Key features of the structure

- ACCESS TO THE UNDERLYING CHINA A-SHARES MARKET

- MITIGATION OF COUNTERPARTY RISK

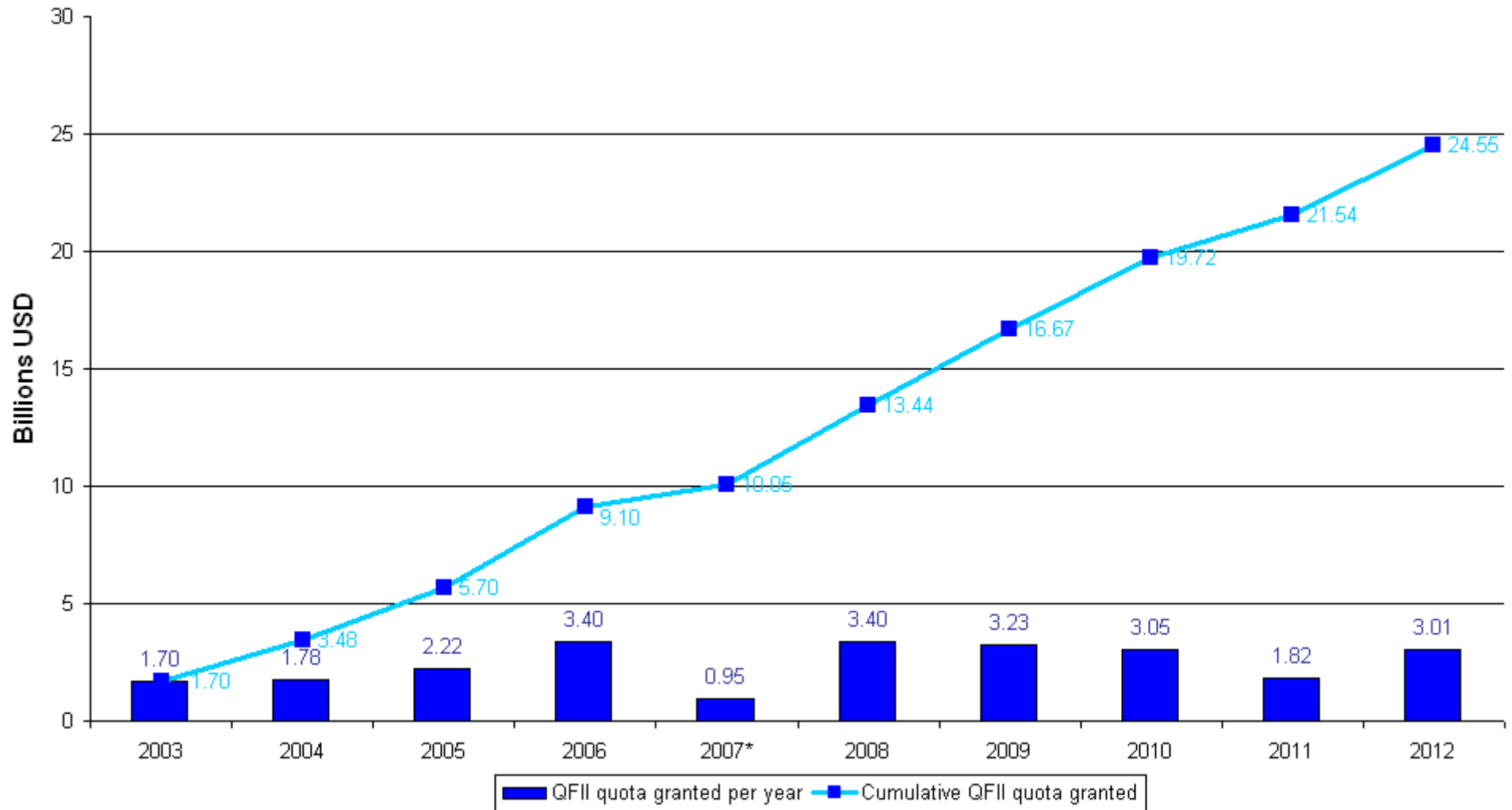


Access to the underlying China A-Shares Market



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Quota for Qualified Foreign Institutional Investor (QFII)



Source: PwC, SAFE website

* The 0.95bn quota was granted in early 2007 to foreign investors who have obtained QFII license prior to 2007



QFII and RQFII Quota Developments

QFII

End of 2002

QFII scheme launched

Jun 2003

First batch of QFII quota officially approved

Nov 2004

First China A-shares ETF listed outside of Mainland China

2004-2011

More QFII quota approved. Total QFII quota set at 30bn. USD

Apr 2012

CSRC increased QFII quota from 30bn. to 80bn. USD

RQFII

Aug 2011

RQFII introduced to the market, with initial quota of 20bn. RMB

Apr 2012

CSRC increased RQFII quota from 20bn. to 70bn. RMB

Jul 2012

First Physical China A-shares ETF listed in HKEX with RQFII



QFII Quota – Recent Developments

China to relax QFII rules to attract investment

BEIJING, June 21 (Xinhua) -- China on Wednesday pledged to make it easier for qualified foreign institutional investors (QFIIs) to invest in the country's capital market -- part of the country's efforts to free up capital flows and accelerate the opening of domestic capital markets.

The country will lower the QFII threshold, including lowering the QFII asset requirements to 500 million U.S. dollars from 5 billion U.S. dollars, according to a draft of revised rules on the QFII scheme, which was posted on the website of the China Securities Regulatory Commission (www.csrc.gov.cn) to solicit public opinion.

China will further facilitate the investment and operation of the QFII program by allowing QFIIs to invest in the interbank bond market and stock index futures, according to the draft.

Meanwhile, QFIIs will be allowed to hold up to a 30-percent stake in a listed company, up from the current 20-percent stake cap.

"The move shows the country is determined to open up its capital markets. Facilitating the investment and operation of the QFII program will attract more long-term overseas funds to the markets," an unnamed official with the CSRC said, adding that the commission welcomes public feedback on the draft.

The State Council, China's Cabinet, in April increased total QFII quotas to 80 billion U.S. dollars from 30 billion U.S. dollars. So far, the CSRC has granted QFII licenses to 172 foreign investors since the program started in 2002.

The regulator has quickened QFII approvals recently, granting 5.62 billion U.S. dollars in quotas to 51 QFIIs since December.

Source: People's Daily Online, Xinhua News Agency, 21 Jun 2012

- QFII quota first introduced to foreign investors in 2002.

- The State Council, China's Cabinet, in April increased total QFII Quota to 80 billion USD from 30 billion USD.

- On 21 June, Chinese regulators pledged to make it easier for QFIIs to invest in China's capital market

- It is believed that this will free up capital flows and accelerate the opening of Chinese domestic capital markets.



Mitigation of counterparty risk



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New collateral rules for synthetic ETFs in Hong Kong



FT Ignites Asia 31/08/2011

Hong Kong regulators' new collateralisation rules for synthetic exchange-traded funds (ETFs) will be easier for some managers to satisfy than others...

The Securities and Futures Commission (SFC) announced this week that providers would have to boost the ETFs' collateral level to achieve at least 100% collateralisation, as reported...

Providers including Deutsche Bank ETFs, the biggest ETF provider in Hong Kong in terms of number of listings, with 24 ETFs on the Hong Kong Exchanges & Clearing, voluntarily exceed that standard....

Source: Ignites Asia (data as of Aug 31 2011)



New European guidelines (ESMA) – 25 Jul

On the 25th of July the European Securities and Markets Authority (ESMA) issued an extensive set of guidelines relating to UCITS-compliant exchange-traded funds (ETFs) and other UCITS products. The new guidelines effectively tighten the regulations that govern UCITS ETFs and UCITS funds generally, and therefore introduces a number of new procedures and requirements for UCITS ETF providers. UCITS ETF providers must meet these requirements no later than the latter part of 2013 (a date has yet to be specified by ESMA) though certain requirements, including where new UCITS ETFs are launched, will need to be complied with earlier than that. This short document summarises which parts of the new guidelines Deutsche Bank ETFs is already compliant with, and demonstrates which elements of change we will introduce to ensure we meet all the new standards.

Summary of main points from guidelines

“UCITS entering into efficient portfolio management techniques (EPM) like securities lending activities will have to inform investors clearly about these activities and the related risks. All revenues net of operating costs generated by these activities should be returned to the UCITS. When a UCITS enters into securities lending arrangements, it should be able at any time to recall any securities lent or terminate any agreement into which it has entered.”

“UCITS receiving collateral to mitigate counterparty risk from OTC financial derivative transactions or for EPM techniques should ensure that the collateral complies with very strict qualitative criteria and specific limits in relation to the diversification.”

Points as they relate to Deutsche Bank ETFs

Deutsche Bank ETFs do not currently engage in securities lending, which means requirements in relation to EPM techniques do not apply to Deutsche Bank ETFs products at the present time.

In terms of the use of derivatives and related collateral arrangements, Deutsche Bank ETFs has historically set high standards – often going beyond UCITS requirements – in relation to transparency, disclosure, quality and diversification. Deutsche Bank ETFs publishes swap exposures on all of its ETFs online on a daily basis, and also provides daily detailed break-downs of all current collateral and substitute basket positions. Deutsche Bank ETFs’ standards in relation to diversification of collateral securities already meet – and for the majority of Deutsche Bank ETFs, are more stringent than – ESMA’s new requirements. Also, the new guidelines prescribe a stress testing policy for collateral arrangements. Deutsche Bank ETFs currently runs regular stress tests as part of its collateral programs and so is well placed to meet the new requirements.

Source: Deutsche Bank

Consequences on Deutsche Bank ETFs



In summary, Deutsche Bank ETFs foresees no significant operational changes impacting either Deutsche Bank ETFs or the Deutsche Bank ETFs platform as a result of the new guidelines. The new requirements will require certain changes to documentation, such as prospectuses, KIIDs, annual reports and marketing materials. Annual and half-yearly reports will have to disclose standardised information on tracking error and tracking difference for each ETF. Deutsche Bank ETFs will insert this information into its financial statements from 2013 onwards. Deutsche Bank ETFs will insert anticipated levels of tracking error into the prospectus during the course of 2013. Deutsche Bank ETFs will update its prospectus to meet those elements of the new disclosure requirements for leveraged and inverse ETFs which are not already covered.

We anticipate that, due to the high standards of structural and operational integrity set by Deutsche Bank ETFs over the years, the Deutsche Bank ETFs platform should make a smooth transition to the new regime.

Source: Deutsche Bank



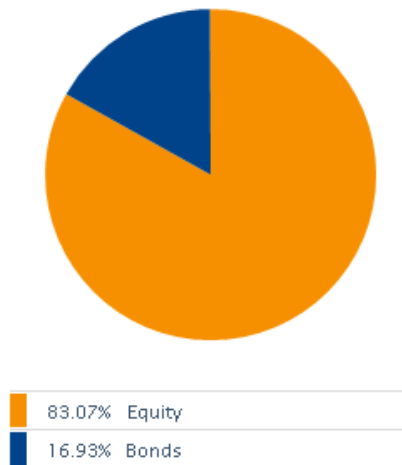
DB ETF website collateral publication

CSI 300 INDEX ETF* (* This is a synthetic ETF)

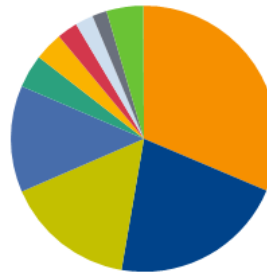
Net Asset Value 0.74 USD (08/08/2012)

Collateral Breakdown

Security Type

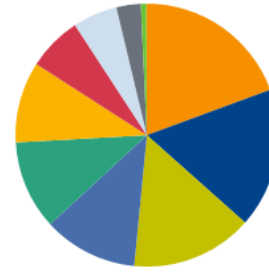


Country Allocation Equities



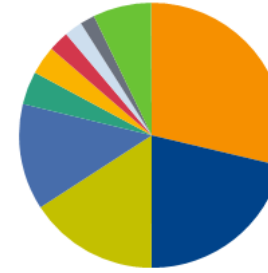
31.43%	United States
21.20%	Germany
15.78%	United Kingdom
13.02%	Switzerland
4.06%	Australia
3.51%	Netherlands
2.53%	France
2.20%	Japan
1.79%	Canada
4.49%	Others

Sector Weighting Equities



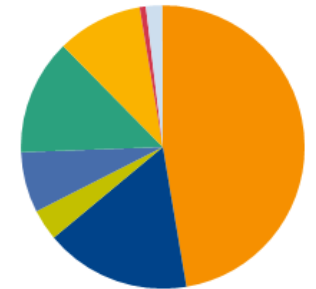
19.49%	Health Care
17.09%	Consumer Staples
14.90%	Materials
11.59%	Industrials
10.98%	Consumer Discretionary
10.02%	Information Technology
6.75%	Energy
5.52%	Telecommunication Services
3.01%	Utilities
0.66%	Financials

Primary Index



28.76%	S&P 500 Index
21.20%	CDAX Index
15.78%	FTSE ALL-SHARE Index
13.02%	SWISS MARKET Index (SMI)
4.06%	S&P/ASX 200 Index
3.51%	AEX Index
2.53%	CAC All-Tradable Index
2.20%	TOPIX Index
1.79%	S&P/TSX COMPOSITE Index
7.15%	Others

Bond Credit Rating Breakdown



47.27%	Aaa
16.58%	Aa1
3.54%	Aa2
6.94%	Aa3
13.29%	A1
9.83%	A2
0.70%	A3
1.84%	Baa2

Top 20 Securities held as Substitute Basket/Collateral

BASF SE	3.32%	LLOYDS 5 1/4 02/21/17	1.76%
Novartis AG	3.24%	Vodafone Group PLC	1.60%
Roche Holding AG	3.19%	McDonald's Corp	1.53%
Hestle SA	2.76%	Deutsche Telekom AG	1.46%
Diageo PLC	2.70%	BHP Billiton PLC	1.43%
Bayer AG	2.53%	TIIT Express HVV	1.36%
Rio Tinto PLC	2.38%	Coca-Cola Co/The	1.22%
LBBER 0 07/15/15	2.25%	ABB Ltd	1.14%
British American Tobacco PLC	2.18%	Progress Energy Resources Corp	1.11%
Daimler AG	1.81%	Microsoft Corp	1.10%

Source: www.dbxtrackers.com.hk (data as of Aug 3 2012)

Collateral detail MTM daily with details including:

- *Security Type^{e,b}
- *Country^{e,b}
- *Sector^e
- *Exchange Listing^e
- *FX Exposure^{e,b}
- * Index Exposure^e
- *Credit Rating^b
- * Detail of each component^{e,b}

E – Equity B - Bond

[Download Full Securities List](#)





Key features of Deutsche Bank China A-Shares ETFs

- **TRACK RECORD** Traded in Asia since 2010 with assets **over US\$300 mil.**
- **INNOVATIVE** Most complete range of China A-share ETFs
- **REGULATED** UCITS compliant fund. Fully collateralized on a daily basis
- **VERSATILE** Qualifies for investment by funds of funds (not invested in other funds)
- **LIQUID** Committed market making from Deutsche Bank
- **CROSS LISTING** Only A-Shares ETF with cross listings in two continents (Asia & EU)

Deutsche Bank China A-Shares ETFs vs. RQFII ETFs



	Deutsche Bank China A-Shares ETFs	RQFII ETFs
Product type	Providing different variations of China A-shares exposure - Broad based market exposure - 10 sector ETFs	Currently limited to broad based market exposure
Trading Currency	HKD/USD/EUR (However, index is RMB based, hence ETF is ultimately exposed to RMB FX movement)	RMB
Structure	Synthetic Replication (Counterparty risk mitigated by collateral up to 120% of NAV, daily mark to market, full transparency on internet, stringent selection criteria)	Physical, through full or statistical sampling

Source: DB ETF website, SFC website



General Considerations on A-Shares ETFs

Passion to Perform





General Considerations on A-Shares ETFs

- Understanding Premium / Discount
- Tax factors



Understanding Premium / Discount

- China A-shares market has restricted access on a quota basis for foreign investors.
- Due to the restrictive nature of access, there is a difference between ETF trading price versus NAV level (i.e. premium/discount of trading price versus NAV), mainly driven by factors such as market demand and supply on China A-Shares ETFs themselves.
- China A-Shares ETF experience this phenomenon in the market in differing magnitudes. Factors such as market demand and supply which drive the ETF trading price movement over the life in China-A shares ETFs may potentially cause effects on both sides, positive or negative fluctuations.



Tax factors

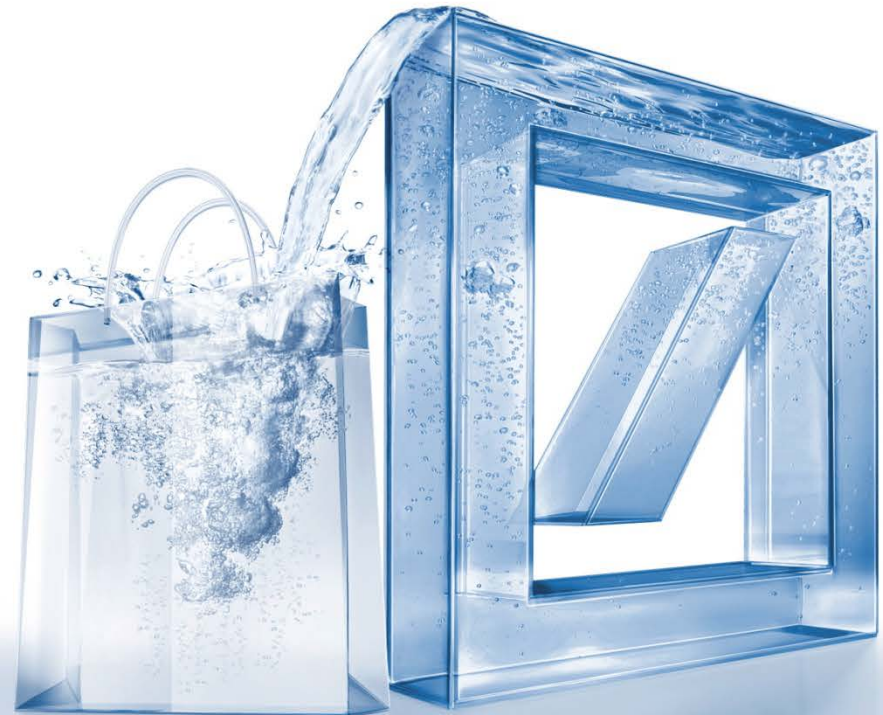
Important Information concerning the Taxation in the People's Republic of China ("PRC")

- The investment objective of the China A Share Sub-Funds is to track the performance of an index comprising A - shares listed in the PRC.
- Each A Share Sub-Fund seeks exposure to the relevant index by entering into swap transaction(s) with DB, which is a qualified foreign institutional investor ("QFII").
- The Swap Counterparty may enter into hedging transactions in respect of the OTC Swap Transaction. The OTC Swap Transaction will include a provision according to the terms of which the Sub-Fund undertakes to keep the Swap Counterparty fully indemnified for any tax liability that may arise in a prospective or retrospective manner as a result of the Swap Counterparty's dealing in and holding of A shares for the purpose of hedging the OTC Swap Transaction, which undertaking will result in certain provisions to be recorded in the Sub-Fund's accounts.
- As more fully detailed in the Prospectus in the Specific Risk Warning section under "Taxation in the PRC", this element may adversely affect the performance of the Sub-Fund.



Case Study – CSI 300 versus sectors allocation strategy

Passion to Perform





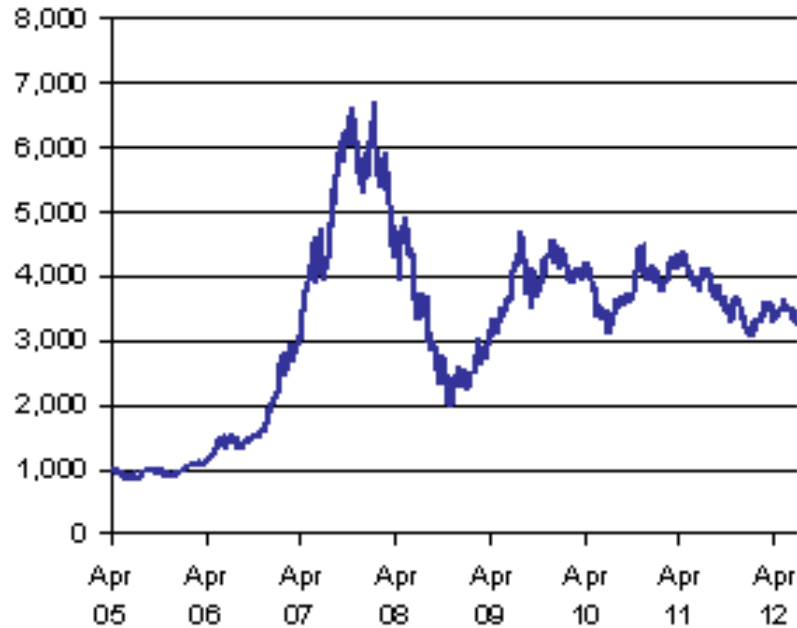
CSI 300 versus Sectors Allocation

- A performance comparison between the CSI 300 Index versus different styles of allocation via CSI 300 sector indices
- Three allocation via sector indices adopted with rebalancing frequency of 3 months:
 - (i) Equally Weighted (10% each across the 10 sectors)
 - (ii) Top 5 Sharpe Ratio (equally weighted 20% each with 0% weight on worst 5 sectors)
Sharpe is calculated using 3 month historical volatility
 - (iii) Top 5 by Return (equally weighted 20% each with 0% weight on worst 5 sectors)
Top return is calculated using 3 month historical performance



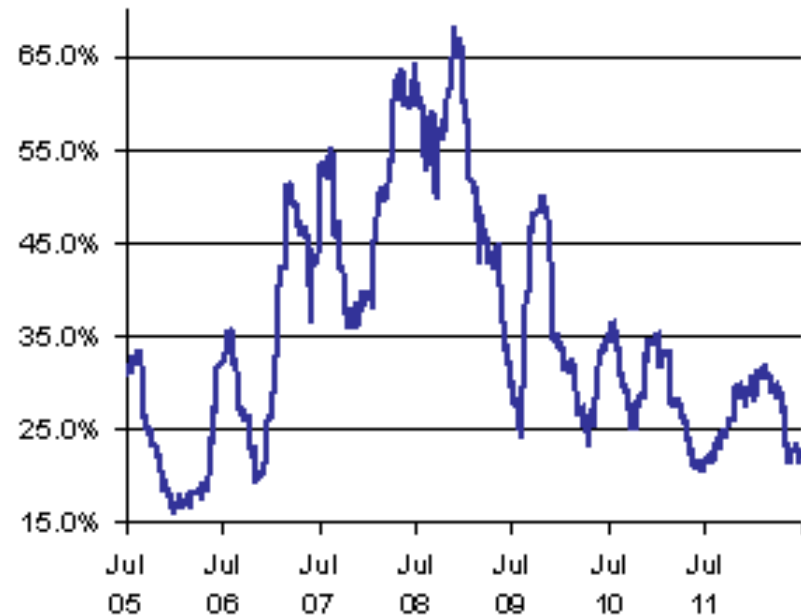
The CSI 300 Index

Performance of the CSI 300 INDEX



Annualised Performance: 17.79%

Volatility of the CSI 300 INDEX



Average Volatility: 35.69%
Minimum Volatility: 16.17%

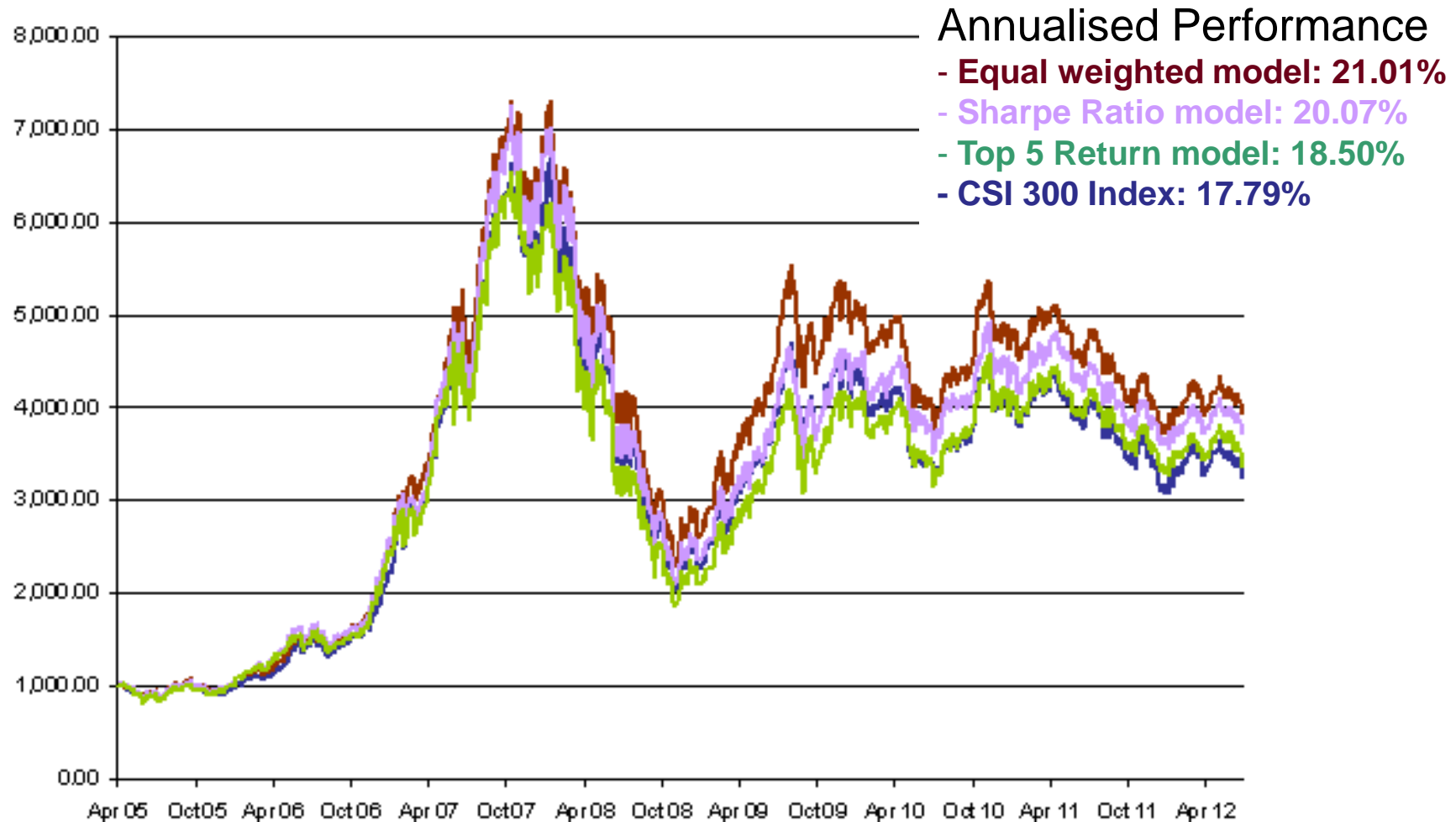
Source: Bloomberg.

Volatility calculated as standard deviation of daily returns for 60 days period.

Past performances are not indicative of future returns.



Performance analysis since April 2005



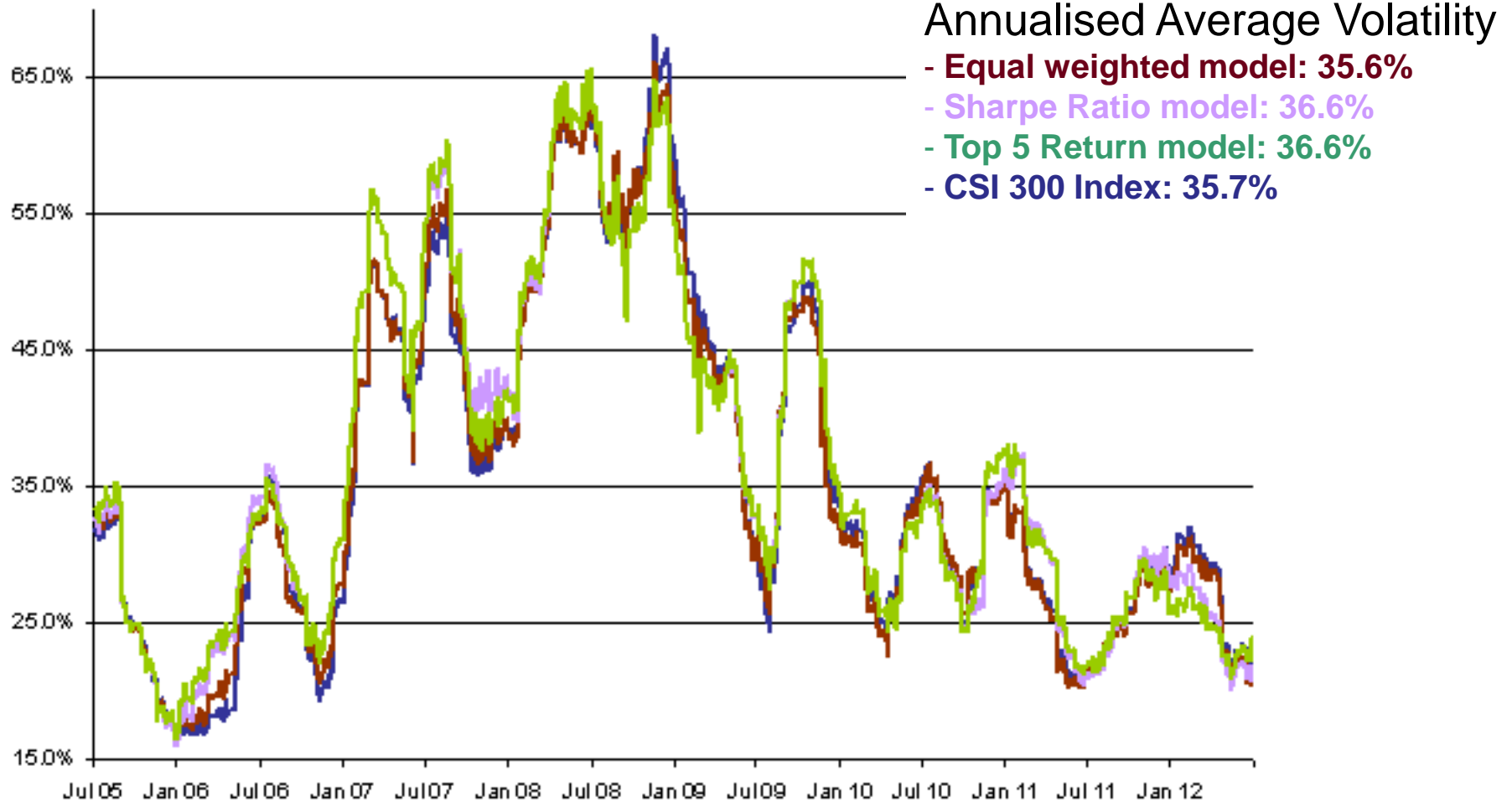
Source: Bloomberg & Deutsche Bank.

Rebalancing costs have not been considered.

Past performances are not indicative of future returns.



Volatility analysis since April 2005



Source: Bloomberg & Deutsche Bank.

Rebalancing costs have not been considered.

Volatility calculated as standard deviation of daily returns for 60 days period.

Past performances are not indicative of future returns.



Conclusion

- The portfolios and equally weighted baskets outperformed the exposure to the CSI 300 Index since April 2005
- The volatility of the models and the CSI 300 Index are similar since July 2005
- It was possible to outperform the CSI300 Index via a reallocation across the different sectors (even assuming a very conservative 1% p.a. of rebalancing costs)

Past performances are not indicative of future returns.



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Important Information

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