

db X-trackers Q&A

Cross-border mergers and conversions to physical replication

1 What is the scope of the planned mergers and conversions and when will this happen?

Following the successful conversion of 30 db X-trackers ETFs from indirect, synthetic replication, to direct, physical replication over the course of 2014, Deutsche AWM now plans to continue this initiative with the merger of five products into Irish-domiciled products tracking the equivalent benchmark, whereby they will each be a physically replicating ETF post-merger. The current combined assets under management (AuM) of these five ETFs is approximately EUR 900 million¹. The rationale for the re-domiciliation of the ETFs from Luxembourg to Ireland as part of this merger is one of operational efficiency.

This new batch of replication conversions and mergers will commence June 2015, with the roll-out occurring on a product-by-product basis over the course of the month. All changes will automatically be reflected on the website and on factsheets.

2 Why were these five ETFs selected for merging?

In 2014 an initial first batch of ETFs focusing on European equity exposures was successfully converted from synthetic to physical replication. This was then followed by a second batch of conversions, this time focused on ETFs tracking Asia-Pacific equity indices, including both emerging and developed markets. This third batch of replication conversions/mergers focuses on US and global equity indices.

3 How will the five ETFs replicate the underlying indices?

Some of the ETFs that are merging will fully replicate their underlying index, while others will use an optimized sampling approach. The list at the end of this document provides further details.

4 Will the ETFs engage in securities lending, and what will this mean for any counterparty risk the ETFs are exposed to?

In line with other db X-trackers physical replication ETFs, those ETFs being converted to physical replication may engage in securities lending. Securities lending creates counterparty risk for the lender of the loaned securities. However, this risk is managed using collateral arrangements as well as restricting the maximum value of securities on loan at any point in time to 50% of the ETF's total net asset value – local regulations may require a stricter limit for individual ETFs. Meanwhile, db X-trackers ETFs are also subject to additional safety features, such as indemnification provided by Deutsche Bank AG against any loss that could arise from a hypothetical borrower default.

The amount of revenue from securities lending retained by the ETF is 70% of total gross revenues.

5 Who undertakes portfolio management for the five ETFs?

Deutsche Asset Management (UK) Limited is mandated to perform portfolio management services for the five funds that are merging. The team has significant experience in managing index tracking physical securities portfolios, and the team are currently responsible for managing 21 db X-trackers ETFs.

6 Will ISINs /WKNs, tickers and other codes change?

Yes. The new funds will have new identifiers and codes. Once the "old" Luxembourg funds have been merged into the "new" Irish funds, investors will trade using the new identifiers only, with the old ones to be removed from all exchange and trading systems. The relevant codes can be found in the table below.

¹ Data: Deutsche AWM, as of 31/03/2015.



7 If I want to stay invested in the ETF after the conversion to direct replication, will I have to take any action?

No. The merger and conversion to physical replication should take place seamlessly from the investor perspective. If you are a shareholder in one of the “old” Luxembourg-domiciled funds then your holdings will automatically be transferred into the relevant “new” Irish-domiciled fund. Your custodian - or nominee bank – should update your records with the relevant new trading codes.

8 What if I want to sell my ETF shares before the conversion to direct replication?

If you want to sell your ETF shares you should do so through your normal channels up to the last trading day. After this date there will be a regulatory five-day transition period prior to the official merger day, during which time on-exchange trading and primary market creation and redemption will not take place. The transition period dates are set out in the table at the end of this document.

9 What is the expected impact on my investment from a tax perspective?

Investors should consult their tax adviser in order to assess their specific individual circumstances. Depending on your personal tax situation and jurisdiction, it is possible that the merger is regarded as a “taxable event”. This may mean taxes on your investment become payable due to the fund mergers taking place and an amount may be withheld and/ or claimed back from you by your depository bank with whom you hold your fund shares. For example, the merger may be considered a taxable event in the following jurisdictions: Germany, Austria, Italy and Switzerland. This list is non-exhaustive.

10 What will happen to the non-currency hedged share classes of the db x-trackers S&P 500 UCITS ETF (LU0490618542 & LU0619016552)

The currency hedged share classes of the db x-trackers S&P 500 UCITS ETF (EUR-hedged: XKSP, and GBP-hedged: XSPG, and CHF- hedged: XSV4) will be merged into an Irish domiciled ETF. The unhedged share classes of the db x-trackers S&P 500 UCITS ETF will remain part of the swap based fund, domiciled in Luxembourg.

11 Will this merger impact how the ETFs trade in the market?

Primary market trading:

As per regulatory requirements, Authorised Participants of the ETF will not be able to create and redeem their shares with the ETF directly during the transition period. The transition period amounts to five business days (prior to the merger date) and the merger day itself. For the avoidance of doubt, the transition period is six business days (inclusive of the merger date).

Secondary market trading:

On-exchange trading: Investors will not be able to buy and sell fund shares via the exchanges during the transition period. The transition period amounts to five business days (prior to the merger date) and the merger day itself. For the avoidance of doubt, the transition period is six business days (inclusive of the merger date). Until the start of the transition period there will be no restrictions imposed on trading. Furthermore, for the period before the transition period, db X-trackers will not impose any redemption charges for such transactions. Broker charges may however apply.

12 Will the merger / transition impact the daily publication of the NAV?

No. Throughout the transition period and the conversion/merger date the Net Asset Value (“NAV”) of each fund will continue to be calculated and published on a daily basis.



List of ETFs & share classes merging and converting to direct replication:

ISIN (old)	Ticker (old)	db x-trackers ETF Name	Share class	TER	Share class assets (USD) ²	ISIN (new)	WKN (new)	Ticker (new)	Replication method	Last trading date	Start of transition period	Fund merger date
LU0592217953	XMKR	Russell MIDCAP Index UCITS ETF ³	1C	0,35%	169mn	IE00BJZ2DC62	A1XEJS	XRSM GR	Sampling	10.06.15	11.06.15	18.06.15
LU0322248658	XRU2	Russell 2000 UCITS ETF ⁴	1C	0,45%	371mn	IE00BJZ2DD79	A1XEJT	XRS2 GR	Sampling	10.06.15	11.06.15	18.06.15
LU0619015661	XMK2	Russell 2000 UCITS ETF ⁵	2C	0,35%	3mn	IE00BJZ2DF93	A1XEJU	XRL2 GR	Sampling	10.06.15	11.06.15	18.06.15
LU0659579493	XB4S	S&P 500 [®] Equal Weight UCITS ETF ⁶	1C	0,25%	40mn ⁷	IE00BLNMYC90	A1106A	XDEW GY	Full	18.06.15	19.06.15	26.06.15
LU0322254383	XWXU	FTSE ALL-WORLD Ex UK UCITS ETF ⁸	1C	0,40%	50mn	IE00BM67HJ62	A113FC	XDEX GR	Sampling	18.06.15	19.06.15	26.06.15
LU0490619193	XKSP	S&P 500 UCITS ETF (EUR hedged) ⁹	3C	0,30%	295mn	IE00BM67HW99	A113FP	XDPE GR	Full	18.06.15	19.06.15	26.06.15
LU0490619276	XSPG	S&P 500 UCITS ETF (GBP hedged) ¹⁰	4C	0,30%	10mn	IE00BM67HX07	A113FQ	XDPG GR	Full	18.06.15	19.06.15	26.06.15
LU0490619607	XSV4	S&P 500 UCITS ETF (CHF hedged) ¹¹	6C	0,30%	1mn	IE00B8KMSQ34	A1J7W9	XDPC GR	Full	18.06.15	19.06.15	26.06.15

TOTAL: 939mn USD

² Source: Deutsche AWM, as of 31/03/2015

³ After the merger investors in this fund will become holders of the "db x-trackers Russell MIDCAP UCITS ETF (DR)", a fund of Concept Fund Solutions PLC

⁴ After the merger investors in this fund will become holders of the "db x-trackers Russell 2000 UCITS ETF (DR)", a fund of Concept Fund Solutions PLC

⁵ After the merger investors in this fund will become holders of the "db x-trackers Russell 2000 UCITS ETF (DR)", a fund of Concept Fund Solutions PLC

⁶ After the merger investors in this fund will become holders of the "db x-trackers S&P 500 Equal Weight UCITS ETF (DR)", a fund of Concept Fund Solutions PLC

⁷ The receiving fund for this product currently already has assets under management of USD 371 million, as 26/04/2015

⁸ After the merger investors in this fund will become holders of the "db x-trackers FTSE All-World ex UK UCITS ETF (DR)", a fund of Concept Fund Solutions PLC

⁹ After the merger investors in this fund will become holders of the "db x-trackers S&P 500 UCITS ETF (DR) (EUR hedged)", a fund of Concept Fund Solutions PLC

¹⁰ After the merger investors in this fund will become holders of the "db x-trackers S&P 500 UCITS ETF (DR) (GBP hedged)", a fund of Concept Fund Solutions PLC

¹¹ After the merger investors in this fund will become holders of the "db x-trackers S&P 500 UCITS ETF (DR) (CHF hedged)", a fund of Concept Fund Solutions PLC

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