

Xtrackers II

Investment Company with Variable Capital
Registered office: 49, avenue J.F. Kennedy, L-1855 Luxembourg
R.C.S. Luxembourg B-124.284
(the "**Company**")

Important notice to Shareholders of

Xtrackers II iBoxx Eurozone Government Bond Yield Plus Swap UCITS ETF
(the "**Sub-Fund**")
Share class 2C – Duration Hedged (ISIN: LU0952581402)
(the "**Closing Share Class**")

For the avoidance of doubt, this notice does not apply to the other Share Classes of the Sub-Fund, namely Share Classes 1C and 1D (the "Non-Closing Share Classes"). However, other changes will be implemented in relation to the Non-Closing Share Classes, which are described in more detail in a separate notice dated 8 May 2018 available on the website of the Company, www.Xtrackers.com.

Luxembourg, 8 May 2018

The Board of Directors has resolved to close the Closing Share Class by way of compulsory redemption of all Shares (the "**Closure**") and to offer the Shareholders of the Closing Share Class the opportunity to contribute the part of the Closing Share Class' assets corresponding to their holding, following the Closure, into Share Class 1C (ISIN: LU0925589839, the "**Receiving Share Class**") of *Xtrackers II iBoxx Eurozone Government Bond Yield Plus 1-3 UCITS ETF* (the "**Receiving Sub-Fund**"), (the "**Contribution**").

The Closure and Contribution shall be effective as of 19 June 2018 (the "**Effective Date**").

Capitalised terms used in this notice shall have the meaning ascribed to them in the current prospectus of the Company (the "**Prospectus**"), unless the context requires otherwise.

1. Background and rationale for the Closure and Contribution

The decision to undertake the Closure and Contribution has been taken as a consequence of the opinion issued by the European Securities and Markets Authority (“**ESMA**”) in relation to share classes of UCITS on 30 January 2017, namely ESMA 34-43-296, (the “**Opinion**”), in which ESMA expressed its opinion that certain hedging arrangements at share class level are no longer compatible with the requirement for a fund and its share classes to have a common investment objective. Therefore the Board of Directors has decided to undertake the Closure and the Contribution to provide the relevant Shareholders the opportunity to remain invested in a Sub-Fund with a similar Investment Objective and, due to the low maturity of the eligible index constituents, a low duration risk. The attention of the Shareholders is drawn to the fact that the Receiving Share Class is not interest rate hedged and that the performance of the Receiving Share Class has historically differed from the performance of the Closing Share Class.

Shareholders are referred to section 5. below for a comparison of the key features of the Closing Share Class and Receiving Share Class.

2. Terms of the Closure and Contribution

As of the Effective Date, the Company will redeem all the outstanding Shares in the Closing Share Class and the Shareholders of the Closing Share Class will receive a number of Shares in the Receiving Share Class (the “**New Shares**”) in replacement of their current Shares in the Closing Share Class, the value of which will correspond to the Redemption Proceeds they are entitled to as of the Effective Date taking into account, amongst other expenses, the costs resulting from the realisation and liquidation of the Closing Share Class.

Shareholders should note that the Net Asset Value per Share of the Closing Share Class as of the Effective Date may not necessarily be the same as that of the Receiving Share Class as of the Effective Date. Therefore, while the overall value of their holding will remain the same, Shareholders may receive a different number of New Shares in the Receiving Share Class than the number of Shares they previously held in the Closing Share Class.

The exchange ratio to calculate the number of New Shares that Shareholders are entitled to will be obtained by dividing the Redemption Proceeds per Share of the Closing Share Class as of the Effective Date taking into account, amongst other expenses, the costs resulting from the realisation and liquidation of the Closing Share Class by the Net Asset Value per Share of the Receiving Share Class as of the Effective Date. The exchange ratio will be communicated to the Shareholder by means of a notice which will be published on the website of the Company, www.Xtrackers.com, shortly after the Effective Date.

Shareholders should note that the time at which they will receive their New Shares will depend on the timeframes and arrangement agreed between those Shareholders and their custodian, broker and/or relevant central securities depository for processing such corporate actions. Shareholders may deal in their New Shares as from the Effective Date but are recommended to

verify with their broker or transfer agent if applications for redemptions can be made by electronic file transfer before receiving confirmation from their broker of the allocation of the exact number of New Shares.

No fraction of Shares will be issued. In the event that a Shareholder would, as a consequence of the Contribution, be allocated a fraction of a Share, the number of New Shares will be rounded-down to the relevant full integer, and a cash payment to the Shareholder will be made for the difference. Such residual cash payments, where applicable, will be made to registered Shareholders and the Clearing Agent(s) as soon as reasonably practicable after the Effective Date. Shareholders should note that the time at which they receive any such residual cash payments will depend on the timeframes and arrangements agreed between those Shareholders and their custodian, broker and/or relevant Clearing Agent(s) for processing such payments.

3. Shareholder Rights

Shareholders who wish to participate in the Contribution must take no further action.

Shareholders who do not wish to hold Shares in the Receiving Share Class after the Effective Date, or who do not agree to be bound by the terms and conditions referred to above and would like to redeem the Shares they hold within the Closing Share Class and receive a cash payment, are entitled to redeem or sell their Shares in the Closing Share Class in accordance with the provisions of the Prospectus (sections "*Subscriptions and Redemptions of Shares (Primary Market)*" and "*The Secondary Market*").

Shareholders who purchase or sell Shares in the Closing Share Class on the secondary market, can place their order to sell Shares via an authorised intermediary or stockbroker. Such orders should be placed until close of business on 8 June 2018 (Last Trading Day). **The Closing Share Class will cease to trade with effect from close of business 8 June 2018 and will be subsequently delisted from the relevant stock exchanges after the Last Trading Day.** The Company does not charge any Redemption Charge in relation to the Sub-Fund. However, Shareholders should note that orders in the secondary market may incur costs over which the Company has no control.

Shareholders who subscribe for or redeem Shares in the Closing Share Class on the primary market should address their redemption application to the Registrar and Transfer Agent until 3.30 p.m. Luxembourg time on 11 June 2018. **The Closing Share Class will be closed to subscriptions and redemptions on the primary market from 12 June 2018 until and inclusive of the Effective Date.** The Company does not charge any Redemption Charge in relation to the Sub-Fund. However, Shareholders should note that the Redemption Proceeds shall take into account, amongst other expenses, the costs resulting from the anticipated realisation and liquidation of the remaining investments in relation to the Closing Share Class.

Amounts which cannot be paid to shareholders for any reason will be transferred to and held in escrow at the Caisse de Consignation (the "**Caisse**") for the benefit of the person entitled thereto. Amounts so deposited will be forfeited in accordance with the Luxembourg law.

In the event that a suspension of dealing is required on another date and/or needs to be extended due to unforeseen circumstances, Shareholders will be informed accordingly.

4. Contribution Procedure

Shareholders who have not redeemed or sold their Shares in the Closing Share Class in accordance with the provisions above, will become Shareholders of the Receiving Share Class as of the Effective Date.

As of the Effective Date, the Closing Share Class will be liquidated in accordance with the relevant provisions of the Articles of Incorporation and the Prospectus. The Redemption Proceeds, which will take into account all the assets and outstanding liabilities such as fees and expenses which have accrued, will be contributed to the Receiving Share Class in exchange for the issuance of New Shares. All expenses and any potential foreign taxes and duties payable as a result of the issuance of New Shares in the context of the Contribution will be paid by Deutsche Asset Management (UK) Limited to the extent required under applicable laws. There are no unamortised expenses. The performance of the Receiving Share Class will not be impacted by the Contribution and the Receiving Share Class will encounter no dilution in performance solely as a result of the Contribution.

5. Comparison of the key features of the Closing Share Class and Receiving Share Class

a) Key similarities

The Closing Share Class and the Receiving Share Class have the following similar features:

- The Sub-Fund and the Receiving Sub-Fund are sub-funds of the Company and qualify as an exchange traded fund (UCITS ETF).
- Shareholders of the Closing Share Class will continue to hold Shares in a regulated investment company and benefit from the general safeguards applicable to undertakings for collective investment in transferable securities (UCITS) subject to Directive 2009/65/EC. As a result, the rights granted to the Shareholders are very similar, except as otherwise provided below.
- The Closing Share Class and the Receiving Share Class have the same:

- Risk Profile (medium risk grading);
 - Minimum Net Asset Value (EUR 50,000,000);
 - Reference Currency (EUR);
 - Denomination Currency (EUR);
 - Cut-off Time (3.30 p.m. Luxembourg time on the Transaction Day).
 - Fee Structure:
 - All-In Fee (up to 0.15% p.a.) comprising of
 - Management Company Fee (up to 0.05% p.a.), and
 - Fixed Fee (0.00833% per month (0.10% p.a.));
 - Distribution Policy (Capitalisation Shares);
 - Anticipated Level of Tracking Error (up to 1%).
- The Closing Share Class and the Receiving Share Class both aim to reflect the performance of an index from the Markit iBoxx EUR Sovereigns Eurozone Yield Plus family, which reflect the performance of tradable debt (bonds) issued by the 5 highest-yielding Eurozone countries and are denominated in Euro. However, Shareholders should note the specific differences between the investment objectives of the Closing Share Class and the Receiving Share Class as detailed below.

b) Key differences

Shareholders should note the following key differences:

- The investment objective of the Closing Share Class is to reflect the performance of the *Markit iBoxx EUR Sovereigns Eurozone Yield Plus Interest Rate Hedged Index* (the “**Index**”), whereas the investment objective of the Receiving Share Class is to reflect the performance of the *Markit iBoxx EUR Sovereigns Eurozone Yield Plus 1-3 Index* (the “**Receiving Index**”). Both indices are designed to track the performance of a portfolio comprised of EUR-denominated government bonds issued by the five highest yielding countries with investment grade rating chosen among the member countries of the Eurozone. However, notwithstanding the fact that the process to select the 5 highest yielding countries is based on the yield of a hypothetical bond with a maturity of 5 years, only bonds with a maturity of at least 1 year and up to 3 years are eligible for selection in the Receiving Index.
- The investment objective of the Closing Share Class is to track the performance of an interest rate hedged version of the Index, which is hedged against increases in interest rates, whereas the investment objective of the Receiving Share Class is to track the Receiving Index, which is not hedged against increases in interest rates.
- The Closing Share Class currently follows an Indirect Investment Policy (as defined in the Prospectus), whereas the Receiving Share Class follows a Direct Investment Policy with

Optimized Index Replication (as defined in the Prospectus). Shareholders are advised to refer to the Prospectus for a more detailed description of the different investment policies and the related differences in relation to, among others, Significant Markets, OTC Swap Transaction Costs (not applicable for sub-funds following a Direct Investment Policy) and Securities Lending (applicable for the Receiving Share Class).

- The Investment Manager of the Closing Share Class is Deutsche Asset Management (UK) Limited, whereas the Investment Manager of the Receiving Share Class is Deutsche Asset Management Investment GmbH, who has appointed Deutsche Asset Management (UK) Limited as the Sub-Portfolio Manager.
- The Minimum Subsequent Subscription Amount of the Closing Share Class are EUR 75,000, whereas the Minimum Subsequent Subscription Amount of the Receiving Share Class are 4,000 Shares.

Shareholders' attention is specifically drawn to:

- the sections "*Investment Objectives and Policies*" (in particular section "*Sub-Funds with a Direct Investment Policy*") and "*Risk Factors*" (in particular section "*Specific Risks in relation to Direct Replication Funds*") of the main part of the Prospectus, as well as to the Product Annex of the Receiving Sub-Fund;
- the fact that, following the Contribution, the Receiving Sub-Fund may enter into securities lending transactions as more fully described in the Prospectus and the Product Annex of the Receiving Sub-Fund. In this context, investors' attention is drawn to the fact that in cases where cash collateral is permitted and accepted, it may be reinvested subject to the Investment Restrictions.

6. Tax impact

The Closure and/or Contribution will not subject the Sub-Fund to taxation in Luxembourg. The Closure and/or Contribution may, however, lead to certain tax consequences at the level of the Shareholders. **Depending on the country of tax domicile or residence of the Shareholders, the Closure and/or Contribution may, for example, lead to a taxable event for the Shareholders. Shareholders are urged to consult their tax advisers as to the tax implications of the Closure and/or Contribution, specific to their individual cases.**

7. Availability of documents and further information

Further information regarding the Receiving Sub-Fund, including more detailed information on its investment objective, investment policy and investment manager, is contained in the Prospectus. The Prospectus, as well as the key investor information document of the Receiving Share Class,

are available on the website of the Company (www.Xtrackers.com) and a copy of thereof may be obtained on request free of charge at the registered office of the Company or at the offices of foreign representatives.

Shareholders who have any queries or to whom any of the above is not clear, should seek advice from their stockbroker, bank manager, legal adviser, accountant or other independent financial advisor. Shareholders should also consult their own professional advisers as to the specific tax implications under the laws of the countries of their nationality, residence, domicile or incorporation.

Further information in relation to the Closure and/or Contribution may also be obtained from the legal entities mentioned under 'contact information' below, the offices of foreign representatives or by sending an email to Xtrackers@db.com.

Xtrackers II

The Board of Directors

Contact information

Xtrackers II

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Annex – Summary of Closure and Contribution

	Sub Fund	Share class	ISIN
Closing Share Class	Xtrackers II iBoxx Eurozone Government Bond Yield Plus Swap UCITS ETF	2C – Duration Hedged	LU0952581402
Receiving Share Class	Xtrackers II iBoxx Eurozone Government Bond Yield Plus 1-3 UCITS ETF	1C	LU0925589839