Q&A on db X-trackers physical ETFs

1. Is Deutsche Asset & Wealth Management now a significant provider of physical ETFs?

Yes. In the wake of a programme to switch the investment policy of a number of db X-trackers ETFs from synthetic to physical replication, DeAWM became one of Europe's largest providers of direct replication ETFs (Source: Deutsche Bank Research, May 30, 2014). Investors can now access direct, physical replication db X-trackers ETFs on a wide range of equity benchmarks, including major equity markets. There is now over €11 billion of assets invested in db X-trackers physical replication ETFs (as at May 30, 2014), across more than 30 ETFs. More direct replication db X-trackers ETFs are forthcoming.

2. What led DeAWM to move to become one of Europe's largest providers of physical ETFs?

The decision to become a major provider of physical ETFs was based partly on a recognition that there is a clear preference for direct replication ETFs in certain client segments, and DeAWM aims to meet that demand and serve as wide a client base as possible. The decision was also made on the basis that DeAWM's direct replication ETF platform is now well-established in delivering physical replication ETFs that provide consistent tracking and product transparency.

3. Which db X-trackers ETFs are now direct replication, physical offerings?

A full list of db X-trackers direct replication ETFs is provided on www.dbxtrackers.com. Some of these are newly launched physical ETFs, while others were launched as indirect, synthetic replication ETFs but have been switched to a physical replication methodology.

4. Will DeAWM no longer launch indirect replication ETFs?

DeAWM continues to be a large provider of indirect replication ETFs. In launching new ETFs the first step will be to look at how the underlying index performance can be most efficiently replicated. If there is no difference between direct or indirect replication in terms of tracking performance then the preference may be to use direct replication. But an indirect replication structure may be chosen if it produces better performance versus the index.

5. Do db X-trackers direct replication ETFs engage in securities lending?

Securities lending may be used by db X-trackers direct replication ETFs with the aim of improving performance. db X-trackers direct replication ETFs comply with the latest regulatory guidelines on securities lending. This means that all securities lending revenues after costs are retained by the ETF. For the majority of db X-trackers' direct replication ETFs this means 70% of the gross securities lending revenues are retained by the relevant ETF. Securities lending is also strictly controlled. For example, db X-trackers ETFs can currently only lend out a maximum of 50% of their portfolio holdings at any point in time, while Deutsche Bank AG indemnifies the ETF for any shortfall between the proceeds of collateral liquidation and the market value of the securities on loan in the event of an act of insolvency occurring in respect of a securities lending counterparty.

6. How transparent are db X-trackers direct replication ETFs?

db X-trackers direct replication ETFs publish, on a daily basis, full breakdowns of current holdings, while for those ETFs that use securities lending, full breakdowns of securities held as collateral, the current percentage of securities on loan, and the current collateral value as a percentage of securities on loan are available online and updated daily. A list of approved borrowers is also published online, as well as the revenues received by the ETF and other important details, including calculations for the ETF's securities lending return, average annual percentage on loan, and the maximum annual percentage on loan.

FTSE 100

Q&A on db X-trackers Core-ETFs[1]

1. What are db X-trackers 'Core-ETFs'[1]?

db X-trackers Core-ETFs is a grouping of ETFs that come with low All-in Fees[2] (Total Expense Ratio / TERs), provide exposure to key developed equity markets (major benchmark indices), and could be regarded as a key 'core' part of a portfolio. The Core-ETF range offers investments in core portfolio holdings at a competitively low cost of ownership. The range includes the db x-trackers DAX® UCITS ETF (DR), db x-trackers FTSE 100 UCITS ETF (DR) and db x-trackers EURO STOXX 50® UCITS ETF (DR), which have an All-in Fee[2] (TER) of 0.09% per annum (9 basis points), as well as db x-trackers MSCI USA Index UCITS ETF (DR) which has an All-in Fee[2] (TER) of 0.07% per annum (7 basis points). The range also includes the competitively priced db x-trackers Nikkei 225 UCITS ETF (DR), which has an All-in Fee[2] of 0.25% per annum.

All ETFs in the Core-ETF range use a direct replication methodology.

2. Why might investors choose to invest in the Core-ETFs range?

The Core-ETFs can be used by investors interested in low total cost of ownership, including more frequent traders wishing to gain efficient exposure to US, UK, German or Japanese equity markets.

[1] Low cost blue chip (country / regional / global) mainstream benchmark trackers that may be used as 'core' holdings in investors' portfolios.

[2] Investors should be aware that in addition to the All-In Fee, the ETF may incur other costs which may negatively impact the performance of their investment relative to the underlying index. Examples include: brokerage and other transaction costs, financial transaction taxes or stamp duties as well as potential differences in taxation of either capital gains or dividend assumed in the relevant underlying index, and actual taxation of either capital gains or dividends in the ETF. The precise impact of these costs cannot be estimated reliably in advance as it depends on a variety of non-static factors. Investors are encouraged to consult the audited annual and un-audited semi-annual reports for details.

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www.dbxtrackers.com

db X-trackers ETFs risk factors

Investors should note that the db X-trackers ETFs are not capital protected or guaranteed and investors in each db X-trackers ETF should be prepared and able to sustain losses of the capital invested up to a total loss.

The value of an investment in a db X-trackers ETF may go down as well as up and past performance is not a reliable indicator of future performance.

Investment in db X-trackers ETFs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the db X-trackers ETFs, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The db X-trackers ETFs are mainly synthetically replicated and use Deutsche Bank as the counterparty for OTC derivative transactions. In the event of a default under the terms of the OTC derivative transaction by Deutsche Bank, the db X-trackers ETFs would be liquidated and investors could lose up to 10% of the NAV of the ETF. The NAV at the time of default also may be considerably less than the amount an investor originally invested depending on the performance of the relevant underlying index. You should therefore understand and evaluate the counterparty credit risk prior to making any investment.

Please consult your financial advisor before you invest in a db X-trackers ETF since not all db X-trackers ETFs are suitable for all investors.

ETFs shares may be denominated in a currency different to that of the traded currency on the stock exchange in which case exchange rate fluctuations may have a negative effect on the returns of the ETF. The value of any investment involving exposure to foreign currencies can be affected by exchange rate movements.

Tax treatment of the db X-trackers ETFs depends on the individual circumstances of each investor. The levels and bases of, and any applicable relief from, taxation can change.

An investment in a db X-trackers ETF is dependent on the performance of the underlying index less costs but an investment is not expected to match that performance precisely. There may be tracking difference between the ETF and the underlying index due to the impact of annual fund management fees. The returns on the ETF may not be directly comparable to the returns achieved by direct investment in the underlying assets of the ETF or the underlying index. Investors' income is not fixed and may fluctuate.

FTSE 100

The OTC derivative transaction which may be used to gain exposure to the relevant index may be adjusted to reflect certain expenses in relation to taxes and/or buying, selling, borrowing, financing or custody costs associated with the counterparty's hedging position. These index replication costs may have a negative impact on the performance of the ETF.

The price of any db X-trackers ETFs traded on the secondary market will depend, on market supply and demand, movements in the value of the db X-trackers ETFs as well as other factors such as prevailing financial market, corporate, economic and political conditions. In accordance with the requirements of the relevant stock exchanges, market makers are expected to provide liquidity and two way prices to facilitate the secondary market trading of the relevant ETF. However, in certain abnormal market conditions liquidity may be affected.

An investment in a db X-trackers ETF tracking a daily leveraged or daily short index is intended for financially sophisticated investors only who wish to take a very short term view on the underlying index, e.g. for day trading purposes. Therefore the db X-trackers ETFs on daily leveraged, long or daily short indices are appropriate only for financially sophisticated investors who understand the strategy, characteristics and risks. The db X-trackers ETFs on daily leveraged long or daily short indices are not intended to be a buy and hold investment.

For further information regarding risk factors, please refer to the risk factors section of the prospectus, or the Key Investor Information Document.

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