

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 THE SHAREHOLDERS OF:

Xtrackers II Harvest China Government Bond UCITS ETF
1D (ISIN: LU1094612022)
(the "**Sub-Fund**")

Luxembourg, 21 December 2020

The board of directors of the Company (the "**Board of Directors**") hereby informs the shareholders of the Sub-Fund (the "**Shareholders**") that it has resolved to make certain changes to the Sub-Fund, as detailed below (collectively referred to as the "**Changes**").

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

Change of Reference Index and Index Administrator

Currently the investment objective of the Sub-Fund is to reflect the performance of the CSI Gilt-Edged Medium Term Treasury Note Index (the "**Current Reference Index**"), administered by China Securities Index Co., Ltd ("**Current Index Administrator**"). The Current Reference Index reflects the performance of bonds issued by the government of the People's Republic of China ("**PRC Government Bonds**") and traded on the Shanghai Stock Exchange (the "**SSE**"), Shenzhen Stock Exchange (the "**SZSE**") and People's Republic of China Interbank Bond Market ("the **CIBM**") with a minimum remaining time to maturity of over 4 years and less than 7 years.

As of 1 February 2021 (the "**Effective Date**"), the investment objective of the Sub-Fund will be to reflect the performance of the FTSE Chinese Government and Policy Bank Bond 1-10 Years Capped Index (the "**New Reference Index**"). The New Reference Index is based on the FTSE Chinese Government and Policy Bank Bond Index (the "**Parent Index**") and is administered by FTSE Fixed Income LLC (the "**New Index Administrator**").

Differences between the Current Reference Index and the New Reference Index include, but are not limited to, the following:

- (i) **Securities included:** The Current Reference Index only includes Yuan-denominated PRC Government Bonds as described above. The New Reference Index invests in Yuan-denominated PRC Government Bonds and policy bank bonds (the "**Policy Bank Bonds**") in the Parent Index that are traded on the CIBM. The eligible Policy Bank Bonds are those issued by the China Development Bank, the Agricultural Development Bank of China, and the Export-Import Bank of China (each a "**Policy Bank**"). The New Index Administrator's index methodology rules describe Policy Banks as state-owned banks whose objectives typically include providing social benefit, stimulating the economy, and supporting growing local industries.
- (ii) **Weighting:** In the New Reference Index the weight of each Policy Bank issuer is capped at 9% at each monthly rebalancing.
- (iii) **Minimum maturity:** The PRC Government Bonds and the Policy Bank Bonds in the New Reference Index have a minimum time to maturity of at least one year and less than 10

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years whereas the time to maturity of the PRC Government Bonds in the Current Reference Index is between 4 and 7 years.

- (iv) Reference Index calculation currency: The New Reference Index is calculated in USD whereas the Current Reference Index is calculated in onshore Renminbi (“CNY”).
- (v) Re-balancing frequency: The New Reference Index is rebalanced on a monthly basis whereas the Current Reference Index is rebalanced quarterly.

Further details on the index methodology of the New Reference Index can be found on <http://www.yieldbook.com>.

The change to the New Reference Index is proposed in order to provide broader and more diversified exposure to the Yuan-denominated PRC bond market. The Board of Directors deems it to be in the best interests of the Shareholders to restructure the Fund to reflect the New Reference Index.

China Bond connect

To achieve its investment objective, the Sub-Fund currently invests in the constituents of the Current Reference Index through the RQFII license granted to the Investment Manager by the China Securities Regulatory Commission (the “**RQFII regime**”). Under the RQFII regime, the Investment Manager can acquire bonds via the SSE, the SZSE and the CIBM using their RQFII license.

On or around the Effective Date, the Product Annex of the Sub-Fund will be updated to provide additional flexibility for the Sub-Fund to also be able to invest in PRC Government Bonds and Policy Bank Bonds directly via the China Bond Connect (the “**Bond Connect**”).

The Bond Connect is a joint venture scheme between China Foreign Exchange Trade System (CFETS) and Hong Kong Exchanges and Clearing Limited (HKEx) to facilitate mutual access between the respective bond markets of Hong Kong and the PRC. Under Bond Connect, overseas investors (including the Sub-Fund) may be allowed, subject to the requirements of the People’s Bank of China (PBOC) and any rules and regulations issued/amended from time to time, to access bonds traded on the CIBM via the northbound trading link. Through Bond Connect, overseas investors are not required to possess onshore accounts in China to hold CIBM securities. Unlike the RQFII regime, the Investment Manager of the Sub-Fund is not required to acquire a license to access Bond Connect.

Further information and Risk Factors regarding the usage of Bond Connect will be included in the revised Product Annex of the Sub-Fund.

Reduction of Management Company Fee

The Board of Directors has also resolved to reduce the Management Company Fee for the share class 1D of the Sub-Fund (ISIN: LU1094612022) (the “**Share Class**”) with effect from the Effective Date from “up to 0.25% p.a.” to “up to 0.20% p.a.”. As a result, the All-In Fee applicable to the Share Class will be reduced from “up to 0.40% p.a.” to “up to 0.35% p.a.”.

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General Information

Shareholders should be aware that certain transaction costs will arise as a result of the Changes which will be borne by the Sub-Fund. Under normal market circumstances the transaction costs and duties are expected to be material.

Shareholders who subscribe for Shares in the Sub-Fund on the primary market and who do not agree with the Changes, are entitled to redeem their Shares in the Sub-Fund in accordance with the Prospectus. Such redemptions shall be free of any Redemption Charge from the date of this notice until 4.00 p.m. Luxembourg time on 22 January 2021. Please note that the Company does not charge any redemption fee for the sale of Shares in the secondary market. Orders to sell Shares through a stock exchange can be placed via an authorised intermediary or stockbroker. Shareholders should note that orders in the secondary market may incur costs over which the Company has no control and to which the above exemption on redemption charges does not apply.

Further information in relation to the Changes may be obtained from the legal entities mentioned under *Contact information* below, the offices of foreign representatives or by sending an email to Xtrackers@dws.com

Copies of the revised Prospectus and the key information documents of the Sub-Fund reflecting the Changes will be made available on the website of the Company (www.Xtrackers.com) on or around the Effective Date, and copies thereof may be obtained on request free of charge at the registered office of the Company or at the offices of foreign representatives, once available.

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

Xtrackers II
The Board of Directors

Contact information

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