db x-trackers ETFs – Quality made by Deutsche Bank

Bloomberg: DBETF <GO> **Reuters: DBETF** **www.dbxtrackers.com** **Hotline: +44 20 754 71747**

The Currency Returns ETF

- Research shows that market returns – beta – does exist in the currency markets.
- Deutsche Bank's Currency Returns Index seeks to harness those returns.
- The Currency Returns Index could help diversify a portfolio.

The currency markets are not traditionally regarded as the place to find ongoing market returns, or beta. But research performed by Deutsche Bank has shown that with the implementation of sophisticated alternative investment strategies, systematic FX returns can be extracted from the market.

The Deutsche Bank Currency Returns (DBCR) Index, which db x-trackers launched as an exchange-traded fund (ETF) on the London Stock Exchange in August (available in both GBP and US dollar hedged versions), is designed to harness those FX beta returns. In the process it also provides investors with a truly alternative investment. Analysis of the DBCR's historical performance suggests that over the long term an allocation to the index should outperform an equivalent investment in global bonds or equities on a risk-adjusted basis, while remaining largely de-correlated with regular investment markets (however, past performance is not necessarily a reliable indicator of future returns).

FX market beta

It is easy to think of the FX market as a zero-sum game, where for every winner there has to be an equivalent loser. However, the nature of the forex market is such that there is a relatively small number of market speculators compared with the much larger universe of participants trading because they have to meet certain business or strategic objectives – hedgers, import and export firms keeping their accounts in check, portfolio re-balancers and so on. The existence of persistent beta in the currency markets is attributable to the fact that those market participants not speculating effectively pay a liquidity premium to trade, which leads to the presence of systematic returns.

Beta returns – those liquidity premiums – have therefore always been present in the currency markets. It's just that they are not obvious, and finding ways to monetise those returns has not been easy.

Harnessing the beta

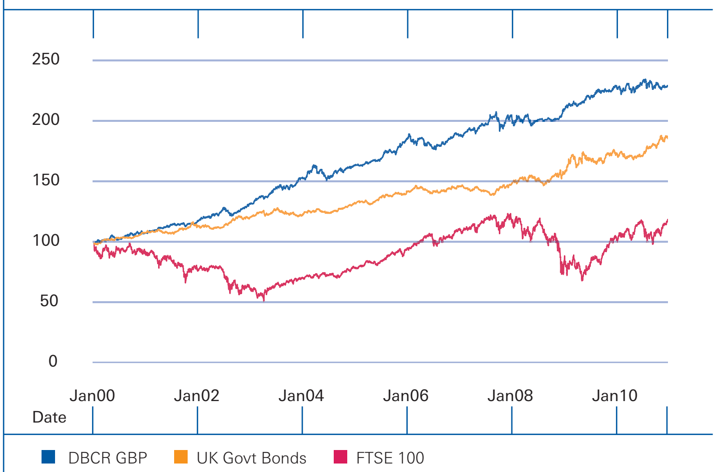
That's where the DBCR Index comes in. It works by seeking to take advantage of positive net yield, positive momentum and undervaluation in currency rates. Specifically, it combines the performance of three of the most common FX trading strategies – carry, momentum and valuation. Deutsche Bank has designed proprietary stand-alone indices to harness these strategies – the DB Carry Index, DB Momentum Index and DB Valuation Index – and it is the equally-weighted combination of these that constitutes the DBCR Index.

The Carry Index systematically buys the top three-yielding currencies out of the G-10 and sells the bottom three-yielding ones based on three-months' yields, with the position re-appraised every three months. As with any carry trade the aim is to extract the risk premium for taking currency risk. The momentum strategy systematically buys the three currencies with the highest return[1] over the previous year and sells the three currencies with the lowest returns. The idea here is to profit from the fact that currencies trend over time as prices adjust slowly to new information. The valuation strategy meanwhile buys the three most undervalued currencies and sells those three that are most overvalued based on the concept of purchasing power parity – on the basis that research suggests this concept holds up in the long term, which means currencies tend to move towards a measure of fair value.

Historically, the DBCR Index has compared well in terms of risk, return and de-correlation with other asset classes. (See chart for historical performance.) Analysis shows that between 2000 and 2010 the DBCR GBP hedged index produced an annualised return of 8.2% with annualised volatility of 5.5%, and with performance negatively correlated to UK gilts, 22.6% correlated with UK equities and 0.99% correlated with commodities.

[1] 12-month spot return versus the US dollar is defined as: the current spot level of the currency versus the US dollar divided by the spot level of the currency versus the US dollar 12 months before, minus one.

Historical Performance of the CURRENCY RETURNS INDEX



Source: DB, Date: October 2010. Past performance is not a reliable indicator of future returns

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The addition of a DBCR Index component to a broad investment portfolio may therefore improve overall risk and return dynamics, pushing out the efficient frontier.

At db x-trackers we are committed to giving investors cutting edge alternative investment opportunities. We want to make the kinds of strategies traditionally only open to the most sophisticated professional investors accessible to the whole market and, as always, we aim to deliver those opportunities via a liquid, low cost, transparent product.

The DBCR ETF could inject performance into a portfolio, while as a standalone investment it could also offer attractive risk and return attributes.

For further information regarding risk factors, please refer to the risk factors section of the prospectus of the ETF. When making an investment decision, you should rely solely on the final documentation relating to the product and not the summary contained herein.

Key Fund Information

Fund Name	db x-trackers Currency Returns ETF
Fund Launch Date	29 July 2010
Assets under Management	EUR 191,261,877 million
UCITS III	Yes
Distributor Status / Reporting Fund	Yes
ISA/SIPP Eligible	Yes

Share Class and Listing Information

London Stock Exchange Listed	All-in Fee	LSE Code	Sedol	Reuters	BBG
GBP Hedged Share Class	0.35%	XCRG	B3VNV16	XCRG.L	XCRG LN
USD Hedged Share Class	0.35%	XCRD	B3R5DK9	XCRD.L	XCRD LN

Frankfurt Stock Exchange Listed	All-in Fee	Xetra Code	WKN	Reuters	BBG
EUR Hedged Share Class	0.3%	DX2N	DBX1AY	XCCC.DE	XCCC GY

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Risk warning:

Potential investors should note that currency markets may be highly volatile. Significant changes, including changes in prices, can occur in such markets within very short periods of time and may result in losses. Large and sudden changes in interest rates may also negatively impact the performance of the Index. Also, changes in exchange rates may have an adverse effect on the value, price or income return of the product.

Potential investors should note that the value of an investment in the ETF may go down as well as up. Investments in the ETF can result in losses, up to and including a total loss of the amount initially invested. Past performance, real or simulated, is not a reliable indicator of future returns. The ETF is based on a complex rule-based quantitative proprietary index based on investment strategies which are built on certain assumptions to achieve positive performance. Such assumptions may not work in certain market conditions and the Index may consequently fail to deliver positive performance. Potential investors should fully understand and evaluate the characteristics, investment strategy and risks of the DBCR index prior to making any investment. An investment in the ETF involves numerous other risks including interest rate, currency, macro economic and market (both developed and emerging market) risks. Also, changes in exchange rates may have an adverse effect on the value, price or income return of the product. These and other risks are interrelated in complex ways, and as a result, the effect of any one factor may be offset or magnified by the effect of another factor, and this marketing material does not identify all the risks (direct or indirect) or other considerations which might be material to you when entering into a transaction.

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