



Direct Access to China Onshore Sovereign Bond

1st RQFII Sovereign Bond ETF jointly brought to Europe by Deutsche AWM and Harvest

July 2015

Passion to Perform



Agenda



01 Why China?

02 Unique characteristics of the China's Onshore Bond Market

03 Deutsche AWM brings the first access to China's Onshore Sovereign Bond Market



01 Why China?

Unique China Onshore Sovereign Bond ETF



China Macro Economic Data

Macro Data	Population	1,355,692,576 ¹
	GDP Growth – YoY%	7.0% ²
	Size of Consumer Class	769,770,000 ³
	Domestic Consumption	31.6% of GDP ³
	Fiscal Status	Expansionary ⁴
	Credit Rating	Aa3 (Stable) ⁵
	5Y Yield	3.18% ⁶
Local Expertise	Harvest Global Investments Limited as Investment Manager	
Local Currency	Exposure to Renminbi (CNY)	

Source : ¹ CIA The World Factbook, as of July 2014, ² Bloomberg as of 31 Mar 15, ³ China National Bureau of Statistics as of End 2013, ⁴ 2015 China outlook - DB Research as at 05 Jan 2015, ⁵ Moody's Investors Services & Fitch Ratings, as of June 2014, ⁶ Bloomberg as of 26 Jun 2015

Past performance is not a reliable indicator of future returns

China's economic reforms



Overarching objectives

- Boost internal demand
- Become a fully-fledged market economy
- Shift away from state owned enterprises (SOEs) and toward private sector
- Improve allocation of capital
- Increase efficiency
- Turn the RMB into an international reserve currency



Reform

Aim

Deregulation and opening up

- Private capital to play a larger role in key sectors hitherto dominated by state and SOEs, e.g., Oil & Gas, Telecom, Banking

- Lift restrictions on foreign investment

Financial liberalisation

- Deepen financial markets

- Improve pricing of credit, introduce credit risk (especially on SOEs) to reduce capital misallocation

- Help RMB become a reserve currency

Fiscal reform

- Expand funding sources for local authorities

- Reduce financial risk tied to local authorities

SOE reform

- Improve efficiency of both SOEs and the economy through mixed-ownership reform of SOEs & listing unlisted SOEs on the market

Urbanisation reform

- Allow peasants to sell land and move to cities, thus increasing urban workforce

Other reforms

- Social security to improve social safety net

- Anti-pollution drive to reduce extreme pollution, favour cleaner technologies

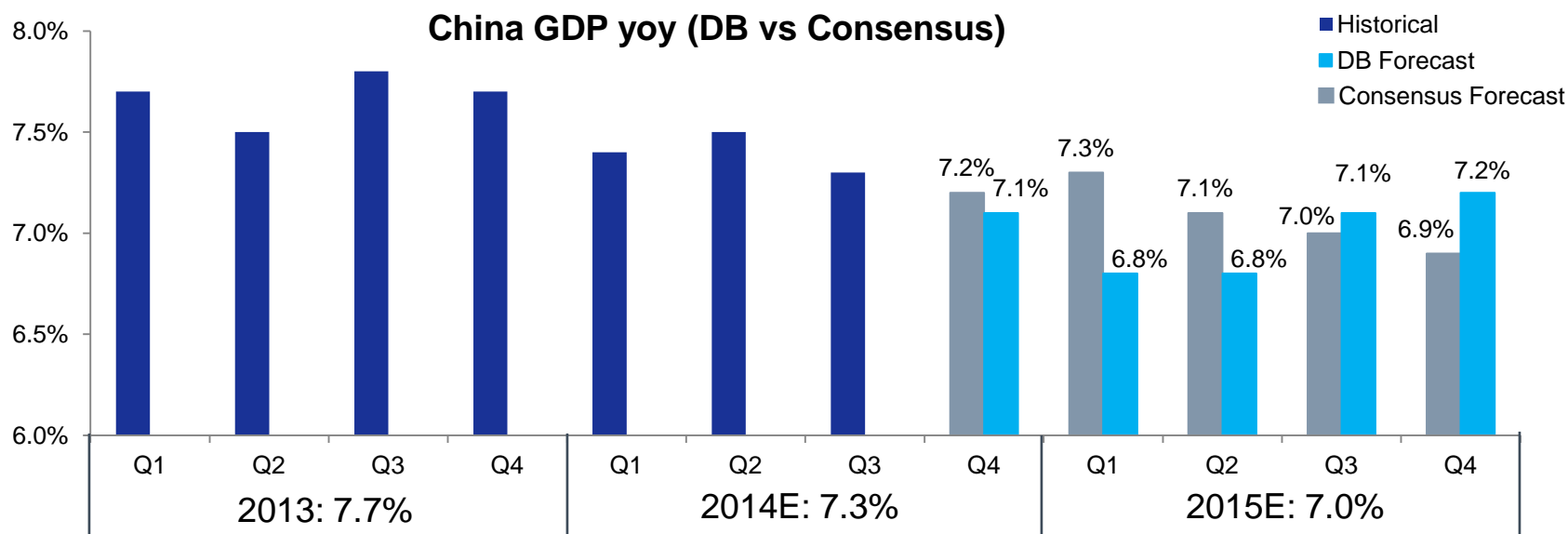
- Free trade zones experiments

Source: *The House View*, Deutsche Bank Research, as of 29 Apr 2015

China's economy is expected to decelerate gradually but it should still grow at a relatively high rate



- China's economy is expected to decelerate gradually, but it should still be amongst the highest in the world in terms of GDP growth rate
- However, DB Research does not expect a hard landing, because it is well managed by authorities. Expected further monetary and fiscal policy easing, alongside aggressive privatization programs should also help avoid a hard landing
- DB Research expects the economy to pick up in H2 2015



Source: 2015 China Outlook, Deutsche Bank Research, as of 5 Jan 2015, E = Estimate

China: Achieving metamorphosis



A brief history of the Chinese economic transformation



1959 –1961

Severe famine results from The Great Leap Forward.

1987

Prices are liberalized; food prices climb dramatically; political unrest ensues.

2001

China accedes to the World Trade Organization (WTO); the Chinese market is gradually opened to foreign companies; Chinese exports increase.

2011

The Chinese government releases the new Five-Year Plan with the aim of bolstering domestic consumption.

1949

The People's Republic of China is established under the leadership of Mao Zedong. Its state-planned economy and approach to agricultural collectivization are modeled on the Soviet Union.

1979

Special Economic Zones (SEZs) are introduced.

1992

Reforms are launched with the aim of creating a socialist market economy. Some state owned enterprises are privatized.

2007

The major successes achieved in foreign trade push GDP growth up to a remarkable 14.2% for the year.

2013

With reforms to support private companies, liberalize markets and open the financial sector, the Chinese government intends to boost the market economy and strengthen the drivers of economic growth.

Source: C/O View. Deutsche Asset & Wealth Management. Aug 2014.

Deutsche Asset
& Wealth Management

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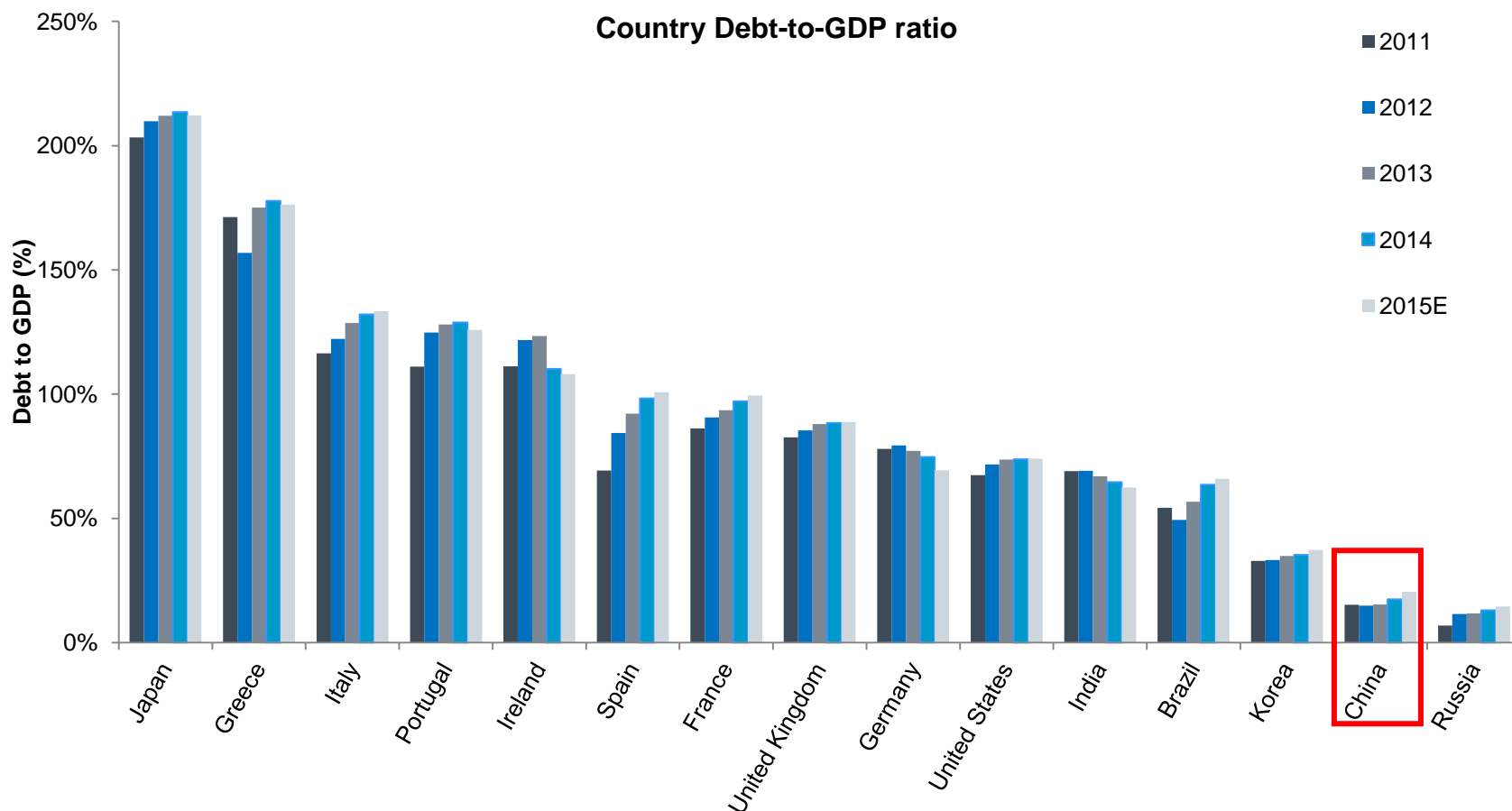


02 Unique characteristics of China's Onshore Bond Market

China's Bond Market Composition



China's debt remains low relative to GDP when compared to international peers



Source: World Economic Outlook Database, IMF, data as of Apr 2015, E=Estimate

China's Economic Performance

Current Global Credit Market Overview



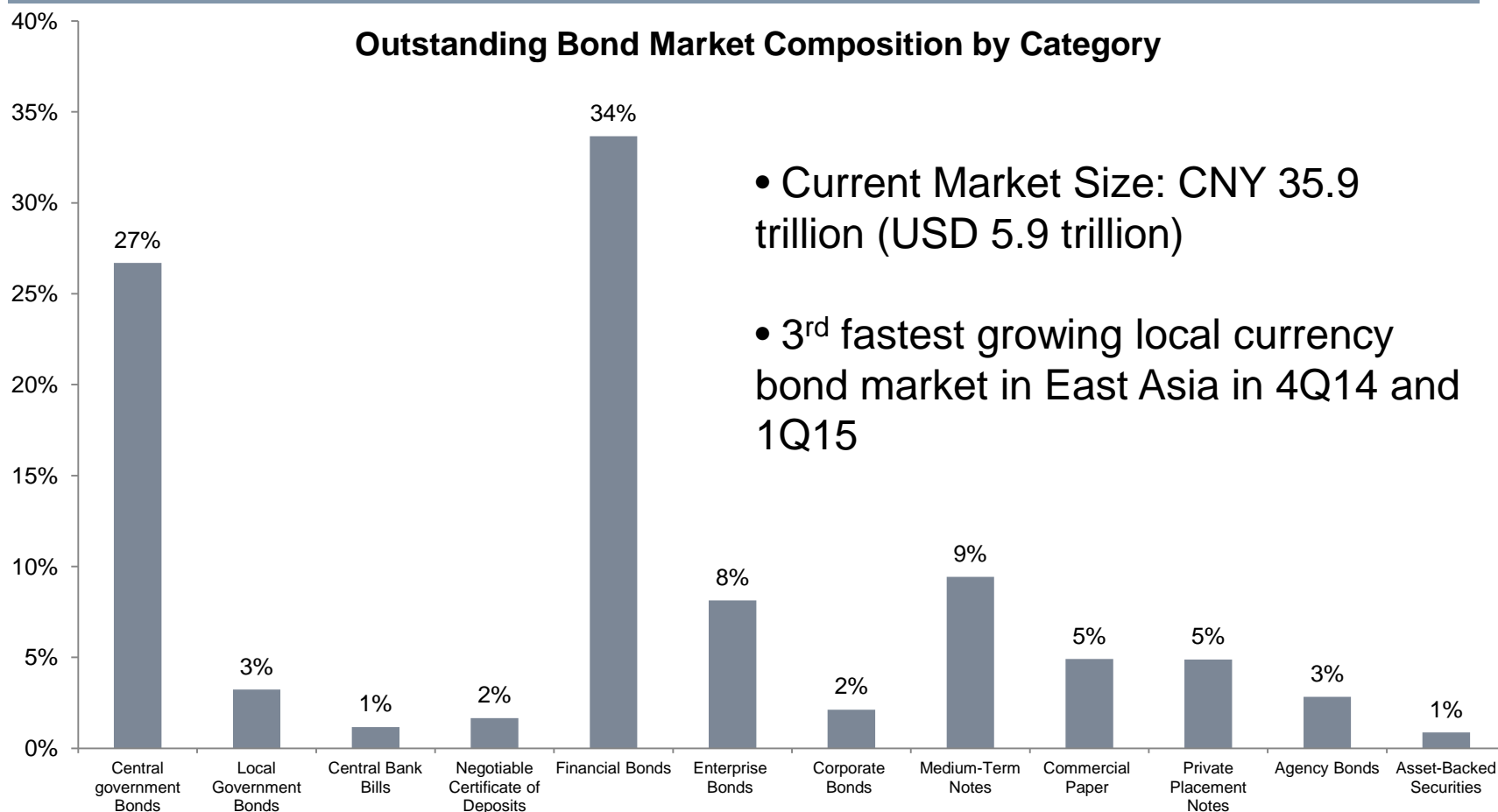
	Moody's Credit Rating	5Y Yield (%)	GDP Growth (YoY%) (End 2014)	Gov't Debt (% of GDP) (End 2014)
America				
Canada	Aaa	0.98%	2.30%	92.6%
US	Aaa	1.70%	2.40%	71.2%
Europe				
UK	Aa1	1.59%	3.20%	86.6%
France	Aa1	0.34%	0.40%	95.5%
Germany	Aaa	0.12%	1.40%	74.7%
Asia				
Australia	Aaa	2.33%	2.80%	34.5%
China	Aa3	3.18%	7.40%	22.4%
Singapore	Aaa	1.73%	3.00%	106.7%
Hong Kong	Aa1	1.14%	3.00%	37.0%
Japan	A1	0.11%	1.30%	227.7%

Source: Moody's Investor Service, data as of 01 January 2015. Bloomberg, data as of 26 Jun 2015. CIA The World Factbook 2014. Past performance is not a reliable indicator of future returns

China's Bond Market Composition



China currently has the 5th largest bond market in the world

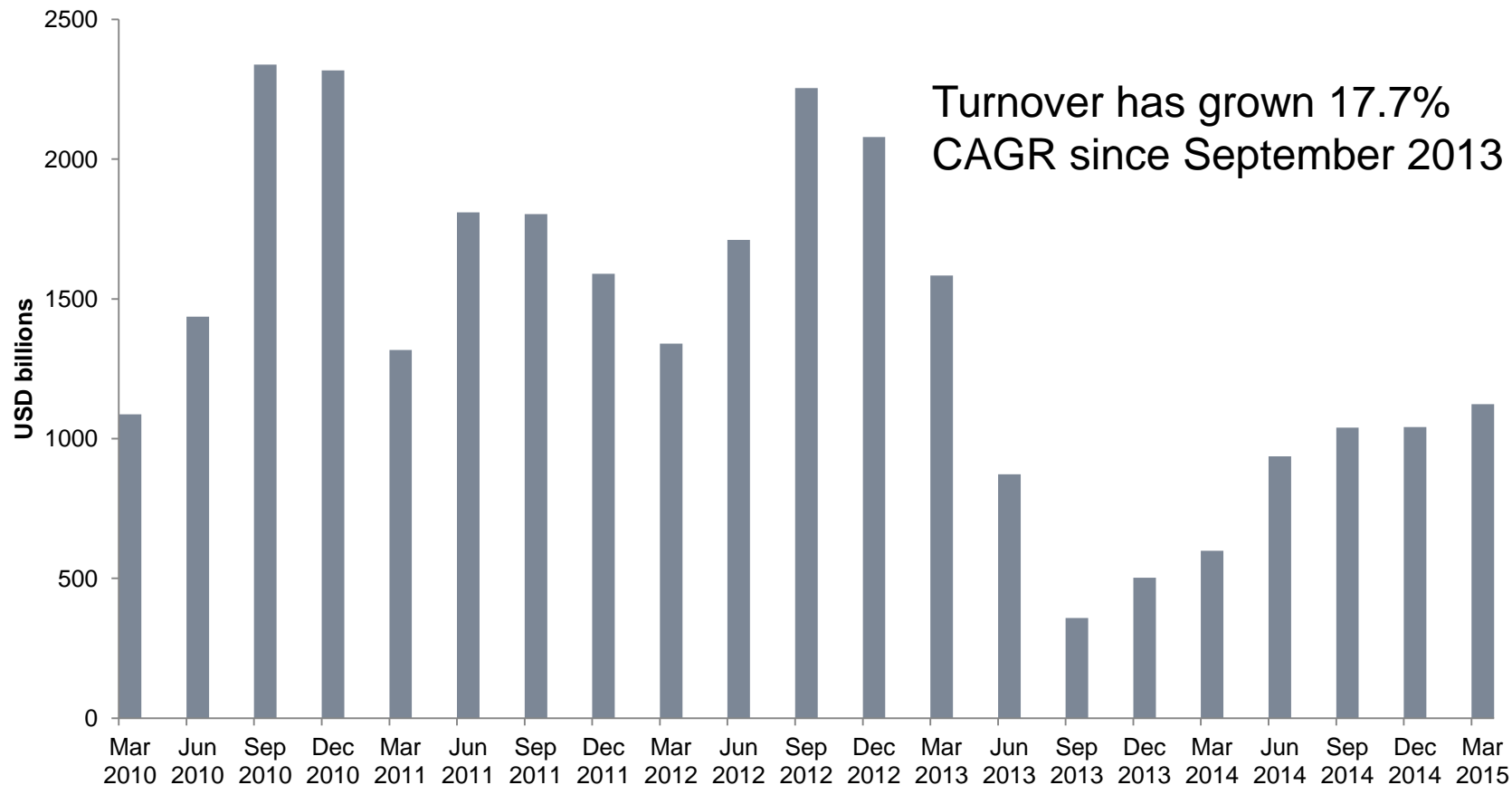


Source: Asia Development Bank, WIND, data as of End 2014

China's Bond Market Liquidity



5 Year China Government Bond Monthly Turnover – USD billions

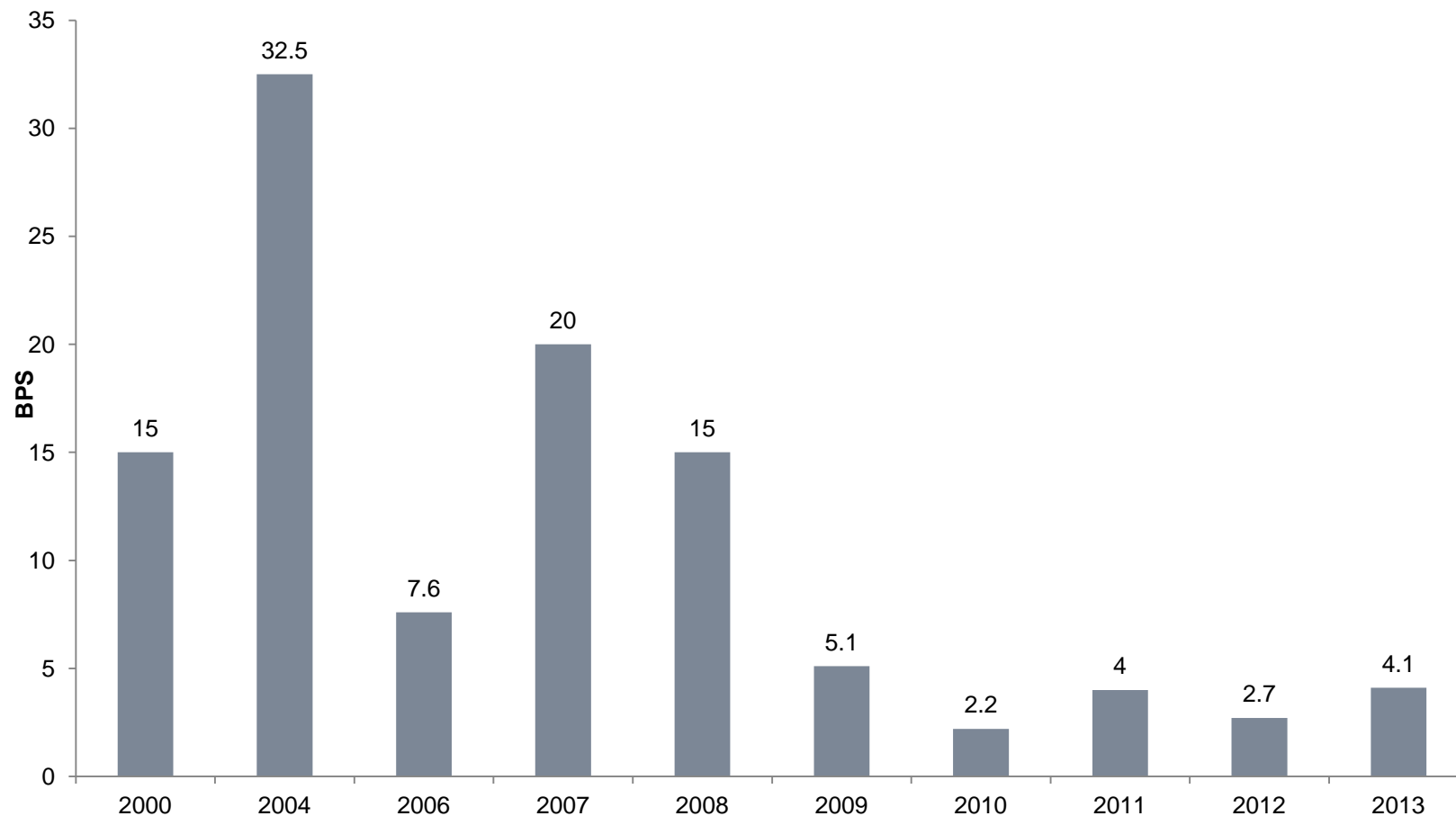


Source: Asia Development Bank, data as of Mar 2015

China's Bond Market Liquidity



China Government Bond Bid-Ask Spreads – Local Currency



Source: Asia Development Bank, data as of 30 Jun 2014

Unique China Sovereign Bond ETF

db x-trackers II Harvest CSI China Sovereign Bond UCITS ETF (DR)



What makes China's onshore bond market unique?

Key characteristics

Diversification	Currency Exposure	Income	Accessibility
<ul style="list-style-type: none">•Historically low correlation to the International Fixed Income and Equities Markets¹	<ul style="list-style-type: none">•Captures the exposure to the opening of Renminbi (CNY)	<ul style="list-style-type: none">•Has historically generated a higher yield in comparison to offshore alternatives²	<ul style="list-style-type: none">•This historically restricted market has now been made accessible to investors for the first time via an ETF of Deutsche AWM and Harvest

Source:¹ Refer to slide 15, Past performance is not a reliable indicator of future returns.

² Refer to slide 17

Unique China Sovereign Bond ETF

db x-trackers II Harvest CSI China Sovereign Bond UCITS ETF (DR)



CSI Gilt-Edged Medium Term Treasury Note Index

Correlation with other treasuries and stock market

	Correlation ¹
Fixed Income	
Markit iBoxx USD Liquid Emerging Market index	0.159
iBoxx® \$ Treasuries Total Return Index	0.026
Citi Custom Dim Sum Bond Index	0.373
JPM Global Aggregate Bond Index	0.120
Equities	
MSCI Emerging Markets Index	0.152
S&P 500 Index	0.019
CSI 300 Index	0.058
MSCI World Index	0.054

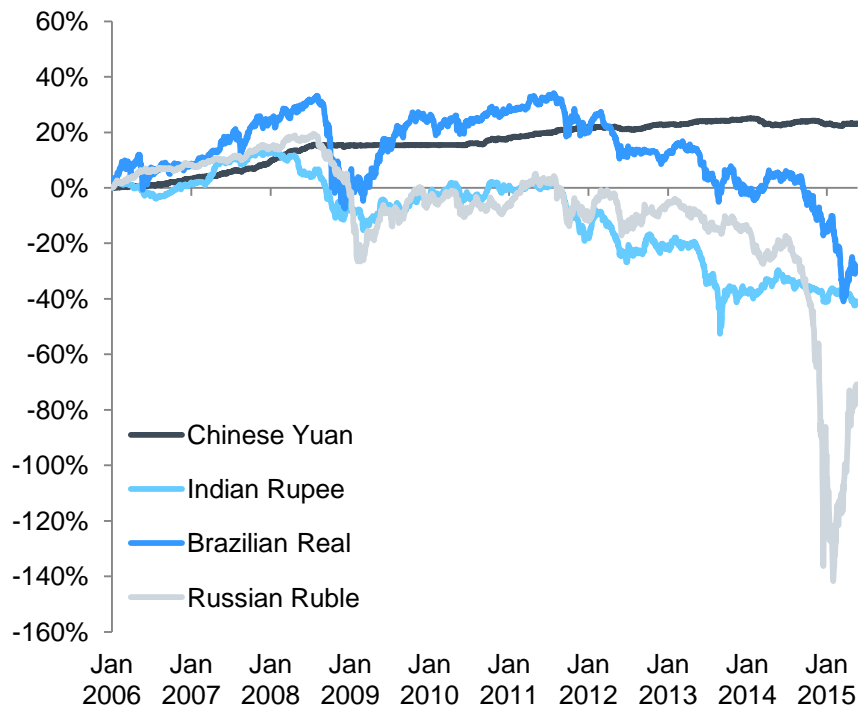
Source: ¹Bloomberg, as of 25 Jun 2015. Index Price Correlation between CSI Gilt-Edged Medium Term Treasury Note Index and the indexes listed. Past performance is not a reliable indicator of future returns

ETF's Exposure to Renminbi (CNY)

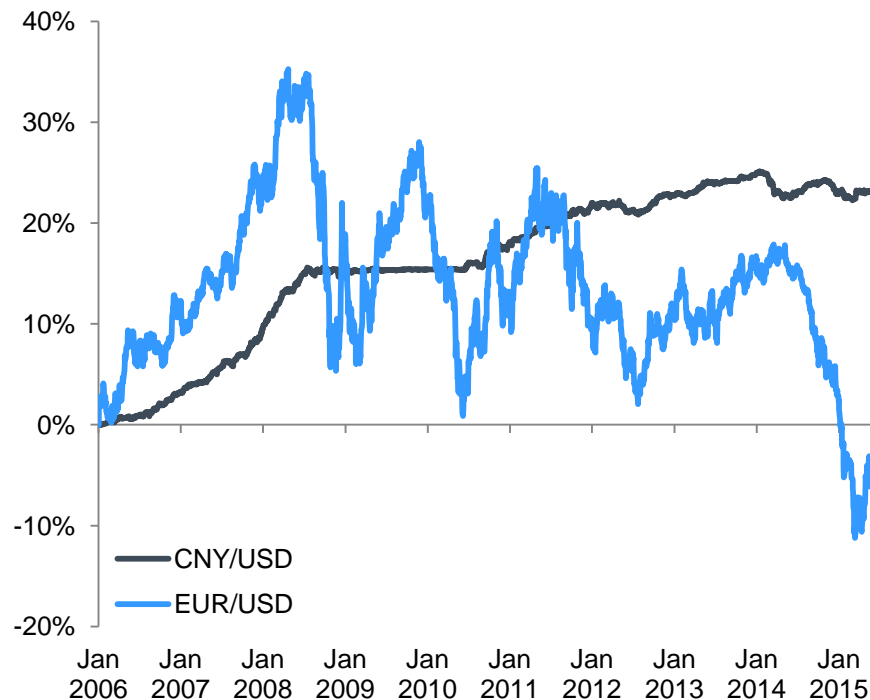
db x-trackers II Harvest CSI China Sovereign Bond UCITS ETF (DR)



Performance of EM currencies VS. USD



CNY has historically appreciated against USD with less volatility

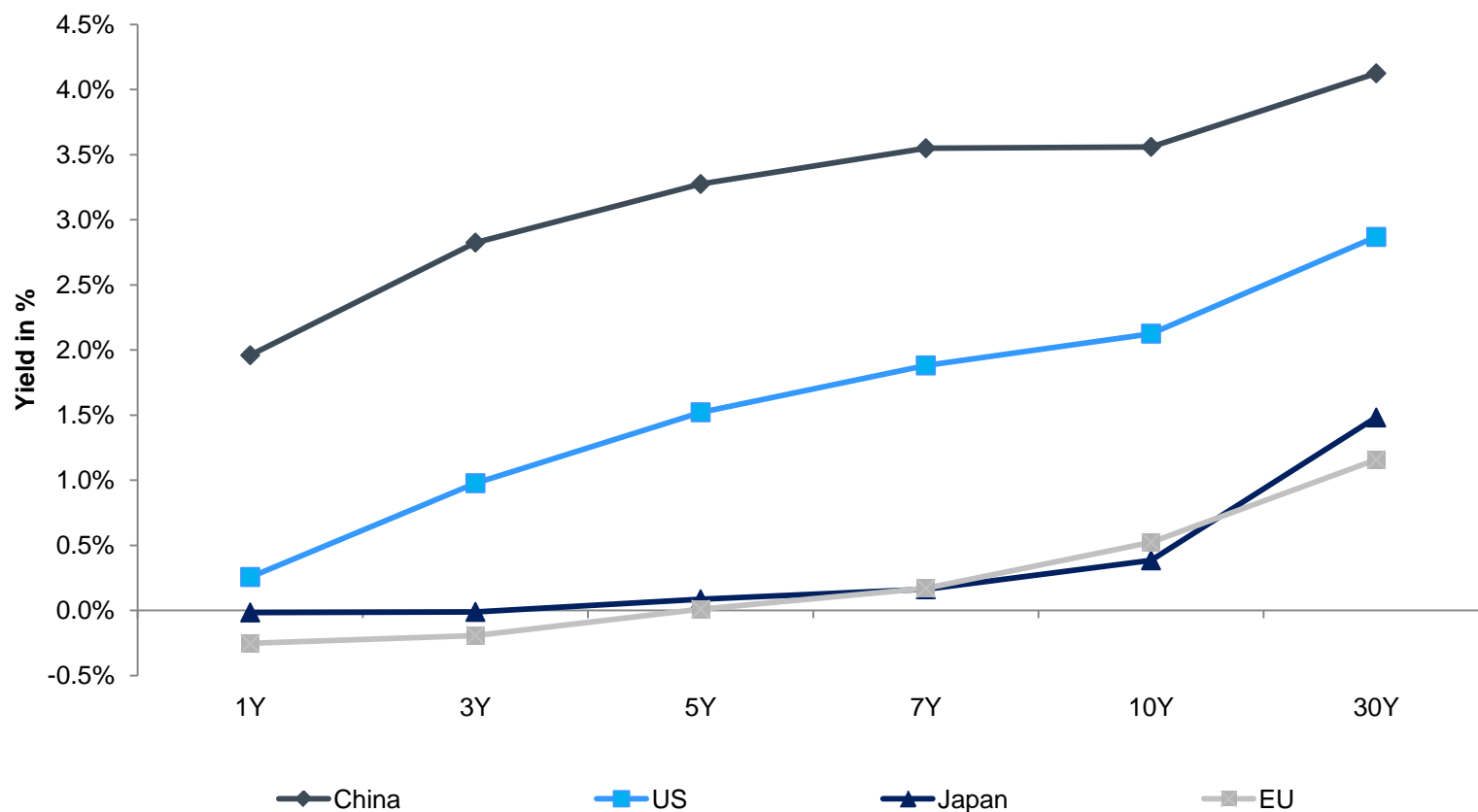


Source: Bloomberg, data as of 21 May 2015. Past performance is not a reliable indicator of future results.

China's Bond Market Yield



Yield – Relative to its International Peers



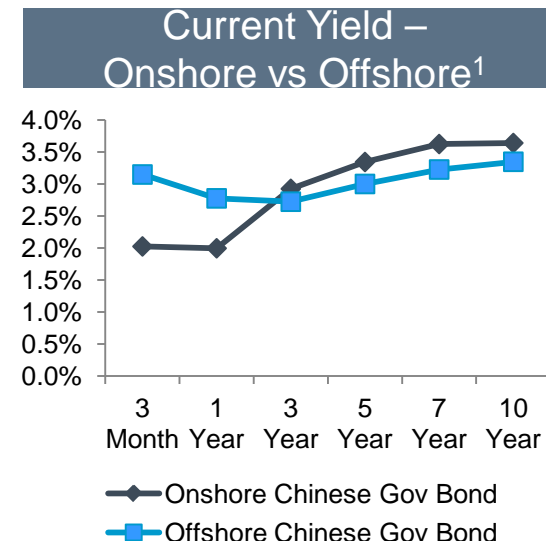
Source: Bloomberg, data as of 28 May 2015. Past performance is not a reliable indicator of future results.

China's Bond Market Composition



China Government Bond Market – Onshore vs Offshore

Size		Liquidity	
Outstanding Amount as at 29 May 2015 (billions)		Daily liquidity for secondary trading (millions)	
Onshore Chinese Gov Bond	USD 1,578	Onshore Chinese Gov Bond	~ USD 3,230
Offshore Chinese Gov Bond	USD 15.2	Offshore Chinese Gov Bond	~ USD 81 – 161



Offshore Chinese government bond market is shown to be much smaller in size and less liquid than onshore Chinese government bond market

Offshore Chinese government bond yield is shown to be typically lower than onshore Chinese government bond yield, except the short end, which is affected by the higher funding cost

Source: China Bond, Bloomberg, as of 2 June 2015

¹ Bloomberg, as of 2 June 2015. Past performance is not a reliable indicator of future results



03

Deutsche AWM brings the first access to China's Onshore Sovereign Bond Market via an ETF

Current operating programs that allow foreign investors to invest in China onshore market



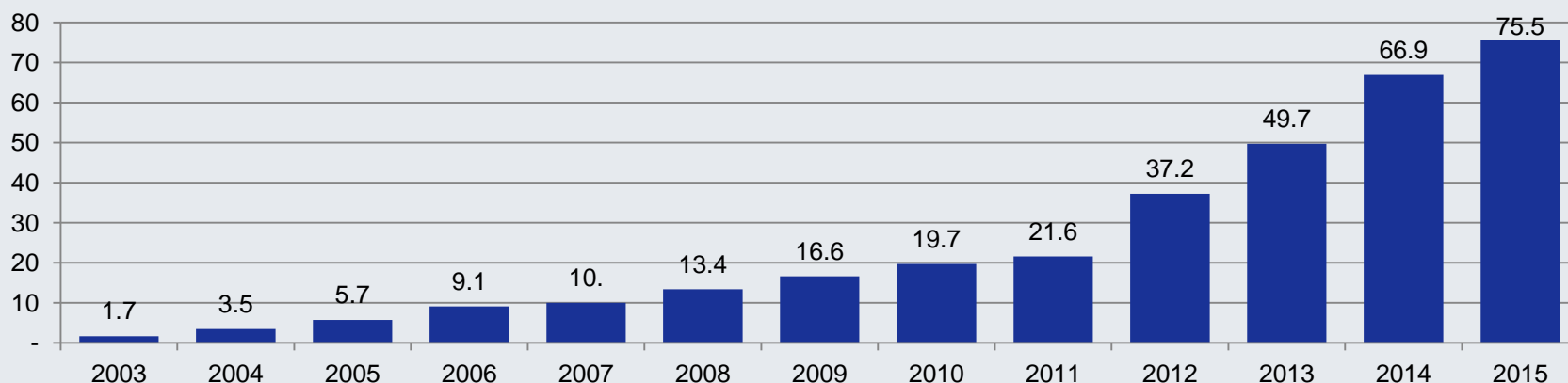
	Qualified Foreign Institutional Investors (QFII)	Reminbi Qualified Foreign Institutional Investors (RQFII)
Quota	-Total Quota amount: USD 150 bn	-Total Quota amount: RMB 970 bn (~USD 156 bn)
Quota Arrangement	-Granted to an investor -Principle must be fully transferred within 6 months since approval (except open-end fund)	
Investable Instruments	-Stock, bond (incl. inter-bank bond), index future, fund, option, IPO, secondary offering, bond offering, ABS, etc.	
Principle Lock-up Period	-Three-month or one-year depending on investor type	-One-year except open-end funds
Repatriation of Principle	-Post lock-up period -Up to SAFE's approval -Application on weekly basis	-Post lock-up period -Up to SAFE's approval -Application on daily basis

Source: State Administration of Foreign Exchange (SAFE), Deutsche Bank Strategy Research

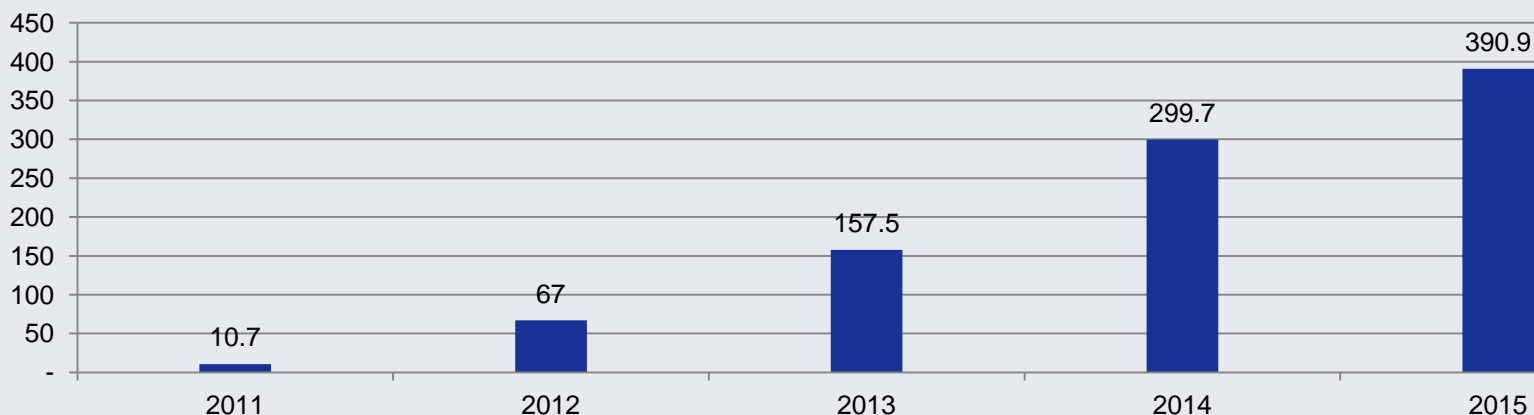
Globalization of China Onshore Securities Market via Quota System



Accumulated QFII quota granted (in USD bn)



Accumulated RQFII quota granted (in RMB bn)



Use of Quota

HK: 270/270

UK: 21.2/80

Singapore: 28.7/50

France: 15/80

South Korea: 40/80

Germany: 6/80

Qatar: 0/30

Canada: 0/50

Australia: 10/50

Switzerland: 0/50

Luxembourg: 0/50

Chile: 0/50

Hungary: 0/50

Source: State Administration of Foreign Exchange (SAFE), as of 29 June 2015

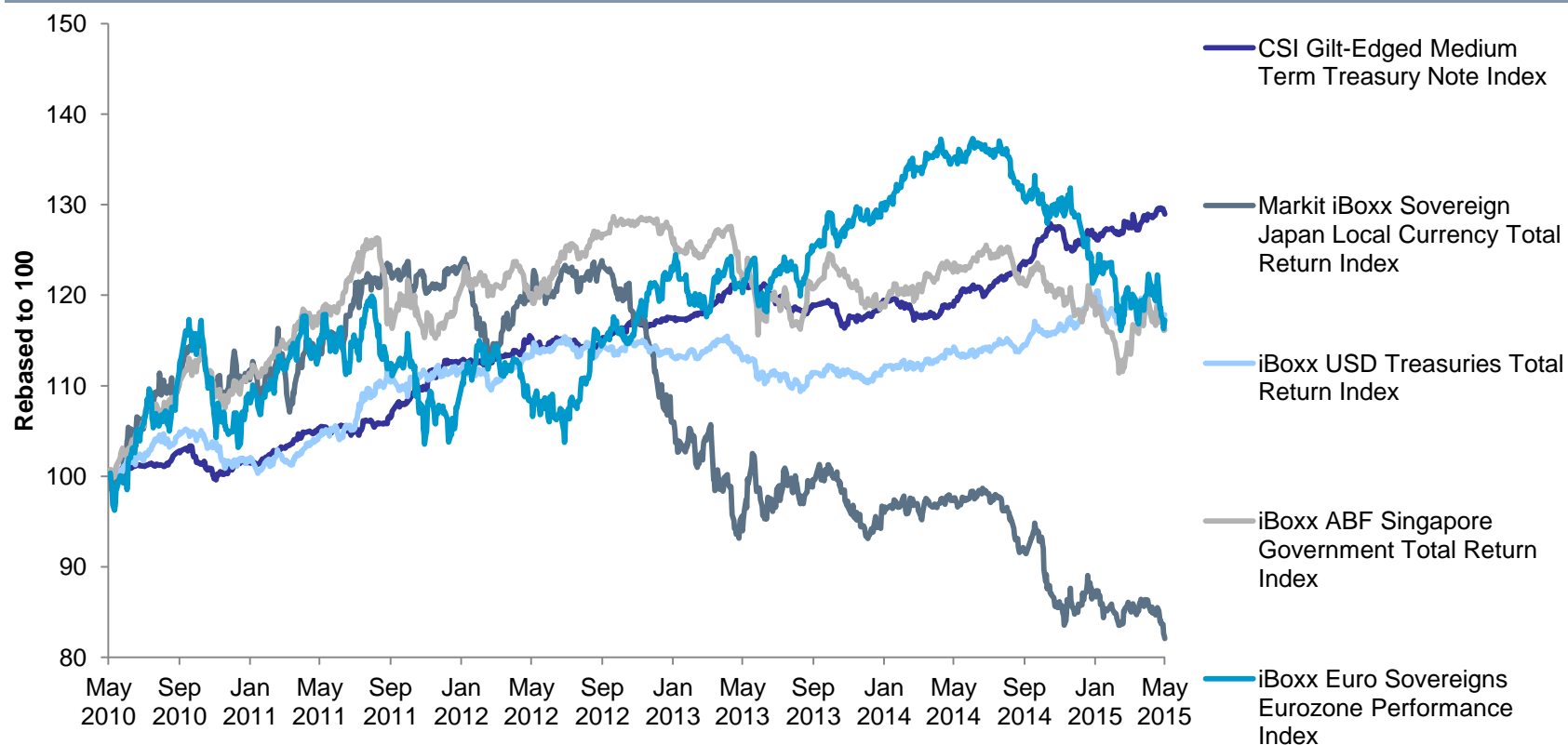
Unique China Sovereign Bond ETF

db x-trackers II Harvest CSI China Sovereign Bond UCITS ETF (DR)



CSI Gilt-Edged Medium Term Treasury Note Index

Historical Performance of Bond Indices within the Region (USD)



Source: Bloomberg , data as of 28 May 2015. Past performance is not a reliable indicator of future returns

Unique China Sovereign Bond ETF



db x-trackers II Harvest CSI China Sovereign Bond UCITS ETF (DR)

Legal status of the ETF	UCITS IV compliant Luxembourg based ETF
Registered Country	Luxembourg, Germany, Italy, UK, France, Norway, Ireland, Belgium, Sweden, Spain, Finland, Denmark, Netherlands, Austria
BBG Code	CGB GY / CGB LN
ISIN	LU1094612022
Fund / Share Class Currency	USD
Listing Currency	EUR / USD
All-in Fee (TER)*	55 bps p.a.
Structure	Direct Replication / Physical – Optimised Index Replication The first physical RQFII Pure Sovereign Bond ETF in Europe
Underlying Index	CSI Gilt-Edged Medium Term Treasury Note Index
Exposure	Pure Onshore China Government Bond (over 4 years and less than 7 years in duration)
PRC Withholding Tax considerations ¹	At present, no provision is made for the account of the Sub-Fund in respect of any potential tax on capital gains from investments of the Sub-Fund in PRC Government Bonds. Please refer to the latest db x-trackers II Prospectus for more details.

Source: Deutsche Asset & Wealth Management ETFs. ¹ For information purposes only. *For clarification on All-in Fee please see slide 24.

Risk factors



ETFs

- **Investors should note that the db X-trackers UCITS ETFs are not capital protected or guaranteed and investors in each db X-trackers UCITS 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 UCITS ETF may go down as well as up and past performance is not a guide to the future.
- Investment in db X-trackers UCITS ETFs involve numerous risks including among others, general market risks relating to the relevant index, credit risks on the provider of index swaps utilised in the db X-trackers UCITS ETFs, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.
- Not all db X-trackers UCITS ETFs may be suitable for all investors so please consult your financial advisor before you invest in a db X-trackers UCITS ETF.
- db X-trackers UCITS ETFs may be unable to replicate precisely the performance of an index.

Risk factors



- An investment in a db X-trackers UCITS ETFs 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 a tracking difference between the performance of the db X-trackers UCITS ETFs and the underlying index e.g. due to the impact of fund management fees and administrative costs among other things. The returns on the db X-trackers UCITS ETFs may not be directly comparable to the returns achieved by direct investment in the underlying assets of the db X-trackers UCITS ETFs or the underlying index. Investors' income is not fixed and may fluctuate.
- db X-trackers UCITS 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 fund.
- The value of any investment involving exposure to foreign currencies can be affected by exchange rate movements.
- Tax treatment of the db X-trackers UCITS ETFs depends on the individual circumstances of each investor. The levels and bases of, and any applicable relief from, taxation can change.
- Deutsche Bank or its affiliates ("DB Affiliates") significant holdings: Investors should be aware that Deutsche Bank or DB Affiliates may from time to time own interests in any individual db X-trackers UCITS ETF which may represent a significant amount or proportion of the overall investor holdings in the relevant db X-trackers UCITS ETF. Investors should consider what possible impact such holdings by DB Affiliates may have on them. For example, DB Affiliates may like any other Shareholder ask for the redemption of all or part of their Shares of any Class of the relevant db X-trackers UCITS ETF in accordance with the provisions of this Prospectus which could result in (a) a reduction in the Net Asset Value of the relevant db X-trackers UCITS ETF to below the Minimum Net Asset Value which might result in the Board of Directors deciding to close the db X-trackers UCITS ETF and compulsorily redeem all the Shares relating to the db X-trackers UCITS ETF or (b) an increase in the holding proportion of the other Shareholders in the db X-trackers UCITS ETF beyond those allowed by laws or internal guidelines applicable to such Shareholder.

Risk factors



- db X-trackers shares purchased on the secondary market cannot usually be sold directly back to the db X-trackers ETFs. Investors must buy and sell shares on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying shares and may receive less than the current net asset value when selling them.
- Full disclosure on the composition of the db X-trackers UCITS ETF's portfolio and information on the Index constituents, as well as the indicative Net Asset Value, is available free of charge at www.etf.db.com.
- For further information regarding risk factors, please refer to the risk factors section of the prospectus, or the Key Investor Information Document.

Risk factors



Clarification on All-in Fee:

- Investors should be aware that in addition to the All-In Fee, other factors 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 fund.
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