

CIO Insights

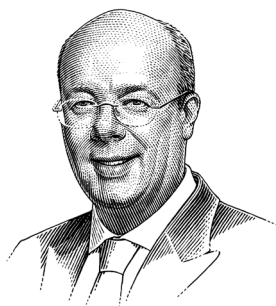


Rhetoric into Reality

Policy priorities
and investment implications

Marketing Material





LETTER TO INVESTORS

Rhetoric into Reality

As is widely known, the Chinese name their years after animals. In their calendar, we will soon pass from the year of the monkey to the year of the rooster. In the Gregorian calendar we are, perhaps, one year ahead: 2016 was indeed characterized by a lot of crowing, but 2017 will be the year when noise needs to be translated into action. Governments and individuals now have to deliver on the promises that they have made. In other words, this will be the year when they have to turn rhetoric into reality.

We are living in a complex world but investors should not assume that events are so unpredictable as to be impossible to prepare for. I think that it is possible to identify what this year's key economic and political dynamics are likely to be. We summarize them in our 10 themes for 2017, discussed on the following pages.

I would start with a simple observation that the theater lights will now be on different global policy actors. Since the start of the global financial crisis, nearly 10 years ago, central banks have been playing the starring roles. Unhappy electorates are now demanding that elected politicians take center-stage – and deliver meaningful change. To do this, individual governments may be tempted into radical and sometimes uncoordinated solutions that may be imperfectly explained or understood. Translating verbal promises into coherent legislation will be a challenge. Even if all turns out for the best, and I am optimistic here, investors will have to operate in a world characterized by policy divergence at multiple levels – fiscal, monetary, trade and other dimensions (Theme No. 1).

Investors may also have to get used to a world characterized not only by divergence, but also by a continued threat of disruption. This may be particularly the case regarding trade policy (Theme No. 2). Whether or not much of the current talk ever translates into actual policy action, the threat alone is likely to be enough to affect the behavior of governments, corporations and individuals. Remember, however, trade restrictions are not a new phenomenon: we are not currently living in a perfectly free-trading world.

Clear-headed analysis will be needed for other perceived policy challenges in 2017. Even though, for example, there is currently a lot of talk about inflation and rising interest rates (Theme No. 3), just how far are both likely to rise? The answer is probably not very far, at least in 2017 – although both will be major discussion points during the year. And, despite the endless talk about “the great rotation” out of bonds into equities, are we right to be universally negative about the former asset class? As discussed in Theme No. 4, the answer is probably not.

Analysis also needs to be tempered by an assessment of the confidence we have in it. For example, one can argue that, with equities valuations already at high levels, rising corporate earnings will be necessary for a further sustained rise in the markets. Consensus expectations do indeed point to such a future rise in earnings. But what degree of confidence should we have in these forecasts, and what could go wrong? One should probably start by understanding the key sectors in regional markets and their strength and vulnerabilities (Theme No. 5). If we were to identify one major theme within equities (and industry) more broadly it would have to be the continuing importance of technology. We think that three areas are likely to be of particular interest in 2017: infratech, healthtech and fintech (Theme No. 6).

What other factors are likely to influence the overall investment environment in 2017? I think that two are already clear. First, despite OPEC's recent production agreement, a substantial further rise in oil prices seems unlikely. Even if OPEC can maintain production discipline (which will be difficult), U.S. oil output should ultimately rise to fill any gap. This does not argue against all forms of energy investment, of course – but it does suggest focusing on areas that will gain from increased oil volumes rather than prices (Theme No. 7). Second, this should be a world characterized by further U.S. dollar strength: most aspects of policy and economic performance divergence are likely to support the greenback. U.S dollar strength is likely to have multiple investment implications,

Despite all the possible market disruptions this year, it is important to remember that we are living in an exciting and dynamic world with important and evolving trends that will make a material difference to how we live and how we invest.

impacting, for example, commodity prices and individual countries' export competitiveness (Theme No. 8).

I would conclude this brief assessment of 2017 with two suggestions. Both relate to looking beyond the immediate future. Disruptive events last year often resulted in major market moves that were quickly reversed. This is also likely for many, although perhaps not all, market events in 2017. It will be important to distinguish between short-term market overreaction and longer-term structural shifts. It may also be a year to include additional risk engineering in portfolios (Theme No. 9). Finally, despite all the possible market disruptions this year, it is important to remember that we are living in an exciting and dynamic world with important and evolving trends that will make a material difference to how we live and how we invest. We discuss a few of these longer-term trends in Theme No. 10.

I wish you a healthy, successful and prosperous 2017.



Christian Nolting
Global CIO

Rhetoric into Reality



THEMES FOR 2017

- | | | | |
|---|--------------------------------|----|--------------------------------|
| 1 | Multi-dimensional divergence | 6 | NextGen tech |
| 2 | Pop-up protectionism | 7 | Topped-off oil markets |
| 3 | Get “real” on interest rates | 8 | Making the dollar great again! |
| 4 | Give credit to the bond market | 9 | Navigating headline hysteria |
| 5 | All eyes on earnings | 10 | Tomorrow’s themes today |

Investment themes for 2017

1

Multi-dimensional divergence

Multi-dimensional divergence

Divergence is likely to be evident across many policy areas – most notably fiscal, monetary and trade. This may reflect differing economic realities in individual economies, different development priorities and, at a more fundamental level, different views as to how the world does and should work.

On fiscal policy, the U.S. may have the greatest potential for fiscal stimulus but China and Japan should not be ignored. As regards monetary policy, Fed tightening is likely to contrast with a still accommodative European Central Bank (ECB) and Bank of Japan (BoJ) – with the possibility of rate cuts in India and Brazil. At the moment, the rhetoric around trade policy is coming from the U.S. but this is likely to elicit a reaction from its trading partners.

Markets

Policy divergence should present opportunities. Gainers may include U.S. and Japanese equities. The former should gain from U.S. economic strength and regulatory change: headline tax cuts seem likely and the repatriation of overseas cash holdings by U.S. corporates could encourage increased mergers and acquisitions (M&A) activity. The latter may benefit from Japanese yen weakness against a stronger U.S. dollar. At a sectoral level, sectors to watch could include U.S. consumer discretionary (aided by jobs growth and tax cuts) and technology.

Figure 1:
U.S. corporate cash held overseas
trillions USD

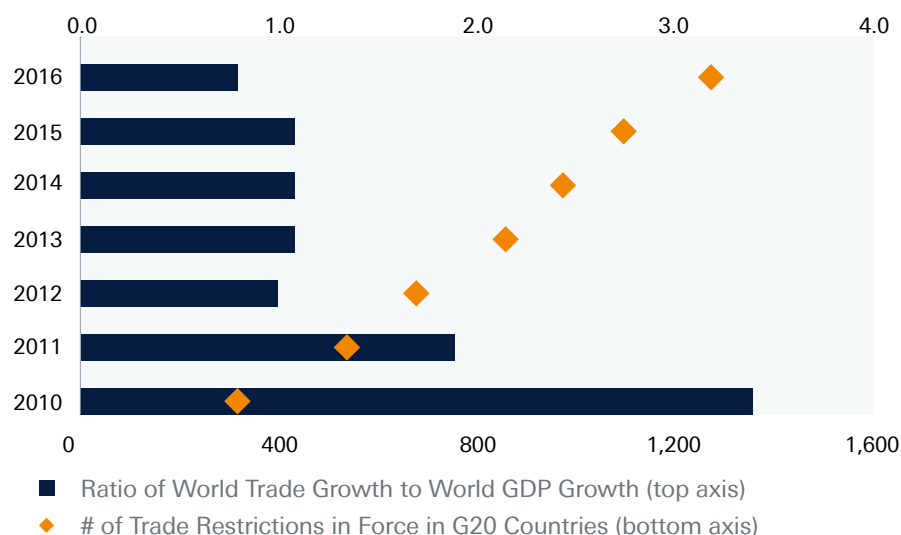


Source: Bloomberg, CNN, Forbes, JPMorgan, Reuters, Capital Economics, Deutsche Bank Wealth Management.
Data as of November 2016.

2

Pop-up protectionism

Figure 2:
Rising protectionism may already have contributed to slower trade growth



Source: OECD, WTO Secretariat for Trade, Deutsche Bank Wealth Management.
Data as of December 2016.

Pop-up protectionism

Protectionism is not a new phenomenon. In fact, as the chart shows, the number of trade restrictions in force in G20 countries has been rising in recent years – while the ratio of world trade growth to global economic growth has declined.

We don't expect a major outbreak of protectionism in 2017: like it or not, politicians will have to admit to the realities of a highly integrated multinational world. But this is a year where the news around international economic and trade relationships will be fast-flowing and potentially unsettling. The Trump administration could be trying to reposition the U.S. in the global economy, the U.K. will be attempting to define its Brexit strategy and major trading partners (from the European Union to China) will be working out how

to respond to all this. So fears about protectionism – even if not matched by reality – may by themselves start to have an impact on geographical and other preferences.

Markets

Look for market segments that may appear more resilient to a lower-trade world, and for regions that can build on existing intraregional links and have a reasonable degree of policy flexibility. It could pay to be selective within regions, however, particularly with emerging markets investments in either equities or bonds. And, looking beyond the immediate noise, keep an eye on new emerging long-term trade trends.

3

Get “real” on interest rates

Figure 3:
Inflation is poised to move gently higher



Source: Bloomberg Finance L.P., Deutsche Bank Wealth Management.
As of November 2016.

Get “real” on interest rates

We are all getting used to the likelihood that interest rates could move higher over the next few years. This will be a brave new world for most of us: developed market rate rises have been rare beasts since the start of the global financial crisis in 2008. And, as this will be unfamiliar territory, given the last few years, the risk is that we overestimate the scale of the problem: in fact, the rise in rates in 2017 is likely to be relatively modest albeit with the possibility of periods of overshooting. Note also that while the Fed is expected to continue its reinvestment program, effectively keeping its balance sheet at current levels, the European Central Bank (ECB) and Bank of Japan (BoJ) will continue to expand theirs.

Even so, you do need to keep an eye on inflation – and its likely impact on real (i.e. inflation-adjusted) yields. In part due to base effects from 2016 and oil prices, headline inflation could move higher. Core inflation – excluding volatile items,

such as energy – is grinding higher in many economies already. This is likely to prove an important discussion point for markets in the first half of 2017.

This may demand a slow, and regularly reassessed, readjustment of investment strategy.

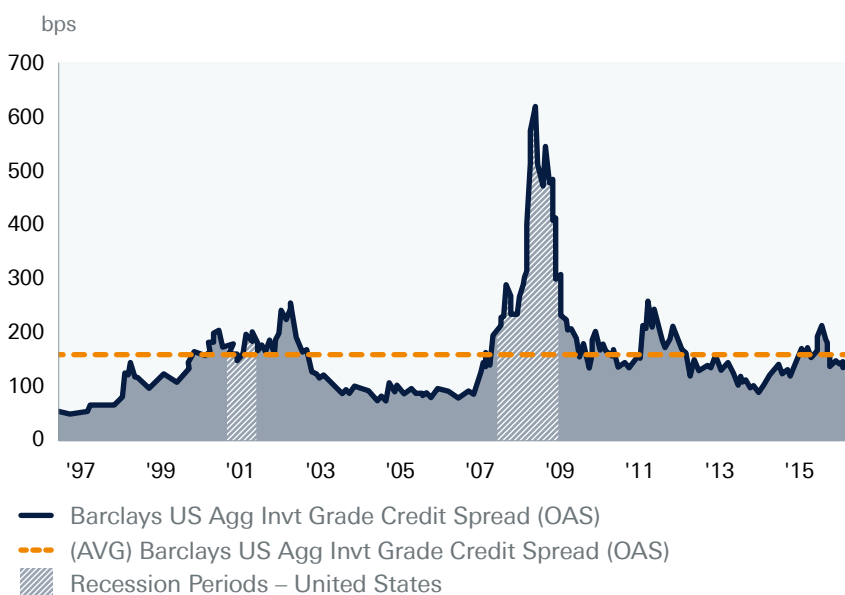
Markets

An immediate response might be, depending on pricing, to use floating rate notes or inflation-protected government bonds. At a deeper level, there may be a case for becoming more cautious on some but not all high-dividend sectors and bond proxies. By contrast, financials could benefit from a steeper yield curve.



Give credit to the bond market

Figure 4:
Investment grade spreads remain above their historic lows



Source: FactSet, Deutsche Bank Wealth Management. Data as of November 2016.

Give credit to the bond market

The main focus may be on equities in 2017, but the long-awaited “great rotation” from bonds to equities should not yet be upon us. Fixed income certainly proved much more volatile than equities in the wake of the U.S. elections and the Fed December rate hike decision, and slightly higher inflation could create headwinds in the coming year. But the process is likely to be slow. Also, despite some upward blips in yields in the past (e.g. in Germany in April–June 2015 and the more globalized taper tantrum of 2013), investors have so far proved very reluctant to shift money out of fixed income over the longer term. Perceived political risk, particularly in Europe, may provide a continuing reason for investors to sit tight.

Markets

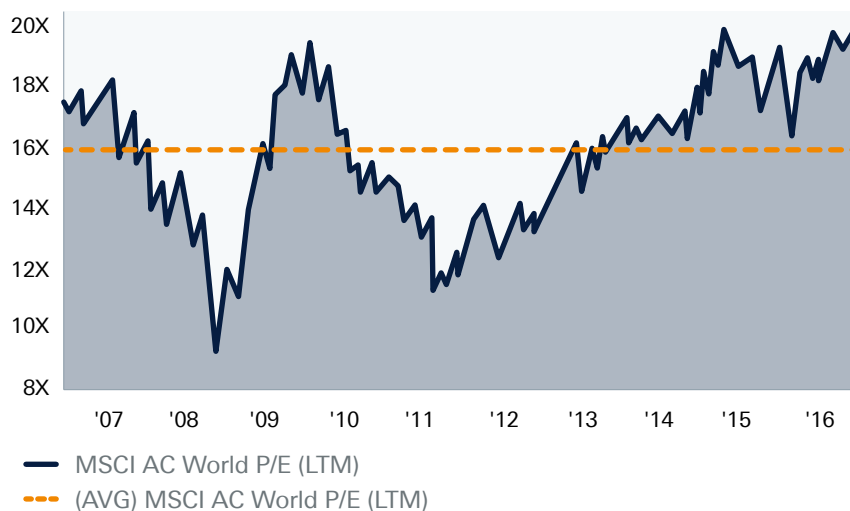
There are also likely to be opportunities in corporate debt. Investment grade could remain attractive, in part because of its underpinning in Europe by ECB purchases. High yield spreads remain

well above historic lows, but we are growing rather more cautious on this asset class. Emerging market bonds have been under pressure recently from concerns over rising sovereign rates but, as we noted above, future rate rises are likely to be modest, helping this sub-asset class – although selectivity will remain important. So, beyond just providing diversification, fixed income is likely to continue to have an important role to play in portfolios.

5

All eyes on earnings

Figure 5:
Global valuations are already high in historical terms



Source: FactSet, Deutsche Bank Wealth Management. Data as of November 2016.

All eyes on earnings

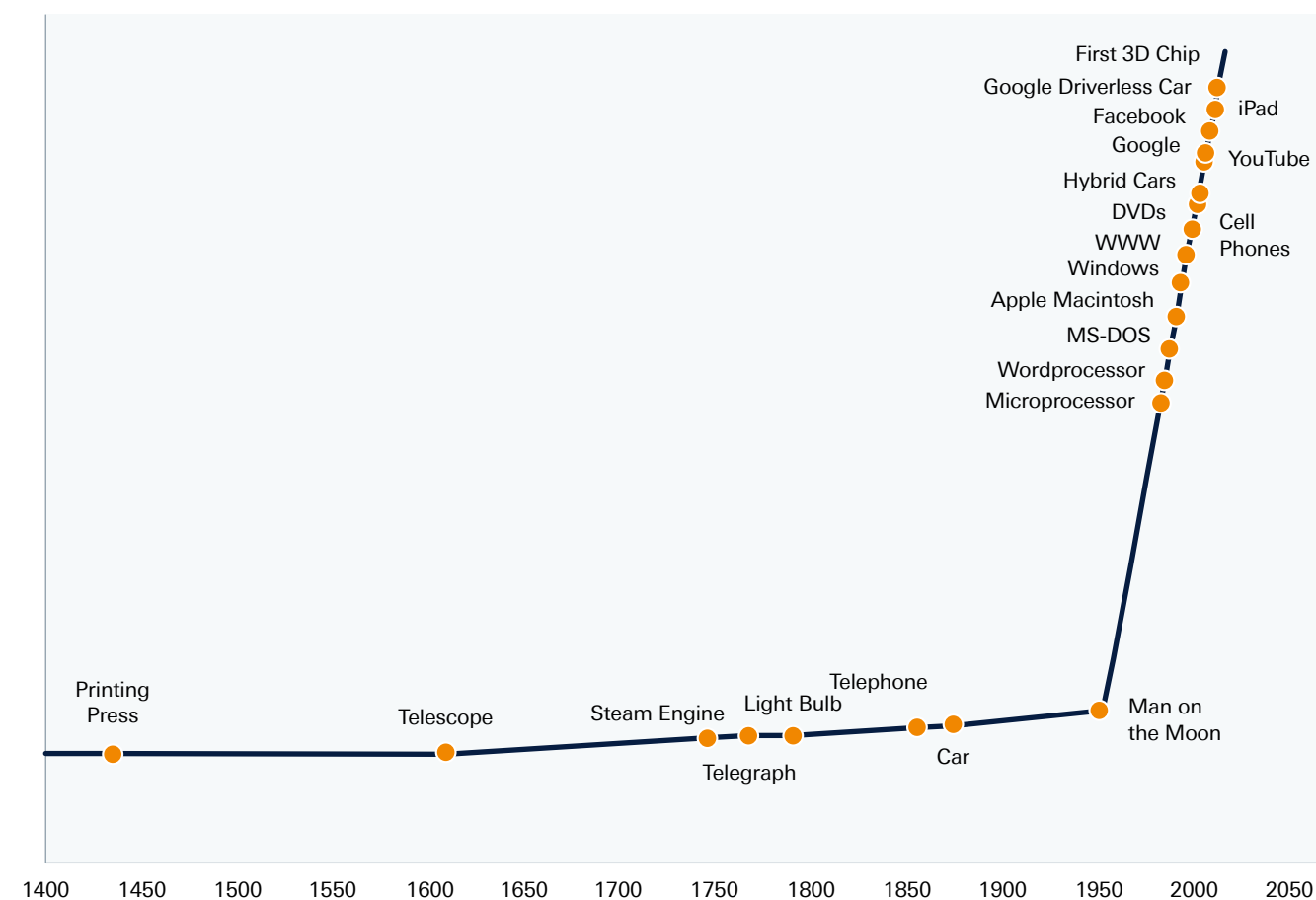
Earnings will be particularly important in 2017 as valuation multiples seem unlikely to go much higher. Price/earnings (P/E) valuations in the U.S. are now at their highest level in over a decade. Higher interest rates and a maturing economic cycle will further limit the scope for additional P/E expansion.

Markets

With earnings likely to be the main driver of returns in 2017, it is important first of all to know what sectors you are buying when investing in individual regions. For Europe, the most important contributor to 2017 earnings growth is likely to be financials; in the U.S. it is likely to be energy; in Japan, probably industrials; and in the emerging markets, probably

technology. The next question should be the degree of confidence one should have in earnings forecasts for each sector. The European indices' reliance on financials, as well as upcoming elections, keeps us cautious on Europe. By contrast, we think that the U.S. and Japan have the potential to surprise on the upside. Emerging market earnings dependence on technology may prompt some short-term volatility around trade policy discussions, but should provide longer-term support. Of the additional factors affecting earnings, exchange rates are certain to prove important in a way that goes beyond their impact on overall export competitiveness.

Figure 6:
The speed of technological change has accelerated



Source: ASGARD, Deutsche Bank Wealth Management. Data as of November 2016.



NextGen tech

NextGen tech

Technological progress and technology-led gains in productivity remain key determinants of economic growth. Within information technology, there are some areas that seem likely to prove particularly interesting in the medium term. These include technologies applied to infrastructure (infratech), to healthcare (healthtech) and to financial services (fintech).

Infratech is likely to benefit from Donald Trump's plans to revamp America's aging public infrastructure; this is a program that will have major implications beyond the narrow construction sector. Meanwhile, healthtech should benefit from two concurrent secular trends: longevity and personal health consciousness. Technological progress has been most

apparent in the biotech sub-sector that seeks new ways of curing illnesses but is also prevalent in specialized medical equipment manufacturing as well as in medical screening software, to name a few prominent examples. At an individual level, the scope for further personal health monitoring (via "wearables" or other devices) remains large. There is also considerable potential for technological innovation in financial services, of fintech – for example through "robo-advisory" tools and a more technologically sophisticated banking infrastructure.

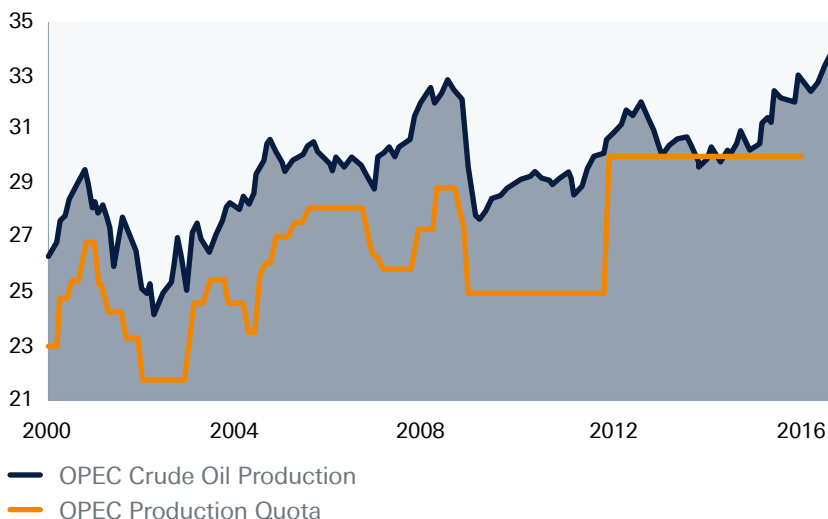
Markets

Overall, the information technology sector currently appears attractive on an absolute basis and relative to the S&P 500.

7

Topped-off oil markets

Figure 7:
OPEC usually overshoots its quotas
mn barrels/day



Source: Bloomberg Finance L.P., Deutsche Bank Wealth Management.
Data as of November 2016.

Topped-off oil markets

As we are all well aware, crude oil has been in a buyer's market for much of the past three years. Supply has consistently caught up with and exceeded demand, even when prices have been very low. Key to this has been U.S. shale producers' ability to cut production costs radically over a very short period of time, making the U.S. one of the world's top three oil producers globally in 2016.

While we foresee a slight further rise in oil prices in 2017, we do not think that these market dynamics are likely to change fundamentally. OPEC is likely to find it difficult to implement its November 2016 production cuts in full and, even if it manages it, U.S. production looks set to increase steadily in response, even on the basis of quite conservative productivity growth assumptions. As a result, even if the OPEC deal manages to markedly reduce output, reduced production levels may

need to be kept in place for some time to bring down global oil inventories – which may place unacceptable fiscal pain on some OPEC members.

The implication, particularly given expected U.S. dollar strength, is that a substantial further rise in oil prices is unlikely: we forecast a price of \$58/barrel at end 2017 (for WTI, West Texas Intermediate). We would therefore be cautious on the energy sector overall.

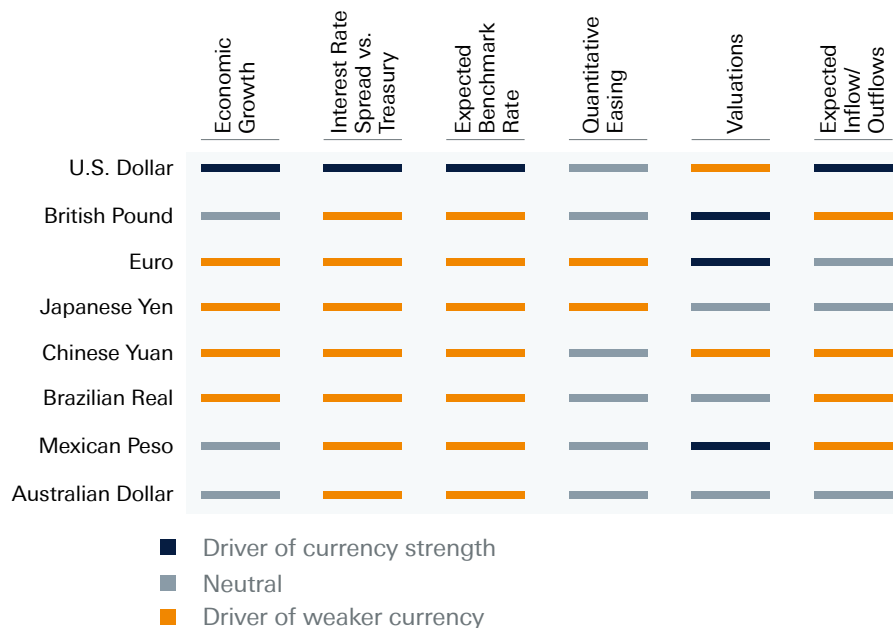
Markets

Rather than focusing on the price of crude, we would however look at how to benefit from increased oil volumes – e.g. through oil transport or storage-led investment. In the U.S., this could be through Masters Limited Partnerships (MLPs).



Making the dollar great again!

Figure 8:
Some key factors impacting currency strength



Source: Deutsche Bank Wealth Management. Assessment as of December 2016.

Making the dollar great again!

U.S. dollar strength is set to be a key theme in 2017, for a variety of reasons. There is likely to be the obvious divergence in interest rate policy between the tightening Federal Reserve in the U.S. and a decisively “dovish” rest of the world. Moreover, the currency is likely to be reinforced by continued stronger economic growth in the U.S. than in Europe or Japan. Rate differentials between the U.S. and other developed economies should encourage demand for U.S. debt and thus U.S. dollars: currently, for example, the spread between the 10-year U.S. Treasury and the 10-year German Bund is at its widest level in the whole history of the Eurozone and sizeable spreads are likely to persist through 2017. Not everything is positive for the U.S. currency – high existing equities valuations may be a negative in this context – but the balance of factors seems firmly tilted towards U.S. dollar strength.

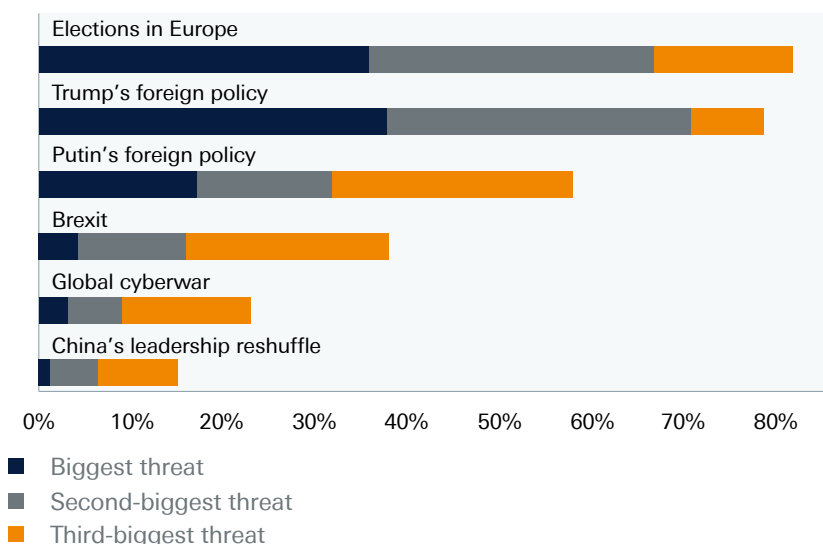
Markets

There could be multiple other investment implications of a strong U.S. dollar. Overall, it is likely to be a drag on commodities and it certainly argues for a selective approach to emerging markets debt. But exporters in economies with weaker currencies (e.g. Europe and Japan) should benefit, boosting their equity markets. Keep an eye too on inflation implications for countries with sharply weaker currencies, for example the U.K.

9

Navigating headline hysteria

Figure 9:
Global risks



Footnotes: Data estimated from survey of 146 economists conducted November 18-28, 2016.
Source: Bloomberg Finance L.P., Deutsche Bank Wealth Management. Data as of November 2016.

Forthcoming European elections

Netherlands:

Legislative elections (March 2017)

France:

Presidential election (April and May 2017);

Legislative elections (June 2017)

Germany:

Federal elections (Autumn 2017)

Czech Republic:

Legislative elections (October 2017)

Hungary:

Legislative elections (in or before

Spring 2018)

Italy:

Legislative elections (possible)

Navigating headline hysteria

2016 was a year full of unsettling headlines and subsequent market overreactions, in most cases soon reversed. This may be even more the case in 2017, where we will first have to cope with the implementation of key commitments made in 2016 (most obviously, Mr. Trump's policy priorities and the triggering of Article 50 by the U.K. to commence the Brexit process). And there are a lot of other new possible disruptive factors too – ranging from elections in Europe, to possible realignments in foreign policy, the upcoming Chinese leadership reshuffle and general concerns about cyber security, among others. An additional point to remember is that in the past monetary policy tightening cycles – as we are now embarking on, in the U.S. at least – have often led to periods of

increased volatility. At the moment, market volatility also seems rather low for the level of global economic policy uncertainty.

Investors will therefore need to distinguish between short-lived market overreactions (as happened, for example, after the Brexit referendum vote) and longer-term structural market shifts.

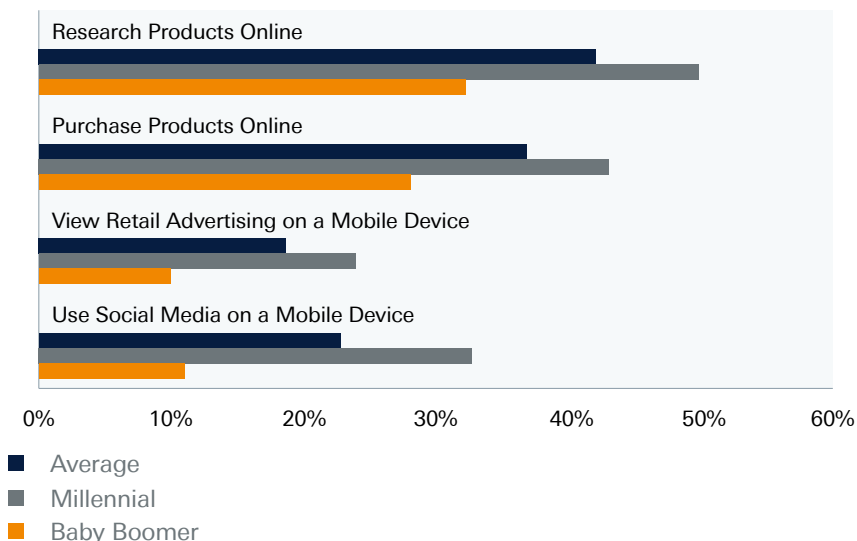
Markets

In general, 2017 could prove to be a year where portfolios may benefit from a degree of tailored risk engineering intended to provide protection against volatility so as to ensure smoother portfolio returns irrespective of market behavior. There may also be scope for investment approaches addressing specific market scenarios and risks.

10

Tomorrow's themes today

Figure 10:
Millennials love technology



Footnotes: Data as of Q1 2016.

Source: Deutsche Bank Global Markets, Deutsche Bank Wealth Management

Tomorrow's themes today

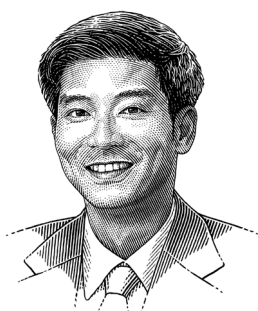
It is always important to look beyond immediate market movements and identify longer-term themes. Infrastructure is one of these, with demand here not limited to the United States. In fact, emerging markets' share of global infrastructure spending is expected to rise to 60 percent between 2016 and 2030.

Cyber security, global aging, and millennials are three other key themes. Cyber security is a very rapidly growing problem, as illustrated by a recent estimate that the U.S. government is expected to budget \$19 billion for it in 2017, a 35 percent increase on 2016. Global aging is likely to be an even bigger driver of spending and (as with infrastructure) this is an issue for emerging markets too. The implications of global aging go well beyond healthcare: it should have an impact

on insurance and financial services in general, as well as spending on travel and leisure. Further down the aging tree, the spending patterns of millennials (roughly speaking, those born in the 1980s and 1990s) are becoming an increasingly important economic driver. Owning property is unfeasible for this group in many urban areas, meaning a reliance on renting. Millennials have a fondness for consumer technology spending and this in turn affects their approach to other consumer purchases. They also have a greater focus on lifestyle spending – for example, on healthy nutritional habits – than the demographic cohorts that went before them.

MULTI ASSET

The new realities for diversification and returns



Tuan Huynh
CIO APAC and
Head of DPM APAC

Since the U.S. elections, we have had to re-examine many familiar assumptions. The biggest change, from a multi-asset perspective, is that we have seen a clear trend reversal in sovereign yields that puts a question mark over the future benefits of diversification and returns. Rising yields reflect market concerns about future inflationary pressures as well as policy uncertainty. Equity markets have fared better to uncertainty, reacting positively to the prospect of policy-driven growth boosting corporate earnings. It remains to be seen which assessment – fixed income pessimism or equity optimism – will be right in the longer term. This will make asset allocation and careful portfolio selection all the more important.

Another interesting trend is that volatility in bond markets has risen sharply, but remains subdued in equity markets (Figure 13). Central-bank bond purchases have contained capital-market volatility globally in recent years, not just directly but also indirectly, especially for higher-yielding fixed-income segments. Given the low-interest-rate environment in Europe and political uncertainties ahead, it remains critical to diversify both across asset classes and across regions globally.

Fixed income still has value

Fixed income is likely to face headwinds from low and rising yields. We maintain our cautious stance towards sovereigns but still see some opportunities in

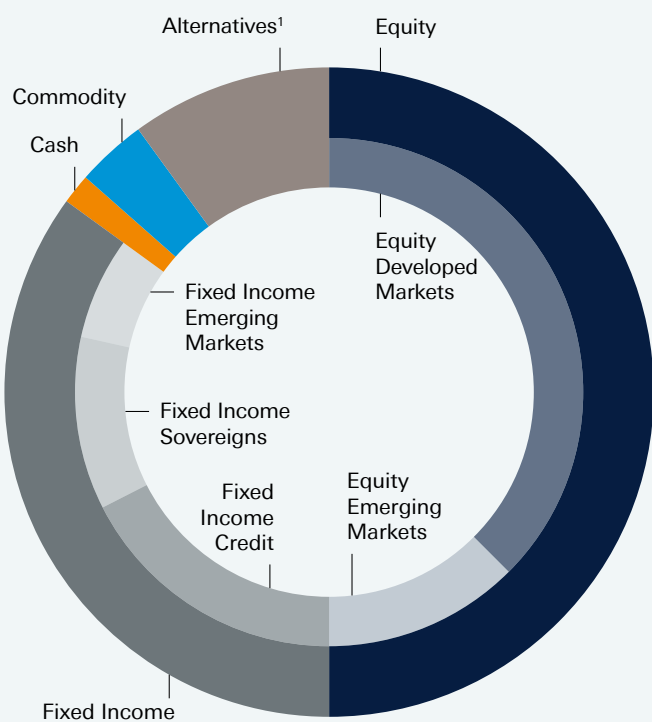


Figure 12:
Asset allocation (balanced portfolio as of
December 10, 2016)

Equity	
Developed Markets	37.5%
Emerging Markets	12.5%
Fixed Income	
Credit	17.5%
Sovereigns	11.0%
Emerging Markets	6.5%
Cash	1.5%
Commodity	3.5%
Alternatives	10.0%

Footnote: Asset allocation as of December 10, 2016. ¹ Alternative investments are not suitable for and may not be available to all investors. Restrictions apply.

Sources: APAC Regional Investment Committee, Deutsche Bank Wealth Management. This allocation may not be suitable for all investors.

Past performance is not indicative of future returns. No assurance can be given that any forecast, investment objectives and/or expected returns will be achieved. Allocations are subject to change without notice. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment may fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Readers should refer to disclaimers and risk warnings at the end of this document.

Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Readers should refer to disclosures and risk warnings at the end of this document. Produced in December 2016.

investment grade. The remaining yield is less attractive but we expect ongoing diversification benefits from including fixed income in a portfolio, provided sovereign yields do not overshoot substantially. Strategically, we have a bias towards shorter duration, by actively managing interest-rate sensitivity, and continue to take some risk in fixed-income credit, albeit to a lesser extent than previously. We remain invested in high yield (HY) and emerging markets hard-currency debt from an income perspective but on a selective basis and have recently become rather more cautious on the former.

Modest equity returns

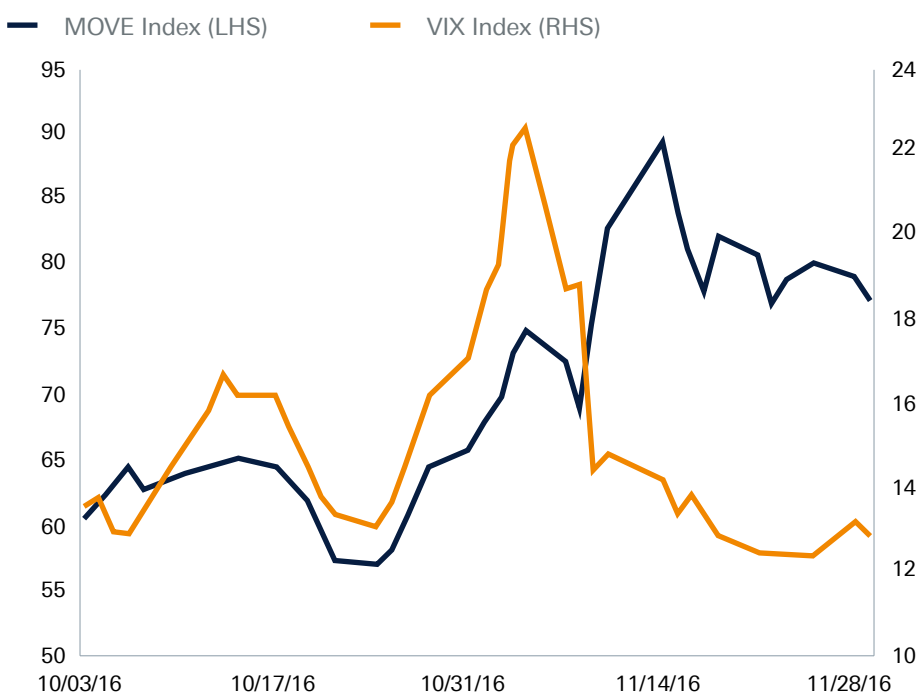
Overall, the risk/reward profile for equities clearly seems to have become more favorable compared to fixed income. For now, we therefore prefer to take on risk via equities and have increased our exposure to this asset class. But we must always remember that, in historical terms, we are very late in the equities cycle. This cycle may be extended for perhaps another year thanks to fiscal stimulus in the United States but average equity returns much over the mid-single-digit range look unlikely in 2017.

Consider return components

For this reason, it is particularly important to focus on the different components of total return, most notably income via coupons on fixed-income credit and dividends on the equity side. Following recent volatility, there are plenty of opportunities to build up positions provided the securities are selected with adequate care.

Within equities, we prefer the U.S. and Japan over Europe. Despite stabilizing commodity prices and the continued earnings recovery in selected emerging markets, these markets may be overshadowed by concerns around some

Figure 13:
Divergent Equity (VIX) and Treasuries (MOVE) volatility indices



Source: Bloomberg Finance L.P., Deutsche Bank Wealth Management. Data as of November 29, 2016.

of President-elect Trump's economic policies. For this reason we currently prefer developed markets over emerging markets.

Currencies are critical

Currency movements are another critical consideration when managing a portfolio. We see the U.S. dollar trending higher against the euro, reaching parity by the end of 2017, and also expect it to gain ground against the Japanese yen. Alternative investments, particularly in certain infrastructure segments, may be worth considering. Gold may struggle to make significant gains from its current price but could serve as a better diversifier than sovereigns over the course of next year. This late in the investment cycle, active risk management remains more critical than ever.

Another interesting trend is that volatility in bond markets has risen sharply, but remains subdued in equity markets.

Glossary

The **Bank of Japan (BoJ)** is the central bank of Japan.

Brexit is a combination of the words "Britain" and "Exit" and describes the possible exit of the United Kingdom of the European Union.

Bunds are longer-term bonds issued by the German government.

Congress is the bicameral federal legislature of the United States.

Commodity Trading Advisors (CTAs) strategies involve trading futures contracts traded on exchanges.

Consumer discretionary goods are those which are non-essential to consumer goods; consumer discretionary stocks therefore tend to underperform the overall in a struggling economy and outperform in an upturn.

Core inflation refers to a measure of inflation which excludes some volatile components (e.g. energy). These excluded components can vary country by country.

Correlation is a statistical measure of how two securities (or other variables) move in relation to each other.

The **current account balance** is the balance of trade, net primary income or factor income and net cash transfers.

Discretionary macro strategies attempt to gain from macroeconomic, policy or political changes.

Diversification refers to the dispersal of investments across asset types, geographies and so on with the aim of reducing risk or boosting risk-adjusted returns.

Dividends are payments made by a company to its shareholders.

Earnings per share are calculated as a companies' net income minus dividends of preferred stock all divided by the total number of shares outstanding.

An **emerging market (EM)** is a country that has some characteristics of a developed market in terms of market efficiency, liquidity and other factors, but does not meet standards to be a developed market.

The **European Central Bank (ECB)** is the central bank for the Eurozone.

The **Eurostoxx 50 Index** tracks the performance of blue-chip stocks in the Eurozone; the **Eurostoxx 600** has a wider scope, taking in 600 companies across 18 European Union countries.

The **Federal Reserve** is the central bank of the United States. Its **Federal Open Market Committee (FOMC)** meets to determine interest rate policy.

Fintech is a general term for the innovative application of information technology in the financial sector.

The **FTSE 100 Index** tracks the performance of the 100 major companies trading on the London Stock Exchange.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Hedge funds are alternative, less regulated investment vehicles using pooled funds that may use a number of different strategies in order to earn active return for their investors.

High yield (HY) bonds are high-paying bonds with a lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds.

Infratech refers to the application of technology in infrastructure.

JPY is the currency code for the Japanese yen, the Japanese currency.

Long/short equity strategies are investing strategies of taking long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline.

Mergers and acquisitions (M&A) are two key methods of corporate consolidation: A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed.

Millennials is a term used to refer to people born in the 1980s and 1990s, although this definition can vary.

Master Limited Partnership (MLP) are limited partnerships that are publicly traded on an exchange.

The **MSCI Asia ex Japan Index** captures large- and mid-cap representation across 2 of 3 developed market countries (excluding Japan) and 8 emerging market countries in Asia.

The **MSCI EM Index** captures large- and mid-cap representation across 23 emerging market countries.

The **MSCI Japan Index** is designed to measure the performance of the large- and mid-cap segments of the Japanese market.

A **nominal** rate or value does not make adjustments to reflect factors such as seasonality or inflation.

The **Organization of the Petroleum Exporting Countries (OPEC)** is an international organization with the mandate to "coordinate and unify the petroleum policies" of its 12 members.

Price/earnings (P/E) ratios measure a company's current share price relative to its per-share earnings. In this context, LTM refers to last 12 months' earnings.

Protectionism refers to policies due to limit trade between economies, through tariffs, quotas or other means.

Quantitative easing (QE) is an unconventional monetary policy tool, in which a central bank conducts a broad-based asset purchase.

The **S&P 500 Index** includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

Share buybacks are purchases by a company of shares on the open market, undertaken for a variety of reasons.

A **strategic asset allocation** process involves setting preferred allocations for asset classes on a medium- to long-term time horizon.

The **Swiss Market Index (SMI)** includes 20 large- and mid-cap stocks.

Targeted long-term refinancing operations (TLTROs) are used by the ECB to provide financing to Eurozone banks.

A **trade-weighted exchange rate index** is weighted according to the share of trade with each partner country.

The **Trans Pacific Partnership (TPP)** is a planned trade agreement between 12 Pacific Rim countries.

Treasuries are bonds issued by the U.S. government.

Trend-following strategies are based on technical analysis of market moves, rather than on the underlying fundamentals.

Valuation attempts to quantify the attractiveness of an asset, for example through looking at a firm's stock price in relation to its earnings.

Volatility is the degree of variation of a trading-price series over time.

West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing.

The **VIX Index** refers to the CBOE Index which measures the implied volatility of S&P 500 Index options. It is a broadly-used measure of market volatility.

The **World Trade Organization (WTO)** is an intergovernmental organization, founded in 1995, that provides a framework for trade agreements.

The **yield curve** shows the different rates for bonds of differing maturities but the same credit quality.

Disclaimer

Past performance is not indicative of future returns. No assurance can be given that any forecast, investment objectives and/or expected returns will be achieved. Allocations are subject to change without notice. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Investments are subject to investment risk, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. Investments come with risk. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time.

Investments in Foreign Countries – Such investments may be in countries that prove to be politically or economically unstable. Furthermore, in the case of investments in foreign securities or other assets, any fluctuations in currency exchange rates will affect the value of the investments and any restrictions imposed to prevent capital flight may make it difficult or impossible to exchange or repatriate foreign currency.

Macroeconomics Risk – Such investments may be in countries that prove to be politically or economically unstable. Furthermore, in the case of investments in foreign securities or other assets, any fluctuations in currency exchange rates will affect the value of the investments and any restrictions imposed to prevent capital flight may make it difficult or impossible to exchange or repatriate foreign currency.

Equity Market Risk – Risks in equity markets are linked to the change of spot and forward prices of equities on the relevant stock exchanges. These changes can be specifically influenced by, among others, the relevant companies' financial health, dividend yields, repurchase rates and other macroeconomic factors.

Fixed Income Risk – The values of the fixed income instruments will fluctuate and may lose value, as bond values decline as interest rates rise. Certain bonds and fixed income instruments may be callable. If called, the investor will experience a shorter maturity than anticipated. Bonds referenced herein are exposed to credit risk, or the risk that the bond will be downgraded, and inflation risk, or the risk that the rate of the bond's yield will not provide a positive return over the rate of inflation. Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Alternative investments – (such Hedge Funds, Private Equity, Non Traded REITs) may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients.

Deutsche Bank AG, Deutsche Bank Wealth Management, as of December 14, 2016.

Important information

Deutsche Bank Wealth Management is the brand name of the Wealth Management business unit of Deutsche Bank Group, offering high net worth clients a broad range of traditional and alternative investment solutions, providing a holistic service for all aspects of Wealth Management.

This document has been prepared without consideration of the investment needs, objectives or financial circumstances of any investor. Before making an investment decision, investors need to consider, with or without the assistance of an investment adviser, whether the investments and strategies described or provided by Deutsche Bank, are appropriate in light of their particular investment needs, objectives and financial circumstances. Furthermore, this document is for information/discussion purposes only and does not constitute an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice.

Deutsche Bank does not give tax or legal advice. Investors should seek advice from their own tax experts and lawyers, in considering investments and strategies suggested by Deutsche Bank. Investments with Deutsche Bank are not guaranteed, unless specified.

Investments are subject to various risks, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time. Furthermore, substantial fluctuations of the value of the investment are possible even over short periods of time.

The terms of any investment will be exclusively subject to the detailed provisions, including risk considerations, contained in the offering documents. When making an investment decision, you should rely on the final documentation relating to the transaction and not the summary contained herein.

Past performance is no guarantee of current or future performance. Nothing contained herein shall constitute any representation or warranty as to future performance.

Although the information herein has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. Opinions and estimates may be changed without notice and involve a number of assumptions which may not prove valid. The document was not produced, reviewed or edited by any research department within Deutsche Bank and is not investment research. Therefore, laws and regulations relating to investment research do not apply to it. Any opinions expressed herein may differ from the opinions expressed by other Deutsche Bank departments including research departments.

As a diversified global financial services firm, Deutsche Bank and its affiliates engage in a broad spectrum of activities including commercial and investment banking, lending, principal investing, financial and merger and acquisition advisory services, underwriting, investment management activities, fund administration, providing depository bank and custody services, sponsoring and managing private investment funds, brokerage, trustee and similar activities on a world-wide basis. In the ordinary course of business, Deutsche Bank and its affiliates may engage in activities in which their interests or the interests of their clients may conflict with the interests of the investors. We or our affiliates or persons associated with us or such affiliates ("Associated Persons") may (i) maintain a long or short position in securities referred to herein, or in related futures or options, and (ii) purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation.

This document may contain forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. The forward looking statements expressed constitute the author's judgment as of the date of this material. Forward looking statements involve significant elements of subjective judgments and analyses and changes thereto and/or consideration of different or additional factors could have a material impact on the results indicated. Therefore, actual results may vary, perhaps materially, from the results contained herein. No representation or warranty is made by Deutsche Bank as to the reasonableness or completeness of such forward-looking statements or to any other financial information contained herein.

This document may not be reproduced or circulated without our written authority. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, including the United States, where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Deutsche Bank to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction.

Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions.

Unless notified to the contrary in a particular case, investment instruments are not insured by the Federal Deposit Insurance Corporation ("FDIC") or any other governmental entity, and are not guaranteed by or obligations of Deutsche Bank AG or its affiliates.

Important information

Hong Kong

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the investments contained herein. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document has not been approved by the Securities and Futures Commission in Hong Kong nor has a copy of this document been registered by the Registrar of Companies in Hong Kong and, accordingly, (a) the investments (except for investments which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”)) may not be offered or sold in Hong Kong by means of this document or any other document other than to “professional investors” within the meaning of the SFO and any rules made thereunder, or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (“CO”) or which do not constitute an offer to the public within the meaning of the CO and (b) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the investments which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the investments which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made thereunder.

Singapore

The contents of this document have not been reviewed by the Monetary Authority of Singapore (MAS). The investments mentioned herein are not allowed to be made available to the public or any members of the public in Singapore other than (i) to an institutional investor under Section 274 or 304 of the Securities and Futures Act (Cap 289) (“SFA”), as the case may be, (ii) to a relevant person (which includes an Accredited Investor) pursuant to Section 275 or 305 and in accordance with other conditions specified in Section 275 or 305 respectively of the SFA, as the case may be, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

© 2016 Deutsche Bank AG

Risk warnings

Investments are subject to investment risk, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time.

Investments in Foreign Countries – Such investments may be in countries that prove to be politically or economically unstable. Furthermore, in the case of investments in foreign securities or other assets, any fluctuations in currency exchange rates will affect the value of the investments and any restrictions imposed to prevent capital flight may make it difficult or impossible to exchange or repatriate foreign currency.

Foreign Exchange/Currency – Such transactions involve multiple risks, including currency risk and settlement risk. Economic or financial instability, lack of timely or reliable financial information or unfavorable political or legal developments may substantially and permanently alter the conditions, terms, marketability or price of a foreign currency. Profits and losses in transactions in foreign exchange will also be affected by fluctuations in currency where there is a need to convert the product's denomination(s) to another currency. Time zone differences may cause several hours to elapse between a payment being made in one currency and an offsetting payment in another currency. Relevant movements in currencies during the settlement period may seriously erode potential profits or significantly increase any losses.

High Yield Fixed Income Securities – Investing in high yield bonds, which tend to be more volatile than investment grade fixed income securities, is speculative. These bonds are affected by interest rate changes and the creditworthiness of the issuers, and investing in high yield bonds poses additional credit risk, as well as greater risk of default.

Hedge Funds – An investment in hedge funds is speculative and involves a high degree of risk, and is suitable only for “Qualified Purchasers” as defined by the U.S. Investment Company Act of 1940 and “Accredited Investors” as defined in Regulation D of the 1933 Securities Act. No assurance can be given that a hedge fund's investment objective will be achieved, or that investors will receive a return of all or part of their investment.

Commodities – The risk of loss in trading commodities can be substantial. The price of commodities (e.g., raw industrial materials such as gold, copper and aluminium) may be subject to substantial fluctuations over short periods of time and may be affected by unpredicted international monetary and political policies. Additionally, valuations of commodities may be susceptible to such adverse global economic, political or regulatory developments. Prospective investors must independently assess the appropriateness of an investment in commodities in light of their own financial condition and objectives. Not all affiliates or subsidiaries of Deutsche Bank Group offer commodities or commodities-related products and services.

Investment in private equity funds is speculative and involves significant risks including illiquidity, heightened potential for loss and lack of transparency. The environment for private equity investments is increasingly volatile and competitive, and an investor should only invest in the fund if the investor can withstand a total loss. In light of the fact that there are restrictions on withdrawals, transfers and redemptions, and the funds are not registered under the securities laws of any jurisdictions, an investment in the funds will be illiquid. Investors should be prepared to bear the financial risks of their investments for an indefinite period of time.

Investment in real estate may be or become nonperforming after acquisition for a wide variety of reasons. Nonperforming real estate investment may require substantial workout negotiations and/or restructuring.

Environmental liabilities may pose a risk such that the owner or operator of real estate may become liable for the costs of removal or remediation of certain hazardous substances released on, about, under, or in its property. Additionally, to the extent real estate investments are made in foreign countries, such countries may prove to be politically or economically unstable. Finally, exposure to fluctuations in currency exchange rates may affect the value of a real estate investment.

Structured solutions are not suitable for all investors due to potential illiquidity, optionality, time to redemption, and the pay-off profile of the strategy. We or our affiliates or persons associated with us or such affiliates may: maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation. Calculations of returns on the instruments may be linked to a referenced index or interest rate. In such cases, the investments may not be suitable for persons unfamiliar with such index or interest rates, or unwilling or unable to bear the risks associated with the transaction. Products denominated in a currency, other than the investor's home currency, will be subject to changes in exchange rates, which may have an adverse effect on the value, price or income return of the products. These products may not be readily realizable investments and are not traded on any regulated market.

Contacts CIO Wealth Management

Global Chief Investment Officer

Christian Nolting¹
Global Chief Investment Officer (CIO)

Regional Chief Investment Officer

Larry V. Adam⁴
CIO Americas

Tuan Huynh⁶
CIO Asia

Stéphane Junod⁹
CIO EMEA

Johannes Müller¹
CIO Germany

Strategy Group

Larry V. Adam⁴
Global Chief Strategist

Dr. Helmut Kaiser¹
Chief Strategist Germany

Gérard Piasko⁸
CIO Switzerland, Chief Strategist EMEA

Chief Investment Office

Markus Müller¹
Global Head CIO Office

Sebastian Janker¹
Head CIO Office Germany

Jürg Schmid⁸
Head CIO Office EMEA

Jeff Ng⁶
Head CIO Office Asia

Graham Richardson²
Financial Writer, CIO Office

Khoi Dang⁵
CIO Office Americas

Enrico Börger⁹
CIO Office EMEA

International locations

1. Deutsche Bank AG
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
2. Deutsche Bank AG, London
105/108 Old Broad St (Pinnars Hall)
EC2N 1EN London
UK
3. Deutsche Bank Trust Company
345 Park Avenue
10154-0004 New York, NY
United States
4. Deutsche Bank Securities
1 South Street
21202-3298 Baltimore, MD
United States
5. Deutsche Bank Trust Company,
National Association
5022 Gate Parkway, Suite 400
Jacksonville
United States
6. Deutsche Bank AG, Singapore
One Raffles Quay, South Tower
048583 Singapore
Singapore
7. Deutsche Bank AG, Hong Kong
1 Austin Road West
Hong Kong
Hong Kong
8. Deutsche Bank (Switzerland) Ltd.
Hardstrasse 201
8005 Zurich
Switzerland
9. Deutsche Bank (Switzerland) Ltd.
Place des Bergues 3
1211 Geneva 1
Switzerland